

# 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

<b>Inception Date</b> January 2016	<b>Fund Size</b> USD 74.94 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 0.754	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> 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.

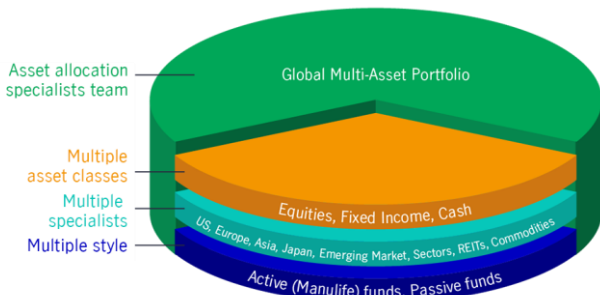
## Performance Return (March 31, 2024)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.88%	3.81%	9.37%	-2.60%	10.20%	10.77%
Annualized	n.a.	n.a.	9.37%	-0.87%	1.96%	1.25%

## 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 - **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^

	%
<b>Equities</b>	<b>54.42</b>
North American Equities	38.07
Japanese Equities	8.24
European Equities	6.55
Asia Pacific (ex-Japan) Equities	1.57
<b>Fixed Income</b>	<b>33.47</b>
International Bonds	18.80
US Bonds	9.99
Emerging Market Bonds	4.69
<b>Commodities</b>	<b>8.23</b>
<b>Others</b>	<b>0.16</b>
<b>Cash &amp; Cash Equivalents</b>	<b>3.72</b>

## Top Ten Holdings

	%
SPDR Bloomberg International Treasury Bond ETF	18.80
SPDR S&P 500 ETF Trust	14.53
SPDR Gold Shares	8.23
iShares MSCI Japan ETF	7.07
iShares Core S&P 500 ETF	7.05
Amundi EURO STOXX 50 II UCITS ETF	6.55
MGF - U.S. Equity Fund	6.54
Multi Units LU- Amundi S&P 500 II UCITS ETF	5.46
VanEck J. P. Morgan EM Local Currency Bond ETF	4.69
iShares 7-10 Year Treasury Bond ETF	4.14

^Figures may not sum to 100 due to rounding.

# Global Target Income Fund

## Market Review

March was another solid month for equities, with numerous US equity indices reaching all-time highs, though the market has seen some rotation away from growth and technology names as market breadth improved. The strong momentum extended and broadened across regions and sectors, with value and energy names leading the market. Fixed income markets were broadly positive even as the market has repriced the reduced magnitude of rate cuts.

The US continued to see a resilient labor market with nonfarm payrolls up 275,000 in February. The US consumer price index (CPI) and producer price index (PPI) reports both came in higher than expected. Both core and headline CPI came in at 0.40% placing the year-over-year readings at 3.8% and 3.2%, respectively, while the US Federal Reserve Board (Fed)'s preferred measure core personal consumption expenditures (PCE) cooled to 2.8% in February, which continued to decline towards the US Fed's target rate. At the March Federal Open Market Committee (FOMC) meeting, the Summary of Economic Projections (SEP) showed that the core PCE would decline to 2.6% by the end of 2024 and the US Fed's fund rate would be revised down from 5.1% to 4.6%, implying three 25-bps rate cuts from the current level by year end. Markets, in particular equities, have remained buoyant despite guidance for less rate cuts than previously expected. Powell expressed the view that the recent hotter inflation data has not changed the broader disinflation trend. The bond markets are now pricing rate cuts in June, September, and December.

Headlines from Europe were generally positive with improving economic data in the eurozone. The final composite Purchasing Managers' Index (PMI) for March came in 49.9 higher than the market estimate of 49.7. On the inflation data front, both headline and core inflation in the euro area fell on an annual basis, coming in at 2.6% and 3.1%, respectively. The stronger data in Europe has helped lift equities and the euro. Annual headline and core Inflation data in the UK also dropped in February, the lowest reading since 2022.

