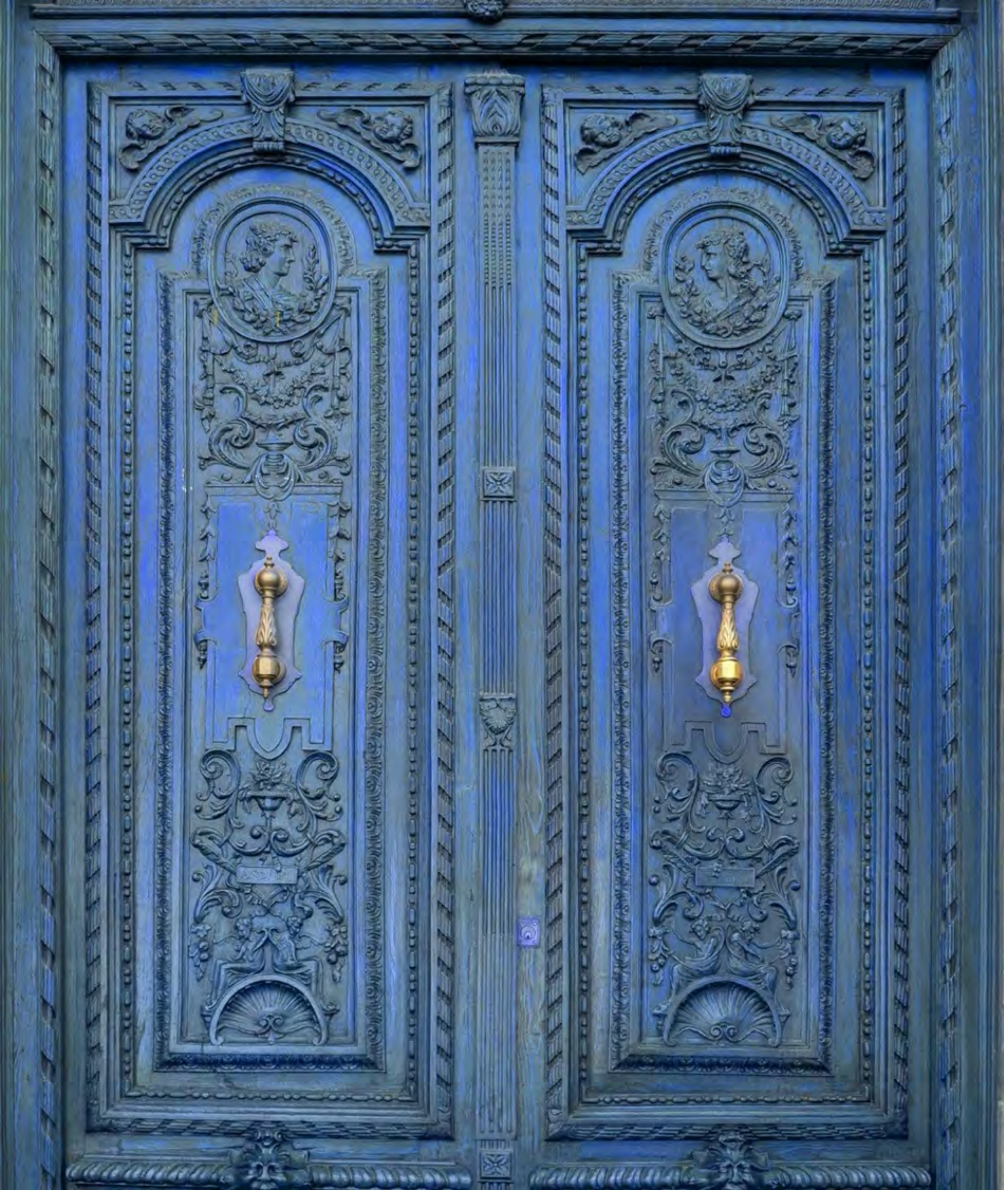


Manulife Investment Management

Capital Markets Strategy

Market Intelligence

Q4 2021
Insights from our Capital Markets Strategy team

Market outlook as of September 30, 2021

Table of contents

Capital Markets Strategy

The Capital Markets Strategy team has a range of responsibilities, from market and economic analysis to investor education. The team analyzes and interprets the economy and markets on behalf of Manulife Investment Management. They work with the portfolio management teams to provide clients and investment intermediaries with commentary on strategies and asset allocation weightings. Their expertise spans across multiple asset classes and geographic regions.

www.manulifeim.ca/cms

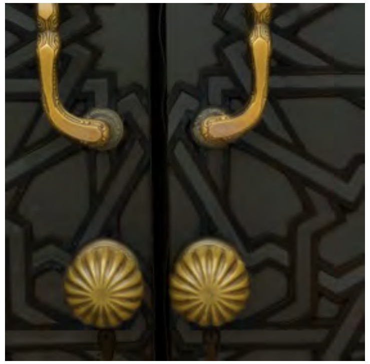
Kevin Headland, CIM
Senior Investment Strategist
Co-Chief Investment Strategist

Macan Nia, CFA
Senior Investment Strategist
Co-Chief Investment Strategist

How we stay in touch

Chartbook

A handy guide that's updated each quarter to illustrate the trends and opportunities in the markets—for advisor use only.



Capital Markets monthly email

A monthly newsletter that includes headlines that capture the Capital Markets Strategy team's attention, and their perspective on how these headlines will affect the three markets —for advisor use only.

Investments Unplugged podcast

An insightful and lively podcast that gives you access to ideas and insight from a range of market experts from Manulife Investment Management.

Link to the podcast

Investment Notes

Our commentary offers a regular analysis of key market events and examines the implications for investors—for advisor use only.

Link to Investment Notes

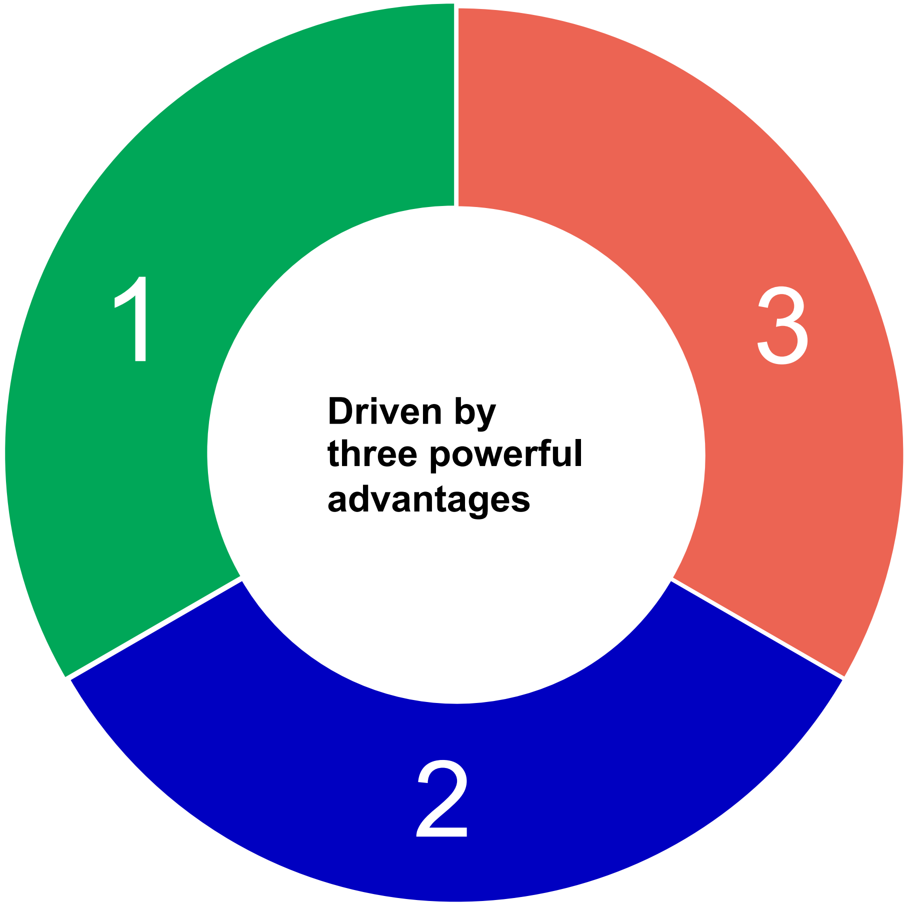
A better way to invest: a three-pronged approach

Rigorous risk management

- With a view to investor-driven performance expectations
- Close monitoring of behavioural risk
- Deep analysis to identify the right risks with the goal of long-term stability
- Built on more than 130 years of Manulife Investment Management's wealth and investment expertise

Experienced specialized teams

- Harnessing strength and depth of expertise across multiple asset classes and geographies
- Tenacious approach to talent: if new capabilities are needed, conduct global searches to find the right team
- Access to differentiated philosophies, strategies, and respected expertise
- Strategic sub-advisor partnerships



Global momentum

- Asset managers and teams **on the ground** in international locations
- Network of investment offices in North America, Asia Pacific, and Europe with capabilities across a full range of asset classes
- More than 1,000 investment professionals in approximately 20 countries and territories

Our seasoned asset management teams help inform our views.

Manulife Investment Management

Boutique investment teams, global resources

- Boutique environment: specialized team manages its own investment process, from research through portfolio construction
- Global footprint: entrepreneurial teams strengthened by global resources
- Extensive investment capabilities: diverse range of investment strategies across asset classes, regions, and the risk spectrum

MAWER
Be Boring. Make Money.™

Mawer Investment Management Ltd.—Independently owned Canadian investment manager that follows the mantra, "Be Boring. Make Money.™"

- Investment philosophy of buying wealth-creating companies, with excellent management teams, that are trading at a discount to their intrinsic value
- Prudent investment approach rooted in risk management that has delivered superior risk-adjusted, long-term results
- Firm's "boring" investment approach has helped investors safely and profitably navigate the investing landscape over many different economic cycles.

