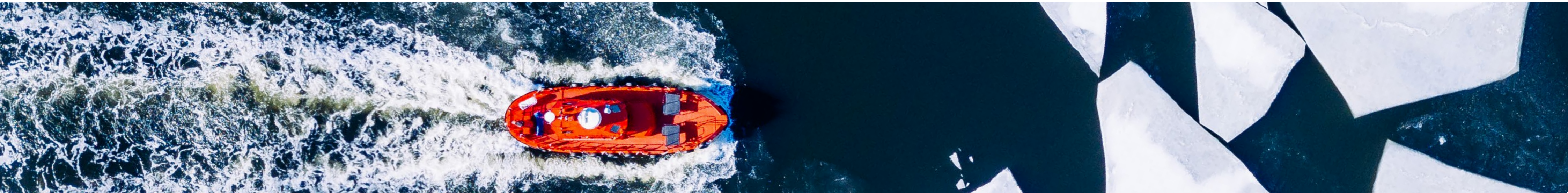
Manulife China Bank
LIFE ASSURANCE CORPORATION

Variable Unit-linked Funds

Annual Performance Report
as of December 31, 2021

2021

Contents



About Manulife China Bank Life Assurance Corporation

Manulife China Bank Life Assurance Corporation is a strategic alliance between Manulife Philippines and China Banking Corporation (China Bank). It provides a wide range of innovative insurance products and services to customers of China Bank as well as the bank's thrift arm, China Bank Savings (CBS). MCBL aims to ensure that every client receives holistic life, health, and wealth solutions to address his or her individual needs.

Since opening in October 2007, the company has grown into a business of significance for both Manulife and China Bank. The two strengthened their partnership further in 2014 when China Bank raised its equity stake in MCBL to 40%. MCBL is setting its sights on its next growth phase and reaffirming its mission to be the biggest, most professional bancassurance company in the industry that delivers extraordinary customer experience.

About Manulife Philippines

The Manufacturers Life Insurance Company opened its doors for business in the Philippines in 1907. Since then, Manulife's Philippine Branch and later The Manufacturers Life Insurance Co. (Phils.), Inc. (Manulife Philippines) has grown to become one of the country's leading life insurance companies. Manulife Philippines is a wholly owned domestic subsidiary of Manulife Financial Corporation, among the world's largest life insurance companies by market capitalization. Learn more about Manulife Philippines by visiting their website www.manulife.com.ph and following them on Facebook (www.facebook.com/ManulifePH), Twitter (@ManulifePH), and Instagram (@ manulifeph).

About China Bank

China Banking Corporation (China Bank), founded in 1920, is one of the leading universal banks in the Philippines, and is the country's first privately-owned local commercial bank. It was listed on the Philippine Stock Exchange in 1927 (PSE stock symbol: CHIB), became the first bank in Southeast Asia to process deposit accounts on-line in 1969, the first Philippine bank to offer phone banking in 1988, and acquired its universal banking license in 1991. It provides a full range of banking products and services to corporate, commercial, and retail customers through 637 branches to date, including 160 branches of its retail bank arm China Bank Savings (CBS), complemented by 1,034 ATMs nationwide (162 ATMs for CBS), as well as internet and mobile banking alternative channels and services. It also offers a wide array of allied financial services through its subsidiaries China Bank Capital Corp., China Bank Securities Corp., China Bank Insurance Brokers Inc., and affiliate Manulife China Bank Life Assurance Corp.

With a century of enduring relationships, marked by quality service to its generations of clients and significant contribution to the country's economy, China Bank remains committed to ethical and responsible banking, and as one of the largest and strongest, most respected and trusted financial institutions in the country. Visit www.chinabank.ph for more information.

Variable Unit-linked Funds

Net Asset Value

in thousands (based on Unaudited Figures)

Fund	2021	2020
Peso Target Distribution	**6,715,266**	6,283,327
Peso Growth	**5,926,386**	5,634,232
Peso Dynamic Allocation	**3,665,170**	3,771,805
Peso Secure	**1,482,596**	1,617,887
Peso Diversified Value	**1,643,089**	1,814,535
Peso Equity	**113,218**	120,469
Peso Target Income	**209,975**	213,257
Peso Bond	**65,423**	76,854
Peso Balanced	**50,757**	57,395
Peso Stable	**35,498**	42,698
Peso Cash	**13,417**	17,602
Wealth Optimizer 2026	**255,861**	235,110
Wealth Optimizer 2031	**57,110**	47,299
Wealth Optimizer 2036	**30,696**	28,611
Global Target Income	**17,356,621**	9,950,610
USD ASEAN Growth	**421,886**	543,133

Fund	2021	2020
USD Secure	**251,905**	300,731
USD Asia Pacific Bond	**77,077**	90,982
USD Bond	**76,608**	82,870
USD Wealth Premier	**0**	0
Power House Fund	**6,587,156**	5,576,097
MC USD Asia First FD	**54,051**	42,710
MCBL Chinabank Dollar Fixed Income VUL Fund	**219,481**	186,590
MCBL PHP Asia Pacific Property Income Fund	**3,205,698**	1,087,106
MCBL USD Asia Pacific Property Income Fund	**1,937,041**	1,210,268
MCBL Php Tiger Growth Fund	**49,770**	
MCBL Php Global Preferred Securities Income Fund	**335,463**	
MCBL Php US Growth Fund	**147,059**	
MCBL USD tiger growth fund	**28,978**	
MCBL USD Global Preferred Securities Income Fund	**91,465**	
MCBL USD US Growth Fund	**63,274**	
Total	**51,167,997**	**39,032,176**
Control	51,167,997	39,032,176
Difference	-	-

Based on December 31, 2021 unaudited figures submitted to the Insurance Commission on January 20, 2021.

Market Review and Outlook

Philippine Equity
Review

The Philippine Stock Exchange Index (PSEi) ended slightly down, declining by 0.24% to close at 7,122 points in 2021. Market volatility was seen throughout the year as the economy goes through the cycles of reopening and lockdowns in tune with the rise and containment of COVID-19 infection in the country. In the first half of 2021, the country faced delays in COVID-19 vaccination deliveries while the capital Metro Manila was placed under strict community quarantine due to surging COVID-19 cases. The negative sentiment on the COVID-19 development to the economy during this period was further dampened by rising food prices brought by supply constraints. As a result, overall market weakness was observed in the first half of the year and reached a bottom of 6,080, a 15% decline from the start of the year.

The country saw COVID-19 vaccine deliveries in 2Q21, which prompted a market rally going into 3Q21. Although the deliveries and inoculation started slower than expectation, the country was able to eventually ramp up vaccination to reach 47% of the population by the end of the year. However, the market rally was cut short due to the surge in COVID-19 cases and subsequent higher quarantine restrictions brought about by variants Delta in 3Q21 and Omicron by the end of 2021. On the other hand, the country has also started to adapt to the pandemic with quarantine rules being less restrictive compared to the prior year. This is more evident with the adoption of Alert Level restrictions from Community Quarantine restriction classifications. Hence, we saw a gradual improvement in consumption spending which supported economic recovery. The country's GDP grew by around 7.1% in 3Q21 and consensus estimates point towards a 5% growth for the whole of 2021.

The government continued to support the economy by passing The Corporate Recovery and Tax Incentives Enterprise Act (CREATE) bill. This effectively reduces the corporate income tax rate, providing relief to businesses coping up with the changes brought by the pandemic. Meanwhile, Bangko Sentral ng Pilipinas (BSP) kept policy rates low to support the recovery of the economy.

Outlook

2022 will be a year that we will see significant changes in politics, pandemic and policies. We will see a shift in political environment as we go through national elections this year. The candidates this year are quite diverse, coming from different backgrounds and political alignments. Depending on who wins, we could see significant changes in reforms and priorities. However, whoever wins, the intrinsic factors for economic growth remain intact, driven by consumer spending, remittances and recovery from the pandemic. As for the pandemic, it will likely remain to clout the economic reopening but to a less degree given the higher vaccination rates while businesses have already adapted to the new normal. Lastly, we expect that 2022 to be a year when global policy interest rates rise to curb rising inflation. This could lead to volatility in both the local currency and asset valuation.

In terms of portfolio positioning, we have to take into consideration the sectors that would benefit from election spending such as consumer. The reopening of the economy will also push real estate and financial services closer to pre-pandemic levels. Meanwhile, there is also a growing demand for renewable energy to reduce emissions, carving out a potential for solar and wind power operators in the utilities space. Meanwhile living in the new normal highlighted the requirement to have stable internet connection and the likewise importance to have these defensive sectors such as telecommunication in our portfolios.

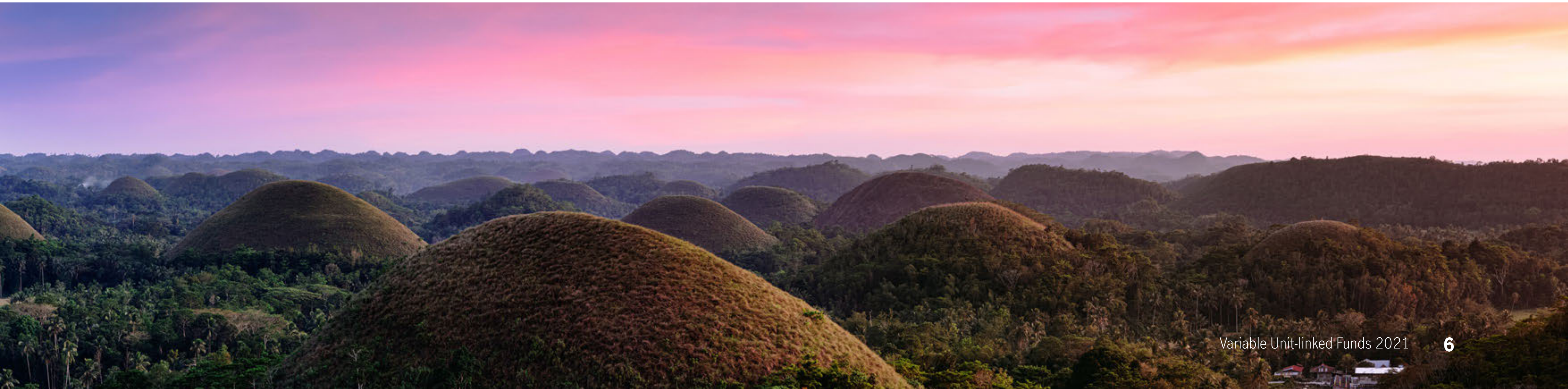
2022 will be a year that we will see significant changes in politics, pandemic and policies. We will see a shift in political environment as we go through national elections this year.

Peso Bond
Review

Last year was a challenging environment for the local fixed income market amidst high inflation and large government borrowing. Full-year inflation reached 4.5%, which is beyond the Bangko Sentral ng Pilipinas' (BSP) target range of 2-4% and higher than its latest inflation forecast of 4.4%. The BSP maintained its view that the uptick in inflation was transitory and driven by supply side disruptions while reiterating its commitment to an accommodative monetary policy until we see hard evidence of full recovery. Nevertheless, the elevated inflation throughout the whole year dampened the already fragile market sentiment. The external environment also did not help as the U.S. Federal Reserve started reducing the size of its monthly bond purchases and is expected to start hiking its policy rate this year.

Intermediate bonds bore the brunt of the sell-off as bond issuances by the Bureau of Treasury (BTr) were concentrated on the 5- to 10-year maturities. The frequency of bond issuance also increased from bi-monthly to weekly starting June, putting supply risk again on the spotlight. Furthermore, in November, the BTr surprised the market with a P360B 5-year Retail Treasury Bond (RTB) issuance, the second one for the year. The first RTB was a jumbo P463B 3-year bond issued in February.

The government estimates 2021 economic growth to fall within the range of 5 to 5.5%. While the economy has emerged from the unprecedented 9.5% contraction in 2020, 2021 had its share of wild swings with the government re-imposing Enhanced Community Quarantine (ECQ) in March/April and August on several areas in the Philippines, including Metro Manila, following spikes in COVID-19 cases. Vaccine rollout started slow but eventually picked up in the second half of the year as vaccine supplies increased. As of the first week of January 2022, 65.6% of the adult population have been fully vaccinated and the inoculation of booster doses is underway.



Peso Bond

Outlook

We expect supply risk to continue to dampen investor sentiment on the local bond market this year. While the BSP will likely keep policy rate at 2%, possible 2 to 3 rate hikes by the U.S. Federal Reserve may introduce another layer of uncertainties, including a potentially weaker Peso on the back of narrowing interest rate differential with the U.S. In terms of yield curve view, we think the belly might perform better this year as intermediate bonds hold significant premium over the short ends. On the other hand, performance of long-dated bonds will largely depend on BTr issuance behavior. Due to the very limited long-dated bond issuance in 2021, there seems to be some pent-up demand on this part of the curve. That said, the BTr may take advantage of this demand to focus its issuance on long-dated bonds this year to lengthen the duration of liabilities.

We expect inflation to moderate and fall within the BSP's target range of 2-4%; however, it may settle on the high end of the range as inflationary effects of supply bottlenecks linger. Furthermore, the likelihood of a weaker Peso vis-à-vis the U.S. Dollar this year, driven by an increase in economic activity and narrowing interest differential with the U.S., may increase cost of imports, including oil, adding to inflation risk.

Against this backdrop, we expect the macroeconomic environment to remain challenging for the local bond market but economic indicators are likely to improve as the economy reopens more broadly. Supply risk remains to be the dominant risk in the local bond market.

We expect the macroeconomic environment to remain challenging for the local bond market but economic indicators are likely to improve as the economy reopens more broadly.

USD Bond

Review

In the United States, Treasury yields moved higher over the year on the back of positive economic data, continued inflationary pressure and hawkish Federal Reserve (Fed). Biden administration passed new fiscal packages in 1H 2021, supporting the economy while US economic data came in stronger-than-expected; consumer price inflation continued its upward trajectory and surpassed 6% year-on-year in October, reaching its highest level since November 1990. On the monetary policy front, the Fed said it would end its pandemic-era bond purchase programme by March 2022, paving the way for three 25bps rate hikes in 2022 as expected by most of the Fed members. Over the period, the 10-year Treasury yield trended higher from 0.91% to 1.51%. The Republic of Philippines (ROP) bond yields also traded higher over the period, overall mainly tracking the US Treasury yield movement.

