

# Global Target Income Fund

An investment fund option for the 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

<b>Inception Date</b> January 2016	<b>Fund Size</b> USD 92.52 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 0.900	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> 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.

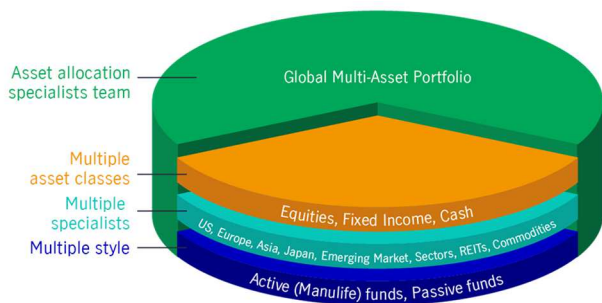
## Performance Return (December 31, 2020)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	3.15%	6.53%	6.53%	5.60%	n.a.	13.26%
Annualized	n.a.	n.a.	6.53%	1.83%	n.a.	2.55%

## 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<sup>^</sup>

	%
<b>Equities</b>	<b>60.64</b>
North American Equities	35.64
Asia Pacific (ex-Japan) Equities	12.17
Japanese Equities	6.73
European Equities	6.10
<b>Fixed Income</b>	<b>35.93</b>
US Bonds	24.37
International Bonds	5.18
Emerging Market Bonds	3.99
Asian Bonds	2.39
<b>Commodities</b>	<b>2.82</b>
<b>Cash &amp; Cash Equivalents</b>	<b>0.61</b>

## Top Ten Holdings

	%
SPDR S&P 500 ETF Trust	12.28
MGF-US EQ-I3 MGF-US EQTY-I3	6.97
iShares MSCI Japan ETF	6.73
iShares Core U.S. Aggregate Bond ETF	5.32
iShares Core MSCI Asia ex Japan ETF	4.94
Invesco QQQ Trust	4.59
VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	3.99
Vanguard Total International Bond ETF	3.90
iShares iBoxx \$ Investment Grade Corporate Bond ETF	3.58
iShares iBoxx \$ High Yield Corporate Bond ETF	3.42

<sup>^</sup>Figures may not sum to 100 due to rounding.

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## Market Review

Risk on sentiment continued in December amid positive developments around a COVID-19 vaccine, a supportive Fed, positive fiscal stimulus headlines and the earnings outlook of Q121 expected to be better vs the low base last year in Q120.

Developed market equities EAFE and emerging markets outperformed the US markets, although small caps were also well bid into year end. MSCI ACWI gained +4.7%, the S&P 500 +3.8%, MSCI EM +7.4% driven by a strong MSCI LatAM +12% and APAC +6.7%.

FY20 gains for global MSCI ACWI equities were +16.8%.

Looking at the sectors within MSCI World for December, all of them rallied on the back of better global risk sentiment. Tech maintained its longer-term market leadership gaining +5.7%, Materials +5.9% and Consumer Discretionary +5.5% whilst Utilities gained +2%.

Oil and Gold also rallied over the month, gaining +6.5% and 6.4% respectively.

Fixed Income also delivered positive gains for the month. Riskier assets rallied as shown by Barclays Global High Yield (+2.5%) and Merrill Lynch High Yield Master II (+1.9%). Barclays US Aggregate (+0.14%) and Barclays Global Treasury (+1.5%) were relatively muted. The US Treasury 10yr yield increased from 0.84% to 0.92% by year end.

Non-USD FX performed strongly with the AUD (+4.7%) and the Brazilian Real (+3.7%) leading the way, while Asian currencies such as the Japanese Yen (+1%) the Taiwan Dollar (+1.4%) and Korean Won (+1.9%) also strengthened against the USD.

Governments and Central banks continue to demonstrate readiness to stand-in with monetary and fiscal tools to mitigate the risk of economic damage arising from the pandemic. Further escalation of US China tensions particularly around technology and tariff negotiation under the new US government is likely to bring further tit for tat reaction from both sides.

## Outlook

Markets have reacted positively to the election outcome and vaccine news. Global economies however are firmly in a Phase 2 recovery stage, where we see a stall-out in markets and a pick-up in the credit default cycle in certain pockets of the market. Recent US job data was weak for November, and December could see that trend continue – nevertheless US markets continue to push towards record highs.

Corporate fundamentals are varied across sectors, with defensive business models holding up relatively well and cyclical and commodity businesses facing significant challenges. Markets remain sensitive to a host of factors including COVID-19, slowing global growth and fears of prolonged recession. We expect global stimulus efforts to remain a focus as central banks globally and the United States Congress rush to fill any liquidity gaps and pressure points. We are closely monitoring direct and indirect impacts of COVID-19 to avoid issuers with liquidity concerns.

US High-yield markets rapidly repriced credit risk in the first quarter and we believe the outlook remains balanced. We expect uncertainty to remain high in the coming months but believe investors are generally being compensated for these risks. We feel that defaults have peaked and trailing 12-month default rates will decline in 2021. Our fundamental analysis and stress testing give us confidence in our ability to navigate these challenges.

All indications point to an extended period of low interest rates and continued government support to put the global economy back on a positive trajectory. However, the pace of recovery into 2021 and beyond is difficult to project given the sheer number of variables to consider. Economic data has been better than expected overall, although short term could be weakening again as COVID cases rage. The massive volatility in indicator readings makes the positive signs less reassuring, and we believe that the level to which data eventually normalises will be more important.

With the shift in seasons, reopening of schools, a loosening of initial response restrictions and/or lockdown compliance fatigue, the rising number of COVID-19 cases globally seems inevitable. Europe is already seeing rising case counts, attributed to a more virulent COVID variant.

Within equities, we're focused on ramifications on anti-trust legislation for big tech, public option healthcare strategies, higher corporate and personal taxes to help pay for large stimulus packages, US-China and global geopolitical relations, renewable energy investments, and impact of any changes on the USD. Sectors that potentially could be favorably impacted by a Biden administration would be infrastructure, construction, semiconductors, renewables, and materials while big tech, healthcare, and energy could be most negatively impacted.

Multiple questions remain on the potential impact of a vaccine, including probable timelines, safety, efficacy, distribution priority and global availability. A vaccine will be a game-changer for the economies of Latin America, Indonesia and India - however a medical solution is unlikely to drive a robust, rapid economic solution. Fiscal stimulus is unlikely to be enough for a rapid economic recovery, as getting back to pre-COVID growth rates is likely to be pushed into 2022. The lasting impact of COVID-19 on the global economy is not the only factor to monitor. Rising geopolitical tensions, decelerating growth rates, supply chain disruptions and a general deglobalization trend all raise questions about the future trajectory of global debt and equity markets.

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## Disclaimer

The Global Target Income Fund is an investment fund option for The Manufacturers Life Insurance Co. (Phils.), Inc.'s Affluence Max, Affluence Max Gold and Affluence Builder Series, and is managed by Manulife Investment Management (Hong Kong) Limited.

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