Chinese markets gained traction this month, as the latest economic data of industrial production and retail sales picked up during the two-month period, beating market consensus. China has been helping global inflationary trends with deflationary forces from real estate to economic malaise. Recent monetary and fiscal support are transmitting a growth impulse through markets with the most notable beneficiary being copper prices. Elsewhere in Asia, the Bank of Japan (BoJ) ended its negative interest rate era, representing a step towards monetary policy normalization. The Japanese yen weakened after the decision as the interest rate differential between Japan and the US remains notable.

Equities posted strong returns globally with MSCI ACWI up +3.20% in March. Canada performed well in the market, gaining +4.19%, followed by Europe at +3.86%. US equity indices ended in record territory with the S&P 500 rising +3.22% in March. Asia Pacific ex Japan and Japan were also positive, returning +3.16% and +2.64%, respectively. Latin America detracted, gaining +1.09%.

Within MSCI World, energy and industrials posted strong returns of +9.21% and +6.54%, respectively. Utilities and financials also recorded positive returns gaining +5.86% and 5.05%, respectively, while information technology and consumer discretionary lagged this month, posting +1.71% and +0.86%, respectively.

Fixed income returns saw modest increases over the month. The FTSE World Government Bond Index gained +0.43% over the month, while the Bloomberg Global Aggregate Corporate Index was up +1.16%. Less rate-sensitive high-yield bonds fared well, with Bloomberg Global High Yield up +1.51%.

In foreign exchange, most major currencies fell against the US dollar, including the JPY (-1.11%), EUR (-0.20%) and GBP (-0.13%).

## Outlook

Looking ahead, we expect lower interest rates to be accommodative for economic growth. In addition, inflation appears to be coming down and unemployment remains low. However, geopolitical challenges and the upcoming US Presidential Election could pose challenges to investor sentiment. We also expect that the first half of 2024 will be more challenging for growth globally.

We believe we are at or soon past peak rates and the global easing cycle has begun with global disinflation firmly in place. All major central banks have indicated 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, even with inflation in the 2%-3% range in 2024, as markets reprice the reduced magnitude of rate cut expectations. The FOMC decision in March was to keep interest rates steady while continuing to keep three rate cuts on its dot-plot calendar this year. It has provided a source of comfort to markets, which have been braced for incrementally hawkish messaging. The balance of risks is now weighed towards a later start to the US Fed's easing cycle, which would be able to adjust gently given healthy growth, full employment, and controlled inflation. Our base case is presently for cuts to begin in June. While the recent data strongly suggests an extended cycle, we continue to caution for an economic slowdown around mid-year, once the full effect of past interest rate hikes have filtered through the system.

We maintain our medium-term view that US growth is the "cleanest dirty shirt" for now as America's recession odds are lower than in other developed market (DM) economies and declining in light of the US Fed's telegraphed early pivot. We still have a low to medium recession conviction for Q2/Q3 and continue to emphasize weakness in non-US growth (Europe, Japan, and Canada) where recessions are more likely. 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. In our view, lending, consumer activity, capital investment, and, among other things, earnings may weaken in the coming six months, although we are mindful that into the US November election, it is likely 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 we, however, determine the data to be too strong, we could see further pricing out of the US Fed's fund rate cuts.

# Global Target Income Fund

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. In our view, easier monetary policy does not sufficiently stimulate lending. Incremental economic policy to stabilize the real estate sector and improve consumer and corporate sentiment will continue, but large-scale fiscal stimulus appears less likely. Consequently, China will not be the main driver of global/regional manufacturing activity. We believe the lagged effects of incremental policy easing should generate some recovery in credit growth. Equity valuations in Asian markets tip toward the favorable side of the equation. To sustain the ongoing domestic stock market rally, we need to get more clarity on Beijing's economic reforms, growth, and budget deficit targets. 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 markets, 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. 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 artificial intelligence (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, 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 may also not come off at the magnitude the market is pricing in. Tactical positioning will be more prevalent again as we go into 2024, 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.