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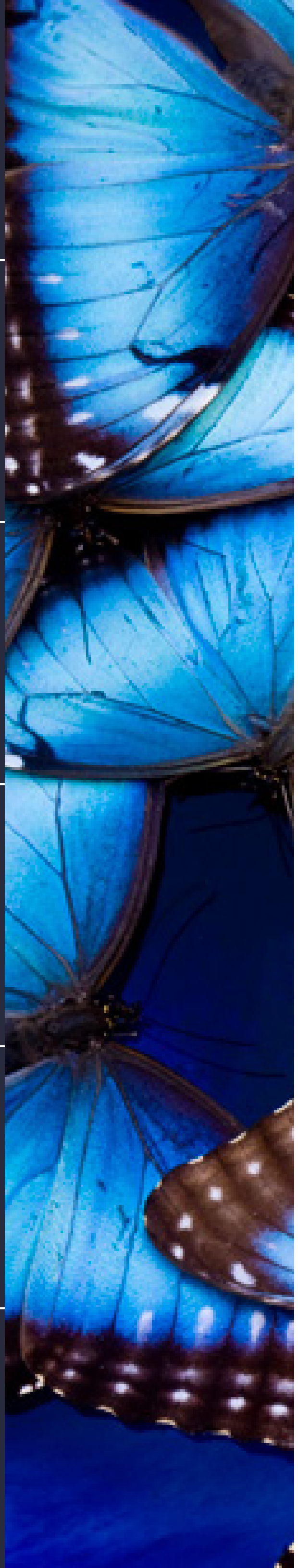
Manulife Investment Management

Investor brochure

Manulife Climate *Action* Fund

Seeking *growth* through environmental *action*

Available on both mutual fund and segregated fund platforms.



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Invest with purpose

Climate change affects more than the environment.

Sustainable investing means understanding the factors that affect the risks and returns of every portfolio we manage. More than ever, this includes action on climate.

Once a burden, strong environmental policies now represent opportunities for many companies to lead. As more of the world enlists in the Paris Agreement's effort to limit global warming, companies are discovering ways to add value and outgrow their counterparts by taking steps towards carbon neutrality.

At Manulife Investment Management, we believe quality companies making a demonstrated commitment to the environment will outperform and represent less risk for investors. Recognized in the industry for Environmental, Social and Governance (ESG) investing, we are proud to introduce Manulife Climate Action Fund, which will actively integrate climate considerations into its stock selection process.

The future is carbon neutral

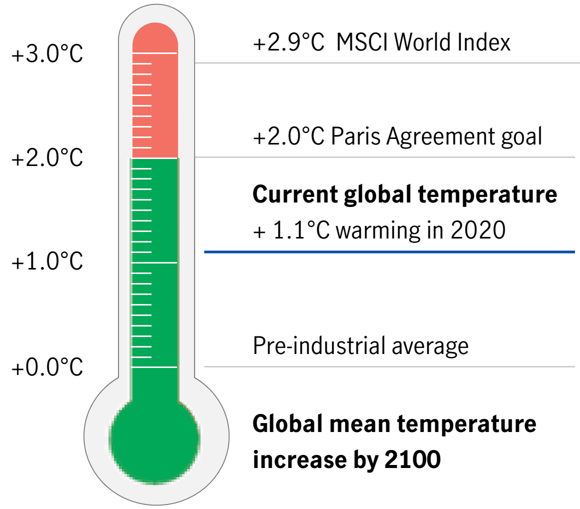
The Paris Agreement represents a global consensus about the need for action on climate change.

With the aim of limiting climate-related events such as flooding, wildfires and severe storms, almost 200 countries representing over half the global economy have committed to limiting the trajectory of global warming to under 2-degrees Celsius compared to pre-Industrial levels by 2100.

To achieve this ambitious goal, countries, companies and individuals will have to change the way they think and act when it comes to how their actions impact the economy and the environment.

More and more, companies are aligning with the Paris Agreement by adopting policies and practices to lower their carbon emissions. What is becoming clear is that many of these companies are seeing financial benefits as a result of their strong stance on climate change.

