Manulife Asset Management

2018 Q4

Important Notes:

1. Manulife Global Fund – Asia Total Return Fund ("Manulife Asia Total Return Fund" or the "Fund") invests primarily in a diversified portfolio of fixed income securities issued by governments, agencies, supra-nationals and corporate issuers in Asia, which may involve Mainland China investment, interest rate risk, high yield bonds, sovereign debt, emerging markets, securitised products, liquidity, government policies, taxation, credit downgrade, interest rate, counterparty and currency and currency repatriation risks, and is subject to greater risk than investments in more developed economies or markets.
2. The Fund does not guarantee distribution of dividends, the frequency of distribution, and the amount/rate of dividends. Dividends may be paid out of income, realised capital gains and/or out of capital of the Fund in respect of the Inc share class. Dividends paid out of capital of the Fund amounts to a return or withdrawal of part of the amount of an investor's original investment or from any capital gains attributable to that original investment, and may result in an immediate decrease in the net asset value per share in respect of such class of the Fund.
3. The Fund may invest in higher-yielding debt securities rated lower than investment grade or if unrated, their equivalent and is therefore subject to greater risk.
4. Investment involves risk. The Fund may expose its investors to capital loss. Investors should not base on this material alone to make investment decisions and should read the offering document for details, including the risk factors, charges and features of the Fund and its share classes.

Manulife Global Fund

Asia Total Return Fund

Capture the Diversity of Asian Bonds

Primarily invested in investment grade bonds, with focus on risk management

Three key sources of return drivers

Annualised yield of 5.56%*
(Dividend rate is not guaranteed. Dividends may be paid out of capital. Refer to important note 2)

* Source: Manulife Asset Management, as of 31 August 2018, refers only to AA (USD) share income class. Annualised yield = [(1+distribution per unit/ex-dividend NAV)^distribution frequency per annum]–1, the annualised dividend yield is calculated on the basis of the latest relevant dividend distribution and assuming reinvestment of dividend and may be higher or lower than the actual annual dividend yield. Please note dividend distribution is not guaranteed, and a positive dividend yield may not indicate a positive return.

The Massive Potential of Asian Bonds

The Asian economies continue to generate growth amidst mild inflation, creating good fundamentals for Asian bonds. Meanwhile, the quality of credit keeps improving, with US bonds and local currency bonds all performing well in the region in the last few years[1].

The Asian bonds market continues to grow. It is now the third-largest in the world[1] by size. Looking ahead into 2018 2H, investors can expect to find opportunities in the features of "Three Highs" and "Three Lows" of the Asian bonds.

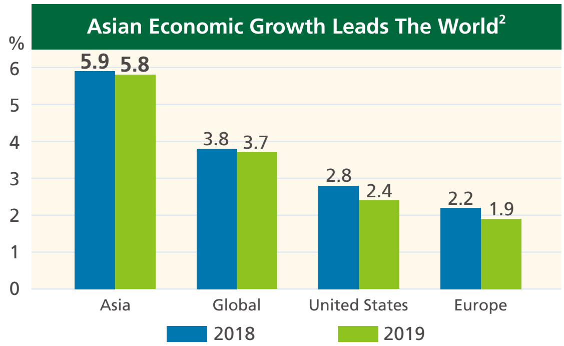
[1] Source: Bloomberg, 31 May 2018.

Asian Bonds' "Three Highs"

High growth

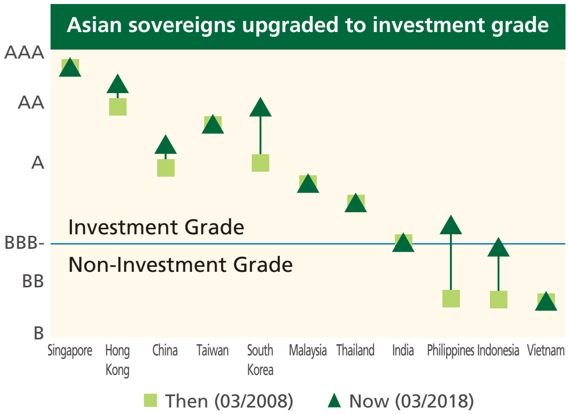
- Strong Asian growth and solid fundamentals will drive Asian currencies.
- The forecast economic growth rates for 2018 and 2019 are 5.9% and 5.8% respectively, higher than those of the US, Europe and globally[2].
- Asian countries are backed by robust foreign currency reserves, which means stronger ability to withstand external shocks.

