

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 38.29 thousand	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.957	Management Fee 2.25% per annum	Bloomberg Ticker PHEQUUM	

Performance Return (June 30, 2022)

USD Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-6.82%	n.a.	n.a.	n.a.	n.a.	-4.30%
Annualized	n.a.	n.a.	n.a.	n.a.	n.a.	-4.30%

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

Information will be provided once available

Top Five Holdings

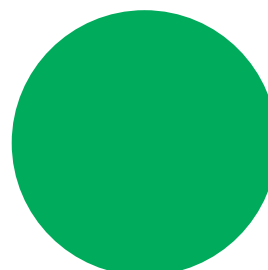
ALPHABET INC.	1.14%
AMAZON.COM, INC.	0.77%
JOHNSON & JOHNSON	0.58%
APPLE INC.	0.56%
LENNAR CORPORATION	0.54%

Monthly Performance

Information will be provided once available

Portfolio Breakdown

Asset Allocation (at Market Value)



■ Manulife Global Fund - Global Multi-Asset Diversified Income Fund
100.00%

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Market Review

June was another brutal month as downward trending equity and debt markets continued. Recessionary concerns are becoming more prevalent as risk assets are once again repricing in a higher probability of slowing (negative) growth. The latest adjustments were translated in treasury yields falling, high yield spreads widening, equities lower and a stronger US dollar.

The US Institute of Supply Management report for June, like the other Purchasing Managers' Indexes, suggested the US economy is near stagnating, and the trend is decelerating. As the slowing economic data has come in as of late, treasury yields have started to fall. Treasury Fed fund futures are now pricing in a 75 basis point (bps) rate hike in July, 50 bps in September, then 25 bps in both November and December.

Core Personal Consumption Expenditure (the Fed's preferred inflation gauge) came in at 4.7% year-over-year in May decelerating three consecutive months from the peak in February of 5.3%. While oil prices remain stubbornly elevated, copper prices along with other commodities have fallen to near year-to-date lows.

The MSCI World Index was down -16.1% over the second quarter of 2022 the worst quarterly performance since the first quarter of 2020. The S&P 500, a broad proxy for the US stock market, posted its worst first half in more than fifty years.

In equities, for June, the MSCI World Index fell -8.6%, the S&P 500 fell -8.3%. Europe fell -9.9%, Asia Pacific ex Japan fell -5.7% whilst broad emerging markets (EM) fell -6.7%, driven by Latin America falling a significant -17%, driven by Brazil, Chile and Colombia.

For the month of June, China was a significant outperformer as the country slowly re-opened after the strict lockdown.

Sectorally within the MSCI World Index, energy fell -15.0%, materials fell -15.6% whilst consumer staples and healthcare were the relative outperformers falling -3.4% and -3.1% respectively.

Fixed income markets were also impacted, more so credit related areas, as concerns around a recessionary environment impacting default rates saw US high yield fall -11.7%, Global high yield fell -7.5%. The Barclays EM USD Aggregate fell -4.6% whilst the Citi World Government Bond Index fell -3.2%.

In terms of spreads, we saw a significant widening over the month of June in the Bloomberg Barclays US Corporate High Yield Average OAS to 569 bps versus 402 bps at the end of May.

The VIX ended June 2022 at 29 versus 26 at the end of May 2022.

In foreign exchange, markets saw significant US dollar strength in the face of rising rates, as the British pound fell -14.8%, the euro -14.5%, the yen -19.5% and the renminbi -5.0%.

Governments and central banks continue to demonstrate a tough stance towards inflation whilst a focus on slowing growth is, for now, taking a back seat. Escalated geo adds to the weakened macro conditions as conflict inflation continues to challenge the Fed. Fed guidance, a function of job creation and inflation expectations, at this point, remains the key driver of near-term asset markets, alongside geopolitical sentiment towards Russia and Ukraine, whilst China policy and growth will be a key driver for the Asia region and broad EM.

Outlook

The first half of 2022 saw a meaningful change in the external environment further exacerbated by geopolitical risks from the Russia-Ukraine conflict. We are currently operating in a period of energy and commodity supply shortages, tight labour markets, and disrupted supply chains. This is leading to unprecedented levels of inflation, not seen in decades. Due to this above trend inflation, we expect both developed markets (DM) and EM to be operating in a new normal of higher interest rates.

