USD Global Multi-Asset Income Fund

February 29, 2024

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

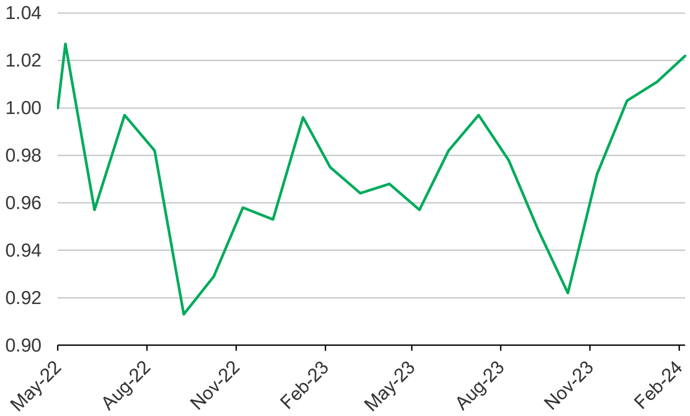
Inception Date May 2022	**Fund Size** USD 2.54 million	**Fund Currency** US dollar	**Dealing/Valuation** Daily
Price (NAV/unit) USD 1.022	**Management Fee** 2.25% per annum	**Bloomberg Ticker** PHEQUUM	

Performance Return (February 29, 2024)

USD Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.50%	2.72%	10.03%	n.a.	n.a.	10.81%
Annualized	n.a.	n.a.	10.03%	n.a.	n.a.	5.97%

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.

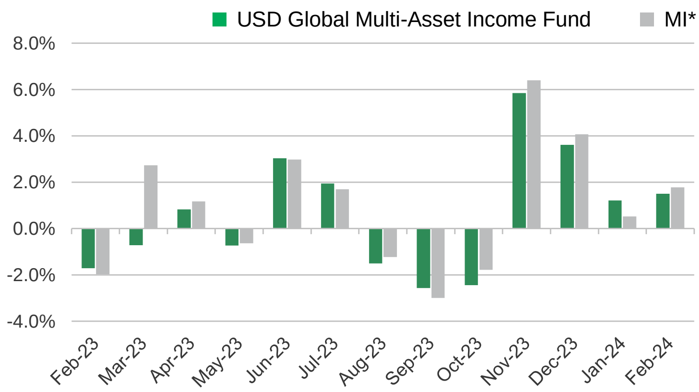
Monthly Net Asset Value per Unit



Top Five Holdings

FEDERAL AGRICULTURAL MORTGAGE CORP DISCOUNT NOTES 0% 01/03/2024	1.33%
MICROSOFT CORPORATION	1.23%
APPLE INC.	1.10%
AMAZON.COM, INC.	1.08%
NVIDIA CORPORATION	0.97%

Monthly Performance

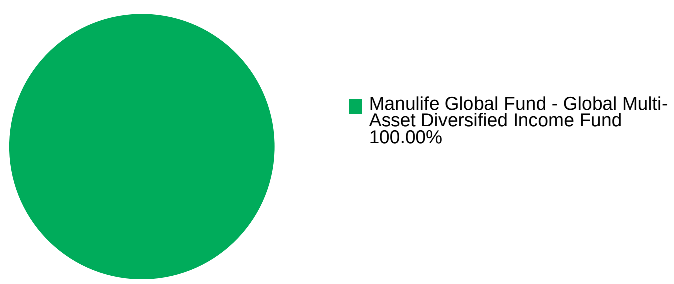


**50% MSCI World GR (USD) Index + 50% Bloomberg Barclays Global Aggregate Bond (USD Hedged) Index*

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)



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Market Review

February was a solid month for equities, driven by resilient economic data and better-than-expected earnings reports in the US which, however, saw modest declines in fixed income. Stock indices surged to all-time highs globally, including S&P 500, Nasdaq Composite, Euro Stoxx 600 and Nikkei 225. The strong momentum extended and broadened across regions and sectors, with growth stocks leading the market. Fixed income markets were broadly down as bond yields rose after a broad re-pricing of the US Federal Reserve Board (Fed) rate cut expectations, given hawkish comments from the Federal Open Market Committee (FOMC) meeting in January.

The US continued to see a resilient labor market with the unemployment rate holding steady at 3.7%. January monthly inflation data was hotter than expected with headline composite price index (CPI) and core CPI up +3.1% and +3.9%, respectively, on an annual basis. The US Fed's preferred measure, PCE Price Index, despite having the largest monthly increase in over a year, declined on a year-on-year (YoY) basis, which continued to decline towards the US Fed's target rate. The US composite purchasing managers' index (PMI) also ran hot. Additionally, both retail sales and industrial production declined in January. February saw a hawkish shift in market expectations on the first rate cut, which has now been repriced to June, followed by the FOMC statement reiterating a "higher for longer" rhetoric.

Headlines from Europe were less positive. the eurozone composite PMI rose to 48.9 in February but remained in contraction territory. The UK's fourth-quarter gross domestic product (GDP) was down -0.3%, showing that it entered a technical recession at the end of last year. On the inflation data front, the euro area headline and core inflation declined in February, while UK inflation data remained unchanged in January.

