

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 95.93 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.905	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.

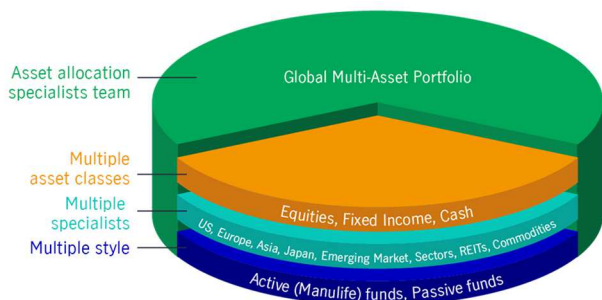
Performance Return (August 31, 2021)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.07%	3.79%	9.84%	12.72%	16.31%	17.56%
Annualized	n.a.	n.a.	9.84%	4.07%	3.07%	2.92%

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	57.91
North American Equities	38.03
European Equities	10.94
Asia Pacific (ex-Japan) Equities	5.98
Japanese Equities	2.96
Fixed Income	38.47
US Bonds	27.25
Emerging Market Bonds	4.98
International Bonds	4.87
Asian Bonds	1.38
Cash & Cash Equivalents	3.62

Top Ten Holdings

	%
Lyxor S&P 500 UCITS ETF D USD	10.48
MGF-US EQ-I3 MGF-US EQTY-I3	8.61
iShares 7-10 Year Treasury Bond ETF	5.94
Lyxor EURO STOXX 50 (DR) UCITS ETF	5.51
Invesco QQQ Trust	4.91
SPDR S&P 500 ETF Trust	4.19
iShares TIPS Bond ETF	4.00
Invesco Preferred Shares UCITS ETF	3.88
Vanguard Total International Bond ETF	3.70
iShares USD Corp Bond Interest Rate Hedged UCITS ETF	3.30

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

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Market Review

August saw the YTD rally in global risk assets continue as global equities represented by the MSCI World Index gained +2.5%, driven by the S&P 500 gaining +3.0%. Japan was the outperformer gaining +3.1% as a change in politics has led to positive sentiment. Broad Emerging Markets represented by MSCI EM gained +2.7%, Asia ex Japan +2.2% whilst Latin America underperformed gaining +0.9%.

Despite broad positive performance from markets, concerns around peak growth, prospects of tapering asset purchases by central banks, regulatory concerns in China, the spread of the delta variant and elevated inflation remain on investors watchlists.

Emerging Markets including Asia, and Japan remain YTD underperformers vs broad global and developed market equities.

Sectorally, growth-oriented equities outperformed as per last month, as we saw IT/Communication Services retain leadership over the month being the outperforming sectors, both gaining +3.9% whilst Financials and Utilities also added +3.7% and 3.3% respectively. Materials fell again -0.3% and Energy was down -1.1%. Russell 1000 Small cap Growth gained +3.7%, whilst Russell 1000 small cap Value gained +2%.

Fixed Income returns were stable over August, albeit the riskier segments outperformed as the Barclays Global High Yield gained +0.6% and Barclays EM USD Aggregate gained +1%. Global Government Bonds represented by the Citi World Gov Bond Index fell -0.6% alongside Barclays Global Aggregate falling -0.4%. The 10yr US Treasury yield rose +7bps to 1.3% by month end.

Oil related equities fell -6.9%, whilst Gold was stable, gaining +0.1%.

The USD was stronger over August against most majors, as GBP depreciated -1%, Euro -0.5% and RMB -0.1%.

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.

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

Fed tapering, removal of extraordinary liquidity provision 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 still remain very accommodative with a very slow and gradual response in terms of rate hikes, which we don't expect until H2 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 2H 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. Mixed messages from bond markets in terms of tighter spreads, whilst yields moving lower isn't normal. 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 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.

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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