

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 2.19 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.003	Management Fee 2.25% per annum	Bloomberg Ticker PHEQUUM	

Performance Return (December 31, 2023)

USD Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	3.61%	10.48%	10.48%	n.a.	n.a.	7.87%
Annualized	n.a.	n.a.	10.48%	n.a.	n.a.	4.83%

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.

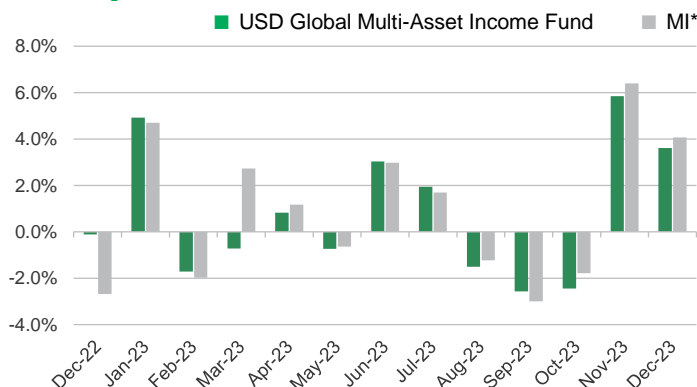
Monthly Net Asset Value per Unit



Top Five Holdings

FEDERAL FARM CREDIT DISCOUNT NOTES 0% 02/01/2024	2.42%
APPLE INC.	1.24%
MICROSOFT CORPORATION	1.21%
AMAZON.COM, INC.	0.98%
ALPHABET INC.	0.93%

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%

USD Global Multi-Asset Income Fund

Market Review

December had strong momentum across major asset classes delivering mid-single digit returns to end CY 2023, as the market digested rate cut prospects in 2024, a further moderation in inflation while the soft-landing growth narrative remained robust, given a strong US consumer base. The possibility of rate cuts in 2024 and dovish comments by US Federal Reserve Board (Fed) Chair Powell have sent equities and bonds higher, thanks to the risk-on sentiment that was also supported by upbeat news from falling inflation reports, causing US 10-year Treasury yields to decline over the month, and end at 3.88%. Lower treasury yields and a weaker USD added impetus to the broad risk asset rally.

US PMIs suggested the US economy is holding up well with the composite PMI rising to 51.0 in December, propelled by the service sector. On the inflation data front, the CPI reading for November came in near estimates, with headline and core inflation running at 3.1% YoY and 4.0% YoY, respectively. The decline in inflation data was largely driven by lower energy and gasoline prices. The PPI report also showed disinflation in the pipeline with the PPI ex food and energy reading coming at 0.0% MoM and 2.5% YoY. The US Fed kept rates unchanged, and the Federal Open Market Committee (FOMC) summary of economic projections showed a median estimate of three 0.25% rate cuts in 2024, bringing the US Fed funds rate from 5.50% to 4.60%. The market, however, is pricing in five to six rate cuts for 2024, which heightens the risk of a repricing in rates as we move into 2024.

The euro-zone composite PMI fell to 47.0 from November's 47.6 in December, which marked the seventh consecutive monthly shrinking in business activities. The European Central Bank (ECB) held its rates unchanged at 4.0%. The Bank of England (BOE) also kept its policy rate unchanged at 5.25% but policymakers reaffirmed their stance to hike again if inflation persists.

Elsewhere in China, November data releases continued to paint a mixed picture of China's economy. China's CPI fell by -0.5% YoY driven by lower pork prices, while PPI dropped by -3.0% YoY in November, pointing to concerns of deflation. The property sector remained a drag on economic growth. However, industrial production grew at 6.6% YoY, beating expectations, as well as retail sales surging 10.1% YoY. The People's Bank of China (PBOC) continued its liquidity injection into the banking system via a medium-term lending facility to boost China's economy. Despite supportive measures, we are yet to see a catalyst for the Chinese equity and debt markets.

Equities posted strong gains globally with MSCI ACWI up +4.84% in December. The Dow Jones Industrials and Nasdaq 100 indices returned to new all-time highs over the month. Latin America performed well, gaining +8.38%, followed by Canada, rising +6.85%. Emerging markets lagged but still gained +3.95% over the period. Style-wise, US small cap was the standout rallying double digits, as concerns of higher-for-longer rates has eased over the month.

Within MSCI World, real estate, although a laggard sector, led the gains by +8.86% in December, as the rate-sensitive sector benefitted from potential falling rates. Industrials were also on the top of December's rankings, gaining +7.61%. Defensive sectors including healthcare (+4.46%), utilities (+3.02%) and consumer staples (+2.79%) detracted from performance. Energy struggled and ended the month flat, as oil prices and other energy-related commodity prices fell.

Fixed income returns were also positive across the board, as yields plunged over the month. The FTSE World Government Bond Index gained +4.20% and the Bloomberg Global Aggregate Index was up +4.16%. The Bloomberg Global Corporate and Global High Yield rose +4.25% and +4.03%, respectively.

