

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 15.55 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.102	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 (October 31, 2019)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.10%	6.68%	9.87%	4.75%	5.56%	10.20%
Annualized	n.a.	n.a.	9.87%	1.56%	1.09%	1.22%

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	4.76
Korea Treasury Bond 2.25% 12/10/2025	4.65
Malaysia Government Bond 4.048% 09/30/2021	4.10
Export-Import Bank of Korea 6.75% 08/09/2022	3.69
Indonesia Treasury Bond 7% 05/15/2022	3.55
Malaysia Government Bond 4.181% 07/15/2024	3.54
Philippine Government Bond 3.5% 04/21/2023	3.22
Indonesia Treasury Bond 8.375% 03/15/2024	2.82
Huarong Finance 2019 Co Ltd 3.75% 05/29/2024	2.66
Rizal Commercial Banking Corp 4.125% 03/16/2023	2.66

Sector Allocation[^]

	%
Government & Government-Related	68.28
Corporate	31.13
Cash & Cash Equivalents	0.58

Geographical Allocation[^]

	%
South Korea	20.33
China	18.16
Indonesia	13.46
Philippines	9.15
Malaysia	9.01
Australia	8.28
Hong Kong	6.36
New Zealand	4.95
United States	4.22
Thailand	2.62
Others	3.47

Currency Allocation[^]

	%
USD	42.25
IDR	13.60
KRW	10.31
AUD	8.73
MYR	7.65
INR	5.73
PHP	4.96
NZD	4.15
THB	1.34
SGD	1.28

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

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Market and Portfolio Review

In US, the Federal Reserve (Fed) cut its key interest rate by 25bps to a range of 1.50% to 1.75% at its October meeting amid concerns over trade tensions and potential global slowdown; this was the third rate cut in 2019. Post meeting comments from Fed Chairman Powell suggested the Fed may be on hold for the December meeting given the Fed's moderate US economic growth outlook, strong labor market conditions and inflation around 2% level. Nevertheless, Powell reiterated that they will "respond accordingly" should they see more evidence suggesting the economic outlook has worsen. US Treasury yields range traded over the period on the back of positive signs from US-China trade discussions and progress toward a Brexit deal during the month. The 10-year US Treasury yield rose from 1.67% to 1.69% over the period.

In China, Caixin's manufacturing Purchasing Managers' index in September rose to 51.4, indicating an economic expansion, whilst September's consumer price index rose by 3.0% year-on-year. China government bond yields rose amid rising inflation data. Indian government bond yields moved lower as the Reserve Bank of India cut the policy rate by 25 bps and signalled potential further cuts ahead. Government bond yields in Indonesia declined as Bank Indonesia cut its benchmark rate by 25 bps for a fourth consecutive month and President Widodo reappointed the previous finance minister to the new cabinet easing market concerns over a potential change in policy.

Overall, Asian investment grade credit markets posted positive returns for the month due positive carry and slightly tighter credit spreads. Credit spreads on the JP Morgan Asian Investment Grade Corporate Bond Index tightened by 3bps. The JP Morgan Asia Investment Grade Corporate Bond Index returned 0.34% in US dollar terms. Overall, primary market activity was active as issuers came to the market to capture the benign sentiment and to prefund their refinancing needs. Most new issues generally performed well amid investors' search for yield.

Majority of Asian currencies generally strengthened against the US dollar over the period. Export-based currencies, such as the Korean won and Taiwanese dollar were outperformers on the back of Sino-US trade deal optimism. In contrast, the Indian rupee was one of the weaker performing currency due to rising crude oil prices.

Outlook

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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.

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