

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 16.15 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.064	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 (May 31, 2019)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.28%	3.00%	1.72%	3.70%	1.62%	6.40%
Annualized	n.a.	n.a.	1.72%	1.22%	0.32%	0.82%

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 1.75% 06/10/2020	4.45
KOREA TREASURY BOND 2.25% 12/10/2025	4.34
MALAYSIA GOVERNMENT 4.048% 09/30/2021	3.95
EXPORT-IMPORT BANK KOREA 6.75% 08/09/2022	3.71
MALAYSIA GOVERNMENT 4.181% 07/15/2024	3.38
INDONESIA GOVERNMENT 7% 05/15/2022	3.19
PHILIPPINE GOVERNMENT 3.5% 04/21/2023	2.87
BANK OF CHINA 5% 11/13/2024	2.63
INDONESIA GOVERNMENT 8.25% 07/15/2021	2.59
INDONESIA GOVERNMENT 8.375% 03/15/2024	2.59

Sector Allocation[^]

	%
Government & Government-Related	68.38
Corporate	29.20
Cash & Cash Equivalents	2.42

Geographical Allocation[^]

	%
South Korea	20.92
China	17.41
Malaysia	12.01
Indonesia	11.65
Australia	8.12
Philippines	7.04
Hong Kong	6.17
New Zealand	4.90
Thailand	4.40
United States	2.26
Others	5.15

Currency Allocation[^]

	%
USD	39.88
IDR	12.94
AUD	9.98
KRW	9.84
MYR	7.49
INR	5.76
PHP	4.45
THB	4.40
NZD	4.09
SGD	1.18

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

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Market and Portfolio Review

In the US, Treasury yields were lower amid escalation in global trade tensions, concerns over slower global economic growth and a pronounced market shift to a pricing in of Fed rate cuts in 2019. The 10-year US Treasury yield fell from 2.50% to 2.13% over the period.

In China, the Caixin manufacturing Purchasing Managers' Index declined to 50.2 in April, missing market expectations. China onshore government bonds yield fell over the period. In India, local government bond yields trended significantly lower after incumbent Prime Minister Narendra Modi's Bharatiya Janata Party convincingly won the general elections and some market participants expect further interest rate cuts. In Indonesia, government bond yields moved slightly higher for the month as foreign investors were net sellers of bonds, although yields retraced lower after the country received a sovereign credit upgrade from Standard and Poor's at the end of the month. In Malaysia, the central bank cuts its key interest rate by 25bps to 3% as means to support the economy amid increasing concerns about global growth.

Asian credit markets posted positive returns for the month predominately due to lower US Treasury yields. The JP Morgan Asian Investment Grade Corporate Bond Index increased by 1.28% in US dollar terms.

Majority of Asian currencies were generally weaker against the US dollar for the month. The Thai baht was one of the better performing currencies, amid foreign inflows into the Thailand equity market on expectation the country would receive a larger weighting in the MSCI Emerging Markets Index. In contrast, the Chinese yuan was one of the weaker performing currencies on the back of rising Sino-US trade tensions and negative economic data.

Outlook

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.

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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