

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 68.68 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.817	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.

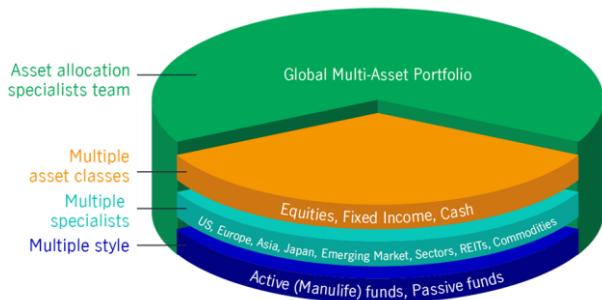
Performance Return (December 31, 2025)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.79%	15.79%	15.79%	31.27%	15.18%	30.46%
Annualized	n.a.	n.a.	15.79%	9.49%	2.87%	2.71%

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	67.47
North American Equities	38.85
European Equities	17.51
Japanese Equities	7.11
Asia Pacific (ex-Japan) Equities	4.01
Fixed Income	17.75
International Bonds	13.64
Emerging Market Bonds	4.11
Commodities	8.20
Commodities	8.20
Others	0.01
Cash & Cash Equivalents	6.57

Top Ten Holdings

	%
Xtrackers EURO STOXX 50 UCITS ETF	15.33
SPDR Bloomberg International Treasury Bond ETF	13.64
Vanguard S&P 500 ETF	11.58
iShares Core S&P 500 ETF	11.16
iShares MSCI Canada ETF	7.88
Next Funds TOPIX Banks Exchange Traded Fund	5.03
State Street Financial Select Sector SPDR ETF	4.93
WisdomTree Copper	4.35
iShares MSCI South Korea ETF	4.01
SPDR Gold Shares	3.86

^Figures may not sum to 100 due to rounding.

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Market Review

Global equities extended gains into year-end, supported by moderating inflation and expectations of 2026 rate cuts. Major developed indices closed higher as breadth improved across Europe and Asia. Emerging markets (EM) remained broadly constructive amid a softer dollar and improved sentiment, sustaining 2025's performance. Fixed income was mixed as long-dated government yields edged up, leaving global government bonds modestly negative over the month, while broader corporate credits benefited from tighter spreads and an improved risk tone. Policy signals remained accommodative overall despite the US Federal Reserve's (Fed) hawkish cut, with markets pricing gradual easing into 2026. The US dollar index fell, supporting non-US assets. Commodities were mixed as well, with precious metals continuing to advance. Gold and silver capped a strong year, while energy prices softened further on ample supply expectations.

US equities ended December mixed, as a mid-month rotation out of artificial intelligence(AI)-heavy tech into value/cyclicals followed the Fed's hawkish cut. Financials led monthly sector gains, while technology finished weaker amid profit-taking and margin and valuation concerns around AI hardware. Economic prints resumed, with inflation moderating and unemployment steady, supporting a soft-landing narrative. AI leadership consolidated, with semiconductor names and other hyperscalers seeing choppy trade. Breadth improved outside mega-cap growth, with small caps and cyclicals firmer into year-end.

Eurozone equities advanced in December, supported by steady policy signals and resilient services activity. The European Central Bank (ECB) left rates unchanged and reiterated a data-dependent approach going into 2026. Disinflation remains a gradual process. Politics stay in the background, with Germany's budget wrangling lingering as a mild source of uncertainty, and nationwide strikes in France keeping sentiment cautious in places, though holiday-season demand and services strength provided support to the region overall. UK equities had solid gains, even as commodity-linked sectors faced headwinds from softer energy prices and a stronger pound limited gains for large-cap exporters. However, selective financials and industrials pockets held up.

Asian equities were broadly positive, with gains led by Korea and Taiwan on semiconductor strength, though mid-month profit-taking in the AI sector tempered momentum before late-month rebounds. China and Hong Kong stayed cautious with property and macro concerns offsetting improving data. Japan recorded modest gains and traded near record high territory, but pulled back mid-month amid Bank of Japan (BOJ) tightening jitters and weaker data.

In December, equity markets were broadly positive, with the MSCI World Index gaining 0.84%. Emerging markets gained 3.00%, led by Korea's strong 9.35% advance and select Asian and Latin American markets, while developed markets lagged. Asia Pacific ex-Japan rose 2.82%, while Latam added 1.20%. Among developed peers, Europe and Canada posted solid gains of 3.86% and 3.22%, respectively. Japan added 0.59%, while the US lagged, with the Standard & Poor's (S&P) 500 up just 0.06%.

Within MSCI World, financials led with an 4.66% gain. Materials followed with solid returns of 4.02%, and industrials added 2.07%. In contrast, utilities and real estate declined by 2.83% and 1.82%, respectively. Information technology was slightly negative with a return of -0.14%.

