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 10.27 million	**Fund Currency** US dollar	**Dealing/Valuation** Daily
Price (NAV/unit) USD 1.005	**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 (September 30, 2023)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-2.05%	-2.05%	2.45%	-12.61%	-1.18%	0.50%
Annualized	n.a.	n.a.	2.45%	-4.39%	-0.24%	0.04%

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 indicies
- 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

Top Ten Holdings	%
Korea Treasury Bond 2.25% 12/10/2025	5.62
Korea Treasury Bond 2.375% 12/10/2031	4.64
Malaysia Government Bond 4.181% 07/15/2024	4.62
Indonesia Treasury Bond 7.125% 06/15/2042	3.70
United States Treasury Note/Bond 4% 11/15/2052	3.50
China Huaneng Group Hong Kong Treasury Management Holding Ltd 2.85% Perpetual	3.24
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	3.21
Asian Development Bank 3.9% 02/17/2026	3.10
Indonesia Treasury Bond 6.125% 05/15/2028	2.84
Indonesia Government International Bond 5.25% 01/17/2042	2.76

Sector Allocation^

Sector Allocation^	%
Treasuries	39.17
Corporate	28.99
Government-Related	25.61
Cash & Cash Equivalents	6.23

Geographical Allocation^

Geographical Allocation^	%
South Korea	24.15
Indonesia	12.71
China	10.33
Philippines	9.38
Hong Kong	8.29
Australia	8.09
Singapore	7.28
United States	5.24
New Zealand	5.02
Supranationals	4.88
Malaysia	4.63

Currency Allocation^

Currency Allocation^	%
USD	45.15
KRW	12.40
AUD	11.82
IDR	8.55
PHP	6.82
NZD	5.02
MYR	4.63
SGD	3.85
INR	1.77

^Figures may not sum to 100 due to rounding.

Asia Pacific Bond Fund

Market Review

In the United States, US Treasury yields trended higher amid the “higher for longer” message from the Federal Reserve due to economic strength and elevated prices. During the September FOMC meeting the Federal Reserve held interest rate steady; dot plots indicate the possibility of one more hike before the end of the year and fewer cuts than previously indicated next year. US CPI in August rose to 3.7% (year-on-year), slightly above market expectations. Over the month, the 10-year US Treasury yield trended higher from 4.11% to 4.57%.

In China, Caixin’s Manufacturing Purchasing Managers’ Index moved higher in August (51.0) from July (49.2), returning to economic expansion on the back of increased domestic orders. Over the month, the People’s Bank of China (PBoC) cut the Reserve Requirement Ratio (RRR) by 25 bps. China local government bond yield trended higher over the period. In India, the inflation decelerated in August (6.83% year-on-year). Over the month, JP Morgan announced that the country’s sovereign debt would be included in its flagship emerging market government debt indices starting in June 2024. India local government bond yield trended higher over the period. In Indonesia, Bank Indonesia (BI) continued to keep its policy rate unchanged at 5.75%, while inflation ticked up in August (3.27% year-on-year). Indonesia local government bond yield moved higher over the period.

Asian investment grade (IG) credits posted negative performance for the month due to US Treasury sell-off, while credit spread holding up firmly. Credit spreads on the J.P. Morgan Investment Grade Corporate Bond Index tightened by 5bps; the J.P. Morgan Asian Investment Grade Corporate Bond Index decreased by 0.75%. Overall, Asia credit spread continued to be supported by favourable market technical with light new issuances in September. Several quality issuers have repurchased its USD bonds in open market in the month, to take advantage of the cheaper onshore funding cost and lower dollar price by Treasury yield movement. Sentiment in Chinese credits was driven by mixed headlines, including relaxation of housing measures in key cities and rating agency’s negative rating actions on the property sector and other quality developers in response to prolonged sector downturn. Outside of China, India took the spotlight with J.P. Morgan to include India in the GBI-EM index starting in 2024. Other positive idiosyncratic headlines included Adani Group securing fresh investment for its French JV partner in its renewable arm.

Most Asian currencies weakened against the US dollar in September amid the risk off investors sentiment. The Philippine peso was a regional outperformer on the back of expectations of central bank intervention. In contrast, the Thai baht underperformed amid concerns on widening fiscal deficit and increasing oil price.

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, the weaker-than-expected economic recovery, sluggish housing data and lingering liquidity challenge faced by home builders continued to weigh on market confidence. While the government has gradually rolled out support for private enterprises and the housing market, we are closely monitoring how these measures could stabilize the housing market and restore confidence.