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 75.01 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 0.749

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.*

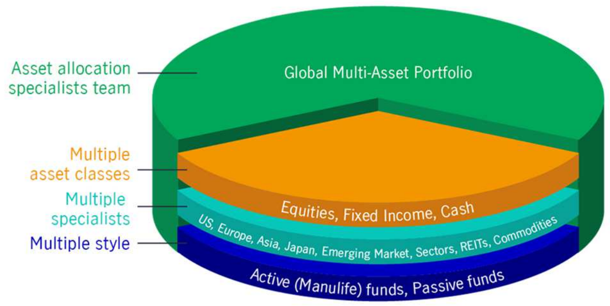
Performance Return (March 31, 2020)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-9.83%	-14.44%	-9.50%	-10.09%	n.a.	-9.03%
Annualized	n.a.	n.a.	-9.50%	-3.48%	n.a.	-2.23%

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	**49.98**
North American Equities	32.77
Emerging Market Equities	9.03
European Equities	4.35
Asia Pacific (ex-Japan) Equities	3.83
Fixed Income	**48.96**
US Bonds	44.40
Emerging Market Bonds	3.01
Asian Bonds	1.56
Cash & Cash Equivalents	**1.06**

Top Ten Holdings

Top Ten Holdings	%
iShares 7-10 Year Treasury Bond ETF	18.47
SPDR S&P 500 ETF Trust	11.74
iShares MSCI Emerging Markets ETF	9.03
Vanguard Information Technology ETF	8.23
iShares Core U.S. Aggregate Bond ETF	7.87
iShares iBoxx $ Investment Grade Corporate Bond ETF	5.77
MANU-US EQU-I3 MANULIFE GLB-US EQUI-I3	5.41
iShares J.P. Morgan USD EM Bond UCITS ETF	3.01
Invesco QQQ Trust	2.91
iShares 3-7 Year Treasury Bond ETF	2.59

^Figures may not sum to 100 due to rounding.

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Market Review

March 2020 will go down in history as one of the most intense and sharpest sell offs capital markets have ever experienced. The market saw historic losses from the peak on February 19th through March 23rd with both the MSCI World and S&P 500 Indices down nearly 34% followed by the best three day gain (~17.5%) since the 1930's. Any bounce back at this time doesn't necessarily mean that we have hit the bottom because the impacts of COVID-19 and the underlying fundamentals of the market have yet to fully play out.

Over March, within MSCI World, Energy was lower down -29.3% as oil was down -54.4%, whilst Consumer Staples outperformed -4.9%. March 2020 saw MSCI Latam, MSCI Asia Pacific ex Japan and MSCI Japan down -34.5%, -14% and -7% respectively.

Within Fixed Income, Barclays Global High Yield was down -13.5%, whilst the safe haven Citi World Government Bond Index was down -0.6%. The US 10yr Treasury Yield fell from 1.14% to 0.68% by month end.

For US High Yield, the monthly return was the second-worst on record, falling short of the post-Lehman credit crisis fallout in October 2008. The speed of the sell-off reduced liquidity globally, but this slightly improved in the last trading week of the month.

Within FX vs the USD, the Brazilian Real was down -13%, Mexican Peso -16% whilst safe havens were seen in the Japanese Yen -0.08, Swiss Franc +0.04 and Taiwan Dollar +0.13%.

Central banks and governments around the world have committed trillions of dollars to keep households and companies afloat and prevent financial markets from seizing up. However, the economic impact continues. As Covid-19 infection rates in China and South Korea have fallen back, they have been rising strongly across Western Europe and the United States. Financial markets have begun to reflect this differential, with China's industrial capacity returning to over 90% of pre-crisis levels while many DMs have been shutting down their economies.

Outlook

Market sentiment deteriorated in March, globally, after global supply chains came under further pressure, more countries went into lock down and demand for goods and services came to a halt. Key policy maker decision making became focused around large monetary and fiscal emergency response packages to ensure credit stresses were alleviated from certain pockets of the market and corporates and populations had the financial support they needed.

The global health crisis is likely to encourage a reassessment of economic and corporate risks including business models heavily invested towards and reliant on China supply. Initial complacency of a rapid V-shaped global recovery has been somewhat toned down, global growth revised lower whilst central banks globally have provided the market with a significant policy response that involves easier financial and monetary conditions, as well as fiscal stimulus. We see a stabilisation and muted recovery into the latter part of 2020, although the situation is very fluid.

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 systemic 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 further, and for governments to offer a second wave of fiscal stimulus.

Inevitably, Chinese GDP and inherently Global GDP including corporate fundamentals will be negatively impacted for months, although actual impact will hinge on the effectiveness of global governments to diagnose, contain and mitigate the virus in major economic hubs over the near term.

Given the above, we are not ruling out a secondary retest/ undercut of the lows. We are also mindful that bear markets tend to spend more time trading sideways to up than they do going down as the selloffs occur much faster than the up/ranging actions. Bear markets last an average of 18 months and a second major low (double bottom) is usually put in 12 months after the first major low. As a result we will continue to use Neutral as our upper bound on risk; conversely Neutral will be our lower bound on duration for now.

We continue our search for opportunities and will remain nimble in our asset allocation decision making into 2020.