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 81.70 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 0.854

Management Fee
2.25% per annum

Bloomberg Ticker
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.*

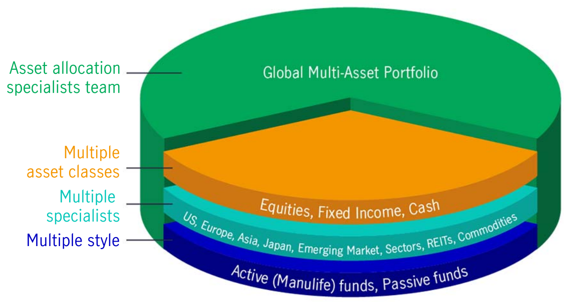
Performance Return (September 30, 2019)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.87%	3.75%	-2.86%	0.00%	n.a.	1.27%
Annualized	n.a.	n.a.	-2.86%	0.00%	n.a.	0.34%

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	**67.17**
North American Equities	39.67
European Equities	15.53
Asia Pacific (ex-Japan) Equities	7.47
Japanese Equities	4.50
Fixed Income	**30.05**
US Bonds	21.28
Emerging Market Bonds	6.80
International Bonds	1.97
Commodities	**0.48**
Cash	**2.30**

Top Ten Holdings

Top Ten Holdings	%
iShares USD High Yield Corp Bond UCITS ETF	10.67
Vanguard S&P 500 UCITS ETF	9.67
Lyxor EURO STOXX 50 (DR) UCITS ETF Act -Dist-	9.54
MGF - American Growth Fund	5.94
SPDR Bloomberg Barclays High Yield Bond ETF	5.72
Vanguard Information Technology ETF	5.52
iShares Core S&P 500 UCITS ETF	4.85
iShares J.P. Morgan USD EM Bond UCITS ETF	4.81
iShares MSCI Japan ETF	4.50
848-816153-201 USD H2564PLA	4.10

^Figures may not sum to 100 due to rounding.

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Market Review

Global markets improved in September with MSCI ACWI +2.2% with the S&P +1.9% and MSCI Japan outperforming over the month, +4.2%. Emerging markets recovered from the August sell off but less so than Developed Markets with MSCI EM +1.9%. Gold fell -4%.

Macro-economic data remains weak as PMIs contracted and ISMs missed. The continuing background narrative created a volatile month driven largely by macro events, including trade tensions which escalated and de-escalated from day to day, and the destabilising spike in oil prices following the drone attack on Saudi oil facilities, sectorally energy names rallied.

China's government continued to respond to slowing growth and trade pressures by announcing policy support on both the monetary and fiscal fronts – unsurprising in the run up to the powerfully symbolic 70th anniversary on October 1st of the founding of the Chinese Communist Party.

Synchronized easing of monetary conditions by global Central Banks was also replicated across EM, where structural declines in inflation are now enabling widespread rate cuts.

Within the U.S. equity market, financials stocks benefited as the yield on the 10-year Treasury rose from 1.5% to 1.68% and companies provided better-than-expected net interest margin outlooks.

Within Fixed Income, High Yield outperformed with the Barclays Global High Yield and Merill Lynch High Yield Master +0.47% and +0.32% respectively. In September, high-yield bonds rose from a 17-month low amid large swings in oil and interest rates, an active primary market and the largest retail inflows in seven months.

Emerging markets bonds showed mixed performance during September 2019 across all categories. High-yield segments of both U.S.-dollar sovereign and U.S.-dollar corporate bond markets outperformed their investment-grade counterparts. Barclays EM USD Aggregate was stable over the month +0.04%.

Outlook

Year to date in 2019, Global equity and spread markets have been greatly impacted by increased tensions over trade policy and hopes for an accommodative Fed. We expect the focus in the final months of the year to be no different. Although we don't expect big breakthroughs on the trade front any time soon, we do anticipate that China and the White House will work toward a de-escalation of trade tension, at a minimum. Even such a modest goal, if achieved, could be generally supportive of global equity markets.

Currencies 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.

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, Brexit negotiations and Hong Kong protests have added to investor concerns.

Given the Fed's two 25bps reductions in its key policy rate during the third quarter, we think one more cut remains by the end of 2019, 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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