

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 7.53 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.060	Management Fee 2.25% per annum	Bloomberg Ticker PHEQUUM	

Performance Return (February 28, 2025)

USD Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.35%	1.39%	8.87%	n.a.	n.a.	20.64%
Annualized	n.a.	n.a.	8.87%	n.a.	n.a.	7.01%

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.

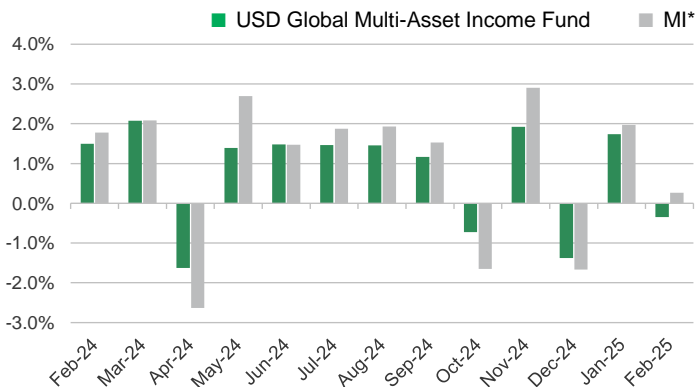
Monthly Net Asset Value per Unit



Top Five Holdings

FEDERAL HOME LOAN BANK DISCOUNT NOTES 0% 03/03/2025	1.35%
MICROSOFT CORPORATION	1.05%
APPLE INC.	1.04%
NVIDIA CORPORATION	1.03%
ALPHABET INC.	0.95%

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

February saw a regional rotation in equity market performance as the dominance of the US was challenged, with investors diversifying towards opportunities elsewhere. European and Chinese markets were standouts. US markets gave back some gains after a robust start to the year, as the period saw a combination of softening macro data and reacceleration of inflation, which brought about concerns of stagflation. On the other hand, fixed income markets ended the month positively, supported by falling US yields, while a weaker US dollar also bolstered emerging market debt. In the commodities sector, performance was mixed but ended the month positively with gold prices declining, while natural gas saw an increase.

In the US, macro data were mixed with nonfarm payrolls coming in below expectations. Retail sales contracted by 0.9% in January, much worse than forecast. US manufacturing Purchasing Managers' Index (PMI) continued to remain strong, while the services PMI fell, reflecting a softening growth in services activity. Regarding inflation data in January, inflation came in hotter than expected with headline and core inflation edging higher to 3% year-on-year (YoY) and 3.3% YoY, respectively. The US Federal Reserve (Fed) kept benchmark rates unchanged, and Chair Powell expressed caution amid a hotter inflation print and an uncertain economy. US equities declined over the month as reaccelerating inflation raised recession and stagflation concerns, compounded by uncertainty surrounding Trump's policies on trade, immigration, tax and geopolitical issues. Moreover, growth-oriented equities were hit very hard, especially mega-cap tech, as concerns around their rich valuations added to pressure, while value and defensive sectors performed well.

European equities gained momentum and performed well in February on improving economic activity and hopes of a potential ceasefire in Ukraine. The eurozone composite PMI remained in expansionary territory with the manufacturing PMI continuing to show improvements to 47.6 in February (vs 46.6 in the previous month). Euro area headline and core inflation eased to 2.4% YoY and 2.6% YoY, respectively. The positive performance of European equities can be attributed to their lower exposure to the technology sector and a higher concentration to the financial sector, which is experiencing record-high profitability. UK equities also advanced higher over the month, despite an acceleration in the inflation rate with headline and core inflation moving higher to 3.0% YoY and 3.7% YoY, respectively. The composite PMI dipped slightly to 50.5, with support from the expansion in the services sector.

Within Asia, China and Hong Kong markets posted strong gains over the month, buoyed by enthusiasm for the DeepSeek artificial intelligence (AI) model, which bolstered the broad technology market. Approaching the end of the month, Chinese equities saw some volatility on tariff headlines as Trump announced an additional 10% tariffs on Chinese imports. On the macro data front, the official manufacturing PMI rose to 50.2 and services PMI also unexpectedly advanced to 51.4 in February as business resumed after the Lunar New Year, coupled with various stimulus measures. Japanese equities retreated over the month as the Japanese yen appreciated affecting the export-reliant market. The central bank maintains its monetary tightening stance driven by high inflation and strong wage growth.

Equity markets were mixed in February with MSCI ACWI down -0.58% and MSCI World down -0.69%. In US dollar terms, Europe performed well and added +3.69%. Emerging markets and Asia Pacific ex Japan also ended in positive territory with returns of +0.50% and +0.22%, respectively. US lagged and lost -1.58%, followed by Japan -1.35%. Latin America lagged and detracted -1.81%.

Within MSCI World, consumer staples drove the gains, adding +4.87%, followed by real estate with +3.10%. Energy also performed well, posting a return of +2.72%. Consumer discretionary and communication services declined -6.68% and -5.11%, respectively. Information technology also saw a loss of -1.84% over the month.

Fixed income markets ended in positive territory over the month, driven by falling US yields. The US 10-year Treasury yield fell ending the month at 4.19%. US Treasuries notably performed with a return of +2.16%. The FTSE World Government Bond Index returned +1.40%. The weaker US dollar supported emerging market debt, which returned +1.62%. Global investment-grade (IG) credits also rose +1.64% on strong corporate fundamentals. Global and US high yields lagged with +0.79% and +0.65% returns, respectively due to spreads widening and shorter duration.

