Manulife Investment Management

Factsheet

June 30, 2023

Canadian Liability Driven Investment Pooled Funds (LDI)

Our six funds:

Designed to **efficiently address the liability-matching needs** of a wide range of small to mid-sized pension plans

Two investment-grade corporate bond funds*

Three government bond funds

One 3:1 leveraged government bond fund

An **LDI Fund Allocation Service** is available to help you select and rebalance the allocation to these funds.

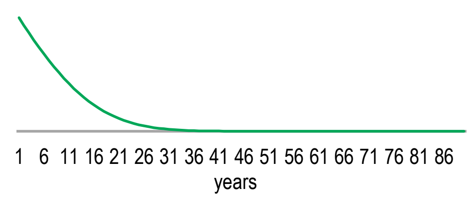
Key benefits:

- Aim to improve risk management without sacrificing growth potential:
  - Specifically designed to replicate liability characteristics of a pension plan
  - Strong risk-return relationship compared to a mix of market indices
  - Ability to maintain exposure to growth assets while enhancing liability hedging
- Adaptive over time to align with the evolving liability profile of your pension plan
- Ability to control the allocation to government and corporate bond exposures
- Easily incorporated within a glide path framework
- Simple and flexible solution that can easily integrate with your plan's other investment funds
- Daily valuation and liquidity

Each Fund[1] is associated with a specific demographic profile (young, mature or retiree), expressed as a combination of active and retired members within a typical pension plan.

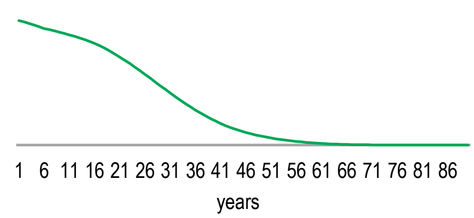
Retiree liability profile[2] → 100% old retirees[3]

Short-term corporate	Short-term gov.



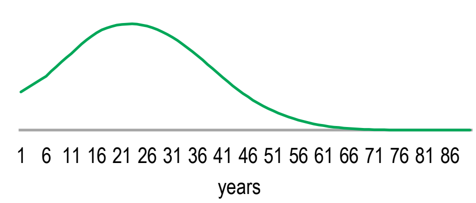
Mature liability profile[2] → 25% active members, 75% retirees

Mid-term corporate	Mid-term gov.	Leveraged



Young liability profile[2] → 75% active members, 25% retirees

Long-term gov.



For illustrative purposes only.

[1] Please note that the Funds' benchmarks match the interest rate risk exposure of their underlying liability profiles' cash flows. [2] As of June 30, 2023 durations are as follows: 18.38 years for the Long-Term Gov. Fund, 11.83 years for the Mid-Term Gov. Fund, 6.39 years for the Short-Term Gov. Fund, 10.87 years for the Mid-Term Corp. Fund, 6.03 years for the Short-Term Corp. Fund and 33.31 years for the Leveraged Gov. Fund. The duration is the Option Adjusted Spread Duration (OASD) - A measure of the average price sensitivity of the bonds in the portfolio to changes in interest rates (including credit spread) that takes into consideration any imbedded optionality that may change the bond's expected cash flows. Three population profiles are established based on the Statistics Canada demographic surveys and using the standard actuarial assumptions to project liabilities of the pension plan participants. Underlying assumptions and profile fund mixture are reviewed on an annual basis and revised if required. [3] To cover most of the typical pension plans (profiles), we built the short-term plan based on a population of old retirees. [*] The bonds are rated at least BBB as per the methodology used by FTSE Canada. For illustrative purposes only.

