

Asia Pacific Bond Fund

An investment fund option for the 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 16.06 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.092	Management Fee 2.00% per annum	Bloomberg Ticker MPUSAPB	Average Credit Rating A-
Investment Fund Manager (the "Manager") Manulife Asset Management (Hong Kong) Limited			

Performance Return (July 31, 2019)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.37%	5.71%	6.23%	2.25%	3.61%	9.20%
Annualized	n.a.	n.a.	6.23%	0.74%	0.71%	1.14%

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 1.75% 06/10/2020	4.48
Korea Treasury Bond 2.25% 12/10/2025	4.43
Malaysia Government Bond 4.048% 09/30/2021	4.06
Export-Import Bank of Korea 6.75% 08/09/2022	3.88
Malaysia Government Bond 4.181% 07/15/2024	3.43
Indonesia Treasury Bond 7% 05/15/2022	3.37
Philippine Government Bond 3.5% 04/21/2023	3.08
Indonesia Treasury Bond 8.375% 03/15/2024	2.76
Bank of China Ltd 5% 11/13/2024	2.71
Indonesia Treasury Bond 8.25% 07/15/2021	2.64

Sector Allocation[^]

	%
Government & Government-Related	67.98
Corporate	31.24
Cash & Cash Equivalents	0.78

Geographical Allocation[^]

	%
South Korea	20.98
China	19.93
Indonesia	12.09
Malaysia	12.07
Australia	9.49
Philippines	8.69
Hong Kong	6.10
New Zealand	4.83
Thailand	1.98
Supranationals	1.38
Others	2.46

Currency Allocation[^]

	%
USD	41.47
IDR	13.46
AUD	9.98
KRW	9.75
MYR	7.49
INR	5.89
PHP	4.66
NZD	4.09
THB	1.98
SGD	1.22

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

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Market and Portfolio Review

In the US, the 10-year US Treasury yields were range trading around the 2% region amid building expectations of an interest rate cut by the Fed. The Federal Reserve cut its key interest rate by 25bps at its late July meeting, which was widely expected by investors. Post meeting comments indicated the cut was a mid-cycle adjustment to help the US economy amid global uncertainty.

In China, Caixin's manufacturing Purchasing Managers' index fell in June below the 50 neutral mark, signaling an economic contraction. Indian government bond yields decreased due to the new government's Union Budget projections of a lower budget deficit, which suggest a lower supply of local government bonds going forward. In Indonesia, the central bank reduced its key interest rates by 25 bps to 5.75%. This was the first cut in nearly two years and aimed to help mitigate the impact from the US-Sino trade tensions.

Asian credit markets posted positive returns for the month due to the positive credit carry and tighter credit spreads for Asian investment grade credit. The JP Morgan Asian Investment Grade Corporate Bond Index increased by 0.50% in US dollar terms.

The performance of Asian currencies was mixed against the US dollar over the period. Indonesian rupiah was one of the better performing currencies, as this high-yielding bond market gained appeal amid building expectations of a Fed rate cut. Australian dollar was one of the weaker performing currencies amid lower commodity prices.

Outlook

Developments of the Sino-US trade tensions are likely to take the limelight of financial markets. Asian economies face external headwinds arising from softer global demand and potential for a widening trade war. High quality Asian credits are likely to be well supported in the near term during periods of uncertainty, whilst we also favor Asia bond markets with supportive economic fundamentals and attractive yields. We believe the potential negative economic repercussion from the trade tariffs on the US economy and lower US yield environment reduces the scope for broad US dollar strength. From a regional perspective, Asian central banks have room to adopt accommodative monetary policies to offset impact from trade tensions.

Source: Bloomberg, Manulife Asset Management; 31 July 2019.

Disclaimer

The Asia Pacific Bond Fund is an investment fund option for The Manufacturers Life Insurance Co. (Phils.), Inc.'s Affluence Max and Affluence Max Gold, and is managed by Manulife Asset Management (Hong Kong) Limited.

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