In foreign exchange, major currencies strengthened against the US dollar, including the JPY (+2.76%), GBP (+1.34%) and EUR (+0.04%).

Outlook

Looking ahead, our medium- to long-term outlook suggests that ultimately lower interest rates would be accommodative for economic growth with inflation coming down and continuing resiliency in corporate earnings growth. However, we are at a juncture where rates may not need to be as aggressively cut as previously expected during 2025 amid the recent elevated inflation and broader macro uncertainty. We also remain on data watch in order to garner more clarity on the global macroeconomic path and how that translates into portfolios. 2025 may begin strong, but we expect volatility to persist amid a complex macroeconomic landscape where geopolitical risks and the potential for a global economic slowdown could be potential headwinds this year, compounded by uncertainties surrounding Trump's policies.

Entering 2025, it appears that most global central banks would like to move their monetary policy toward their respective neutral interest rates. However, we expect the first half of the year to pose obstacles that may prevent a predictable, straightforward path to neutrality. With the US Fed's cutting cycle having started, attention shifts to the extent and speed of upcoming cuts. The extent to which the US Fed cuts remain data-dependent, we continue to expect that some uneven cooling in the labor market and disinflation will allow the US Fed to continue moving towards a neutral policy rate. Despite higher consumer price index (CPI) readings, personal consumption expenditures (PCE) growth remained stable, which will have been a reassuring signal to the US Fed. That being said, against a backdrop of government policy uncertainty around any ambiguity in the data would suggest the US Fed proceeds with caution, slowing the pace of their easing cycle. While we wouldn't expect the overall magnitude of the US Fed's easing cycle to change (we continue to expect a 3.5% terminal rate), it would take longer to get there. We now favor three cuts over four for the balance of 2025. We expect the central banks of other developed markets (DMs) to continue their easing cycles supported by softer inflationary pressures and sluggish growth. Japan remains a clear exception among DMs as it attempts to bring its policy rate up to neutral against a backdrop of potentially slower global trade.

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Economic growth, while positive, will be below trend across most major economies in 2025, driven by pressured consumers and high borrowing costs. Financial conditions are expected to remain balanced, avoiding extremes that could either materially slow down the economy or reignite inflation. We expect the US economy to slow down modestly due to pre-existing dynamics (i.e., the lagged effects of policy tightening), which would negatively affect the global trade and the manufacturing cycle. However, more pronounced weakness or tariff-related uncertainty could further weigh on risk assets in export-dependent regions. Growth profiles in most of the world's other DMs—Canada, Europe, and the UK—appear to be more subdued than in the US, with the lagged effects of tighter monetary policy, slowing global trade (especially with China) and more protectionist trade policies from the US weighing on these geographic regions and likely to keep doing so. Any regional-level assessment should include careful consideration of its exposure to the global trade impulse.

With clear US election results, the new presidential administration's plans to take a more protectionist approach to trade policy add another layer of uncertainty to the global trade picture. For example, President Trump's proposed tariffs on imports from key trading partners like China, Mexico, and Canada could severely hamper global trade activity. While broad-based tariffs pose a potential risk, we expect a more targeted and strategic approach to trade negotiations will ultimately emerge. We don't see globalization reversing anytime soon. Rather than a collapse of the current trade ecosystem, we expect a generally slower global trade impulse in 2025, with implications for our longer-term growth and inflation forecasts. We believe supply-side shocks and constraints—from trade policies, climate-related events, the low-carbon transition, and geopolitical conflicts—could increasingly influence the global economy, putting upward pressure on both the level and volatility of inflation.

In Asia, we remain neutral on China with growth in policy-supported sectors and exports offset by weakness in real estate and domestic consumption. Another clear source of risk is the new US administration and looming trade tensions. Having said that, equity valuations in Asian markets tip toward the favorable side of the equation. We anticipate additional government stimulus measures aimed more at restoring and maintaining economic growth than at meaningfully reaccelerating it. As such, our base case remains that, at best, we see gradual stabilization and perhaps modest improvement in China's labor market and consumer confidence.

Elsewhere in Japan, the Bank of Japan (BoJ) hiking cycle is an outlier against global easing cycle. Policy normalization has begun in Japan. Economic stabilization and expected 2% inflation suggest the BoJ will continue to normalize its policy rate over the next two years. The Japanese yen should strengthen due to favorable interest rate differentials, and the yield curve should flatten as the BoJ raises rates towards neutral.

At a time when we're seeing peak-level US equity valuations, tight credit spreads, continued uncertainty in the geopolitical environment, and wider dispersion in markets, there is value in taking a more cautious and defensive approach. That said, we believe opportunities still exist across both equities and fixed income given global monetary easing. US equities will continue to lead, driven by favorable monetary policy, a still fulsome labor market, and stable inflation within a resilient economy, coupled with pro-growth economic policies. Further, continued positive economic growth and broader earnings strength could create more diverse market opportunities beyond the handful of equities that led the US markets in 2023 and 2024. Undervalued areas such as cyclical sectors and lower market cap stocks are potentially attractive investment options.

Overall, we expect the market to experience some volatility into 2025, particularly as investors reprice interest rate and potentially inflation expectations, alongside uncertain Trump policy. We maintain that there are downside risks to the economy, given tighter credit conditions. Tactical positioning will be more prevalent again as we continue into 2025, 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.

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