

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 87.27 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.882	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.

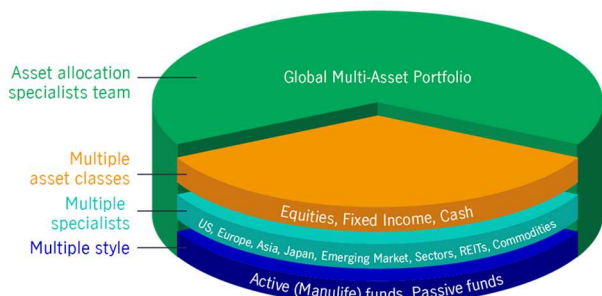
Performance Return (January 31, 2020)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.06%	-0.06%	5.59%	6.31%	n.a.	6.26%
Annualized	n.a.	n.a.	5.59%	2.06%	n.a.	1.52%

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	47.48
North American Equities	30.43
European Equities	7.42
Asia Pacific (ex-Japan) Equities	5.92
Japanese Equities	2.46
Emerging Market Equities	1.24
Fixed Income	39.69
US Bonds	30.75
Emerging Market Bonds	4.94
Asian Bonds	4.00
Commodities	5.27
Cash & Cash Equivalents	7.56

Top Ten Holdings

	%
iShares USD High Yield Corp Bond UCITS ETF	8.83
Vanguard Information Technology ETF	7.91
iShares USD Corp Bond UCITS ETF	6.66
iShares Core U.S. Aggregate Bond ETF	6.24
MANU-US EQU-I3 MANULIFE GLB-US EQUI-I3	6.17
SPDR Gold Trust	5.27
848-816153-201 USD H2564PLA	5.17
MANU-EURO GR-I3\$ MANULIFE GBL-EURO GR-I	4.02
MANU-GB AS T-I3 MANULIFE GB ASIAN TT RT-	4.00
iShares 20+ Year Treasury Bond ETF	3.45

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

Global Target Income Fund

Market Review

January 2020 began positively as a foundation of a trade deal with potential for further progress improved investor sentiment. Brief Iran/US tensions had a minor impact to global markets, whilst news of an unknown type of pneumonia outbreak in Wuhan, China, began to gather momentum. Initial guidance from the WHO was that the outbreak was under control and no human to human transmission had been observed. A few weeks later some of China's largest cities began systematic quarantining and lock downs as the disease spread across populations, overwhelming hospitals in Wuhan and the wider Hubei province. By month end, almost 2/3rd of the Chinese economy was shut down.

Emerging Markets, Asia and Latin America were most impacted with MSCI EM, Asia Pacific ex Japan and Latin America down -4.7%, -3.7% and -5.6%. Broader MSCI World was down -0.6% as the US markets such as the S&P 500 were more or less unchanged over the month.

MSCI World by sector saw Utilities outperforming, along with Information Technology, Real Estate and Communication Services gaining +5.7%, +3.4%, +1% and +0.2% respectively. Energy fell -9.1% on fears of a collapse in Chinese demand for oil as the economy stagnated.

Fixed Income outperformed Equities as safe haven Global Government Bonds and US Corporates added +1.6% (Citi World Gov Bond Index) and +1.9% (Barclays US Aggregate).

Barclays US Global Yield added +0.1% and Barclays EM USD Aggregate +1.5%.

Within FX, the RMB and Mexican Peso were stronger vs USD by +0.5% and +0.4% respectively. Gold added +4%.

Outlook

2020 began with positive risk momentum, which was soon tapered into month end as the severity and potential longevity of the Coronavirus outbreak began to be understood. Market sentiment outside of Asia still remains buoyant on expectations that the outbreak is a Hubei province, at worst a China contained situation.

While a US recession doesn't seem imminent, the MSCI World Index continues to trade at close to 15-year highs. The market to a large degree appears to be basing the high valuations we have been experiencing on perpetually low rates, as 2019's gains were almost all based on multiple expansion as earnings growth was only 0.1%. In addition, profitability levels measured by earnings-before-interest-and-taxes margins continue to be at historic highs, although this is starting to decline. It is our view that we remain in a high-margin, high-debt, low-growth market with high multiples to match.

Going into 2020, we are finding attractively valued medium term opportunities outside the U.S., as the U.S. still trades at a 15-year peak relative multiple compared to international markets. Near term however given the closure of 2/3 of China's economy there remain more attractive opportunities within the US itself.

While the profitability of international corporations is cyclically high, it still remains well below its U.S. equivalent on average. We are comfortable with our strategic overweight in equities overall – although tactically it would be prudent to remain cautious.

At the margin, sentiment has improved more recently towards risk assets, particularly in the US, as markets continue to push towards new highs due to heightened probability of a partial phase one trade deal focused around US agricultural goods, higher probability of a no-deal Brexit off the table and central banks adding liquidity. Cyclically markets are looking better as some risks are alleviated, however the structural slow-down in global growth, earnings, a lack of higher inflationary pressures and geopolitics/recent health scare will remain as the backdrop and keep markets volatile.

Currencies, in particular the USD, 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.

The Fed, China and Trade will remain key market drivers, whilst other growing risks such as pockets of recessionary risks in Europe, UK trade deal with the EU by the end of 2020, Hong Kong protests and Coronavirus headlines have added to investor concerns.

Given the Fed's three 25bps reductions, we think one more cut will come through in March 2020, barring an unexpected weakening in the economy.

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.

Longer term, rates should edge higher if we are right about global economic growth improving later into the year. High yield bonds could remain an attractive asset class if, as we expect, the environment for stocks remains broadly favorable. 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.

Global Target Income Fund

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.

The Investment Funds ("Funds") mentioned in this document are specific to variable life insurance contracts and are not considered mutual funds. Yields depend on interest and foreign exchange rate levels, both of which may fluctuate. Other factors that affect yield include changes in the credit standing of the issuers and changes in the value of the stocks and dividends received. Further, investments of the Funds may provide that their values be determined based on prices or yields of other securities, instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of these investments and, in turn, the Funds' yields. Thus, the performance of the separate account(s) is not guaranteed and the value of the policy could be less than the capital invested subject to any specified minimum guarantees. **THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS.** Past performance of the Funds is not necessarily indicative of future performance. Yields are not guaranteed. Yields indicated are exclusive of charges associated with the variable life policy.

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.

The opinions and portfolio holdings expressed are those of Manulife Investment Management™ ("Manulife IM") as of the date stated in the document, and are subject to change based on market and other conditions. The information in this document including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Manulife IM disclaims any responsibility to update such information. Information about the portfolio's holdings, asset allocation, or country diversification is historical and is not an indication of future portfolio composition, which will vary. All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Clients should seek professional advice for their particular situation. Neither Manulife Financial, Manulife Investment Management™, nor any of their affiliates or representatives is providing tax, investment or legal advice. Past performance does not guarantee future results. This material was prepared solely for informational purposes, does not constitute an offer or an invitation by or on behalf of Manulife IM to any person to buy or sell any security and is no indication of trading intent in any fund or account managed by Manulife IM. Investors should not make investment decisions based on this material alone. For details, please refer to the relevant investment policy and product key fact statements.