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	Fund Size	Fund Currency	Dealing/Valuation
January 2016	USD 68.38 million	US dollar	Daily
Price (NAV/unit)	**Management Fee**	**Bloomberg Ticker**	
USD 0.745	2.25% per annum	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.*

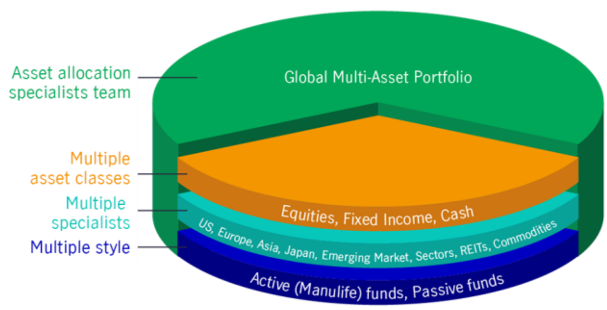
Performance Return (January 31, 2025)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.08%	1.08%	6.88%	0.88%	7.17%	13.88%
Annualized	n.a.	n.a.	6.88%	0.29%	1.39%	1.45%

Why this Fund?

The Fund is managed using the **3 "Ds"** Investment Philosphy: 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^

Asset Allocation^	%
Equities	**56.76**
North American Equities	32.94
European Equities	17.29
Asia Pacific (ex-Japan) Equities	3.90
Japanese Equities	2.62
Fixed Income	**32.55**
International Bonds	19.78
US Bonds	8.03
Emerging Market Bonds	4.74
Commodities	**2.81**
Others	**0.02**
Cash & Cash Equivalents	**7.87**

Top Ten Holdings

Top Ten Holdings	%
SPDR Bloomberg International Treasury Bond ETF	19.78
iShares Core S&P 500 ETF	17.32
Amundi EURO STOXX 50 II UCITS ETF	17.29
SPDR S&P 500 ETF Trust	6.52
iShares 7-10 Year Treasury Bond ETF	4.98
iShares JP Morgan USD Emerging Markets Bond ETF	4.74
MGF - U.S. Equity Fund	4.03
iShares FTSE China A50 ETF	3.90
Invesco QQQ Trust Series I	3.05
iShares MBS ETF	3.04

^Figures may not sum to 100 due to rounding.

Global Target Income Fund

Market Review

January saw a robust start to 2025, with both equity and fixed income markets posting positive returns. Equity markets saw a broadening breadth across regions and sectors with Europe and value stocks performing well. Despite a sell-off in artificial intelligence (AI)-related stocks in the US, driven by the emergence of China's DeepSeek AI model and concerns over stretched valuations in US tech markets, the broad US market still managed to register positive performance. Fixed income markets experienced significant volatility over the month, as higher US inflation expectations pushed up bond yields but ended the month in positive territory given the softer December inflation print. Commodities were the bright spot of the month with gold and other metal prices powering higher.

In the US, macro data came in positively with Q4 GDP (gross domestic product) growing at an annual rate of 2.3%. The US labor market remains tight from historical standards as the unemployment rate ticked down to 4.1% in December. Initial jobless claims remained low and nonfarm payrolls were hotter than expected, adding 256,000 jobs. A robust labor market adds leeway for the US Federal Reserve (Fed) to slow their rate-cutting cycle. Regarding inflation data in December, inflation remained stubborn with headline inflation accelerating to 2.9% year-on-year (YoY), while core inflation ticked down to 3.2% YoY, below market expectations. The US Fed held the benchmark rates unchanged at a range of 4.25%-4.50% at its January meeting. Chair Powell suggested that the US Fed might maintain interest rates at their current levels for an extended period given recent favorable inflation data. US equities initially benefited from Trump's deregulation measures and further tax cuts, but they faced setbacks towards the end of the month as DeepSeek's cost-effective AI model triggered a sell-off in AI-related stocks.

European equities performed well in January on improving macro data in the eurozone. The Eurozone Composite Purchasing Managers' Index (PMI) increased into expansionary territory at 50.2 (vs 49.6 in the previous month), while the manufacturing PMI also showed improvements to 46.6 (vs 45.1 in the previous month). The European Central Bank (ECB) cut rates by 25 basis points (bps) to 2.75% and guided for a further reduction in March. The positive performance of European equities can be attributed to their lower exposure to the technology sector and a higher concentration to the financial sector. In the UK, inflation data moved lower with headline and core inflation ticked down to 2.5% YoY and 3.2% YoY, respectively. The composite PMI rose to 50.9 beating market expectations, primary driven by the services sector. The British pound weakened against the US dollar supporting UK equities.

Within Asia, China managed to eke out a modest gain given less aggressive tariffs from Trump than previously suggested. China's macro data remained mixed pointing to moderating growth with the official manufacturing PMI unexpectedly falling to 49.1 in January amid a sluggish factory activity ahead of the Lunar New Year. Japanese equities gained slightly over the month as the Bank of Japan (BoJ) delivered a 25-bps rate hike, which strengthen the Japanese yen affecting the export-reliant market.