Brookfield

Brookfield Investment Management —Experts in alternative strategies

- Specialized investment manager focused on listed real asset investment strategies within both equity and debt
- Investment philosophy driven by fundamental, bottom-up analysis combined with broad operational and market insights
- Part of Brookfield Asset Management, a global alternative asset manager with over 100 years of experience in the ownership and operation of real assets

1805 PICTET
Asset Management

Pictet Asset Management—Focused multi-boutique asset manager with strategic focus on global and international markets

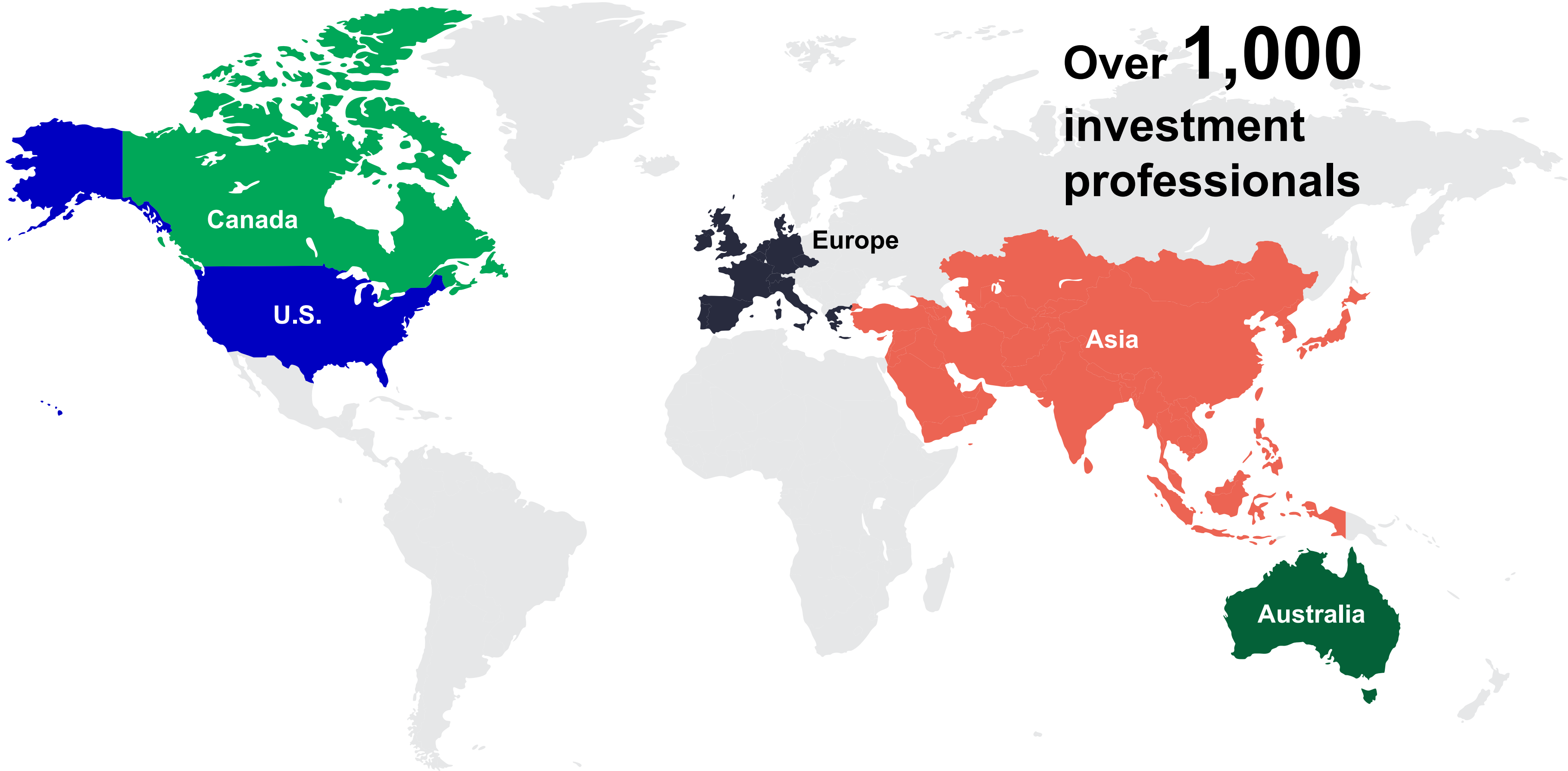
- Believes active manager skills leads to better long-term results
- Do not adhere to, or impose, a single investment approach on their investment managers, empowering each of their teams to be independent, innovative, and accountable
- Risk management is an integral part of the decision-making process and risk monitoring is an independent function.

Dimensional

Dimensional Fund Advisors Canada ULC —a leader in multifactor investing

- Dimensional's systematic approach to investing is backed by insight gained from decades of academic research and experience implementing rules-based strategies in competitive markets.
- A multifactor approach focuses on stocks characterized by smaller capitalizations, lower relative valuations and higher profitability
- Subadvisors for Manulife Investment Management exchange traded funds

Global reach



Manulife Investment Management: More than 475 investment professionals

Mawer Investment Management Ltd.: 33 investment professionals

Pictet Asset Management: More than 300 investment professionals

Aberdeen Standard Investments: 635 investment professionals

Brookfield Investment Management: 33 investment professionals

The diagram represents the geographic location of investment professionals and the number of investment professionals by sub-advisor: Manulife Asset Management, Mawer Investment Management Ltd., Brookfield Investment Management, Aberdeen Standard Investments, and Pictet Asset Management, as of December 31, 2020.

Index Returns

Q3 2021 total return performance recap

Equity Returns

Index	Q3 2021	YTD	1 Year
S&P/TSX (CAD)	0.18%	17.51%	28.05%
S&P 500 (USD)	0.58%	15.91%	29.98%
S&P 500 (CAD)	2.84%	15.17%	23.89%
MSCI EAFE (USD)	-0.33%	8.84%	26.36%
MSCI EAFE (CAD)	1.91%	8.15%	20.44%
MSCI Europe (USD)	-1.53%	10.54%	27.81%
MSCI Europe (CAD)	1.57%	10.80%	22.88%
MSCI Emerging Markets (USD)	-8.16%	-1.30%	18.34%
MSCI Emerging Markets (CAD)	-5.56%	-1.36%	13.45%

Fixed Income Returns

Index	Q3 2021	YTD	1 Year
FTSE Canada All Government Bond (CAD)	-0.64%	-4.51%	-4.31%
FTSE Canada Universe Bond (CAD)	-0.51%	-3.95%	-3.35%
ICE BofA US corporate (USD)	2.30%	-1.11%	1.84%
ICE BofA US corporate (CAD)	2.25%	1.67%	-3.40%
ICE BofA US High Yield Constrained (USD)	2.33%	4.68%	11.46%
ICE BofA US High Yield Constrained (CAD)	3.27%	4.10%	5.71%
Barclay's Global Aggregate Bond (USD)	-0.86%	-4.04%	-0.88%
Barclay's Global Aggregate Bond (CAD)	0.16%	-1.37%	-0.57%

Market drivers, looking back

Canadian Equities

Canadian equities were positive through the third quarter but it's not a cause for celebration as the S&P/TSX Composite Index only gained 0.2%, including dividends. The month of September was a drag on performance as the index fell 2.2%. From a seasonality perspective, September is historically the weakest month of the year for the S&P/TSX Index.

U.S. Equities

U.S. equity markets stumbled through the end of the third quarter as September washed out any gains made in July and August. September is historically the weakest month of the year for US equities and this year was no different, as a confluence of headline risks drove the S&P 500 Index, the Dow Jones Industrial Average, and Nasdaq Composite indices lower over the month. The S&P 500 index eked out a positive return for the third quarter, as it was up 0.2% in U.S. dollar terms (2.3% CAD). The Dow Jones Industrial Average, and Nasdaq Composite indices finished in the red, returning -1.9% in U.S. dollar terms (0.1% CAD), and -0.4% in U.S. dollar terms (1.7% CAD), respectively.

International Equities

International equity markets lagged their North American peers, likely as a result of continued struggles with COVID-19. The MSCI EAFE Index finished the third quarter down 0.3% in U.S dollar terms (1.9% CAD). Asian equities were a big drag on performance over the quarter, as continued regulations from the Chinese government weighed on equities. The MSCI Emerging Markets Index fell 8.2% in U.S. dollar terms (-5.6% CAD), including dividends.

Fixed Income

After falling for much of the quarter, the U.S. 10-year Treasury yield increased almost 20 bps in the final week of the quarter as markets started to price in more persistent inflation. It started the quarter at 1.47%, dropped down to a low of 1.17% before rebounding to 1.49% by the end of the quarter. The Fed expects to maintain an accommodative stance of monetary policy until inflation averages 2% over time and will allow inflation to run "moderately" above its long running 2% goal. The central bank's approach to inflation is meant to support the labour market and broader economy by keeping interest rates lower for a longer period. However, it is becoming more likely that the Fed could begin tapering asset purchases before the end of the year.

Macro snapshot

Manulife Investment Management believes that manufacturing activity remains robust despite a slow down from peak levels.

The Markit PMI[TM] (Purchasing Managers' Index[TM]) series are monthly economic surveys of carefully selected companies compiled by Markit. They provide advance insight into the private-sector economy by tracking variables such as output, new orders, employment, and prices across key sectors. Economic analysts, business decision-makers, forecasters, and policy-makers leverage the PMI surveys to better understand business conditions in any given economy. Central banks in many countries use the data to help make interest rate decisions, and analysts in the financial markets use PMI data to forecast official economic data.

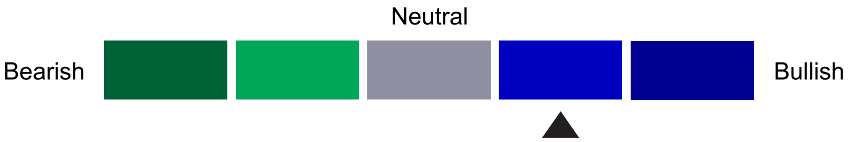
Source: Markit and Manulife Investment Management as of September 30,2021. Performance histories are not indicative of future results.

Manulife Investment Management’s outlook snapshot

Overview

The US economy and others around the world continue to recover at a gradual pace, supported by economic reopening and distribution of the COVID-19 vaccine. Excess savings and pent-up demand are expected to result in stronger consumption through 2021 and into 2022. We believe the bifurcation of the recovery ends as the services sector catches up to the manufacturing (equity-centric) recovery. In this environment, we should expect market returns to be average to below average over the next couple of years, with risk to the upside.

