

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 68.41 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.804	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.

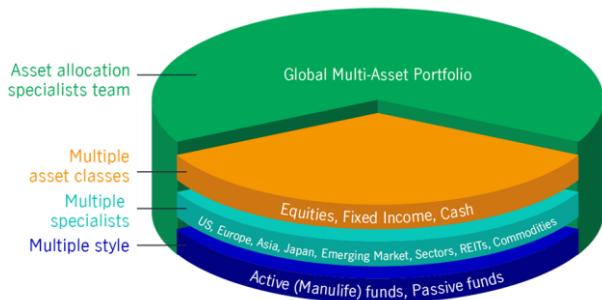
Performance Return (October 31, 2025)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.03%	13.05%	12.73%	29.18%	24.40%	27.37%
Annualized	n.a.	n.a.	12.73%	8.91%	4.46%	2.50%

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	69.28
North American Equities	44.59
European Equities	18.90
Asia Pacific (ex-Japan) Equities	3.63
Japanese Equities	2.16
Fixed Income	20.88
International Bonds	18.79
Emerging Market Bonds	2.09
Commodities	6.75
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Others	0.04
Cash & Cash Equivalents	3.06

Top Ten Holdings

	%
SPDR Bloomberg International Treasury Bond ETF	18.79
Xtrackers EURO STOXX 50 UCITS ETF	14.75
iShares Core S&P 500 ETF	14.64
Vanguard S&P 500 ETF	11.62
Vanguard Information Technology ETF	6.52
Vanguard Extended Market ETF	6.01
WisdomTree Copper	4.01
Health Care Select Sector SPDR Fund	3.93
ChinaAMC CSI 300 Index ETF	2.38
iShares MSCI Japan ETF	2.16

^Figures may not sum to 100 due to rounding.

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Market Review

Global equity markets extended their gains in October, supported by resilient corporate earnings, moderating inflation, and continued optimism about artificial intelligence (AI). Despite persistent geopolitical risks and fiscal uncertainty, investor sentiment remained constructive. Major developed market indices—including the Standard & Poor's (S&P) 500 and Nasdaq—advanced further, while emerging markets (EM) performed robustly, led by strong rallies in Asia. Fixed-income (FI) markets were mixed over the month, with global treasuries declining slightly despite stable rate expectations, while high-yield (HY) segments delivered positive returns. Commodities posted gains, and gold reached new highs amid sustained central bank buying.

US equities extended their rally in October, with the S&P 500 and Nasdaq 100 gaining 2.34% and 4.81%, respectively, supported by strong corporate earnings and continued momentum in mega-cap technology stocks. Investor enthusiasm for artificial intelligence remained elevated, bolstered by major investment announcements from leading tech firms. Sentiment was further boosted by the US Federal Reserve's (Fed) second rate cut of 2025, lowering the federal funds rate by 25 basis points to 3.75%–4.00% at the October Federal Open Market Committee (FOMC) meeting. Nonfarm payrolls showed only modest gains, unemployment held at 4.3%, and the core consumer price index CPI ticked down to 3.0% year-over-year (YoY). Geopolitical developments also contributed to optimism, with renewed US–China trade talks and easing tensions adding to the positive backdrop.

Eurozone equities advanced modestly in October, supported by improving economic indicators and stable inflation dynamics. The European Central Bank (ECB) kept its policy rate unchanged at 2.00%, citing steady core inflation near 2.4% and headline inflation at 2.1% YoY. Political uncertainty in France persisted due to ongoing pension reform debates and labor strikes, but optimism was lifted by stronger manufacturing activity and progress in US–EU trade discussions. Meanwhile, UK equities outperformed on commodity sector strength and a weaker British pound (GBP), which boosted large-cap exporters. Investor attention is now turning to upcoming ECB communications for clarity on the pace of future policy adjustments amid mixed signals on growth and inflation.

Asian equities delivered solid gains in October, with Japan and South Korea leading the region on the back of robust corporate earnings, AI-driven optimism, and supportive currency dynamics: Japan's Nikkei 225 continued its upward momentum, while South Korea benefited from strong semiconductor exports. Taiwan also posted healthy returns, supported by demand in tech hardware. In contrast, China and Hong Kong equities lagged, with the Hang Seng Index declining and the Chinese Mainland eking out modest gains, as investor sentiment remained cautious amid renewed US–China tensions and profit-taking in tech. Overall, regional markets were buoyed by improving risk appetite and easing geopolitical headwinds.