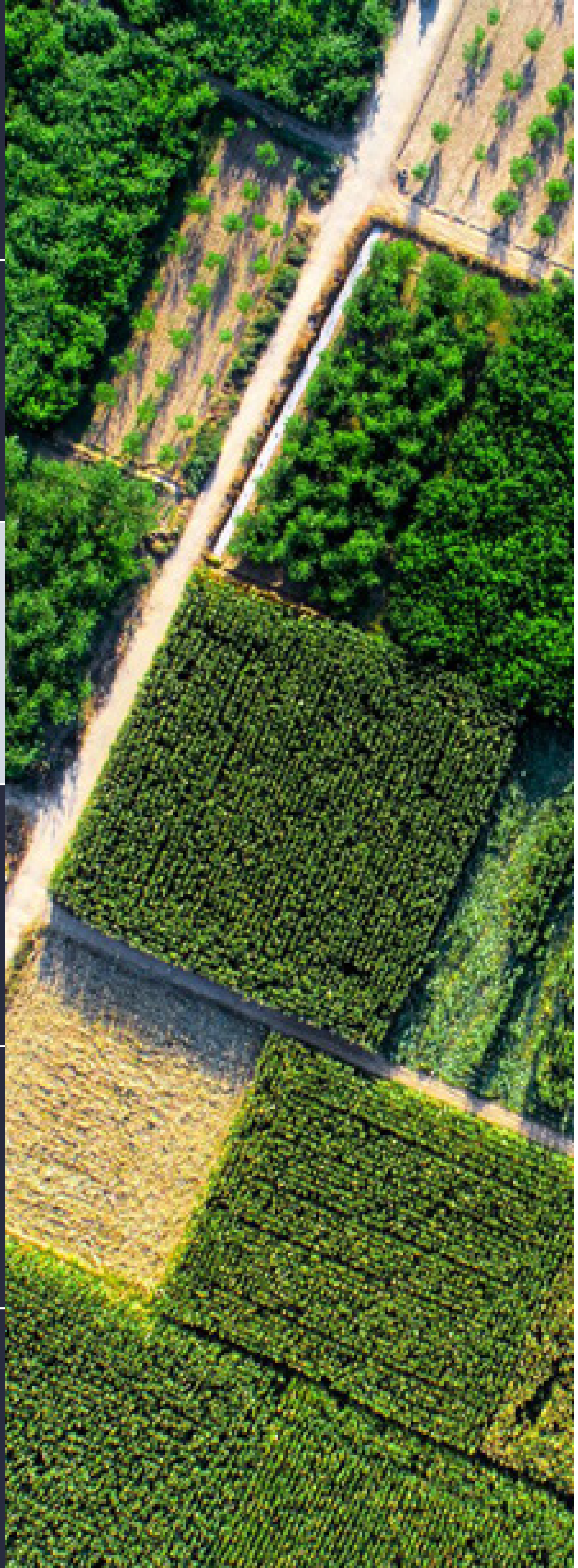
Turning down the temperature



Source Manulife Investment Management, MSCI and SBT.
As of February 2021. For illustrative purposes only.

63% of research, consisting of +2,000 studies, found that paying attention to ESG issues has a positive impact on returns.[1]

[1] Source: Gunnar Friede et al. “ESG & Financial performance: Aggregated evidence from more than 2000 empirical studies,” Journal of Sustainable Finance & Investment, October 2015, Volume 5, Number 4, pp.210-33; Deutsche Asset & Wealth Management Investment; McKinsey analysis



Why now?

More than ever, climate risks are factoring into performance.

Over the next several years, we believe there will be a clear separation between companies that seriously commit to an environmental program and those that do not.

Investors will not have to wait years to see the benefit. Companies that have taken steps to reduce their carbon footprint stand a better chance of lowering their business risks and winning greater trust among their shareholders, customers and employees. But there is still more work to be done.

Using the Paris Agreement as a framework, we can align our investment decisions with climate data, giving investors another way to join the fight against climate by addressing three key risks: physical risks, transition risks and stranded assets.

Physical Risks

More frequent and extreme climate events cause billions in damage every year.

Transition Risks

Businesses slow to change are facing increasing fines and regulatory scrutiny.

Stranded Assets

Carbon-generating assets becoming obsolete because of actions against climate change.

2015 Climate Plans Submitted

By 2020 Second round of climate pledges

By 2025 Third round of climate pledges submitted

2030

The Paris Agreement's "ratchet mechanism" increases the likelihood that governments will strengthen policy by 2025. For illustration purposes only.

Investing through a climate lens

A better way to measure a company's true potential.

Understanding how climate policies affect a company's value is key to understanding its true potential.

Improved Credibility

Wider and more rigorous scrutiny of carbon footprints will reward companies that have taken steps to lower emissions.

Stronger Brand

Brands associated with positive environmental policies are more valuable.

Lower Risk Exposure

Reduced risk means increased value for shareholders.

Preparedness

Companies that acknowledge a carbon-neutral future are better prepared to meet it.

Improved Cash Flow

Savings from cleaner energy and smarter waste management can be invested for growth.

Competitive Returns

The MSCI KLD 400 Social Index has matched or outperformed the S&P 500 Index for the past 10 years.[2]

Manulife Climate Action Fund seeks to provide long-term capital growth by investing primarily in a diversified portfolio of global equity securities of issuers who are also leaders in making positive contributions to mitigating climate change.

