

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 69.68 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.

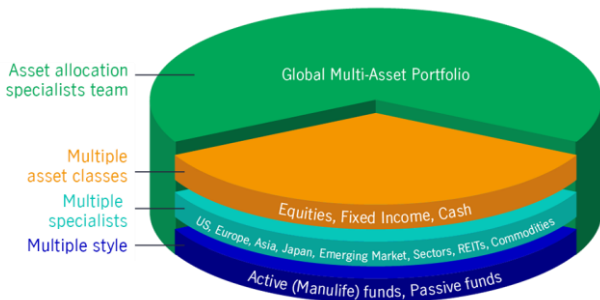
Performance Return (October 31, 2024)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-2.72%	5.89%	15.20%	-3.37%	10.35%	12.99%
Annualized	n.a.	n.a.	15.20%	-1.13%	1.99%	1.40%

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^

	%
Equities	51.87
North American Equities	39.65
Asia Pacific (ex-Japan) Equities	6.89
European Equities	2.75
Japanese Equities	2.57
Fixed Income	36.86
International Bonds	20.17
US Bonds	12.01
Emerging Market Bonds	4.68
Commodities	2.73
Others	0.09
Cash & Cash Equivalents	8.45

Top Ten Holdings

	%
SPDR Bloomberg International Treasury Bond ETF	20.17
iShares Core S&P 500 ETF	16.10
SPDR S&P 500 ETF Trust	13.51
iShares 7-10 Year Treasury Bond ETF	6.98
Tracker Fund of Hong Kong	4.83
iShares JP Morgan USD Emerging Markets Bond ETF	4.68
Multi Units LU- Amundi S&P 500 II UCITS ETF	4.33
MGF - U.S. Equity Fund	3.63
iShares MBS ETF	3.01
Amundi EURO STOXX 50 II UCITS ETF	2.75

^Figures may not sum to 100 due to rounding.

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Market Review

October experienced some volatility in both equity and fixed income markets. Equities moved lower as concerns over economic growth persisted, despite stronger economic data in the US, while the upcoming US presidential election also added to market volatility, bringing uncertainty around inflation and interest rate implications. Fixed income markets were negative on the uptick in yields, as investors grappled with uncertainty surrounding the pace and extent of future interest rate cuts. This month saw a stronger US dollar weighing on markets. Gold continued its upward trend, while the oil market experienced choppy moves.

The US labor market data presented a mixed picture with the unemployment rate edging lower to 4.1% and nonfarm payrolls rising by 254,000 (vs a consensus 140,000). However, the Job Openings and Labor Turnover Survey (JOLTS) showed that job openings are moderately falling to the lowest level since January 2021. Regarding inflation data in September, inflation continued to moderate with the headline inflation rate edging lower to +2.4% year-on-year (YoY), while the core inflation rate moved higher to 3.3% YoY ahead of market expectations. The combination of strong growth indicators and early signs of disinflation has affected expectations regarding US Federal Reserve Board (Fed) policy, prompting a reassessment of the likelihood of rate cuts in the coming months. Market sentiment has been impacted by the upcoming election as political uncertainty grew with investors closely monitoring policy outcomes and potential impacts on trade, fiscal and tax policy, and others.

European equities declined in October, despite the dovish messages and further rate cut by 25 bps to 3.25%, which was in line with expectations. Economic activity showed slowing momentum, especially within the manufacturing sector, which remained on contraction level, whereas the service sector continued to exhibit robust demand. The eurozone headline inflation rate accelerated to 2.0% YoY in October, while the core inflation rate remained unchanged at 2.7% YoY. In the UK, the economic momentum slowed as the manufacturing Purchasing Managers' Index (PMI) fell to 49.9, while service sector continued in the expansion territory. The labor market remained tight as the unemployment rate fell to 4.0% and wage growth remained elevated. Both headline and core inflation rate dropped significantly to 1.7% and 3.2% YoY, respectively in September.

Within Asia, the Chinese markets saw selling pressure giving back the gains from the previous month. During the month, the Chinese government announced more potential stimulus from cutting rates to creating a lending facility to banks for buy-backs, which disappointed markets. Other economic data painted a better picture with retail sales and industrial production, beating expectations. In Japan, core inflation came in at 1.8% YoY. The BoJ held rates unchanged at its October meeting but retained a hawkish tone.

Equities closed lower over the month of October with the MSCI ACWI down -2.21% and MSCI World down -1.96%. Japan was a performer despite concerns over tighter policy and a stronger Japanese yen. Asia Pacific ex Japan gave out some of its previous gains, falling -4.46%, while Latin America lost -5.14%. Europe lagged, falling -5.72%.

Within MSCI World, Communication services drove the gains, adding +1.39%, followed by financials +0.64%. Materials and healthcare lagged, detracting -5.77% and -4.80%, respectively.

Fixed income markets ended in negative territory over the month as bond yields rose on the uncertainty of the US Fed rate cut cycle. The US 10-year Treasury yield rose sharply to 4.28% at the end of the month. The FTSE World Government Bond Index fell -3.46%. Investment-grade (IG) credits lagged, falling -2.72%. Global and US high yields were performers ending the month with -0.63% and -0.55% returns, respectively. A stronger US dollar weighed on emerging market debts falling -1.37%.

In foreign exchange, major currencies weakened against the US dollar, including the JPY (-6.10%), GBP (-4.15%) and EUR (-2.72%).

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, volatility persists amid a complex macroeconomic landscape where geopolitical risks and the potential for a global economic slowdown are potential headwinds going into Q4 2024.

We believe the global easing cycle has begun with signs of disinflation across most regions, albeit there are concerns around a weakening job market. 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 easing cycle underway, the question turns to how far and how fast the Federal Open Market Committee (FOMC) will cut rates. The labor market remains the primary focus, with key data releases becoming market moving events as investors litigate the pace of easing, which we expect will be more aggressive than the 150 bps that the US Fed currently projects in through the end of 2025, especially given the US Fed's benign unemployment rate and GDP (gross domestic product) forecasts. Following the US Fed's initial cut in September, other developed central banks will continue easing at a pace that would be consistent with their domestic conditions. The easing cycle of emerging markets will un-pause. Uncertainty around the US Fed's path had created a ripple effect around 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 the US Fed funds rate to be 4.25% at the end of 2024 and 3% by the end of 2025. The size and shape of this easing cycle depends on whether we see downside surprises to the labor market and consumer data.

We continue to expect that the US economy decelerates in an orderly manner. With the exception of household consumption, most sectors of the US economy have slowed (housing, business investment, and international trade). We also see limited upside potential for consumption: with labor demand slowing, we believe a moderate hit to income and consumer confidence, which would ultimately weigh on households' ability to spend. This dynamic would imply weaker global trade and manufacturing activity. Pronounced weakness would be a clear headwind to risk asset performance, especially within regions, is reliant on exports of goods and commodities. 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 geographic location-level assessment should include careful consideration of its exposure to the global trade impulse.

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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. While the coordinated announcements of 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. 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. We now see a potential terminal rate for 2024 at 1.0% and expect at least two more hikes in 2025, which could cause significant volatility in the Japanese yen and the subsequent impact of the carry trade on global risk assets. 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 investment-grade 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 the end 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, but are hopeful these will be alleviated into the year-end. 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.

Disclaimer

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