In the Eurozone, CPI in December printed at 40-year record level. In December meeting, the ECB delivered a hawkish surprise and announced that it would only raise its regular asset purchases to around EUR40bn per month when its emergency asset purchases program ends. However, President Christine Lagarde reiterated that a rate hike is unlikely for 2022 and tightening would not address the "root causes of inflation". In the UK, headline inflation for November came in at 5.1%, hitting the highest in the decade and the BoE surprisingly hiked the bank rate by 15bps to 0.25%. Nevertheless, the wide spread of Omicron variant dented economic recovery.

Asian credit markets posted negative returns over the year owing to higher US Treasury yields and wider credit spreads. The J.P. Morgan Asian Investment Grade Corporate Bond Index decreased by 0.24% in US dollar terms.

Outlook

Looking into 2022, US gradual economic recovery and the Federal Reserve tapering process would support a higher US yield curve environment. However, the wide spread of Omicron variant could spark market volatility. In China, the property sector was heavily sold off in 2021 due to negative news flow and concerns about rising defaults. In 2022, we are likely to see greater consolidation in the sector and believe the market has priced in excessive default risks. Many quality companies are now being offered at compelling valuations; we see it an opportune time and environment for active investors to navigate the cycle, as market weakness is likely to bring out value opportunities in fundamentally strong issuers. Overall, we remain cognizant of both systemic and idiosyncratic risks while seeking out attractive opportunities and believe that bottom-up credit selection will be key in generating further returns going forward.

Many quality companies are now being offered at compelling valuations; we see it an opportune time and environment for active investors to navigate the cycle, as market weakness is likely to bring out value opportunities in fundamentally strong issuers

Asia Pacific Bond
Review

In the United States, Treasury yields moved higher over the year on the back of positive economic data, continued inflationary pressure and hawkish Federal Reserve (Fed). Biden administration passed new fiscal packages in 1H 2021, supporting the economy while US economic data came in stronger-than-expected; consumer price inflation continued its upward trajectory and surpassed 6% year-on-year in October, reaching its highest level since November 1990. On the monetary policy front, the Fed said it would end its pandemic-era bond purchase programme by March 2022, paving the way for three 25bps rate hikes in 2022 as expected by most of the Fed members. Over the period, the 10-year Treasury yield trended higher from 0.91% to 1.51%.

In China, economic data suggested renewed economic momentum over the year. However, economic data pointed to a slowdown amid sluggish consumption recovery and property sales slump; Caixin's Manufacturing Purchasing Managers' Index closed at the contraction territory at 49.9 (November). The People's Bank of China signalled a more dovish tone, cutting the bank reserve requirement ratio (RRR) by 50bps, releasing US$188bn worth of long-term liquidity into the interbank system, and cut its one-year loan prime rate by 5bps to 3.80%. China onshore government bond yields fell over the period. In India, local government bond yields trended higher as the Reserve Bank of India began policy normalization and announced the suspension of pandemic-related quantitative easing stimulus. Moody's also upgraded its outlook on India from "negative" to "stable" due to sustained economic recovery. In Indonesia, local government bond yields moved lower as Bank Indonesia maintained the accommodative stance and extended the "burden sharing" scheme to purchase bonds next year. The central bank cuts 2021 growth forecast to 3.2-4% from 3.5-4.3%, but slightly upgraded outlook for 2022 to 4.7-5.5%.

Asian investment grade credit markets posted negative returns owing to higher US Treasury yields and wider credit spreads. The J.P. Morgan Asian Investment Grade Corporate Bond Index decreased by 0.24% in US dollar terms. Policy-wise, Chinese regulator relaxed mortgage approvals, eased onshore bond issuance for Chinese property developers and cut the reserve requirement ratio as means to support the property market. Overall, investors' sentiment towards the Chinese property sector remained jittery with disappointing November property contract sales figures while some market participants await further policy easing.

The performance of Asian currencies against the US dollar was mixed. The Chinese renminbi outperformed regional peers amid twin surplus. On the other hand, the Thai baht underperformed regional peers amid uncertainty over the Omicron variant on its tourism-reliant economy.

Asia Pacific Bond

Outlook

Looking into 2022, US gradual economic recovery and the Federal Reserve tapering process would support a higher US yield curve environment. North Asian economies have generally fared better in terms of economic recovery compared to South Asian counterparts in 2021. Increasingly more South Asian economies are adopting a coexisting approach with COVID-19, reopening borders with higher vaccination rates and could be positive for their growth trajectories. However, the wide spread of Omicron variant could spark market volatility. In China, the property sector was heavily sold off in 2021 due to negative news flow and concerns about rising defaults. In 2022, we are likely to see greater consolidation in the sector and believe the market has priced in excessive default risks. Many quality companies are now being offered at compelling valuations; we see it an opportune time and environment for active investors to navigate the cycle, as market weakness is likely to bring out value opportunities in fundamentally strong issuers. Overall, we remain cognizant of both systemic and idiosyncratic risks while seeking out attractive opportunities and believe that bottom-up credit selection will be key in generating further returns going forward.

Increasingly more South Asian economies are adopting a coexisting approach with COVID-19, reopening borders with higher vaccination rates and could be positive for their growth trajectories

ASEAN Equity
Review

ASEAN Small Cap Equities (MSCI South East Asia Small Cap Index) returned 6.60% (in US dollar terms) in a volatile 2021 as all territories in ASEAN were impacted by the start/stop social distancing measures to the fluidity of COVID-19. Additionally, the Federal Reserve, which started to taper in late November, made a hawkish pivot in December on the back of sustained inflation, accelerating the taper and forecasting at least three rate hikes in 2022.

To start the year, ASEAN markets were mixed in the first quarter with Indonesia, the Philippines and Malaysia moving lower. However, Singapore and Thailand were the beneficiaries of the shift to value and reflation trades.

In the second quarter, ASEAN markets were mixed as Indonesia, Malaysia and Thailand posted losses particularly as the spread of COVID-19 led to new restrictions while the Philippines and Singapore gained for the month. Indonesian equities moved lower on the back of a rising number of COVID-19 cases that resulted in further economic restrictions in May and June. In Malaysia, energy and commodities benefitted from the global run-up in commodities in April and May; however, a surge of COVID-19 cases in mid-May led to a newly instituted lockdown in June that negatively impacted market sentiment. In Thailand, optimism about a potential reopening for the badly hit tourism sector was lost in May and June as the government ordered lockdowns throughout the country to stop the spread of the delta variant of COVID-19.

ASEAN markets were mixed in the third quarter as Indonesia and Malaysia were higher during the quarter but Thailand, Singapore and the Philippines posted losses. Indonesian equity markets gained as the number of COVID-19 cases decreased and restrictions were gradually removed, raising economic optimism. The IPO launch of a tech unicorn in August boosted market sentiment, raising US $1.5 billion, as well as a government announcement in September that 14 state-owned enterprises would be listed on the Jakarta Exchange by 2023. In Malaysia, the relaxation of some COVID-19 restrictions, coupled with the largest IPO of the year involving a digital credit reporting franchise in mid-July helped to boost sentiment. Singapore was lower on the month due to the start/stop measures due to rising COVID cases. In Thailand, the government postponed the country's "reopening" to November, which sent equities lower.

Nearly all ASEAN markets were higher led by Indonesia, Philippines and Thailand in the fourth quarter. Indonesia equities moved higher on optimism over economic reopening and a number of high-profile IPOs. In addition to the listing of technology firms, the government prioritized the listing of state-owned assets, including a telecommunication tower operator, which could be the largest IPO in the market's history. In the Philippines, equity markets moved higher for the quarter on the back of significant volatility. Thailand equities moved higher for the quarter on the back of economic reopening optimism over the to 'reopen' the country in November with non-quarantine entry for vaccinated visitors. Malaysian equities posted gains for the quarter on the back of the strength of commodities in oil and palm oil. Singapore was lower over the quarter as COVID-19 cases gradually increased and plans to implement quarantine-free 'travel lanes' were ultimately scrapped in December.

Outlook

Our positive view towards Southeast Asia is further reinforced by the higher real yields in the region's major economies, namely Indonesia and India, which are attracting capital flows. Given the previous tensions between China and the US, we believe that Southeast Asia will be a strategic beneficiary, at least over the medium term, as there may be foreign direct investment in specific sectors. These include battery suppliers in Indonesia, auto companies in Thailand, and the IT supply chain in Malaysia.

While physical ASEAN integration has been disappointing, digital integration within the bloc is more encouraging. Currently, 35 over 30 big-tech unicorns are due to be listed, and this process is expected to extend to fintech, logistics providers, and e-commerce players.

The near-term outlook for ASEAN is expected to improve as economies reopen, with most of the bloc's countries relaxing movement and travel restrictions, albeit gradually. Strategically, Southeast Asia should play an important post-pandemic role in Asia's economic trajectory. The "China Plus One" initiative has encouraged multinational companies to diversify their business lines and production bases into regional markets. In Indonesia, higher commodity prices (coal and palm oil) will be supported by healthier domestic consumption. As the world's fourth-largest nickel supplier, Indonesia is also well positioned in the EV supply chain. Furthermore, the digital economy is enjoying strong organic growth, with rising demand for fintech providers, logistics warehouses, and associated services. Malaysia's economy is also moving towards a gradual reopening, hence the boost for the local tech sector. While higher wages are a headwind for corporate earnings, they simultaneously encourage domestic demand. Meanwhile, in Thailand, infection and hospitalization rates are declining. The announcement of quarantine-free travel shows that a resumption in tourism activities remains critical for the Thai economy, which is currently supported by the export sector.

> We believe that Southeast Asia will be a strategic beneficiary, at least over the medium term, as there may be foreign direct investment in specific sectors

Asia Pacific REIT

Review

Major Asia ex Japan REITs markets delivered a mixed performance in 2021. Investors focused on the economic recovery and rental cashflows recovery as Asia pressed ahead with border re-opening efforts. However, a regional surge in Covid-19 infections and the slow pace of vaccinations are stalling reopening plans across many Asia cities. During the period, the US Federal Reserve Board (Fed) maintained its stance that it would keep easy monetary policy despite a strengthening economy and rising inflation. Buying sentiment recovered from the Omicron-led sell-off in late November as more data revealed that the new variant causes less severe symptoms and vaccine boosters provide adequate protection against hospitalisations. During the month, the Fed signaled a more aggressive unwinding of its monthly bond buying, as expected by the market, and brought forward multiple rate hikes in 2022.

Australia's REITs market did well. Office, industrial and diversified REITs posted earnings results highlighted by positive asset revaluations and supportive guidance. Increased physical market activity with transactions done at tighter cap rates were also drivers of REIT performance. Despite continued lockdowns, retail REITs performed well in August after they reported less negative leasing spreads in the first half of calendar year 2021. The central bank continued to support the market with the Reserve Bank of Australia cutting its cash rate target to a record low of 0.1% and, also introduced a 100 billion AUD Quantitative Easing program. REITs with residential components fared well on strong residential sales, stimulated by the Federal Government Home Builders Grants. Sentiment for the market was bullish with healthy broad-based December revaluation gains reported.

Hong Kong REITs were lower during the period as sentiment across Hong Kong and Chinese equity markets was cautious on the back of heightened regulatory scrutiny by the People's Republic of China government across several industries including real estate in the second half of the year. In the 2021 Budget Address 2021, the HK government announced that it will issue electronic consumption vouchers in instalments with a total value of HK$5,000 to each eligible HK permanent resident and new arrivals aged 18 or above, so as to encourage and boost local consumption. The planned reopening during the year was replaced with stringent social distancing measures that could slow the economic recovery. Case in point - the planned limited December reopening with mainland China was delayed on the back of new outbreaks in China and the global spread of the highly transmissive Omicron variant.

Singapore's REITs market finished flat on the year on the back of start/stop measures throughout the year. The territory returned to a quasi-lockdown mode to contain a new wave of community cases caused by new variants of concern in the first half of the year and as the rate of vaccination improved, re-opening plays saw buying interest returning as social distancing restrictions were gradually relaxed from the middle of June. In the second half of the year, investors cheered the news that the Singapore government opened more vaccinated travel lanes and relaxed borders control for international arrivals. Despite a recent surge in the infection rate, retail landlords in their latest corporate earnings meetings shared that the pace of negative reversions has continued to ease.

Portfolio Review

The sub-Fund outperformed during the period on the back of stock selection at the country and sector level, and asset allocation decisions at the country level. Stock selection in Hong Kong and Thailand and the overweight to Australia and underweight to Thailand and Malaysia were the primary contributors to performance. From a sector perspective, stock selection in retail, office, and diversified REITs added value.

Negatively impacting performance was the overweight to Hong Kong and the underweight to India (no exposure in the sub-Fund during the year). From a sector perspective, stock selection in hospitality and healthcare REITs and the underweight to healthcare REITs detracted from performance.

Outlook

While Asian economies made strides towards their recovery and border re-openings, the performance of Asia REITs was interrupted by new virus outbreaks and scares. The outbreak of the Omicron variant towards the end of the year has further complicated forward growth and inflation projections. That said, we continue to believe that a synchronised global re-opening is intact with broad population immunity and new therapeutics expected to be broadly available in 2022. While the Fed hikes in 2022 could be a potential headwind for Asia REITs in general, we remain focused on REITS, which are dividend growers with core cashflow resilience, strong capital management, and quality real estate to command better rental rates in times of economic recovery.

We continue to believe that a synchronised global re-opening is intact with broad population immunity and new therapeutics expected to be broadly available in 2022.

Asian Equity
Market Review

Asia ex Japan equity markets were lower for the year and was a tale of two halves. The first quarter posted gains as in January, global markets gained on news of the Democrats winning the US Congress and hopes over greater fiscal stimulus in the US amid increased Covid-19 vaccination rates. In February and March, yields surged in the US as President Biden signed into law a US$1.9 trillion fiscal package and proposed an additional US$2 trillion in infrastructure spending. As a result, investors rotated into value names from growth as markets priced in a post-pandemic macroeconomic environment of increased economic growth and inflation. Asia ex Japan equity markets were marginally higher in the second quarter as global markets were influenced by two developments: 1) Investor optimism over the economic reopening and improving vaccination rates in developed economies, while outbreaks continued in markets with lower vaccination rates; 2) debate over whether above-trend inflationary pressures in some markets may be transitory in nature. In June, the US Federal Reserve Board (Fed) gave an unexpectedly hawkish statement, as a majority of the Federal Open Market Committee members believed two rate hikes would occur in 2023 - earlier than market consensus.

