

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 68.49 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.799	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.

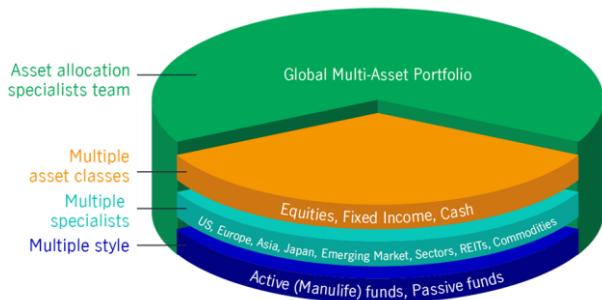
Performance Return (September 30, 2025)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.71%	11.90%	8.55%	30.38%	21.70%	26.07%
Annualized	n.a.	n.a.	8.55%	9.24%	4.01%	2.42%

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	62.30
North American Equities	41.55
European Equities	8.92
Japanese Equities	6.20
Asia Pacific (ex-Japan) Equities	5.63
Fixed Income	16.10
International Bonds	14.02
Emerging Market Bonds	2.07
Commodities	6.40
Commodities	6.40
Others	-0.09
Cash & Cash Equivalents	15.29

Top Ten Holdings

	%
iShares Core S&P 500 ETF	16.26
SPDR Bloomberg International Treasury Bond ETF	14.02
Vanguard S&P 500 ETF	11.34
SPDR Gold Shares	6.40
Vanguard Extended Market ETF	5.93
Xtrackers EURO STOXX 50 UCITS ETF	4.82
iShares MSCI Japan ETF	4.04
iShares MSCI South Korea ETF	3.24
ChinaAMC CSI 300 Index ETF	2.39
Vanguard Information Technology ETF	2.22

^Figures may not sum to 100 due to rounding.

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Market Review

Global financial markets extended their rally in September, supported by the US Federal Reserve's (Fed) first rate cut of the year, resilient corporate earnings, and sustained optimism around artificial intelligence (AI). Despite lingering concerns over trade tensions and fiscal uncertainty, investor sentiment remained buoyant. Major developed market indices—including the Standard & Poor's (S&P 500), Nasdaq, etc. —reached fresh record highs. Performance was broad-based across asset classes: fixed income markets benefited from easing rate expectations, digital assets continued their recovery, and commodities posted gains, with gold breaking new all-time highs amid continued demand from central bank buying to increase gold reserves.

US equities posted robust gains, with the S&P 500 gaining 3.65% over the month. The rally was driven by continued strength in mega-cap tech stocks and sustained enthusiasm for AI, bolstered by major corporate investments in the sector. Investor sentiment received a significant boost after the US Fed delivered its first rate cut of 2025, lowering the federal funds rate by 25 basis points (bps) to a range of 4.00%–4.25%. The move, announced at the September Federal Open Market Committee (FOMC) meeting, was largely in response to signs of a cooling labor market and persistent inflationary pressures. Notably, nonfarm payrolls added just 22,000 jobs in August, well below expectations, and annual revisions revealed a downward adjustment of 911,000 jobs through March. The unemployment rate edged up to 4.3%, and core consumer price index (CPI) remained elevated at 3.1% year-on-year (YoY), underscoring persistent inflationary pressures – the latter may call into question the magnitude of further rate cuts into the year-end and 2026.

Eurozone equities advanced modestly in September, supported by stable inflation and signs of economic resilience. The European Central Bank (ECB) held its policy rate at 2.00%, citing steady core inflation at 2.3% and a slight uptick in headline inflation to 2.2% YoY. While political uncertainty in France, stemming from contentious pension reforms and ongoing labor strikes weighed on local sentiment, improving manufacturing activity and easing trade tensions with the US helped lift broader European indices. Investor focus is now shifting to upcoming ECB communications for further clarity on the policy outlook amid mixed economic signals.

Asian markets posted broad-based gains in September, led by a sharp rebound in Chinese equities, driven by strong investor enthusiasm for AI and technology sectors, a surge in industrial profits, and supportive policy measures aimed at stabilizing the property market and stimulating domestic demand. Japan's market continued its upward momentum, with the Nikkei 225 reaching new highs, supported by a weaker yen, robust corporate earnings, and signs of sustained economic recovery. South Korea and Taiwan saw more muted performance, with gains capped by concerns over global demand and cautious sentiment around tech exports. Overall, regional markets benefited from improving risk appetite and easing geopolitical tensions.

In September, equity markets were positive. In U.S. dollar terms, the MSCI ACWI and MSCI World rose by +3.66% and +3.25%, respectively. Broad emerging markets, which added +7.16%, performed well. Lat in America notably performed and saw a positive performance of +6.57%, led by Mexico. Asia Pacific ex Japan returned +5.82%, primarily led by Hong Kong and Taiwan. Canada was positive with a return of +3.75%, followed by the US, where S&P 500 was up +3.64%. Europe gained +2.09%.

Within MSCI World, information technology led the gains with a return of +7.46%. Communication services and utilities also delivered solid returns of +4.72% and +3.45%, respectively. Consumer staples and energy lagged, losing -1.96% and -0.31%, respectively.

Fixed income markets were positive as well in September. The US 10-year Treasuries yields slightly decreased and ended the month at 4.15%. Global treasuries and investment-grade credits are positive with the FTSE World Government Bond Index and the Bloomberg Global Aggregate - Corporate Index returning +0.61% and +1.16%, respectively. More riskier segments – high-yield credits lagged with global high yields gaining +0.67%.

In foreign exchange, major currencies weakened against the US dollar, including the JPY (-0.58%) and GBP (-0.36%), while the euro strengthened (+0.38%).

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. We, however, 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 US Fed cuts two to three more times between now and May 2026, but we'd also be very surprised if the incoming US Fed Chair's stance is that the federal funds rate is at neutral when they are appointed. While it's clearly early days and subject to change, we are increasingly looking at a 3% terminal federal funds rate by the end of 2026 as a reasonable middle ground estimate. The ECB is nearing the end of their easing cycle. Weak growth (but no recession) will lead to the Bank of Canada to ease one more time before pausing again. 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 the growth of emerging markets, 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 easing cycle of emerging markets 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 Cooperation and Development (OECD) to downgrade its 2025 global growth outlook. This revision highlights a synchronized slowdown in both developed and emerging markets, with contribution from the US. 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 US 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 business 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 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 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 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 U.S. 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 fixed income. Sticky inflation, elevated US debt levels, and rising term premia make long-end exposure unattractive, while a softening US 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 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.

Disclaimer

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