Manulife Asset Management

November 30, 2019

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 15.30 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 1.099

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 (November 30, 2019)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.27%	6.39%	6.80%	8.60%	5.47%	9.90%
Annualized	n.a.	n.a.	6.80%	2.79%	1.07%	1.17%

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 1.75% 06/10/2020	4.77
Korea Treasury Bond 2.25% 12/10/2025	4.70
Malaysia Government Bond 4.048% 09/30/2021	4.18
Export-Import Bank of Korea 6.75% 08/09/2022	3.73
Malaysia Government Bond 4.181% 07/15/2024	3.62
Indonesia Treasury Bond 7% 05/15/2022	3.52
Philippine Government Bond 3.5% 04/21/2023	3.29
Indonesia Treasury Bond 8.375% 03/15/2024	2.86
Rizal Commercial Banking Corp 4.125% 03/16/2023	2.71
Huarong Finance 2019 Co Ltd 3.75% 05/29/2024	2.66

Sector Allocation^

Sector Allocation^	%
Government & Government-Related	67.54
Corporate	31.63
Cash & Cash Equivalents	0.83

Geographical Allocation^

Geographical Allocation^	%
South Korea	20.35
China	17.06
Indonesia	13.51
Philippines	9.34
Malaysia	9.21
Australia	8.39
Hong Kong	6.47
New Zealand	5.00
United States	4.58
Thailand	2.68
Others	3.40

Currency Allocation^

Currency Allocation^	%
USD	41.91
IDR	13.54
KRW	10.40
AUD	8.74
MYR	7.82
INR	5.77
PHP	5.07
NZD	4.16
THB	1.37
SGD	1.24

^Figures may not sum to 100 due to rounding.

Asia Pacific Bond Fund

Market and Portfolio Review

In the US, Treasury yields generally rose on the back of optimism over a potential phase-one Sino-US trade deal, before retracing to lower levels towards the end of the month amid ongoing trade negotiations. The 10-year US Treasury yield rose from 1.69% to 1.78% over the period.

In China, Caixin's manufacturing Purchasing Managers' Index in October rose to 51.7, moving further into expansion territory and beating market expectations. China government bond yields fell slightly over the period. Moody's downgraded its outlook on India's credit rating outlook from "stable" to "negative" due to concerns over economic growth. India's third quarter GDP slowed to 4.5% y-o-y, the slowest pace in six years and raising market expectations for further interest rate cuts. Indian government bond yields range traded over the period. In Indonesia, the central bank left the 7-day reverse repo rate unchanged at 5%, in-line with expectations, but cut the reserve requirement ratio for banks by 50bps. Indonesian government bond yields rose slightly over the period.

Overall, Asian investment grade credit markets posted positive returns for the month as credit spreads tightened. Credit spreads on the JP Morgan Asian Investment Grade Corporate Bond Index tightened by 6bps. The JP Morgan Asian Investment Grade Corporate Bond Index increased by 0.28% in US dollar terms. New Asian corporate bond issuance continued but at a slower pace than previous months.

Performance of Asian currencies was mixed against the US dollar over the period. China's renminbi was one of the better performing currencies on the back of optimism over a potential phase-one Sino-US trade deal. The Australian dollar was one of the weaker performing currencies amid dovish comments by the Australian central bank.

Outlook

We believe developments of the Sino-US trade discussions are likely to continue to take the limelight of financial markets and potentially catalyst further market volatility. Developed market (DM) central banks have generally responded by adopting monetary policy easing measures to offset the rising external uncertainty, subsequently leading to a rise in number of negative yielding DM government bonds of around US$12 trillion. Asian economies face external headwinds arising from softer global demand and potential for a widening trade war. In this environment, we favor Asia bond markets with supportive fundamentals and attractive yields. Demand for high quality Asian credits is likely to be well supported periods of uncertainty and a negative DM bond yield environment. From a regional perspective, Asian central banks have room to adopt further accommodative monetary policies to offset impact from trade tensions, which is supportive for Asian local currency bond markets.