

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 83.53 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.870	Management Fee 2.25% per annum	Bloomberg Ticker 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.

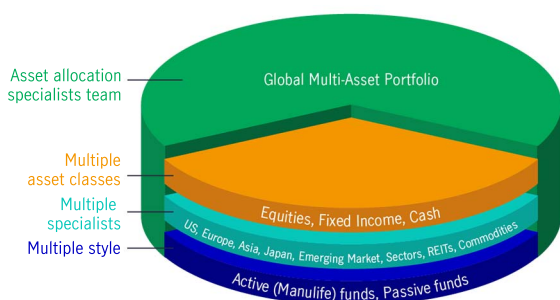
Performance Return (July 31, 2019)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.86%	4.86%	-2.52%	0.05%	n.a.	2.36%
Annualized	n.a.	n.a.	-2.52%	0.02%	n.a.	0.66%

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	69.04
North American Equities	52.85
Asia Pacific (ex-Japan) Equities	6.50
Emerging Market Equities	6.16
European Equities	3.54
Fixed Income	17.38
US Bonds	11.57
Emerging Market Bonds	5.81
Commodities	0.50
Others	10.76
Cash	2.32

Top Ten Holdings

	%
iShares Core S&P 500 ETF	13.52
Lyxor S&P 500 UCITS ETF D USD	10.15
iShares USD High Yield Corp Bond UCITS ETF	9.63
Vanguard S&P 500 UCITS ETF	9.58
MMP DEPO-HK USD 2.03 02Aug19	9.56
Vanguard Information Technology ETF	9.46
iShares Core S&P 500 UCITS ETF	6.26
iShares MSCI Emerging Markets ETF	6.16
iShares J.P. Morgan USD EM Bond UCITS ETF	4.34
iShares MSCI Germany ETF	3.54

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

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Market Review

Global markets consolidated in July versus a strong June as the S&P 500 gained +1.4% with the broader MSCI World gaining +0.5% driven by growth equities in Communication Services (+2.8%) and Info.Technology (+2.9%). Quality growth/cyclicals still remain in favour over Value given better EPS growth profiles vs a broader slowing growth environment, coupled with a Fed mini-easing cycle helping to support growth stock valuations.

MSCI Germany/France/Spain fell -4.4%/-2.8%/-5.1%. US equities still remain the preference.

Within Fixed Income, Emerging Markets USD Aggregate gained +1% whilst the Barclays Global Aggregate Index gained +0.1%. EM debt outperformed EM equities in July as MSCI EM fell -1.1%

Dollar strength prevailed against the Euro (-2.2%) and GBP (-3.8%), partly due to markets overpricing in a larger imminent Fed rate cut whilst a cut of 25bps was delivered. Additional weak data out of Europe (weaker PMI in Germany & France) and a new PM in the UK, tasked with avoiding a hard Brexit, added to further downward pressure on their respective currencies.

China announced efforts to boost demand and support the economy, but will not use the property market as a form of short term stimulus. Downward pressure on the economy remains whilst China continues to have fiscal and monetary policy levers to keep liquidity conditions ample, particularly as trade negotiations lack clarity with potential for further US tariffs. MSCI China fell -1.7%, whilst the region's underperformer was Korea (-7.5%) given a trilogy of significant headwinds – global trade slowdown, a regional trade dispute with Japan and the BoK cutting rates for the first time in 3yrs as the central bank lowered growth estimates from 2.5% to 2.2% - a decade low.

The Fed, Trade and China remain the dominant market drivers with July seeing the first Fed rate cut of 25bps since the financial crisis, as Fed members voted for an insurance mid-cycle adjustment, focused on inflation rather than growth.

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.

On the positive side, 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 still 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 market drivers. 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.

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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