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 70.33 million	**Fund Currency** US dollar	**Dealing/Valuation** Daily
Price (NAV/unit) USD 0.758	**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.*

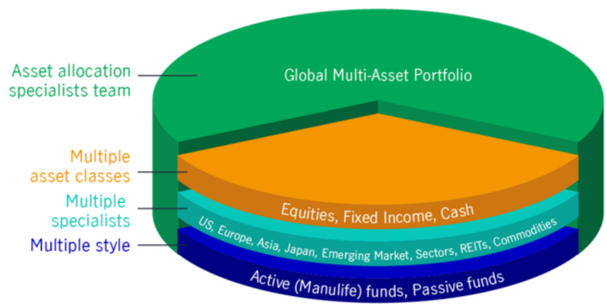
Performance Return (November 30, 2024)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.74%	7.73%	12.12%	-0.85%	11.18%	14.95%
Annualized	n.a.	n.a.	12.12%	-0.29%	2.14%	1.58%

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	**52.72**
North American Equities	41.49
Asia Pacific (ex-Japan) Equities	5.99
European Equities	2.64
Japanese Equities	2.60
Fixed Income	**39.61**
International Bonds	19.95
US Bonds	14.97
Emerging Market Bonds	4.69
Commodities	**0.74**
Cash & Cash Equivalents	**6.93**

Top Ten Holdings

Top Ten Holdings	%
SPDR Bloomberg International Treasury Bond ETF	19.95
iShares Core S&P 500 ETF	16.86
SPDR S&P 500 ETF Trust	14.15
iShares 7-10 Year Treasury Bond ETF	9.93
iShares JP Morgan USD Emerging Markets Bond ETF	4.69
Multi Units LU- Amundi S&P 500 II UCITS ETF	4.51
iShares FTSE China A50 ETF	3.95
MGF - U.S. Equity Fund	3.83
iShares MBS ETF	3.01
Amundi EURO STOXX 50 II UCITS ETF	2.64

^Figures may not sum to 100 due to rounding.

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Market Review

November saw numerous headlines dominated by the outcome of the US presidential election, which saw Donald Trump's sweeping victory and the Republicans securing majorities in both chambers of Congress. Markets anticipated pro-growth and pro-business policies under the new administration, including potential tax cuts, America First, more nationalist trade policies and a shift towards a more deregulation approach. This optimism led to a substantial rally in local US equity markets, sending major indices to new highs. Global equities were mixed outside US markets as concerns around Trump's potential trade policy and a strengthening US dollar negatively impacted the performances of emerging markets (EMs). Fixed income markets were marginally positive over the month, even with central banks cutting rates. However, uncertainty remains on reduced US rate cut expectations and elevated inflation under a new administration in 2025.

In the US, positive macro data also contributed to the rally with headline retail sales and composite Purchasing Managers' Index (PMI) data coming in higher than expected. The labor market data remained consistent showing a normalizing and slowing labor market. Regarding inflation data in October, inflation remained stubborn with the headline inflation accelerating to 2.6% year-on-year (YoY) and core inflation remaining unchanged at 3.3% YoY. The US Federal Reserve Board (Fed) continued its normalization of monetary policy against a backdrop of economic growth by cutting the US Fed funds rate by 25 bps to a range of 4.50%-4.75%. Presidential election results, positive macro data and the US Fed's rate cut guidance boosted US equities to fresh highs, performing significantly, with small caps and cyclical stocks being the main beneficiaries. The US dollar had a strong rally over the month as markets anticipated an inflationary backdrop under Trump's expansionary fiscal plans, leading to a higher-for-longer rate environment.

European equities fell marginally in November on softening economic activity in the eurozone. The Eurozone Composite and Services PMIs missed estimates and edged to 10-month lows to 48.1 and 49.2, respectively, while Manufacturing PMI continued to hover deep in contractionary territory at 45.2. The new US administration continues to weigh further on macro sentiment in the eurozone. In the UK, inflation data moved higher with headline and core inflation accelerating to 2.3% YoY and 3.3% YoY, respectively. The November composite also tumbled to a 13-month low to 49.9. The Bank of England (BoE) cut its base rate to 4.75%. Despite softer activity and stickier inflation prints, strong performance across the healthcare and communications sectors supported UK equities during the month.

Within Asia, Chinese equities continued to sell off as the long-awaited details of the government's fiscal package failed to live up to expectations, where markets originally expected additional support for property and consumption sectors. Other economic data painted a modestly better picture with firmer retail sales and manufacturing sector. In Japan, the Japanese yen was more resilient to the US dollar amidst more hawkish developments from the Bank of Japan (BoJ), which continues to support normalization. Services PMI edged up back into expansionary territory to 50.2.

