

# 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 67.51 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 0.781	<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.

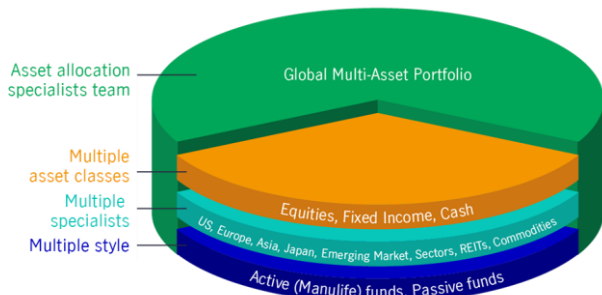
## Performance Return (August 31, 2025)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.70%	8.95%	7.78%	20.62%	14.69%	22.75%
Annualized	n.a.	n.a.	7.78%	6.45%	2.78%	2.15%

## 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 - **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^

	%
<b>Equities</b>	<b>56.60</b>
North American Equities	33.11
Japanese Equities	12.00
European Equities	6.80
Asia Pacific (ex-Japan) Equities	4.69
<b>Fixed Income</b>	<b>26.40</b>
International Bonds	14.22
US Bonds	10.10
Emerging Market Bonds	2.08
<b>Commodities</b>	<b>4.47</b>
Commodities	4.47
<b>Others</b>	<b>-0.01</b>
<b>Cash &amp; Cash Equivalents</b>	<b>12.54</b>

## Top Ten Holdings

	%
iShares Core S&P 500 ETF	15.98
SPDR Bloomberg International Treasury Bond ETF	14.22
Vanguard S&P 500 ETF	13.59
iShares TIPS Bond ETF	10.10
Next Funds Nikkei 225 Exchange Traded Fund	8.00
Xtrackers EURO STOXX 50 UCITS ETF	4.71
ChinaAMC CSI 300 Index ETF	4.69
SPDR Gold Shares	4.47
iShares MSCI Japan ETF	4.00
Vanguard Communication Services ETF	2.30

^Figures may not sum to 100 due to rounding.

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## Market Review

Global financial markets extended their rally in August 2025, buoyed by dovish signals from central banks, more muted concerns around tariffs, resilient corporate earnings, and continued optimism around artificial intelligence (AI). Major indices across developed markets posted solid gains, with the Standard and Poor's (S&P) 500, Nasdaq, and FTSE 100 reaching fresh record highs. Investor sentiment was further supported by expectations of rate cuts, particularly in the US, following the US Federal Reserve's (Fed) Jackson Hole Symposium.

US equities advanced, with the S&P 500 gaining 2.0% over the month. The rally was driven by strong Q2 earnings—particularly in tech and financials—and optimism around potential Fed rate cuts. However, economic data pointed to a cooling labor market: July nonfarm payrolls rose by just 73,000, well below expectations, and prior months were revised sharply lower. The unemployment rate ticked up to 4.2%, and labor force participation declined. Inflation remained elevated, with the core consumer price index (CPI) rising to 3.1% year-on-year (YoY) in July. Treasury yields steepened given concerns on fiscal spending, and the dollar weakened modestly.

Eurozone equities posted modest gains, supported by stable inflation and improving manufacturing activity. Headline inflation edged up to 2.1% YoY in August, slightly above the European Central Bank's (ECB) target, while core inflation held steady at 2.3%. Services inflation eased slightly, providing reassurance to policymakers. The ECB maintained its policy rate and is expected to hold steady in September. Political uncertainty in France weighed on local markets, but broader European indices benefited from resilient purchasing managers' index (PMI) data and easing trade tensions with the US.

Asian markets saw broad-based gains. Chinese equities rose strongly, supported by progress in US-China trade talks and resumed AI-chip exports. Japan's market also rallied in the month following a favorable trade deal with the US, boosting exporters and tech stocks. South Korea's market ended lower as concerns grew over potential policy changes regarding tax reforms. Taiwan posted modest gains, driven by tech momentum and favorable global demand.

In August, equity markets were positive. In US dollar terms, the MSCI ACWI and MSCI World rose by +2.52% and +2.64%, respectively. Broad Emerging Markets, which added +1.46%, lagged Developed Markets. Latin America was the best-performing region, with a positive performance of +8.30%, led by Brazil. Japan also posted a solid performance of +7.03%. Canada was positive with a return of +5.67%. Europe gained +3.63%, and the S&P 500 gained +2.03%. Asia Pacific ex Japan returned +1.64%, led by China.

Within MSCI World, materials led the gains with a return of +7.19%. Healthcare and energy also delivered solid returns of +5.18% and +4.22%, respectively. Industrials and information technology lagged but remained in positive territory, adding +0.60% and +0.44%, respectively. Utilities was the weakest sector with a negative return of -0.52%.

Fixed income markets were positive as well in August. US 10-year Treasury yields decreased slightly and ended the month at 4.22%. Global treasuries and investment-grade credits are positive with the FTSE World Government Bond Index and the Bloomberg Global Aggregate - Corporate Index returning +1.36% and +1.39%, respectively. Riskier segments – high-yield credits –performed well with Global High Yields gaining +1.53%.

In foreign exchange, major currencies strengthened against the US dollar, including the JPY (+2.50%), the EUR(+2.27%), and the GBP (+2.09%).

