

# 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

<b>Inception Date</b> May 2022	<b>Fund Size</b> USD 797.48 thousand	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 0.997	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> PHEQUUM	

## Performance Return (July 31, 2023)

USD Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.94%	7.62%	4.97%	n.a.	n.a.	5.08%
Annualized	n.a.	n.a.	4.97%	n.a.	n.a.	4.26%

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.

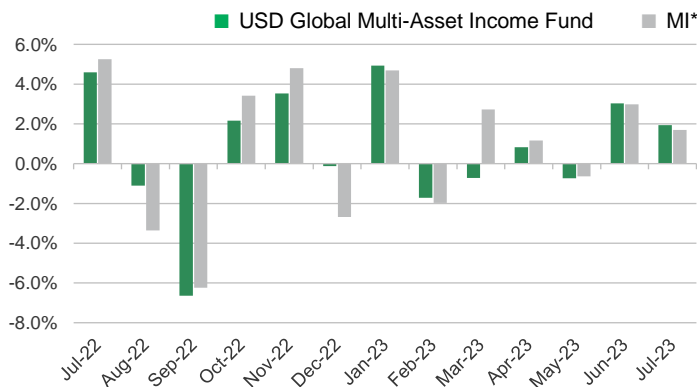
## Monthly Net Asset Value per Unit



## Top Five Holdings

MICROSOFT CORPORATION	1.27%
APPLE INC.	1.17%
ALPHABET INC.	1.03%
AMAZON.COM, INC.	0.90%
ORACLE CORPORATION	0.72%

## 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

Markets continued their positive momentum across broad equities and fixed income in July, buoyed by economic surprises of resilient macro data in developed markets. This has raised hopes for a soft landing and supported a wider rally beyond the technology sector to more cyclical sectors across regions. The month saw expected central bank hikes, mixed signals of global economic activity, and positive market sentiment on China's potential stimulus and support for the property sector. These events have sent equities to year-to-date highs with an expectation of moderating inflation without a significant decline in economic activity, whilst markets are hopeful that we are approaching the end of central banks' tightening cycles.

The US Federal Reserve Board (Fed) hiked interest rates by 25 bps to 5.25%-5.50% in July, which was largely expected by the market. The statement from the Federal Open Market Committee (FOMC) remained unchanged from the previous meeting, and Chairman Powell also retained the stance that market dynamics would take a while to bring inflation back to the Fed's 2% target. September's decision would be data dependent. If the data warranted, there could be a possibility to raise rates again.

The US economic data surprised to the upside showing a resilient economy amid cooling inflation. America's real GDP was stronger than expected, growing at a seasonally-adjusted annual rate (SAAR) of 2.4% in Q2, well ahead of consensus, reflecting robustness in consumer spending. Initial claims for unemployment benefits dropped to the lowest level in two months. The Consumer Confidence Index hit 117, the highest level since July 2021, with respondents increasingly optimistic about the labour market. On the inflation front, June's core PCE inflation printed 0.2% MoM and 4.1% YoY, which was the softest reading since September 2021. Whilst US PPI also came in below expectations at 0.1% MoM and 2.4% YoY, almost every data point showed disinflation in the pipeline. Equity markets have taken the data positively, whereas bond yields have continued to rally.

The European Central Bank (ECB) also hiked rates by 25 bps to 3.75% in July, which was in line with the previous guidance. The euro-zone composite PMI fell to 48.9 preliminarily in July, falling into contractionary territory and manufacturing PMI fell to post-Covid low of 42.7. Regarding inflation data, July saw a moderation in headline inflation at 5.3% YoY but core inflation remained unchanged at 5.5% YoY. The ECB might have the possibility of holding rates flat in September, given falling euro-zone inflation and weaker economic activities. UK's June inflation data was still uncomfortably high with headline inflation rising 7.9% YoY.

China faces risks of deflation as its economic recovery falters. June's CPI unexpectedly flattened at 0% YoY, whilst its PPI was worse than market estimates of -5.4% YoY. China's GDP came in weaker than expected at 6.3% YoY in Q2. In a surprise move, China's policymakers promised to step up support for the economy, signalling more "counter-cyclical policy" and raised expectations of cutting interest rates and loosening property policies. There was a relief rally in China's internet sector after Premier Li Qiang met with executives from major internet companies. Moreover, geopolitical tensions subsided after senior members of the US administration made high-profile visits to Beijing. The confluence of good news led to a sharp rally in Chinese equities towards the end of the month.

Across global equities, MSCI World gained 3.38% in July, whilst the S&P 500 gained 3.21%. Equity gains somewhat widened beyond the technology sector, as cyclicals pushed global stocks to year-to-date highs. Small and micro caps revised the recent trend and performed well. Emerging markets also performed well, with the former gaining 6.29%, which was led by China on the headlines of policy easing and hopes for additional stimulus. Asia Pacific ex Japan and Lat America also showed outstanding performances adding +5.82% and 5.17%, respectively.

