

COCOLIFE ASIAN MULTI-ASSET INCOME INVESTMENT FUND

INVESTMENT OBJECTIVE & STRATEGY

COCOLIFE Asian Multi-Asset Income Investment Fund is a variable life insurance investment fund which seeks to achieve capital growth and income over the medium to longer term by investing all or substantially all its assets in a collective investment scheme that invests primarily in Asian fixed income securities and Asian equities (including real estate investment trusts).

FUND FACTS

NAVPU as of October 31, 2023	0.9414	Domicile	Republic of the Philippines
Launch Date	February 16, 2023	Fund Currency	Philippine Peso
Structure	Variable Life Insurance Fund	Fund Type	Multi-Asset Feeder Fund

HISTORICAL PERFORMANCE

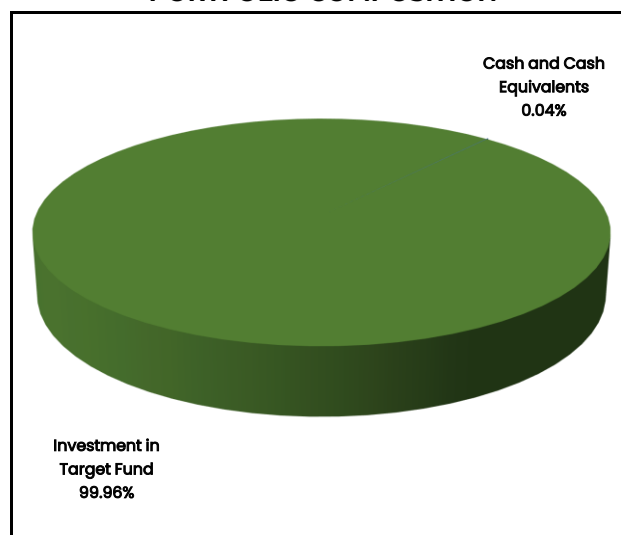
October 31, 2023

FUND PERFORMANCE



NAVPU	SI Return	1-month Return	3-month Return	5-month Return
0.9414	-5.86%	-1.96%	-3.28%	-3.35%

PORTFOLIO COMPOSITION



Information on the Target Fund (as of October 31, 2023)

Investment Objective

The fund's investment objective is to provide income and capital growth over the medium to longer term by investing primarily in Asian (including countries in Asia-Pacific) equities and Asian fixed income securities.

Asset Allocation

Asset Allocation	Equities: 55.40%
	Fixed Income: 39.60%
	Cash and Others: 5.00%

Name of Fund	Schroder Asian Asset Income Fund
Investment Manager	Schroder Investment Management (Hong Kong) Limited
Fund Inception Date	June 27, 2011
Base Currency	Hong Kong Dollar

Cumulative Performance (%)

	3 MONTHS	YTD	1 YEAR	3 YEARS	5 YEARS
Target Fund	-7.78%	-4.99%	3.51%	-5.36%	0.93%

Top Ten Holdings

Name of issuer	% of Total
Taiwan Semiconductor Manufacturing	3.00%
BHP Group Ltd	1.70%
Rio Tinto Ltd	1.70%
Mediatek Inc	1.20%
India Grid Trust Units	1.20%
Republic of the Philippines 5.609% 13/04/33	0.70%
Shinhan Bank Mtn Regs 3.875% 24/03/26	0.70%
Tencent Holdings Ltd Mtn Regs 3.595% 19/01/28	0.60%
China Cinda Finance (2017) I Ltd Mtn Regs 4.100%	0.60%
Lenovo Group Ltd Regs 5.831% 27/01/28	0.50%

Regional Exposure

Country	% of Total
China	23.00%
Hong Kong	12.40%
India	11.60%
Australia	11.00%
South Korea	7.70%
Taiwan	6.00%
Indonesia	5.20%
Singapore	5.10%
Japan	3.60%
Thailand	2.00%

Sector Exposure

Sector	% of Total Fund
Financials	28.10%
Information Technology	9.20%
Consumer Discretionary	8.30%
Materials	7.70%
Utilities	7.30%
Communication Services	7.10%
Energy	6.00%
Real Estate	4.90%
Government	3.80%
Industrials	3.40%

The Fund Manager of the Target Fund employs a risk management process which enables them to monitor and measure the risk of the positions and their contribution to the overall risk profile of the Target Fund. Although care is taken to understand and manage the abovementioned risks, the Fund and accordingly the investors will ultimately bear the risks associated with the investments of the Target Fund.

The Fund is exposed to market, liquidity, foreign currency, dividend paying, interest rate, credit default, region, derivatives, and hedging risks, which may not suit a specific group of individuals.