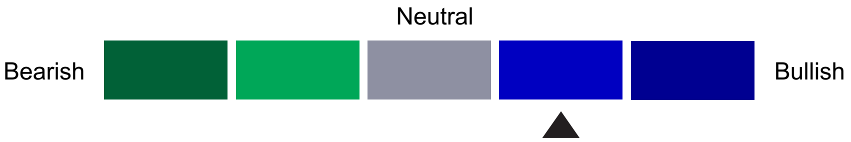
Canadian Equities



Positive but adjust expectations.

Our outlook for the S&P/TSX Composite Index remains positive. The demand for commodities, including oil, and their respective prices will likely remain near current levels with the potential to continue to increase as the global economic recovery takes hold. While not perfect, the year over year change in the price of oil correlates to the year over year change in S&P/TSX earnings and, therefore, offers insight into what forward returns may look like. In addition, a steeper yield curve and reduction in loan losses should benefit the financials sector. However, selectivity remains the key to successful investing in Canada.

U.S. Equities



Continuing the march forward

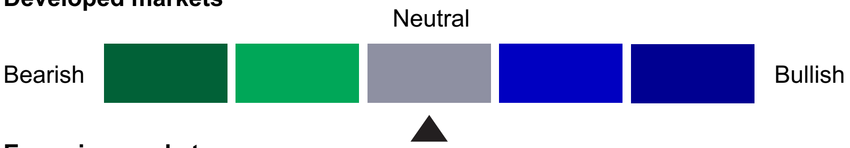
The US economy is on the path to recovery and will be led by pent-up demand and elevated levels of savings. The markets have staged a very strong and impressive rally driven mainly by valuation or price/earnings ratio expansion. This is typical of an equity market recovery following a recessionary bear market. The next phase of equity market performance is typically driven by a recovery in earnings growth. While not trying to be too optimistic, investors need to look past any potential near term volatility, as we believe that strong earnings growth should lead the markets higher into 2022.

Manulife Investment Management as of September 30, 2021. The commentary on this page is that of Manulife Investment Management. Performance histories are not indicative of future results. For illustration purposes only.

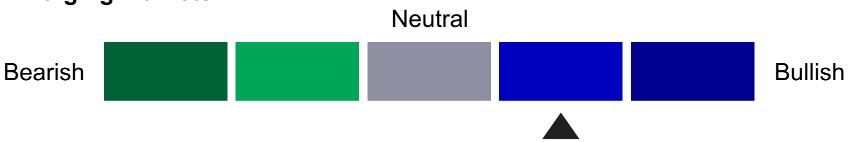
Manulife Investment Management's outlook snapshot

International Equities

Developed markets



Emerging markets

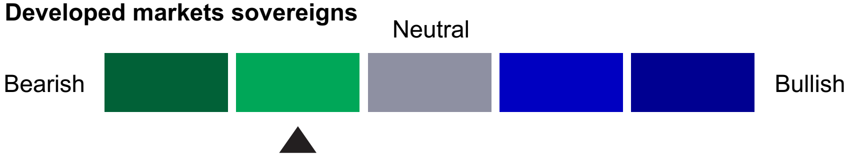


Emerging markets have near term risks but positive longer-term outlook.

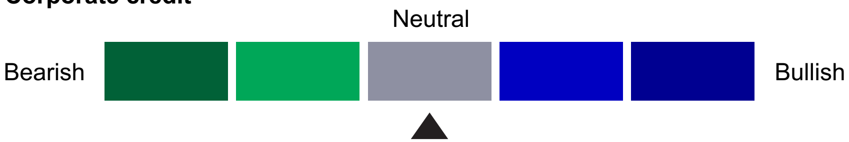
Europe continues to face challenges with supply chain issues and the UK is currently dealing with a fairly serious energy shortage causing higher prices and inflationary pressures. Meanwhile Asia is also dealing with increased regulatory control in China and potential material slowdown in economic growth. However, regardless of the short-term market reaction, pockets of opportunity remain, and we believe the longer-term focused investor stands to benefit specifically in the emerging markets.

Fixed Income

Developed markets sovereigns



Corporate credit



Flexibility is required.

Exceptionally low interest rates are likely to remain around the world and across the curve spectrum in the near term. However, the Fed's monetary inflation coupled with the trillions in fiscal stimulus by the U.S. federal government, has resulted in a steeper yield curve. With the Fed's implied commitment to keep short rates at 0% until 2023, the longer end of the yield curve will be subject to market driven forces, absent any Fed intervention. It is normal following a recession that the longer end of the yield curve steepens out and we believe it will continue to steepen through 2021 as inflation and economic growth increase. In this environment, we believe credit does well and short duration bonds outperform longer duration. However, security selection and careful credit analysis is of paramount importance.

Manulife Investment Management as of September 30, 2021. The commentary on this page is that of Manulife Investment Management. Performance histories are not indicative of future results. For illustration purposes only.

Canadian Equities

Positive but adjust expectations.

Canadian Equities

Neutral

Bearish Bullish

Key themes

1

Where commodities go, the S&P/TSX usually follows.

The S&P/TSX Composite Index has often been referred to as a commodity-linked index given that two of its largest sectors are commodities and energy. As the global economy continues to recover from COVID-19 and government-forced lockdowns, the demand for commodities is expected to continue increasing. The increased demand should bode well for S&P/TSX returns.

2

Elevated oil prices are likely to lead to strong S&P/TSX earnings.

Historically, earnings growth for the TSX has correlated with the change in the price of WTI YOY. We've seen a recovery in oil prices from negative-US$37/bbl in April 2020 to US$75bbl by the end of September 2021. Using US$70/bbl as a conservative average target price, we believe the global economic recovery will lead to higher crude demand and prices, contributing to strong S&P/TSX earnings growth into 2022.

3

After a weak September, seasonality is now in your favour.

September has historically been the weakest month for the S&P/TSX Price Index in terms of odds of a positive return. However, the fall and winter months have been strong months of the year with much higher probability of positive returns.

4

Dividend growers outperform.

Using Bloomberg, our team screened the S&P/TSX Composite Index for companies with a five-year dividend growth rate of at least 10% and a payout ratio of no more than 70%. This screen was back tested and rebalanced on a quarterly basis, going back 10 years, to September 30, 2020. The model has a 10-year annualized performance of 7.65%, while the S&P/TSX Composite Index returned 4.92% over the same period. These results assume all dividends are paid out and not reinvested.

For illustration purposes only. Source: Manulife Investment Management as of September 30, 2021. The commentary on this page is that of Manulife Investment Management. Performance histories are not indicative of future results.
See pages 15–18 for complete information.

Where commodities go, the S&P/TSX usually follows.

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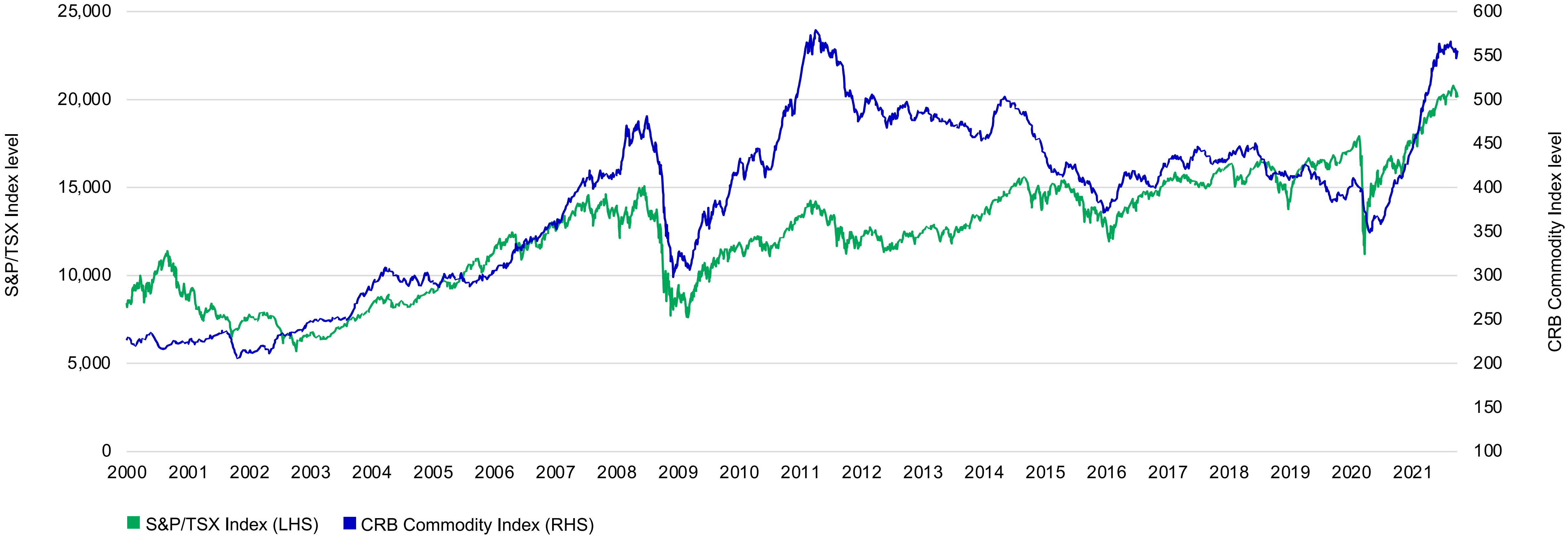
S&P/TSX Composite Index vs CRB Commodity Index
2000–current