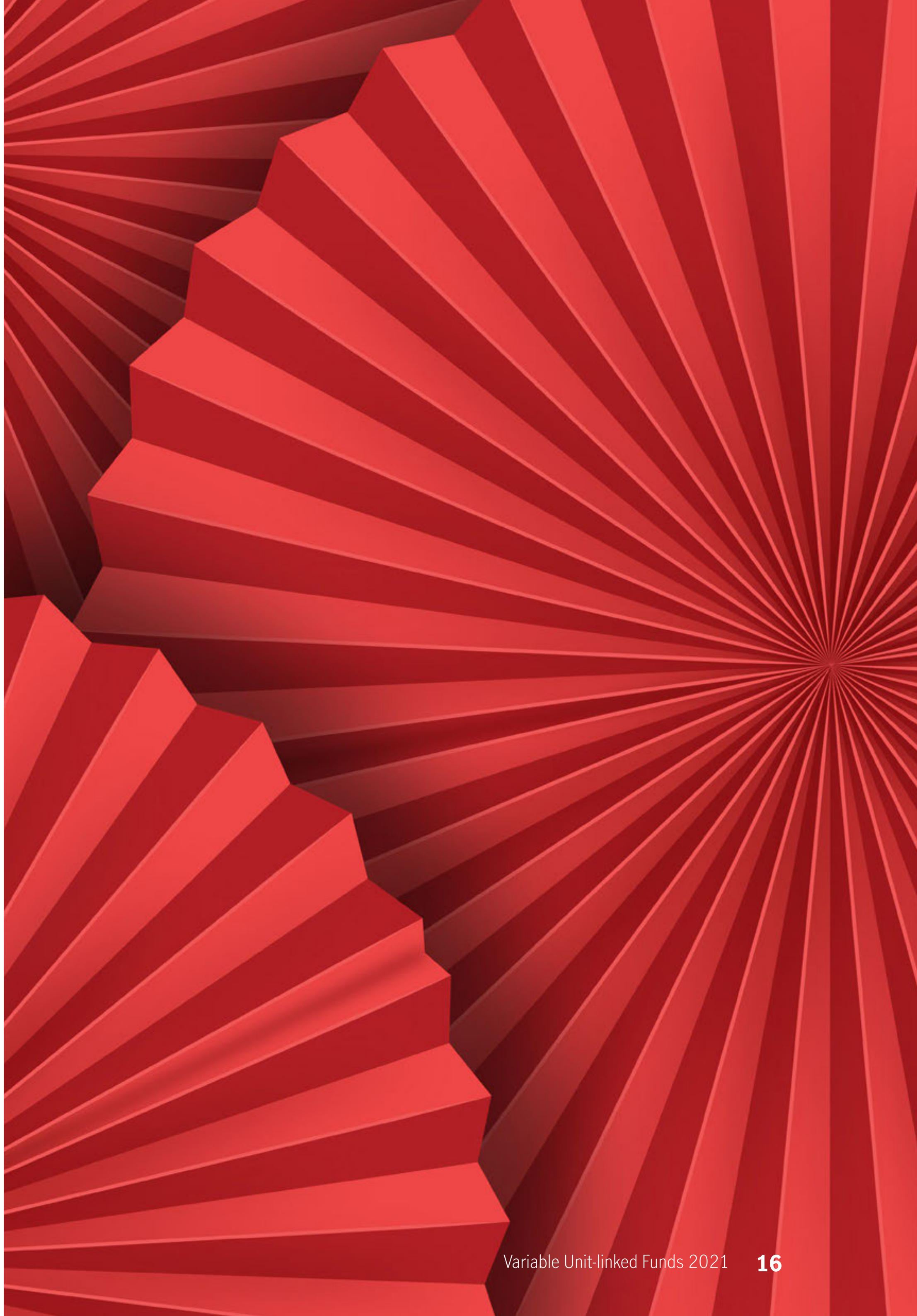
The second half of 2021 began lower as the Fed gave several policy announcements during the period concluding with a statement after the September meeting, that a tapering of bond purchases would happen “soon”, leading Treasury yields higher and strengthening the US dollar in August. Second, the Chinese government released a raft of new regulations unexpected by investors during July and August that affected significant economic sectors, such as, e-commerce, education, the internet, and real estate. Additionally, a potential default by China Evergrande, a prominent property developer in China, roiled equity and credit markets in August, raising the specter of financial contagion and slower economic growth. Finally, volatility in commodity prices intensified in August. Base metals plunged on expectations over lower use in China’s real estate sector, and energy commodities spiked, partially contributing to blackouts in China and India. In the fourth quarter, Asia ex-Japan equities posted losses driven by three main factors: the trajectory of Covid-19, Fed policy, and China’s economic challenges. The emergence of the Omicron variant in late November initially negatively impacted equity markets due to the uncertainty of its severity. After, however, milder symptoms emerged without a significant increase in severe hospitalisations moderating the markets’ response. The Fed, which started to taper in late November, made a hawkish pivot in December on the back of sustained inflation, accelerating the taper and forecasting at least three rate hikes in 2022. This move, along with the Bank of England raising rates by 25 basis points, established a tightening bias in most developed markets. Finally, economic difficulties in the real estate sector in China led to a spate of rating downgrades and defaults. In response, the People’s Bank of China loosened monetary policy in December to help support economic growth.

Portfolio Review

During the period, the sub-Fund strongly outperformed on the back of stock selection at the country and sector level and asset allocation decisions at the sector level. Partially offsetting the outperformance was asset allocation decisions at the country level. Stock selection in China and Hong Kong and the overweight to Australia, Taiwan and underweight to China were the primary contributors to performance. Partially offsetting the outperformance was the underweight to India and stock selection in South Korea.

The top contributor was a Chinese manufacturer of power equipment as it should benefit as investment in the state power grid shifts towards ultra-high voltage, charging infrastructure and digitalisation. Additionally, the company's advantage in secondary equipment for energy storage systems and a research and development centre for the state grid should provide greater future earnings growth. The sub-Fund's holding in a Hong Kong listed Chinese port operator also contributed positively as the company is well-positioned for the cyclical recovery in China. As we continue to see progress with vaccinations and continued active global trade, throughput at ports should continue to show improvements. Additionally, the company announced a tariff hike at one of its ports. The implication is that this signals a more benign regulatory environment that would allow for more flexibility in tariff pricing onshore.

Detracting from performance was a Chinese education group focusing on after school tutoring which was sold-off alongside the sector after the release of new restrictions on online advertisements for tutoring. However, the government announced strict regulations that changed the operating fundamentals of the company. As such, the sub-Fund exited the position.



Outlook

In the first few months of 2021, asset prices benefited from expectations for a global recovery, rising vaccination rates, and the reopening of developed markets. However, growth in Asia was impeded by the resurgence of Covid-19 and the emergence of the Omicron variant, as well as slower-than-expected inoculations, especially among the emerging territories. Throughout the Covid-19 pandemic, both last year and into 2021, we foresaw a divergence in the performance of Asian equity markets. In 2020, those Northeast Asian markets with superior virus containment measures and relatively higher vaccination rates led the region, while ASEAN countries lagged due to concentrated urban populations, limited access to vaccines, and less developed healthcare infrastructure.

Amid the spread of the Delta variant, an increasing number of Asian economies, most notably in Southeast Asia, have reached critical mass with their vaccination programmes. And as Southeast Asia adopts "living with Covid" strategies, the sub-region may also introduce reopening strategies. Should governments exploit the opportunity and manage the pandemic without lockdowns, this could boost service-sector and consumption growth. There will be exceptions, namely China and Hong Kong SAR, which will maintain a "zero-Covid" strategy. As vaccination rates improve, we are hopeful that the impact of Covid-19 will be reduced in 2022 with the possibility of Covid transforming from pandemic to epidemic in the coming years.

US Federal Reserve (the Fed) tightening is also imminent. The tapering process started in late 2021 and is due to conclude in summer 2022 with rate hikes expected in late 2022. The normalisation of monetary and fiscal policies warrants careful monitoring but is not a cause for concern at this stage. Macroeconomic stability indicators, such as real rates, real-rate differentials, inflation, current-account balances, and foreign reserves in most Asian economies are at levels that would not pose an immediate risk should there be sharp, near-term policy tightening. In short, most Asian countries are in better shape than in 2013 when the Fed announced a tapering of its quantitative easing programme.

It's worth noting that as China slows, those economies more exposed to changes in its growth patterns, such as Taiwan and South Korea, are expected to feel a more significant impact, as the demand from developed markets will concurrently shift from goods to services. That said, in the wake of 2021's reopening, consumer spending in developed-market economies has started to rebalance from goods back to services, a process that marks the start of normalisation in global-trade growth. We will be mindful of this development when China begins to loosen its policy to mitigate the slowdown.

However, South Korea and Taiwan should continue to provide value in the technology supply chain. With the rollout of 5G and adoption of digitalised cars, chips would need higher processing power, speed, and heat resistance. As such, we expect demand to evolve and migrate from DDR4 to DDR5 memory chips. In Taiwan, we're seeing developments in how chips can be upgraded in specification and use of new materials, as well as advanced packaging. Besides, the growth of technology companies in South Korea will be helped by a long-term structural demand for higher computing memory and processing power and the structural shift to electric vehicle (EV) batteries and financial technology services.

China's decarbonisation policies and weather disruptions have pushed energy prices higher, presenting risks to the upside for inflation. Supply-chain issues have also lasted for longer than expected, creating pressure on both supply and the cost of goods. In response, some central banks are turning more hawkish, but we are not in the stagflation camp. Besides, Southeast Asia still has the capacity to absorb demand-led inflation, as the threat of runaway inflation is relatively low.

Outlook

Additionally, we think there will be softer near-term growth in China as business models realign amid the government's aims for common prosperity. In general, we expect the earnings of companies with solid branding and pricing power in the export sector to outperform that of businesses exposed only to domestic demand. Zooming in on consumer upgrades, the winners shall be those that can have fast adoption to local tastes. We have seen local brands gaining market share from foreign brands in many categories such as sportswear, skincare, and cosmetics. Value is emerging in a few internet bellwethers, and much of the regulatory risk associated with the sector is currently priced in.

Our positive view towards Southeast Asia is further reinforced by the higher real yields in the region's major economies, namely Indonesia and India, which are attracting capital flows. Given the previous tensions between China and the US, we believe that Southeast Asia will be a strategic beneficiary, at least over the medium-term, as there may be foreign direct investment in specific sectors. These include battery suppliers in Indonesia, auto companies in Thailand, and the information technology supply chain in Malaysia.

While physical ASEAN integration has been disappointing, digital integration within the bloc is more encouraging. Currently, over 30 big-technology unicorns are due to be listed, and this process is expected to extend to financial technology, logistics providers, and e-commerce players.

The near-term outlook for ASEAN is expected to improve as economies reopen, with most of the bloc's countries relaxing movement and travel restrictions, albeit gradually. Strategically, Southeast Asia should play an important post-pandemic role in Asia's economic trajectory. The "China Plus One" initiative has encouraged multinational companies to diversify their business lines and production bases into regional markets. In Indonesia, higher commodity prices (coal and palm oil) will be supported by healthier domestic consumption. As the world's fourth-largest nickel supplier, Indonesia is also well-positioned in the EV supply chain. Furthermore, the digital economy is enjoying strong organic growth, with rising demand for fintech providers, logistics warehouses, and associated services. Malaysia's economy is also moving towards a gradual reopening, hence, the boost for the local technology sector. While higher wages are a headwind for corporate earnings, they simultaneously encourage domestic demand. Meanwhile, in Thailand, infection and hospitalisation rates are declining. The announcement of quarantine-free travel shows that a resumption in tourism activities remains critical for the Thai economy, which is currently supported by the export sector.

Global Assets
Review

December 2021 saw risk assets come back, after a softer November to end the year strongly. Once again, Developed Markets continued to outperform Emerging Markets with MSCI World – a DM proxy, gaining +4.3% vs MSCI EM gaining +1.9% - a trend that has been in place for most of 2021. MSCI World ended CY2021 +22.4%, whilst MSCI EM fell -2.2%. Similarly, on the debt side, Global High Yield gained +1.9% for December 2021, US HY similar +1.9% whilst EM USD Agg gained +1%.

China's challenges in the second half of the year proved to be the most significant detractor to EM performance, and was due to tougher regulatory actions across its important internet sector, tighter liquidity amidst a slowing macro environment, and the reverberation of property company Evergrande's default. EM-ex China, however, gained +10%.

Developed Markets equity and debt have trended well due to the prevailing strong global growth backdrop, which was aided by aggressive Covid vaccination programs. Strong earnings seasons in both the first and second quarters of 2021, particularly in the US, led to an earnings upgrade cycle 'that' was supportive for higher equity valuations. DM markets retreated in September and November 2021 due to concerns about rising inflation, due to supply shortages, the emergence of the new Omicron variant, and hawkish remarks by Federal Reserve Chairman Jay Powell.

Elsewhere, MSCI Europe was December 2021 outperformer gaining +6.6%, while on the Fixed Income side, High Yield broadly outperformed Investment Grade with broad DM outperforming EM.

Sectorally, growth-related equities were impacted as IT and Consumer Discretionary gained +2.6% and +0.5% whilst the value/defensive cohort, such as Utilities and Consumer Staples gained +8.4% and 8.5%. The Russell 1000 Growth gained +2.1%, while its Value counterpart gained +6.3%.

Oil-related equities gained +13.9%, whilst Gold gained +2.9%.

The USD was weaker against most majors, as GBP appreciated +2.4%, Euro +1% whilst the RMB was flat over December.

We continue to believe that the US dollar weakness is likely to continue over the long term, as well as the persistent and rising US trade deficit, and the expansionist fiscal policy of the new Biden administration.

The VIX ended December 2021 lower at 17, vs. 27 by the end of November.

Governments and central banks continue to demonstrate readiness to stand-in with monetary and fiscal tools to mitigate the risk of economic damage arising from the pandemic. Fed guidance, a function of job creation and inflation expectations, at this point, remains the key driver of near-term developed asset markets, while China policy and growth will be a key driver for the region and broad EM.

Outlook

We remain in a challenging environment for global markets, not just because growth and earnings could disappoint due to growing logistical challenges, but also due to the growing pressure on policymakers to reduce their stimulus efforts in the face of rising, less transitory, inflation. Across the largest Developed Markets, fiscal tailwinds are likely to start to fade as the US Federal Reserve tapers and potentially raises interest rates. Similar moves appear to be being readied by the EU and UK monetary authorities.

Indeed, we expect the year to begin with the uncomfortable combination of sticky, high inflation and a moderation in growth before transitioning to a higher growth profile with more moderate levels of inflation in the second half of 2022.

It is entirely possible (although not our base case) that central banks worldwide will remain hawkish in 2022 and that the Fed will raise interest rates more than two times. Such a development will weaken the likelihood of a Goldilocks re-emergence; however, at this point, that remains not to be our base-case scenario.