In foreign exchange, most major currencies strengthened against the USD in December, including the GBP (+0.70%), EUR (+1.24%) and JPY (+4.86%).

Outlook

Looking ahead, we expect lower interest rates to be accommodative for economic growth. In addition, inflation appears to be coming down and unemployment remains low. However, geopolitical challenges and the upcoming US Presidential Elections could pose challenges to investor sentiment. We also expect that 2024 will be a more challenging year for global growth.

Central banks will continue to push back against the higher magnitude of rate cut expectations that the market has currently priced in, but we still expect cuts to occur in most developed markets, even with inflation in the 2-3% range in 2024. The December FOMC meeting has shifted the narrative away from "are we at peak yet?" towards "when will the US Fed start cutting and by how much?".

The Summary of Economic Projections (SEP) has penciled in three rate cuts in 2024 (vs two previously). The FOMC decision almost reads as an "all clear" signal on policy easing ahead. Reading the SEP, the US Fed expects the US economy to stick the soft landing given moderating inflation, modest (but not negative) growth and a slightly higher level in the unemployment rate. Recent data releases also suggested a resilient US growth, as US consumers and retail sales remained strong. We maintain our base case that the US economy will slip into a mild to moderate recession within the next six months. Simply put, we expect to see two consecutive quarters of negative GDP growth, accompanied by a rise in the unemployment rate. Whether or not economic activity has contracted to the extent that it fits the official definition of recession is much less important than the decline in growth momentum that lies ahead. In our view, lending, consumer activity, capital investment and, among other things, earnings will weaken in the coming six months.

While recent developments support this view, we are acutely aware that the narrative is unlikely to unfold in a linear manner. Areas that could add uncertainty in the coming weeks and tilt the narrative back towards our risk case of higher-for-longer interest rates include how markets react to the data, whether inflation continues to move in the right direction, and how lending conditions evolve. That said, we still believe that deteriorating economic conditions will push the US Fed into cutting rates in the second half of 2024.

USD Global Multi-Asset Income Fund

In Asia, negative sentiment has been dominated by a faltering structural trend in aggregate growth in China, with particularly persistent tail risks to the property sector. In our view, the negative sentiment has likely run ahead of itself for the time being. The gloom belies the green shoots of a cyclical rebound: car sales and commodity demand have been a bright spot, and the lagged effects of incremental policy easing should generate some recovery in credit growth. Equity valuations in Asian markets tip toward the favorable side of the equation. While we do not expect the cyclical rebound to be as large as previous cycles, we see tactical upside for Chinese risk assets, as market hopes for a more meaningful support package in 2024. However, for the cyclical rebound to strengthen itself beyond the mechanical reopening boost, we would need to see a sustained recovery in household consumption and property sales.

In markets, the potential end of the global rate hike cycle is supportive of our view of equities, but an uncertain macroeconomic landscape is a potential headwind for equities. Corporate earnings have generally remained strong, and consumer remained resilient. Oil prices have fallen against lackluster demand, though the escalating Hamas-Israel conflict in the Middle East has the potential for wide-ranging impacts should other regional players get drawn in. Given the uncertainty surrounding several factors—among them monetary policy, geopolitical tensions, and recessionary risks—we are focusing on quality across equity assets and taking a more defensive position. At the same time, we appreciate the excitement surrounding artificial intelligence (AI) and the magnitude of its potential impacts on revenue monetization, productivity and cost cutting, and seek pockets of related growth opportunities.

High-yield bonds and loans, and spread sectors more broadly, have continued to benefit from comparatively high levels of carry and current yield from a historical basis, and from positive investor sentiment and spread levels that have moved tighter year-to-date.

Companies of lower credit quality will have to carefully navigate worsening conditions compounded by increased required rates of return by financial markets. We have seen new issue activities pick up in the latter half of the third quarter, but from very weak levels recorded earlier in the year and in 2022. Default rates have also picked up, particularly for CCC-rated issuers, and we believe this trend will likely continue, driven by a potentially weakening economy, a growing number of bonds maturing over the next few years, and restrictive refinancing rates facing many corporations.

Overall, we maintain that there are downside risks to the economy given tighter credit conditions and may see higher-for-longer interest rates given the potential for macro data disappointments. Tactical positioning will be more prevalent again as we go into 2024, to nimbly add and de-risk portfolios, as well as add to yield opportunities as they arise.

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.

The information and/or analysis contained in this material have been compiled or arrived at from sources believed to be reliable but The Manufacturers Life Insurance Company ("Manulife Philippines") 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 Manulife Philippines 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 Manulife Philippines 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.

Manulife and the block design are registered service marks and trademarks of The Manufacturers Life Insurance Company and used by it and its affiliates including Manulife Financial Corporation.