Source: Capital Markets Strategy, Bloomberg, as of September 30, 2021

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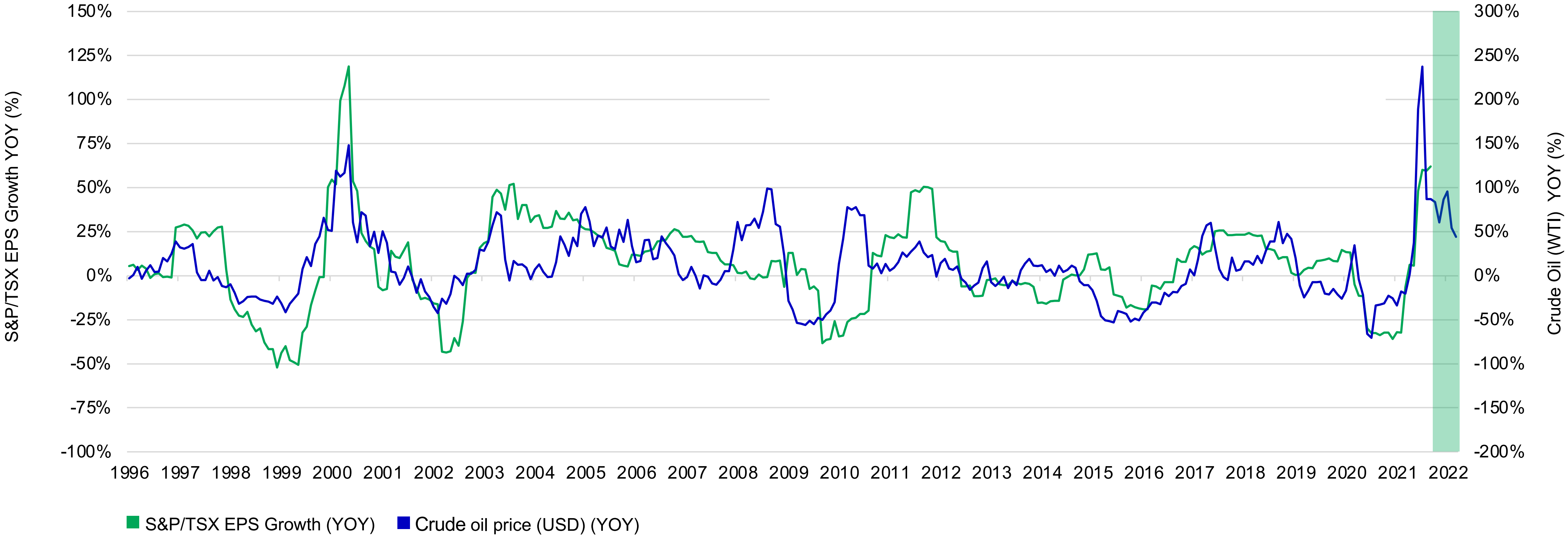
Change in Oil Price (YOY) vs Change in S&P/TSX Earnings per Share Lagged 3 Months (YOY)
1996 to March 2022 (Estimated)



Source: Capital Markets Strategy, Bloomberg, as of September 30, 2021

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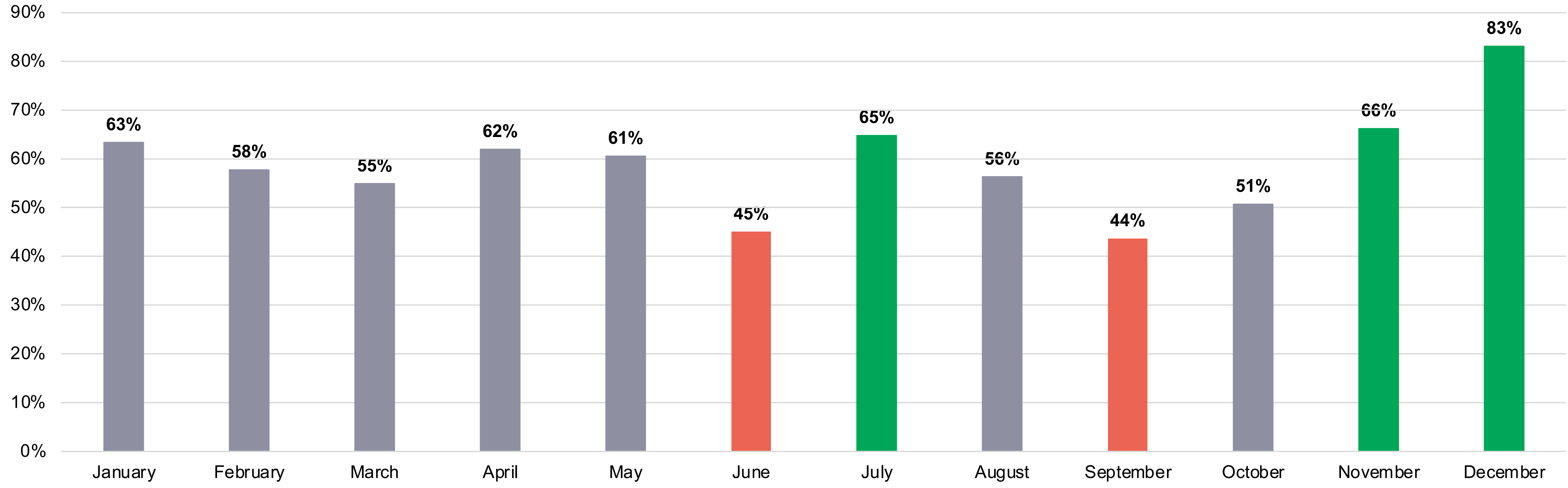
September has historically been the weakest month for the S&P/TSX Price Index in terms of odds of a positive return. However, the fall and winter months have been strong months of the year with much higher probability of positive returns.

S&P/TSX Price Index, odds of positive monthly return
(1950–current)



Source: Capital Markets Strategy, Bloomberg. As of August 31, 2021

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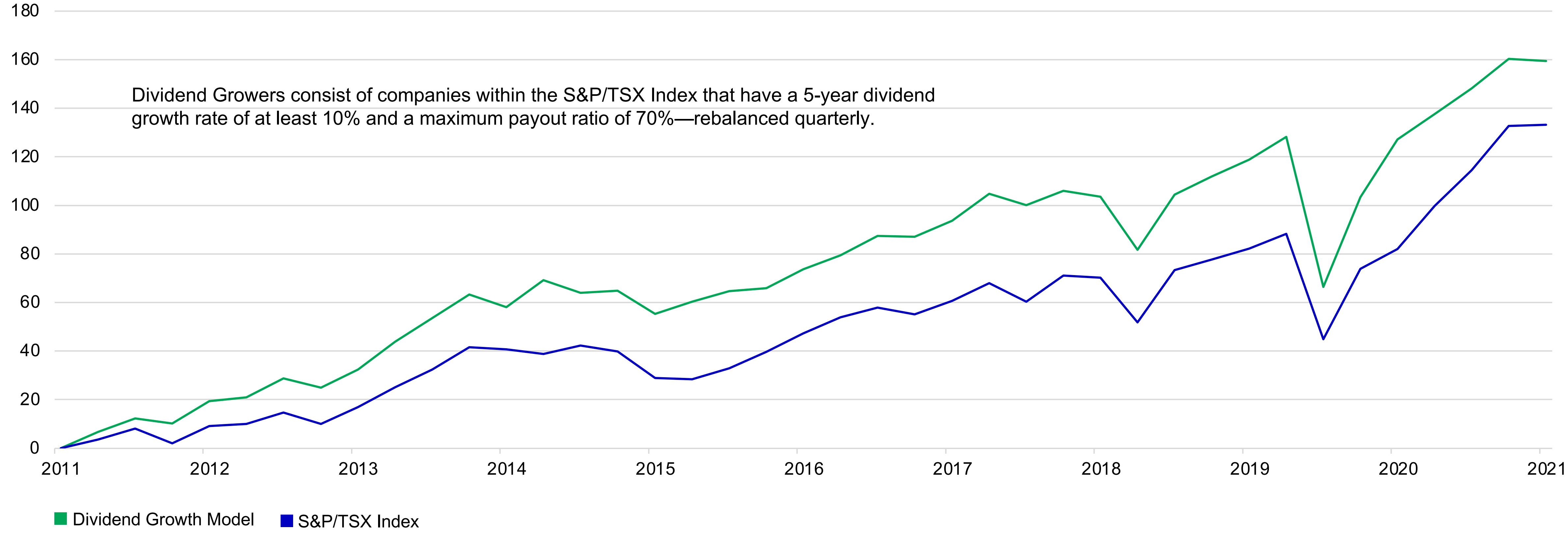
Capital Markets Strategy Dividend Growth Model vs. S&P /TSX Composite Index
Cumulative Return (2011–2021)

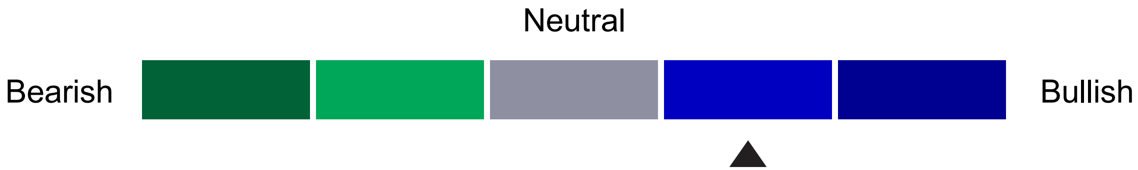


Source: Capital Markets Strategy, Bloomberg, as of September 30, 2021

U.S. Equities

Continuing the march forward

U.S. Equities



Key themes

1

Corrections are normal.

Stock market corrections are very common and very difficult to predict. Since 1980, the S&P 500 index has fallen an average of 14.3% in any given calendar year but is positive 78% of the time with an average return of 10.3%

2

Lack of volatility is not normal.

It was not until the last day of the quarter that the S&P 500 had its first 5% pullback from its most recent peak. It is a rare occurrence to not have a minimum 5% pullback during a calendar year as there is an average of at least two such pullbacks per calendar year.

3

Pullbacks provide opportunities.

Outside of recessions, history would suggest that when the market falls more than 5% from its 52-week high, that the 1-year forward return will be positive. Investors should take advantages of pullbacks when they present themselves during non-recessionary periods.

4

Earnings are likely to drive returns.

The U.S. ISM purchasing managers' index (PMI) shows that the momentum in manufacturing activity is still in place on a month-over-month basis. Historically, the ISM PMI leads S&P 500 Index earnings growth by six months. We believe that the manufacturing activity will keep earnings growth strong on a YOY basis into 2022.

Source: Manulife Investment Management as of September 30, 2021. The commentary is that of Manulife Investment Management. Performance histories are not indicative of future results. See pages 21-24 for complete information. For illustration purposes only.

