

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 0.833 | 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.

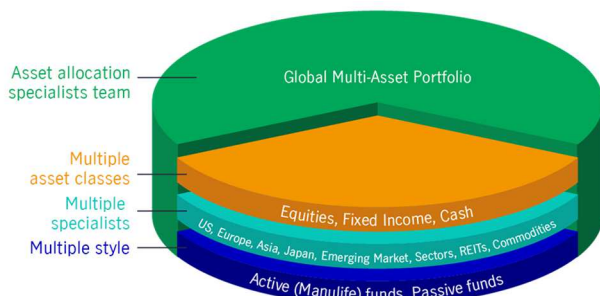
Performance Return (September 30, 2020)

| Global Target Income Fund (net of management fee) | 1 Month | YTD | 1 Year | 3 Years | 5 Years | Since Inception |
|--|---------|--------|--------|---------|---------|-----------------|
| Absolute | -3.21% | -2.56% | 2.29% | -2.15% | n.a. | 3.60% |
| Annualized | n.a. | n.a. | 2.29% | -0.72% | n.a. | 0.75% |

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 | 65.95 |
| North American Equities | 43.50 |
| Asia Pacific (ex-Japan) Equities | 10.85 |
| European Equities | 7.55 |
| Japanese Equities | 4.05 |
| Fixed Income | 32.35 |
| US Bonds | 20.51 |
| International Bonds | 6.56 |
| Emerging Market Bonds | 2.75 |
| Asian Bonds | 2.53 |
| Commodities | 2.59 |
| Cash & Cash Equivalents | -0.89 |

Top Ten Holdings

| | % |
|--|-------|
| SPDR S&P 500 ETF Trust | 17.99 |
| MGF-US EQ-I3 MGF-US EQTY-I3 | 6.73 |
| Invesco QQQ Trust | 6.45 |
| Lyxor EURO STOXX 50 (DR) UCITS ETF Act -Dist- | 5.95 |
| Vanguard Total International Bond ETF | 4.25 |
| iShares MSCI Japan ETF | 4.05 |
| iShares iBoxx \$ Investment Grade Corporate Bond ETF | 3.84 |
| iShares Core U.S. Aggregate Bond ETF | 3.68 |
| iShares Core MSCI Asia ex Japan ETF | 3.67 |
| iShares USD Corp Bond UCITS ETF | 3.42 |

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

Global Target Income Fund

Market Review

Risk assets were mixed over September in the lead up to the first US presidential debate and resurgence of COVID-19 cases in Europe. US-China decoupling had minimal signs of improvement in the month as shown by the delay in the TikTok negotiation, whilst election uncertainty mounted towards quarter end.

Emerging markets outperformed developed markets despite the fall in Latam. Korea (+3.6%), Taiwan (+2.2%) and India (+1.5%) supported the EM equities. Indonesia (-11.9%) and pockets of Eastern Europe detracted from the region.

MSCI World fell -3.4% over the month, S&P 500 -3.8% whilst MSCI EM and MSCI APAC ex Japan fell -1.6% and -2.3% respectively. MSCI Japan rallied on the back of the global risk-off sentiment with a positive return of +1.1%.

Looking at the sectors within MSCI World, all of them suffered from a deduction. Energy (-13.8%), Financials (-5.5%) and Communication Services (-5.4%) were the main laggards. Utilities (-0.5%) and Industrials (-0.6%) were comparatively more resilient for the month.

Lower crude oil prices driving the decline in energy stocks, uncertainty on economic recovery also led to the pick up in selling pressure.

Fixed Income performed weaker than last month, mainly driven by Barclays Global High Yield (-1.9%), Barclays EM USD Aggregate (-1.3%) and Merrill Lynch High Yield Master II (-1.0%). Less risky assets such as Citi World Govt Bond Index (-0.2%) and Barclays Global Treasury (-0.2%) also detracted from performance. The US Treasury 10yr decreased 2 bps and stood at 0.68% for the month as the market is turning more cautious on the economic outlook.

In the commodity space, Agriculture (+3.5%) managed to move up but Natural Gas (-13.6%) and Energy (-9.6%) struggled. Gold (-4.2%) also detracted from performance.

Non-USD FX showed a mixed picture, Korean Won (+1.6%) and Taiwan Dollar (+1.3%) led the way, while Norwegian Krone (-7.3%) and Swedish Krona (-3.6%) remained weak.