Within MSCI World, the energy and communication services sectors were the best performers, returning 6.53% and 6.31%, respectively. Financials also kept up with the upbeat trend by gaining 5.40%. Healthcare was the laggard returning +1.32%.

Style wise, value had a slight edge over growth though both performed similarly, with the Russell 1000 Value gaining 3.52% and Russell 1000 Growth gaining 3.37%.

Within fixed income, returns were positive overall in July. The Citi World Government Bond Index and Barclays Global Aggregate Index ended the month +0.33% and +0.69%, respectively. Higher risk fixed income, particularly high yield performed well, with the Barclays Global High Yield Index gaining 1.96% over the month, whilst the Barclays US Aggregate Index ended flat, slipping marginally -0.07%.

In foreign exchange, most major currencies extended their strength in comparison to the USD in July, including the GBP (1.20%), EUR (1.06%), and CAD (0.53%). The JPY also strengthened (+1.73%) given the guidance by the Bank of Japan on its bond yield curve control (YCC) policy.

## Outlook

The current tightening cycle in advanced economies is already the most aggressive in decades and central banks are continuing down their path of rate hikes. Hawkish language suggests the possibility of some incremental hikes on the table even as ramifications for the global economy continue to unfold. Key to central bank decision-making is the persistence of inflation, which has shown signs of moderation but remains too high relative to their stated goals. There is two-sided and substantial risk around central bank outlooks, and the slow improvement in inflation injects a non-negligible risk of continued further tightening that we feel is underappreciated in markets. Bond yields continued to push higher.

In July, the decision of the US Fed hiking rates met market expectations. The domestic US economy has remained resilient in the face of rising rates, with confident consumers and a particularly strong labour market. Other central banks were largely on the same page, with the Bank of Canada (BOC) to keep tightening after a previous hike, even if inflation fell, and the ECB to hike when moderating data came in. Other central banks that raised rates over the past month include the Swiss National Bank and the Reserve Bank of New Zealand.

Our base case is that most central banks are now either finished or close to completing their rate hike cycle, though actions remain desynchronised. We believe central bank policy easing will be more gradual than consensus expectations. A potential almost end of central bank tightening does not necessarily translate towards a path of direction towards immediate rate cuts. Pockets of resilient macro is prolonging a pivot from the US Fed to ease.

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Our attention is shifting towards assessing the effect that rate hikes will have on economic growth. We are forecasting recessionary conditions to envelop much of the globe, albeit we believe the recession has been postponed rather than cancelled, with expectations of continued near-term market volatility. Continued tight financial conditions, much more restrictive lending standards, slowing manufacturing production, a negative consumer wealth effect, and ongoing fiscal drags are all important headwinds to growth. That said, we are more concerned by the risk scenario of a prolonged period of low growth and sticky-high inflation than by a deflationary recession.

With global growth forecasts revised downwards, hope is fading for China to be an engine of growth. It appears that the service sector has stalled, factory output has declined, and exports are flagging, even as youth unemployment sets record highs. In a bid to inject liquidity into the system, policymakers have cut two benchmark lending rates whilst attempting to shore up investor confidence. For the cyclical rebound to strengthen beyond the mechanical boost, a sustained recovery in household consumption and property sales would be required. However, there's been limited evidence of either so far. Consumption indicators and growth rates remain below pre-pandemic levels. Meanwhile, property construction remains an important drag on the economy, with sales and construction activity remaining weak.

In markets, an uncertain macroeconomic landscape is a potential headwind for equities. That said, corporate earnings have remained strong, outpacing expectations. Given the uncertainty surrounding a number of factors—among them monetary policy, corporate earnings, 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 AI and the magnitude of its potential impacts on revenue monetisation, productivity, and cost cutting, and seek pockets of related growth opportunities.

Credit metrics remain stable in large part, although companies with floating rate debt in their capital structures continue to experience more acute declines in interest coverage ratios. Consumer spending has also been uneven under the surface. Higher interest rates combined with consumer spending patterns normalising following the pandemic have both led to negative growth for goods, whilst spending on services has continued to grow. Inflationary pressures, including labour, continue to impact margins for a wider swathe of corporates whilst many higher quality corporates should be able to withstand softening economic conditions. 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 some pickup in new issue activities but from very weak levels recorded in 2022. Default rates have also picked up, especially for CCCs, and appear likely to continue to rise from historically low levels, driven by a weakening economy, a growing number of bonds maturing over the next few years, and restrictive refinancing rates for many corporates.

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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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