

# 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

<b>Inception Date</b> January 2016	<b>Fund Size</b> USD 94.59 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 0.908	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> 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.

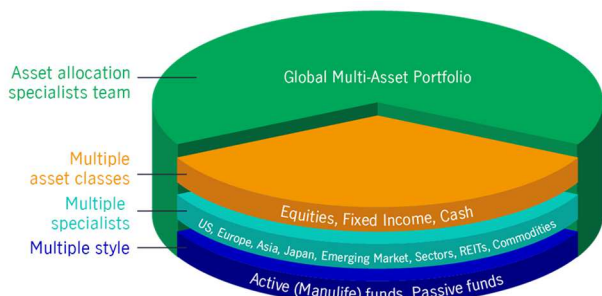
## Performance Return (April 30, 2021)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.08%	2.50%	21.91%	8.52%	15.06%	16.09%
Annualized	n.a.	n.a.	21.91%	2.76%	2.85%	2.87%

## 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<sup>^</sup>

	%
<b>Equities</b>	<b>58.79</b>
North American Equities	33.41
Asia Pacific (ex-Japan) Equities	13.33
European Equities	7.28
Japanese Equities	4.76
<b>Fixed Income</b>	<b>39.18</b>
US Bonds	29.84
International Bonds	4.90
Emerging Market Bonds	3.07
Asian Bonds	1.37
<b>Cash &amp; Cash Equivalents</b>	<b>2.03</b>

## Top Ten Holdings

	%
Lyxor S&P 500 UCITS ETF D USD	8.96
MGF-US EQ-I3 MGF-US EQTY-I3	8.01
Invesco QQQ Trust	7.11
iShares 7-10 Year Treasury Bond ETF	5.86
ChinaAMC CSI 300 Index ETF HKD	5.02
iShares MSCI Japan ETF	4.76
Xtrackers DAX UCITS ETF	4.66
iShares Core MSCI Asia ex Japan ETF	4.17
iShares Russell 2000 ETF	4.08
iShares TIPS Bond ETF	3.97

<sup>^</sup>Figures may not sum to 100 due to rounding.

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## Market Review

Once again, risk assets continued their melt-up as markets digested Fed guidance and bond yields faded from highs.

In equities, MSCI World gained +4.7%, S&P 500 gained +5.3%, MSCI Europe gained +4.7% whilst Japan fell -1.5% whilst MSCI EM again underperformed Developed markets, albeit remained positive, gaining +2.5% and MSCI APAC gaining +2.8%. China equities remained soft over the month, only gaining +0.3%. Developed market equities remained bolstered by a continued stream of stimulus measures and signs of further economic strength, whilst parts of EM remained undermined by COVID infections in parts of India, Thailand and Brazil where the pace of vaccinations remains low.

Sectorally Communication Services gained +7.0%, followed by Real Estate +6.5%, whilst Tech came back in April gaining +5.5%. Energy equities underperformed gaining +0.4%.

However, oil prices gained +7.4%, alongside gains across commodities with Copper gaining +11.7% and Nat Gas +7.6%.

Fixed Income was more stable in April 2021 vs last month as yields faded and economic prospects and sentiment improved. The Citi World Govt Bond Index gained +1.2%, whilst Barclays Global High Yield gained +1.9%. Barclays EM USD Agg gained +1.3%.

After a strong USD in March 2021, the USD weakened in April 2021, falling -2.4% vs the Euro. In EM, the Brazilian Real was strong vs the USD, gaining +4%.

We continue to believe that US dollar weakness is likely to continue 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.

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 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. There could be talk of tapering to come sooner, whilst rates to rise later than the market expects. Recent US job data disappointed, whilst price action was positive in the immediate aftermath, given expectations for the Fed to remain bolstered in stimulus mode.

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 remain 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 must manage.

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 deglobalization trend all raise questions about the future trajectory of global debt and equity markets.

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