

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 91.83 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.852	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.

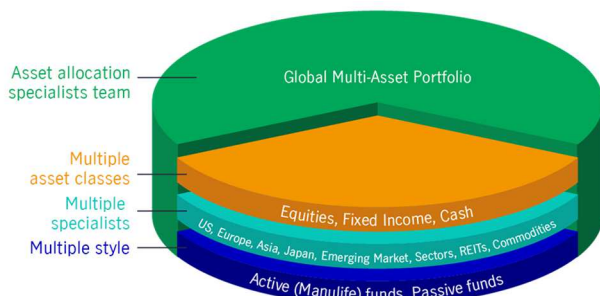
Performance Return (January 31, 2022)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-3.67%	-3.67%	-0.39%	12.17%	12.93%	12.88%
Annualized	n.a.	n.a.	-0.39%	3.90%	2.46%	2.03%

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	55.93
North American Equities	38.39
European Equities	9.85
Asia Pacific (ex-Japan) Equities	3.98
Japanese Equities	3.71
Fixed Income	37.54
US Bonds	22.21
International Bonds	8.85
Asian Bonds	3.38
Emerging Market Bonds	3.10
Cash & Cash Equivalents	6.52

Top Ten Holdings

	%
Lyxor S&P 500 UCITS ETF D USD	10.78
SPDR S&P 500 ETF Trust	9.03
MGF - U.S. Equity Fund	8.53
Lyxor EURO STOXX 50 (DR) UCITS ETF	7.49
iShares 7-10 Year Treasury Bond ETF	6.94
Vanguard Total International Bond ETF	5.70
Invesco Senior Loan ETF	5.39
iShares MSCI Japan ETF	3.71
iShares USD Corp Bond Interest Rate Hedged UCITS ETF	3.38
SPDR Bloomberg International Treasury Bond ETF	3.15

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

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Market Review

January 2022 saw global equity and debt markets off to an extremely weak start, led by the US. Over the course of January, the S&P 500 and Nasdaq indices fell -5.2% and -9% respectively, monthly moves not witnessed since March 2020 when the pandemic first erupted. Much of the nervousness in markets centered around hawkish US monetary policy. Although widely expected, the announcement following this month's MPC meeting, that interest rate increases are necessary to tackle inflation which hit 7% in December, together with the message that the Fed will accelerate the path of quantitative tightening, caused markets to sell-off. The tech-heavy Nasdaq led markets lower, illustrating the impact of rising bond yields on expensive, high-growth stocks. Quality and growth styles underperformed while value and cyclical stocks performed well.

Further concerns around geopolitics in Ukraine and potential Russia sanctions also impacted markets towards the end of the month. Russia was down -9% over the month.

MSCI EM Equities outperformed falling -1.9% with Asia falling -4% whilst MSCI Latin America held up the broad market - the outperforming region in EM gained +7.4% driven by Brazil gaining +13%.

Sectorally MSCI World by sector, Energy outperformed gaining +15.5% and Financials +0.6% whilst IT and Consumer Discretionary fell -8.5% and -8.4% respectively.

The Russell 1000 Growth fell -8.6% whilst Russell 1000 Value fell -2.3%

On the Fixed side, the asset class was broadly negative across the space by -2%/-3%.

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 asset markets, whilst China policy and growth will be a key driver for the Asia 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 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.

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.

Policy will likely liftoff in March as headline inflation continues to rise. The market is pricing in a very hawkish Fed with some looking for 5 to 7 hikes for 2022. We believe the Fed will eventually have to pivot away and guide for less hikes than the market is pricing, as growth and inflation 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 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. Volatility has picked up.

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 trend all raise questions about the future trajectory of global debt and equity markets.

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