Global Target Income Fund

An investment fund option for variable life insurance products of **The Manufacturers Life Insurance Co., (Phils), Inc.**.

Investment Objective

The fund seeks to deliver periodic distribution of up to 4.75%* p.a. while providing the potential for capital appreciation and limiting the risk of capital erosion. The Fund will invest primarily in a diversified portfolio of collective investment schemes (including exchange-traded funds (ETFs), real estate investment trusts (REITs) and cash and cash equivalents.

Fund Information

Inception Date
January 2016

Fund Size
USD 92.83 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 0.897

Management Fee
2.25% per annum

Bloomberg Ticker
MGLTRIN

Investment Fund Manager (the "Manager")
Manulife Investment Management (Hong Kong) Limited

* *The target payout is not guaranteed. Distribution may be made out of principal investment.*

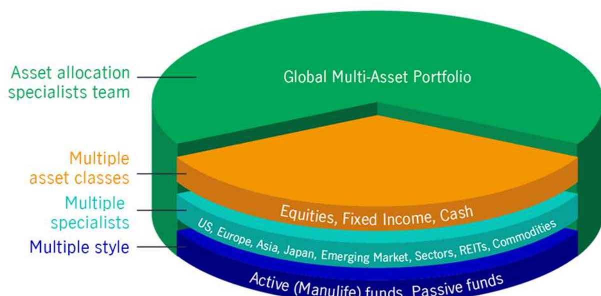
Performance Return (February 28, 2021)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.40%	0.46%	12.79%	6.22%	16.22%	13.78%
Annualized	n.a.	n.a.	12.79%	2.03%	3.05%	2.56%

Why this Fund?

The Fund is managed using the **3 "Ds"** Investment Philosphy: Diversification, Dynamic Asset Allocation, Downside Control Mechanism.

- **Diversification -** Access to diverse asset classes globally mitigates the risk inherent to individual asset classes vis-à-vis changing economic cycles and market conditions.
- **Dynamic Asset Allocation -** Optimal asset mix is achieved based on consistent application of MFST analysis - **M**acroeconomic, **F**undamental, **S**entiment and **T**echnical factors are carefully examined at each stage of the economic cycle.



- **Downside control mechanism -** Our proprietary downside risk control mechanism minimizes allocation to specific investments that are highly exposed to downside risk under certain market conditions.

Asset Allocation^

	%
Equities	**55.92**
North American Equities	34.67
Asia Pacific (ex-Japan) Equities	9.91
Japanese Equities	7.85
European Equities	3.50
Fixed Income	**38.56**
US Bonds	25.48
Emerging Market Bonds	6.65
International Bonds	5.02
Asian Bonds	1.41
Commodities	**1.12**
Cash & Cash Equivalents	**4.40**

Top Ten Holdings

	%
iShares MSCI Japan ETF	7.85
Invesco QQQ Trust	7.65
MGF-US EQ-I3 MGF-US EQTY-I3	7.26
iShares Russell 2000 ETF	6.91
SPDR S&P 500 ETF Trust	6.85
VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	6.65
iShares Core MSCI Asia ex Japan ETF	4.27
iShares TIPS Bond ETF	4.01
Vanguard Total International Bond ETF	3.79
iShares USD Corp Bond UCITS ETF	3.04

^Figures may not sum to 100 due to rounding.

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Market Review

February 2021 saw a pickup in performance vs January 2021 in risk assets with the global MSCI World gaining +2.6%, the S&P +2.8%, whilst MSCI EM +0.8% and Asia ex Japan +1.4% underperformed Developed Markets. Notably US small caps had a strong month, with the Russell 1000 gaining +2.9%. LatAm, within EM, was the worst performing falling -3%, largely driven by Brazil (-6.8%).

Sectorally within equities, Energy and Financials led gains +16% and +10% respectively, whilst the rise in yields was a headwind for bond proxy equities – namely utilities which underperformed falling -5.8% over the month.

Fixed Income, unsurprisingly, had a weak month as yields rose, and the US10 year ended the February month at 1.46% vs 1.09% end of January.

The Citi World Govt Bond Index fell -2.4%, whilst Barclays Global High Yield gained +0.14%. Spreads remained fairly well contained, despite some volatility over the month on the equity side.

Oil gained +18% over the month, Gold fell -6.6%.

The USD saw weakness vs majors – the GBP and AUD appreciated +1.8% and 0.9% over the month. However, the USD was stronger vs the Yen +1.7% and against some of the Latin American currencies.

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 at this point remains the key driver of near-term asset markets.

Outlook

Markets have reacted positively to the fiscal deployment, vaccine news and continued Fed guidance to run an economy towards a 2% inflation target, however more recently the rally in yields is causing some concern on how much of a probability the Fed could exit sooner from the current zero rate policy, as well as potentially baking in higher inflation expectations.

Global economies are firmly in a recovery stage, although latest job data in the US remains weak – nevertheless US markets continue to push towards previous highs but remain somewhat volatile.

Corporate fundamentals are varied across sectors, with defensive business models holding up relatively well and cyclical and commodity businesses facing significant challenges. Markets remain sensitive to a host of factors including COVID-19 vaccine success and fears of a slower than expected growth recovery. We expect global stimulus efforts to remain a focus as central banks globally and the United States Congress rush to fill any liquidity gaps and pressure points. We are closely monitoring direct and indirect impacts of COVID-19 to avoid issuers with liquidity concerns.

US High-yield markets rapidly repriced credit risk in the first quarter and we believe the outlook remains balanced. We expect uncertainty to remain high in the coming months but believe investors are generally being compensated for these 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 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.

With the shift in seasons, reopening of schools, a loosening of initial response restrictions and/or lockdown compliance fatigue, the rising number of COVID-19 cases globally seems inevitable. Europe is already seeing rising case counts, attributed to a more virulent COVID variant. Vaccines however are being rolled out, although COVID variants are impacting the efficacy of current vaccines which governments and healthcare corporates have to try to manage.

Within equities, we’re focused on ramifications on anti-trust legislation for big tech, public option healthcare strategies, higher corporate and personal taxes to help pay for large stimulus packages, US-China and global geopolitical relations, renewable energy investments, and impact of any changes on the USD. Sectors that potentially could be favorably impacted by a Biden administration would be infrastructure, construction, semiconductors, renewables, and materials while big tech, healthcare, and energy could be most negatively impacted.

A rising number of questions are growing around Fed policy as well as multiple questions on the potential impact of a vaccine, including probable timelines, safety, efficacy, distribution priority and global availability. 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, supply chain disruptions and a general deglobalization trend all raise questions about the future trajectory of global debt and equity markets.

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