

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

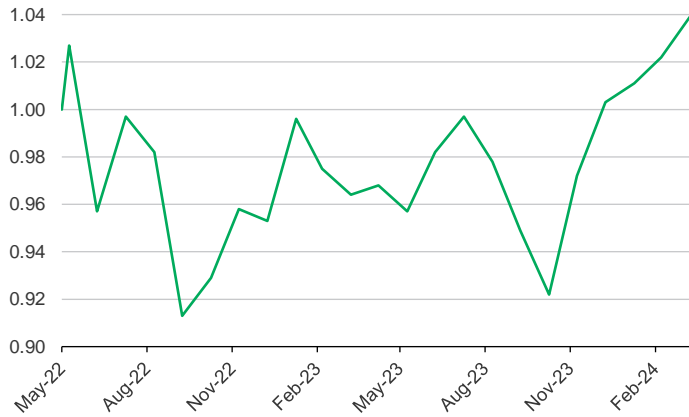
Inception Date May 2022	Fund Size USD 3.01 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.039	Management Fee 2.25% per annum	Bloomberg Ticker PHEQUUM	

Performance Return (March 31, 2024)

USD Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.07%	4.85%	13.13%	n.a.	n.a.	13.10%
Annualized	n.a.	n.a.	13.13%	n.a.	n.a.	6.86%

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.

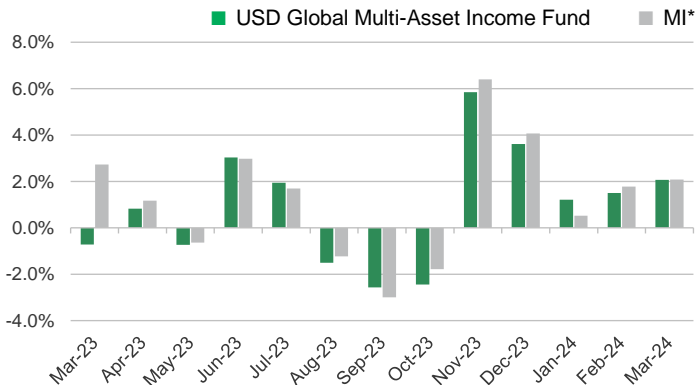
Monthly Net Asset Value per Unit



Top Five Holdings

FEDERAL AGRICULTURAL MORTGAGE CORP DISCOUNT NOTES 0% 01/04/2024	4.78%
MICROSOFT CORPORATION	1.18%
NVIDIA CORPORATION	1.05%
AMAZON.COM, INC.	1.04%
APPLE INC.	0.99%

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

March was another solid month for equities, with numerous US equity indices reaching all-time highs, though the market has seen some rotation away from growth and technology names as market breadth improved. The strong momentum extended and broadened across regions and sectors, with value and energy names leading the market. Fixed income markets were broadly positive even as the market has repriced the reduced magnitude of rate cuts.

What is important as we go into Q2 2024 is understanding market expectations for growth, inflation, and interest rate movements, and then the risk to those consensus expectations. As markets are expecting a “soft landing”, any surprise in the opposite direction—meaning slowing economic growth or sticky inflation—could lead to increased market volatility. Either of those events could also have a significant effect on interest rates. As of now, the global easing cycle has begun, and rate cuts are expected from most global central banks at some point in 2024. The timing of those rate cuts is up for debate, and the primary risk in the US over the near term is that rates remain higher for a lot longer.

The US continued to see a resilient labor market with nonfarm payrolls up 275,000 in February. The US consumer price index (CPI) and producer price index (PPI) reports both came in higher than expected. Both core and headline CPI came in at 0.40% placing the year-over-year readings at 3.8% and 3.2%, respectively, while the US Federal Reserve Board (Fed)’s preferred measure core personal consumption expenditures (PCE) cooled to 2.8% in February, which continued to decline towards the US Fed’s target rate. At the March Federal Open Market Committee (FOMC) meeting, the Summary of Economic Projections (SEP) showed that the core PCE would decline to 2.6% by the end of 2024 and the US Fed’s fund rate would be revised down from 5.1% to 4.6%, implying three 25-bps rate cuts from the current level by year-end. Markets, in particular equities, have remained buoyant despite guidance for less rate cuts than previously expected. Powell expressed the view that the recent hotter inflation data has not changed the broader disinflation trend. The bond markets are now pricing rate cuts in June, September, and December.