Fixed-income markets were positive in December. The US 10-year Treasury yields slightly increased and ended the month at 4.17%. Global treasuries and investment-grade credits were positive with the FTSE World Government Bond Index and the Bloomberg Global Aggregate - Corporate Index gaining 0.13% and 0.27%, respectively. EM debt added 0.43%. Among riskier segments, global high yields and US high yields gained 0.98% and 0.57%, respectively.

In foreign exchange (FX), major currencies strengthened against the US dollar (USD), including the British pound (GBP), +1.51%, and the euro (EUR), +1.20%, while the Japanese yen (JPY) weakened, -0.44%.

Outlook

We expect a clearer macro picture and better growth as 2026 progresses. After a turbulent 2025, a combination of gradually easier monetary policy, targeted fiscal support, and businesses adapting to new trade and policy regimes should improve risk sentiment in H2. Near term, volatility is likely to persist as markets digest still-sticky inflation, pockets of labour market cooling, and uncertainty around policy sequencing under the second Trump administration. Our base case remains constructive: inflation moderates toward targets, policy rates drift lower over time, and earnings growth proves resilient—albeit uneven across regions and sectors. Geopolitical fragmentation, the AI trade debate, energy transition, and a new Fed composition will likely keep uncertainty indicators high throughout 2026.

In developed markets (DM), we expect an orderly slowdown and a stronger finish. The US starts 2026 soft but should reaccelerate as the lagged effects of prior easing and fiscal measures (e.g., capex amortization, corporate tax reductions, and household rebates) take hold—potentially broadening investment beyond AI infrastructure. The euro area's cyclical rebound likely extends, with upside risk from pro-growth reforms and German-led stimulus, offset by France's political/fiscal headwinds and slower external demand. The UK remains in a stagflationary mix—below-trend growth and sticky services inflation—though easier policy helps at the margin. A modest recovery continues in Japan, with inflation trending toward 2% and supportive wage growth. In emerging markets, fundamentals improve as global manufacturing and trade gradually recover, the USD weakens, and supply chains adapt. China's growth looks imbalanced: external resilience contrasts with soft domestic demand and property-sector adjustment. Supportive PBoC policy and potential front-loaded fiscal measures should help anchor a ~5% target, but overcapacity and lingering deflationary impulses remain watchpoints. Across EM, domestic-demand-led economies are better placed than export-heavy peers in early 2026.

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We still anticipate the Fed cutting two to three times in 2026, with an eventual path toward ~3% by year-end—balancing still-too-high inflation (moderating but above trend) against a cooling labor market. Leadership transition as Chair Powell's term winds down in Q2 2026 adds uncertainty, but institutional independence should ultimately be preserved. The ECB appears at/near neutral and likely on hold through most of 2026 amid inflation near target and stabilizing activity; the Bank of Canada (BOC) is similarly cautious. The Bank of England (BOE) faces a difficult trade-off—weakening employment versus sticky inflation—and we expect a gradual glide path toward neutral (around 3%) into early 2027. Japan is an outlier: policy normalization continues, with gradual hikes and a flatter curve as rates move toward neutral. In EM, most easing cycles are near completion. Headline inflation has broadly normalized, but stickier core inflation and improving growth argue for a measured pace of cuts, conditional on FX stability and external financing. Overall, the lagged impact of prior easing should support EM growth through 2026.

Fiscal policy is becoming an important tool for governments to support growth. In the US, the One Big Beautiful Bill's corporate incentives (full capex amortization, lower statutory rates) and household rebates should support investment and consumption, even as longer-term deficit dynamics warrant vigilance. Europe leans on structural reforms and infrastructure—Germany's expansionary stance is a tailwind, while France's consolidation could weigh on growth. Japan has unveiled its largest post-COVID stimulus, reinforcing recovery but intensifying debt-sustainability scrutiny. China is likely to front-load support—both monetary and fiscal—to kick-start 2026, yet durable transmission to households remains the key.

Looking ahead, we are modestly overweight equities versus fixed income as corporate earnings remain resilient, and global growth is expected to hold steady, supported by fiscal spending, gradual rate cuts, and ongoing investment in productivity themes such as AI. Key risks include high valuations, inflation, and geopolitical uncertainty. AI remains a structural growth driver, with US equity markets supported by large-cap tech and heavy investment in data centers, semiconductors, and cloud infrastructure. While enablers have led gains, adoption in software and healthcare is still developing, and elevated debt among AI-focused firms warrants caution. Nonetheless, strong fundamentals among proven AI beneficiaries and high return on invested capital support a constructive view on innovation-led growth. At the same time, broadening global opportunities and regional tailwinds—including a weaker US dollar and improving macro conditions in Europe and Asia—reinforce the case for diversified equity exposure. Europe's recovery, fiscal stimulus, and attractive valuations create a supportive backdrop, while Asia offers compelling opportunities in manufacturing and tech-export economies. South Korea and Taiwan stand out in technology leadership and policy support, and early signs point to a more constructive tactical view on China. We remain underweight fixed income, favoring short-duration exposures as elevated government debts and sticky inflation make long-end yields volatile. In credit, tight spreads and robust issuance leave little cushion for repricing.

Disclaimer

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

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