[2] Source: MSCI, Standard & Poor's, as of June 30, 2020. The MSCI KLD 400 Social Index is a capitalization weighted index of 400 US securities that provides exposure to companies with outstanding Environmental, Social and Governance (ESG) ratings and excludes companies whose products have negative social or environmental impacts.

A bold climate strategy

Blending active management with sustainable oversight.

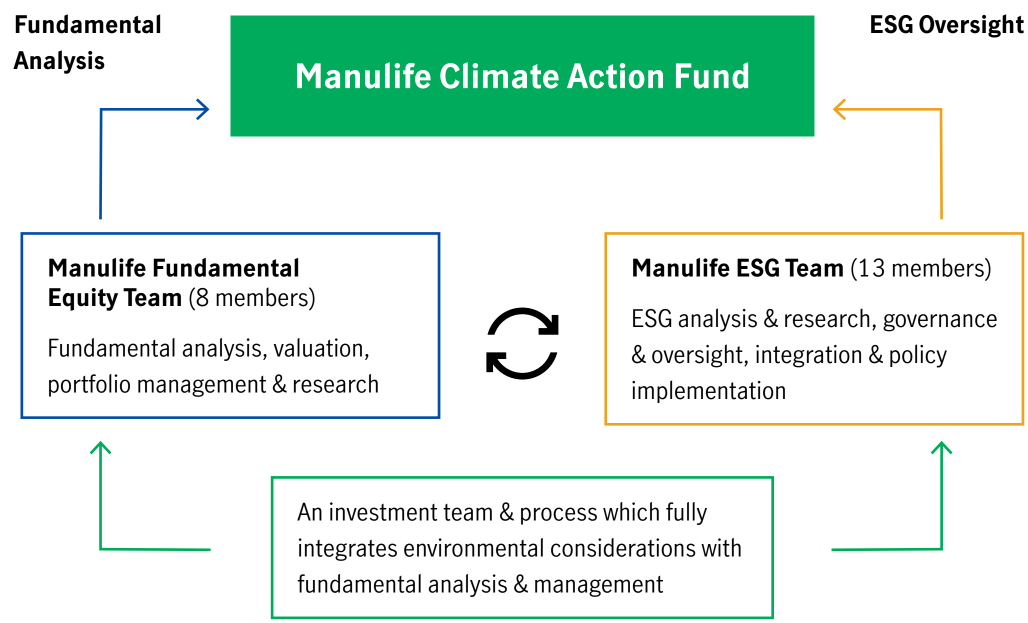
Manulife Investment Management is recognized in the industry for ESG investing. In 2020, we received a top rating of A+ from the UN Principles for Responsible Investment (PRI) for ESG strategy and governance, and integration in listed equity and fixed income sovereigns, supranationals, and agency bonds (SSA). We are also one of only 20 investment managers appointed to the PRI 2020 Leaders Group.[3] Our North American ESG Team were also repeat winners of the 2020 award for Best ESG Team, Investment Management, North America by CFI.co.[4]

The work of our ESG team is used in conjunction with analysis by our eight-member Fundamental Equity Team[5], who undertake fundamental analysis, valuation, portfolio management and research.

This investment process seamlessly integrates environmental considerations with fundamental analysis on every stock in the portfolio.

Top scores from the Principles for Responsible Investment (PRI)

A+



For illustrative purposes only. As of December 31, 2020.

We regularly engage the companies we invest in to encourage them to mitigate their exposure to climate change risk and align their business models with the lower carbon future envisaged in the Paris Agreement.

[3] Source: PRI Leaders' Group 2020: https://www.unpri.org/showcasing-leadership/leaders-group-2020/6524.article

[4] Source: CFI.ca: https://cfi.co/awards/north-america/2021/manulife-investment-management-best-esg-team-investment-management-north-america-2020/

[5] As of December 31, 2020.

Our approach

Climate is not a screen. It is a vital factor in determining value.

Manulife Climate Action Fund begins with a universe of more than 1,500 global equities. Our ESG team conducts a rigorous analysis of each company to assess their climate plan and environmental risks. Working closely with the ESG team, our Fundamental Equity Team integrates this information into their fundamental analysis and security selection process.

Key considerations

Commitment
Adherence to science-based targets with 100% alignment with the Paris Agreement expected over time.