Economic data provided some positive surprises. In the job market, US initial jobless claims fell for five consecutive weeks following the pandemic-related shutdown in mid-March. The decrease in continuing claims also provided good news to the market. Manufacturing data continued to support as it was the fourth straight month of expansion indicated by the 55.5 reading in US ISM. Composite PMI marginally above the 50 mark as the services PMI fell despite the rise in manufacturing PMI. COVID-19 conditions in Europe worsened with Spain and France recording the highest number of new cases per capita. The outbreak remains persistent in the US and worldwide, in addition to the increasing social distancing measures in Europe.

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

While equities with growth characteristics continued to lead the markets, there were bouts of rotation into value equities throughout the past three months as the market recognized that valuations of technology stocks may be becoming relatively high.

We continue to be cognisant that markets can suddenly change course, as there are still underlying risks at play. While there have been small rotations into value stocks, growth stocks continue to benefit from COVID-19-related demand for globally digital business practices. Uncertainty is likely to remain high into late Summer and the November US election. Global economies 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.

Given underlying risks, part of our ongoing analysis focuses on the causes of stock market increases. Markets appear to be factoring in expectations that the U.S. economy will rebound quickly in the last half of 2020 and beyond. Fed Chair Jerome Powell's statement in mid-September reinforced the expectation that the Fed will continue with very low interest rates for the time being, potentially pushing stock prices higher as fundamentals are discounted at a lower rate. From a valuation perspective, the market is valuing 2021 MSCI World Index earnings at 24-times, up from 16-times in March, levels rarely exceeded since the technology bubble of the 1990s. When compared against the 2021 valuations from 2019, these current valuations reflect assumptions of higher earnings per share and earnings margins. We have been concerned with margins peaking for some time, and are therefore surprised that markets appear to expect higher margins in the future.

Furthermore, the price/earnings disparity between growth and value stocks continues to widen, at its largest difference in over 20 years. Year-to-date, the MSCI World Growth Index has outpaced the MSCI World Value Index by a sizeable 33.5%. It appears that markets are starting to recognize the stark valuation differences between growth and value given the bouts of rotation into value during the quarter. However, if the last five trading days of the third quarter are any indication, markets appear quick to resume favouring growth.

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. Another concern remains the wildcard risk of a chaotic and likely contested U.S. election is something the market was contemplating long before President Trump's positive COVID-19 diagnosis.

Global Target Income Fund

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.

The Investment Funds ("Funds") mentioned in this document are specific to variable life insurance contracts and are not considered mutual funds. Yields depend on interest and foreign exchange rate levels, both of which may fluctuate. Other factors that affect yield include changes in the credit standing of the issuers and changes in the value of the stocks and dividends received. Further, investments of the Funds may provide that their values be determined based on prices or yields of other securities, instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of these investments and, in turn, the Funds' yields. Thus, the performance of the separate account(s) is not guaranteed and the value of the policy could be less than the capital invested subject to any specified minimum guarantees. **THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS.** Past performance of the Funds is not necessarily indicative of future performance. Yields are not guaranteed. Yields indicated are exclusive of charges associated with the variable life policy.

Manulife Investment Management™ is the institutional asset management arm of Manulife Financial. Manulife Investment Management™ and its affiliates provide comprehensive asset management solutions for institutional investors and investment funds in key markets around the world. This investment expertise extends across a full range of asset classes including equity, fixed income and alternative investments such as real estate, timber, farmland, as well as asset allocation strategies.

The opinions and portfolio holdings expressed are those of Manulife Investment Management™ ("Manulife IM") as of the date stated in the document, and are subject to change based on market and other conditions. The information in this document including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Manulife IM disclaims any responsibility to update such information. Information about the portfolio's holdings, asset allocation, or country diversification is historical and is not an indication of future portfolio composition, which will vary. All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Clients should seek professional advice for their particular situation. Neither Manulife Financial, Manulife Investment Management™, nor any of their affiliates or representatives is providing tax, investment or legal advice. Past performance does not guarantee future results. This material was prepared solely for informational purposes, does not constitute an offer or an invitation by or on behalf of Manulife IM to any person to buy or sell any security and is no indication of trading intent in any fund or account managed by Manulife IM. Investors should not make investment decisions based on this material alone. For details, please refer to the relevant investment policy and product key fact statements.