

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 66.88 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.771	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.

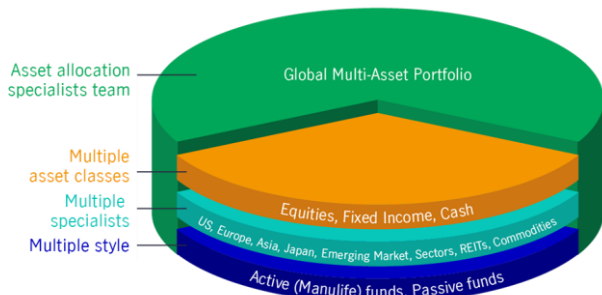
Performance Return (July 31, 2025)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.12%	7.13%	6.54%	15.82%	15.50%	20.70%
Annualized	n.a.	n.a.	6.54%	5.02%	2.92%	1.99%

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	53.96
North American Equities	37.23
Japanese Equities	7.59
Asia Pacific (ex-Japan) Equities	4.58
European Equities	4.57
Fixed Income	26.21
International Bonds	14.10
US Bonds	10.05
Emerging Market Bonds	2.06
Commodities	4.30
Others	0.15
Cash & Cash Equivalents	15.39

Top Ten Holdings

	%
iShares Core S&P 500 ETF	15.79
SPDR Bloomberg International Treasury Bond ETF	14.10
Vanguard S&P 500 ETF	13.44
iShares TIPS Bond ETF	10.05
iShares MSCI South Korea ETF	4.58
SPDR Gold Shares	4.30
iShares MSCI Japan ETF	3.79
Next Funds Nikkei 225 Exchange Traded Fund	3.79
Vanguard Information Technology ETF	3.17
Xtrackers EURO STOXX 50 UCITS ETF	2.54

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

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Market Review

Global financial markets extended their gains in July 2025, supported by easing trade tensions, resilient corporate earnings, and continued investor enthusiasm for artificial intelligence (AI). Major indices in the US set new all-time highs. The rally was driven by strong performance in technology and utilities, while healthcare lagged. The US reached several trade agreements ahead of the August 1 deadline, including deals with the EU and Japan, which helped reduce uncertainty around tariffs. Meanwhile, energy markets stabilized despite higher oil prices. Treasury yields rose across the curve, while the US dollar strengthened modestly.

In the US, macroeconomic data was mixed. Nonfarm payrolls increased by just 73,000 in July, well below expectations, and prior months were revised sharply lower. The unemployment rate rose slightly to 4.2%, suggesting the labor market may be cooling more rapidly than previously expected. Headline consumer price index (CPI) rose to 2.7% year-on-year (YoY) and core CPI to 2.93% YoY, reflecting the impact of tariffs. The US Federal Reserve (Fed) kept rates steady at 4.25%-4.5%, with markets increasingly pricing in a rate cut at the September meeting. The House of Representatives approved President Trump's main tax and spending plan – the "Big Beautiful Bill". US equities were buoyed by strong Q2 earnings, particularly in tech and financials, and optimism around AI and trade policy clarity.

Eurozone equities posted modest gains in July (in local currency), supported by easing tariff concerns and solid earnings in healthcare and financials. The EU reached a trade agreement with the US, resulting in a 15% tariff on EU exports. While this marked a relief from the previously threatened 30% rate, select sectors—such as aircraft and related components—secured exemptions. The composite purchasing managers' index (PMI) rose to 50.9, signaling a pickup in the service sector. Inflation held steady at 2.0% YoY, slightly above expectations, while core inflation remained at 2.3%. The European Central Bank (ECB) kept rates unchanged, and markets expect no further cuts in the near term. In the UK, equities advanced modestly, led by energy and healthcare. Inflation rose to 3.6% YoY in June, up from 3.4%, driven by higher energy costs.

Asian markets saw broad-based gains. Chinese equities rose modestly, supported by progress in US-China trade talks and resumed AI-chip exports. Japan's market rallied late in the month following a favorable trade deal with the US, boosting exporters and tech stocks. South Korea performed well, driven by foreign inflows and sector-specific tariff exemptions. Taiwan and Thailand also posted strong returns, benefiting from AI momentum and easing regional tensions.

In July, equity markets were mixed. In US dollar terms, the MSCI ACWI and MSCI World rose by +1.38% and +1.31%, respectively. Emerging markets, which added +2.01%, performed well. Asia Pacific ex Japan returned +2.25%, led by Korea, China and Taiwan. Standard & Poor's (S&P) 500 gained +2.24%. Both Europe and Japan were negative losing -2.14% and -1.67%, respectively. Latin America lagged and saw a negative performance of -4.42% over the month.

Within MSCI World, information technology led the gains with a return of +4.08%. Utilities and energy also delivered solid returns of +2.54% and +2.49%, respectively. Consumer staples and materials lagged, losing -2.62% and -1.10%, respectively, while healthcare lagged with a negative return of -2.93%.

