

# 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

<b>Inception Date</b> January 2016	<b>Fund Size</b> USD 83.66 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 0.860	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> 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.

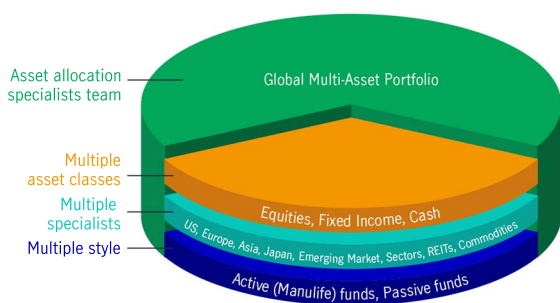
## Performance Return (October 31, 2019)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.10%	4.90%	3.67%	2.79%	n.a.	2.39%
Annualized	n.a.	n.a.	3.67%	0.92%	n.a.	0.63%

## 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<sup>^</sup>

	%
<b>Equities</b>	<b>68.19</b>
North American Equities	32.43
European Equities	15.15
Japanese Equities	10.01
Emerging Market Equities	5.33
Asia Pacific (ex-Japan) Equities	5.27
<b>Fixed Income</b>	<b>28.13</b>
US Bonds	21.54
Emerging Market Bonds	5.59
Asian Bonds	1.00
<b>Commodities</b>	<b>3.11</b>
<b>Others</b>	<b>7.76</b>
<b>Cash</b>	<b>-7.19</b>

## Top Ten Holdings

	%
iShares USD High Yield Corp Bond UCITS ETF	10.45
Lyxor EURO STOXX 50 (DR) UCITS ETF Act -Dist-	10.11
MMP DEPO-HK USD 1.53 04Nov19	7.76
SPDR Bloomberg Barclays High Yield Bond ETF	7.55
Vanguard Information Technology ETF	6.26
MGF - American Growth Fund	5.97
iShares MSCI Emerging Markets ETF	5.33
MGF - European Growth Fund	4.04
iShares PHLX Semiconductor ETF	4.03
Lyxor S&P 500 UCITS ETF D USD	3.90

<sup>^</sup>Figures may not sum to 100 due to rounding.

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## Market Review

Global markets maintained momentum into October as central banks continued the rate cut cycle with the Fed cutting as expected by 25bps, the ECB announcing a further round of Quantitative Easing and Emerging Markets such as Brazil, Chile, Indonesia, Korea, Philippines, Russia and Turkey also were seen cutting.

The MSCI ACWI gained +2.8% with the S&P +2.2%, MSCI Japan +4.9% and MSCI Emerging Markets +4.2%, with MSCI Brazil +7.5%, China +4.7% and Mexico +5.1%.

Broad fixed Income underperformed broad equities in October although local currency EM bonds had a solid month given USD weakness against Brazilian Real (+3.7%) and the Mexican Peso (+3%). Hard currency, Barclays EM USD Aggregate gained +0.53%.

US High-yield bonds returned 0.19% for the month, with BB-rate bonds returning 0.60%, outperforming CCC-rated and B-rated bonds, which returned 0.10% and 0.12%, respectively. October was the sixth month in a row that BB-rated bonds outperformed CCC-rated bonds.

At the time of writing, 75% of the S&P 500 corporates have beat consensus Q3 earnings – still negative, but less negative than previously expected. Latest US payroll data also beat at 128k vs 85k expected, whilst the prior data-point was also revised higher. In other areas a lower probability of a no-deal Brexit coupled with further ECB stimulus has helped European assets during October.

Growth equities came back in October, whilst MSCI EAFE and MSCI EM markets outperformed the S&P in October, the U.S. market still trades at a 15-year peak relative multiple compared to international markets.

Over the month, some of the macro geopolitics cyclically improved given some alleviation, as a partial phase one trade deal is becoming a better probability of happening, although a firmer commitment from the US in terms of rolling back previously implemented September tariffs and foregoing further December tariffs are yet to be confirmed.

Non-trade barriers such as US blacklisting more Chinese companies, US involvement in Hong Kong and Taiwan domestic issues and the US pushing to limit US investments into Chinese financial assets continue to keep tensions fragile.

## Outlook

Currencies, in particular the USD, 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.

Selective Emerging Markets have seen larger or earlier-than-expected rate cuts in Indonesia, Thailand, Brazil, South Africa and India.

As a result, rate cuts across EM are supporting local equity markets. Significantly, when these are coupled with material market and economic reforms in important markets such as Brazil and India, we find ourselves remaining constructive on the EM asset class, which remains attractively valued. We continue to believe that against this backdrop companies demonstrating consistent and growing earnings will be rewarded.

Globally, 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 key market drivers, whilst other growing risks such as pockets of recessionary risks in Europe, in particular Germany, UK elections and Hong Kong protests have added to investor concerns.

Given the Fed's three 25bps reductions, we think one more cut will come through in March 2020, with a December 2019 pause, barring an unexpected weakening in the economy. Our relatively modest forecast for Fed easing is currently driving our preference for a slight underweight in U.S. bonds versus equities, although we like U.S. fixed income relative to foreign bonds.

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.

Longer term, rates should edge higher if we are right about global economic growth improving later in the year. High yield bonds could remain 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 and remains a focal point for income-seeking investors. We continue our search for yield and will remain nimble in our asset allocation decision making for the rest of 2019.

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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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