Policy, however, will likely still remain very accommodative with a very slow and gradual response in terms of rate hikes, which are expected in 2H 2022, brought forward from previous expectations in 2023.

Strong growth in 2021, as economies re-opened, creates a high base for 2022 and with interest rates expected to start rising in Developed Markets, and continue rising in several EM countries, it is reasonable to expect slower growth in 2022. China stands out in this regard. Monetary policy tightened through 2021, most notably in the property sector, and domestic demand is subdued. This provides the authorities with headroom to support demand in 2022 through targeted policy easing.

A big positive would be that the impact of Omicron is seen as transmissible but less virulent, and may signal the beginning of the end of the pandemic, which would be hugely positive for capital markets in 2022, particularly for EM.

Markets and stock valuations will have to adjust to tighter monetary conditions globally, however, if successfully executed, economies will continue to grow despite policy normalization. Supply chain bottlenecks are expected to diminish over the second half of 2022. This is supportive of growth as well as relieving pressure on input prices.

Tactical positioning will be more prevalent again into 2022, to be able to nimbly add and de-risk portfolios, as well as add to yield opportunities as they arise.

Overall, we are tilted towards higher rates from here and stable spreads, but see yields keeping contained given the potential for macro data disappointments.

Corporate fundamentals are varied across sectors. Markets remain sensitive to a host of factors, including COVID-19 vaccine success and fears of inflationary pressures. We expect global stimulus efforts to remain a focus while central banks' divergent policies will keep market participants second-guessing policy responses.

Vaccines and boosters are being rolled out, although COVID variants are impacting the efficacy of current vaccines, which governments and healthcare corporates have to try to manage.

A rising number of questions are growing around Fed policy, as well as multiple questions around vaccine hesitancy in some populations. A vaccine will be a game-changer for the economies of Latin America, Indonesia and India -- however a medical solution is unlikely to drive a robust, rapid economic solution. Fiscal stimulus is unlikely to be enough for a rapid economic recovery, as getting back to pre-COVID growth rates is likely to be pushed into 2022 and beyond. The lasting impact of COVID-19 on the global economy is not the only factor to monitor. Rising geopolitical tensions, decelerating growth rates post stimulus, supply chain disruptions and a general deglobalization trend all raise questions about the future trajectory of global debt and equity markets.

US Equities

Review

The US stock market handsomely rewarded investors in 2021. The year started on a strong note as COVID-19 vaccinations began to roll out, paving the way toward more normal economic activity. Healthy corporate earnings reports in the first half of the year and a third round of stimulus checks gave an added boost to the market. Among the biggest gainers were more economically sensitive value stocks.

The market continued to climb in the second half of the year, despite growing volatility as the emergence of the highly transmissible Delta and Omicron variants of the coronavirus fuelled fears that the economic recovery would be delayed. In addition, pandemic-related supply chain disruptions drove inflation sharply higher. Despite cost pressures and materials shortages, many companies managed to deliver on earnings estimates, bolstering investor enthusiasm. Plus, to address inflation, the US Federal Reserve Board (Fed) signalled plans to reduce its bond buying and raise its short-term interest rate target. New health solutions, as well as the approval of booster shots and COVID-19 vaccines for younger populations, further encouraged investors. In addition, late in the year, Congress passed a new US$1.2 trillion infrastructure spending bill that investors believed would spur economic growth.

For the 12-month period, large and mid-cap stocks posted returns that were well ahead of those for small-cap securities. Among large-cap stocks, growth modestly outperformed value. Within the Standard & Poor's 500 Index, all 11 sectors ended the year with strong gains. The energy sector delivered the largest return, benefiting from a rebound in oil and gas prices as economies began to reopen and travel started to resume. Real estate stocks also were very strong performers. Financial stocks rose amid strong capital market activity and rising equity market. Information technology stocks climbed on the back of secular tailwinds, including the shifts to cloud computing and remote work. The more defensive utilities and consumer staples sectors were laggards, but still posted above-average annual gains.

Portfolio Review

Security selection was the biggest driver of the sub-Fund's outperformance during this period. Stock picks and a sizable overweight in the financials sector had the biggest positive impact. Investment choices in the healthcare and communication services sectors also gave notable boosts to our result. Lastly, the sub-Fund's overweight in the energy sector helped performance.

The biggest individual contributor this period was a non-index position in a liquefied natural gas (LNG) company that rallied sharply as commodity prices rose. The share price further benefited from growing LNG demand and from the company's success in signing new long-term contracts that locked in pricing. In the healthcare sector, the timely addition of a biopharmaceuticals stock that was not in the index for much of the period aided performance. The sub-Fund's shares rallied sharply amid growing demand for the company's COVID-19 vaccine, especially as the new virus variants spread and booster shots gained authorisation. Elsewhere, the stock of a large US homebuilder surged, helped by strong demand for housing and limited supply. Despite supply chain challenges, the company obtained favorable pricing and made smart capital allocation decisions, including paying down debt and buying back shares, which further bolstered its return. The latter two positions were overweights in the portfolio.

In the financials sector, a sizable overweight in a wealth management company posted a sharp gain, thanks to robust capital market activity this past year, rising assets under management driven in part by the stock market's rally, and skilled execution by management. The company also made some good acquisitions and doubled its dividend, which boosted the stock. Similarly, shares of a large diversified financials company rose sharply, buoyed by many of the same factors as well as the prospect of higher interest rates. We locked in profits and sold this position before period-end. In the communication services sector, the stock of a dominant search engine provider rose as the company took market share from traditional advertising outlets and benefited as companies upped their digital promotional spending. In addition, strong growth in the company's cloud computing and video sharing service helped propel the stock higher.

Conversely, stock picks and an underweight in the information technology sector, as well as investment choices in the consumer staples sector, hindered the sub-Fund's performance this period. Positioning in the consumer discretionary sector and a modest cash position in a strong up market also hampered our result. The biggest individual detractor was a non-index stake in a Belgium-based global brewer that was pressured by lockdowns and the spread of the Delta and Omicron variants, all of which hurt on-premises sales. Supply chain challenges and cost inflation further hindered the stock. Elsewhere, our decision to sell an underweight position in a software productivity and cloud-computing giant company last June detracted from performance because the stock continued to climb in the second half of the year, buoyed by strong demand for the company's products. We remained disciplined; when the share price hit our price objective and no longer offered what we viewed as a compelling discount to intrinsic value, we eliminated the position. A non-index stake in a company that provides cloud-based software for financial and human capital management also hindered the sub-Fund's performance this period. Although the company generated strong subscription and backlog order growth, its return lagged because investors were worried that earnings growth would slow from the very high levels seen in recent years. We maintained our stake because we believe the valuation is compelling, especially given the company's industry-leading enterprise resource planning solutions.

Elsewhere, a large overweight in an e-commerce and cloud-computing giant treaded water this period, as investors worried that the company's decision to invest in its logistics infrastructure would depress cash flow. However, the company's online sales remained quite strong. In the communication services sector, an investment in a media and entertainment conglomerate weighed on performance, as slower-than-expected subscriber growth in its new streaming service pressured the stock's return late in the calendar year.

Outlook

Despite recent volatility and the Fed's plans to reverse historically low and ultra-stimulative interest rates, we remain optimistic about the stock market's prospects. We continue to believe the US is in the early to middle stages of a new economic cycle, with considerable pent-up demand for goods and services that can help drive capital investment and prolong the recovery. While the pandemic continues to interrupt economic activity, health-driven solutions to the Covid-19 virus are helping consumption to normalise. We also expect gradual improvements in mobility and supply chain bottlenecks, with inflation and labour availability headwinds abating as the New Year unfolds. Markets will adjust to a less accommodative Fed, and companies will deploy capital to compete in an evolving global recovery. The pace of recovery may be bumpy, but we're encouraged by the resilience of the US consumer and strength of the US housing market and financial system.

At period-end, the sub-Fund remains balanced between secularly driven growth securities and economically sensitive value stocks, with especially notable overweights in the consumer discretionary, communication services, and financials sector. We also have higher stakes than the index in the energy and consumer staples sectors. Going forward, we plan to maintain our disciplined focus on financially sound large-cap companies with competitive advantages, the ability to generate substantial cash flow over sustained periods, and attractive stock prices relative to our estimate of their worth. Given our valuation discipline, the sub-Fund remains sizably underweight the information technology and healthcare sectors at period-end.

We continue to believe the US is in the early to middle stages of a new economic cycle, with considerable pent-up demand for goods and services that can help drive capital investment and prolong the recovery.

China and Hong Kong Equity

Review

Chinese equities had an eventful year in 2021. Offshore and onshore Chinese equities continued to diverge, as the former experienced a considerable correction amid concerns about rising COVID-19 cases and regulatory tightening. In the first quarter, better-than-expected macroeconomic data attracted investors. However, in the second half of the year, Chinese regulators introduced a series of targeted industry regulations that dulled sentiment and drove investors to the side lines, causing offshore Chinese equities to plummet throughout the third and fourth quarters. In the second half of 2021, several market segments, such as after-school tutoring, property-management services, and internet platforms also faced a regulatory squeeze that resulted in a sharp sell-off in some sectors. Concerns about default risk among high-profile property developers given tighter regulation and tighter liquidity further sent offshore Chinese equity lower. Towards year-end, markets were negatively affected by the resurgence of COVID-19 cases in parts of China, a new round of US sanction and the delisting risk of Chinese American depository receipts. In contrast, the mainland A-shares market remained relatively stable.

On the economic front, quarterly gross domestic product (GDP) growth trended down with third-quarter GDP growth normalized to 4.9%. In response to the softer economic outlook, the People's Bank of China slashed the banks' reserve requirement ratio by 50 basis points (bps) and reduced the one-year prime loan rate by 5 bps in December, followed by the Central Economic Work Conference vowing to support growth.

Portfolio Review

The portfolio retreated alongside the broader equity market and detracted for the fiscal year. Negatively impacting performance was stock selection in communication services, real estate and healthcare. Asset allocation decisions at the sector level offset part of the losses with the overweight in materials and industrials and the underweight by consumer discretionary helping performance. The portfolio's overweight in China A-shares also contributed positively.

On individual holdings, the sub-Fund's position in an education group which offered after-school tutoring services was a key detractor that hurt performance. With the new regulatory barring "for-profit" tutoring businesses, the earnings visibility of the company was very limited and therefore we exited the position. Another detractor was a media and vocational training group. The company announced an acquisition of an independent college specialised in professional sports training. As sports and Olympic-centric type of private training is less common, the market has discounted the revenue growth and breakeven point of the acquisition and the stock reacted negatively to the news.

On the contributor side, the sub-Fund's exposure in a leading port operator was a key contributor. The stock rose on earnings upgrades from the group's capacity expansion in mainland China. The continuation of the global shipment disruption also raised expectations of further hikes on port charges. Another contributor was the sub-Fund's exposure in a utility group focusing on natural gas distribution. The company announced its first half result with a 186% net profit increase, in line with its positive profit alert. Gas sales volume was up by 26% and new connections continued to be robust.

Outlook

We believe the year-to-date correction led by the regulatory clampdown has allowed value to emerge on Chinese equities from a fundamental standpoint. While it may still be too early to say the current episode of regulatory tightening is over, we believe most severe measures have been released and digested. Swift rectification of business and operation models by relevant platforms and industries were also observed and therefore allowing growth expectations to be reset. Chinese equities are now trading at a healthier level and we believe further downside to the affected sectors is limited.

Looking ahead, we see solid investment opportunities in the renewable energy sector, which is a strategic priority for government funding support. Construction of wind and photovoltaic bases has already been accelerating, thanks to the elevated pace in government bonds and supportive policies on sustainability initiatives. Longer-term, we expect the release of a roadmap for peak carbon emissions by 2030 will mean decarbonization efforts under a more institutionalised framework. Recent campaign-style power cuts should be rectified as the central government vowed to strike a balance between its decarbonization initiatives and economic activities for the country's sustainable development.

Our strategy currently has an overweight on photovoltaic and the electric vehicle battery supply chain. We will continue to look for ideas in both onshore and offshore wind operators and their respective equipment manufacturing supply chains. We also suggest that investors not overlook policy tailwinds in certain favorable sectors that are supported by government policies. Manufacturing upgrades and semiconductor supply chain self-sufficiency are some examples that are on the top of the Chinese government's agenda. We believe active management focusing on bottom-up stock election will be crucial to identify emerging winners under the current environment for investing in Chinese equities.

Recent campaign-style power cuts should be rectified as the central government vowed to strike a balance between its decarbonization initiatives and economic activities for the country's sustainable development.

Global Preferred Securities

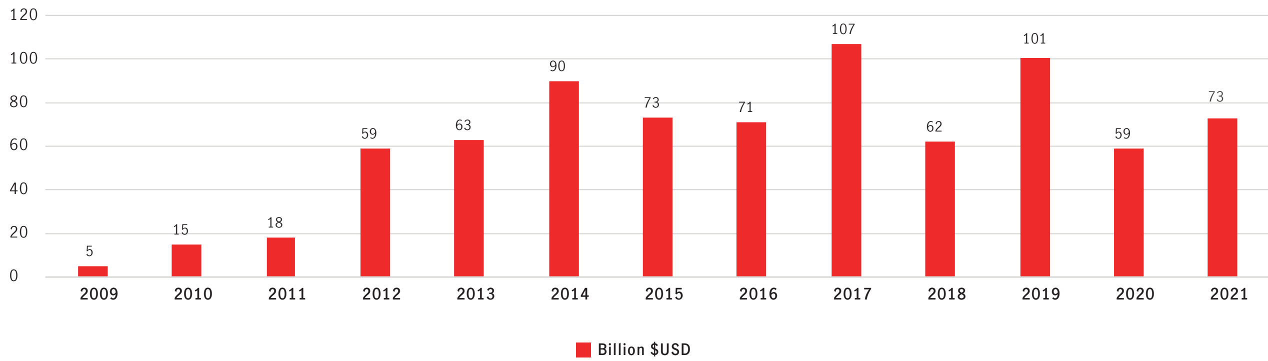
Review

US bonds declined in 2021, reflecting a broad rise in bond yields during the year. The rollout of COVID-19 vaccines in the first half of the year led to a gradual reopening of the US economy, resulting in a robust but uneven economic recovery. The improving economy, combined with supply shortages resulting from production bottlenecks and transportation disruptions, led to a sharp increase in consumer prices. By the end of the year, the 12-month consumer inflation rate reached its highest level since July 1982. In response, the US Federal Reserve Board (Fed) accelerated a plan to taper its bond purchases and signaled that several short-term interest rate increases were likely in 2022, possibly as soon as the first quarter.