COCOLIFE ASIAN MULTI-ASSET INCOME INVESTMENT FUND**Market Overview**

Asia Pacific ex Japan equities were weaker alongside global equity markets in October. Conflict in the Middle East hurt risk sentiments, while the rally in government bond yields also weighed on the market. As a result, all index markets ended the month in negative territory. India experienced the worst month in 2023, as elevated US interest rates led to more selling activities by international investors, and the rise in oil prices added further pressure. In Korea, chip makers were under pressure due to investor fears of a global economic slowdown. Hong Kong and China markets continue to be affected by weak investor sentiment, although there are some signs of stabilization in economic activities. Taiwan, Singapore, and Australia markets also ended in negative territory. Overall, the MSCI Asia Pacific ex Japan Index returned -4.1% in USD terms. Within fixed income, markets were influenced by the expectation of sustained higher interest rates. US government bond yields spiked up, and the yield curve steepened. The US 10-year yield increased from 4.57% to 4.91%, and the US 2-year yield rose from 5.05% to 5.10%. As a result, Asian credits also declined as yields rose. Investment grade credits underperformed high-yield credits, as high yield spreads improved from a low base. For reference, the JP Morgan Asia Credit Index was down over the month.

Performance Contribution and Commentary

Over the month, the Target Fund returned -2.4% net of fees. As a reference, the Target Fund outperformed the reference benchmark, mainly attributed to their better stock selections.

Given a difficult market backdrop, the equity portfolio ended the month in negative territory. The sell-off was broad across regional markets and sectors. Financials and consumer discretionary were among the worst-performing sectors. That being said, the Fund Manager's selection of Taiwanese semiconductor names was among few that contributed positively, driven by better financial results, improved forward earnings guidance, and the expectation of a continued recovery in the smartphone market in 2024. An Australian mining company also gained due to the expectation that the recent issuance of Chinese government bonds is targeted to lift manufacturing and infrastructure activities, which, in turn, could boost demand for steel and other industrial metals. Additionally, a Hong Kong-based insurance company performed well as the Q3 2023 results indicated strong momentum in new business value and improved margins.

The fixed income portfolio also ended in negative territory. Exposure to Indonesia, Philippines, and Hong Kong sovereign bonds and quasi-sovereign bonds detracted the most, as yields were influenced by the sustained higher interest rates narrative in the US. However, the Fund Manager's selection of corporate bonds outperformed sovereign bonds. Specifically, their selections of China and Singapore financial issuances performed well, with positive returns.

In terms of the Fund Manager's tactical positions, their short equity index futures on India and Singapore were positive. However, the effect was offset by their long positions in Hong Kong and Japan. Additionally, their long position in global energy contributed slightly negatively following the strong gains in the past few months. On the other hand, their short positions in US Treasury futures for duration management were slightly positive. The overall currency effect was negative due to the depreciation of the Target Fund's underlying currencies against the USD.

Asset Allocation Strategy and Outlook

The net exposure to Asian equities is at 55%, while Asian bonds and global allocation are at 40% and 1% respectively. In terms of the Fund Manager's future overlays allocation, they are holding 4.0% in Hong Kong, 2.0% in Japan, 1.8% in the US energy sector, and -3.0% in Singapore. They rebalanced the regional exposures by reducing their long Taiwan index futures to 2.0%. They exited their long Australia and short India positions after the recent market correction. In terms of fixed income, they are holding onto their US Treasury futures at -5.7% for duration management purposes. In terms of currencies, they retain hedges on SGD, INR, TWD, JPY, and THB. The net exposure to USD and HKD is at 77%.

The Fund Manager continues to see evidence that inflation is on a downward trend, but ongoing geopolitical conflicts may lead to a bumpier disinflationary path across the region than expected. On the other hand, domestic consumption is staying at a healthy level, and the growth picture is expected to be resilient with positive growth differentials relative to some of the developed economies. Additionally, stronger-than-expected consumer spending in the US provides additional support to export-oriented economies across emerging markets, including Asia. These factors lead them to believe that central bank rates are reaching a plateau, but any hope of an imminent pivot to lower interest rates could be premature in the short term. However, given less sticky inflationary concerns, they are holding onto the expectation that central banks across the region are in a better position to adjust their monetary policies compared to the US.

