

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 78.35 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.840	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.

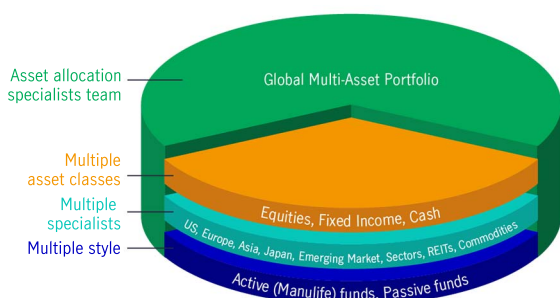
Performance Return (May 31, 2019)

Global Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-4.38%	0.45%	-7.26%	-1.93%	n.a.	-1.95%
Annualized	n.a.	n.a.	-7.26%	-0.65%	n.a.	-0.58%

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[^]

	%
Equities	55.18
North American Equities	44.40
European Equities	7.05
Asia Pacific (ex-Japan) Equities	3.73
Fixed Income	28.58
US Bonds	24.81
Emerging Market Bonds	2.02
Asian Bonds	1.75
Commodities	3.07
Others	9.06
Cash	4.12

Top Ten Holdings

	%
Lyxor S&P 500 UCITS ETF D USD	10.02
Vanguard S&P 500 UCITS ETF	9.40
Invesco Senior Loan ETF	6.55
Vanguard Total Bond Market ETF	6.23
iShares Core S&P 500 UCITS ETF	6.12
HSBC HONG KONG 2.28% 06/04/2019	6.00
Vanguard FTSE Europe ETF	4.34
iShares 7-10 Year Treasury Bond ETF	4.07
Utilities Select Sector SPDR Fund	3.96
iShares USD Corp Bond UCITS ETF	3.92

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

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Market Review

In May 2019, equity markets were driven lower by trade uncertainty and flows towards USD denominated, relative, defensive assets, particularly safer-haven US Treasuries as fixed income markets began to price in a higher probability of Fed rate cuts to support US growth.

Equities saw mid-single digit % declines across global markets driven by a realization that a trade resolution is unlikely to be made imminently, but rather the G20 meeting in Osaka will see continued trade dialogue between US & China.

The S&P fell 6.4% overall driven by Energy (-11.1%) and Tech (-8.7%). Similarly, other developed markets were lower, whilst MSCI Australia outperformed over the month rising 0.1% after a change of government, post elections, and expectations of an RBA rate cut.

MSCI Emerging markets equities fell 7.3%, driven by the largest weights in the index, China (-12.9%), Korea (-9.6%) and Taiwan (-7.7%). Trade uncertainty continues to impact Korean and Taiwan order-books, with Korean May exports falling 11.7% yoy – a sixth straight monthly fall.

China's official manufacturing PMI data for May 2019 was 49.4, lower than expected and lower than April's reading of 50.1. PMI readings above 50 indicate expansion, while those below that signal contraction. The CNY, an anchor currency for Emerging markets, weakened 2.4% vs USD, partly driven weaker by domestic China trade implications as well as investor safe-haven appetite for the US dollar.

Within fixed income, developed market sovereign global yields fell, with US 10-year treasury beginning May at 2.5% and ending the month at 2.14%. Within credit, spreads widened driven by US High yield widening 75bps, whilst US Investment grade was more resilient widening only 5bps. The Barclays Global Aggregate Index registered a return of +1.4%, whilst MSCI World Index -5.7% in USD terms over the month.

Outlook

Given the "Dovish" stance of central banks globally, we feel developed-market central banks, led by the Federal Reserve, are likely finished hiking interest rates in this cycle. The next rate decision is more likely to be an interest-rate cut than a hike – the market indecision towards the magnitude of Fed support will continue to be one driver of volatility. Global bond yields should remain relatively well-contained. This is significant as, until recently, investors viewed "monetary overkill" as the number one recession risk for 2019.

From a short-term perspective, we remain concerned with recent trade uncertainty and the growing risks of escalation. However, improving U.S. economic growth later in 2019, along with some mild deflationary pressures beginning in the summer are, in our view, likely to support U.S. equities and push U.S. yields slightly higher. Moreover, after a very difficult 2018, we expect that European growth will find a bottom in the second half of 2019, supported by a more-stable Chinese growth story. Europe should also benefit from improved global trade and industrial production in the latter part of this year.

Despite recent prolonged dialogue with respect to trade, as well as additional focus by the US towards Mexico and India, we ultimately continue to believe that the chances of a U.S./China trade deal in 2019 are reasonable, although the risks of tariff escalation have risen. Both sides are highly motivated to reach some kind of agreement, even if it is only an interim deal. A long-term solution will still depend on some fundamental reforms from China in areas that, aside from trade and tariffs, include industrial policy, security threats, and external influence. With that said, even an interim deal, if it occurs, would likely result in a significant reduction in trade friction between the world's two largest economies and could be a catalyst for further strength in global equities.

In the fixed-income markets, global rates have fallen recently in response to increasing probabilities of a Fed rate cut. Longer term, rates should edge higher if we are right about global economic growth improving later in the year. For this reason, we remain pessimistic about government bonds in developed markets. Given the current term structure of U.S. interest rates, short-duration fixed income has become more attractive in that market. High yield could be 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 medium term preferred positions in the portfolio, particularly local sovereign debt.

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 Asset Management (Hong Kong) Limited.

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Manulife Asset Management™ is the institutional asset management arm of Manulife Financial. Manulife Asset 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.

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