Manulife

April 30, 2023

PHP 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

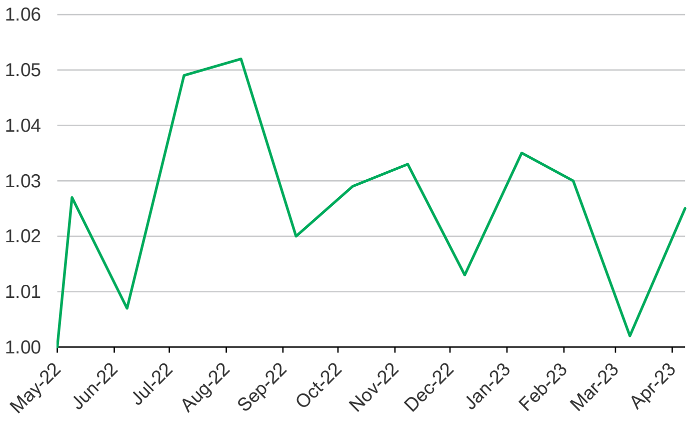
Inception Date May 2022	**Fund Size** PHP 96.98 million	**Fund Currency** Philippine peso	**Dealing/Valuation** Daily
Price (NAV/unit) PHP 1.025	**Management Fee** 2.25% per annum	**Bloomberg Ticker** PHEQPPM	

Performance Return (April 30, 2023)

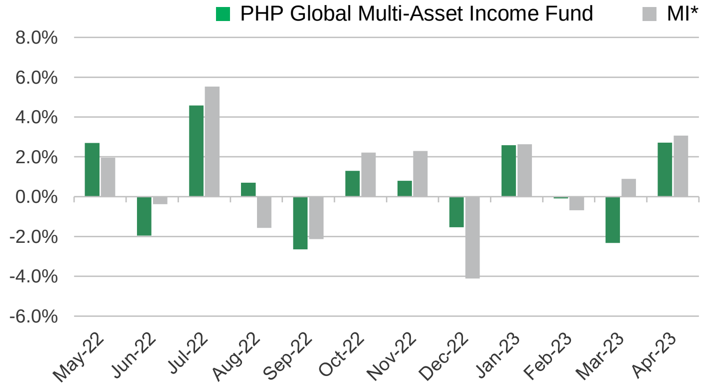
PHP Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.71%	2.83%	n.a.	n.a.	n.a.	6.73%
Annualized	n.a.	n.a.	n.a.	n.a.	n.a.	6.73%

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



Monthly Performance



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

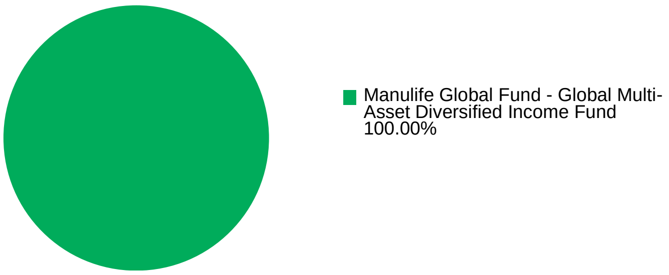
This is not a deposit product. Earnings are not assured and principal amount invested is exposed to risk of loss. This product cannot be sold to you unless its benefits and risks have been thoroughly explained. If you do not fully understand this product, do not purchase or invest in it.

Top Five Holdings

AMAZON.COM, INC.	0.96%
ALPHABET INC.	0.88%
MICROSOFT CORPORATION	0.80%
APPLE INC.	0.73%
ORACLE CORPORATION	0.67%

Portfolio Breakdown

Asset Allocation (at Market Value)



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Market Review

Global equity and debt markets generated broad-based gains in April, building on the rally that began in late March amidst a somewhat calmer sentiment than in previous months. Investors displayed confidence that the bank failures that made headlines in the first quarter had been largely contained and would not prove to be a source of systemic risk despite some continuing fallout more recently. In addition, the markets remained supported by hopes that the US Federal Reserve Board (Fed) and other central banks would be finished raising rates by mid-2023. The futures markets also indicated mounting expectations that the Fed would, in fact, begin cutting rates before year-end, albeit certain Fed members remained more hawkish than market expectations suggest.

Inflation eased during the month but remained elevated, reaffirming expectations that the Fed would raise short-term interest rates in early May.

US economic growth in the first quarter came in at a 1.1% annualised rate, well below expectations and the weakest quarter of growth since a contraction in the second quarter of 2022.

Global equities were boosted further over the month by better-than-expected corporate earnings, especially for mega-cap US technology-related stocks. While profits were being measured against a lowered bar, this development nonetheless helped alleviate long-standing concerns that rising rates would fuel an earnings recession. The positive news largely overshadowed signs of a slowing economy.

European equities performed exceptionally in April, continuing the trend that characterised the first quarter. On the other hand, renewed weakness in China resulted in underperformance for the emerging markets. Global mid- and small-cap stocks also lagged due to concerns about the potential effects of slowing economic growth.

Bond yields, however, were mixed but relatively stable in April. US Treasury bill yields continued to rise in anticipation of an upcoming Fed rate hike but yields in other maturity segments were flat to slightly lower.

