

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 84.32 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.820	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.

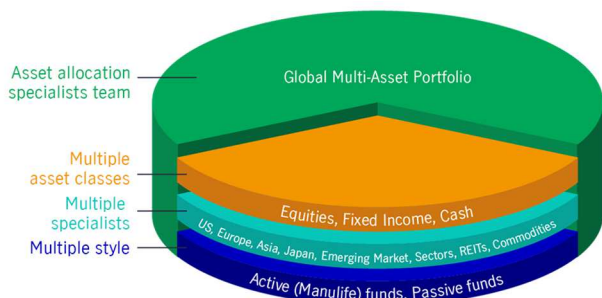
Performance Return (October 31, 2020)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.17%	-3.71%	-0.01%	-3.98%	n.a.	2.38%
Annualized	n.a.	n.a.	-0.01%	-1.34%	n.a.	0.49%

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	57.37
North American Equities	38.59
Asia Pacific (ex-Japan) Equities	10.72
European Equities	4.07
Japanese Equities	3.99
Fixed Income	34.20
US Bonds	23.33
International Bonds	5.61
Emerging Market Bonds	2.73
Asian Bonds	2.53
Commodities	2.57
Cash & Cash Equivalents	5.85

Top Ten Holdings

	%
SPDR S&P 500 ETF Trust	14.62
MGF-US EQ-I3 MGF-US EQTY-I3	6.40
Invesco QQQ Trust	6.25
Vanguard Total International Bond ETF	4.26
iShares MSCI Japan ETF	3.99
iShares iBoxx \$ Investment Grade Corporate Bond ETF	3.81
iShares Core MSCI Asia ex Japan ETF	3.76
iShares Core U.S. Aggregate Bond ETF	3.65
iShares USD Corp Bond UCITS ETF	3.42
Invesco Preferred Shares UCITS ETF	3.17

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

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Market Review

The risk-off environment continued in October amid the uncertainty around the US presidential election and the lockdown measures in Europe.

Emerging markets continued to outperform developed markets despite the fall in Latam. Indonesia (+5.9%), Philippines (+5.6%) and China (+4.8%) supported EM equities. Parts of Eastern and Southern Europe detracted from the region.

MSCI World (-3.0%) remained weak over the month, S&P 500 -2.7% whilst MSCI EM and MSCI APAC ex Japan up for +2.1% and +2.4% respectively. MSCI Japan (-1.6%) also detracted for the month.

Looking at the sectors within MSCI World, most of them continued the pull-back from last month except Utilities (+1.9%) and Communication Services (+1.2%). Energy (-5.3%), Information Technology (-5.1%) and Healthcare (-4.9%) were the main laggards.

Utilities stocks were known as a more defensive trade amid the election-induced volatility, it was also expected that the government will accelerate the shift to greener energy under a potential blue sweep.

Fixed Income closed mixed for the month. Risker assets rallied as shown by Merrill Lynch High Yield Master II (+0.5%) and Barclays Global High Yield (+0.1%). Barclays US Aggregate (-0.5%) and Citi World Govt Bond Index (-0.2%) moved in an opposite direction. The US Treasury 10yr increased 2 bps and stood at 0.85% for the month given that the market was anticipating a blue sweep accompanied with stimulus.

In the commodity space, Natural Gas (+12.3%) moved up by a meaningful margin together with Aluminum (+5.3%). Oil (-11.5%) moved in the opposite direction. Gold (-0.8%) slightly detracted.

Non-USD FX showed a mixed picture. Mexican Peso (+3.8%) and Korean Won (+3.1%) led the way, while Brazilian Real (-2.3%) and Norwegian Krone (-2.1%) remained weak.

Economic data provided positive surprises to the market despite the resurgences of COVID-19 cases in US and Europe. In the job market, US initial jobless claims had a larger-than-expected decline to the level of 787,000, below 800,000 for the first time since March this year. Manufacturing data showed an optimistic picture with a reading of 59.3 in US ISM which is the highest point since September 2018. Eurozone's manufacturing PMI rose to 54.4 while the rising number of COVID-19 cases led to a contraction in service sector with services PMI falling to 49.4. COVID-19 conditions worsened as the United States and some countries in Europe reached a new record high in the number of daily infections. More social distancing and lockdown measures have been imposed in Europe, delaying the timeline for a full reopening of economies.

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. Further escalation of US China tensions particularly around technology is likely to bring further tit for tat reaction from both sides.

Outlook

Uncertainty is likely to remain, given the still to-be determined election outcome – markets however have reacted positively. Global economies however are firmly in a Phase 2 recovery stage, where we see a stall-out in markets and a pick-up in the credit default cycle in certain pockets of the market.

Corporate fundamentals are varied across sectors, with defensive business models holding up relatively well and cyclical and commodity businesses facing significant challenges. Markets remain sensitive to a host of factors including COVID-19, slowing global growth and fears of prolonged recession. We expect global stimulus efforts to remain a focus as central banks globally and the United States Congress rush to fill any liquidity gaps and pressure points. We are closely monitoring direct and indirect impacts of COVID-19 to avoid issuers with liquidity concerns.

US High-yield markets rapidly repriced credit risk in the first quarter and we believe the outlook remains balanced. High-yield returns were negative in September, partly offsetting gains from July and August. We expect uncertainty to remain high in the coming months but believe investors are generally being compensated for these risks. We feel that defaults have peaked and trailing 12-month default rates will decline in 2021. Our fundamental analysis and stress testing give us confidence in our ability to navigate these challenges.

All indications point to an extended period of low interest rates and continued government support to put the global economy back on a positive trajectory. However, the pace of recovery into 2021 and beyond is difficult to project given the sheer number of variables to consider. Economic data has been better than expected overall, supporting an optimistic view towards a global recovery. However, the massive volatility in indicator readings makes these positive signs less reassuring, and we believe that the level to which data eventually normalises will be more important.

With the shift in seasons, reopening of schools, a loosening of initial response restrictions and/or lockdown compliance fatigue, the rising number of COVID-19 cases globally seems inevitable. That said, the overall infection trend in EM regions appears to have slowed, with varying experiences across countries, which may be a rotation from first-wave hotspots to new affected areas.

Within equities, we're focused on ramifications on anti-trust legislation for big tech, public option healthcare strategies, higher corporate and personal taxes to help pay for large stimulus packages, US-China and global geopolitical relations, renewable energy investments, and impact of any changes on the USD. Sectors that potentially could be favorably impacted by a Biden victory would be infrastructure, construction, semiconductors, renewables, and materials while big tech, healthcare, and energy could be most negatively impacted.

Multiple questions remain on the potential impact of a vaccine, including probable timelines, safety, efficacy, distribution priority and global availability. However, the lasting impact of COVID-19 on the global economy is not the only factor to monitor. Rising geopolitical tensions, decelerating growth rates, supply chain disruptions and a general deglobalization trend all raise questions about the future trajectory of global debt and equity markets.

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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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