Liability driven investment risk: The return on its investments in one or a combination of the Liability Driven Investment Funds may not perfectly match the return of an investor's (such as a pension plan's) overall liabilities due to reasons that may include, but not be limited to:

i. the Liability Driven Investment Funds' benchmarks are based on a number of assumptions which are not necessarily identical to an investor's circumstances. These underlying assumptions include, but are not limited to, the plan's underlying demographic profile, the underlying plan's provisions, economic assumptions and, consequently, the underlying expected cash flows;
ii. the investor's target measure ("Target Measure") used to allocate assets within each Liability Driven Investment Fund (e.g. the target duration, expected liability cash flows or other actuarial input) may be based on a sub-group of the plan's liabilities (e.g. retirees);
iii. the amount invested in a Liability Driven Investment Fund may be higher or lower than the market value of the investor's plan liability;
iv. the Liability Driven Investment Funds are constructed assuming stable expected liability cash flows which may not reflect an investor's circumstances;
v. Manulife Investment Management Limited aims to hedge the interest rate sensitivity of the present value of the fund's assumed projected liability cash flows, discounted using the Government of Canada spot interest rate curve. Although this hedging strategy aims to reduce the long term funding risk of a pension plan, it does not specifically hedge liabilities based on any actuarial valuation method, including going-concern, solvency or accounting valuation methods; the projected liability cash flows are usually longer than what is available in the fixed income markets, thereby limiting the ability to match the cash flows at those longer maturities;
vi. the experience of a pension plan, including but not limited to mortality, turnover, salary increases, inflation and expenses, may differ from actuarial assumptions used by the plan's actuary to value the plan's liabilities. These actuarial assumptions are reflected in the investor's Target Measure used to allocate assets within each Liability Driven Investment Fund;
vii. the pension plan provisions, actuarial assumptions and actuarial valuation methods may be changed over time by the plan's actuary;
viii. the projected liability cash flows are usually longer than 30 years, whereas the Canadian bond market has limited investment opportunities with maturities longer than 30 years;
ix. the Liability Driven Investment Funds include exposure to credit risks and, consequently, is subject to changes in credit spreads and defaults, whereas pension plan liabilities are not directly subject to these risks; and
x. the Liability Driven Investment Funds are subject to client transactions and/or rebalancing, whereas liabilities are not.

The liability driven strategy of the Liability Driven Investment Funds is applied by Manulife Investment Management at the fund level in accordance with the Liability Driven Investment Fund's investment objectives, guidelines and restrictions. These funds do not take into consideration the specifics of the investor (though an investor can additionally contract to provide discretionary authority to manage the allocation between the Liability Driven Investment Funds). It is strongly recommended that an investor seek the advice of a pension or investment consultant to establish an appropriate asset allocation among these funds. Unless Manulife IM and/or its affiliates are granted discretionary authority as to asset allocation, Manulife Investment Management shall not be responsible if inappropriate asset allocation is made by the investor. Investing in the Liability Driven Investment Funds is not a guarantee or promise that the investor's target liability will be properly funded to meet its obligations on an ongoing or termination basis. Investors are strongly recommended that their Target Measure, in respect of any investment it may make in the Liability Driven Investment Funds, should be revised periodically or after any material event which is expected to significantly change their Target Measure. Such events include, but not limited to, the issue of an actuarial valuation report, a partial plan termination or plan fusion, or an annuity buy-out.

Leverage risk: The use of leverage magnifies both the favorable and unfavorable effects of price movements in an investment. To the extent that a strategy employs leverage, it will be subject to substantial risk of loss.

Important Information

About Manulife Investment Management

Manulife Investment Management is the global wealth and asset management segment of Manulife Financial Corporation. We draw on more than a century of financial stewardship to partner with clients across our institutional, retail, and retirement businesses globally. Our specialist approach to money management includes the highly differentiated strategies of our fixed-income, specialized equity, multi-asset solutions, and private markets teams—along with access to specialized, unaffiliated asset managers from around the world through our multimanager model. These materials have not been reviewed by, are not registered with any securities or other regulatory authority, and may, where appropriate, be distributed by the following Manulife entities in their respective jurisdictions. Additional information about Manulife Investment Management may be found at www.manulifeim.com/institutional. **Canada:** Manulife Investment Management Limited, Manulife Investment Management Distributors Inc., Manulife Investment Management (North America) Limited, Manulife Investment Management Private Markets (Canada) Corp.

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