

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 96.53 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.888	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.

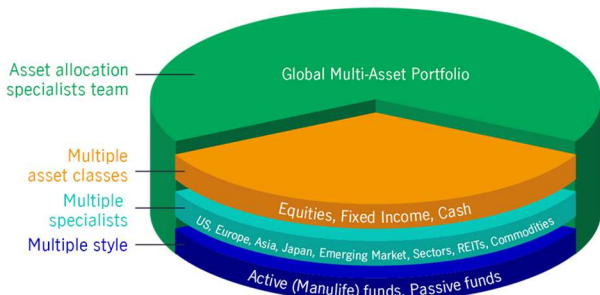
Performance Return (December 31, 2021)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.08%	3.46%	3.46%	20.05%	18.69%	17.19%
Annualized	n.a.	n.a.	3.46%	6.28%	3.49%	2.70%

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	57.15
North American Equities	39.85
European Equities	9.75
Asia Pacific (ex-Japan) Equities	3.85
Japanese Equities	3.68
Fixed Income	35.97
US Bonds	21.77
International Bonds	8.56
Emerging Market Bonds	4.34
Asian Bonds	1.30
Cash & Cash Equivalents	6.88

Top Ten Holdings

	%
Lyxor S&P 500 UCITS ETF D USD	10.97
SPDR S&P 500 ETF Trust	10.60
MGF - U.S. Equity Fund	8.75
iShares 7-10 Year Treasury Bond ETF	7.77
Lyxor EURO STOXX 50 (DR) UCITS ETF	7.42
Vanguard Total International Bond ETF	5.49
iShares JP Morgan USD Emerging Markets Bond ETF	4.34
iShares MSCI Japan ETF	3.68
iShares USD Corp Bond Interest Rate Hedged UCITS ETF	3.25
Invesco QQQ Trust	3.24

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

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Market Review

December 2021 saw risk assets come back, after a softer November to end the year strongly. Once again, Developed Markets continued to outperform Emerging Markets with MSCI World – a DM proxy, gaining +4.3% vs MSCI EM gaining +1.9% - a trend that has been in place for most of 2021. MSCI World ended CY2021 +22.4%, whilst MSCI EM fell -2.2%.

Similarly, on the debt side, Global High Yield gained +1.9% for December 2021, US HY similar +1.9% whilst EM USD Agg gained +1%

China's challenges in the second half of the year proved to be the most significant detractor to EM performance, and was due to tougher regulatory actions across its important internet sector, tighter liquidity amidst a slowing macro environment, and the reverberation of property company Evergrande's default. EM-ex China, however, gained +10%

Developed Markets equity and debt have trended well due to the prevailing strong global growth backdrop which was aided by aggressive Covid vaccination programs. Strong earnings seasons in both the first and second quarters, particularly in the US, led to an earnings upgrade cycle which was supportive for higher equity valuations. DM markets retreated in September and November 2021 due to concerns about rising inflation, due to supply shortages, the emergence of the new Omicron variant, and hawkish remarks by Federal Reserve Chairman Jay Powell.

Elsewhere MSCI Europe was December 2021 outperformer gaining +6.6%, whilst on the Fixed side, High Yield broadly outperformed Investment Grade with broad DM outperforming EM.

Sectorally, growth related equities were impacted as IT and Consumer Discretionary gained +2.6% and +0.5% whilst the value/defensive cohort such as Utilities and Consumer Staples gained +8.4% and 8.5%. The Russell 1000 Growth gained +2.1%, whilst its Value counterpart gained +6.3%.

Oil related equities gained +13.9%, whilst Gold gained +2.9%

The USD was weaker against most majors, as GBP appreciated +2.4%, Euro +1% whilst the RMB was flat over December.

We continue to believe that US dollar weakness is likely to continue over the long term, the persistent and rising US trade deficit, and the expansionist fiscal policy of the new Biden administration.

The VIX ended December 2021 lower at 17, vs 27 end of November.

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 tapers and potentially raises interest rates. Similar moves appear to be being readied by the EU and UK monetary authorities.

Indeed, we expect the year to begin with the uncomfortable combination of sticky, high inflation and a moderation in growth before transitioning to a higher growth profile with more moderate levels of inflation in the second half of 2022.

It's entirely possible (although not our base case) that central banks worldwide will remain hawkish in 2022 and that the Fed will raise interest rates more than two times. Such a development will weaken the likelihood of a Goldilocks re-emergence; however, at this point, that remains not to be our base-case scenario.

Policy however will likely still remain very accommodative with a very slow and gradual response in terms of rate hikes, which are expected in 2H 2022, brought forward from previous expectations in 2023.

Strong growth in 2021, as economies re-opened, creates a high base for 2022 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.

Vaccines and boosters 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 and beyond. 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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