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 81.99 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 0.811

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.*

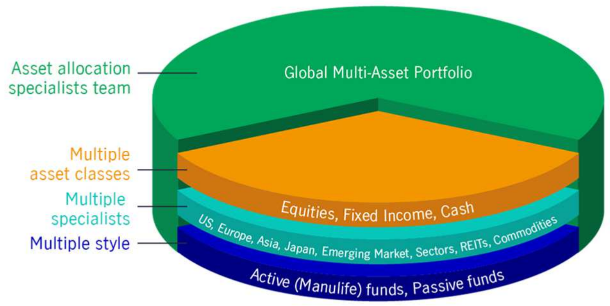
Performance Return (June 30, 2020)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.28%	-6.26%	-1.79%	-4.25%	n.a.	-0.34%
Annualized	n.a.	n.a.	-1.79%	-1.44%	n.a.	-0.08%

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	**63.32**
North American Equities	45.71
European Equities	9.99
Japanese Equities	3.23
Emerging Market Equities	2.42
Asia Pacific (ex-Japan) Equities	1.96
Fixed Income	**31.62**
US Bonds	24.32
Emerging Market Bonds	5.77
Asian Bonds	1.53
Commodities	**3.91**
Others	**-0.01**
Cash & Cash Equivalents	**1.17**

Top Ten Holdings

Top Ten Holdings	%
Vanguard Information Technology ETF	12.85
Invesco QQQ Trust	10.34
iShares MSCI Eurozone ETF	6.55
MGF-US EQ-I3 MGF-US EQTY-I3	6.25
iShares TIPS Bond ETF	5.77
Invesco Preferred Shares UCITS ETF	5.72
SPDR S&P 500 ETF Trust	4.94
SPDR Gold Trust	3.91
iShares PHLX Semiconductor ETF	3.80
iShares USD Corp Bond UCITS ETF	3.52

^Figures may not sum to 100 due to rounding.

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Market Review

Global economies commenced the arduous process of re-opening, exhibiting a mixed recovery. The process of reopening added to investor optimism that global economic growth could be restored to pre-pandemic levels despite an increase in COVID-19 infections in several regions. Improved treatments and progress in developing a vaccine also helped improve investor confidence. While markets in APAC appear to be demonstrating a steady recovery, the US and Latin America continue to face spikes in COVID-19 cases, with Brazil being the worst hit.

As global economies showed some signs of re-opening, global capital markets continued their momentum into June, finishing off what was a strong overall quarter for risk assets. While volatility remained high, it was markedly lower than the record levels of the first quarter of 2020.

Relative to its performance over the past couple of months, the MSCI World gained +2.7% in June 2020 – a fairly strong finish to the quarter. Whilst MSCI Asia ex Japan and MSCI EM drove regional performance by gaining +8.2% and +7.4% respectively, whilst MSCI Europe gained +4.1%, MSCI Japan was flat with a gain of +0.01% and the S&P 500 gained +2%. The U.S. equity market lagged as additional COVID-19 outbreaks, a weaker U.S. dollar and relatively expensive valuations led investors to seek other markets.

Sectorally within MSCI World, IT services continued to do favourably, gaining +7.3% and Consumer Discretionary also outperformed gaining +4.7%. Comparatively, the Health Care, Utilities and Energy sectors underperformed falling -1.3%, -1.2% and -1%, respectively. Energy equities according to the S&P 500 Sector Returns similarly fell -3.7%, reflecting caution in investor sentiment.

Within Fixed Income, the US 10yr Treasury Yield remained largely stable rising from 0.64% to 0.65%. Last month's momentum continued with the Barclays Global High Yield gaining +2.3% as compared to the Citi World Government Bond Index which gained +0.6%.

Within FX vs USD, the New Zealand Dollar gained +4% whilst the Mexican peso fell from last month's high by -4.23%. EMFX broadly appreciated against the USD over the period.

Governments and Central banks continue to demonstrate readiness to stand-in with monetary and fiscal tools to mitigate the risk of economic damage arising from the pandemic. Unemployment appears to have peaked with a gradual return to job growth in response to concerted central bank action and loosening of lock-down restrictions in most major economies.

Outlook

Markets continued to rebound in May as the global economy started to reopen. Near term markets are positive, although medium term more cautious, particularly into late Summer, early Autumn and the run into the US elections.

Markets rebounded in the second quarter as significant amounts of monetary and fiscal stimulus and economies reopening fueled investor optimism. While there have been small rotations into value stocks, growth stocks continue to benefit from COVID-19-related demand for globally digital business practices. In the month of June alone, the positive returns in the MSCI USA Index would have been virtually flat if the tech stocks were excluded.

Despite the markets' rapid recovery this year, we continue to be cognizant that the market can suddenly change course, as there are still underlying fundamental risks in play. Uncertainty is likely to remain high into late Summer and the November US election. Global economies could be moving towards Phase 2 where we see a stall-out in markets and a pick up in the credit default cycle.

Corporate fundamentals are varied across sectors, with defensive business models holding up relatively well and cyclical/commodity businesses facing the most challenges. Markets are nervous for a host of factors, including COVID-19 concerns, slowing global growth and concerns of a recession. We expect global stimulus efforts to remain a focus as central banks globally rush to fill liquidity gaps and relieve economic pressure.

US/China tensions remain the most underappreciated geopolitical risk although it is likely more of a bark than a bite at least until the US election.

The global growth profile, whether a V, W, L, reverse J or "Nike swoosh" remains under debate. What is clear is not all economies have the financial fire power to implement unique fiscal stimuli and will have to wait for a more broad-based opening up of the global economy.

The key issue is that we are moving further and further away from getting back to the pre-COVID trend, let alone the long-term trend growth path.

The social and political implications of this dynamic are unfolding rapidly before our eyes and therefore selectivity at the country and asset class level will remain critical for investors.

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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 Investment Management (Hong Kong) Limited.

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