[2] Source: Bloomberg, Economic Research, 31 March 2018.



High ratings

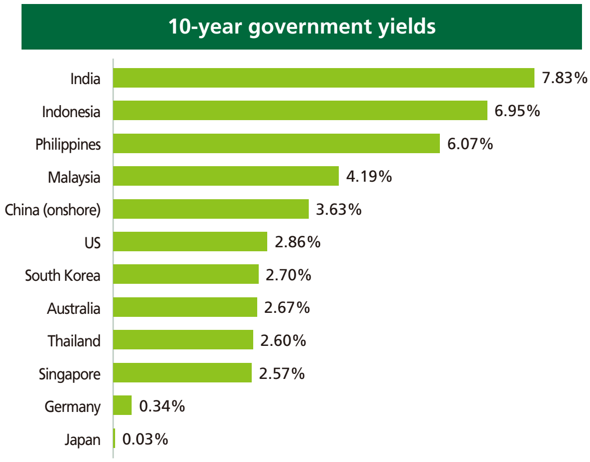
- Many Asian countries have had their sovereign ratings upgraded over the past decade.
- Most Asian sovereigns are currently rated investment grade.
- A healthy regional business environment, rising corporate earnings and strong liquidity support bond issuance for capital fund-raising.



Source: Bloomberg, 31 March 2018.

High yields

- Compared to US, German and Japanese government bonds, Asian government bonds are more attractive to investors due to their higher yields.
- Variance in Asian economic fundamentals and interest rate policies will create diverse opportunities in bond selection.

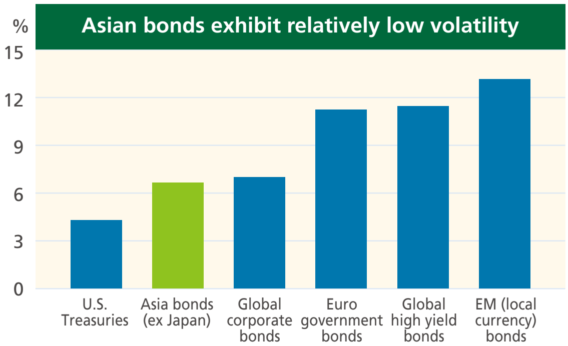


Source: Bloomberg, 31 May 2018.

Asian Bonds' "Three lows"

Low volatility

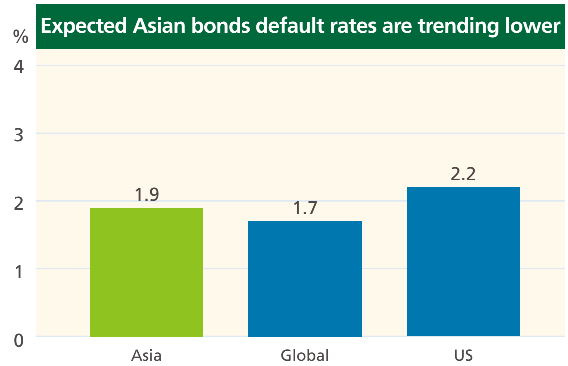
- Compared to other bond markets, Asian bonds exhibit lower volatility and offer more stable performance.
- Apart from global investors, many local institutions are now looking for long term asset allocation, which helps to lower volatility of the asset class.



Source: Bloomberg, calculated in US dollars, data from 31 March 2008 to 31 March 2018. Risk/volatility is measured by standard deviation.

Low default rate

- The expected Asian bonds high-yield bond default rate for 2018 is approximately 1.9%, lower than the expected level for US high-yield bonds. This reflects the region's higher credit quality.
- Amid this buoyant Asian bonds market, there has been a progressive increase in corporate bond issues. This makes careful credit analysis vital to avoid default risk.



