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 67.77 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 0.775

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.*

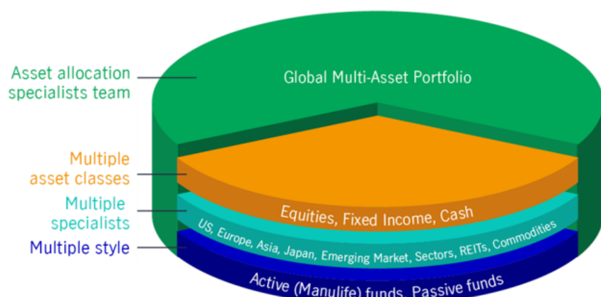
Performance Return (June 30, 2025)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.51%	7.25%	8.67%	19.85%	21.25%	20.84%
Annualized	n.a.	n.a.	8.67%	6.22%	3.93%	2.02%

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^

	%
Equities	**58.48**
North American Equities	38.41
European Equities	8.62
Asia Pacific (ex-Japan) Equities	5.48
Emerging Market Equities	3.06
Japanese Equities	2.91
Fixed Income	**31.34**
International Bonds	17.34
US Bonds	11.95
Emerging Market Bonds	2.05
Commodities	**8.42**
Others	**-0.08**
Cash & Cash Equivalents	**1.84**

Top Ten Holdings

	%
SPDR Bloomberg International Treasury Bond ETF	17.34
iShares Core S&P 500 ETF	15.25
Vanguard S&P 500 ETF	12.98
iShares TIPS Bond ETF	7.99
Vanguard Communication Services ETF	7.17
Xtrackers EURO STOXX 50 UCITS ETF	6.57
SPDR Gold Shares	4.27
iShares Silver Trust	4.15
iShares MSCI South Korea ETF	3.49
iShares MSCI Mexico ETF	3.06

^Figures may not sum to 100 due to rounding.

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Market Review

In June 2025, global financial markets extended their rally, buoyed by record-breaking US equity performance, easing inflationary pressures and a temporary de-escalation in geopolitical tensions. Major stock indices, Standard & Poor's (S&P) 500 and Nasdaq 100 reached new all-time highs, driven by investor enthusiasm for artificial intelligence (AI). US and China reached a limited trade agreement that partially rolled back tariffs and eased tech restrictions, further boosting investor confidence. Meanwhile, the Iran-Israel conflict escalated with major airstrikes and missile attacks, but ended with a ceasefire by late June, which calmed the energy markets. A weaker US dollar supported international and emerging market (EM) equities, while bond markets stabilized as inflation moderated. Gold prices dipped slightly as risk sentiment improved.

In the US, macro data painted a mixed but generally stable picture. The composite purchasing managers' index (PMI) edged down to 52.8 in June, with business activity and new orders continuing to grow, however momentum weakened amid trade tariffs. The labor market showed a trend of moderate but better-than-expected jobs growth, with nonfarm payrolls increasing by 139,000 in May, while the unemployment rate remained unchanged at 4.2%. Inflation slightly rose with headline consumer price index (CPI) at 2.4% year-on-year (YoY) and core CPI at 2.8% YoY. The US Federal Reserve (Fed) held its policy rates steady at 4.25%-4.5%, in line with expectations, as policymakers maintained a wait-and-see mode to evaluate the economic impact of trade policies. US equities continued to rally, supported by resilient corporate earnings and optimism around the US-China trade agreement. However, concerns over fiscal sustainability lingered.

Eurozone shares advanced modestly in June. The composite PMI held unchanged at 50.2, slightly under market expectations, pointing to a muted pace of growth. Inflation edged up slightly to 2.0% YoY, while core inflation remained steady at 2.3% YoY. European equities continued to benefit as global investors look to diversify away from the US, while the euro also strengthened amid capital inflows. In the UK, the composite PMI rose to 50.7 in June, with the services sector leading. Both headline inflation and core inflation eased to 3.4% and 3.5%, respectively in May. Consumer sentiment slightly improved in the region, but it remains fragile amid economic uncertainty over tariffs and geopolitical tensions.

Within Asia, Chinese equities modestly gained with the composite PMI rising to 51.3 in June as manufacturing production improved, but underlying economic momentum remained fragile. Deflationary pressures persisted with consumer and producer prices remaining weak, prompting further fiscal support by the People's Bank of China (PBoC). Japanese equities also advanced, led by tech stocks and resilient investor sentiment despite unresolved US tariff threats on auto exports. Corporate share buybacks continued at record levels. In South Korea, equity markets posted strong gains, supported by strong foreign inflows, corporate governance reform, and supportive monetary policy. The easing US-China trade tensions further supported risk assets.

In June, equity markets broadly gained. The MSCI ACWI and MSCI World rose by +4.53% and +4.35%, respectively. In US dollar terms, EMs performed well, with Korea leading the gains at +17.32%. Latin America and Asia Pacific ex Japan also saw solid increases of +6.13% and +5.76%, respectively. S&P 500 gained +5.09%, and Europe grew by 2.08%.

Within MSCI World, information technology (IT) led the gains with a return of +9.24%. Communication services and energy also delivered strong returns of +7.16% and +5.03%, respectively. Real estate lagged slightly, gaining +1.07%, while consumer staples detracted with a negative return of -1.84%.

Fixed income markets were broadly positive in June. The US 10-year Treasuries yields slightly decreased and ended the month at 4.24%. The FTSE World Government Bond Index gained +1.86%. Global investment-grade (IG) credits and global high yields were positive retuning +2.31%. US high yields grew by +1.84%.

In foreign exchange, major currencies slightly strengthened against the US dollar, including the EUR (+3.40%) and GBP (+1.62%), while the JPY weakened (-0.1%).

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. 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. 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. However, should we observe positive tariff deals, we could see a rebound in broad markets. The tariff "deadline" in early July could be binary, producing an unpredictable outcome.

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Entering 2025, it appears that most global central banks would like to move their monetary policy toward their respective neutral interest rates, but they are at different stages in their cycles. We continue to expect that the US Fed eventually ends its easing cycle at 3.5% in 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 (likely from the fixed income side) would also clearly accelerate the pace of cuts. We currently expect a first cut in September. Even if the US Fed's bias is still to ease towards neutral rates, barring a compelling reason to move (i.e., signs of malfunctioning in key markets), the US Fed will leave rates unchanged and gather data. The negative impact of government policies on growth will be the larger focus despite the modest inflationary pressure from tariffs. The European and Canadian central banks are nearing the end of their easing cycles, but we would note the risk of further cuts if tariffs prove more persistent or draconian than is currently forecast. 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 EMs, 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 EMs 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 U.S. is considering tax cuts and deregulation, Germany is boosting infrastructure spending, and China is deploying stimulus to enhance consumption 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.

Economic growth, while positive, will be below trend across most major economies in 2025, driven by pressured consumers and high borrowing costs. 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.

While broad-based tariffs pose a potential risk, we expect a more targeted and strategic approach to trade negotiations to ultimately emerge. 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 down 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 EMs, 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 U.S. 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 and, in particular, underweight to duration, as inflation risks from trade policy remain a concern.

Overall, we expect the market to experience some volatility into 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.

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