

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

## Performance Return (May 31, 2023)

USD Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.74%	2.47%	-2.58%	n.a.	n.a.	0.05%
Annualized	n.a.	n.a.	-2.58%	n.a.	n.a.	0.05%

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.

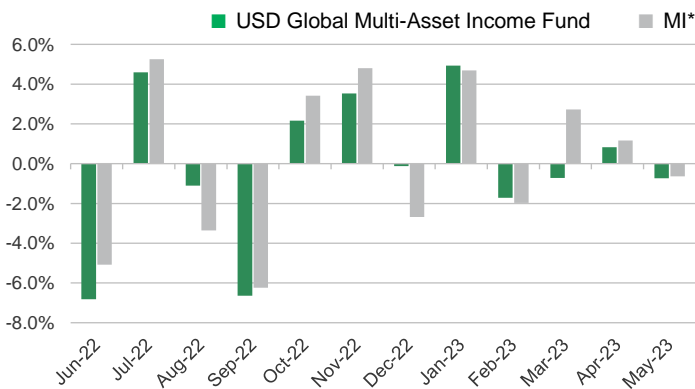
## Monthly Net Asset Value per Unit



## Top Five Holdings

AMAZON.COM, INC.	1.08%
ALPHABET INC.	0.99%
MICROSOFT CORPORATION	0.85%
APPLE INC.	0.75%
ORACLE CORPORATION	0.73%

## Monthly Performance

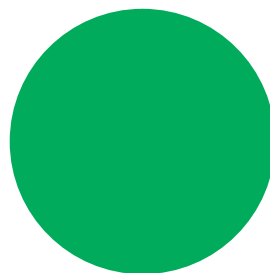


\*50% MSCI World GR (USD) Index + 50% Bloomberg Barclays Global Aggregate Bond (USD Hedged) Index

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

World equity and debt markets generated broad-based losses in May, falling off from the rally that began since the October 2022 lows, which took a pause over the past month as earnings season drew to a close, as the markets awaited the outcome of the US debt ceiling negotiations. Investors displayed concerns with the stickiness in prices, the slow re-opening of China that made headlines over the past month, as well as a slowdown in the eurozone. There was also concern surrounding the debt ceiling. However, an 11th-house deal means the drama can be put in the rear-view mirror.

US inflation maintained high levels in the month of May, continuing with the trend seen in April with the US Federal Reserve Board (Fed) slightly raising rates in May. Labour markets also showed signs of continued strength, with the US household survey showing a steep drop in unemployment (310,000) which is the largest drop seen since April 2022. Furthermore, the labour force participation rate for women ages 25-54 continued the momentum gained in April when it reached a record high of 77.5%, surpassing the highest that was reached in 2000. This surge in participation of women could be attributed to the number of vacancies and higher wages in the economy, along with the rise of hybrid work arrangement and greater flexibility. On the other hand, non-farm payrolls from earlier months saw downward revisions, and there are signs of nascent slack in the US labour market. More recently, members of the Federal Open Market Committee are keenly considering "skipping" a rate hike in June, even as messaging remains hawkish, and the Bank of Canada is looking to re-assert rate hikes again.

Across Asia Pacific, the Reserve Bank of Australia (RBA) and Bank Negara Malaysia (BNM) both surprised markets with rate hikes in May following a prior pause. Both central banks face persistent inflation, which is not expected to return to target in a reasonable timeframe, as well as upside risk to wage inflation, and positive sentiment in response to recent pauses in their tightening cycles (asset prices, higher debt accumulation), which exacerbate financial stability risk.

In markets, the US stock gains that have been made back are notably driven by a surge in US mega-cap tech stocks and excitement around potential exponential growth of artificial intelligence (AI) applications. Value stocks lagged considerably amid weakness in traditionally defensive sectors such as energy, materials, and financials. Chinese equities, which came under pressure from weaker-than-expected growth caused by an uneven re-opening from the COVID-19 lockdowns, were also notable laggards. Still, the contribution from mega-cap tech was sufficient to help the MSCI World Index finish May near its highs of the past six months.

European equities detracted from performance in May contrary to previous months and weakness in China continued due to a delayed re-opening, which caused the emerging markets to lag.

Most government bond yields were higher in May leading to negative price returns. The US 10-year Treasury bill yields rose from 3.45% end of April to 3.64% end of May 2023, as the bond market reacted to the potential for the US Fed to keep pressure on the current rate hike trend.