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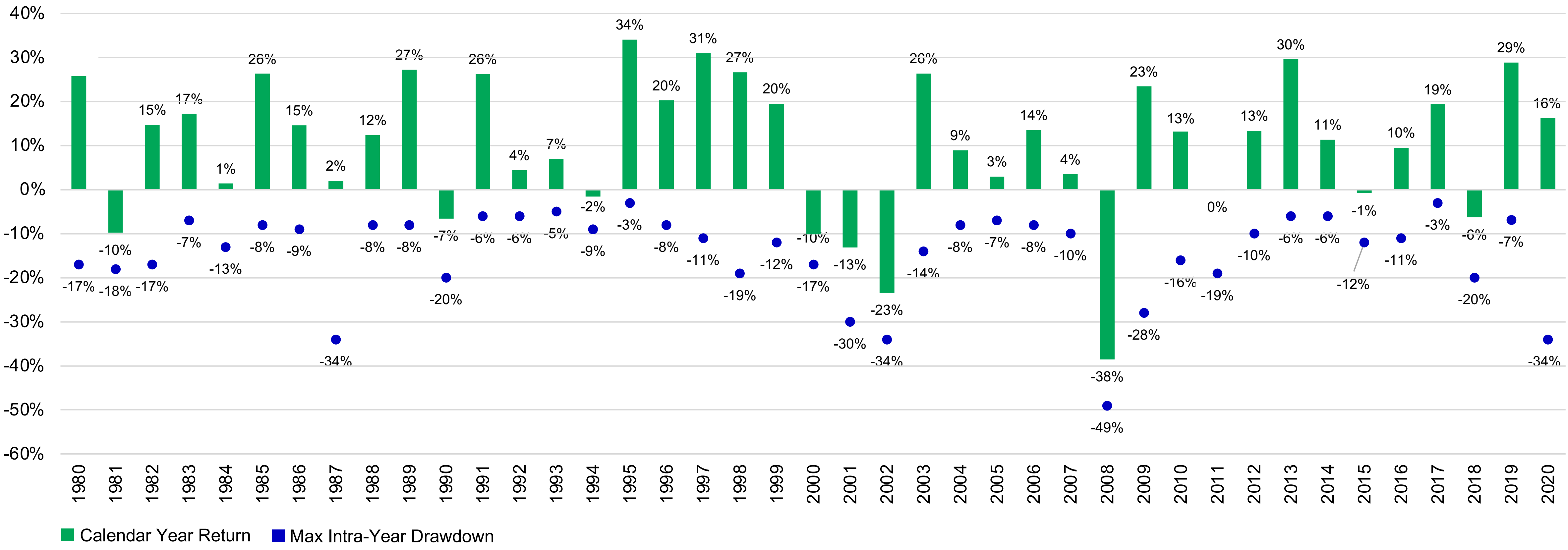
S&P 500—Calendar Year and Max Intra Year Returns
(1980–current)



Source: Manulife Investment Management, Bloomberg, as of December 31, 2020.

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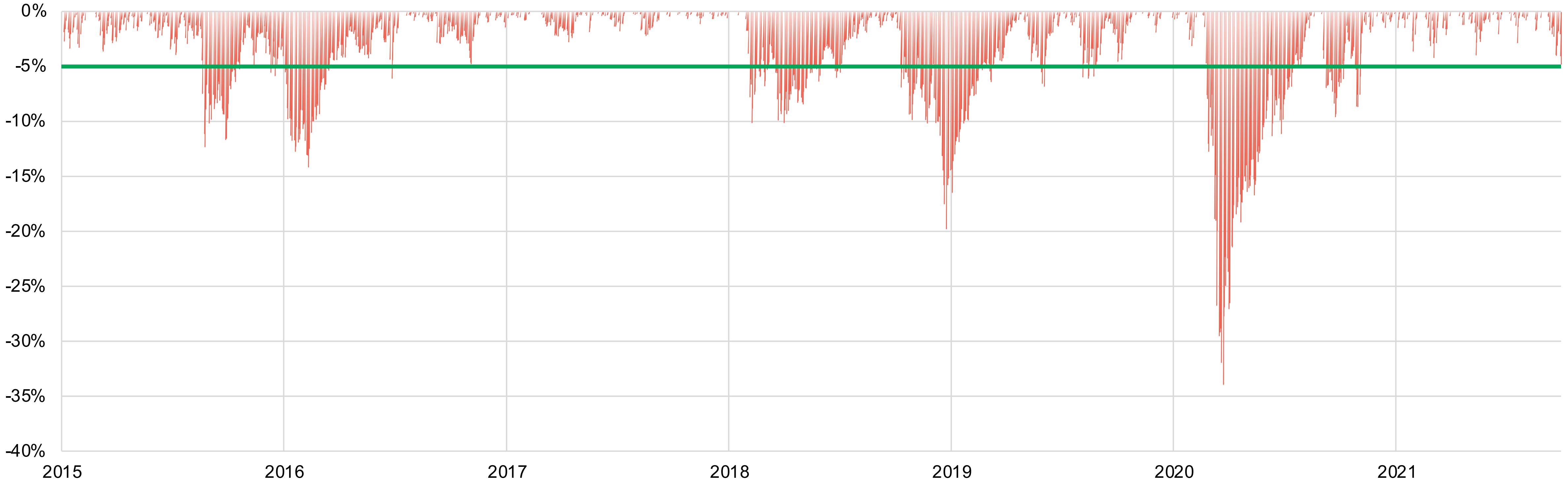
S&P 500 Price Index drawdowns greater than 5%
(2015–current)



Source: Manulife Investment Management, Bloomberg. As of September 30, 2021

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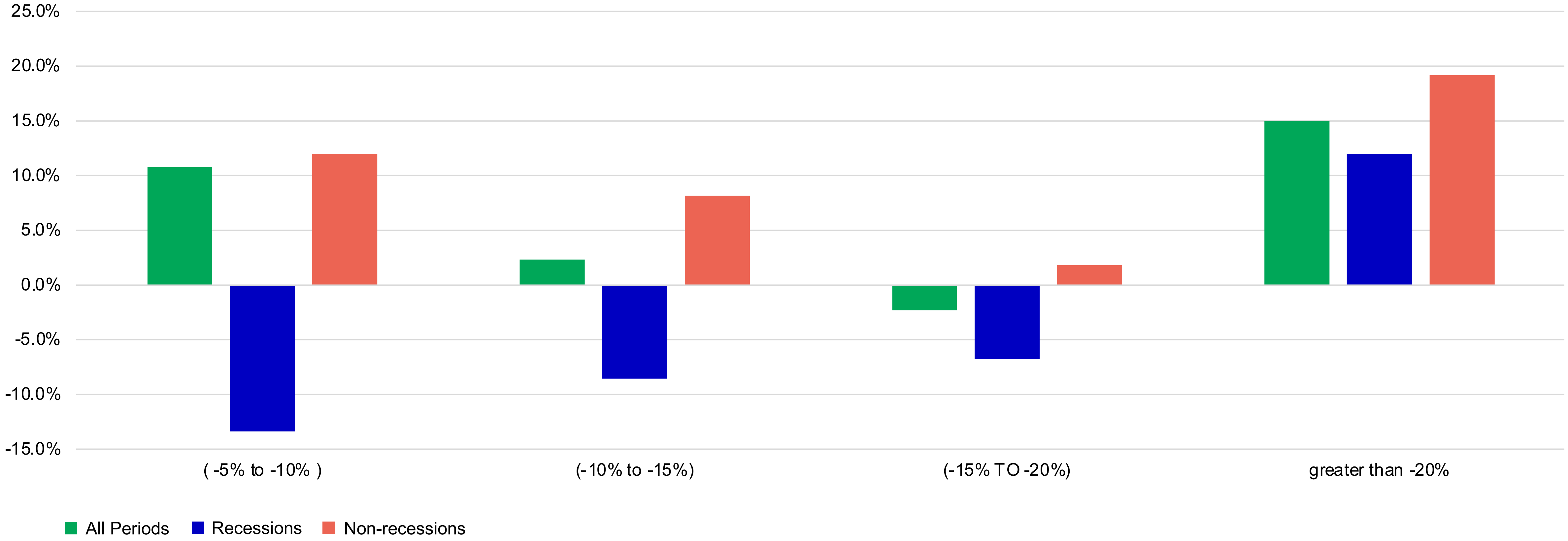
S&P 500 Price Index 1-year forward returns after selloffs from 52-week peak
(1990 - current)



 Source: Manulife Investment Management, Bloomberg, as of September 30, 2021

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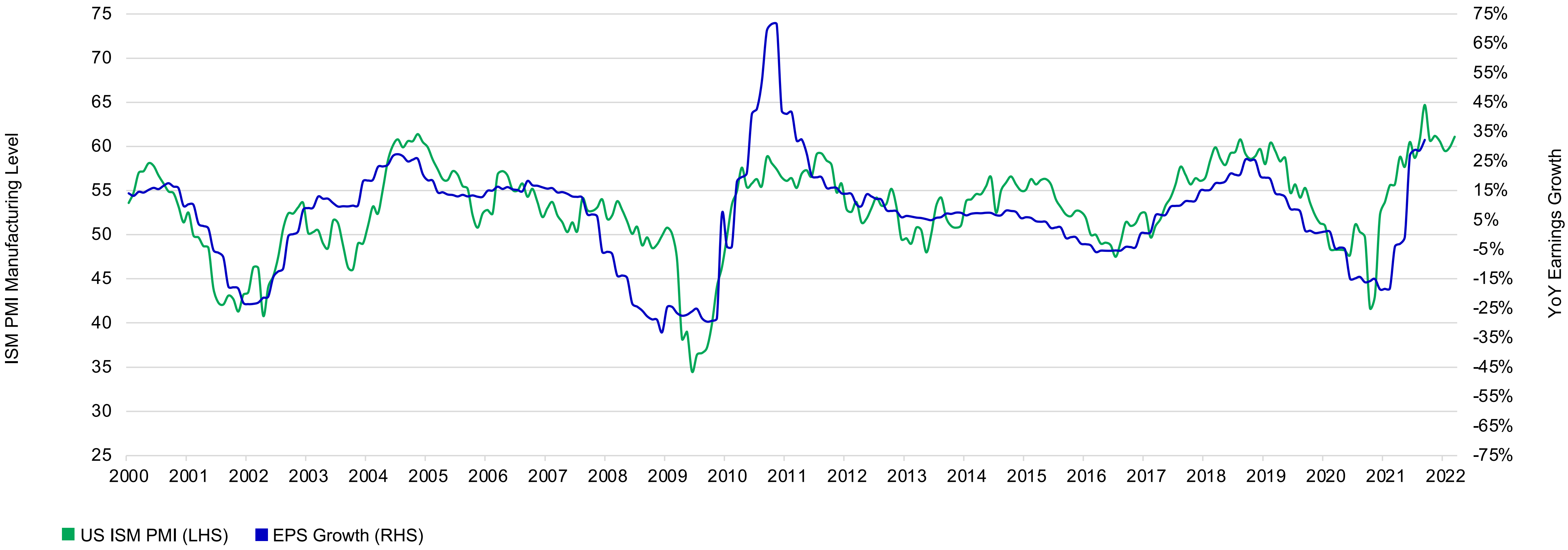
ISM Manufacturing PMI vs. S&P 500 Index Earnings Growth YoY
(advanced 6 months) 2000 - Current

