

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

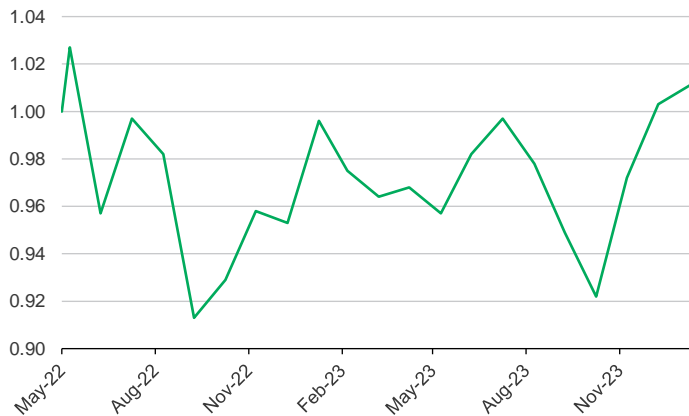
Inception Date May 2022	Fund Size USD 2.42 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.011	Management Fee 2.25% per annum	Bloomberg Ticker PHEQUUM	

Performance Return (January 31, 2024)

USD Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.20%	1.20%	6.56%	n.a.	n.a.	9.17%
Annualized	n.a.	n.a.	6.56%	n.a.	n.a.	5.33%

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.

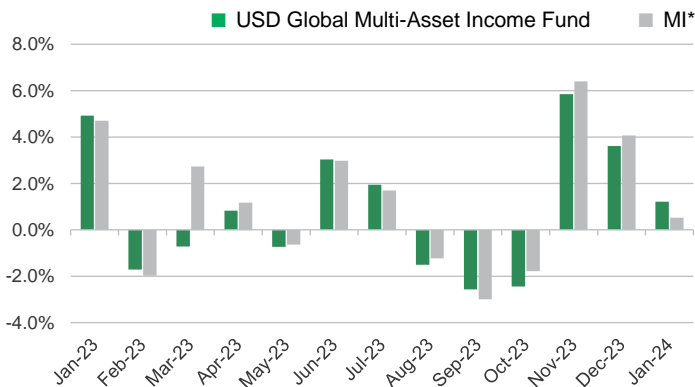
Monthly Net Asset Value per Unit



Top Five Holdings

FEDERAL HOME LOAN BANK DISCOUNT NOTES 0% 01/02/2024	3.01%
MICROSOFT CORPORATION	1.22%
APPLE INC.	1.16%
AMAZON.COM, INC.	0.98%
ALPHABET INC.	0.91%

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

January saw mixed equity results and modest declines in fixed income as desynchronization continues to characterize the global economy, including divergences in monetary policy and growth rates, as well as between manufacturing and services more broadly. The US economy as a bright spot surprised to the upside, driving the prospects for the US Federal Reserve Board (Fed) rate cuts to be pushed further out into 2024. Meanwhile, China continues to grapple with deflation and weakening sentiment, both from investors and households, and geopolitical conflicts remain a constant specter. The markets are watching and waiting for any clear signal of what's to come.

With continued strength, the US saw a resilient labor market, improving manufacturing conditions and perhaps most importantly, growth far above market expectations with Q4 gross domestic product (GDP) up 3.3% annualized. This tempered expectations for a near-term interest rate cut by the US Fed, which at one point had been priced by markets to begin in March. While the timeline has been pushed out, a continued decline in inflation led to the US Fed holding rates steady and signal that rate cuts were still likely at some point in 2024.

Headlines from Europe were less positive. The eurozone's Q4 GDP was flat, which allowed the region to narrowly escape a technical recession and leaving 2023 growth at 0.5% year-on-year (YoY). That said, growth in Europe remains lackluster, driven by Germany and France, with an anticipation for Europe to remain weak for some time. With downside risks to growth and inflation, the European Central Bank (ECB) held rates steady in January. Mixed data has shown a notable improvement in manufacturing purchasing managers indexes (PMIs) while services weakened, and overall signaled the possibility of a modest recovery ahead.

In China, faced with continued ailments in the property sector and stubbornly negative investor sentiment that has seen steady capital outflows, the People's Bank of China (PBoC) cut its required rate of return (RRR) in the final weeks of January. The Chinese economy is firmly in deflationary territory, with a negative Consumer Price Index (CPI) for three months and the GDP deflator negative for three quarters, while the central bank has been leading the global easing cycle for over a year. At the same time, there is skepticism over how much a cut to the RRR can spur demand in the real economy, as market participants maintain their watch for meaningful stimulus and direct intervention.

Equities posted mixed results across regions and sectors, though overall were positive with MSCI ACWI (All Country World Index) notching up 0.61% over January. Developed markets weighed in on the positive side with MSCI World gaining 1.22% and notably Japan up 4.62%. On the other hand, emerging markets fell -4.63%, pulled down by China and to a lesser extent Brazil.

Within MSCI World, the communication services and technology sectors were the standouts amid continued expectations surrounding artificial intelligence, gaining 4.29% and 4.03%, respectively. More defensive sectors (healthcare, financials and consumer staples) were also positive, gaining 2.72%, 1.52% and 0.60%, respectively. On the other hand, materials and real estate were the laggards, falling the most by -4.69% and -4.41%, respectively, with other sectors also trailing into negative territory.

Fixed income returns saw modest declines over the month as yields moved broadly higher. Government bonds saw the biggest declines, with the FTSE World Government Bond Index falling -1.55% over the month, closely followed by corporate bonds, with the Bloomberg Global Aggregate Index down -1.38%. High-yield (HY) bonds fared comparatively better, with Bloomberg Global High Yield marginally down -0.19%.

In foreign exchange, most major currencies fell against the US, including the JPY (-3.55%), EUR (-1.67%) and CAD (-1.31%).

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 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 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 Federal Open Market Committee (FOMC) meeting shifted the narrative away from "are we at peak yet?" towards "when will the US Fed start cutting and by how much?" With the Bank of England's January pivot to a less hawkish stance and holding its key policy rate steady, all major central banks have now dropped the tightening bias from their policy statements. This implies that we truly are at (and soon to be past) peak policy rates.

The US Fed funds rate remained unchanged in January, in line with expectations. The markets have since turned their attention to when the US Fed might begin easing, with May-June regarded as increasingly likely. Our base case is presently for cuts to begin in June, but acknowledge 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. Another emerging undercurrent in the data is that measurement issues are creating an apparent disconnect between the situation on the ground and official figures. We maintain our base case that the US economy will slip into a mild to moderate recession within the next six months. 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.

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, 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 the market hopes for a more meaningful support package in 2024 and recent rumors have circulated of direct stock market support. 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.

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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, as well as 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 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.

Companies of lower credit quality will have to carefully navigate worsening conditions compounded by increased RRR by financial markets. In the US, bond yields were broadly higher, with longer-term bond yields rising more than short-term yields. January was the busiest month ever in US corporate bond issuance, with companies taking advantage of the drop in longer-term borrowing costs. However, default rates may tick further upwards, driven by a potentially weakening economy, a large 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 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.

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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