In this environment, bond yields rose across the board, leading to lower bond prices. Short and intermediate-term yields rose the most, reflecting the expected Fed rate hikes, while the rise in longer-term yields was tempered by concerns about the impact of less accommodative Fed policy on economic growth.

On a sector basis, US Treasury securities declined the most, reflecting their greater interest rate sensitivity, while high-yield corporate bonds posted solid gains for the year, benefiting from the improving economic environment.

Preferred Security New Issuance



Source: Piper Sandler & Co. and Morgan Stanley, as of 31/12/21

Preferred Securities:

Return (%)	Month	YTD	1 Yr
Preferred Securities Income composite	1.72	6.24	6.24
PFF – iShares Preferred & Income	3.32	7.13	7.13
POP4 – Retail $25 par	2.44	3.27	3.27
COCS – Institutional $1,000 par	0.40	2.01	2.01
IOCS – Preferred Securities	1.48	3.42	3.42
VXPO – US Convertible Preferreds	5.63	17.96	17.96
COCO – Contingent Capital Index	1.91	2.19	2.19

Global Preferred Securities

Corporate Bonds:

Return (%)	Month	YTD	1 Yr
G0BC – Global Corporate Index	0.24	-2.95	-2.95
C0A0 – US Corporate Index	-0.17	-0.95	-0.95

High Yield Bonds:

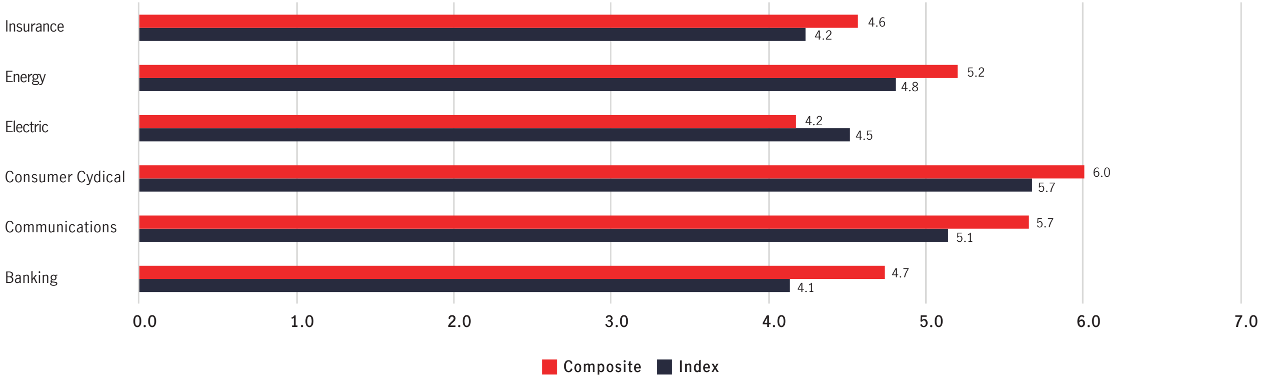
Return (%)	Month	YTD	1 Yr
H0A0 - US High Yield Bond	1.88	5.36	5.36
HW00 - Global High Yield Bond	1.70	1.37	1.37

Equities:

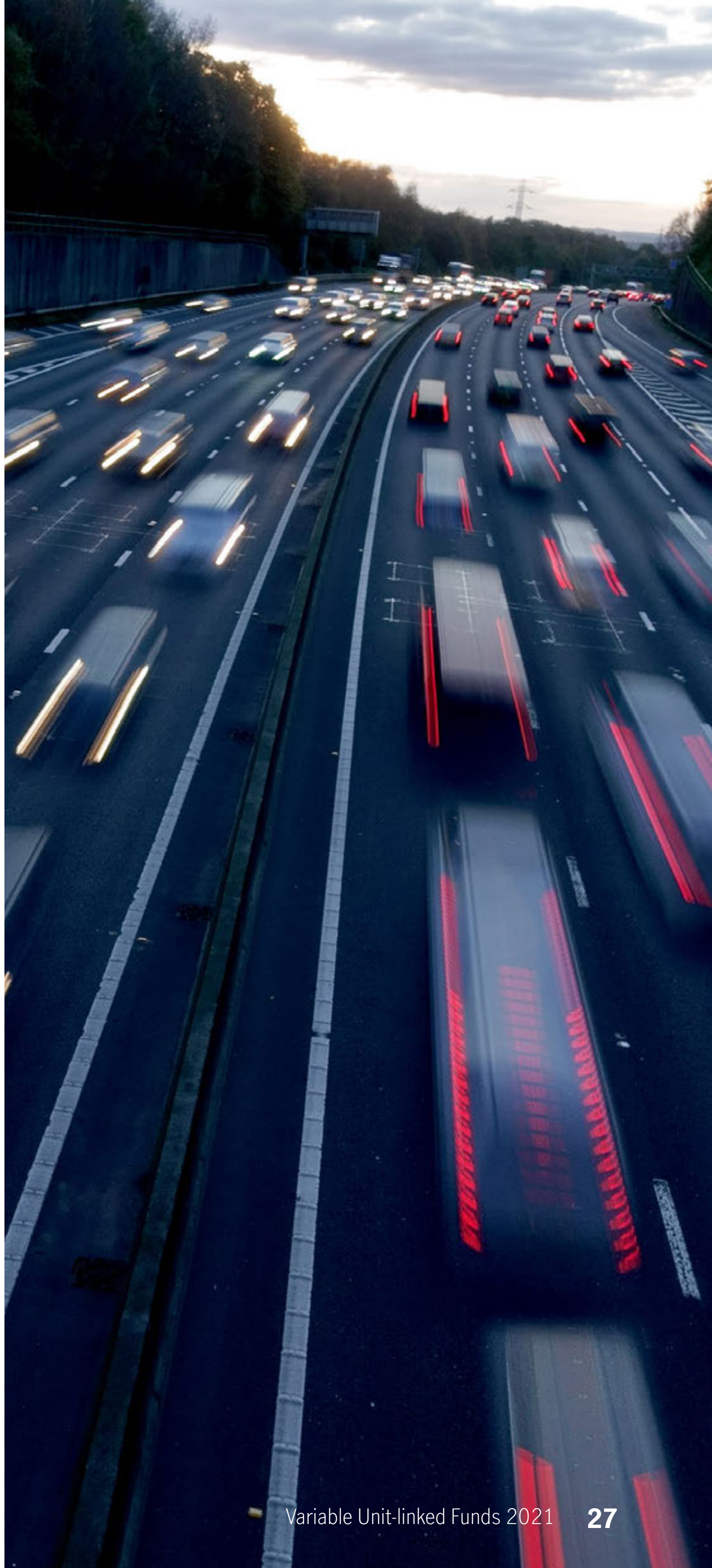
Return (%)	Month	YTD	1 Yr
S&P 500	4.48	28.68	28.68
S&P 500 Utilities Sector GICS Level 1 Index	9.63	17.67	17.67

Source: Bloomberg and Manulife Investment Management, USD returns, as of 31/12/21

Yield to Maturity by Sector



Source: Bloomberg and Manulife Investment Management, as of 31/12/21

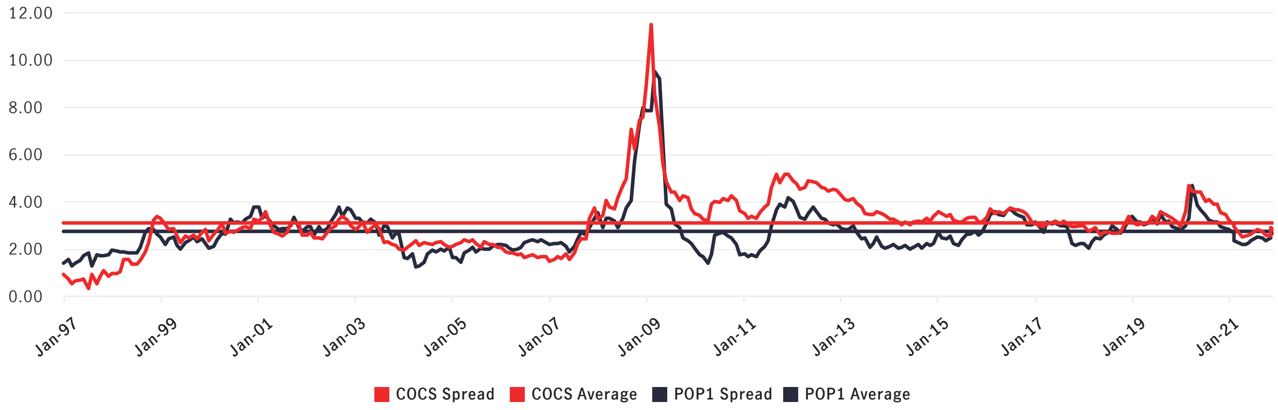


Global Preferred Securities

Institutional and Retail Spreads

The long-term historical institutional average spread has been 2.77% since 1997, and now stands at 2.59%. The retail market has a historical average spread of 3.13%, the spread sits at 2.66%.

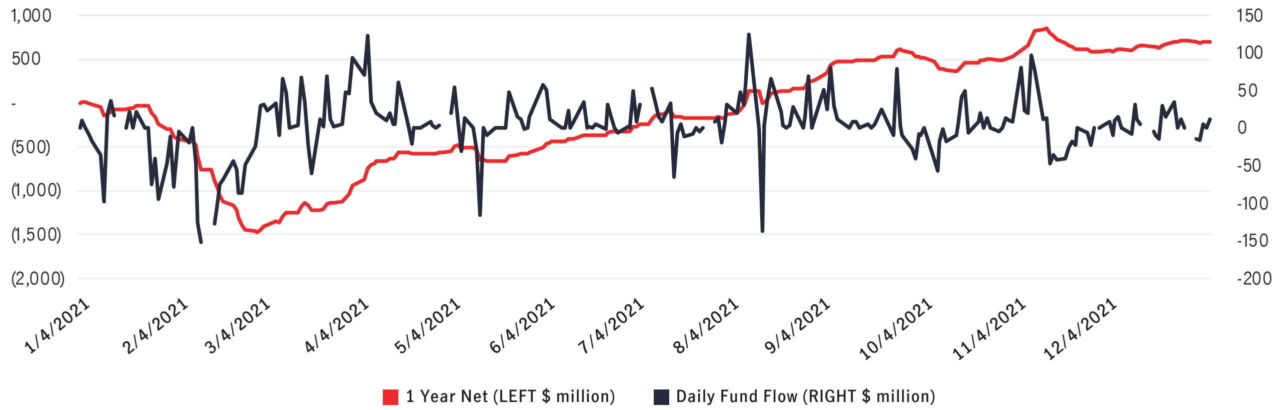
Preferred Retail and Institutional Par YTM Spreads



ETF Flows

The iShares PFF ETF experienced a month of inflows over US$118 million. See the chart below, with daily flows in blue. One-year flows, in red below, are positive for the trailing twelve months at US$704 million.

1 Year PFF Flows



Source: Bloomberg and Manulife Investment Management

Portfolio Review

The composite posted a return of 6.21% for the year, outperforming the preferred security market by 2.78%. The leading contributors were security selection in electric utilities, energy, communications, and insurance. The leading detractors were an underweight allocation in banking, cash which acted as a drag on performance, and an underweight allocation in technology.

Outlook

While uncertainty has increased due to the spread of the Delta and Omicron variants, accommodative central bank policies in addition to vaccination rates globally that are increasing, should allow for the global economy to continue to recover although at potentially a slower pace. The utility, energy, communication, and consumer cyclical industries stand to benefit significantly. Utility common equity valuation multiples are the lowest level of the last 10 years. We believe convertible preferred securities of utility issuers will benefit as valuation multiples rise. Global oil prices have rebounded and now trade over US$70 a barrel from negative prices in 2020. Midstream concerns of counterparty credit risk and low volumes have abated, strengthening midstream credit profiles. Residential and commercial broadband demand is at an all-time high, improving the credit outlook for communication issuers. Consumer cyclical issuers should benefit from increased consumer spending levels and positive implications of the pending infrastructure spending legislation.

Outlook

The Fund is overweight the utilities sector, which has limited exposure from an economic standpoint to the coronavirus. Commercial and industrial electricity demand has declined but, at the same time, residential demand increased as many Americans continue to work from home. Importantly, utilities often make between 2-3 times more margin from residential customers than they do commercial and industrial. In addition, most utilities have regulatory mechanisms in place to make up for lost demand. We see tremendous value in the utility preferred space as many of these securities are not trading on their underlying fundamentals. Further, we believe that President Biden will incentivize renewable energy investment, which will result in even better earnings and cash flows for the next several years.

Financial services companies, another large weighting in the portfolio, are well-positioned from a balance sheet standpoint for this crisis. US banks are strong, well-capitalized with good liquidity. During the 2008-2009 financial crisis, banks were forced to tighten their lending standards because of their weak balance sheets. Insurance companies, regulated by the states where they operate, similarly are well-positioned from a balance sheet standpoint currently. Property and casualty insurance companies are benefiting from increases in premiums paid as these companies have been raising prices owing to several years of higher-than-expected claims. We see value in the financial services sector as the market is not recognizing their strong balance sheets.

The Fund's holdings in the energy sector do not have direct exposure to commodity prices. Our energy holdings are midstream companies that transport oil and/or gas on their pipelines. Many of these companies are diversified into different areas of the midstream space such as natural gas pipelines, gasoline pipelines and storage.

Overall, we are confident in the stability of the income in our midstream names. We view the yields offered by these companies as very attractive.

Peso Bond Fund

Investment Objective

The Fund seeks to achieve a stable and long-term growth by investing in government securities and/or high quality corporate debt securities and/or pooled fund/s that invest in these securities and other liquid fixed income instruments.

Historical Yield

Year-to-Date	
Absolute	-2.88%
Since Inception	
Absolute	102.30%
Annualized	5.07%

Fund Information

Octber 2007
Inception date

Php 65.42 million
Fund size

Php 2.023
Price (NAV/Unit)

1.50% per annum
Management fee

Fund Performance

Past performance is not an indication of future results. 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.

Peso Stable Fund

Investment Objective

The Fund seeks to achieve a long-term growth by investing in government securities and/or high quality corporate debt securities, stocks listed on the Philippine Stock Exchange and/or in pooled fund/s that invest in these securities and other liquid fixed income instruments.

Historical Yield

Year-to-Date	
Absolute	-2.15%
Since Inception	
Absolute	91.20%
Annualized	4.65%

Fund Information

Octber 2007
Inception date

Php 35.50 million
Fund size

Php 1.912
Price (NAV/Unit)

1.75% per annum
Management fee

Fund Performance

Past performance is not an indication of future results. 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.

