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 95.14 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 0.882

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.*

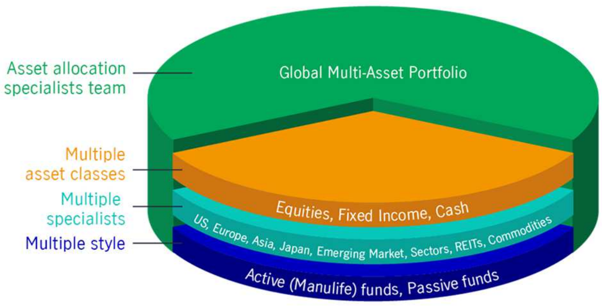
Performance Return (November 30, 2021)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.84%	2.36%	5.59%	15.85%	17.15%	15.94%
Annualized	n.a.	n.a.	5.59%	5.03%	3.22%	2.55%

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	**54.16**
North American Equities	38.55
European Equities	7.90
Asia Pacific (ex-Japan) Equities	3.99
Japanese Equities	3.73
Fixed Income	**36.87**
US Bonds	22.22
International Bonds	8.96
Emerging Market Bonds	4.37
Asian Bonds	1.32
Cash & Cash Equivalents	**8.97**

Top Ten Holdings

	%
Lyxor S&P 500 UCITS ETF D USD	10.81
MGF - U.S. Equity Fund	8.84
SPDR S&P 500 ETF Trust	8.45
iShares 7-10 Year Treasury Bond ETF	7.98
Vanguard Total International Bond ETF	5.81
Lyxor EURO STOXX 50 (DR) UCITS ETF	5.65
iShares JP Morgan USD Emerging Markets Bond ETF	4.37
iShares MSCI Japan ETF	3.73
iShares USD Corp Bond Interest Rate Hedged UCITS ETF	3.31
Invesco QQQ Trust	3.27

^Figures may not sum to 100 due to rounding.

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Market Review

November 2021 was a volatile month for risk assets as capital markets digested the more hawkish tone of the Fed, potentially accelerating tapering, and pulling forward lift-off for US interest rates. Furthermore, the new Omicron COVID variant caused markets to panic towards the end of the month, as prospects for a disrupted re-opening affected commodity prices – the latter impacting the Emerging market commodity exporters. Lower vaccination rates in Emerging Markets left the region more exposed to the potential impact of the new strain – and therefore notably underperformed versus Developed Markets.

Global Equities represented by MSCI ACWI fell -2.4%, whilst US Equities (S&P 500) outperformed falling only -0.7%. European Equities were the underperformer falling -5.1%, whilst broad EM and Asia fell -4% and -4.3% respectively.

Sectorally, growth related equities outperformed as IT gained +2.7% whilst Communication Services, Energy and Financials fell -4.8%, -6.8% and -6.4% respectively.

In Fixed Income, US HY was relatively more resilient vs broad Global HY, with US HY falling -1% (ICE BoFA US HY) vs -2% for Barclays Global HY. In EM Debt – the Barclays EM USD Agg fell -1%, similar to US HY.

Oil related equities fell -10.4%, whilst Gold gained +1%

The USD was stronger against most majors, as GBP depreciated -1.9%, Euro -2.9% whilst commodity currencies such as the Brazilian Real fell -3.5%. The RMB gained +1.4% vs the USD.

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.

The VIX ended November 2021 higher at 27, vs 16 end of October.

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 developed asset markets, whilst China policy and growth will be a key driver for the region and broad EM.

Outlook

We remain in a challenging environment for global markets, not just because growth and earnings could disappoint due to growing logistical challenges, but also due to the growing pressure on policymakers to reduce their stimulus efforts in the face of rising, less transitory, inflation. Across the largest Developed Markets, fiscal tailwinds are likely to start to fade as the US Federal Reserve looks set to commence tapering by year-end and raising interest rates. Similar moves appear to be being readied by the EU and UK monetary authorities.

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.

Strong growth in 2021, as economies re-opened, creates a high base for the coming year and with interest rates expected to start rising in Developed Markets, and continue rising in several EM countries, it is reasonable to expect slower growth in 2022. China stands out in this regard. Monetary policy tightened through 2021, most notably in the property sector, and domestic demand is subdued. This provides the authorities with headroom to support demand in 2022 through targeted policy easing.

A big positive would be that the impact of Omicron is seen as transmissible but less virulent, and may signal the beginning of the end of the pandemic which would be hugely positive for capital markets in 2022, particularly for EM.

Markets and stock valuations will have to adjust to tighter monetary conditions globally, however, if successfully executed, economies will continue to grow despite policy normalisation. Supply chain bottlenecks are expected to diminish over the second half of 2022. This is supportive of growth as well as relieving pressure on input prices.

Tactical positioning will be more prevalent again into 2022, to be able to nimbly add and de-risk portfolios as well as add to yield opportunities as they arise.

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.

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 2022 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.

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.

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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.