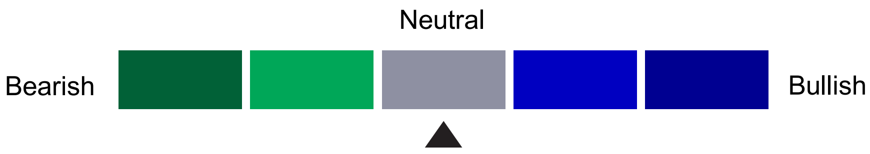


Source: Manulife Investment Management, Bloomberg, as of September 30, 2021

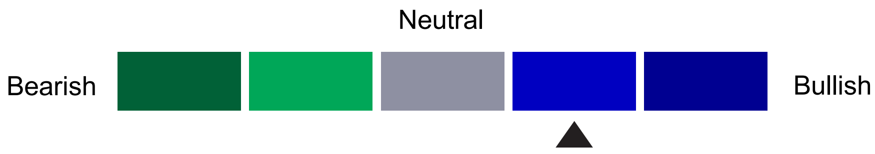
International Equities

Emerging markets are likely to lead the way.

Developed Markets



Emerging Markets



Key themes

1

Global exports will likely slow but remain strong.

On a year-over-year basis, global exports for the five largest exporters in the world have slowed from their peak but remain strong. Supply chain disruptions, production backlogs, and port congestion will likely result in additional slowdowns in exports, but they should remain above pre-covid levels on the strength of global demand.

2

Copper prices are indicating a slowing Chinese economy.

As China is the largest importer of copper, an increase in the price of copper is usually tied to an increase in demand from China. Due to its broad use throughout various industries, the price of copper is often seen as good indicator for the health of the Chinese economy. The recent slow down in year over year growth in the price of copper indicates a near term slowdown in the Chinese economy.

3

Despite short term headwinds, Asia equities may benefit from stronger economic growth.

In their July World Economic Outlook, the International Monetary Fund projects that many regions around the world, especially emerging and developing Asia, could grow faster than the U.S. in 2021 and 2022. The improving economic outlook should benefit all regions lead by the emerging markets.

4

Longer-term fundamentals remain strong for Asia.

Asia is home to 60% of the world's population, with China and India each accounting for about 18% of the global total. As incomes rise, the Asian middle class is expected to grow by about 1.2 billion people by 2030, significantly boosting consumption. A strong middle class provides a stable consumer base that drives stable economic growth.

Sources: Manulife Investment Management, Bloomberg as of September 30, 2021. The commentary on this page is that of Manulife Investment Management. Performance histories are not indicative of future results. See pages 27–30 for complete information. For illustration purposes only.

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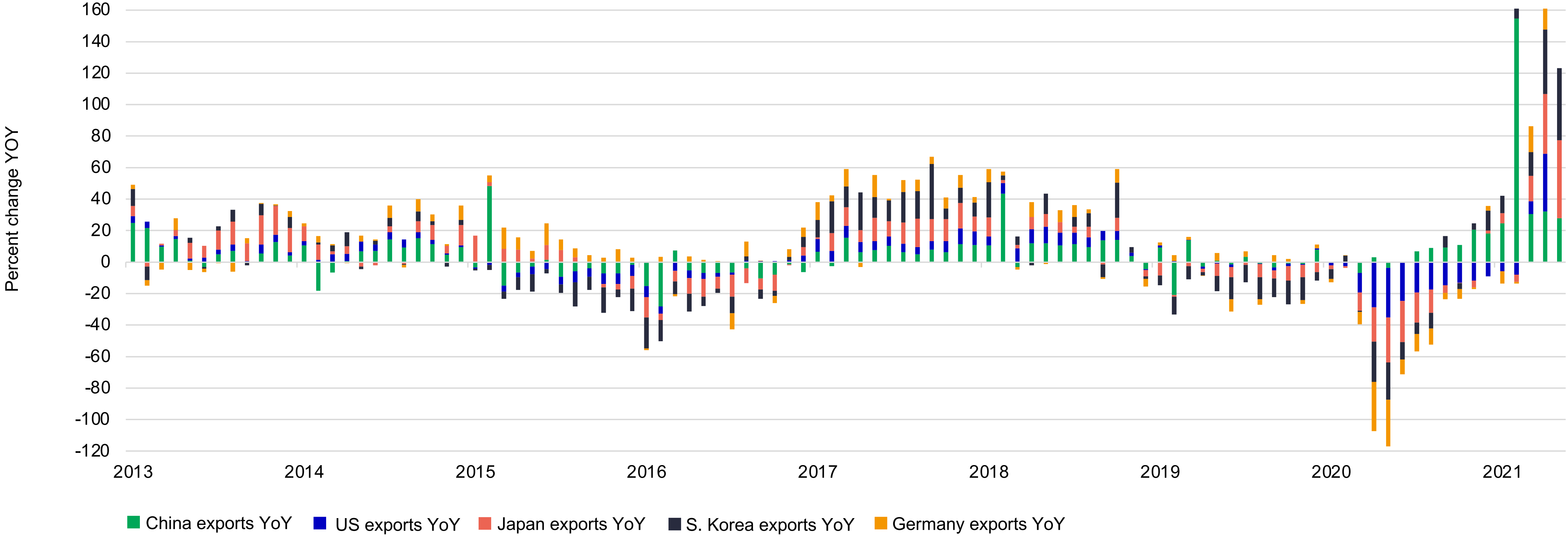
Year-over-year export growth by country
2013–current



Source: Manulife Investment Management, Bloomberg, as of March 31, 2021

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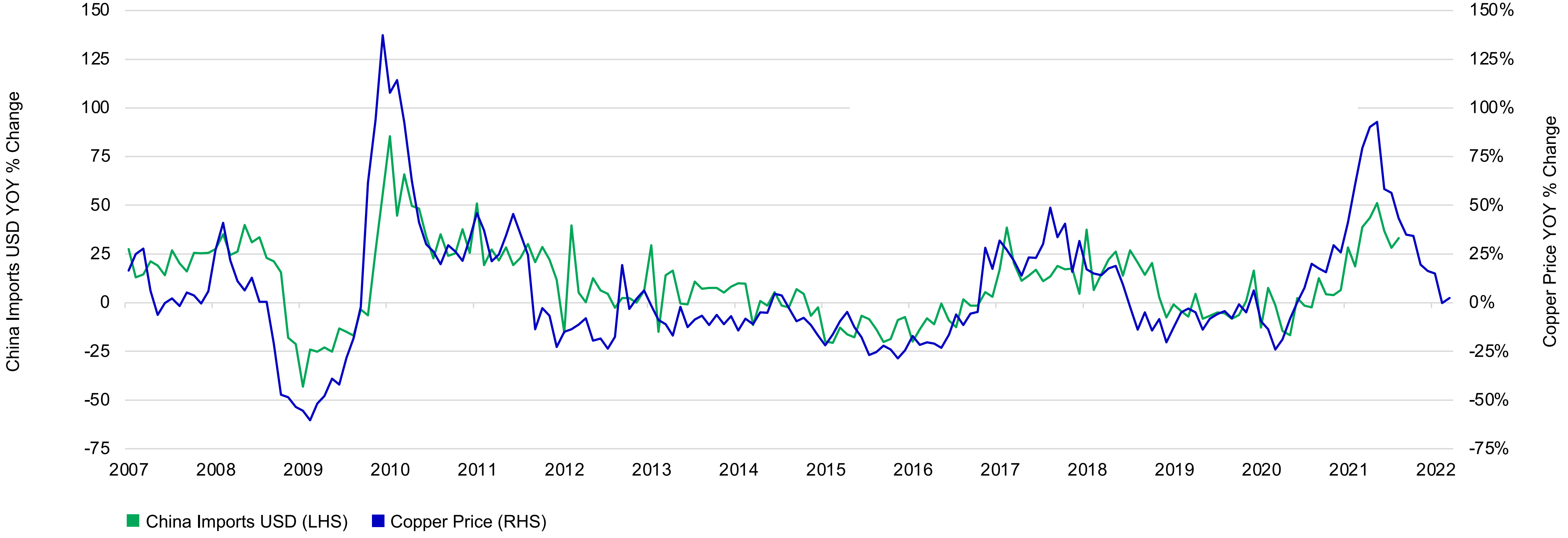
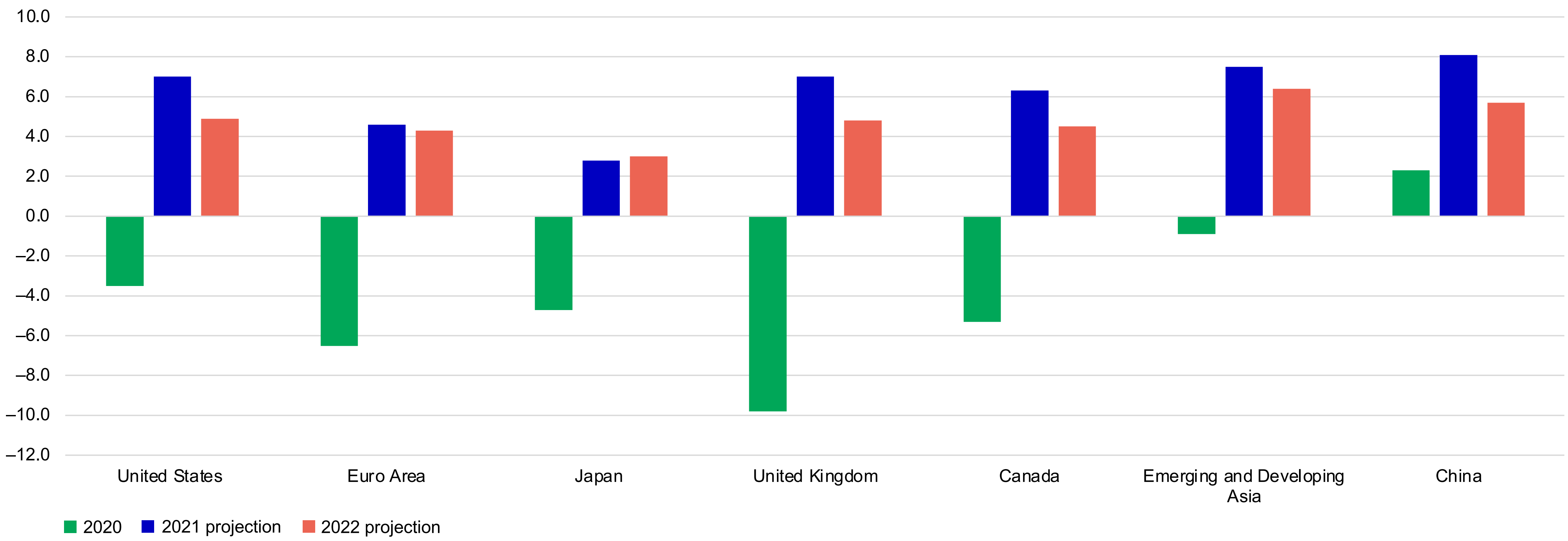
Chinese Imports vs Copper Prices YOY Change
2007–Current (with 6-month forward forecast)



Despite short term headwinds, Asia equities may benefit from stronger economic growth.

