

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

Inception Date January 2016	Fund Size USD 82.94 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.834	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.

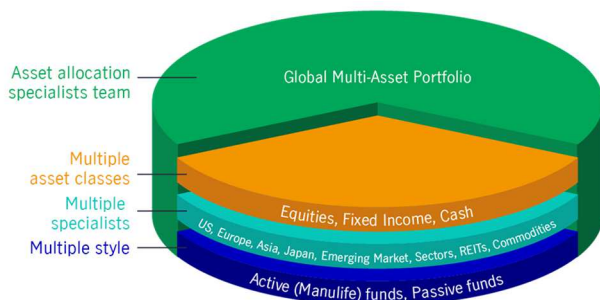
Performance Return (February 29, 2020)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-5.06%	-5.12%	-0.04%	-0.10%	n.a.	0.88%
Annualized	n.a.	n.a.	-0.04%	-0.03%	n.a.	0.21%

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[^]

	%
Equities	50.27
North American Equities	35.17
Asia Pacific (ex-Japan) Equities	8.53
Emerging Market Equities	3.40
European Equities	3.17
Fixed Income	39.38
US Bonds	28.48
Asian Bonds	5.69
Emerging Market Bonds	5.21
Commodities	4.67
Cash & Cash Equivalents	5.68

Top Ten Holdings

	%
SPDR S&P 500 ETF Trust	12.54
iShares USD High Yield Corp Bond UCITS ETF	9.04
iShares iBoxx \$ High Yield Corporate Bond ETF	7.95
Invesco QQQ Trust	7.78
iShares USD Corp Bond UCITS ETF	7.05
MANU-US EQU-I3 MANULIFE GLB-US EQU-I3	5.63
iShares J.P. Morgan USD EM Bond UCITS ETF	5.21
SPDR Gold Trust	4.67
MANU-GB AS T-I3 MANULIFE GB ASIAN TT RT-	4.19
Vanguard Information Technology ETF	4.17

[^]Figures may not sum to 100 due to rounding.

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Market Review

February 2020 was a brutal month, seeing the worst risk sell-off across assets and regions since the GFC in 2008. The first wave sell-off began early Feb in Asia which soon triggered Developed Markets towards the end of the month as Covid-19 became a global economic concern rather than an Asia-contained story.

MSCI World fell -8.4%, MSCI Japan -9.1% and LatAM -12%. MSCI Asia ex Japan and MSCI EM outperformed falling -4.2% and -5.3% respectively.

As a measure of volatility, the CBOE VIX index peaked at 49 at month end vs 18 at the beginning of February 2020.

MSCI China and MSCI Hong Kong were two of the best performing markets gaining +3.4% and +0.3% over the month as investors became more comfortable with the management of the (first wave) covid-19 outbreak.

Amongst MSCI World by sector, the best performer was Communication Services -6.5% whilst Energy lost -14% on concerns of a collapse in oil demand, and broader commodities from China, where large parts of the economy remained closed. YTD Energy has fallen -22%.

Given the risk sell off, high quality Fixed Income outperformed Equities as investors unsurprisingly allocated towards high quality US Bonds and the safe haven government bonds as well as the USD. Global High Yield Bonds lost -1.8%.

The USD appreciated against most major currencies, which also impacted local currency EM Bonds. The Japanese Yen gained +0.5% against the USD over the period.

Citi World Govt Bond Index gained +1.0% whilst the Barclays Global High Yield lost -1.8%.

Across emerging markets, the impact was most pronounced among high-yield government and corporate bonds.

Outlook

Global growth expectations have already been revised lower and the overall assessment is for a gradual recovery during the second and third quarters of 2020 rather than a sharp recovery, as initially expected.

Concerns over COVID-19 were dominant during the month, with the market finally taking in the seriousness of the epidemic in mid-to-late February when the MSCI World Index made its sharp decline, driving a risk-off sentiment in the marketplace. In this short period, we saw a gravitation to value as a result of a move to more defensive and income-generating stocks, owing to the low yields.

It is undeniable that COVID-19 will present a major risk to China's economic growth this year and is also clearly the main source of risk and volatility for global markets at present. Despite the seriousness of the epidemic, going forward we believe that COVID-19 represents a short-term disruption (as opposed to a long-term, larger-scale crisis) much like other serious outbreaks in the past. While we believe the effects of the virus will be short term, it is our opinion that the economic slowdown set off by COVID-19 puts a lot more pressure on global central banks and the U.S. Federal Reserve Board to cut interest rates.

Central banks, globally, are signaling they are committed to growth support for their respective economies, which should bode well for risk sentiment and higher yielding assets. Bouts of volatility however should be expected across currencies, spreads and equities on Corona headlines, oil demand/supply dynamics and or Fed uncertainty.

High yield bonds could remain an attractive asset class if, as we expect, the environment for stocks recovers and remains broadly stable. From a total-return perspective, emerging-market credit is one of our most preferred positions in the portfolio and remains a focal point for income-seeking investors. We continue our search for opportunities and will remain nimble in our asset allocation decision making into 2020.

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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Manulife Investment Management™ is the institutional asset management arm of Manulife Financial. Manulife Investment 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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