Across global equities, MSCI World fell -0.92% in May, whilst the S&P 500 gained 0.43% on the back of big tech. Emerging markets lagged, falling -1.65% and pulled down by Asia Pacific ex Japan, which also detracted from performance and fell -2.34%. Canada and Europe both lagged, falling -5.42% and -5.68%, respectively. On the other hand, Japan shone over the month gaining 1.87%.

Sector-wise within MSCI World, materials continued to see negative performance, as energy drastically fell -9.87% given lingering recessionary concerns. Most other sectors also detracted from performance. However, sector gains were seen most notably in technology gaining 8.22% and communications gaining 3.53%.

Style-wise, value, as represented by Russell 1000 Value, fell -3.86% whilst growth, represented by the Russell 1000 Growth, gained 4.56%.

Within fixed income, returns were negative as the bond market priced out the possibility of rate cuts later this year. The Citi World Government Index fell back -2.17% along with the Barclays Global Aggregate Index falling slightly less at -1.95%, and the Barclays Global High Yield Index falling -1.15%. Barclays EM Agg fell -0.75%.

In foreign exchange, most major currencies weakened against the USD, including the EUR (-3.43%) and the GBP (-1.39%), contrary to the bearish trajectory of the USD seen in April. The HKD slightly strengthened (+0.23%) versus the USD whilst the RMB weakened (-2.48%).

## Outlook

From a style perspective, growth performed well for the month, and the poster child for the month was the astonishing 25% move of an American multinational technology company, making it the fifth largest publicly traded company in the US. The catalyst for this was the publication of its earnings results which suggested that AI was more than just hype. Whilst the AI excitement has echoes of the start of the internet era, its potential is most likely immense both in terms of revenue monetisation potential and cost-cutting opportunity. It is hard, however, to exactly know what the profit potential will be and who will benefit.

Whilst new companies will inevitably emerge and historically have proven to be the victors, for now, the market has embraced the belief that it is the existing large cap technology favourites that will continue to win in the future. The abovementioned American company's results dragged the usual suspects higher. This has contributed to the continued narrowing of market breadth referenced last month, and to put this in context, the Nasdaq is now up close to 25% year to date. AI may well be the productivity driver the US needs, but there are risks to jobs as well and it may prove significantly deflationary.

The other driver of US stocks over the month was the agreement in principle to suspend the debt limit until January 2025 at which point the treasury department would reset the limit at whatever the amount of government spending is then. Meanwhile, the next issue is for cash to be refilled in the treasury government account. There is a risk this results in a liquidity drain that could prove a headwind for asset prices. Where this liquidity comes from is another interesting question.

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Meanwhile, inflation is declining although it remains too high, relative to the US Fed's stated goals, and we are not in the restrictive territory that Powell has cited. Despite this, the equity market has embraced the idea of a pause at the June meeting which has, in our opinion, helped the performance of cyclical stocks in the month. Overseas euro-zone inflation continues to accelerate as does rate hikes with the Bank of England hiking 25 bps and the European Central Bank raising rates in the month and talking of more ground to cover. In what may be a sign of things to come, Germany slipped into formal recession after revised figures showed the economy contracted in the first quarter of this year.

Japan's Consumer Price Index (CPI) also continues to rise, and the spring wage agreements exceeded 3%. Bank of Japan governor Ueda said that the days of "low for long inflation" may be over, so we remain focused on any potential policy change there. In sharp contrast, China's CPI has slowed to near zero and its PPI is in deflationary territory, which give authorities plenty of room to enact much-hoped-for stimulus as the economy struggles to get back on track.

Within credits, metrics remain supported by a, thus far, resilient US consumer and low leverage for most businesses, though companies with floating rate debt in their capital structures are more acutely experiencing declining interest coverage ratios. Earnings deterioration is also pressuring companies as demand for goods wanes and inflationary pressures impact margins. Most 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 the financial markets. Default rates will 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.

Our broad asset allocation is tilted towards defensive, quality assets that provide a ballast to the portfolios in times of increased uncertainty. Low-volatility, defensive attributes of consumer staples, utilities, and broad dividend names may find some insulation.

Tactical positioning will be more prevalent again into 2023 to nimbly add and de-risk portfolios, as well as add to yield opportunities as they arise. Valuations within some sectors have more than halved without a corresponding decline in earnings or cash flows. This suggests a disconnect between market conditions and fundamentals in some quality franchises. Overall, we are tilted towards higher for longer rates, whilst seeing yields keeping contained given the potential for macro data disappointments.

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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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