In their July World Economic Outlook, the International Monetary Fund projects that many regions around the world, especially emerging and developing Asia, could grow faster than the U.S. in 2021 and 2022. The improving economic outlook should benefit all regions lead by the emerging markets.

Economic Growth Projections

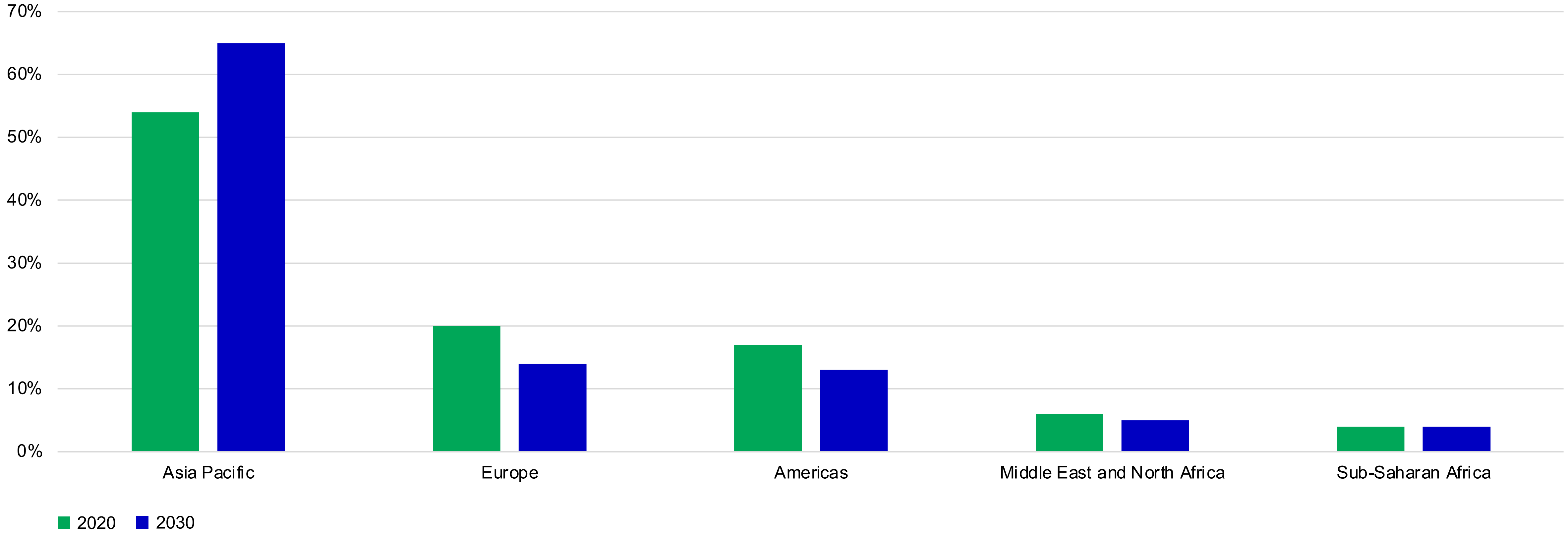


Source: Manulife Investment Management, International Monetary Fund, as of July 2021

Longer-term fundamentals remain strong for Asia.

Asia is home to 60% of the world's population, with China and India each accounting for about 18% of the global total. As incomes rise, the Asian middle class is expected to grow by about 1.2 billion people by 2030, significantly boosting consumption. A strong middle class provides a stable consumer base that drives stable economic growth.

The rise of the Asian middle class—share of the global middle class by region (percent)

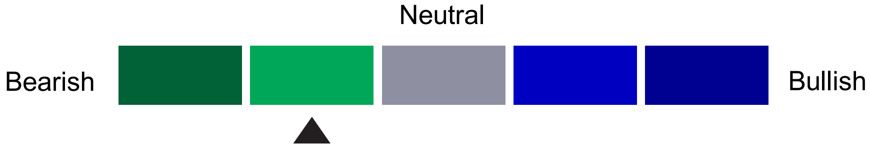


Source: Brookings Institution. Middle Class = household with incomes between $11–$200 per person/day (PPP) 2011

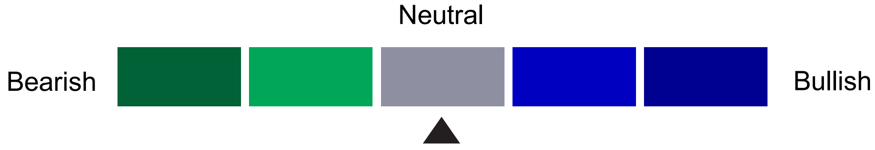
Fixed Income

Flexibility is required.

Developed Market Sovereigns



Corporate Credit



Key themes

1

An increase in yields around the world won't help income-focused investors.

Although global sovereign bond yields may have bottomed and have started to increase in some areas, they won't be going back to their long-term averages in the near term. In addition, approximately $13 trillion USD of global bonds have a negative yield.

2

The U.S. 10-Year Treasury Yield should trend higher.

A simplistic way of looking at the real US-10 Year Treasury yield is to reduce the yield by current inflation. Over the last 10 years the median real yield has been 32 bps. If we were to apply that to inflation between 2.0%-2.5% that would imply a 10-Year yield of approximately 2.30%-2.80%. We believe the risk to long yields is greater than 2.0% through 2022.

3

Move to the better relative opportunity.

In an environment of improving global economic growth, yield curves are likely to steepen. Typically, when this happens, credit outperforms government bonds and lower duration outperforms longer duration. In fixed-income, it's important to understand the landscape going forward and be able to move to the better relative opportunity.

4

The Canadian dollar is undervalued relative to its historical relationships.

The Canadian dollar has deviated from its historical correlation to oil prices and the 2-year interest rate spread with the U.S. As such, as at the end of the quarter it is trading significantly below its fair value. Our fair value model would suggest the CADUSD should trade near US$0.87, however external factors are limiting its upside Our 6–12-month target for the CADUSD is US$0.81-0.83.

Sources: Manulife Investment Management, Bloomberg as of September 30, 2021. The commentary on this page is that of Manulife Investment Management. Performance histories are not indicative of future results. See pages 33–37 for complete information. For illustration purposes only.

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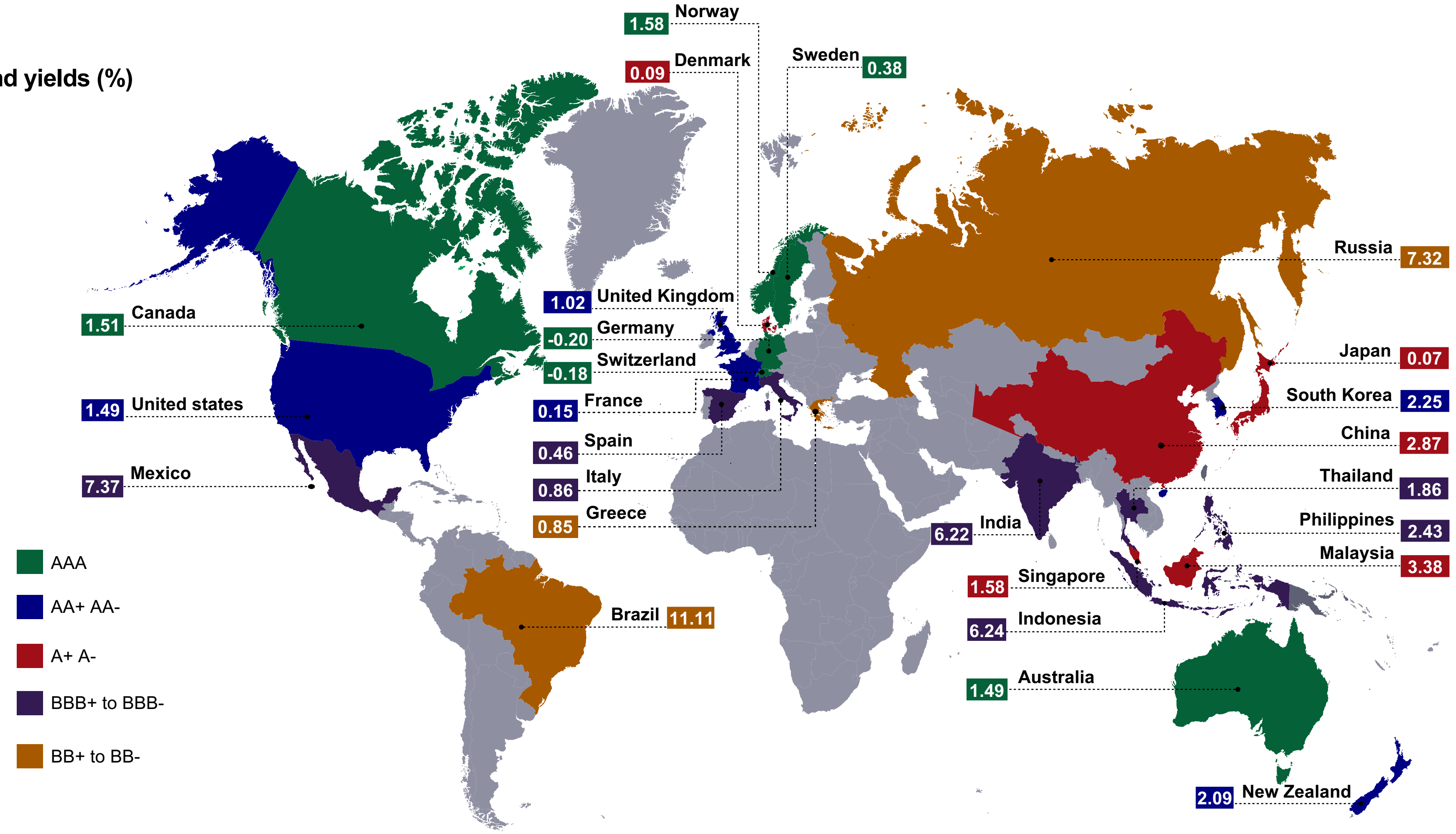
10-year government bond yields (%)



Source: Bloomberg as of September 30, 2021. Ratings are from Standard & Poor’s and are subject to change. Foreign investing, especially in emerging markets, has additional risks, such as currency and market volatility and political and social instability. The commentary on this page is that of Manulife Investment Management. Performance histories are not indicative of future results.

