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 72.35 million	**Fund Currency** US dollar	**Dealing/Valuation** Daily
Price (NAV/unit) USD 0.748	**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.*

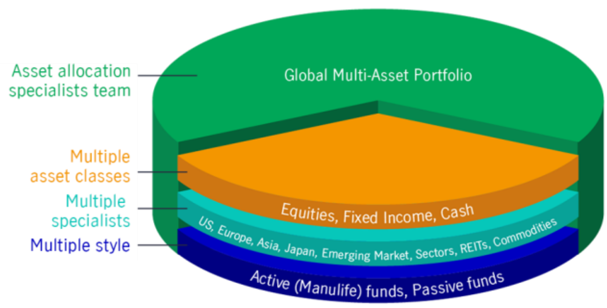
Performance Return (June 30, 2024)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.80%	4.22%	7.46%	-4.76%	9.58%	11.20%
Annualized	n.a.	n.a.	7.46%	-1.61%	1.85%	1.26%

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	**56.57**
North American Equities	37.52
Japanese Equities	8.41
Asia Pacific (ex-Japan) Equities	6.04
European Equities	4.61
Fixed Income	**36.51**
International Bonds	18.77
US Bonds	13.36
Emerging Market Bonds	4.38
Commodities	**1.98**
Others	**0.03**
Cash & Cash Equivalents	**4.91**

Top Ten Holdings

Top Ten Holdings	%
SPDR Bloomberg International Treasury Bond ETF	18.77
iShares Core S&P 500 ETF	9.65
SPDR S&P 500 ETF Trust	9.65
MGF - U.S. Equity Fund	7.10
Multi Units LU- Amundi S&P 500 II UCITS ETF	5.95
iShares 20+ Year Treasury Bond ETF	5.14
Amundi EURO STOXX 50 II UCITS ETF	4.61
iShares JP Morgan USD Emerging Markets Bond ETF	4.38
iShares 7-10 Year Treasury Bond ETF	4.25
iShares MSCI India ETF	4.07

^Figures may not sum to 100 due to rounding.

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Market Review

June was another robust month for global equities and fixed income despite mixed performances across regions and sectors, with US and large-cap technology names continuing to lead gains. This month saw slower inflation prints and continued artificial intelligence (AI) optimism driving the market rally. Fixed income markets were broadly positive as bond yields fell modestly.

The US labor market data continued to moderate with the unemployment rate nudging up to 4.0% in May, though it remains resilient. Regarding inflation data in May, both headline consumer price index (CPI) and core CPI were below estimates coming in at 3.3% year-on-year (YoY) and 3.4% YoY, respectively. The producer price index (PPI) report also came in below estimates, alongside the personal consumption expenditures (PCE) at 2.6% YoY. The housing market weakened and remains key for the US economic cycle, given it is a large component in the broader inflation dynamics. The US Federal Reserve Board (Fed) kept its benchmark interest rate unchanged as expected at its June meeting and moved up their inflation and US Fed funds rate outlook in the summary of economic projections. The inflation reports drove the market rally, causing the US dollar and yields to fall.

European equities fell amid heightened political uncertainty in France following President Emmanuel Macron’s call for a snap election, which sparked concerns about the possible outcome. French equities finished lower and bond yields edged higher. The Purchasing Managers’ Index (PMI) data released in June indicated signs of slowing in both the service sector and manufacturing sector. The service sector remained above expansion, while manufacturing tumbled as new orders, purchasing activities, and employment declined. The European Central Bank (ECB) cut rates by 25 bps to 3.75% in June. However, the market expected rates to fall slowly following May’s core inflation data release, which remained unchanged at 2.9% YoY. In the UK, along with the improved growth prospects, the UK inflation rate continued to decline with core inflation at 3.5% YoY and headline at 2.0% YoY.

Within Asia, China’s service activity weakened in June with the Caixin China Services PMI declining to 51.2 from the previous high of 54.0. While a reading above 50 indicates expansion, the pace of growth slowed as new orders and export order growth eased. The Chinese economy struggled to pick up given a still sluggish property sector. In Japan, the Tokyo core CPI rose by 2.1% YoY beating consensus expectations, which was driven by service inflation spurring speculation about the Bank of Japan (BoJ) normalizing policy. The Japanese yen has fallen to a 38-year low with the historical weakness supporting export-heavy industries. Retail sales and industrial production grew more than expected in May.

Equities continued to edge higher over the month of June with the MSCI ACWI up +2.26%. Emerging markets stood out at the forefront of the rankings gaining +4.01%. The US and Asia Pacific ex Japan were two notably performing markets, gaining +3.58% and +3.92%, respectively. Performances were mixed across regions with detractors across Europe and Chinese markets. Latin America was a laggard, falling by -5.98%.

