

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 0.759	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.

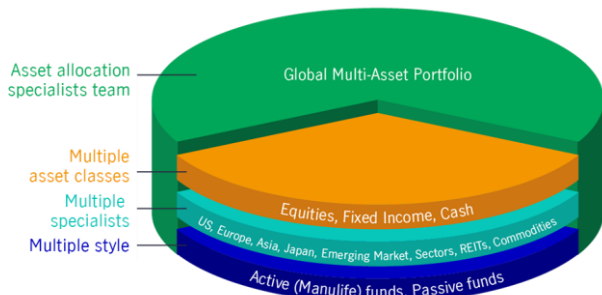
Performance Return (May 31, 2025)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.01%	4.63%	6.85%	11.54%	20.98%	17.88%
Annualized	n.a.	n.a.	6.85%	3.71%	3.88%	1.77%

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	57.64
North American Equities	29.61
European Equities	17.13
Emerging Market Equities	6.03
Japanese Equities	2.87
Asia Pacific (ex-Japan) Equities	2.00
Fixed Income	38.76
US Bonds	21.73
International Bonds	15.04
Emerging Market Bonds	1.99
Commodities	0.83
Others	0.01
Cash & Cash Equivalents	2.76

Top Ten Holdings

	%
SPDR Bloomberg International Treasury Bond ETF	15.04
Vanguard S&P 500 ETF	14.35
iShares Core S&P 500 ETF	12.81
iShares MBS ETF	10.05
Xtrackers EURO STOXX 50 UCITS ETF	8.39
iShares TIPS Bond ETF	7.93
Amundi EURO STOXX 50 II UCITS ETF	6.71
iShares MSCI Mexico ETF	6.03
iShares 7-10 Year Treasury Bond ETF	3.76
iShares MSCI Japan ETF	2.87

^Figures may not sum to 100 due to rounding.

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Market Review

In May 2025, global financial markets experienced a notable rebound, driven by easing trade tensions and resilient economic data. US equities performed well, buoyed by a 90-day pause in tariffs and encouraging progress in US-China trade negotiations. Growth-oriented and small-cap stocks rallied on the optimism that the potential deregulation and corporate tax deduction would support the sectors. International equities posted modest gains, while emerging markets continued to extend their recovery on a weaker US dollar. On the fixed income side, rising bond yields pressured bond prices on rising fiscal concerns in the US after Moody's downgraded the US sovereign credit rating. Bond markets did see a recovery approaching the end of the month as inflation moderated and trade tensions eased. Meanwhile, gold slightly fell on improving risk sentiment.

In the US, macro data came in positive with the composite purchasing managers' index (PMI) revised up to 53.0 in May, driven by stronger activity in the services sector, which offset a marginal decline in the manufacturing sector. Labor market remains resilient with nonfarm payrolls increasing by 139,000 in May. Regarding inflation data, inflation continued to ease with the headline and core inflation falling to 2.3% year-on-year (YoY) and 2.8% YoY, respectively. US equities rallied strongly, buoyed by better-than-expected corporate earnings in Q1, along with a trade deal with China to pause reciprocal tariffs for 90 days temporarily. During the month, Moody's downgraded the US sovereign credit rating from Aaa to Aa1. The 30-year US Treasury yield broke above 5% on concerns over the fiscal deficit. Despite the rise in yields, the US Federal Reserve (Fed) held rates steady, maintaining a cautious stance amid ongoing economic uncertainty and moderating inflation.

Eurozone shares also advanced in May. Composite PMI refrained from contracting at 50.2 amid the weak economic backdrop and headwinds from the US trade war. Regarding inflation data, the headline and core inflation eased to 1.9% YoY and 2.3% YoY, respectively. Consumer sentiment and industrial output showed modest improvement. US-EU trade talks showed advanced progress, which helped alleviate market concerns leading to a market rebound, along with expectations of further fiscal stimulus. In the UK, the composite PMI was revised up to 50.3, driven by a modest expansion in services output, which offset the contraction in the manufacturing sector. Inflation remained sticky with both headline and core inflation jumping to 3.5% YoY and 3.8% YoY, respectively, prompting markets to reprice for fewer rate cuts this year.

Within Asia, China's composite PMI dropped to 49.6, primarily dragged by the contraction in the manufacturing sector as new orders and foreign demand remained weak. Consumer and producer prices continued to fall, highlighting ongoing deflationary pressures. Despite these headwinds, a 90-day pause in US-China tariffs and targeted monetary easing by the People's Bank of China (PBoC) offered some relief to market sentiment. Taiwan and Korea stood out and saw strong performances over the month as a renewed enthusiasm around the artificial intelligence (AI) narratives and strong corporate earnings benefited these markets. A weaker US dollar also provided tailwinds. Japanese equities also advanced modestly despite headwinds from tariffs that might impact its export-reliant market. On a positive note, real wages showed resilience and inflation remained stable. While share buyback announcements have already surpassed last year's record levels.

In May, equity markets broadly gained. The MSCI ACWI and MSCI World rose by +5.81% and +5.99%, respectively. In US dollar terms, developed markets outpaced emerging markets, with the US leading the gains with a strong return of +6.45%, followed by Canada with +5.82%. Asia Pacific ex Japan also saw a solid increase of +5.13% and Europe grew by +4.77%. Latin America lagged, posting a positive return of +1.66%.

Within MSCI World, information technology (IT) led the gains with a double-digit return of +10.52%. Communication services and industrials also delivered strong returns of +8.95% and +8.23%, respectively. Consumer staples and real estate lagged as they returned +1.66% and +1.61%, respectively. In contrast, healthcare lagged and experienced a decline of -3.57%.

Fixed income markets were mixed in May. The US 10-year Treasuries yields slightly increased and ended the month at 4.39%. The FTSE World Government Bond Index lost -0.65%. Global investment-grade (IG) credits were positive with a return of +0.18%. Riskier segments - global high yield performed well, adding +1.65% while US high yield gained +1.68%.

In foreign exchange, major currencies slightly weakened against the US dollar, including the JPY (-1.15%), and EUR (-0.13%), while the GBP strengthened (+0.96%).

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 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 this year, compounded by uncertainties surrounding President Trump's policies. However, should we see 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 emerging markets growth, but ongoing disinflation trends, driven by weaker growth, a lower USD, moderating commodity prices, and China's redirection of low-cost exports outside the US, should allow emerging markets' easing cycle to continue.

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 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.

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 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 remain positive in 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. 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. We have moved our stance on equity relative to fixed income to neutral amidst market uncertainty. Within equity, our preference has shifted towards defensive stocks. We are adopting a more balanced stance between US equities and international markets as well. Within the US, we think investors should look to balance their large cap growth exposure with more value-oriented exposure in sectors like financials and utilities, while higher dividend equities could also help navigate volatility. Outside the US, while tariffs remain a clear potential headwind, opportunities exist. For European equities, value-oriented favorable economic factors including more accommodative monetary policy from the European Central Bank (ECB), supportive fiscal spending plans, and improving investor sentiment could provide a boost. In China, DeepSeek's AI advancements have driven a strong rally since the beginning of the year. Stabilization in economic activity could broaden the rally beyond the technology sector to more domestically focused stocks. We remain mindful of risks associated with stretched valuations and uncertain policy developments. Subdued growth expectations offer relative upside for fixed income. However, inflation risks from trade disruption, which could lead to elevated yields, present a headwind.

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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