

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 80.02 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.796	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.

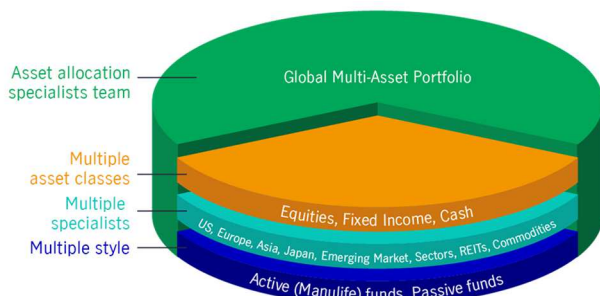
Performance Return (May 31, 2020)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.32%	-8.36%	-0.62%	-6.02%	n.a.	-2.56%
Annualized	n.a.	n.a.	-0.62%	-2.05%	n.a.	-0.59%

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	58.89
North American Equities	49.06
European Equities	6.45
Emerging Market Equities	2.39
Japanese Equities	0.99
Fixed Income	32.00
US Bonds	25.75
Emerging Market Bonds	4.72
Asian Bonds	1.53
Commodities	3.04
Cash & Cash Equivalents	6.07

Top Ten Holdings

	%
SPDR S&P 500 ETF Trust	10.52
Vanguard Information Technology ETF	10.38
iShares 7-10 Year Treasury Bond ETF	8.83
Invesco QQQ Trust	8.54
iShares MSCI Eurozone ETF	6.45
MGF-US EQ-I3 MGF-US EQTY-I3	6.25
iShares J.P. Morgan USD EM Bond UCITS ETF	4.72
iShares Preferred & Income Securities ETF	4.58
iShares 10-20 Year Treasury Bond ETF	4.55
iShares USD Corp Bond UCITS ETF	4.54

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

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Market Review

Optimism regarding a potential global recovery from the COVID-19 pandemic started to take hold in May, driving markets higher and building on the rebound in global equities from their March 23 lows. Investors were encouraged by the lifting of some restrictions imposed to contain the spread of the virus and the additional stimuli from many central banks. The Japanese equity market made gains after the country declared a controversial victory over COVID-19 after only seven weeks of the nation's modified lockdown.

The MSCI World continues to perform favorably, gaining +4.9% in May 2020, largely driven by Japan and the US with the S&P 500 gaining +4.8% whilst MSCI EM underperformed gaining +0.8%, driven by Asia Pacific ex Japan which fell -0.3%. Growing political tensions around Greater China and rising Covid-19 infections capped the continuing recovery in India, LatAM and EMEA regions.

The passage of a bi-partisan bill in the US Senate threatened the de-listing of Chinese companies with ADRs traded on US exchanges; and further attempts to restrict the ability of Chinese companies, such as Huawei, to use state of the art technology to develop the next generation of 5G communications equipment. China has appeared to counter with the proposal of a new national security law for Hong Kong, which potentially challenges the democratic basis of "one country, two systems" and is intended to curb the waves of anti-Beijing demonstrations that had been a daily occurrence prior to the pandemic.

All sectors within the MSCI World index were positive with IT services and Materials outperforming, gaining +7.8% and +6.7%, respectively. Comparatively, the Real Estate and Energy sectors underperformed gaining only +1.1% and +1.6%.

Amongst commodities, Oil significantly outperformed gaining +49.6% – a substantial improvement on April 2020 that saw Oil fall by -24%. Oil equities according to the S&P 500 Sector Returns, however, gained only +2%, reflecting continued caution in investor sentiment.

Within the Fixed Income area, the US 10yr Treasury Yield remained largely stable rising from 0.62% to 0.65%. Last month's momentum continued with the Barclays Global High Yield gaining +5.1% as compared to the Citi World Government Bond Index which gained a mere +0.2%.

Within FX vs USD, the Mexican Peso gained +7.6% whilst the British Pound saw a fall of -2%.

Global economies continue to re-open pressured by compressed GDP and rising sectoral unemployment. Emerging markets such as Brazil, India and Russia, in particular, are witnessing rising cases of COVID-19 resulting in severe dislocation of capital and labor. Governments and Central banks continue to utilize available monetary and fiscal tools to cushion the economic impact of the global pandemic and cement the road to recovery.

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.

Uncertainty is likely to remain high and the true economic impact is yet to be realised. Recent global protests cloud the near term in respects a second covid wave.

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. A concern in Europe could be a watered down version of the recently announced E750bn Recovery Fund.

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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