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 95.26 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 0.910

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.*

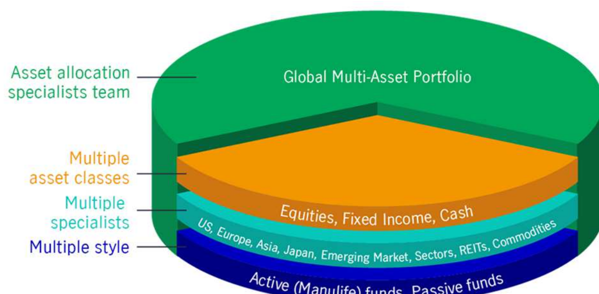
Performance Return (May 31, 2021)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.62%	3.13%	19.88%	10.48%	16.83%	16.81%
Annualized	n.a.	n.a.	19.88%	3.38%	3.16%	2.94%

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	**53.47**
North American Equities	26.62
Asia Pacific (ex-Japan) Equities	13.02
European Equities	9.03
Japanese Equities	4.81
Fixed Income	**43.01**
US Bonds	33.63
International Bonds	4.87
Emerging Market Bonds	3.13
Asian Bonds	1.38
Cash & Cash Equivalents	**3.51**

Top Ten Holdings

	%
MGF-US EQ-I3 MGF-US EQTY-I3	7.94
Lyxor S&P 500 UCITS ETF D USD	7.01
iShares 1-3 Year Treasury Bond ETF	6.87
ChinaAMC CSI 300 Index ETF	6.76
iShares 7-10 Year Treasury Bond ETF	5.84
iShares MSCI Japan ETF	4.81
Xtrackers DAX UCITS ETF	4.78
Lyxor EURO STOXX 50 (DR) UCITS ETF	4.24
iShares TIPS Bond ETF	3.97
Invesco Preferred Shares UCITS ETF	3.89

^Figures may not sum to 100 due to rounding.

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Market Review

The market melt-up continued into May as global equities once again made positive returns, albeit not as strong as April. Yields on the US 10yr remained almost unchanged, whilst industrial commodity prices extended their upward progress which triggered Chinese government intervention to control prices.

In equities, MSCI World gained +1.5%, S&P 500 gained +0.7%, MSCI Europe gained +4.3%, Japan gained +1.6% whilst MSCI EM outperformed the US but underperformed Europe gaining +2.3% and MSCI APAC gaining +1.5%. China equities again remained soft over the month, falling -0.2%.

Developed market equities remained bolstered by a continued stream of stimulus measures and signs of further economic strength benefiting the more value/cyclical oriented markets.

Sectorally Energy gained +5.3%, followed by Financials and Materials gaining +4.9% and +4.4%, whilst Tech underperformed falling -1%, alongside Consumer Discretionary down -1%.

Oil prices gained +4.5% and Gold +7.7%.

Fixed Income was again stable in May 2021, 10yr Treasury yields were slightly lower over the month. The Citi World Govt Bond Index gained +0.9%, whilst Barclays Global High Yield also gained +0.9%. Barclays EM USD Agg gained +0.9%. Unchanged to downward yields over the month could indicate the market being more comfortable with inflation expectations vs Q121.

The USD was weaker over May against most majors, whilst the Brazilian Real outperformed, appreciating +8% vs the USD, +3% for the RMB, +3% for GBP and +3.7% for the Euro.

We continue to believe that US dollar weakness is likely to continue over the long term 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. Near term however could see some short term strength.

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. We remain in the “transitory” camp in regards inflation expectations and believe it is too early to point towards a protracted upwards and sustainable shift in inflation and more importantly a sharp reversal in broadly supportive monetary and fiscal policies across both DM and EM.

Markets have reacted positively to the fiscal deployment, vaccine news and continued Fed guidance to run an economy towards a long term 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 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. The most recent evidence points towards high levels of effectiveness towards the new variants.

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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