

# 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

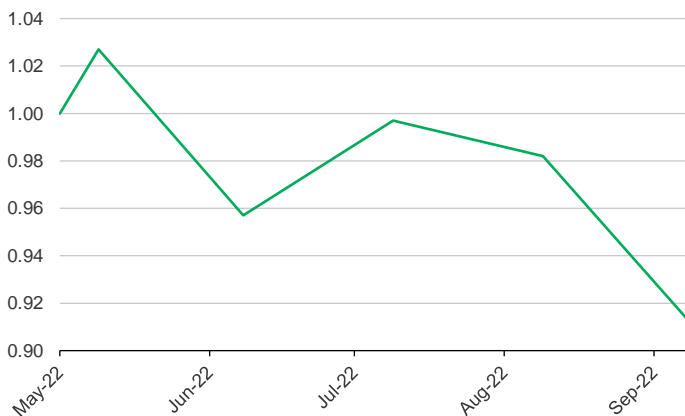
<b>Inception Date</b> May 2022	<b>Fund Size</b> USD 36.53 thousand	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 0.913	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> PHEQUUM	

## Performance Return (September 30, 2022)

USD Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-6.65%	n.a.	n.a.	n.a.	n.a.	-7.59%
Annualized	n.a.	n.a.	n.a.	n.a.	n.a.	-7.59%

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.

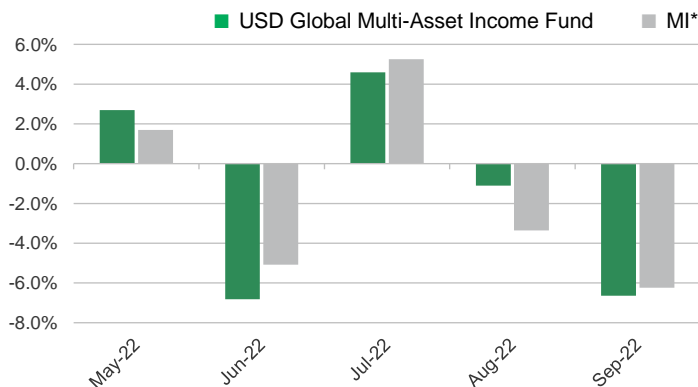
## Monthly Net Asset Value per Unit



## Top Five Holdings

ALPHABET INC.	1.05%
AMAZON.COM, INC.	0.98%
LENNAR CORPORATION	0.65%
JOHNSON & JOHNSON	0.61%
MORGAN STANLEY	0.56%

## 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

Fears of a recession intensified over the third quarter weighing, heavily on global equity and debt markets. This was particularly notable in September which saw developed equity markets post the steepest decline since the height of the pandemic-induced panic in March 2020. The MSCI World index fell -9.3% during the month and, notably, all 47 geographical locations in the index ended the month in negative territory.

September saw a continued drawdown in risk assets, largely driven by an expected 75 bps US Federal Reserve Board (Fed) hike as well as two notable events over the month – the first being the higher than expected US inflation figures in mid-September, the second a fiscal event (unfunded tax cuts) in the UK, which was seen as very negative for the UK economy, and led to gilt distress and a gap down in Sterling causing the Bank of England to intervene – the latter highlighting the vulnerabilities of economies and markets as UK pension funds saw their bond holdings collapse in value, whilst triggering margin calls for more collateral to be posted.

US Treasuries continue to push higher, whilst 2/10s remain inverted by approximately 40 bps. Lagging inflationary data still remains too hot, according to the Fed, and the S&P 500 has retouched lows. Fears of Fed overtightening remain a dominant overhang, whilst US economic data is deteriorating with higher PCE and jobless claims falling to a five month low of 194,000. The Fed is looking at backward looking data when formulating forward looking monetary policy - rhetoric remains on the tightening path.

Inflation however may be changing. WTI oil prices are now up just +6% year-to-date (ytd) after a +60% gain in June 2022. Copper is down -23% ytd, lumber -64% and, according to Case-Shiller a measure of home prices in 20 US cities fell -0.44% in July – the first drop in over 10 years. The Fed remain laser focused on data including upcoming inflation prints and jobs data. If jobs do slow, and wage growth keeps moderating then maybe the Fed can slow the pace of hikes.

Across Equities, MSCI World fell -9.3% and the S&P 500 fell -9.2%, whilst Europe was down- 8.7% and EM and APAC ex Japan were down -11.7% and -12.5%.

Asia was the worst performing region in emerging markets (EM) during the third quarter, weighed down by China, Korea, and Taiwan. The derating in Korea this year has been extreme, with the KOSPI index approaching levels last seen in 1989. ASEAN on the other hand was somewhat insulated from recession fears by economic re-opening and the promise of recovering tourism.

Sectorally, real estate, technology, communication services and utilities fell -12.7%, -11.9%, -11.8% and -11.5%. health care and consumer staples only fell -3.9% and -7.7%.

Within fixed income, US 10 year Treasuries were up +67 bps to 3.80%, Government Bonds fell -5.1%, Global High Yield -5.1% and EM US dollar Aggregate -5.5%.

In terms of spreads, we saw a widening over the month of September in the Bloomberg Barclays US Corporate High Yield Average OAS to 550 bps vs 482 bps at the end of August.

In terms of a gauge for volatility, the VIX ended September 2022 at 32, vs 26 at the end of August.

In foreign exchange, the US dollar strengthened again against all majors with the British pound weakening -5.2% vs the dollar over September. The Euro went below parity with the US dollar.

Governments and central banks continue to demonstrate a tough stance towards inflation whilst a focus on slowing growth is becoming more a concern for markets as market data deteriorates and Fed overtightening now exacerbating concerns. Escalated geopolitical tensions add 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 Fed remains hawkish and is still committed to tightening against a slowing economy. Investors are becoming more and more concerned with recession risk and a higher possibility of downward earnings revisions, although this is not yet reflected in consensus EPS forecasts. With global central banks normalising policy into slowing growth conditions, risk assets will remain under pressure.

Furthermore, the continuing conflict between market expectations surrounding the peak inflation narrative, and reality remains one that is driving near term volatility.

Tightening financial conditions, heightened geopolitical risks and fears of recession have enacted a heavy toll on valuations and positioning. 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 and emerging markets to be operating in a new normal of higher interest rates.

More indebted emerging markets will need to maintain positive real yields to retain capital flows and avoid currency depreciation. Consequently, the pace of rate increases from the US Fed is something we continue to closely monitor, although the peak pace of tightening could likely already be upon us.

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 growth concerns become more 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 above 4%.

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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, whilst the US will also remain challenged.

Pervasive geopolitical uncertainty, downside risks to growth, and upside pressures on inflation, albeit there are tentative signs of moderation, underpin caution regarding earnings and valuation expectations.

Levels of uncertainty suggest continued market volatility ahead. However, 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.

The market is pricing in an aggressive 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 fourth quarter and into early 2023.

Tactical positioning will be more prevalent again into late 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 the options writing, will be the determinant of portfolio success in 2022.

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

Corporate fundamentals are varied across sectors. Markets remain sensitive to a host of factors including 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-pandemic growth rates is likely to be pushed into 2023 and beyond. The lasting impact of the pandemic 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.

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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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