In October, equity markets were positive. In US dollar terms, the MSCI All Country World Index (ACWI) gained 2.26% and the MSCI World rose 2.02%. The performance of emerging markets was robust, with a 4.19%. In developed markets, the S&P 500 advanced 2.34%. Europe and Canada delivered modest gains of 0.54% and 0.39%, respectively, while Asia Pacific ex-Japan returned 3.74%. Korea led in local currency terms with a strong +19.94% gain, followed by Japan, where the Nikkei 225 surged +16.64%.

Within MSCI World, information technology led the gains with a return of 6.52%. Healthcare and utilities also delivered solid returns of 3.13% and +3.00%, respectively. Materials and financials lagged, losing 2.77% and 1.94%, respectively.

Fixed-income markets were mixed in October. The US 10-year Treasury yields decreased slightly and ended the month at 4.09%. Global treasuries and investment-grade credits were negative with the FTSE World Government Bond Index and the Bloomberg Global Aggregate – Corporate Index losing 0.27% and 0.05%, respectively. Emerging market debt was the standout, adding 1.72%. Riskier segments, such as high-yield credits, performed solidly, with Global High Yields gaining 0.69%.

In foreign exchange (FX), major currencies weakened against the US dollar (USD), including the Japanese yen (JPY), -4.13%, the GBP, -2.41%, and the euro, -1.77%.

Outlook

Looking ahead, our medium- to long-term outlook suggests that ultimately lower interest rates will be accommodative for economic growth, with inflation coming down and continuing resilience in corporate earnings growth. However, we 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—though recent signs of labor market softening add an extra layer of complexity. 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.

We expect that the Fed will cut rates another two to three times between now and May 2026, but we would also be very surprised if the incoming Fed Chair's stance is that the fed funds rate is at neutral when they are appointed. While it is clearly early days and subject to change, we are increasingly looking at a 3% terminal fed funds rate by the end of 2026 as a reasonable middle ground estimate. The European Central Bank (ECB) and the Bank of Canada (BOC) are nearing the end of their easing cycle. 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 market growth, 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 EM's easing cycle to continue.

Fiscal policy is becoming an important tool for governments to support growth. The US has enacted sweeping tax cuts and deregulation under the "Big Beautiful Bill", Germany is boosting infrastructure spending, and China is deploying stimulus to enhance consumption, tech innovation, 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.

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Elevated US tariffs are impacting global trade, leading the Organization for Economic Co-operation and Development (OECD) to downgrade its 2025 global growth outlook. This revision highlights a synchronized slowdown in both developed and emerging markets, with contributions from the United States. The US economy is slowing down in an orderly manner: we expect a few quarters of below-trend growth before reaccelerating in H2/26. Elevated interest rates, tariffs, and deportations should weigh on the labor market, consumer, manufacturing, and housing. Inflation will be deemed transitory, causing the Fed to prioritize the labor market. Peak global trade uncertainty is behind us, but the economic ramifications have just begun: the effects of higher US prices, supply chain disruptions, and lower global trade activity should begin to show in the data in the coming months. However, we expect momentum to improve in 2026 as fiscal support strengthens, monetary policy eases in key markets, and businesses adapt more fully to the current operating environment.

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 economic activity. We do not see globalization reversing anytime soon. Rather than a collapse of the current trade ecosystem, we expect a generally slower global trade impulse into the end of 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 the 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 resilient earnings and improving sentiment offset slowing growth and labor market cracks. While supportive policy and AI-driven momentum have helped sustain the rally—particularly in US large-cap tech—elevated valuations and persistent inflation remain key headwinds. Nonetheless, strong fundamentals among AI-linked companies and high return on invested capital support a constructive view on innovation-led growth. At the same time, broadening global opportunities and regional tailwinds—such as a weaker US dollar and improving macro conditions in Europe and Asia—reinforce the case for diversified equity exposure across geographies and sectors. In Europe, resilient data, improving trade dynamics, and favorable policy create a more supportive backdrop. In Asia, manufacturing and tech-export economies offer compelling opportunities, making regional positioning increasingly important amid global fragmentation and shifting capital flows. We remain underweight in fixed income. Sticky inflation, elevated US debt levels, and rising term premia make long-end exposure unattractive, while a softening Fed outlook could lead to lower short-term yields. We prefer selective opportunities in markets with more supportive monetary and fiscal backdrops.

Overall, we expect the market to experience some volatility into the end of 2025, particularly as investors reprice interest rates and potentially inflation expectations, alongside uncertainties linked to President Trump's policies. 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 be able to nimbly add and de-risk portfolios as well as add to yield opportunities as they arise.

Disclaimer

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