More indebted EM will need to maintain positive real yields to retain capital flows and avoid currency depreciation. Consequently, the pace of rate increases from the Fed is something we continue to closely monitor.

The Biden Administration's pressure on the Fed to continue to go after inflation is likely driven by the front and centre concern by the US voter profile, whilst the growth repercussions and potential job losses that may become more a focus in the latter part of the year are still not yet being overly felt.

An aggressive rhetoric is likely to continue from the Fed over the near-term, rather than any finessing of the hike profile. We do believe, however, that growth concerns will become more of a dominating factor on decision-making in the latter part of the year which will push a Fed pivot towards guiding for a slowdown in their already aggressive move towards a terminal rate which we see at around 3.5%.

As a result of the Russia/Ukraine conflict, lower growth and higher inflation resulting from high commodity prices and uncertainty are likely to derail any short lived momentum. Global growth forecasts are being reduced, with Europe most vulnerable, the rest of the world less so. The notion of transitory inflation has gone: sanctions represent a strongly pro-inflationary, supply driven shock, introducing risks of stagflation whilst yield curve inversion is signaling weaker macro conditions.

Pervasive geopolitical uncertainty, downside risks to growth, and upside pressures on inflation underpin caution regarding earnings and valuation expectations.

The structural commodity supply/demand imbalances building before the invasion have been considerably exacerbated by supply chain disruption and removal of Russian and Ukrainian supply. Russia is the second largest commodity producer in the world after the US, accounting for 17% of natural gas (on which Europe is heavily dependent), 12% of global crude, and is a crucial source of precious metals including palladium and titanium. The loss of Ukraine from the global grain market now and in forthcoming harvests will risk critical shortages, with implications for food inflation particularly affecting the world's poorest regions, and even potential famine across sub-Saharan Africa.

Levels of uncertainty would suggest continued heightened volatility lies ahead. In the current environment, it is as vital as ever to retain a clear, consistent strategic perspective while navigating extreme turbulence. This is not a temporary event, and we do not expect swift resolution. Until complex geopolitical risks recede, we anticipate continuing heightened market volatility.

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We remain in a challenging environment for global markets – growth and earnings could disappoint due to growing global logistical challenges, but also due to the growing pressure on policymakers to reduce their stimulus efforts in the face of rising inflation. Across the largest DM, fiscal tailwinds are fading as the Fed tapers and raises interest rates. Similar moves are being executed by the EU and UK monetary authorities. Upward pressure on DM central banks to quickly raise rates is gathering increased momentum, albeit geopolitics are making this transition all the more trickier and could lead to slightly less hawkish language from central banks towards the latter part of 2022.

Indeed, initially we expected the year to begin with the uncomfortable combination of sticky, high inflation and a moderation in growth before transitioning to a higher growth profile with more moderate levels of inflation in the second half of 2022. However, another stagflation shock makes the prospect of a return to Goldilocks conditions by year-end look less than solid.

The market is pricing in an aggressively hawkish Fed, whilst sentiment is arguably at extreme bearishness. We believe the Fed will eventually have to pivot away and guide for less hikes than the market is pricing, as growth begins to moderate in the second half of 2022.

Tactical positioning will be more prevalent again into 2022, to be able to nimbly add and de-risk portfolios as well as add to yield opportunities as they arise. The trade-off between generating yield, which is the primary objective of the strategy, and capital appreciation through tactical equity allocations, or tactical decision-making around options writing, will be the determinant of portfolio success in 2022.

Overall, we are tilted towards higher rates from here and stable spreads, but see yields remaining contained given the potential for macro data disappointments.

Corporate fundamentals are varied across sectors. Markets remain sensitive to a host of factors including Covid-19 vaccine success and fears of inflationary pressures. We expect global stimulus efforts to remain a focus whilst central banks divergent policies will keep market participants second-guessing policy responses.

A rising number of questions are growing around Fed policy. Fiscal stimulus is unlikely to be enough for a rapid economic recovery, as getting back to pre-Covid growth rates is likely to be pushed into 2023 and beyond. The lasting impact of Covid-19 on the global economy is not the only factor to monitor. Rising geopolitical tensions in Ukraine, decoupling between China and the West, decelerating growth rates post-stimulus, supply chain disruptions and a general deglobalisation trend all raise questions about the future trajectory of global debt and equity markets.

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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