Fixed income markets were mixed as well in July. The US 10-year Treasuries yields slightly increased and ended the month at 4.36%. Global treasuries and investment-grade credits lagged with the FTSE World Government Bond Index and the Bloomberg Global Aggregate - Corporate Index losing -1.79% and -0.63%, respectively. More riskier segments – high-yield credits performed well with global high yields gaining +0.38%, while US high yields gained +0.40%.

In foreign exchange, major currencies weakened against the US dollar, including EUR(-2.50%), GBP (-3.43%) and JPY (-4.02%).

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 during 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 this year.

Entering 2025, it appears that most global central banks would like to move 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.

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With clear US election results, the new presidential administration's plans to take a more protectionist approach to trade policy add 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 Bank of Japan (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. In this environment, potential investment opportunities include shorter-duration bonds, and strategic allocations to inflation-sensitive assets such as commodities, real estate investment trusts (REITs), and private real assets.

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.

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. If it wasn't for tariff uncertainty, we believe the US Fed would have been underway into its 2025 cutting cycle. We, however, remain at a juncture where rates may not need to be as aggressively cut as previously expected amid the recent elevated inflation and broader macro uncertainty, though recent signs of labor market softening add an extra layer of complexity. We also remain on data watch in order to garner more clarity on the global macroeconomic path and how that translates into portfolios. 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 during the year, compounded by uncertainties surrounding President Trump's policies.

We continue to expect that the US Fed eventually ends its easing cycle at 3.5% in H1 2026 but the timing of cuts is contingent on either clear signs of deterioration in growth/the labor market, or less uncertainty around government policies. Any signs of stress in capital markets would also clearly accelerate the pace of cuts. We currently expect a first cut in September. That being said, our view on the terminal rate around mid-year is under review, given the probability of additional cuts after the new US Fed Chair takes office. The European and Canadian central banks are nearing the end of their easing cycles. The Bank of England is in a more complicated position, balancing stubborn inflation and weak growth. Japan continues to gradually increase interest rates to normalize its monetary policy. Trade tensions challenge the growth of emerging markets, but ongoing disinflation trends, driven by weaker growth, a lower USD, moderating commodity prices, and China's redirection of low-cost exports outside of the US, should allow the easing cycle of emerging markets to continue. As most central banks approach the end of their easing cycles, fiscal policy is becoming an important tool for governments to support growth. The US has enacted sweeping tax cuts and deregulation under the "Big Beautiful Bill", Germany is boosting infrastructure spending, and China is deploying stimulus to enhance consumption, tech innovation and stabilize manufacturing. However, this is raising concerns about long-term debt sustainability and inflation – especially in the US – where the new budget bill would potentially add to elevated deficits.

Elevated US tariffs are impacting global trade, leading the Organization for Economic Cooperation and Development (OECD) to downgrade its 2025 global growth outlook. This revision highlights a synchronized slowdown in both developed and emerging markets, with contribution from the US. We expect the US economy to slow down at some point over the year as volatile government policy – particularly with regards to trade – weighs on growth and is compounded by uncertainty, which could in turn affect the global trade and manufacturing cycles. 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 developed markets—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.

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In the near term, potentially increased prices might affect consumers and companies alike, with the burden likely divided between higher costs and narrower profit margins. A lack of certainty might also make economic forecasting more challenging, likely making it difficult for central banks to act decisively. Over the longer term, tariffs may shift production domestically and alter global supply chains. Uncertainty around what the policy will ultimately look like could dampen consumer and business confidence and potentially slow economic activity. 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 are neutral on China. While the economy has been stabilizing, growing trade uncertainty means it can no longer rely on exports as the key growth engine. A strong economic recovery would likely require more policy support targeting consumers and the property sector, which currently seems insufficient to fully offset the negative impact of US tariffs. Elsewhere in Japan, the Bank of Japan (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 yen should strengthen due to favorable interest rate differentials, and the yield curve should flatten as the BoJ raises rates towards neutral.

Looking ahead, we are modestly overweight equities versus fixed income as peak trade uncertainty from early April has eased. However, headwinds, such as slowing and below-trend global growth, trade policy uncertainty, inflation concerns and elevated valuations, continue. We think maintaining a diversified and disciplined approach helps manage risk, while focusing on long-term goals. Geographic diversification beyond the US is increasingly important as economic and geopolitical landscapes evolve. Within the US, a selective investment approach focused on growth and defensives like technology and utilities is preferred. We're employing a barbell approach while steering clear of tariff-sensitive sectors. European equities present potential cyclical upside, supported by improving macroeconomics and resilience to global challenges. Within emerging markets, select markets like Mexico could benefit from supply chain realignment and nearshoring trends. Some Asian economies including Singapore and Taiwan may prove relatively resilient to US tariff risks, though caution is necessary in trade-sensitive sectors. We remain mindful of risks associated with stretched valuations and uncertain policy developments. However, we are underweight fixed income as inflation risks from trade policy remain a concern.

Overall, we expect the market to experience some volatility into the end of 2025, particularly as investors reprice interest rate and potentially inflation expectations, alongside uncertain President Trump policy. 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 the 2H 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.

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