

# 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 90.08 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 0.835	<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.

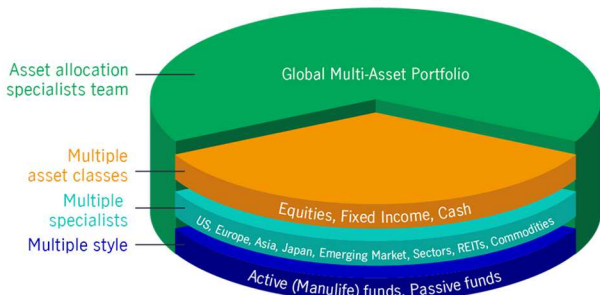
## Performance Return (February 28, 2022)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.61%	-5.22%	-2.38%	10.05%	9.99%	11.07%
Annualized	n.a.	n.a.	-2.38%	3.24%	1.92%	1.73%

## 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>59.75</b>
North American Equities	39.37
European Equities	8.63
Asia Pacific (ex-Japan) Equities	8.02
Japanese Equities	3.72
<b>Fixed Income</b>	<b>37.91</b>
US Bonds	22.52
International Bonds	8.92
Asian Bonds	3.42
Emerging Market Bonds	3.05
<b>Commodities</b>	<b>1.01</b>
<b>Cash &amp; Cash Equivalents</b>	<b>1.33</b>

## Top Ten Holdings

	%
Lyxor S&P 500 UCITS ETF D USD	10.86
SPDR S&P 500 ETF Trust	8.95
MGF - U.S. Equity Fund	8.57
iShares 7-10 Year Treasury Bond ETF	7.07
Vanguard Total International Bond ETF	5.74
Invesco Senior Loan ETF	5.45
Lyxor EURO STOXX 50 (DR) UCITS ETF	4.37
Vanguard Consumer Staples ETF	4.18
iShares MSCI Indonesia ETF	4.09
iShares MSCI Japan ETF	3.72

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

# Global Target Income Fund

## Market Review

Risk asset weakness continued into February 2022 although Developed Markets Equity and Debt mostly outperformed broad Emerging Markets. Geopolitics dominated, as Russia invaded Ukraine, while concerns around the potential for an escalation of the conflict were heightened. Global commodities, metals, fertilizer and energy prices reacted whilst the risk of higher inflationary pressures rose. Brent crude ended the month +10.7% at USD101/barrel, the first time over USD100 since 2014.

Sentiment remained weak, anchored around the evolution of the Ukraine crisis, whilst the US Fed continued to remain hawkishly on track towards tightening liquidity and rate hikes. Signs of financial deleveraging in the face of liquidity withdrawal by the US Fed need to be watched carefully.

Severe Western economic sanctions were deployed against Russia, the most punitive being the decision to penalize the Central Bank of Russia (CBR) by freezing its access to cash reserves. This effectively means the CBR is unable to deploy its international reserves to intervene in FX markets. The Russian ruble (RUB) accordingly devalued, forcing the CBR to more than double its interest rates from 9.5% to 20% to support the currency. Some Russian banks have also been cut off from SWIFT, a global messaging system that connects more than 11,000 banks worldwide for financial transactions. These decisions mark a decisive escalation in tensions between Russia and the West. Consequently, MSCI Russia fell 53% during the month.

MSCI World fell -2.5%, whilst MSCI EM fell -3%, whilst Barclays US Corporate High Yield was relatively resilient falling -1%, whilst the broad Barclays EM USD Agg fell -4.5%

Positive performance was notable in Latin America, where MSCI Latin America gained +4.8%, driven by Brazil +4%.

Within MSCI World by sector, energy and materials were the notable outperformers gaining +5.2% and +2.1%, whilst Tech fell -4.7% and Communication Services fell -5.4%. Growth underperformed Value with the Russell 1000 Growth falling -4.3% whilst Russell 1000 Value fell -1.2%

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 and the potential for an escalated geo. Fed guidance, a function of job creation and inflation expectations, at this point remains the key driver of near-term asset markets, alongside geopolitical sentiment towards Russia and Ukraine, whilst China policy and growth will be a key driver for the Asia region and broad EM.

