![Manulife Asset Management]

June 30, 2019

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 81.30 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 0.866

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.*

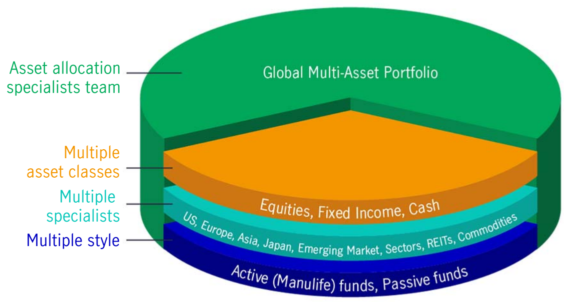
Performance Return (June 30, 2019)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	3.50%	3.97%	-2.55%	0.19%	n.a.	1.48%
Annualized	n.a.	n.a.	-2.55%	0.06%	n.a.	0.43%

Why this Fund?

The Fund is managed using the **3 "Ds"** Investment Philosphy: 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^

Asset Allocation^	%
Equities	**76.22**
North American Equities	55.71
Asia Pacific (ex-Japan) Equities	8.59
Emerging Market Equities	6.98
European Equities	4.94
Fixed Income	**21.49**
US Bonds	16.29
Emerging Market Bonds	3.50
Asian Bonds	1.71
Cash	**2.29**

Top Ten Holdings

Top Ten Holdings	%
iShares Core S&P 500 ETF	13.10
Vanguard Information Technology ETF	12.15
Lyxor S&P 500 UCITS ETF D USD	10.24
iShares USD High Yield Corp Bond UCITS ETF	9.87
Vanguard S&P 500 UCITS ETF	9.57
iShares MSCI EM UCITS ETF USD (Dist)	6.98
iShares Core S&P 500 UCITS ETF	6.26
iShares USD Corp Bond UCITS ETF	3.45
MGF - U.S. Bond Fund	2.96
iShares MSCI Germany ETF	2.96

^Figures may not sum to 100 due to rounding.

Global Target Income Fund

Market Review

June 2019 saw markets embrace risk, rebounding from May, with most of the losses re-taken back in June, particularly across equities. Developed market equities were led by the US, as the S&P 500 gained +7.0%, Nasdaq +7.6%, and Emerging Market (EM) equities +6.3%. Within Fixed Income, the Barclays Global Aggregate Index returned +2.2%, whilst the Barclays Global High Yield gained +3.2% for the month. Gold prices also gained 8% over the month.

US 10-year Treasury yields began June at 2.14% and ended at 2% as Fed members provided further guidance for looser policy as rate cuts are expected during the next 6 months. Timing and magnitude remains key to managing bond and equity market volatility in the second half. Within European equities, Italy (+9.9%) and France (+8.3%) led, whilst sectorally within the US, US Materials (+11.6%) and Energy (+9.4%) led the S&P. Within EM, parts of Latin American equities recovered whilst within APAC, China (+8.1%), Korea (+7.7%) and Taiwan (+5.7%) rebounded, partly due to increased signs of global synchronized monetary easing and near term stability in terms of trade negotiations. Russian equities (+10%) improved in June on higher global oil prices, driven by lower than expected US stockpiles and expectations of an extension of OPEC production cuts.

Key global capital market drivers remain the Fed, Trade and China which had a positive impact on risk assets in June. Fed dovishness coupled with a seemingly market-friendly G20 outcome meant the trade impact is being seen as relatively more of a sentiment neutral rather than seen as a negative near term. Specific details on what progress lies ahead remains unclear.

Trade talk remains just that, although further tariffs have now been placed on hold. We are yet to see trade positively impacting the macro fundamentals within real economies as EM exports remain under pressure, albeit with some tentative signs of bottoming, whilst commodity prices remain subdued. Earnings are yet to see a significant improvement and remain a headwind.

Outlook

Given the dovish stance of central banks globally, we are of the view that central banks of developed markets, led by the Fed, will look to begin a mini-easing cycle. The market indecision towards the magnitude and timing of Fed support will continue to be one driver of volatility across equities and bonds. We remain with a bias of an equity preference over fixed income at this stage.

From a short-term perspective, we remain concerned with recent trade uncertainty and the growing risks of escalation, albeit the latest G20 outcome is being seen as market friendly.

Improving U.S. economic growth later in 2019, along with some mild reflationary pressures are, in our view, likely to support U.S. equities driven by Fed support coupled with improvements in business confidence which could push U.S. yields slightly higher. Moreover, after a very difficult 2018, we expect that European growth will reach a bottom in the second half of 2019, supported by the ECB and more-stable Chinese growth story. Europe should also benefit from improved global trade and industrial production in the latter part of this year. Valuations remain attractive but we are yet to see catalysts.

Despite recent still protracted dialogue with respect to trade, we ultimately continue to believe that the chances of a U.S/China trade deal in 2019 are reasonable, although the risks of tariff escalation remain. Both sides are highly motivated to reach some kind of agreement, even if it is only an interim deal. A long-term solution will still depend on some fundamental reforms from China in areas that, aside from trade and tariffs, include industrial policy, security threats, and external influence. With that said, even an interim deal, if it occurs, would likely result in a significant reduction in trade friction between the world's two largest economies and could be a catalyst for further strength in global equities.

In the fixed-income markets, global rates have fallen recently in response to increasing probabilities of a Fed rate cut. In the 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 and remain underweight the US and Eurozone rate curve given better opportunities elsewhere. 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 medium term preferred positions in the portfolio, particularly local sovereign debt.