

November 2021
Factsheet

Manulife Global Multi-Asset Diversified Income Fund

Fund category

Wholesale Fund (Feeder Fund)

Fund objective

The Fund aims to provide income by investing in one collective investment scheme.

Investor profile

This Fund is suitable for Sophisticated Investors who are seek regular income, wish to participate in a diversified portfolio of assets in the global markets and have a medium to long-term investment horizon.

Fund manager

Manulife Investment Management (M) Berhad
200801033087 (834424-U)

Trustee

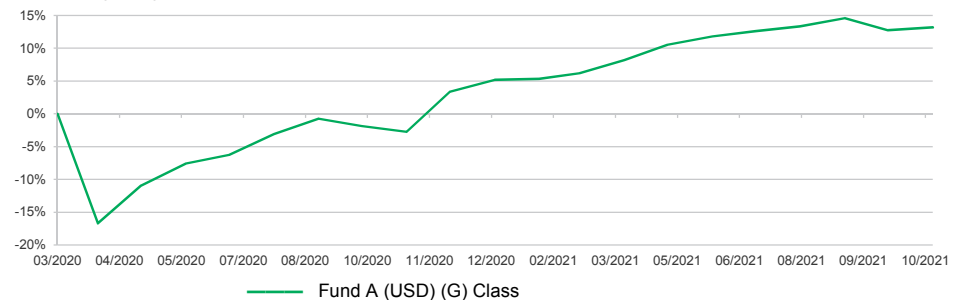
HSBC (Malaysia) Trustee Berhad
193701000084 (1281-T)

Fund information (as at 31 Oct 2021)

NAV/unit (A (USD) (G) Class)	USD 1.0375
NAV/unit (A (RM Hedged) (G) Class)	RM 0.9958
Fund size	USD 5.92 mil
Units in circulation	24.46 mil
Fund launch date	03 Feb 2020
Fund inception date	03 Mar 2020
Financial year	30 Jun
Currency	USD
Management fee	Up to 1.80% of NAV p.a.
Trustee fee	0.04% of NAV p.a. including local custodian fees but excluding foreign custodian fees and charges
Sales charge	Up to 5.50% of NAV per unit
Redemption charge	Nil
Distribution frequency	Quarterly, if any
Benchmark	There is no benchmark which the performance of the Target Fund is measured as there is no suitable benchmark that reflects the investment strategies of the Target Fund.

Fund performance

Since inception performance as at 31 October 2021*



Total return over the following periods ended 31 October 2021*

	1 month	6 month	YTD	1 year	3 year	5 year	Since inception
Fund A (USD) (G) Class (%)	0.38	2.40	7.61	16.35	-	-	13.20
Fund A (RM Hedged) (G) Class (%)	0.44	3.10	8.72	17.49	-	-	8.85

Calendar year returns*

	2016	2017	2018	2019	2020
Fund A (USD) (G) Class (%)	-	-	-	-	5.19
Fund A (RM Hedged) (G) Class (%)	-	-	-	-	0.12

*Source: Lipper; Past performance is not necessarily indicative of future performance. The performance is calculated on NAV-to-NAV basis.

Top 5 holdings#

No.	Security name	% NAV
1	ALPHABET INC.	1.2
2	META PLATFORMS, INC.	0.9
3	APPLE INC.	0.7
4	AMAZON.COM, INC.	0.7
5	LENNAR CORPORATION	0.6

Asset/sector allocation#

No.	Asset/sector name	% NAV
1	High Yield Bonds	21.9
2	Equity Related Securities	21.8
3	Developed Market Equities	20.8
4	Emerging Markets	18.4
5	Preferred Securities	4.9
6	Investment Grade Bonds	1.5
7	Cash & Cash Equivalents	10.6

Highest & lowest NAV

	2018	2019	2020
High	-	-	1.0157
Low	-	-	0.7666

Distribution by financial year

	2020	2021	2022**
Distribution (Sen)	-	7.16	1.50
Distribution Yield (%)	-	7.6	1.4

**Cumulative quarterly distribution for the month of Jul'21 - Aug'21

Geographical allocation#

No.	Geographical name	% NAV
1	North America	57.3
2	Emerging Markets	11.2
3	Europe	10.4
4	Others	10.5
5	Cash & Cash Equivalents	10.6

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Market review

October 2021 saw a significant bounce back in developed markets (DM), notably on the equity side, despite concerns on tapering and inflation, whilst fixed income globally remained rather muted, broadly delivering negative returns over the October month.

The US economy grew at a 2% annualised rate in the third quarter of 2021, well below expectations and the weakest quarter of growth in the post-pandemic recovery. Supply chain disruptions weighed on growth, as did a notable decline in consumer spending. Inflation also remained elevated as the 12-month inflation rate stayed above 5% for the fifth consecutive month, driven by rising housing and food costs. Heightened inflation led to increased expectations that the US Federal Reserve Board (Fed) will begin tapering its bond buying in the near future.

