

Asia Pacific Bond Fund

An investment fund option for variable life insurance products of **The Manufacturers Life Insurance Co., (Phils), Inc.**

Investment Objective

The Fund seeks to maximize returns from a combination of capital appreciation and income generation. The Fund primarily invests in a diversified portfolio of fixed income securities, issued by governments, agencies, supra-nationals and corporate issuers in the Asia Pacific region.

Fund Information

Inception Date October 2011	Fund Size USD 10.42 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.038	Management Fee 2.00% per annum	Bloomberg Ticker MPUSAPB	Average Credit Rating A
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (November 30, 2023)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	5.27%	1.17%	2.67%	-11.88%	0.87%	3.80%
Annualized	n.a.	n.a.	2.67%	-4.13%	0.17%	0.31%

Asian Countries

- show robust fiscal conditions
- offer higher growth prospects than developed markets
- have potential to benefit from favorable monetary policies
- have strengthened their credit worthiness
- sit on a large foreign cushion

Asia Bonds

- have risen rapidly since 1997 to over USD 10 trillion and are expected to continue to grow
- are diversified and highly rated but still underrepresented in global indices
- have delivered outstanding risk-adjusted returns over the past decade

Strategy Highlights

- A unique and balanced approach to investing in Asian bonds, mixing local currency and hard currency strategies.
- A rigorous and multi-dimensional risk management process from product design to portfolio construction and performance reporting.
- A direct access to the fast growing Asia bond market, leveraging expertise from over 50 dedicated fixed income professionals located in 10 countries and territories across Asia.

Top Ten Holdings

	%
Korea Treasury Bond 2.25% 12/10/2025	5.86
Indonesia Treasury Bond 6.125% 05/15/2028	5.47
Korea Treasury Bond 2.375% 12/10/2031	4.93
Asian Development Bank 6.2% 10/06/2026	4.88
Malaysia Government Bond 4.181% 07/15/2024	4.61
Philippine Government Bond 6.125% 08/22/2028	4.32
Indonesia Treasury Bond 7.125% 06/15/2042	3.75
United States Treasury Note/Bond 4% 11/15/2052	3.50
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	3.30
United States Treasury Note/Bond 4.125% 08/15/2053	3.17

Sector Allocation[^]

	%
Treasuries	48.35
Government-Related	25.53
Corporate	25.53
Cash & Cash Equivalents	0.59

Geographical Allocation[^]

	%
South Korea	22.89
Indonesia	15.56
Supranationals	9.77
Philippines	9.48
Hong Kong	8.45
Australia	8.01
United States	7.09
China	5.22
New Zealand	5.19
Malaysia	4.63
Singapore	3.71

Currency Allocation[^]

	%
USD	38.46
KRW	13.11
AUD	11.78
IDR	11.21
PHP	6.94
INR	6.60
NZD	5.19
MYR	4.63
SGD	2.08

[^]Figures may not sum to 100 due to rounding.

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Market Review

In the United States, US Treasury yields plummeted as the Federal Reserve held rates on pause for a second consecutive meeting and data indicated softening inflation and economic conditions. The consumer price index rose 3.2% in October (year-on-year) but was flat on a sequential basis. Retail sales fell by 0.1% (month-on-month) for the same month, the first contraction registered in seven months. Over the month, the 10-year US Treasury yield fell from 4.93% to 4.33%.

In China, Caixin's Manufacturing Purchasing Managers moved lower in October (49.5) from September (50.6), falling into contraction territory (a reading of less than the 50 mark). China local government bond yields ranged traded over the period. In India, local government bond yields fell as inflation decelerated to 4.87% (year-on-year) in October, within the Reserve Bank of India's inflation target and marked a five-month low. Third quarter GDP grew by 7.6% (year-on-year) and was above market estimates. The India sovereign issued an inaugural 50-year local government bond and was well received by investors. In Indonesia, local government bond yields moved significantly lower on the back of plunging US Treasury yields, positive investors sentiment and continued moderation of inflation (2.56%-year-on-year) in October. Bank Indonesia (BI) mentioned they are confident that inflation will remain within 2% to 4% by end-2023 and 1.5% to 3.5% in 2024.

Asian investment grade (IG) credits posted positive performance for the month amid lower US Treasury yields and positive investors sentiment globally. Credit spreads on the J.P. Morgan Investment Grade Corporate Bond Index tightened by 14bps over the month; the J.P. Morgan Asian Investment Grade Corporate Bond Index increased by 3.11%. Asian higher beta markets such as India and Indonesia outperformed. China technology, media and telecom (TMT) credits generally traded sideways, despite the selloff in equity markets following weaker than expected earnings. Moody's two-notch downgrade of a Chinese investment grade (IG) property developer from Baa2 to Ba1 surprised the market, with bond rating dropping into high yield territory and triggered moderate selling by some IG bond mandates. New issue activities picked up as issuers took advantage of lower yields to complete their USD refinancing plans for the year. Philippines sovereign, China and Australia financials were major issuers for the month, with several South Korean issuers in the pipeline.

Most Asian currencies strengthened against the US dollar in November amid the global risk-on investors sentiment. The South Korean won was a regional outperformer on the back of October exports expanding for the first time in 13 months and strong inflows into the equity market. In contrast, the Indian rupee underperformed as the central bank has been actively buying the US dollar to rebuild its foreign reserve.

Outlook

We believe the path of Fed policy will be increasingly data dependent going forward and view that US Treasury yields offer increasingly attractive valuations. In Asia ex-China region, we believe most Asian central banks, such as Indonesia and India, are close to the end of its monetary tightening cycle amid downward inflation trend environment; the increased foreign investment will likely drive sustained economic growth in this region. In China, we have seen signals of the central government's commitment to contain systematic risk, particularly related to the Local Government Financing Vehicle (LGFV). While we are not expecting the policymaker to roll out a massive stimulus by leveraging the nation's balance sheet, we expect more similar measures to contain systematic risk and provide ongoing support to other important economic drivers such as consumption and infrastructure to stabilize growth. With the property sector, we believe the measures will likely to be piecemeal and require time to gradually resolve the structural issues, such as oversupply of residential housing and weak funding access by non-state-owned developers. We expect policies to continue to center in stimulating demand by lowering the borrowing cost and rebuilding homebuyer's confidence, which in turn stabilizes primary home sales gradually.

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