Source: Moody's, 26 February 2018.

Low duration

- Rising US interest rates will put pressure on certain Asian countries whose economic performance is closely correlated with US interest rates. Active management of duration is key to reducing sensitivity to rising rates.

Source: Bloomberg, 31 May 2018.

Asian bonds market focal points for 2018 2H

Among the many Asian bond markets, China, Indonesia and India offer particularly attractive potential, especially given their different cycles of economic growth, as well as their rapidly expanding bond markets.

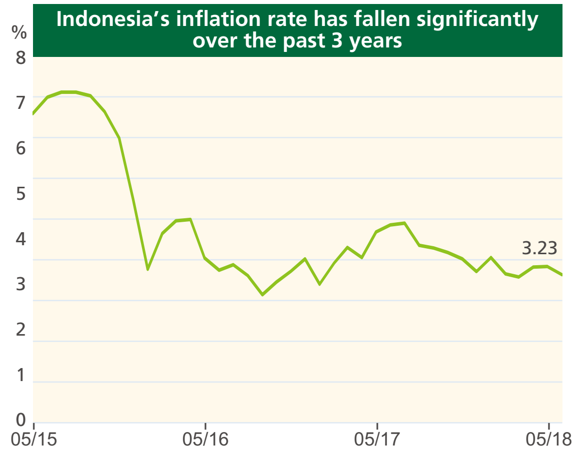
China – SOE bonds

- Thanks to successful reforms and continued consolidation, upstream debt-laden state-owned enterprises (SOEs) have seen their finances improved.
- The asset quality of commercial banks is expected to improve and this, along with acceleration of China's SOE reforms, will enhance the quality of SOE bonds.
- SOE bonds offer attractive yields and lower default rates.

Source: Bloomberg, 31 May 2018.

Indonesia – high-yield corporate bonds

- An upgrade of sovereign rating to investment grade, greater ease of debt issuance in foreign markets, and an expected rise in US dollar debt offerings will bring about greater opportunities.
- Fundamentals are good for Indonesian bonds. The growth of the local economy is robust, and the inflation picture is improving. Currently, in the Asian region, Indonesian government bonds offer attractive yields.

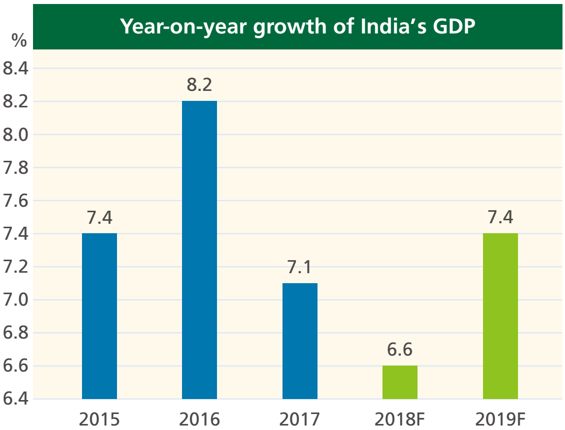


Source: Bloomberg, 31 May 2018.

India – bank capitalisation plan

- India's plan to recapitalise its state-owned banks has solved the banks' problems of bad debts as well as improved their profitability and asset quality, lifting credit quality in the process.
- Last November, Moody's lifted India's sovereign rating to Baa2[1] as it believed the country's reform policies would aid growth and reduce the government's debt burden.

[1] Source: Moody's, 17 November 2017.



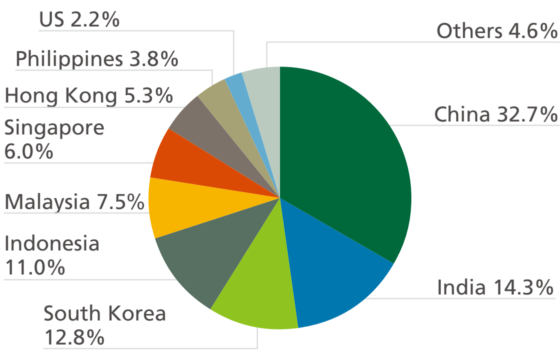
Source: Bloomberg, 31 May 2018.