Despite concerns, global equities, represented by MSCI ACWI gained +5.1%, driven by the US, as the S&P 500 gained +7%, MSCI Europe +4.5% whilst MSCI EM and Asia Pacific ex Japan trailed with +1% and +1.7% gains. Japan gave back some of its prior outperformance, falling -3.4%. Latin America fell -5.3%, due to weakness in Brazil (-8.8%), following the central bank raising rates in an effort to tame inflation.

Within equities, we saw growth sectors continue their momentum as information technology gained +7.6%, consumer discretionary +8.2%, whilst some of the cyclicals such as energy gained +8.1% and financials +6.4%. Communication services underperformed gaining +1.4%. Looking more broadly, the Russell 1000 Growth gained +8.7%, whilst its Value counterpart gained +5.1%.

In fixed income, the asset class was more challenging, with broadly negative returns. Barclays Global High Yield fell -0.54%, whilst US High Yield did slightly better, falling -0.17%. Barclays EM Aggregate USD fell -0.42%.

Globally, inflation concerns remain with commodity prices continuing to edge up, led by oil and gas. Specific to emerging markets (EM), in China, manufacturing activity contracted for a second straight month amid power shortages and surging commodity prices. A confluence of risk factors weighed on the Chinese economy which is leading to downward gross domestic product growth revisions. It was noteworthy that following the collapse of leading property company, Evergrande, the People's Bank of China injected 940 billion renminbi (US\$150 billion) into the financial system over the last two weeks of October, the most since January 2020. Chinese banks have also started to ease credit controls on homebuyers and developers.

Oil related equities gained another +10.7%, following almost +10% last month, whilst gold gained +1.5%.

The US dollar was weaker over October against most majors, as the British pound appreciated +1.7%, the renminbi +1% whilst being slightly stronger versus the euro as it depreciated -0.2%.

We continue to believe that US dollar weakness is likely to continue over the long-term given the dovish stance of the Fed, the persistent and rising US trade deficit, and the expansionist fiscal policy of the new Biden administration.

In terms of spreads, we saw some slight tightening over the month in the Bloomberg Barclays US Corporate High Yield Average OAS which was 285 basis points (bps) by the end of October versus 287 bps at the end of September.

Within EM, the JPMorgan CEMBI Diversified Broad High Yield Blended Spread widened to 445 bps as at the end of October versus 438 bps at the end of September.

The VIX ended October 2021 lower at 16, versus 23 at the end of September.

Governments and central banks continue to demonstrate readiness to stand-in with monetary and fiscal tools to mitigate the risk of economic damage arising from the pandemic. Fed guidance, a function of job creation and inflation expectations, at this point remains the key driver of near-term developed asset markets, whilst China policy and growth will be a key driver for the region and broad EM.

Market outlook

We remain in a challenging environment for global markets, not just because growth and earnings could disappoint due to growing logistical challenges, but also due to the growing pressure on policymakers to reduce their stimulus efforts in the face of rising inflation. Across the largest DMs, fiscal tailwinds are likely to start to fade as the Fed looks set to commence tapering by year-end and raising interest rates. Similar moves appear to be being readied by the EU and UK monetary authorities.

Fed tapering, the removal of extraordinary liquidity provisions, is likely to occur by year-end, if not before – or at least the formal announcement is expected. The quality of the economic data over the coming months is more likely to determine how the taper is conducted which will determine the market reaction.

Policy, however, will likely remain very accommodative with a very slow and gradual response in terms of rate hikes, which we don't expect until the second half of 2023. The risk, however, to the timing of rate expectations would be being later than earlier.

Massive monetary and fiscal emergency packages have been put in place, but this is becoming incrementally less supportive. Vaccines are giving populations the opportunity to be more mobile again, although government restrictions remain in varying degrees of strictness which will further impact mobility trends. Policy support will likely remain abundant for businesses and the consumer to get back to some form of new Covid reality.

We see the market pricing peak macro, but not necessarily peak pessimism and see further scope for downside disappointments, particularly in relation to the consumer.

Tactical positioning will be more prevalent for the second half 2021 and into 2022 to be able to nimbly add and de-risk portfolios. Tactical portfolio positioning remains balanced around the previous outperformers and the some of the near-term improvement in performance in cyclicals. Overall, we are tilted towards higher rates from here 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 Covid-19 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. We are closely monitoring direct and indirect impacts of Covid-19 to avoid issuers with liquidity concerns.

The outlook for US high-yield markets remains balanced. We expect uncertainty to remain in the coming months but believe investors are generally being compensated for the risks. We feel that defaults have peaked and trailing 12-month default rates will decline in 2021. Our fundamental analysis and stress testing give us confidence in our ability to navigate these challenges.

All indications point to an extended period of low interest rates and continued government support to put the global economy back on a positive trajectory. However, the pace of the recovery into 2021 and beyond is difficult to project given the sheer number of variables to consider. Economic data has seen pockets of improvement whilst there also remains pockets of weakness. The massive volatility in indicator readings makes the positive signs less reassuring, and we believe that the level to which data eventually normalises will be more important.

Vaccines are being rolled out, although Covid variants are impacting the efficacy of current vaccines which governments and healthcare corporates have to try to manage. The most recent evidence points towards high levels of effectiveness towards the new variants.