In China, there have been signs of supportive measures being rolled out by China's government to improve domestic sentiment and consumer spending. The Chinese government also announced a cut to the five-year loan prime rate and further supportive stock market measures. The upcoming National People's Convention (NPC) on March 5 is expected to yield further signs of administrative support and spending plans. Elsewhere in Asia, although Japan entered a technical recession, its weakening currency has helped the geographical region's exports, pushing the stock market to record highs.

Equities posted strong returns globally with MSCI ACWI up +4.33% over the month of February. The US performed very well in the market, gaining +5.37% with US equity indices ending in record territory. Emerging markets (EMs) and Asia Pacific ex Japan also performed well in February, buoyed by China. Latin America detracted, falling -0.15%.

Within MSCI World, consumer discretionary and industrials were the standouts posting strong returns of +7.56% and +5.83%, respectively. Information technology and consumer services also extended their gains by rising +6.18% and +4.57%, respectively, amid continued expectations surrounding artificial intelligence (AI). More defensive sectors such as financials, healthcare, and consumer Staples were also positive. Utilities were the only sector trailing into negative territory, falling -0.96%.

Fixed income returns saw modest declines over the month, as yields moved broadly higher. The FTSE World Government Bond Index fell -1.30% over the month, closely followed by corporate bonds, with the Bloomberg Global Aggregate Index down -1.26%. Less rate-sensitive high-yield bonds fared well, with Bloomberg Global High Yield up +0.79%.

In foreign exchange, most major currencies fell against the USD, including the JPY (-2.34%), CAD (-1.50%), GBP (-0.67%), and EUR (-0.38%).

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 Election could pose challenges to investor sentiment. We also expect that the first half of 2024 will be more challenging for global growth.

We believe we are at, or soon past peak rates and the global easing cycle has begun with global disinflation firmly in place. All major central banks have indicated the next moves are cuts, provided inflation continues to moderate, except for the Bank of Japan. We still expect cuts to occur in most developed markets, even with inflation in the 2%-3% range in 2024, but central banks will continue to push back against the higher magnitude of rate cut expectations that the market has priced in. The balance of risks is now weighed towards a later start to the US Fed's easing cycle, but potentially with a more aggressive pace. Our base case is presently for cuts to begin in June but acknowledges that May is a distinct possibility, though we do not believe a difference of six weeks would have a significant impact on growth and financial conditions. While the recent data strongly suggests an extended cycle, we continue to be worried about an economic slowdown around mid-year once the full effect of past interest rate hikes have filtered through the system.

We maintain our base case that US growth eventually falters within the next six months, led by labor market slack and lower household consumption, which is supported by weaker-than-expected retail sales and industrial production in January. That said, 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. Given that outcome, the US Fed would have to make the critical concession of cutting interest rates while inflation remains above their target. Markets could be particularly sensitive to any variance away from the soft-landing narrative: a slowdown, then we see an easier US Fed being priced in; too strong data, and we could see further pricing out of the US Fed Funds rate cuts.

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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, easier monetary policy does not sufficiently stimulate lending. Incremental economic policy to stabilize the real estate sector and improve consumer and corporate sentiment will continue, but large-scale fiscal stimulus appears less likely. Consequently, China will not be the main driver of global/regional manufacturing activity. We believe 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. To sustain the ongoing domestic stock market rally, we need to get more clarity on Beijing's economic reforms, growth, and budget deficit targets on China's National People's Congress. 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 consumers have remained resilient for the most part. Oil prices have oscillated as prospects for a truce in the Middle East appear and fade, and the conflict has the potential for wide-ranging impacts as other regional players including the US 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. At the same time, we appreciate the excitement surrounding AI and the magnitude of its potential impacts on revenue monetization, productivity, and cost-cutting, and seek pockets of related growth opportunities. The second half of 2024 should see a more favorable environment for equities with corporate earnings strength broadening beyond large-cap technology names.

Within credit, the importance of security selection and differentiation among spread sector allocations and capital structures is at a premium, as is preserving capital and limiting permanent capital losses due to defaults. Despite these challenges, we maintain a balanced view of performance for global credit asset classes. We see opportunities to invest lower in capital structures of high-quality businesses to achieve competitive income generation. The preferred asset class is well-positioned for more restrictive financial conditions. High-yield corporate bonds continue to offer competitive income generation, but we are concerned that valuations are stretched and prefer opportunities in BB-rated and B-rated issuers, where we have a fundamental view of credit improvement rather than deterioration given the economic environment. Similarly, we see opportunities in EM credit as valuations more adequately reflect corporate conditions. However, given the challenging global growth outlook, we are very selective. IG corporate bonds offer good risk-reward and have potential to generate healthy returns as interest rates fall. However, current income generation is not as compelling as it was in late 2023. Having the ability to select securities from a broad credit universe and the flexibility to allocate across fixed income sectors and up and down the credit spectrum should also help with navigating a potentially softer economic landscape. Our view is that within credit, and spread sectors more broadly, there remain attractive opportunities to generate income with the added potential for upside spread compression and limited risk of permanent capital impairment.

Overall, we expect the market to experience some volatility in the first half of 2024, particularly as investors reprice interest rate and potentially inflation expectations. We maintain that there are downside risks to the economy given tighter credit conditions and may see higher interest rates for longer than expected but may also not come off at the magnitude the market is pricing in. 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.