Headlines from Europe were generally positive with improving economic data in the eurozone. The final composite Purchasing Managers’ Index (PMI) for March came in 49.9 higher than the market estimate of 49.7. On the inflation data front, both headline and core inflation in the euro area fell on an annual basis, coming in at 2.6% and 3.1%, respectively. The stronger data in Europe has helped lift equities and the euro. Annual headline and core Inflation data in the UK also dropped in February, the lowest reading since 2022.

Chinese markets gained traction this month, as the latest economic data of industrial production and retail sales picked up during the two-month period, beating market consensus. China has been helping global inflationary trends with deflationary forces from real estate to economic malaise. Recent monetary and fiscal support are transmitting a growth impulse through markets with the most notable beneficiary being copper prices. Elsewhere in Asia, the Bank of Japan (BoJ) ended its negative interest rate era, representing a step towards monetary policy normalization. The Japanese yen weakened after the decision as the interest rate differential between Japan and the US remains notable.

Equities posted strong returns globally with MSCI ACWI up +3.20% in March. Canada performed well in the market, gaining +4.19%, followed by Europe at +3.86%. US equity indices ended in record territory with the S&P 500 rising +3.22% in March. Asia Pacific Japan and Japan were also positive, returning +3.16% and +2.64%, respectively. Latin America detracted, gaining +1.09%.

Within MSCI World, energy and industrials posted strong returns of +9.21% and +6.54%, respectively. Utilities and financials also recorded positive returns gaining +5.86% and 5.05%, respectively, while information technology and consumer discretionary lagged this month, posting +1.71% and +0.86%, respectively.

Fixed income returns saw modest increases over the month. The FTSE World Government Bond Index gained +0.43% over the month, while the Bloomberg Global Aggregate Corporate Index was up +1.16%. Less rate-sensitive high-yield bonds fared well, with Bloomberg Global High Yield up +1.51%.

In foreign exchange, most major currencies fell against the US dollar, including the JPY (-1.11%), EUR (-0.20%), and GBP (-0.13%).

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 growth globally.

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 next moves are cuts, provided inflation continues to moderate, except for the BoJ, which finally moved out of its negative interest rate policy. We still expect cuts to occur in most developed markets, even with inflation in the 2%-3% range in 2024, as markets reprice the reduced magnitude of rate cut expectations. The FOMC decision in March was to keep interest rates steady while continuing to keep three rate cuts on its dot-plot calendar this year. It has provided a source of comfort to markets, which have braced for incrementally hawkish messaging. The balance of risks is now weighed towards a later start to the US Fed’s easing cycle, which would be able to adjust gently, given healthy growth, full employment, and controlled inflation. Our base case is presently for cuts to begin in June. While the recent data strongly suggests an extended cycle, we continue to caution for an economic slowdown around mid-year, once the full effect of past interest rate hikes have filtered through the system.

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We maintain our medium-term view that US growth is the “cleanest dirty shirt” for now as America’s recession odds are lower than in other developed market (DM) economies and declining in light of the US Fed’s telegraphed early pivot. We still have a low to medium recession conviction for Q2/Q3 and continue to emphasize weakness in non-US growth (Europe, Japan, and Canada) where recessions are more likely. 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 may weaken in the coming six months, although we are mindful that into the US November election, it is likely fiscal support remains strong in order to help the positive macro narrative. 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. If we, however, determine the data to be too strong, we could see further pricing out of the US Fed’s fund rate cuts.

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 favourable 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. 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. 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 artificial intelligence (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, while market support into the November US election should also help keep markets broadly buoyant.

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.

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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