

# 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 81.31 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 0.850	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> MGLTRIN	

**Investment Fund Manager (the "Manager")**  
Manulife Asset Management (Hong Kong) Limited

\* The target payout is not guaranteed. Distribution may be made out of principal investment.

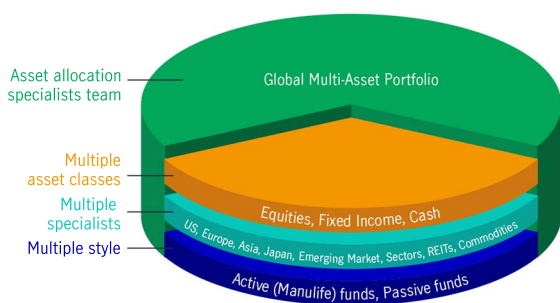
## Performance Return (August 31, 2019)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.91%	2.86%	-3.73%	-0.67%	n.a.	0.40%
Annualized	n.a.	n.a.	-3.73%	-0.22%	n.a.	0.11%

## 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<sup>^</sup>

	%
<b>Equities</b>	<b>62.36</b>
North American Equities	52.49
Asia Pacific (ex-Japan) Equities	3.50
European Equities	3.20
Emerging Market Equities	2.67
Japanese Equities	0.50
<b>Fixed Income</b>	<b>33.21</b>
US Bonds	25.93
Emerging Market Bonds	7.28
<b>Commodities</b>	<b>2.26</b>
<b>Cash</b>	<b>2.18</b>

## Top Ten Holdings

	%
Vanguard Information Technology ETF	11.47
Lyxor S&P 500 UCITS ETF D USD	10.11
SPDR Bloomberg Barclays High Yield Bond ETF	10.01
iShares USD High Yield Corp Bond UCITS ETF	9.93
Vanguard S&P 500 UCITS ETF	9.56
iShares Core S&P 500 ETF	9.27
iShares J.P. Morgan USD EM Bond UCITS ETF	7.28
iShares Core S&P 500 UCITS ETF	6.25
ChinaAMC CSI 300 Index ETF HKD	3.50
iShares MSCI Emerging Markets ETF	2.67

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

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## Market Review

Global markets fell in August responding to the inverting of the US Treasury yield curve, a precursor, in some instances, to recession, as well as further tariff announcements from the US Administration. Fixed Income outperformed Equities with the Barclays Global Aggregate up +2% whilst MSCI World fell -2.0% and the S&P -1.6%. US 10 year Treasury yields began the month at 2.02%, and ended at 1.5%. Similarly in FX, most of the majors were weaker vs the USD, apart from the JPY which strengthened +2.3%. Gold also rallied +6.6%

Within Equities, geographically, Emerging Markets (EM) were the most impacted over the month as investors reacted to currency weakness in China, the rest of EM and several Latin American countries. EM fell -4.9%, particularly driven by events in Latin America (-8.1%).

Parts of Europe (Italy & France) and Canada did better globally, whilst Hong Kong experienced some of the worst performance (-8.1%) after protests became more widespread in reaction to what is perceived as government indifference to protestor five core demands.

Sectorally, global defensives such as Consumer Staples (+1.9%), Real Estate (+2.6%) and Utilities (+3.3%) outperformed, whilst Financials (-5.1%) and Energy (-7.2%) underperformed.

Within Rates, yields fell globally, whilst Spread assets generally widened, with only the Bloomberg Barclays Euro HY tighter by around 6bps.

Co-ordinated global easing by central banks continues across Developed Markets and is being matched in selected Emerging Markets. Trade friction remains to keep concerns on slowing global growth elevated.

## Outlook

In the first half of 2019, U.S. equity markets were greatly impacted by increased tensions over trade policy and anticipation that the next move by the Fed would be interest rate cuts which was delivered. We expect the focus for the back half of the year to be no different, however escalation in trade tariffs translate into more limited upside risks versus six months ago. Currencies will be key, as global central banks race to pre-empt Fed rate cuts by cutting themselves in order to support export growth and boost inflation. Selective Emerging Markets have seen larger or earlier-than-expected rate cuts in Indonesia, Thailand, Brazil, South Africa and India.

The US Fed and other global central banks will have more ammunition to move more quickly and significantly in their efforts to offer monetary policy support. Two or three more rate cuts in 2019 are very much on the table for the US Fed. The question remains as to whether the global economy is, in fact, experiencing a mid-cycle slowdown or is on the brink of a recession. Despite the protracted length of the economic cycle, we believe it is likely to be the former as there is little evidence that the global manufacturing downturn has infected the service sector to any significant degree.

The Fed, China and Trade will remain key market drivers, whilst other growing risks such as pockets of recessionary risks in Europe, in particular Germany, Brexit negotiations and Hong Kong protests have added to investor concerns.

Central banks, globally, are signaling they are committed to positive growth support for economies, which should bode well for risk and higher yielding assets. Bouts of volatility however should be expected across currencies, spreads and equities on trade and or Fed uncertainty.

China has already engaged in substantial fiscal and monetary stimulus in the past year or so, and we expect further easing from China in an effort to stabilize interbank rates, bolster inflation, and support economic growth. We expect any further easing to produce stabilization, rather than the kind of V-shaped recovery we saw in 2016. Nevertheless, even this more limited stimulus should help Chinese markets and overall global trade. A more prolonged trade discussion could continue to impact sentiment as well as adjustments seen in the CNY, which could also add pressure to the rest of EMFX and Emerging Market assets.

In the fixed-income markets, global rates have fallen recently in response to increasing signs of a broad economic slowdown. Longer term, rates should edge higher if we are right about global economic growth improving later in the year. For this reason, we remain pessimistic about government bonds in developed markets. Given the current term structure of U.S. interest rates, short-duration fixed income has become more attractive in that market. High yield bonds could be an attractive asset class if, as we expect, the environment for stocks remains broadly favorable. From a total-return perspective, emerging-market debt is one of our most preferred positions in the portfolio.

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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 Asset Management (Hong Kong) Limited.

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Manulife Asset Management™ is the institutional asset management arm of Manulife Financial. Manulife Asset Management™ and its affiliates provide comprehensive asset management solutions for institutional investors and investment funds in key markets around the world. This investment expertise extends across a full range of asset classes including equity, fixed income and alternative investments such as real estate, timber, farmland, as well as asset allocation strategies.

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