Manulife Asia Total Return Fund - Features

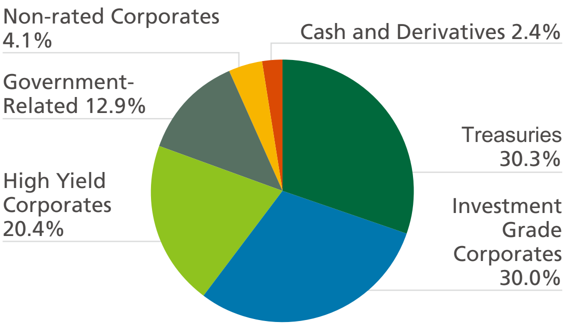
Well-rounded approach to capture opportunities in Asian Bonds

The Fund uses a flexible and dynamic allocation strategy, and leverages three key drivers of returns, while incorporating rigorous risk management to exploit opportunities in Asian bond markets.
Given the diversity of the asset class, which spans duration, countries and currencies, there is a wide variety of opportunities for the fund manager to add value and capture the potential of Asian bonds.

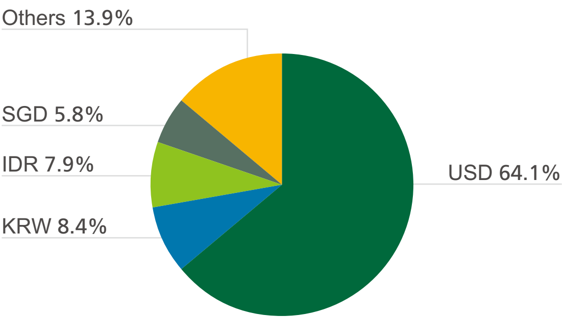
Geographical breakdown



Sector



Currency



Portfolio characteristics (as of August 2018)

Average credit rating	S&P : BBB
Duration[1]	4.47 years
Current yield[2]	5.26%

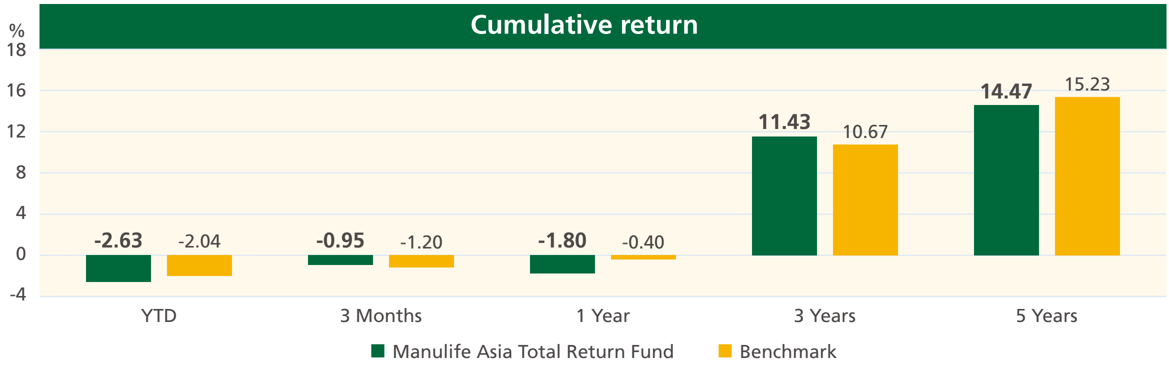
[1] Refers to the bonds' weighted average cash flows, using the present value of the cash flow.
[2] Current yield is the average current yield of bonds in the portfolio. Current yield of an individual bond refers to the annual interest rate divided by the market price of a bond. This is not equal to dividend yield.

Capture three return drivers

The Fund aims to capture total returns by leveraging three key drivers of Asian bonds: credit, interest rates and currency.

Source: Manulife Asset Management, 31 August 2018. Past performance is not indicative of future results. Due to rounding, the total may not be equal to 100%.

