

# 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

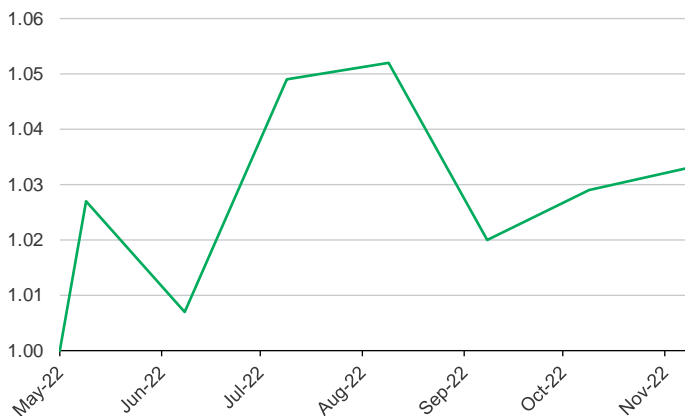
<b>Inception Date</b> May 2022	<b>Fund Size</b> PHP 35.34 million	<b>Fund Currency</b> Philippine peso	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> PHP 1.033	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> PHEQPPM	

## Performance Return (November 30, 2022)

PHP Global Multi-Asset Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.80%	n.a.	n.a.	n.a.	n.a.	5.41%
Annualized	n.a.	n.a.	n.a.	n.a.	n.a.	5.41%

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.

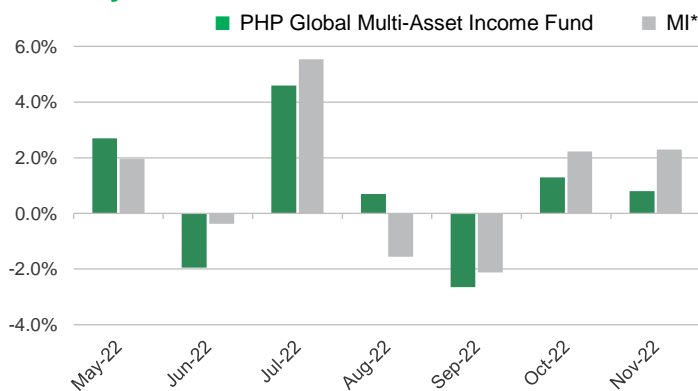
## Monthly Net Asset Value per Unit



## Top Five Holdings

ALPHABET INC.	1.12%
AMAZON.COM, INC.	0.81%
APPLE INC.	0.75%
MICROSOFT CORPORATION	0.72%
LENNAR CORPORATION	0.70%

## Monthly Performance

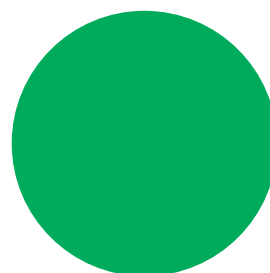


\*50% MSCI World GR (USD) Index + 50% Bloomberg Barclays Global Aggregate Bond (USD Hedged) Index

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%

# PHP Global Multi-Asset Income Fund

## Market Review

Global equities were positive across the board over the month of November, led by APAC ex Japan and broad emerging markets (EM) on the back of the announcement of easing quarantine rules and a series of supportive measures targeting the property sector in China. Although it was a remarkable month for broad EM and APAC ex Japan, they are the worst performers year to date (YTD) posting -18.6% and -16.8%, respectively.

October CPI in the US, released in November, indicated early signs of moderation in prices. Both headline inflation and core inflation data came in lower than estimates and prior month. The US labour market showed signs of mild cooling, though resilient labour demand necessitated rates to remain in restrictive territory for the foreseeable future. All sectors in the S&P 500 posted positive returns led by materials and industrials.

The latest speech by Powell on the last day of November hinted at a more prudent and slower rate hike path ahead as the US Federal Reserve Board (Fed) considers smaller rate moves given the lagging effect that tightening policy has on the US economy. The market anticipates a 50 bps hike in December and a slightly lower terminal rate, compared to that of last month, under 5.0%.

Within Europe, PMIs from UK surprisingly improved from October and remained above levels that historically signalled recession. Manufacturing PMI from Germany further deteriorated, highlighting the prolonged challenges faced by the geographical location. Whilst Germany's services PMI remained in contractionary territory, the figure showed improvement from last month.

Within Asia, the centre of attention was on the Chinese government's potential shift in its zero-covid policies after widespread protests against restrictions broke out in major cities in November. Markets seemed to have perceived this as a positive development towards a faster reopening timeline. Sentiment improved on the back of policies pointing to an eventual reopening and supportive measures taken to stabilise the property market.