## Outlook

Looking ahead, our medium- to long-term outlook suggests that ultimately lower interest rates would be accommodative for economic growth with inflation coming down and continuing resiliency in corporate earnings growth. If it were not for tariff uncertainty, we believe the Fed would have been underway with its 2025 cutting cycle. We, however, remain at a juncture where rates may not need to be as aggressively cut as previously expected amid the recent elevated inflation and broader macro uncertainty – though recent signs of labor market softening add an extra layer of complexity. We also remain on data watch in order to garner more clarity on the global macroeconomic path and how that translates into portfolios. We expect volatility to persist amid a complex macroeconomic landscape where geopolitical risks and the potential for a global economic slowdown could be potential headwinds during the year, compounded by uncertainties surrounding President Trump's policies.

We maintain that the Fed implements four 25 basis points (bps) cuts between now and the end of 1H 2026, leaving the Fed Funds rate at 3.5%. That being said, our view on the terminal rate around mid-year is under review, given the probability of additional cuts after the new Fed Chair takes office. The European Central Bank is nearing the end of its easing cycle. Canadian growth is resilient and allows the Bank of Canada (BoC) to stay put for now. United States-Mexico-Canada Agreement (USMCA) renegotiations starting this Fall will generate high economic uncertainty, weigh on spending, and ultimately lead to additional BoC easing. The Bank of England is in a more complicated position, balancing stubborn inflation and weak growth. Japan continues to gradually increase interest rates to normalize its monetary policy. Trade tensions challenge Emerging Markets (EM) growth, but ongoing disinflation trends, driven by weaker growth, a lower USD, moderating commodity prices, and China's redirection of low-cost exports outside of the US, should allow EM's easing cycle to continue.

As most central banks approach the end of their easing cycles, fiscal policy is becoming an important tool for governments to support growth. The US has enacted sweeping tax cuts and deregulation under the "Big Beautiful Bill", Germany is boosting infrastructure spending, and China is deploying stimulus to enhance consumption, tech innovation, and stabilize manufacturing. However, this is raising concerns about long-term debt sustainability and inflation – especially in the US – where the new budget bill would potentially add to elevated deficits.

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Elevated US tariffs are impacting global trade, leading the Organization for Economic Cooperation and Development (OECD) to downgrade its 2025 global growth outlook. This revision highlights a synchronized slowdown in both developed and emerging markets, with a contribution from the United States. The US economy is slowing down in an orderly manner: we expect a few quarters of below-trend growth before reaccelerating in 2H 2026. Elevated interest rates, tariffs, and deportations should weigh on the labor market, consumer, manufacturing, and housing. Inflation will be deemed transitory, causing the Fed to prioritize the labor market. Peak global trade uncertainty is behind us, but the economic ramifications have just begun: the effects of higher US prices, supply chain disruptions, and lower global trade activity should begin to show in the data in the coming months. More pronounced weakness or tariff-related uncertainty could further weigh on risk assets in export-dependent regions.

In the near term, potentially increased prices might affect consumers and companies alike, with the burden likely divided between higher costs and narrower profit margins. A lack of certainty might also make economic forecasting more challenging, likely making it difficult for central banks to act decisively. Over the longer term, tariffs may shift production domestically and alter global supply chains. Uncertainty around what the policy will ultimately look like could dampen consumer and business confidence and potentially slow economic activity. We do not see globalization reversing anytime soon. Rather than a collapse of the current trade ecosystem, we expect a generally slower global trade impulse in 2025, with implications for our longer-term growth and inflation forecasts. We believe supply-side shocks and constraints—from trade policies, climate-related events, the low-carbon transition, and geopolitical conflicts—could increasingly influence the global economy, putting upward pressure on both the level and volatility of inflation.

In Asia, we are neutral on China. While the economy has been stabilizing, growing trade uncertainty means it can no longer rely on exports as the key growth engine. A strong economic recovery would likely require more policy support targeting consumers and the property sector, which currently seems insufficient to fully offset the negative impact of US tariffs. Elsewhere in Japan, the BoJ hiking cycle is an outlier against the global easing cycle. Policy normalization has begun in Japan. Economic stabilization and expected 2% inflation suggest the BoJ will continue to normalize its policy rate over the next two years. The yen should strengthen due to favorable interest rate differentials, and the yield curve should flatten as the BoJ raises rates towards neutral.

Looking ahead, we are modestly overweight equities versus fixed income as peak trade uncertainty from early April has eased. However, headwinds, such as slowing and below-trend global growth, trade policy uncertainty, inflation concerns, and elevated valuations, continue. We think maintaining a diversified and disciplined approach helps manage risk while focusing on long-term goals. Geographic diversification beyond the US is increasingly important as economic and geopolitical landscapes evolve. Within the US, a selective investment approach focused on growth and defensives like technology and utilities is preferred. We are employing a barbell approach while steering clear of tariff-sensitive sectors. European equities present a potential cyclical upside, supported by improving macroeconomics and resilience to global challenges. Within Emerging Markets, select markets like Mexico could benefit from supply chain realignment and nearshoring trends. Some Asian economies, including Singapore and Taiwan, may prove relatively resilient to US tariff risks, though caution is necessary in trade-sensitive sectors. We remain mindful of risks associated with stretched valuations and uncertain policy developments. However, we are underweight fixed income as inflation risks from trade policy remain a concern.

Overall, we expect the market to experience some volatility into the end of 2025, particularly as investors reprice interest rates and potentially inflation expectations, alongside uncertain President Trump policy. We maintain that there are downside risks to the economy given tighter credit conditions. Tactical positioning will be more prevalent again as we continue into the 2H 2025, to be able to nimbly add and de-risk portfolios as well as add to yield opportunities as they arise.

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## Disclaimer

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