

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 15.48 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.178	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, 2020)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.08%	6.03%	7.19%	10.40%	18.15%	17.80%
Annualized	n.a.	n.a.	7.19%	3.35%	3.39%	1.82%

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	4.96
China Huadian Overseas Development Management Co Ltd 4% Perpetual	4.00
Malaysia Government Bond 4.181% 07/15/2024	3.78
Export-Import Bank of Korea 6.75% 08/09/2022	3.64
Philippine Government Bond 3.5% 04/21/2023	3.61
Indonesia Treasury Bond 7% 05/15/2022	3.56
Malaysia Government Bond 4.048% 09/30/2021	3.44
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	2.94
Indonesia Treasury Bond 8.375% 03/15/2024	2.92
Rizal Commercial Banking Corp 4.125% 03/16/2023	2.75

Sector Allocation[^]

	%
Corporate	37.32
Treasuries	33.02
Government-Related	26.81
Cash & Cash Equivalents	2.84

Geographical Allocation[^]

	%
China	20.73
South Korea	14.58
Indonesia	14.12
Philippines	13.26
Malaysia	8.60
Australia	7.54
Hong Kong	6.05
New Zealand	5.42
Singapore	2.71
United States	2.63
Taiwan	1.65
Others	2.71

Currency Allocation[^]

	%
USD	49.54
IDR	11.51
AUD	9.57
MYR	7.22
KRW	5.90
PHP	5.67
INR	5.00
NZD	2.95
THB	1.34
SGD	1.29

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

Asia Pacific Bond Fund

Market Review

In the United States, Treasury yields seesawed over the period on the back of US election results, vaccine optimism, mixed economic data and fading economic stimulus. Positive vaccine news and greater clarity of Biden's victory helped boost risk sentiment. Towards the end of the month, Treasury yields retreated after the disappointing retail sales data and Treasury Secretary Steven Mnuchin declined to extend the Fed's stimulus programs that used Congress' CARES Act funds. The 10-year Treasury yield fell from 0.87% to 0.84% over the period.

In China, economic data suggested its post-COVID recovery likely accelerated. Caixin's manufacturing Purchasing Managers' Index moved higher in October (53.6) from September (53.0), the sixth consecutive month in expansion territory. Over the period, Chinese onshore government bonds yields moved higher. In India, October inflation rose 7.6% year-on-year on the back of elevated food prices, exceeding the Reserve Bank of India (RBI)'s target for the seventh straight month and suggesting a longer wait for traditional interest rate cuts. Indian local government bond yields moved higher over the period. In Indonesia, local government bond yields trended lower as Bank Indonesia unexpected by some market participants, slashed key interest rates by 25bps to 3.75%, citing projected low inflation, external stability maintenance and the need to expedite economic recovery.

Asian investment grade credit markets posted positive returns for the month amid lower US Treasury yields and tightened credit spreads. Credit spreads on the JP Morgan Asian Investment Grade Corporate Bond Index tightened by 11bps. Long-dated South East Asian oil producers outperformed over the period. The Trump administration imposed new investment restriction on some Chinese entities which casted uncertainty and led to weak price action, but remained localized, around the Chinese state-owned-enterprises on the list; these names recovered modestly toward the end of the period on the back of Biden's indication to end 'damaging executive orders'. The J.P. Morgan Asian Investment Grade Corporate Bond Index rose by 0.78% in US dollar terms. Primary market was largely quiet with only a handful of issuers tapping the market amid softer sentiment around investment restriction on some Chinese entities and US Thanksgiving holiday.

Most of Asian currencies strengthened against the US dollar over the period. The Australian dollar and Indonesian rupiah were the better performing currencies amid rising commodity prices and upbeat economic data respectively.

Outlook

North Asia economic activity has gradually picked up as COVID-19 situation remains somewhat stabilized and have reopened their economies to varying degrees. Despite the increasingly positive results from vaccine trials, we remained mindful of potentially another wave of infections in Winter, as we see an increase in COVID-19 cases in US and Europe. Nevertheless, we believe the combination of the global low interest rate environment and quantitative easing programs is supportive for range bound US Treasury yields. We expect global and Asian investment grade credit to remain supported, though the pace and magnitude for further credit spread compression could be circumscribed given the rally from March this year. Asian credit consists of state-owned-enterprises, which can benefit from potential government support and policies, and they typically have relatively lower fallen angel risks, making this segment well-placed to weather a COVID-19 induced economic slowdown. On the other hand, we see pockets of opportunities in Asian local currency bond markets such as China and Indonesia. Strategy-wise, we focus on credit selection, capturing dislocations and mitigating key risks in the portfolio. We expect the primary market activity to slowdown as we move into the final month of the year. Overall, we believe current valuations of Asian IG credit are attractive in the global context, considering Asia's more resilient underlying fundamentals and strong government sponsorship in the corporate sector.

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 Investment Management (Hong Kong) Limited.

The Investment Funds ("Funds") mentioned in this document are specific to variable life insurance contracts and are not considered mutual funds. Yields depend on interest and foreign exchange rate levels, both of which may fluctuate. Other factors that affect yield include changes in the credit standing of the issuers and changes in the value of the stocks and dividends received. Further, investments of the Funds may provide that their values be determined based on prices or yields of other securities, instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of these investments and, in turn, the Funds' yields. Thus, the performance of the separate account(s) is not guaranteed and the value of the policy could be less than the capital invested subject to any specified minimum guarantees. THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS. Past performance of the Funds is not necessarily indicative of future performance. Yields are not guaranteed. Yields indicated are exclusive of charges associated with the variable life policy.

Manulife Investment Management™ is the institutional asset management arm of Manulife Financial. Manulife Investment Management™ and its affiliates provide comprehensive asset management solutions for institutional investors and investment funds in key markets around the world. This investment expertise extends across a full range of asset classes including equity, fixed income and alternative investments such as real estate, timber, farmland, as well as asset allocation strategies.

The opinions and portfolio holdings expressed are those of Manulife Investment Management™ ("Manulife IM") as of the date stated in the document, and are subject to change based on market and other conditions. The information in this document including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Manulife IM disclaims any responsibility to update such information. Information about the portfolio's holdings, asset allocation, or country diversification is historical and is not an indication of future portfolio composition, which will vary. All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Clients should seek professional advice for their particular situation. Neither Manulife Financial, Manulife Investment Management™, nor any of their affiliates or representatives is providing tax, investment or legal advice. Past performance does not guarantee future results. This material was prepared solely for informational purposes, does not constitute an offer or an invitation by or on behalf of Manulife IM to any person to buy or sell any security and is no indication of trading intent in any fund or account managed by Manulife IM. Investors should not make investment decisions based on this material alone. For details, please refer to the relevant investment policy and product key fact statements.