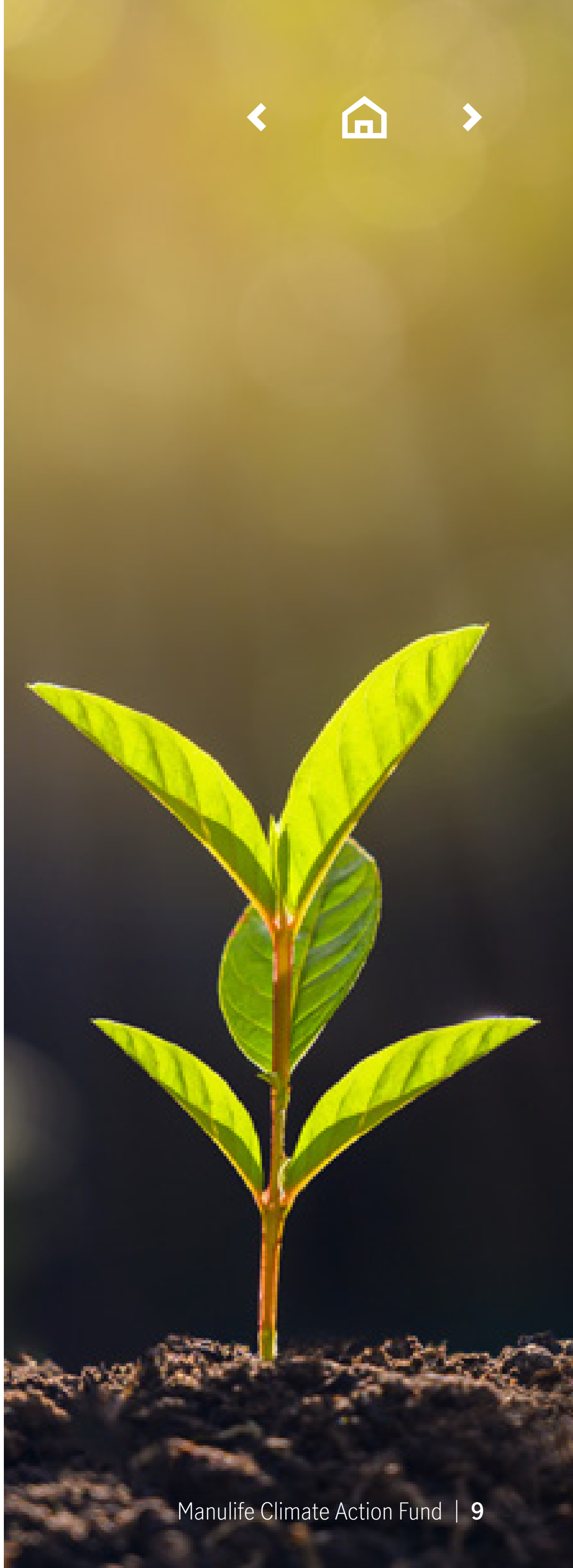
Green Revenue
Minimum green revenue exposure of 15%.

Leading Companies
Superior environmental performance compared with their peers.

Environmental effects on the bottom line

The Fundamental Equity Team adjusts each company's previous 10 years of financial statements to account for non-recurring and non-sustainable items (such as restructuring charges, stock options, or deferred taxes). This provides a clearer view of a company's potential, including sustainable free cash flow and cash flow return on invested capital.

The final composition of the portfolio is determined by lead managers Patrick Blais and Steve Belisle and considers not only the goal of benchmark outperformance but also the impact of climate-related risk factors.



Examples of companies with environmental plans[6]

- **Microsoft** – by 2025 100% of their electricity consumption will be derived from renewable power generation and they aim to be carbon negative by 2030. Furthermore, they've committed to remove all the carbon that Microsoft has emitted since the company was found in 1975 by the year 2050.[7]
- **Mastercard** – in 2019 reached its goal of using 100% renewable energy in its global operations and between 2016 and 2020, lowered their direct and indirect emissions by 43%.[8]
- **Philips** – committed to being carbon-neutral by 2020, sourcing over 75% of their total energy consumption from renewable sources by 2025, and to reducing CO_2 emissions in their entire value chain in line with a 1.5°C global warming scenario.[9]

[6] The companies discussed may not be representative of past or future holdings within the Fund.

[7] Source: Microsoft, January 28, 2021. https://blogs.microsoft.com/blog/2021/01/28/one-year-later-the-path-to-carbon-negative-a-progress-report-on-our-climate-moonshot/

[8] Source: Mastercard Corporate Sustainability Report 2019. https://www.mastercard.us/content/dam/mccom/global/aboutus/Sustainability/mastercard-sustainability-report-2019.pdf

[9] Source: https://www.philips.com/a-w/about/sustainability/climate-action

Sustainable investing is the new normal

72% of Canadian investors surveyed are interested in sustainable investing.[10]

$3.2 trillion

In 2020, Canadian ESG assets surged to $3.2 trillion, growing 48% in just 2 years.[11]

[10] Source: 2020 RIA Investor Opinion Survey: https://www.riacanada.ca/research/2020-ria-investor-opinion-survey/

[11] Source: RIA Canada 2020 Canadian RI trends report: https://www.riacanada.ca/research/2020-canadian-ri-trends-report/

To learn more about Manulife Investment Management and Manulife Climate *Action* Fund, please contact your advisor and visit **manulifeim.ca/climate**

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