In a benign growth environment and that monetary policies are expected to become more supportive going forward, the Fund Manager is maintaining their slightly overweight position in equities. At the same time, they retain a bias towards higher-quality stocks and companies that provide attractive dividend payout, which can balance the risks due to potential weaker economic conditions in developed markets. In terms of fixed income, they are keeping a low duration to minimize the impact from higher US Treasuries volatility. In terms of credit selections, considering any potential idiosyncratic risks and a strong dollar backdrop, they are targeting bonds from companies with stronger fundamentals. Overall, they believe a diversified and nimble approach that focuses on sustainable income will help smooth the path of returns. They will continue to focus on generating higher-quality income and utilize their futures overlays from a top-down perspective to deliver better risk-adjusted performance to their investors.

Equity Strategy and Outlook

The Fund Manager continues to adjust the equity portfolio given the fast-changing macroeconomic conditions. Over the month, they further took profits and trimmed their exposures to REITs in India, Hong Kong, Thailand, and Korea to manage the risks associated with higher interest rates for longer. They also trimmed utility names in Hong Kong and India to adjust the cyclicity of the portfolio. In addition, they took profits in selected banking and insurance names in Hong Kong and India following strong performances. On the other hand, they added to a household product producer in China on the expectation that consumer spending may remain stable. They also rotated to high-quality semiconductor manufacturer and electronic components and equipment producer in Taiwan to benefit from a gradual improvement in AI chips and related product demand. Elsewhere, they initiated a position in an Australian metals and mining company. Stable demand for precious metals and an improvement in infrastructure and manufacturing activities in China should support the company.

Regarding China, the domestic economy is still challenging, and the housing market, as well as consumer confidence, remain weak. However, with policies are becoming more supportive, there are early signs that economic activities are stabilizing. Further targeted stimulus measurements in the coming months to provide downside protection for the economy are hopeful. From a valuation perspective, the Fund Manager is seeing a mismatch in share price performance against fundamentals. With signs of investors' pessimism bottomed, they see attractive opportunities in selective areas from a bottom-up perspective.

Outside of China, the semiconductors and AI related companies are offering attractive investment opportunities within the region. In addition to their growth potentials, exports and manufacturing are showing early signs of recovery while valuations for industry leaders remain attractive. Elsewhere, valuation is still elevated in India, but a stronger long-term outlook should continue to benefit sectors including banking, IT, and consumer-related names.

In terms of REITs, the Fund Manager has been reducing their exposure across the region to mitigate cyclical headwinds due to higher rates for longer economic narrative. However, there are still attractive opportunities from both a long-term growth and income generation perspective. Selective retail REITs across the region should continue to benefit from the ongoing improvement in tourism and healthy domestic consumption. Industrial and office REITs in India are also well positioned to participate the structural growth story in the country.

Nonetheless, with Asia remains as the growth engine globally, recent markets weakness has opened a more attractive entry point for high-quality companies. The Fund Manager emphasizes that security selection is key for delivering alpha in this cyclical juncture. The Fund Manager will continue to focus on quality names with strong fundamentals and dividend yields, while maintaining discipline in evaluating valuations.

Fixed Income Strategy and Outlook

In October, the Fund Manager reduced their positions in sovereign and quasi-sovereign bonds in the Philippines and Hong Kong to manage the spill-over effects due to a spike in US Treasuries volatility. They also trimmed their holdings in Korean banks due to macro uncertainties and lingering stress in the domestic property market, which may put downward pressure on asset quality at banks. Additionally, they trimmed their position in a Singapore bank based on the view that loan growth may moderate faster than anticipated in the second half of the year. On the other hand, they increased their position in a Macau gaming issuer as the path to recovery from COVID remains on track. Elsewhere, they rotated to an Australian bank due to its resilient growth in the institutional segment and a better cost outlook. They also added to an Australian insurance company due to stable growth supported by disciplined underwriting and a more sustainable outlook for investment income. Overall, the portfolio duration is at 2.0 years as of the end of October.

The spike in US Treasuries (UST) yields volatility has been challenging the global bond markets lately. While the relentless rise in UST yield lately has unpleasant the credit markets in general, Asian credits has shown resilience relative to the global markets. The Fund Manager believes the divergence highlighted a better fundamental and the expectation that central banks across the region are in a better position to adjust their monetary policies when compared to some of the developed markets. That being said, the passthrough effects from a more volatile UST market are likely to persist but may vary across different Asian economies. Selectivity is therefore crucial. High quality financials, China retail-oriented companies, China internet platforms, as well as Macau gaming and Indian renewables names are among segments that they currently prefer. Domestically orientated economies such as India and Indonesia also presenting good opportunities for credit selections across sectors. In terms of credit quality, they still favor the investment grade universe that is supported by healthy fundamentals and technical, and subjected to lower idiosyncratic risks.

(from Schroder Asian Asset Income Fund Monthly Fund Update - October 2023)

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