## Outlook

Valuations across emerging markets have adjusted rapidly to price in levels of geopolitical risk not seen in decades, and the potential impact of higher energy prices on growth via inflation. Although geopolitical crises tend to be short-lived in terms of their overall impact on markets, the nature and scope of further sanctions and potential for a protracted military campaign means the effect on Russian and Eastern European share prices is likely to be prolonged.

Russia is a significant exporter of oil, gas, aluminium, platinum and nickel; Ukraine, once known as the breadbasket of the world, is a major exporter of grain. The immediate increase in commodity prices and potential for sanctions-related supply disruption will impact inflation, consumer spending, and ultimately growth and financial conditions globally. Much of Asia (notably India) is dependent on imported oil, and Europe is vulnerable, given its dependence on Russian energy supplies, closer links with the Russian financial system, and weakness of the Euro. Levels of uncertainty would suggest continued heightened volatility lies ahead.

We remain in a challenging environment for global markets - growth and earnings could disappoint due to growing global logistical challenges, but also due to the growing pressure on policymakers to reduce their stimulus efforts in the face of rising inflation. Across the largest Developed Markets, fiscal tailwinds are fading as the US Federal Reserve tapers and raises interest rates. Similar moves appear to be being readied by the EU and UK monetary authorities. Upward pressure on Developed Market central banks to quickly raise rates is gathering increased momentum, albeit geopolitics are making this transition all the more trickier and could lead to slightly less hawkish language from central banks.

Indeed, initially we expected 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. However, another stagflation shock makes the prospect of a return to Goldilocks conditions by the year end look less than solid.

Policy will likely liftoff in March as headline inflation continues to rise. The market is pricing in a less hawkish Fed vs 2 months ago. We believe the Fed will eventually have to pivot away and guide for less hikes than the market is pricing, as growth begins to moderate in 2H22.

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, towards an endemic, which would be hugely positive for capital markets in 2022, particularly for EM. EM is however becoming trickier given heightened inflation post the Ukraine invasion, the dollar, and the global oil outlook, post sanctions on the Russian economy.

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. Volatility has picked up.

# Global Target Income Fund

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.

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 in Ukraine, decelerating growth rates post stimulus, supply chain disruptions and a general deglobalization and decoupling trend all raise questions about the future trajectory of global debt and equity markets.

---

## 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.

The Investment Funds ("Funds") mentioned in this document are specific to variable life insurance contracts and are not considered mutual funds. Yields depend on interest and foreign exchange rate levels, both of which may fluctuate. Other factors that affect yield include changes in the credit standing of the issuers and changes in the value of the stocks and dividends received. Further, investments of the Funds may provide that their values be determined based on prices or yields of other securities, instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of these investments and, in turn, the Funds' yields. Thus, the performance of the separate account(s) is not guaranteed and the value of the policy could be less than the capital invested subject to any specified minimum guarantees. THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS. Past performance of the Funds is not necessarily indicative of future performance. Yields are not guaranteed. Yields indicated are exclusive of charges associated with the variable life policy.

Manulife Investment Management™ is the institutional asset management arm of Manulife Financial. Manulife Investment Management™ and its affiliates provide comprehensive asset management solutions for institutional investors and investment funds in key markets around the world. This investment expertise extends across a full range of asset classes including equity, fixed income and alternative investments such as real estate, timber, farmland, as well as asset allocation strategies.

The opinions and portfolio holdings expressed are those of Manulife Investment Management™ ("Manulife IM") as of the date stated in the document, and are subject to change based on market and other conditions. The information in this document including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Manulife IM disclaims any responsibility to update such information. Information about the portfolio's holdings, asset allocation, or country diversification is historical and is not an indication of future portfolio composition, which will vary. All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Clients should seek professional advice for their particular situation. Neither Manulife Financial, Manulife Investment Management™, nor any of their affiliates or representatives is providing tax, investment or legal advice. Past performance does not guarantee future results. This material was prepared solely for informational purposes, does not constitute an offer or an invitation by or on behalf of Manulife IM to any person to buy or sell any security and is no indication of trading intent in any fund or account managed by Manulife IM. Investors should not make investment decisions based on this material alone. For details, please refer to the relevant investment policy and product key fact statements.