Equities were broadly positive over the month of January with MSCI ACWI up +3.38% and MSCI World up +3.55%. In US dollar terms, Latin America performed well, adding +9.54%, followed by Europe with +7.23%. Canada posted solid returns of +3.50%, while Standard & Poor's (S&P) 500 also gained +2.78%. Asia Pacific ex Japan lagged with +1.39% return.

Within MSCI World, consumer discretionary drove the gains, adding +8.82%, followed by financials +6.63%. Healthcare also posted solid gains of +6.43% over the month. Information technology lagged and fell -1.49%.

Fixed income markets ended in positive territory over the month, driven by credit spreads tightening. The US 10-year Treasury yield rose ended the month at 4.55%. The FTSE World Government Bond Index returned +0.46%. Global and US high yields notably performed, ending the month with +1.37%. Emerging market (EM) debts also posted solid gains of +1.06% given a weaker US dollar. Investment-grade (IG) credits lagged, adding +0.63%.

In foreign exchange, major currencies strengthened against the US dollar, including the JPY (+1.49%) and EUR (+0.39%), while the GBP weakened (-0.79%).

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. However, we are at a juncture where rates may not need to be as aggressively cut as previously expected in 2025 given recent favorable macro data and sticky, elevated inflation. We also remain on data watch in order to garner more clarity on the global macroeconomic path and how that translates into portfolios. 2025 may begin strong but 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 into the year.

Entering 2025, it appears that most global central banks would like to move their monetary policy toward their respective neutral interest rates. However, we expect the first half of the year to pose obstacles that may prevent a predictable, straightforward path to neutrality. With the US Fed's cutting cycle having started, attention shifts to the extent and speed of upcoming cuts. The extent to which the US Fed cuts remain data-dependent, and we continue to expect that some uneven cooling in the labor market and disinflation will allow the US Fed to continue moving towards a neutral policy rate. That being said, against a backdrop of government policy uncertainty around any ambiguity in the data would suggest the US Fed proceeds with caution, slowing the pace of their easing cycle. While we wouldn't expect the overall magnitude of the US Fed's easing cycle to change (we continue to expect a 3.5% terminal rate), it would take longer to get there. Against that backdrop, we now favor three cuts over four for the balance of 2025. Japan remains a clear exception among developed markets (DMs) as it attempts to bring its policy rate up to neutral against a backdrop of potentially slower global trade.

Economic growth, while positive, will be below trend across most major economies in 2025, driven by pressured consumers and high borrowing costs. Financial conditions are expected to remain balanced, avoiding extremes that could either materially slow down the economy or reignite inflation. We expect the US economy to slow down modestly due to pre-existing dynamics (i.e., the lagged effects of policy tightening), which would negatively affect the global trade and the manufacturing cycle. However, more pronounced weakness or tariff-related uncertainty could further weigh on risk assets in export-dependent regions. Growth profiles in most of the world's other DMs—Canada, Europe, and the UK—appear to be more subdued than in the US, with the lagged effects of tighter monetary policy, slowing global trade (especially with China) and more protectionist trade policies from the US weighing on these geographic regions and likely to keep doing so. Any regional-level assessment should include careful consideration of its exposure to the global trade impulse.

Global Target Income Fund

With clear US election results, the new presidential administration's plans to take a more protectionist approach to trade policy adds another layer of uncertainty to the global trade picture. For example, President Trump's proposed tariffs on imports from key trading partners like China, Mexico, and Canada could severely hamper global trade activity. While broad-based tariffs pose a potential risk, we expect a more targeted and strategic approach to trade negotiations will ultimately emerge. We don't 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 remain neutral on China with growth in policy-supported sectors and exports offset by weakness in real estate and domestic consumption. Another clear source of risk is the new US administration and looming trade tensions. Having said that, equity valuations in Asian markets tip toward the favorable side of the equation. We anticipate additional government stimulus measures aimed more at restoring and maintaining economic growth than at meaningfully reaccelerating it. As such, our base case remains that, at best, we see gradual stabilization and perhaps modest improvement in China's labor market and consumer confidence.

Elsewhere in Japan, the BoJ hiking cycle is an outlier against 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 Japanese yen should strengthen due to favorable interest rate differentials, and the yield curve should flatten as the BoJ raises rates towards neutral.

At a time when we are seeing peak-level US equity valuations, tight credit spreads, continued uncertainty in the geopolitical environment, and wider dispersion in markets, there is value in taking a more cautious and defensive approach. That said, we believe opportunities still exist across both equities and fixed income given global monetary easing. US equities will continue to lead, driven by favorable monetary policy, a still fulsome labor market, and stable inflation within a resilient economy, coupled with pro-growth economic policies. Further, continued positive economic growth and broader earnings strength could create more diverse market opportunities beyond the handful of equities that led the US markets in 2023 and 2024. Undervalued areas such as cyclical sectors and small-cap stocks are potentially attractive investment options. We are positioning our portfolios for the potential steepening of the yield curve, where short-term interest rates would be lower while long-term growth and inflation expectations could raise longer-term rates.

Overall, we expect the market to experience some volatility into 2025, particularly as investors reprice interest rate and potentially inflation expectations. 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 2025, to nimbly add and de-risk portfolios, as well as add to yield opportunities as they arise.

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 Investment™ is the institutional asset management arm of Manulife Financial. Manulife Investment Investment™ 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.