Across global equities, Morgan Stanley Capital International (MSCI) World gained 1.8%, with the Standard and Poor’s (S&P) 500 gaining 1.6%. Emerging markets underperformed developed markets, declining -1.1%, whilst Asia saw underperformance falling -1.7% over the month of April. Underperformance from Chinese equities weighed heavily as investors questioned the geographical location’s re-opening narrative and the depth of its recovery. On the other hand, LatAM gained 2.7%. Europe was the notable outperformer, gaining 4.3% and continuing its momentum from Q1.

Sectorally, within MSCI World, Information Technology and Materials were the notable underperformers, falling -0.1% and -0.5%, respectively. Sector gains were seen in the defensives, such as Consumer Staples with 4.3% and Utilities with 3.0%, whilst Communication Services and Healthcare also gained 3.2% and 3.5%, respectively. Energy gained 3.8% after a surprise decision by the Organisation of the Petroleum Exporting Countries (OPEC+) to limit output at the beginning of the month. Financials also did better, recovering 3.2% after a painful March.

Value, represented by the Russell 1000 Value, gained 1.5%, whilst Growth, represented by the Russell 1000 Growth, gained 1%.

Within Fixed Income, yields trended slightly lower with the pricing in of possible rate cuts later this year. US 10-year Treasuries ended April at 3.45% vs. 3.5% in March. The Citi World Government Index rallied 0.4%. Similarly, the Barclays Global Aggregate Index gained 0.4%, and the Barclays Global High-Yield Index gained 0.6%. Barclays EM Agg gained 0.39%.

In Foreign exchange (FX), most major currencies strengthened in comparison to the USD, including the EUR (+1.6%) and GBP (+1.7%), as near-term headwinds keep the dollar on a bearish trajectory. The Japanese Yen weakened vs. the USD (-2.26%). The RMB also weakened (-0.8%).

Outlook

Rate tightening appears to be having a more meaningful effect on economic growth than on inflation. The US commerce department’s estimate of GDP growth released in April was 1.1% for Q1, below the 2% expectation, and clearly slowing from 3.2% in Q3 and 2.6% in Q4 of 2022. More than three-quarters of S&P companies have reported Q1 earnings, with surprises to the upside. Nonetheless, at the index level, sales growth is positive year-over-year, while earnings growth is negative. We believe corporate profits will face even further pressure in a weaker economy. The US labour picture is mixed, with new data underscoring a low in unemployment, while downward revisions point to fewer jobs added in previous months than originally thought. Lending and credit availability are also contracting as interest rates hit a 15-year high.

Further problems in the US banking sector have appeared, with First Republic Bank suffering a similar fate to Silicon Valley Bank (SVB), reporting 40% of their deposits leaving in Q1 2023. This created the potential for the second-largest bank failure in US history, an eventuality that occurred within a day of month-end. The negative deposit momentum that engulfed the First Republic and is affecting other smaller banks may reflect efforts to keep balances below insured levels, as well as the movement of money towards ‘too big to fail’ and, hence, safer institutions. However, it also reflects the US government essentially attracting financing by crowding out its own financial system as flows go to money market funds and shorter-term treasuries that now offer more attractive yields relative to deposits.

PHP Global Multi-Asset Income Fund

Meanwhile, the Fed's March meeting minutes released in April left the door open for another hike in May, which came in at 25 bps as markets expected. Inflation, however, remains persistently elevated, albeit off its peaks. The Fed's preferred 'core inflation' indicator or personal consumption expenditure (PCE) released at month end was up 0.3% to 4.6%. This index excludes food and energy, which one would reasonably assume to be core for most people. Despite the magnitude of hikes to date, inflation has not yet declined meaningfully. With that said, given signs of a slowdown in the economy, many expect the Fed to now pause and reverse course before year-end with rate cuts. We remain cautious and believe the market has overestimated the number of cuts this year and that there's even a small possibility of a pause followed by a hike. As the possibility of a recession looms larger, moves towards deglobalisation and continued geopolitical tensions could deepen a global slowdown and exacerbate supply chain disruptions. In particular, China's decoupling from the West and an emphasis on onshoring/friendshoring may result in further inflationary pressures. We have seen the effects of this divergence, including recent limits on foreign access to Chinese company data, and continue to watch deglobalisation as a long-term theme. Overall, we are likely to see higher and more persistent levels of geopolitical risks.

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 corporations 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 corporations.

We maintain our favourable view that high-yield bonds, as significantly improved yields, should lead to attractive forward returns. The ability to select securities from a broader credit universe and across the capital structure should help with navigating the softening landscape by providing more opportunities for diversification and allowing the team to focus on risk-adjusted returns. Given the current environment, there is the potential for incremental upside return and additional income generation should inflation, volatility and uncertainty subside over the medium term. We believe the high-yield sector continues to offer value compared with other higher-duration and higher-quality fixed income segments within the asset class.

In addition, within the Preferred space, there is potential for incremental upside, in addition to income, as the asset class fell under pressure amid bank issues in March, resulting in yields not seen since 2009.

Our broad asset allocation is tilted towards defensive, quality assets that provide 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 in 2023 to be able 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.

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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