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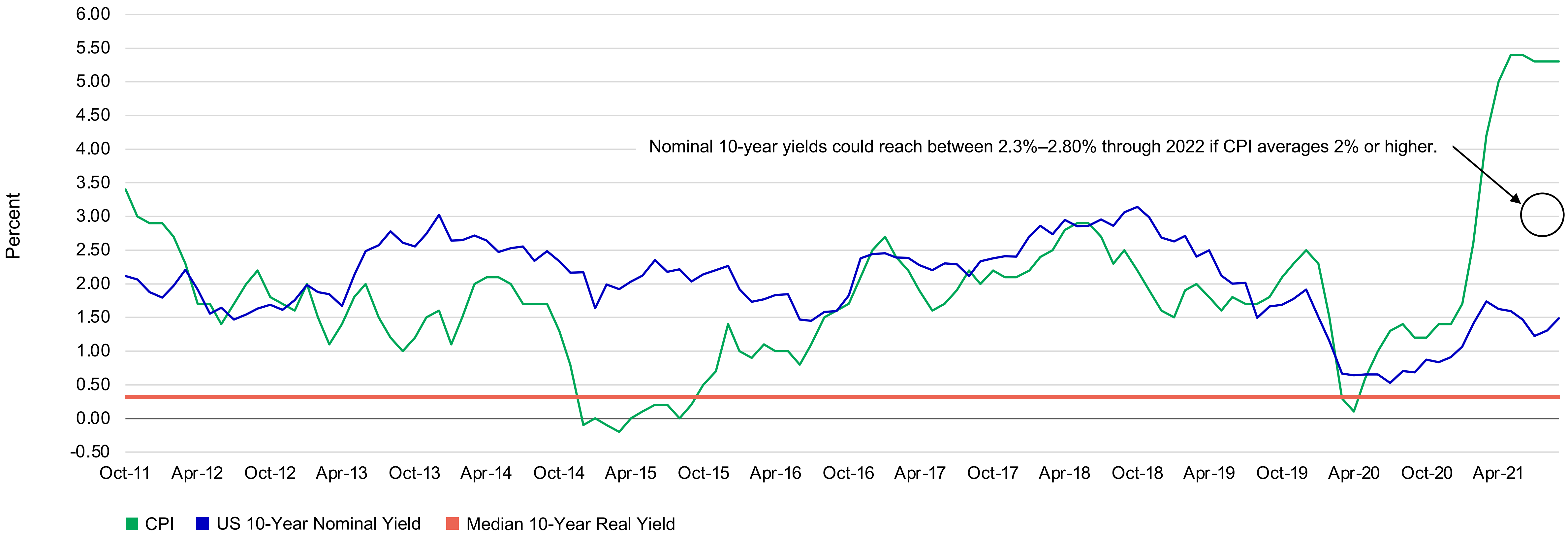
US 10-Year Treasury Yields (Real vs Nominal)
Last 10 Years through September 2021



Source: Manulife Investment Management, Bloomberg as of September 30, 2021

Move to the better relative opportunity.

In an environment of improving global economic growth, yield curves are likely to steepen. Typically, when this happens, credit outperforms government bonds and lower duration outperforms longer duration. In fixed-income, it's important to understand the landscape going forward and be able to move to the better relative opportunity.

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 ytd
11.8%	9.5%	13.7%	57.5%	15.2%	9.8%	18.5%	7.4%	8.8%	3.7%	17.5%	9.3%	2.4%	14.4%	9.4%	4.7%
9.9%	9.0%	11.5%	51.6%	12.0%	9.7%	15.6%	5.3%	7.6%	3.5%	10.2%	7.5%	1.9%	14.4%	9.2%	4.4%
6.7%	7.0%	8.6%	28.2%	10.1%	8.5%	9.7%	1.7%	7.5%	2.7%	10.2%	7.4%	1.4%	13.8%	8.7%	-0.4%
6.6%	6.3%	6.4%	16.3%	8.5%	8.4%	9.4%	0.8%	6.9%	2.6%	5.6%	6.2%	1.1%	8.7%	8.7%	-1.3%
4.4%	5.1%	5.2%	16.0%	7.3%	8.4%	6.2%	-1.2%	6.0%	1.2%	3.7%	4.1%	0.9%	8.6%	8.0%	-1.5%
4.3%	4.6%	4.8%	6.9%	6.7%	8.2%	4.3%	-1.5%	5.5%	0.8%	2.6%	3.5%	0.4%	8.1%	7.5%	-1.6%
4.3%	4.1%	0.2%	5.9%	6.5%	7.8%	4.2%	-2.0%	5.1%	0.5%	2.1%	3.4%	0.0%	6.9%	7.3%	-2.4%
4.1%	3.7%	-3.1%	5.4%	5.9%	5.6%	3.6%	-2.0%	3.1%	-0.7%	1.7%	2.5%	-1.2%	6.9%	6.2%	-2.5%
4.0%	2.2%	-10.9%	4.5%	5.5%	4.7%	2.1%	-2.6%	2.5%	-0.8%	1.0%	2.3%	-2.1%	6.8%	5.9%	-3.4%
3.6%	2.1%	-26.4%	-0.2%	5.4%	4.4%	2.0%	-2.7%	1.6%	-3.2%	1.0%	0.1%	-2.3%	3.7%	5.3%	-4.0%
3.1%	1.8%	-29.1%	-3.6%	3.6%	1.5%	2.0%	-6.6%	0.6%	-4.6%	0.0%	0.1%	-4.6%	3.1%	3.1%	-4.1%

Fixed Income Asset Classes

- Global Bonds
- US Aggregate
- US Treasury
- US Credit
- US High Yield Bonds
- US Floating Rate
- Canadian Bond Universe
- Canadian Government Bonds
- Canadian Corporate Bond
- Canadian Short Term Bonds
- Emerging Market Debt

Source: As of September 30, 2021. Floating rate (S&P/LSTA Leveraged Loan Index), Canada bond universe (DEX Universe Bond), Canada investment-grade corporate bonds (DEX Corporate Bond), Canadian government bond (DEX Federal Universe Bond), Canadian short-term bonds (DEX Short Term Bond), global bonds (Barclays Global Aggregate), U.S. high-yield (BofA ML US High Yield Master II Unconstrained), emerging market debt (JPM EMBI Global Diversified Index)

The Canadian dollar is undervalued relative to its historical relationships.

The Canadian dollar has deviated from its historical correlation to oil prices and the 2-year interest rate spread with the U.S. As such, as at the end of the quarter it is trading significantly below its fair value. Our fair value model would suggest the CADUSD should trade near US$0.87, however external factors are limiting its upside our 6–12-month target for the CADUSD is US$0.81-0.83.

Modeled CAD/USD Exchange Rate vs Actual CAD/USD Exchange Rate
Last 10 Years to Current

Manulife Investment Management's sample strategy

15%	25%	15%	10%	35%
Canadian Equities	U.S. Equities	International developed market equities	Emerging Market equities	Fixed income

Canadian Equities

- Favour a selective approach to Canadian equities.
- Consider diversifying business risks, not just sectors.

U.S. Equities

- Look for opportunities to take advantage of market dislocations.
- Consider dollar-cost averaging into equities.

International developed market equities

- Consider less constrained strategies that can seek out opportunities wherever they may present themselves.

Emerging Market equities

- Opportunities may exist within the emerging markets, specifically in the Asia ex-Japan region.

Fixed income

- Favour flexible strategies that can seize opportunities wherever they may be.
- Consider using different types of bonds for different objectives, whether it is downside protection or enhanced yield.
- Be mindful of the potential currency impact on global allocations.

Source: Manulife Investment Management as of September 30, 2021. For illustration purposes only. Performance histories are not indicative of future returns.
The information in this document does not replace or supersede KYC (know your client) suitability, needs analysis, or any other regulatory requirements.
Clients should seek the advice of professionals before making any investment decisions.

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It starts with our investment sales team.

Among Canada's most reputable sales forces, over 100+ professionals strong. Your contact in the centre of the wheel to connect you with the strategies, services and experts that Manulife Investment Management has to offer.

Portfolio managers

Access to the professionals managing the money, to gain from their market insight and further understand portfolio construction and resulting positioning

Capital markets and strategy

Market and economic analysis leading to guidance and commentary on strategies, asset allocation weightings, and specific portfolio recommendations with the goal of helping advisors manage their clients' portfolio objectives, regardless of the market environment

Private company advisory

Creating shareholder value for business owners by advising on mergers, acquisitions, and corporate finance transactions

Tax, retirement, and estate planning specialists

A team of legal, accounting, and industry-leading experts focused on identifying advisor opportunities within changing regulatory market environments

The opinions expressed are those of the contributors as of September 30, 2021, and are subject to change. A rise in interest rates typically causes bond prices to fall. The longer the average maturity of the bonds held by a fund, the more sensitive a fund is likely to be to interest-rate changes. The yield earned by a fund will vary with changes in interest rates.

Currency risk is the risk that fluctuations in exchange rates may adversely affect the value of a fund's investments.

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