

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 93.79 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.893	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.

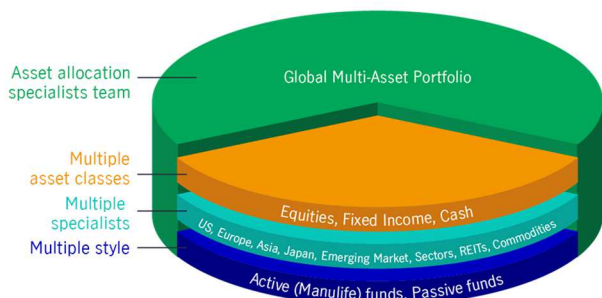
Performance Return (March 31, 2021)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.05%	0.41%	25.02%	6.73%	13.84%	13.72%
Annualized	n.a.	n.a.	25.02%	2.20%	2.63%	2.51%

Why this Fund?

The Fund is managed using the **3 "Ds"** Investment Philosophy: 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 - **Macro**economic, **Fundamental**, **Sentiment** and **Technical** 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	55.18
North American Equities	35.47
Asia Pacific (ex-Japan) Equities	7.75
European Equities	7.08
Japanese Equities	4.88
Fixed Income	39.75
US Bonds	30.38
International Bonds	4.93
Emerging Market Bonds	3.06
Asian Bonds	1.38
Cash & Cash Equivalents	5.06

Top Ten Holdings

	%
Lyxor S&P 500 UCITS ETF D USD	9.52
Invesco QQQ Trust	7.69
MGF-US EQ-I3 MGF-US EQTY-I3	7.55
iShares Russell 2000 ETF	6.06
iShares MSCI Japan ETF	4.88
Xtrackers DAX UCITS ETF	4.55
iShares Core MSCI Asia ex Japan ETF	4.08
iShares TIPS Bond ETF	3.96
Invesco Preferred Shares UCITS ETF	3.90
Vanguard Total International Bond ETF	3.75

[^]Figures may not sum to 100 due to rounding.

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Market Review

Risk assets continued to rally into March after some brief volatility post the mid-March Fed meeting. Guidance remains that rates will remain low at least for the next few years, however markets are becoming apprehensive of Fed communications. Perhaps more encouragingly than for most of last year, the apprehension revolves around the extent of the pick-up in the pace of activity as economies begin to re-open, with vaccination campaigns and growing 'herd immunity' suggesting a march towards normalisation. In this context, rising bond yields in the United States and the prospect of inflation have become the new challenges to equity and debt markets. The significance of massive levels of fiscal stimulus impacting growth and inflation remains an unknown, whilst the vaccine roll-out and evolution of COVID 19 also remains a potential risk for the highly anticipated great re-opening.

In equities, the MSCI World gained +3.4%, S&P 500 gained +4.4% whilst MSCI APAC ex Japan fell -2.1%. Broad MSCI Emerging Markets also fell -1.5% over the month given a softer China and broad Asia. Sectorally, Utilities gained +7.9%, Consumer Staples gained +6.6%, Industrials gained +6.1%, Financials gained +4.6%, whilst IT and Communication Services added +0.75% and +1.8% respectively.

Fixed Income was broadly lower given the rise in yields. The Citi World Govt Bond Index fell -2.1%, Barclays Global Agg fell -1.9%, Global High Yield fell -0.9% and Barclays EM USD Aggregate also fell -1.25%.

Oil fell -3.4% over the month, Gold fell -0.9%.

Adding to some of the concerns around a Fed earlier than expected exit and normalization path, we saw a rising USD, appreciating against most majors over the month. Notable appreciation vs the Euro (-3.2%) and the Yen (-3.6%) highlights the expectation of a faster economic recovery in the US. We continue to believe that US dollar weakness is likely to re-emerge given the dovish stance of the Federal Reserve, the persistent and rising US trade deficit, and the expansionist fiscal policy of the new Biden administration.

The Mexican Peso was one of the few appreciating currencies vs the USD over the month, gaining +2.2%.

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

The biggest known unknown in our outlook is the extent to which the unprecedented level of fiscal stimulus that we saw in 2020/2021 will impact growth and inflation.

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 still needs time to heal. Nevertheless US markets continue to push towards new all-time highs.

Corporate fundamentals are varied across sectors. Markets remain sensitive to a host of factors including COVID-19 vaccine success and fears of a now faster than expected growth recovery, stoking 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 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. US macro data over the coming months are likely to be some of the best seen in years.

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.

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.

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 post stimulus, 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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