Peso Equity Fund

Investment Objective

The Fund seeks to achieve long-term capital appreciation by investing in stocks listed on the Philippine Stock Exchange, government securities and/or pooled fund/s that invest in these securities and other liquid instruments.

Historical Yield

Year-to-Date	
Absolute	-0.10%
Since Inception	
Absolute	99.40%
Annualized	4.96%

Fund Information

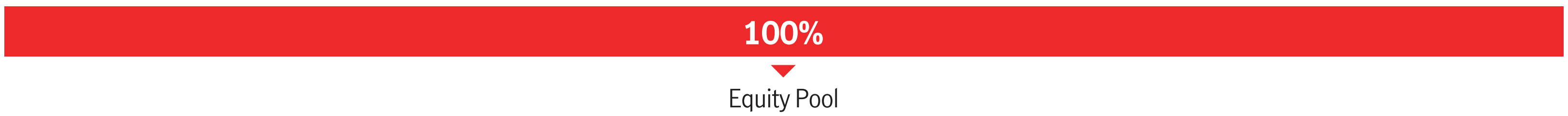
October 2007
Inception date

Php 113.22 million
Fund size

Php 1.994
Price (NAV/Unit)

2.00% per annum
Management fee

Fund Performance



Past performance is not an indication of future results. 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.

Peso Balanced Fund

Investment Objective

The Fund seeks to achieve long-term capital growth through investments in diversified portfolios of peso-denominated fixed income securities and securities listed on the Philippine Stock Exchange and/or pooled fund/s that invest in these securities and other liquid fixed instruments. It shall generally maintain a balanced allocation between fixed income and equity investments and may shift asset allocation between the two as risk/reward dynamics warrant but in no case shall the fund's equity or fixed income allocation exceed 70% of its asset.

Historical Yield

Year-to-Date	
Absolute	-1.14%
Since Inception	
Absolute	4.10%
Annualized	0.47%

Fund Information

July 2013
Inception date

Php 50.76 million
Fund size

Php 1.041
Price (NAV/Unit)

2.00% per annum
Management fee

Fund Performance

Past performance is not an indication of future results. 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.

Peso Target Income Fund

Investment Objective

The Fund aims to provide periodic payouts of up to 3% per annum* while providing the potential for capital appreciation and limiting the risk of capital erosion by investing in a diversified portfolio of fixed income and equity investments based on an active asset allocation strategy.

Historical Yield

Year-to-Date	
Absolute	-2.07%
Since Inception	
Absolute	2.32%
Annualized	0.31%

Fund Information

April 2014
Inception date

Php 209.98 million
Fund size

Php 0.823
Price (NAV/Unit)

2.00% per annum
(of which 0.2% will go to the investment advisor, MIM Hong Kong, Ltd.)
Management fee

Past performance is not an indication of future results. 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.

Fund Performance

45.16%	37.92%	16.92%
Bond Pool	Equity Pool	Short Term Bond Pool

Peso Secure Fund

Investment Objective

The Fund seeks to achieve a stable and long-term growth by investing in government securities and/or high quality corporate debt securities and/or pooled fund/s that invest in these securities and other liquid fixed income instruments.

Historical Yield

Year-to-Date	
Absolute	-3.00%
Since Inception	
Absolute	71.40%
Annualized	4.33%

Fund Information

April 2009
Inception date

Php 1.48 billion
Fund size

Php 1.714
Price (NAV/Unit)

1.75% per annum
Management fee

Fund Performance

Past performance is not an indication of future results. 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.

Peso Diversified Value Fund

Investment Objective

The Fund seeks to achieve a long-term growth by investing in government securities and/or high quality corporate debt securities, stocks listed on the Philippine Stock Exchange and/or in pooled fund/s that invest in these securities and other liquid fixed income instruments.

Historical Yield

Year-to-Date	
Absolute	-2.19%
Since Inception	
Absolute	87.50%
Annualized	5.07%

Fund Information

April 2009
Inception date

Php 1.64 billion
Fund size

Php 1.875
Price (NAV/Unit)

2.00% per annum
Management fee

Fund Performance

57.67%	22.74%	19.59%
Bond Pool	Equity Pool	Short Term Bond Pool

Past performance is not an indication of future results. 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.

Peso Growth Fund

Investment Objective

The Fund seeks to achieve a long-term capital appreciation by investing in stocks listed on the Philippine Stock Exchange, government securities and/or pooled fund/s that invest in these securities and other liquid instruments.

Historical Yield

Year-to-Date	
Absolute	-0.24%
Since Inception	
Absolute	188.70%
Annualized	8.70%

Fund Information

April 2009
Inception date

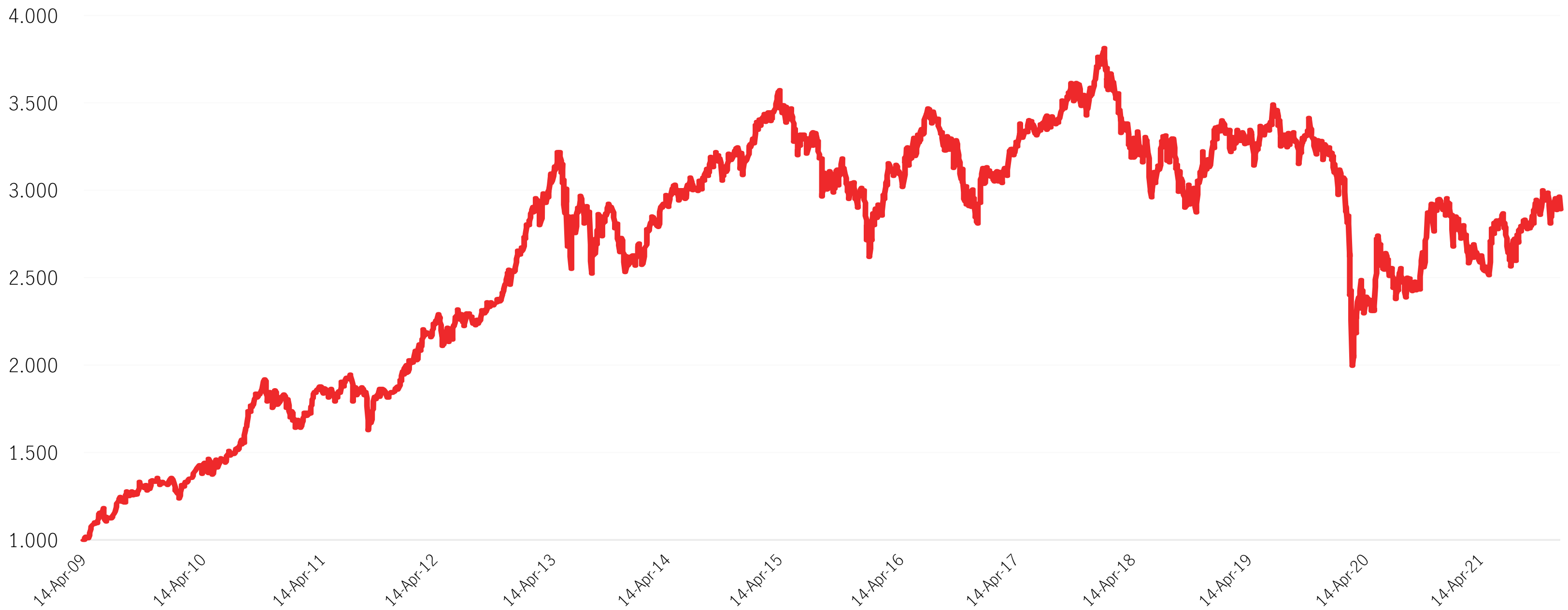
Php 5.93 billion
Fund size

Php 2.887
Price (NAV/Unit)

2.25% per annum
Management fee

Past performance is not an indication of future results. 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.

Fund Performance



100%
Equity Pool

Peso Dynamic Allocation Fund

Investment Objective

The Fund seeks to achieve long-term capital growth through investments in diversified portfolios of peso-denominated fixed income securities and securities listed on the Philippine Stock Exchange, and/or pooled fund/s that invest in these securities and other liquid fixed income instruments. It generally maintains a balanced allocation between fixed income and equity investments and may shift asset allocation between the two as risk/reward dynamics warrant but in no case will the fund's equity or fixed income allocation exceed 70% of its assets.

Historical Yield

Year-to-Date	
Absolute	-1.25%
Since Inception	
Absolute	2.60%
Annualized	0.30%

Fund Information

July 2013
Inception date

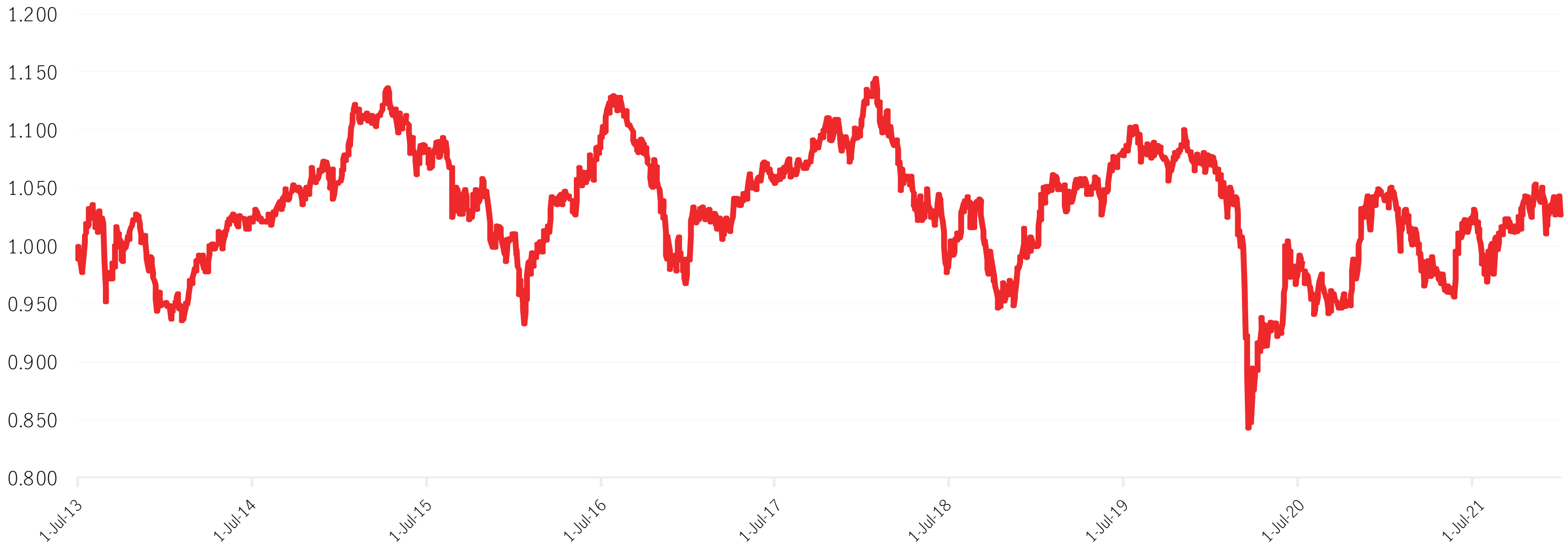
Php 3.67 billion
Fund size

Php 1.026
Price (NAV/Unit)

2.25% per annum
Management fee

Past performance is not an indication of future results. 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.

Fund Performance



Peso Target Distribution Fund

Historical Yield

Year-to-Date	
Absolute	-2.27%
Since Inception	
Absolute	0.58%
Annualized	0.08%

Investment Objective

The Fund aims to provide periodic payouts of up to 3% per annum* while providing the potential for capital appreciation and limiting the risk of capital erosion by investing in a diversified portfolio of fixed income and equity investments based on an active asset allocation strategy.

Fund Information

April 2014
Inception date

Php 6.72 billion
Fund size

Php 0.809
Price (NAV/Unit)

2.25% per annum
(of which 0.2% will go to the investment advisor, MAM Hong Kong, Ltd.)
Management fee

Past performance is not an indication of future results. 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.

Fund Performance

Bond Pool	Equity Pool	Short Term Bond Pool
45.16%	37.92%	16.92%

Peso Wealth Optimizer Fund 2026

Historical Yield

Year-to-Date	
Absolute	-1.74%
Since Inception	
Absolute	-9.80%
Annualized	-1.89%

Investment Objective

The Fund seeks to maximize long-term capital growth while managing the risk of capital erosion as the target date approcahes through a dynamic re-balancing of exposure to diversified portfolios of peso-denominated fixed income securities and securities listed on the Philippines Stock Exchange, and /or pooled funds that invest in these securities and other liquid fixed income instruments.

Fund Information

August 2016
Inception date

Php 255.86 million
Fund size

Php 0.902
Price (NAV/Unit)

2.25% per annum
(of which 0.18% will go to the investment advisor, MAM Hong Kong, Ltd.)
Management fee

Fund Performance

Past performance is not an indication of future results. 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.

Peso Wealth Optimizer Fund 2031

Investment Objective

The Funds seeks to maximize long-term capital growth while managing the risk of capital erosion as the target date approaches through a dynamic re-balancing of exposure to diversified portfolios of peso-denominated fixed income securities and securities listed on the Philippine Stock Exchange and/or pooled funds that invest in these securities and other liquid fixed income instruments.

Historical Yield

Year-to-Date	
Absolute	-1.26%
Since Inception	
Absolute	-13.80%
Annualized	-2.71%

Fund Information

August 2016
Inception date

Php 57.11 million
Fund size

Php 0.862
Price (NAV/Unit)

2.25% per annum
(of which 0.18% will go to the investment advisor, MAM Hong Kong, Ltd.)
Management fee

Fund Performance

Past performance is not an indication of future results. 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.

Peso Wealth Optimizer Fund 2036

Historical Yield

Year-to-Date	
Absolute	-0.82%
Since Inception	
Absolute	-15.60%
Annualized	-3.09%

Investment Objective

The Fund seeks to maximize long-term capital growth while managing the risk of capital erosion as the target date approaches through a dynamic re-balancing of exposure to diversified portfolios of peso-denominated fixed income securities and securities listed on the Philippines Stock Exchange, and /or pooled funds that invest in these securities and other liquid fixed income instruments.

Fund Information

August 2016
Inception date

Php 30.70 million
Fund size

Php 0.844
Price (NAV/Unit)

2.25% per annum
(of which 0.18% will go to the investment advisor, MAM Hong Kong, Ltd.)
Management fee

Fund Performance

Bond Pool | Equity Pool | Short Term Bond Pool **0.09%**

Past performance is not an indication of future results. 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.

