

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 16.41 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.088	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 (June 30, 2019)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.26%	5.32%	6.15%	3.52%	3.52%	8.80%
Annualized	n.a.	n.a.	6.15%	1.16%	0.69%	1.10%

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	4.50
KOREA TREASURY BOND 2.25% 12/10/2025	4.40
MALAYSIA GOVERNMENT 4.048% 09/30/2021	3.96
EXPORT-IMPORT BANK KOREA 6.75% 08/09/2022	3.72
MALAYSIA GOVERNMENT 4.181% 07/15/2024	3.41
INDONESIA GOVERNMENT 7% 05/15/2022	3.21
PHILIPPINE GOVERNMENT 3.5% 04/21/2023	2.95
INDONESIA GOVERNMENT 8.375% 03/15/2024	2.65
BANK OF CHINA 5% 11/13/2024	2.64
INDONESIA GOVERNMENT 8.25% 07/15/2021	2.61

Sector Allocation[^]

	%
Government & Government-Related	68.84
Corporate	29.96
Cash & Cash Equivalents	1.19

Geographical Allocation[^]

	%
South Korea	20.63
China	18.26
Malaysia	11.83
Indonesia	11.65
Philippines	8.40
Australia	8.07
Hong Kong	6.02
New Zealand	4.76
Thailand	4.37
Singapore	2.81
Others	3.20

Currency Allocation[^]

	%
USD	39.45
IDR	12.93
AUD	9.87
KRW	9.74
MYR	7.37
INR	5.67
PHP	4.46
THB	4.37
NZD	4.03
SGD	2.12

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

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Market and Portfolio Review

In the US, Treasury yields were lower due to building expectations of Fed interest rate cuts. At the June FOMC meeting, the Federal Reserve released a statement holding the fed funds rate steady, but opened the door for future rate cuts if economic conditions deteriorate. The 10-year US Treasury yield fell from 2.13% to 2.00% over the period.

In China, the Caixin's manufacturing Purchasing Managers' Index in May was 50.2, unchanged from the previous month, beating market expectations and still indicating economic expansion. Indian government bond yields trended lower, as the Reserve Bank of India slashed rates by 25 basis points (bps) in early June and investors anticipated further rate cuts. In Indonesia, government bond yields moved significantly lower, as foreigners were net buyers of bonds amid sovereign credit upgrade from Standard and Poor's and a dovish guidance by the central bank. Bank Indonesia signaled future rate cuts as it lowered the bank reserve requirements at its June meeting.

Asian credit markets posted positive returns for the month as credit spreads tightened and Treasury yields trended lower. The JP Morgan Asian Investment Grade Corporate Bond Index increased by 1.28% in US dollar terms.

Asian currencies generally strengthened against the US dollar in June as market expectations of interest rate cuts from the Fed were increasing. The Korean won was one of the better performing currencies amid positive outcomes from the G20 meeting and improved global investors' sentiment.

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 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 are likely to adopt accommodative monetary policies to offset impact from trade tensions and amid lower domestic inflation conditions.

Source: Bloomberg, Manulife Asset Management; 30 June 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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