

# Global Target Income Fund

An investment fund option for the 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 92.45 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 0.897	<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.

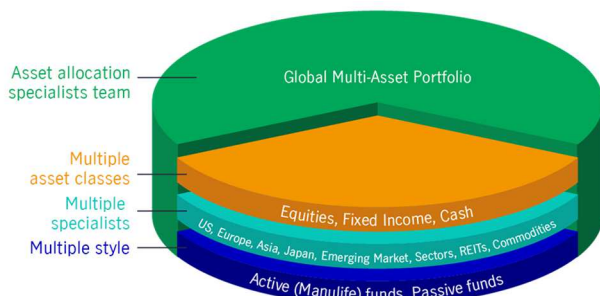
## Performance Return (January 31, 2021)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.06%	0.06%	6.65%	2.74%	13.67%	13.33%
Annualized	n.a.	n.a.	6.65%	0.91%	2.60%	2.52%

## 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>52.14</b>
North American Equities	30.38
Asia Pacific (ex-Japan) Equities	10.46
Japanese Equities	6.97
European Equities	4.33
<b>Fixed Income</b>	<b>44.37</b>
US Bonds	33.89
International Bonds	5.14
Emerging Market Bonds	3.92
Asian Bonds	1.41
<b>Commodities</b>	<b>1.20</b>
<b>Cash &amp; Cash Equivalents</b>	<b>2.29</b>

## Top Ten Holdings

	%
SPDR S&P 500 ETF Trust	11.66
MGF-US EQ-I3 MGF-US EQTY-I3	7.09
iShares MSCI Japan ETF	6.97
Invesco QQQ Trust	5.72
iShares Core U.S. Aggregate Bond ETF	5.28
iShares Core MSCI Asia ex Japan ETF	4.24
iShares TIPS Bond ETF	4.10
iShares 3-7 Year Treasury Bond ETF	4.06
VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	3.92
Vanguard Total International Bond ETF	3.87

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

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## Market Review

January 2021 began with muted returns, as risk was pared back. Global equities represented by MSCI World fell -1.0% whilst broad Global Fixed Income also saw negative returns.

Noticeably, Asia ex Japan and broad Emerging Markets equities outperformed with the MSCI Asia ex Japan and MSCI Emerging Market equities gaining +3.5% and +3.1% respectively. US small caps represented by the Russell 2000 gained +5%.

Sectorally within MSCI World, most fell, whilst Energy and Healthcare outperformed gaining +3.0% and +1.1%, whilst Consumer Staples fell -4.2%, followed by Industrials -2.8% and Financials -1.5%, Oil gained +7.4% whilst Gold fell -2.6%.

Fixed Income was broadly negative with the Citi World Gov Bond Index falling -1.3%, as yields rallied with the US 10yr Treasury ending the month at 1.09%. Similarly, Barclays Global Aggregate- Corporate fell -1.0%, whilst the Barclays Global High Yield fell -0.2%. US TIPs added +0.33%.

January 2021 saw a counter-trend rally by the USD, strengthening against most majors. One of the weakest performing currencies was the Brazilian Real which fell -4.9% and the Korean Won fell -2.9%. However, the Chinese Renminbi appreciated +1.2% versus the USD whilst GBP strengthened by +0.5%.

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. Further escalation of US China tensions particularly around technology and tariff negotiation under the new US government is likely to bring further tit for tat reaction from both sides.

## Outlook

Markets have reacted positively to the fiscal deployment, vaccine news and continued Fed guidance to run an economy towards a 2% inflation target. Global economies are firmly in a recovery stage, although latest job data in the US remains weak – nevertheless US markets continue to push towards record highs.

Corporate fundamentals are varied across sectors, with defensive business models holding up relatively well and cyclical and commodity businesses facing significant challenges. Markets remain sensitive to a host of factors including COVID-19 vaccine success and fears of a slower than expected growth recovery. We expect global stimulus efforts to remain a focus as central banks globally and the United States Congress rush to fill any liquidity gaps and pressure points. We are closely monitoring direct and indirect impacts of COVID-19 to avoid issuers with liquidity concerns.

US High-yield markets rapidly repriced credit risk in the first quarter and we believe the outlook remains balanced. We expect uncertainty to remain high in the coming months but believe investors are generally being compensated for these 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.

With the shift in seasons, reopening of schools, a loosening of initial response restrictions and/or lockdown compliance fatigue, the rising number of COVID-19 cases globally seems inevitable. Europe is already seeing rising case counts, attributed to a more virulent COVID variant. Vaccines however 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. Sectors that potentially could be favorably impacted by a Biden administration would be infrastructure, construction, semiconductors, renewables, and materials while big tech, healthcare, and energy could be most negatively impacted.

Multiple questions remain 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, 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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## Disclaimer

The Global Target Income Fund is an investment fund option for The Manufacturers Life Insurance Co. (Phils.), Inc.'s Affluence Max, Affluence Max Gold and Affluence Builder Series, and is managed by Manulife Investment Management (Hong Kong) Limited.

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