Powerhouse Fund

Investment Objective

The Fund aims to achieve long-term capital appreciation by investing in a concentrated portfolio of companies with significant economic exposure to or derive a significant portion of earnings from the Philippines. The Fund may also invest in pooled funds that invest in similar securities and other liquid fixed income instruments.

Historical Yield

Year-to-Date	
Absolute	-0.55%
Since Inception	
Absolute	-10.30%
Annualized	-2.21%

Fund Information

February 2017
Inception date

Php 6.59 billion
Fund size

Php 0.897
Price (NAV/Unit)

2.00% per annum
Management fee

Fund Performance

Past performance is not an indication of future results. 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.

USD Asia First Fund

Investment Objective

The target fund seeks to achieve capital growth by investing primarily in a diversified portfolio of securities of companies listed on stock markets in and/or incorporated in and/or with significant business interests in Asia including Australia, Hong Kong, Indonesia, Malaysia, New Zealand, the PRC, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam and Pakistan, but not in Japan.

Historical Yield

Year-to-Date	
Absolute	-1.37%
Since Inception	
Absolute	43.80%
Annualized	12.31%

Fund Information

November 2018
Inception date

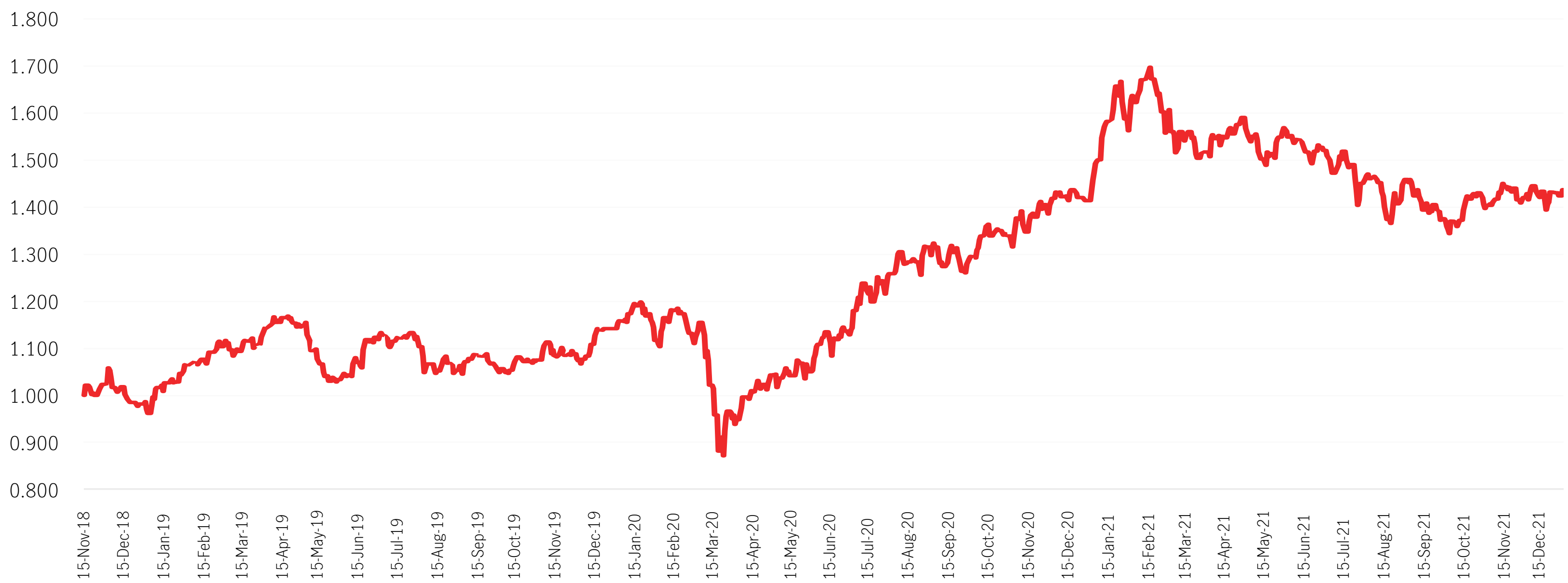
US$ 1.06 million
Fund size

US$ 1.438
Price (NAV/Unit)

2.25% per annum
Management fee

Past performance is not an indication of future results. 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.

Fund Performance



USD Bond Fund

Investment Objective

The Fund seeks to achieve long-term capital appreciation by investing in USD denominated sovereign and corporate debt securities and/or pooled fund/s that invest in these securities and other liquid instruments.

Historical Yield

Year-to-Date	
Absolute	-3.52%
Since Inception	
Absolute	78.20%
Annualized	4.14%

Fund Information

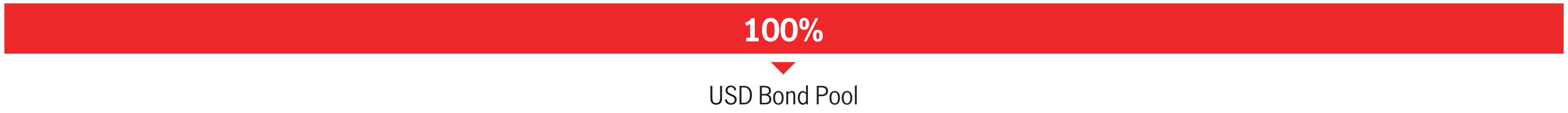
October 2007
Inception date

US$ 1.50 million
Fund size

US$ 1.782
Price (NAV/Unit)

1.75% per annum
Management fee

Fund Performance



Past performance is not an indication of future results. 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.

USD Secure Fund

Investment Objective

The Fund seeks to achieve long-term capital appreciation by investing in USD denominated sovereign and corporate debt securities and/or pooled fund/s that invest in these securities and other liquid instruments.

Historical Yield

Year-to-Date	
Absolute	-3.67%
Since Inception	
Absolute	70.50%
Annualized	4.29%

Fund Information

April 2009
Inception date

US$ 4.94 million
Fund size

US$ 1.705
Price (NAV/Unit)

2.00% per annum
Management fee

Fund Performance

100%

USD Bond Pool

Past performance is not an indication of future results. 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.

USD Asia Pacific Bond Fund

Historical Yield

Year-to-Date	
Absolute	-4.99%
Since Inception	
Absolute	12.51%
Annualized	1.16%

Investment Objective

The Fund seeks to maximize returns from a combination of capital appreciation and income generation. The Fund primarily invests in diversified portfolio of fixed income securities, issued by governments, agencies supra, and corporate issuers in the Asia Pacific region.

Fund Information

October 2011
Inception date

US$ 1.51 million
Fund size

US$ 1.124
Price (NAV/Unit)

2.00% per annum
(of which 0.6% will go to the investment manager)
Management fee

Fund Performance

Past performance is not an indication of future results. 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.

USD ASEAN Growth Fund

Investment Objective

The objective of this Fund is to generate long-term capital growth through investments in equity and equity-related securities of companies incorporated in countries which are members of ASEAN as well as companies incorporated outside ASEAN but with material exposure to ASEAN markets. The Fund may hold cash and fixed income instruments for liquidity management purposes

Historical Yield

Year-to-Date	
Absolute	15.26%
Since Inception	
Absolute	58.60%
Annualized	5.20%

Fund Information

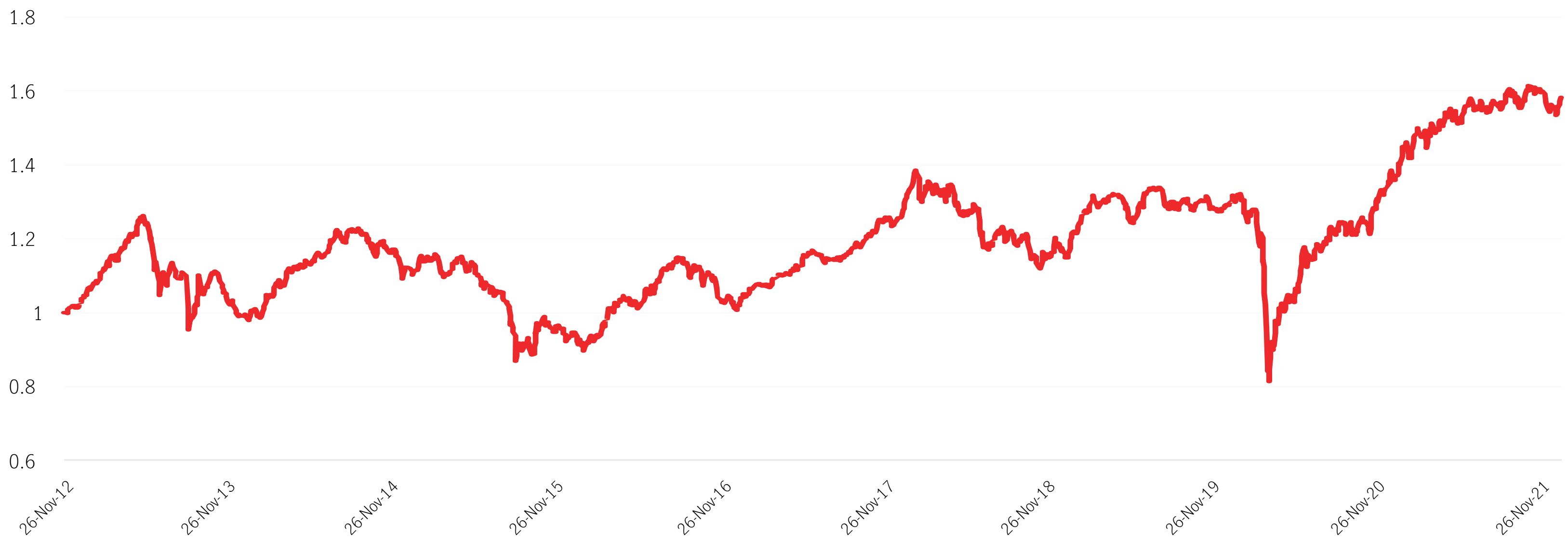
26 Nov 2012
Inception date

US$ 8.27 million
Fund size

US$ 1.586
Price (NAV/Unit)

2.25% per annum
(of which 0.9% will go to the Manager)
Management fee

Fund Performance



Past performance is not an indication of future results. 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.

USD Global Target Income Fund

Historical Yield

Year-to-Date	
Absolute	3.35%
Since Inception	
Absolute	15.28%
Annualized	2.59%

Investment Objective

The Fund seeks to deliver periodic distribution of up to 4.75%* p.a. while providing the potential for capital appreciation and limiting the risk of capital erosion. The Fund will invest primarily in a diversified portfolio of collective investment schemes (including exchange-traded funds (ETFs), real estate investment trusts (REITs) and cash and cash equivalents.

Fund Information

6 Jun 2016
Inception date

US$ 340.33 million
Fund size

US$ 0.891
Price (NAV/Unit)

2.25% per annum
(of which 0.60% will go to the Manager)
Management fee

Fund Performance

Past performance is not an indication of future results. 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.

USD Asia Pacific Property Income Fund

Historical Yield

Year-to-Date	
Absolute	0.80%
Since Inception	
Absolute	2.44 %
Annualized	0.84 %

Investment Objective

The Fund is Feeder Fund that invests in the Asia Pacific REIT Fund of Fund of Manulife Asset Management and Trust Corporation. The target fund is a unit-paying fund of funds that seeks to achieve long-term capital appreciation and to generate income by investing primarily in a diversified portfolio of exchange-listed real estate investment trust (REITs) in the Asia Pacific region and other allowable investments.

Fund Information

February 2019
Inception date

US$ 37.98 million
Fund size

US$ 0.973
Price (NAV/Unit)

2.25% per annum
Management fee

Past performance is not an indication of future results. 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.

Fund Performance

100%

Target Fund

PHP Asia Pacific Property Income Fund

Investment Objective

The Fund is Feeder Fund that invests in the Asia Pacific REIT Fund of Fund of Manulife Asset Management and Trust Corporation. The target fund is a unit-paying fund of funds that seeks to achieve long-term capital appreciation and to generate income by investing primarily in a diversified portfolio of exchange-listed real estate investment trust (REITs) in the Asia Pacific region and other allowable investments.

Historical Yield

Year-to-Date	
Absolute	6.99%
Since Inception	
Absolute	-1.00%
Annualized	-0.39%

Fund Information

May 2019
Inception date

PHP 3.21 billion
Fund size

PHP 0.941
Price (NAV/Unit)

2.25% per annum
Management fee

Fund Performance

Past performance is not an indication of future results. 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.

USD US Growth Fund

Investment Objective

The Fund aims to maximize total return by investing substantially all of its asset in one or more equity collective investment schemes which aims to achieve capital growth through an underlying strategy that invests primarily in a portfolio of equity and equity related securities of North American companies.

Historical Yield

Year-to-Date	
Absolute	n.a.
Since Inception	
Absolute	8.10 %
Annualized	n.a.

Fund Information

May 2021
Inception date

US$ 1.24 million
Fund size

US$ 1.081
Price (NAV/Unit)

2.25% per annum
Management fee

Fund Performance

Past performance is not an indication of future results. 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.

PHP US Growth Fund

Historical Yield

Year-to-Date	
Absolute	n.a.
Since Inception	
Absolute	15.50%
Annualized	n.a.

Investment Objective

The Fund aims to maximize total return by investing substantially all of its asset in one or more equity collective investment schemes which aims to achieve capital growth through an underlying strategy that invests primarily in a portfolio of equity and equity related securities of North American companies.

Fund Information

May 2021
Inception date

PHP 147.06 million
Fund size

PHP 1.155
Price (NAV/Unit)

2.25% per annum
Management fee

Past performance is not an indication of future results. 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.

Fund Performance

100%

Target Fund

USD Tiger Growth Fund

Investment Objective

The Fund aims to maximize total return by investing substantially all of its asset in one or more equity collective investment schemes which aims to achieve capital growth through an underlying strategy that invests primarily in a portfolio of equity and equity related securities of public companies which are listed in Hong Kong and/or, although not listed in Hong Kong, are listed on a stock exchange in any other jurisdiction and have substantial business interests in Hong Kong and/or China.

Historical Yield

Year-to-Date	
Absolute	n.a.
Since Inception	
Absolute	-20.30 %
Annualized	n.a.

Fund Information

May 2021
Inception date

US$ 568.21 thousand
Fund size

US$ 0.797
Price (NAV/Unit)

2.25% per annum
Management fee

Past performance is not an indication of future results. 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.

