

USD Global Multi-Asset Income Fund

An investment fund option for variable life insurance products of **The Manufacturers Life Insurance Co., (Phils), Inc.**

Investment Objective

The Fund aims to maximize total return by investing substantially all of its assets in one or more collective investment schemes which aims to achieve income generation by investing primarily in a diversified portfolio of equity, equity-related, fixed income and fixed income-related securities of companies and/or governments globally (including the emerging markets).

Fund Information

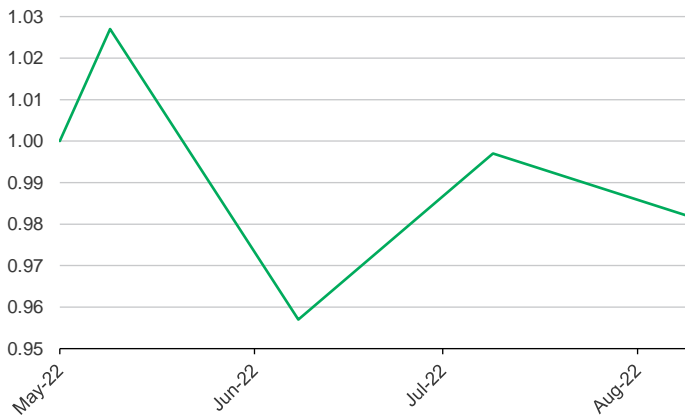
Inception Date May 2022	Fund Size USD 39.27 thousand	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.982	Management Fee 2.25% per annum	Bloomberg Ticker PHEQUUM	

Performance Return (August 31, 2022)

USD Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.10%	n.a.	n.a.	n.a.	n.a.	-1.00%
Annualized	n.a.	n.a.	n.a.	n.a.	n.a.	-1.00%

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.

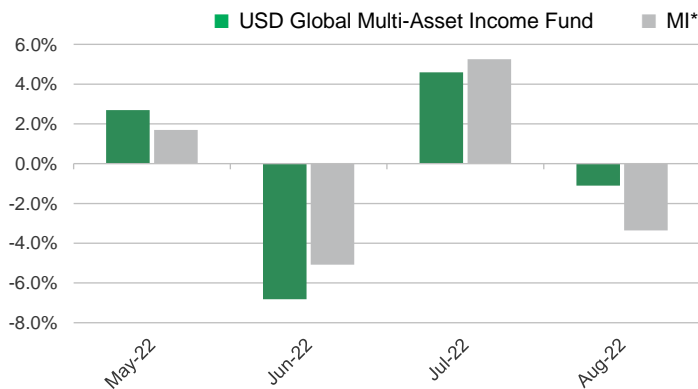
Monthly Net Asset Value per Unit



Top Five Holdings

ALPHABET INC.	1.09%
AMAZON.COM, INC.	1.02%
LENNAR CORPORATION	0.63%
APPLE INC.	0.58%
JOHNSON & JOHNSON	0.56%

Monthly Performance

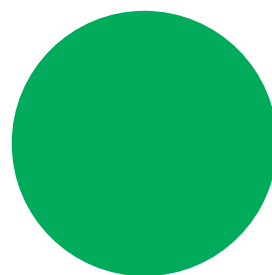


*50% MSCI World GR (USD) Index + 50% Bloomberg Barclays Global Aggregate Bond (USD Hedged) Index

This is not a deposit product. Earnings are not assured and principal amount invested is exposed to risk of loss. This product cannot be sold to you unless its benefits and risks have been thoroughly explained. If you do not fully understand this product, do not purchase or invest in it.

Portfolio Breakdown

Asset Allocation (at Market Value)



Manulife Global Fund - Global Multi-Asset Diversified Income Fund
100.00%

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Market Review

August's market performance was negative as global risk-off sentiment weighed on developed market equities and debt (DMED), whilst emerging markets (EM) and Asia outperformed. Powell's hawkish speech at the Jackson Hole Symposium reaffirmed the US Federal Reserve Bank's (Fed') commitment to hike rates and return inflation to 2%, at the expense of slower growth and softer labour market conditions. The Fed effectively pushed back against any notion of a 'pivot' which saw rates rise and both equities and credits fall following the remarks.

The narrative of recessionary fears has gone from stubborn inflation to growth concerns, underpinned by supply chain disruption, China's covid-zero policy, and geopolitical tensions. After the shift in Powell's message, a soft-landing scenario appears more distant, as global economies grapple with rising interest rate differentials with the US, surging energy costs and domestic inflation.

In equities, markets gave up some of the gains from the July rally, following Jackson Hole, as investors rotated away from interest rate sensitive growth stocks to more defensive allocations. Both the MSCI World Index and the S&P 500 fell -4.1% over the month, Asia gave up -0.2%, EM outperformed and gained +0.45%, whilst Europe underperformed falling -6.2%.

Sectorally, within the MSCI World Index, energy outperformed, being the only sector posting positive returns at +1.9%. Underperformers were health care, real estate and technology falling -6.0%, -5.9% and -5.9%, respectively.

Fixed Income markets were down in August as rising yields across the curve put pressure on prices – the Citi World Government Bond Index fell -4.4%, Barclays EM USD Aggregate fell -0.5%, Global High Yield fell -1.5% and US High Yield fell -2.3%.