Within MSCI World, information technology led the sectors by gaining +8.75% as expectations of falling interest rates favored growth sectors. Communication services also posted decent gains adding +4.15%. Materials and utilities lagged, falling -3.83% and -4.77%, respectively.

Fixed income markets broadly gained over the month as bond yields fell slightly with an encouraging inflation data. The US 10-year Treasury yield ended at 4.37%. The FTSE World Government Bond Index returned a marginal negative -0.03%. Investment-grade and high-yield credits in the US have been brighter spots over the month, adding +0.95% and +0.93%, respectively. US-denominated emerging market debt also posted positive returns of +0.63%.

In foreign exchange, major currencies weakened against the US dollar, including the JPY (-2.31%), EUR (-1.28%) and GBP (-0.71%).

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 resiliency in corporate earnings growth. However, geopolitical challenges and the upcoming US Presidential Election could pose challenges to investor sentiment. We expect short-term market volatility as growth and inflation data are likely to remain front and center for the US Fed, which would lead to higher-than-usual volatility around major data releases. Recent developments in respect of the US elections are likely to result in further uncertainty around candidates and on how their policy could impact varying market sectors.

We believe the global easing cycle has begun with signs of disinflation across most regions. All major central banks have indicated that the next moves are cuts, provided inflation continues to moderate, except for the BoJ, which finally moved out of its negative interest rate policy. We still expect cuts to occur in most developed markets in 2024, even with inflation in the 2%-3% range. While the bumpy, super-core inflation in the US is likely to moderate, there has been a reprieve in speculation around the timing and pace of the US Fed’s move. Our base case is for the US Fed to cut three times in 2024 and four times in 2025. The balance of risks is tilted towards fewer cuts this year should inflation fail to decelerate again.

We maintain our medium-term view that US growth is the “cleanest dirty shirt” for now as the recession odds in America are lower than in other developed market economies. However, the gap is narrowing through a combination of softer US data and stabilizing-to-slightly-improving growth in most other regions. The global divergence between manufacturing (exiting a prolonged recession) and services (still positive) is complicating standard forecasting and creating global de-synchronicities. We still expect a slowdown in the US economy for fundamental reasons even though the economy remains resilient, but there are clear signs of wear in US consumers. We still have a low to medium recession conviction as the lagged impact of higher interest rates is expected to arrive. Outside the US, G7 growth has already felt the effects of tighter policy. That said, whether or not economic activity has contracted to the extent that it fits the official definition of recession is much less important than the decline in growth momentum that lies ahead. Although we are mindful going into the November US election, it is likely that fiscal support remains strong in order to help the positive macro narrative. Given that outcome, the US Fed would have to make the critical concession of cutting interest rates while inflation remains above their target. Markets could be particularly sensitive to any variance away from the soft-landing narrative. If, however, we observe that data is too strong, we could see further pricing out of the US Fed rate cuts.

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In Asia, negative sentiment has been dominated by a faltering structural trend in aggregate growth in China, with particularly persistent tail risks to the property sector. We maintain our neutral medium-term view on China as growth in policy-supported sectors and exports is offset by weakness in the property sector and domestic consumption. Government policy will prove insufficient to boost consumer, corporate, and real estate sentiment. However, equity valuations in Asian markets tip toward the favorable side of the equation. For the cyclical rebound to strengthen itself beyond the mechanical reopening boost, we would need to see a sustained recovery in household consumption and property sales. In Japan, policy normalization has begun in the geographical region. Stabilization in economic activity and the expectation that inflation expectations reach 2% suggest the BoJ will normalize its policy rate over the next two years. The yen should strengthen due to favorable interest rate differentials with the rest of the world, and the yield curve should slowly flatten as the BoJ raises rates towards neutral.

The potential end of the global rate-hike cycle is supportive of our view of equities, but an uncertain macroeconomic landscape is a potential headwind for equities. Corporate earnings have generally remained strong, and consumers have remained resilient for the most part, albeit more recently that could be coming into question. Given the uncertainty surrounding several factors—among them monetary policy, geopolitical tensions, and recessionary risks—we are focusing on quality across equity assets. At the same time, we appreciate the excitement surrounding AI and the magnitude of its potential impacts on revenue monetization, productivity, and cost-cutting, and seek pockets of related growth opportunities. The second half of 2024 should see a more favorable environment for equities with corporate earnings strength broadening beyond large-cap technology names, while market support into the November US election should also help keep markets broadly buoyant.

Overall, we expect the market to experience some volatility in the first half of 2024, continuing into the second half of the year, particularly as investors reprice interest rate and potentially inflation expectations. We maintain that there are downside risks to the economy, given tighter credit conditions and may see higher interest rates for longer than expected, but rates may also not come off at the magnitude the market has priced in. Tactical positioning will be more prevalent again as we continue into the rest of 2024, to nimbly add and de-risk portfolios, as well as add to yield opportunities as they arise.