Fund Performance

PHP Tiger Growth Fund

Investment Objective

The Fund aims to maximize total return by investing substantially all of its asset in one or more equity collective investment schemes which aims to achieve capital growth through an underlying strategy that invests primarily in a portfolio of equity and equity related securities of public companies which are listed in Hong Kong and/or, although not listed in Hong Kong, are listed on a stock exchange in any other jurisdiction and have substantial business interests in Hong Kong and/or China.

Historical Yield

Year-to-Date	
Absolute	n.a.
Since Inception	
Absolute	-14.40%
Annualized	n.a.

Fund Information

May 2019
Inception date

PHP 49.77 million
Fund size

PHP 0.856
Price (NAV/Unit)

2.25% per annum
Management fee

Past performance is not an indication of future results. 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.

Fund Performance

USD Global Preferred Securities Income Fund

Historical Yield

Year-to-Date	
Absolute	n.a.
Since Inception	
Absolute	0.88 %
Annualized	n.a.

Investment Objective

The Fund aims to maximize total return by investing substantially all of its asset in one or more equity collective investment schemes which aims to provide income generation with potential long-term capital appreciation by investing primarily in preffered securities listed or traded on any regulated market in the world.

Fund Information

May 2021
Inception date

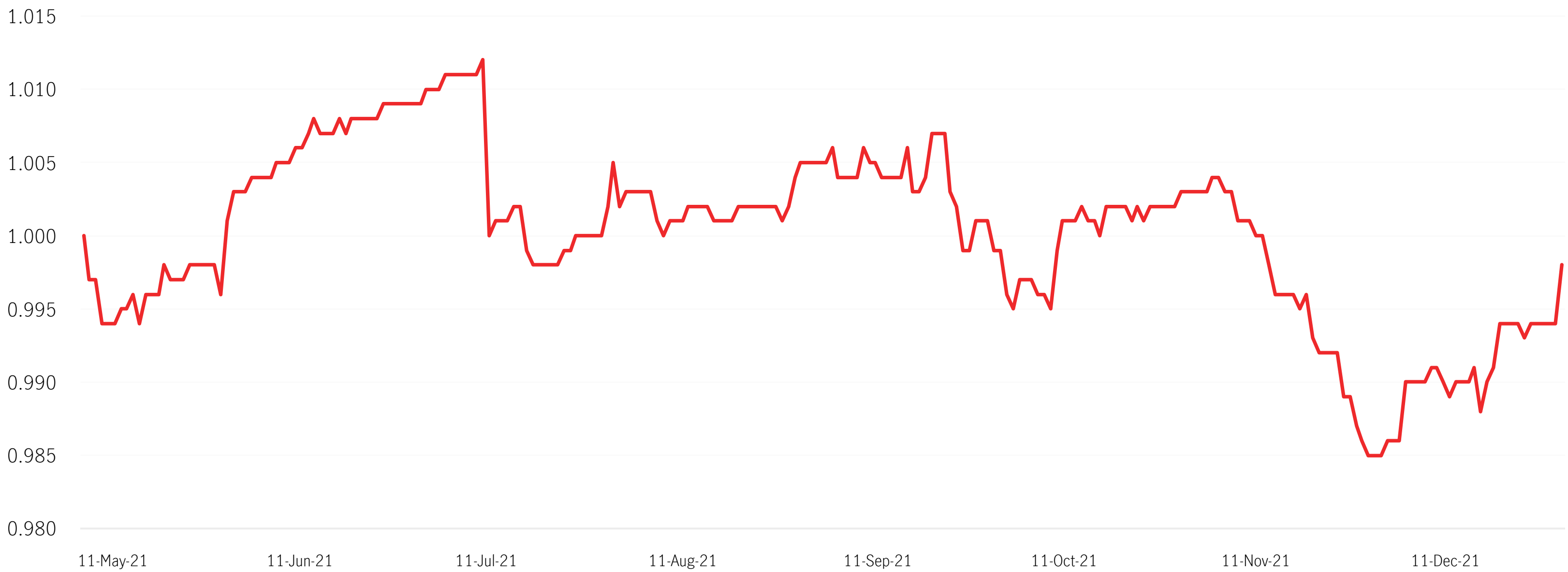
US$ 1.79 million
Fund size

US$ 0.998
Price (NAV/Unit)

2.25% per annum
Management fee

Past performance is not an indication of future results. 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.

Fund Performance



PHP Global Preferred Securities Income Fund

Historical Yield

Year-to-Date	
Absolute	n.a.
Since Inception	
Absolute	6.58%
Annualized	n.a.

Investment Objective

The Fund aims to maximize total return by investing substantially all of its asset in one or more equity collective investment schemes which aims to provide income generation with potential long-term capital appreciation by investing primarily in preffered securities listed or traded on any regulated market in the world.

Fund Information

May 2021
Inception date

PHP 335.46 million
Fund size

PHP 1.055
Price (NAV/Unit)

2.25% per annum
Management fee

Past performance is not an indication of future results. 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.

Fund Performance

MCBL China Bank Dollar Fixed Income VUL Fund

Historical Yield

Year-to-Date	
Absolute	-2.62%
Since Inception	
Absolute	11.50%
Annualized	2.95%

Investment Objective

The Fund seeks to achieve long-term capital appreciation by investing primarily in USD-denominated Philippine sovereign debt securities, as well as other liquid instruments, including bank deposits.

Fund Information

April 2018
Inception date

US$ 4.3036 million
Fund size as of December 31, 2021

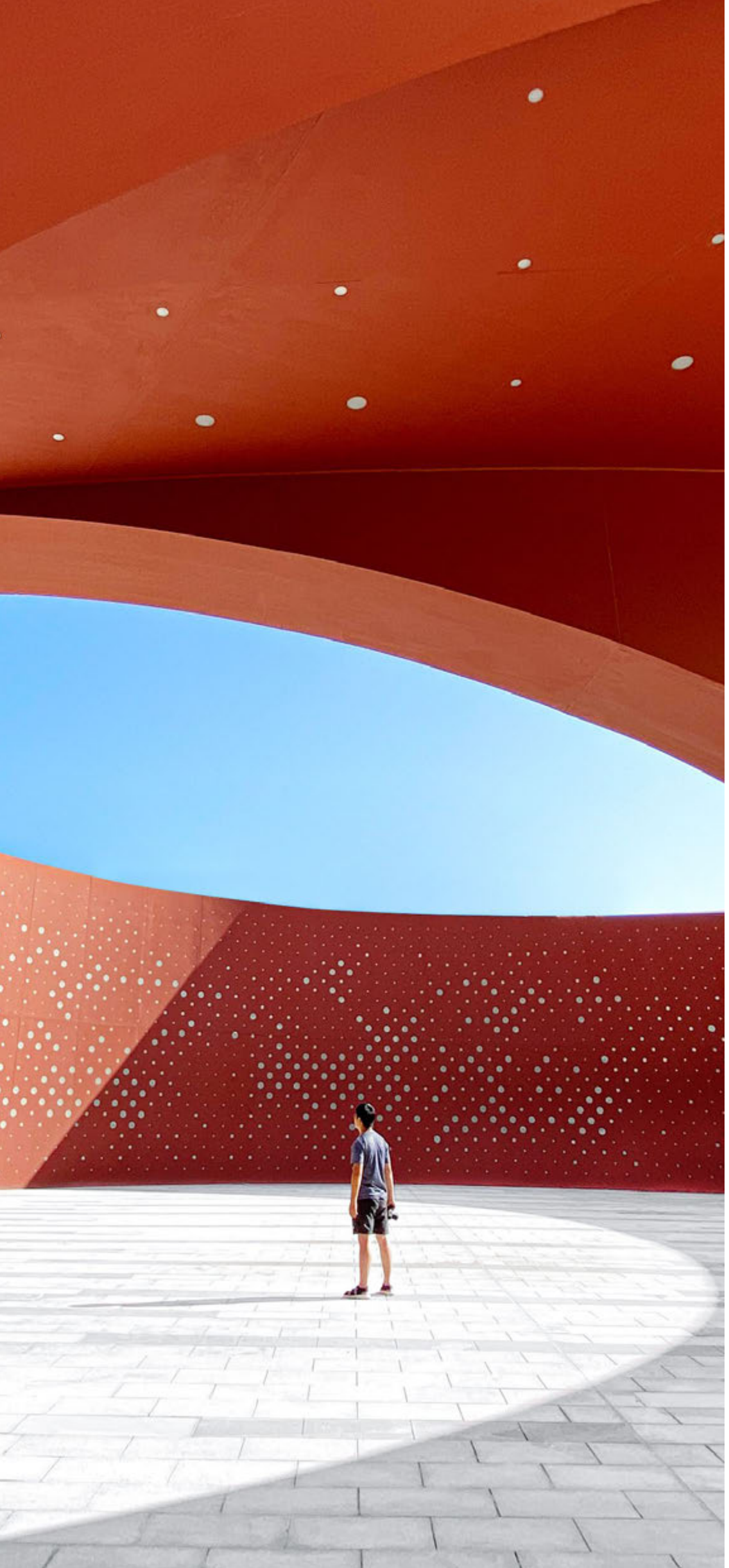
US$ 1.115
Price (NAV/Unit) as of December 31, 2021

2.00% per annum
Management fee

Past performance is not an indication of future results. 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.

Fund Performance

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. Furthermore, 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 after final tax and are exclusive of charges associated with the variable life policy.



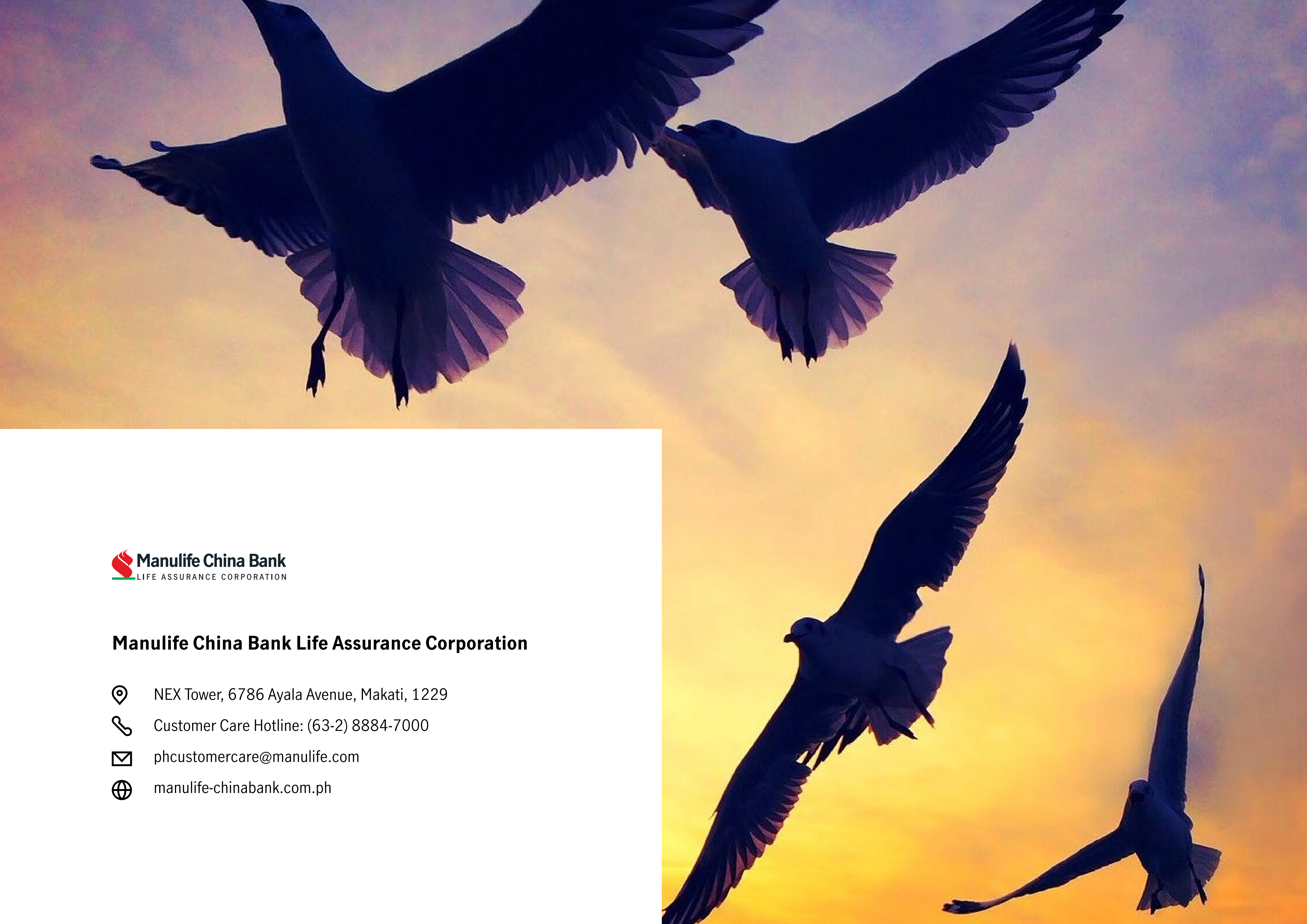
This material is intended for the exclusive use by the recipients who are entitled to receive this document under the applicable laws and regulations of the relevant jurisdictions.It is produced by and the opinions expressed are those of the Manulife China Bank Life Assurance Corporation ("MCBL") as of the date of writing and are subject to change.

The information and/or analysis contained in this material have been compiled or arrived at from sources believed to be reliable but MCBL does not make any representation as to their accuracy, correctness, usefulness, or completeness and does not accept liability for any loss arising from the use hereof or the information and/or analysis contained herein. 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. Neither MCBL or its affiliates, nor any of their directors, officers or employees shall assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained herein.

The information in this material may contain projections or other forward-looking statements regarding future events, targets, management discipline or other expectations, and is only as current as of the date indicated. There is no assurance that such events will occur, and may be significantly different than that shown here. The information in this material 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.

This material was prepared solely for informational purposes and does not constitute a recommendation, professional advice, an offer, solicitation or an invitation by or on behalf of MCBL to any person to buy or sell any security. This material should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any investment products or to adopt any investment strategy. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. Past performance is not an indication of future results.

Proprietary and Confidential Information – Please note that this material must not be wholly or partially reproduced, distributed, circulated, disseminated, published or disclosed, in any form and for any purpose, to any third party without prior approval from MCBL.



Manulife China Bank Life Assurance Corporation

NEX Tower, 6786 Ayala Avenue, Makati, 1229

Customer Care Hotline: (63-2) 8884-7000

phcustomercare@manulife.com

manulife-chinabank.com.ph