In terms of spreads, we saw a widening over the month of August in the Bloomberg Barclays US Corporate High Yield Average OAS to 482 bps vs 465 bps end of July.

In terms of a gauge for volatility, the VIX ended August 2022 at 26, vs 21 at the end of July 2022.

In foreign exchange, the US dollar strengthened against all majors with the British pound underperforming, weakening -4.4% vs the dollar over August. The euro hit parity with the US dollar in late August trading session but ended the month at USD/EUR 0.99.

After the Jackson Hole Economic Symposium, Fed guidance seems heavily tilted towards price stability over maximum sustainable employment. Policymakers at the Fed and European Central Bank look determined to co-ordinate monetary policy tightening in order to bring inflation down. The market is increasingly pricing in a 75 basis points rate hike in September. Asset markets movement will continue to be driven by economic data and Fed guidance. The energy crisis in Europe, owing to Russia's conflict in Ukraine, will bring headwinds to the Eurozone, economic growth, and the fight against inflation.

Governments and central banks continue to demonstrate a tough stance towards inflation, whilst a focus on slowing growth is becoming more a concern for markets. Escalated geopolitical tensions adds to the weakened macro conditions as conflict inflation continues to challenge the Fed. Fed guidance, a function of job creation and inflation expectations, at this point remains the key driver of near-term asset markets, alongside geopolitical sentiment towards Russia and Ukraine, whilst China policy and growth will be a key driver for the Asia region and broad EM.

Outlook

Tightening financial conditions, heightened geopolitical risks and fears of recession have exacted a heavy toll on valuations and positioning. We are currently operating in a period of energy and commodity supply shortages, tight labour markets, and disrupted supply chains. This is leading to unprecedented levels of inflation, not seen in decades. Due to this trend, we expect both developed and emerging markets to be operating in a new normal of higher interest rates.

More indebted emerging markets will need to maintain positive real yields to retain capital flows and avoid currency depreciation. Consequently, the pace of rate increases from the US Fed is something we continue to closely monitor, although the peak pace of tightening could likely already be upon us.

The Biden Administration's pressure on the Fed to continue to go after inflation is likely driven by the front and centre concern by the US voter profile, whilst the growth repercussions and potential job losses that may become more a focus in the latter part of the year are still not yet being overly felt.

An aggressive rhetoric is likely to continue from the Fed over the near term, rather than any finessing of the hike profile. We do believe however growth concerns become more a dominating factor on decision making in the latter part of the year which will push a Fed pivot towards guiding for a slowdown in their already aggressive move towards a terminal rate which we see closer to 4%.

As a result of the Russia/Ukraine conflict, lower growth and higher inflation resulting from high commodity prices and uncertainty are likely to derail any short lived momentum. Global growth forecasts are being reduced, with Europe most vulnerable, whilst the US will also remain challenged. The notion of transitory inflation has gone: sanctions represent a strongly pro-inflationary, supply driven shock, introducing risks of stagflation whilst yield curve inversion is signalling weaker macro conditions.

Pervasive geopolitical uncertainty, downside risks to growth, and upside pressures on inflation underpin caution regarding earnings and valuation expectations.

Levels of uncertainty suggest continued market volatility ahead. However, valuations within some sectors have more than halved without a corresponding decline in earnings or cash flows. This suggests a disconnect between market conditions and fundamentals in some quality franchises.

Indeed, initially we expected the year to begin with the uncomfortable combination of high inflation and a moderation in growth before transitioning to a higher growth profile with more moderate levels of inflation in the second half. However, another stagflation shock makes the prospect of a return to "Goldilocks conditions" by the year end look unlikely.

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The market is pricing in an aggressive hawkish Fed, whilst sentiment is arguably at extreme bearishness. We believe the Fed will eventually have to pivot away and guide for less hikes than the market is pricing, as growth begins to moderate in the second half.

Tactical positioning will be more prevalent again into the later part of the year, to be able to nimbly add and de-risk portfolios as well as add to yield opportunities as they arise. The trade-off between generating yield, which is the primary objective of the strategy, and capital appreciation through tactical equity allocations, or tactical decision making around the options writing, will be the determinant of portfolio success this year.

Overall, we are tilted towards higher rates 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 vaccine success and fears of inflationary pressures. We expect global stimulus efforts to remain a focus, whilst central banks divergent policies will keep market participants second-guessing policy responses.

A rising number of questions are growing around Fed policy. 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 2023 and beyond. The lasting impact of covid on the global economy is not the only factor to monitor. Rising geopolitical tensions in Ukraine, decoupling between China and the West, decelerating growth rates post stimulus, supply chain disruptions and a general deglobalisation trend all raise questions about the future trajectory of global debt and equity markets.

The investment fund option for The Manufacturers Life Insurance Company's variable life insurance product is managed by Manulife Investment Management and Trust Corporation.

The Fund mentioned in this document is specific to variable life insurance contracts and is not considered a mutual fund. Yields depend on interest and foreign exchange rate levels, both of which may fluctuate. Other factors that affect yield include changes in the credit standing of the issuers and changes in the value of the stocks and dividends received. Further, investments of the Fund 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 Fund's 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. THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS. Past performance of the Fund is not necessarily indicative of future performance. Yields are not guaranteed.

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