Equities were mixed in November with the MSCI ACWI up +3.77% and MSCI World up +4.62%, led by the US, which saw Standard & Poor's (S&P) 500 returning +5.87%. Canada was another bright spot, returning +6.57%. EMs were the laggard, falling -3.58%, while Asia Pacific ex Japan also fell -3.26%. Latin America detracted the most, declining -5.50%.

Within MSCI World, consumer discretionary drove the gains, adding +9.40%, followed by financials +8.03%. Healthcare and materials continued to be the laggards, falling -0.84% and -0.88%, respectively as concerns regarding Trump's less favorable position towards the pharmaceutical industry weighed on the sector.

Fixed income markets ended in positive territory marginally over the month as bond yields modestly fell. The US 10-year Treasury yield fell back to 4.17% at the end of the month. The FTSE World Government Bond Index gained +0.25%. Global and US high yields performed well, ending the month with +0.82% and +1.15% returns, respectively. Investment-grade (IG) credits lagged, adding slightly +0.34%.

In foreign exchange, major currencies weakened against the US dollar, including the GBP (-1.14%) and EUR (-2.71%). However, the JPY strengthened against the US dollar during the month by +1.42%.

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, 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. 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 going into 2025.

We believe the global easing cycle is well underway although more recently, data has shown improvement while market sentiment has shifted positively post a Trump win. 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. With the US Fed's cutting cycle started, attention shifts to the extent and speed of these cuts. The extent to which the US Fed cuts remains data-dependent, and we continue to expect that some uneven cooling in the labor market and well-contained inflation will allow the US Fed to continue moving towards a neutral policy rate. That being said, against a backdrop of government policy uncertainty, any ambiguity in the data would suggest that the US Fed is proceeding with caution, slowing the pace of their easing cycle. Outside the US and Japan, we expect the central banks of developed markets to continue their easing cycles, supported by softer inflation pressures and sluggish growth, where growth is slowly recovering in these economies back to low-trend levels. The easing cycle of EMs will continue. Uncertainty around the US Fed's path had created a ripple effect around the EM's paths. With the US Fed now looking more certain, other EM central banks that had slowed or paused their own easing cycles should now be set to resume. We could expect a more synchronous easing cycle across most central banks, given a clearer US Fed policy path and a potentially weaker dollar. We currently expect a 25-bps cut in December and followed by cuts about once a quarter through 2025. The size and shape of this easing cycle depends on whether we see downside surprises to the labor market and consumer data.

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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 manufacturing cycle. However, more pronounced weakness or tariff-related uncertainty could further weigh on risk assets in export-dependent regions. While the discussion around whether or not the US can stick the landing is alive and well, we would note that large parts of Europe, the UK, Japan, Canada, and China have all experienced underwhelming, and comparatively weaker, growth at various points over the last six quarters. Any regional-level assessment should include careful consideration of its exposure to the global trade impulse.

With clear US election results, US government policy is likely to remain volatile. While we expect that actual legislation is likely to be less dramatic than initial rhetoric, short-term volatility and a flight to safe assets is likely to persist.

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. While the coordinated announcements from the politburo and People's Bank of China (PBoC) signal a clear shift in the stance of policymakers and their willingness to explore new channels to revive economic activity, significant uncertainty remains as we still lack important details on the fiscal policies that would actually matter to foster a sustainable turnaround in the economy. We remain neutral on China with growth in policy-supported sectors and exports offset by weakness in real estate and domestic consumption. Policy support will prove insufficient to boost consumer, corporate, and real estate sentiment. 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.

Elsewhere in Japan, the BoJ hiking cycle is an outlier against global easing cycle. Policy normalization has begun in Japan. Stabilization in economic activity and the expectation that inflation expectations reach 2% suggest the BoJ is normalizing 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.

While global monetary easing should provide continued growth opportunities across equities and fixed income, current valuations and continued geopolitical uncertainty are burnishing the appeal of defensive plays. We are focusing on quality across equity assets. At a time when we're 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 approach. That said, we believe opportunities still exist across both equities and fixed income. Within the US, there is an opportunity for healthcare and financials, and we still feel the large-cap growth story has some legs. Japan is enjoying improving fundamentals and reasonable valuations, and it stands to benefit from positive corporate governance reforms. Outside of Japan, Asia-Pacific is well positioned as a defensive play within a slower growth, manufacturing-led world. In fixed income, we continue to shift our preference toward high-quality IG credit, and we see the appeal floating-rate fixed income over high-yield bonds. Lastly, while we've cooled somewhat on broader commodities, exposure to gold remains appealing due to geopolitical uncertainty and favorable supply-demand dynamics.

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, but are hopeful these will be somewhat alleviated into the year-end. 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.