Manulife Investment Management

Canadian Fixed Income Team

2021 Market Update

[Slide 1 appears on screen with photograph of speaker, speaker begins to talk. Background music is playing]]

Speaker: Hello, my name is Jonathan Crescenzi and I am an Associate Portfolio Manager on the Canadian Fixed Income Team

[Slide 2 appears on screen with three bullet points]

What do we expect for the rest of 2021?

We see:

1. Increasing global economic growth
   As economies across the globe begin to reopen, we expect the global growth and employment landscape to improve

2. Increasing inflation expectations
   We expect improving growth to continue to increase inflation expectations, which will likely cause government bond yields to rise further

3. Increasing downside risks and market volatility
   As economies globally start to normalize, we expect market volatility to increase as market participants look for any sign of government policy support beginning to be removed from risk assets

   Additionally, given high equity and corporate credit valuations, we see market participants increasingly focusing on downside risks, which could include:
   - Persistent supply chain disruptions (think lumber and other commodities) and the potential impact on inflation
   - Personal and corporate tax code changes
   - And Geopolitical disruptions, such as US/ China trade relations

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Now more than ever, income investors require a solution that will protect them from rising interest rates and the Manulife Yield Opportunities Fund is well positioned for this environment.

So how are we positioning the Fund for this environment?

We have reduced the Fund's overall duration to under 3-years, while positioning to take advantage of any market related volatility.

We are reducing our government bond, investment grade corporate bond, high yield bond and common equity exposures, while increasing our floating rate bank loans, preferred share and cash exposures

Given the current environment, we feel the low-hanging fruit in the high yield market has been picked and have become increasingly selective in terms of high yield credit exposure. That is why we have been rotating out of the high yield market into floating rate bank loans. This rotation reduces the strategy's interest rate sensitivity and improves its overall risk profile.

Additionally, the team continues to see value in the preferred share market. We have doubled the strategy's exposure to preferred shares to close to 8% and see the asset class benefiting from rising interest rates. Preferred shares are also benefiting from the recent issuance of Limited Recourse Capital Notes, which many banks and insurance companies are using to replace their preferred securities. As these securities are called, there is a reduction in preferred share supply across the market, which has been supportive to prices.

That concludes our second quarter update. But before I signoff, I just want to say thank you to all our clients for their continued support and wish them all the best during these difficult times. Take Care.

Slide 4 [Slide appears on screen with legal disclosure]

consult with your tax advisor regarding the tax implications of receiving distributions. See the prospectus for more information on a fund's distributions policy.
Mutual funds unlike GICs, are not insured by the Canada Deposit Insurance Corporation or any other deposit insurer nor guaranteed by any entity.
Manulife Investment Management is the asset management division of Manulife. Manulife Investment Management's diversified group of companies and affiliates provide comprehensive asset management solutions for institutional investors, investment funds and individuals 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 oil & gas, real estate, timber, farmland, as well as asset allocation strategies.

Slide 5: [Manulife Investment Management logo appears on screen and background music fades]

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