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A rising number of questions are growing around Fed policy as well as multiple questions around vaccine hesitancy in some populations. A vaccine will be a game-changer for the economies of Latin America, Indonesia, and India – however, a medical solution is unlikely to drive a robust, rapid economic solution. Fiscal stimulus is unlikely to be enough for a rapid economic recovery, as getting back to pre-Covid growth rates is likely to be pushed into 2022. The lasting impact of Covid-19 on the global economy is not the only factor to monitor. Rising geopolitical tensions, 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.

Feeder fund review

In October, the Feeder Fund posted a) 0.38% for its A (USD) (G) Class; and b) 0.44% for A (RM Hedged) (G) Class. The Fund was positive for the month of October, whilst the approximate natural underlying yield generation remained healthy at over 5%.

Equities: Allocation to equities was off the 23% highs to 20% and remained the key driver of performance over the month. The DM dominant equity sleeve helped the portfolio, whilst other geographies in EM and Asia had a less successful month.

Options: Options overwriting in October has not deviated significantly from the previous out-of-the-money calls and at-the-money puts in September.

Fixed Income: The fixed income sleeve performed in line, to slightly better to its counterpart representative indices. The Fund is well exposed to global credit opportunities, whilst October saw further new name adds mostly in US high yield, whilst adds in EM debt were largely focused on existing positions. The Fund also added to some preferred securities in the financial sector.

US high yield adds included names in mobile gaming, healthcare, energy pipeline, chemicals, industrial power equipment manufacturer, financial small loan provider, a restaurant franchise and a communications fibre network provider. Within Europe, high yield names in telcos with operations in select European countries were added. In preferreds, a US bank and financial service provider was added. Lastly in EM, a sustainability linked bond from a Mexican producer of commodity chemicals was added.

In Asian credits, a more challenged segment of the portfolio, and around 6% of overall exposure – the segment was negative over October on the back of higher US rates, whilst spreads also widened as sentiment in the China property sector remained weak.

Ten-year US Treasury yields reached as high as 1.7% before rallying towards the end of the month to 1.55%, as global inflation data and risk-on sentiment drove yields higher.

Asia investment grade credits remained supported in October with limited spillover from negative headlines from the China property sector. Outside of China, India credits traded on a stronger tone on the back of Moody's outlook change from "negative" to "stable" while a steel maker was upgraded to investment grade by S&P.

The China property sector remains in focus as fears of more defaults in the sector and rating agency downgrades led to further selling of China high yield property bonds. The market will be closely watching for further regulatory developments and for signs of monetary loosening for developers.

The primary market was active as issuers returned from the China Golden week holiday. Notably, a China sovereign printed a mega size deal, while an asset management company tapped the US dollar market for an AT1 deal, the first offshore issuance since the Huarong incident earlier this year, as sentiment towards the sector improved after news of Huarong's recapitalisation plan.

Overall, we saw a decent appetite for new issuances with attractive valuations.

In October, the Fund has added some risk back into the China property sector, mainly single B rated developers as risk-reward has tilted to the upside given the excessive negative sentiment towards the sector. In addition, we have selectively participated in new issuances from India and Indonesia with attractive valuations and for diversification purposes.

Yield: At the top level, contribution to yield by asset class for the month of October was 37% from options, 25% from global ex EM high yield, 23% from EM debt, 7% from global equity, 6% from preferred and the remainder from investment grade holdings, REITs and cash/cash equivalents.

Return: On a higher level by sleeve, returns were positive for the Fund driven by positive contributions in equities and options whilst the global fixed income ex Asia sleeve was flat to negative, whilst the Asia fixed income sleeve was the underperformer.

The above information has not been reviewed by the SC and is subject to the relevant warning, disclaimer, qualification or terms and conditions stated herein. Investors are advised to read and understand the contents of the Information Memorandum dated 03 February 2020 and its First Supplemental Information Memorandum dated 13 September 2021 and all the respective Product Highlights Sheet(s) (collectively, the "Offering Documents"), obtainable at our offices or website, before investing. The Offering Documents have been registered with the Securities Commission Malaysia (SC), however the registration with the SC does not amount to nor indicate that the SC has recommended or endorsed the product. Where a unit split/distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from the pre-unit split NAV/cum-distribution NAV to post-unit split NAV/ex-distribution NAV; and where a unit split is declared, the value of your investment in the Fund's denominated currency will remain unchanged after the distribution of the additional units. Past performances are not an indication of future performances. There are risks involved with investing in unit trust funds; wholesale funds and/or Private Retirement Schemes. Some of these risks associated with investments in unit trust funds; wholesale funds and/or Private Retirement Schemes are interest rate fluctuation risk, foreign exchange or currency risk, country risk, political risk, credit risk, non-compliance risk, counterparty risk, target fund manager risk, liquidity risk and interest rate risk. For further details on the risk profile of all the funds, please refer to the Risk Factors section in the Offering Documents. The price of units and income distribution may go down as well as up. Investors should compare and consider the fees, charges and costs involved. Investors are advised to conduct own risk assessment and consult the professional advisers if in doubt on the action to be taken.