Focus on risk management and achieve long-term returns



Source: Manulife Asset Management, 31 August 2018. All returns are NAV to NAV, net of fees, USD, dividend reinvested. Past Performance is not indicative of future performance. The Fund (Class AA (USD) Inc)'s past five calendar years performance is as follows: 2013: -4.56%; 2014: +4.06%; 2015: -2.14%; 2016: +5.20%; 2017: +7.42%. Benchmark is 50% JP Morgan Emerging Local Markets Index Plus (Asia)+50% JP Morgan Asia Credit Index (USD).

Monthly dividend distribution

(Dividend rate is not guaranteed. Dividends may be paid out of capital. Refer to important note 2)

Dividend payout record for the past three months (Class AA Inc)

Date (DD/MM/YY)			Class AA (USD) Inc		Class AA (HKD) Inc	
Record date	Ex-dividend date	Payment date	Dividend per share (USD)	Annualised Dividend Yield*	Dividend per share (HKD)	Annualised Dividend Yield*
07/08/2018	08/08/2018	14/08/2018	0.0040	5.56%	0.0400	5.20%
06/07/2018	09/07/2018	13/07/2018	0.0040	5.58%	0.0400	5.23%
07/06/2018	08/06/2018	14/06/2018	0.0040	5.48%	0.0400	5.14%

* Dividend yield is not guaranteed. Dividends may be paid out of capital. See important note 2. Annualised yield = [(1+distribution per unit/ex-dividend NAV)^distribution frequency]–1, the annualised dividend yield is calculated based on the latest relevant dividend distribution with dividend reinvested, and may be higher or lower than the actual annual dividend yield.

Source: Manulife Asset Management. Please note that a positive distribution yield does not imply a positive return. Investors should not make any investment decision solely based on information contained in the table above. You should read the relevant offering document (including the key facts statement) of the fund for further details including the risk factors. Past performance is not indicative of future performance.

Top 10 Holdings

	Weighting (%)
India Government Bond 7.17% 01/08/2028	3.21%
Indonesia Government 6.625% 05/15/2033	2.64%
Malaysia Government 3.62% 11/30/2021	2.23%
Korea Treasury Bond 5.5% 03/10/2028	2.11%
Korea Treasury Bond 2.25% 06/10/2021	2.10%
Indonesia Government 7% 05/15/2027	1.88%
Malaysia Government 4.16% 07/15/2021	1.47%
Ch Ovs Grand Oce Finance 4.875% 06/01/2021	1.39%
Singapore Government 2% 07/01/2020	1.38%
India Government Bond 7.68% 12/15/2023	1.36%

Source: Manulife Asset Management, as of 31 August 2018. The securities described are for illustrative purpose only and do not constitute any investment recommendation or advice. Information about the portfolio allocation was historical and is not indicative of future portfolio composition.

Jimond Wong
Manulife Asset Management
Managing Director and
Senior Portfolio Manager,
Fixed Income

Based in Hong Kong, Jimond is a Managing Director and Senior Portfolio Manager. He supports the firm's pan-Asian bond strategies with an emphasis on Asian credit markets.

Before joining Manulife Asset Management, Jimond was an Executive Director with the highly ranked credit research team at UBS Investment Bank where he focused on high-yield corporate bonds. Prior to that, Jimond worked at UBS proprietary credit trading and subsequently moved to a credit hedge fund seeded by a world-renowned alternative investment manager. He has extensive knowledge of the entire Asian credit spectrum.

Mastering credit research: A blend of art and science

Manulife Asia Total Return Fund has performed strongly in 2017 and portfolio manager Jimond Wong — one of the pivotal figures leading the fund — believes Asian bonds are an essential asset class for global investors looking to diversify their portfolio. Jimond shares his insights and market outlook:

Q: Looking back on 2018 1H, we saw consolidation in the Asian bonds market. What prospects do you see for the market?

Wong: Given the rate hikes in the US and the impact of weakened sentiment among global investors, the Asian bonds entered a period of consolidation in 2018 1H.

We believe that Asian economies remain fundamentally solid, and that short-term adjustments in the market have in fact brought more opportunities. Rising Asian bonds interest rates in 1H widened credit spreads, generating pretty attractive buying opportunities for investors. They could acquire the Asian bonds at lower valuations compared with the beginning of the year.