Narratives from the Fed sparked risk-on sentiment across markets which saw further depreciation of the US dollar. Although signs of cooling inflation and change in direction on China's covid policy provide optimism for the market, challenges lie ahead as the impact of tightened monetary policy gets fully realised.

Across global equities we saw MSCI World gain +7.0%, driven predominantly by APAC ex Japan gaining +17.6% and EM gaining 14.9% as China gained +32.1% in view of the reopening narrative. Europe gained +11.4%, Japan +9.7%, Latin America +0.5% and the S&P 500 +5.6%.

Sectorally, materials equities performed well, gaining +14.1%, followed by industrials +9.1% and financials +8.9%, whilst energy and consumer discretionary only gained 3.3% and 4.9%, respectively.

Value equities measured by the Russell 1000 Value outperformed the Russell 1000 Growth gaining +6.3% vs +4.6%.

Fixed Income posted positive returns across the board as the 10 year Treasury fell to 3.70% by the end of November 2022 from 4.07% in the month prior. Barclays EM US dollar Aggregate performed well, gaining +6.6% along with Barclays Global Aggregate – Corporate +5.5%, whilst US High Yield Corporate lagged, only gaining +1.9%.

Within foreign exchange (FX), most currencies gained against the US dollar amidst a slower path of rate hikes indicated by the Fed. The Korean won led the gains at +8.0%, the New Zealand dollar +6.9% and Japanese yen +6.5%, whilst the Brazilian real depreciated -0.2%.

In terms of spreads, we saw spreads narrowing over the month of November in the Bloomberg Barclays Euro High Yield Average OAS to 526 bps vs 619 bps at the end of October.

In terms of a gauge for volatility, the VIX retreated to 21 to end November vs 26 at the end of October.

This month saw a narrative change in Fed guidance focusing more on overtightening risks after the release of October CPI data in the US. The Fed's prudent stance towards a slower rate hike path was deemed dovish by the market which saw non-US equities and oil rally. China's supportive measures particularly in the property market and covid policy pivot took centre stage as a recovery in the geographical location will be a key driver and catalyst for the Asian region and broad EM.

## Outlook

October CPI data suggests early signs of moderation in prices followed by what the market deemed to be a relatively less hawkish speech by the Fed Chairman Jerome Powell. Markets are increasingly anticipating a 50 bps rise in December amidst softer inflation figures after the 75 bps hike at the November meeting. Inflation seems to be easing, whilst labour market conditions remain too tight for the Fed to consider cutting rates anytime soon. Despite some positive developments in price stability, interest rates likely need to stay at restrictive levels for longer until the full effect of tightening this year is felt in the US economy well into 2023.

The Fed remains hawkish and is still committed to tightening against a slowing economy. Whilst Powell reiterated that the prospect of a soft landing is still possible, wage pressures could push terminal rates higher. Investors are becoming more and more concerned with recession risk and a higher possibility of downward earnings revisions. Treasury yields eased in the longer-term, credit spreads are pricing in little default risks, whilst equities have rallied more recently – asset markets are not yet pricing a recession. 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 EM to be operating in a new normal of higher interest rates.

# PHP Global Multi-Asset Income Fund

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, 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 closer to 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, whilst the US will also remain challenged.

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 first quarter and further into 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.

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.

---

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.

The information and/or analysis contained in this material have been compiled or arrived at from sources believed to be reliable but The Manufacturers Life Insurance Company ("Manulife Philippines") does not make any representation as to their accuracy, correctness, usefulness or completeness and does not accept liability for any loss arising from the use hereof or the information and/or analysis contained herein. 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. Neither Manulife Philippines or its affiliates, nor any of their directors, officers or employees shall assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained herein.

The information in this material may contain projections or other forward-looking statements regarding future events, targets, management discipline or other expectations, and is only as current as of the date indicated. There is no assurance that such events will occur, and may be significantly different than that shown here. The information in this material including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. This material was prepared solely for informational purposes and does not constitute a recommendation, professional advice, an offer, solicitation or an invitation by or on behalf of Manulife Philippines to any person to buy or sell any security. This material should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any investment products or to adopt any investment strategy. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. Past performance is not an indication of future results.

Manulife and the block design are registered service marks and trademarks of The Manufacturers Life Insurance Company and used by it and its affiliates including Manulife Financial Corporation.