Q: Looking at 2H, which Asian bonds markets are you bullish about in terms of investment opportunities?

Wong: We believe that among the Asian corporate bond markets, a number of domains offer investment value.

We are bullish on the prospects of high-quality SOE and property development issuers in China, and of some Asian high-yield bond issuers. At present, some high-yield corporate bonds in the region are offering yields of over 10%, providing attractive opportunities for investors. However, market volatility has intensified this year, so credit analysis and selection will be crucial for seizing opportunities.

Turning to local currency bond markets, we are still positive about high-yield markets like Indonesia and India. Indonesia's economy is growing strongly, with inflation under control and cushioned by ample foreign-exchange reserves. In India, planned capital injections for banks come amid buoyant growth, led by domestic demand. These are all positives.

Moreover, valuations in both countries are attractive, with 10-year government bonds offering yields of around 7-8%, further boosting their appeal.

Q: What key lessons have you learned from your wealth of investment experience?

Wong: Credit research is both an art and a science. For example, some renowned businesses, including those with good credit ratings, can be challenging to analyse.

To meet our investment criteria, on top of financial statements of a given corporate bond, our investment team delves into the company's governance practices and business transparency. We also communicate regularly with these firms, and together with information from other industry sources, we make a decision on whether the information provided by the management team is trustworthy.

Q: How would you describe your investment style?

Wong: Investors buy bonds for their stability, so defaults are the worst nightmare. This is why our investment team places a strong emphasis on corporate research.

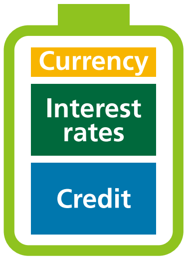
Our team follows our parent company's ethos as an insurer, and focuses on a company's risk management culture. In the process of selecting bond securities, especially corporate bonds, we consider not only yields, but also credit risks which in turn helps stabilise our investment returns.

About the Fund

"Total return" Approach - Capturing three return drivers: credit, rates and currency.

- Flexible investments in Asian local currency and USD bonds
- Benefitting from the overall upward trend of Asian currencies

- Closely follow rate trends, flexible allocation to short and long-term bonds



- Flexible allocation between investment-grade, high-yield, government, government-related and corporate bonds
- Overall credit consists mainly of investment grade holdings

Insurance pedigree lead to strong **risk management culture**

Cover over **500** Asian credit issuers[1]

AUM of over USD **45 billion** of fixed income asset in Asia[1]

50+[1] fixed income professionals in Asia

Lead fund manager with **20** years of investment experience[1]

Fund Name	Manulife Global Fund - Asia Total Return Fund
Investment Objectives	The Fund aims to maximise total returns from a combination of capital appreciation and income generation. The Fund primarily invests in a diversified investment portfolio of fixed income securities, issued by governments, agencies, supra-nationals and corporate issuers in Asia.
Investment Manager	Manulife Asset Management (Hong Kong) Limited
Launch Date	4 May 2011 (Class AA Inc)
Base Currency	USD
Class And Its Currency Of Denomination	Class AA: USD Class AA Inc: USD Class AA (HKD): HKD Class AA (HKD) Inc: HKD
Initial Charge	Up to 5% of subscription amount
Switching Fee	Up to 1% of the total redemption amount
Management Fee	1.25% p.a.[2]
Minimum Initial Investment	HKD20,000 (or the equivalent in any other major currencies)

Manulife Asset Management

Unless otherwise specified, all data is from Manulife Asset Management.

[1] Source: Manulife Asset Management, as of 31 May 2018. Global investment professionals comprise of those from Manulife Asset Management (Asia) and Manulife TEDA Co. Ltd., a joint venture between Manulife Financial (49%) and Northern International Trust (51%), part of the Tianjin TEDA Investment Holding Co. Ltd.

[2] Management Fee may be increased to a maximum of 6% of the Net Asset Value of the relevant Fund by giving not less than three months' prior notice of the proposed increase to the Depositary and to the Shareholders of the relevant Fund. Please refer to the Fund prospectus for details.