Manulife

Logo on screen: Three vertical lines stand parallel in the shape of the letter 'M'.

Text On Screen: Manulife. Portfolio Insights.

Featuring:

Philip Petursson. Chief Investment Strategist, Manulife Investments.

Terry Carr. Chief Investment Officer for Canadian Fixed Income, Manulife Asset Management.

Philip and Terry sit next to each other against a bright white background. Phil wears a blue blazer over a checkered shirt while Terry wears a grey blazer over a light blue shirt.

Philip: Terry, before we begin, congratulations on winning the three year Lipper Award in the Global Fixed Income Balanced category for the Manulife Yield Opportunities Fund. Do you have any thoughts on that?

Logo on screen: An orange diamond stands upright.

Text on screen: Winner of the 2018 Thomson Reuters Lipper Fund Awards Canada.

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Terry: Well first, thank you, Philip. We're so appreciative of winning. We're so appreciative of our clients that supported us and trusted us with their money. And really, it's about delivering on a promise, delivering returns, and mitigating risk, and I think the fund just did a great job over the last few years delivering on that.

Philip and Terry sit upright, turned slightly towards each other.

Philip: So, Terry, talk to us about the process that you employ to deliver consistent income for your clients.

Terry: Well essentially, we've built a great team that focuses on multiple asset classes that deliver high income, and the idea is to balance risk and return to hit our return objectives, and at the same time not have significant volatility.

Philip: What you're offering or what you've been able to achieve over the years is to deliver almost equity-like returns, if not equivalent equity-like returns, with very low volatility, your fixed income-like volatility.

Terry gestures with his hands as he speaks.

Terry: It certainly is, but I would add maybe predictable high income isn't necessarily what we would associate with equities. But that's really what we're trying to deliver and the key way we've done it is using corporate data instruments, whether they're investment grade corporate blue chip bonds, whether it's below investment grade high yield, at certain points in the cycle, floating rate, bank loans, preferred chairs, using really a full kit to try to deliver it, and essentially the way we've done it in a more predictable or smoother fashion is lowering the equity weight to a minimum to hit our broad targets while elevating the weight of those types of instruments to deliver consistent high income over time and those instruments generally happen to be lower volatility, so there's a smoother result. That's really what we're trying to do.

Philip: Terry, Manulife has offices around the world, as such we have fixed income capabilities around the world, and expertise around the world, how does that benefit the management of the Manulife Yield Opportunities Fund?

Terry: It benefits us tremendously, first of all it's a global strategy, so we're open for ideas from around the world, we have great partners, great colleagues, a huge presence obviously in the U.S. through our Boston colleagues, but additionally in Europe, a very big presence in Asia. That allows us really to tap into that expertise and really, what we've done as an organization, as an asset manager, is make sure everybody's talking, make sure we're sharing ideas, make sure we're looking at those ideas and looking at correlated risks to see is there a better way to put on our posture in a different part of the world with a different asset class. The fact that we're a global organization with all those capabilities works really truly to our benefit and our clients' benefit.

Philip: We often say that the worse is behind us for fixed income. What's your take on the fixed income environment as we move into 2019?

Terry continues to gesture with his hands as he speaks.

Terry: 2019 I think is gonna be an interesting year Philip. We've sort of had this period through 2018 where rates were rising through about three quarters of the year, then a bit of panic in markets in Q4 where equity markets, high yield securities instruments like that, basically fell sharply, and fixed income essentially rallied. Interest rates actually briefly fell. Now we're into a reset period in 2019, and maybe almost a transition year where we expect interest rates to rise a little bit through the first half, and then perhaps level off or even start to come down through the balance. But if I look at it in totality, post-credit crisis, I feel interest rates have gone most of the way to the top already for this business cycle.

Philip: If we see the central banks ease off, if we see the economy soften a little bit in Canada or in the United States, this is when bonds do their jobs in a portfolio?

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Terry: Absolutely, from a financial planning perspective, bonds are very very important, and they do an important job that's different than GIC's or high-interest saving accounts. They actually can create capital appreciation, when other classes that are more risky that have produced higher rates of return start to fall in price in a slowing economy so it's very important to maintain a fixed income exposure that's reasonably high quality, and that's really how we will shift the balance over time to position more to those instruments as this cycle progresses.

Philip: 2019, a better year than 2018?

Terry: I believe it will be.

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See the Fund profile for more details on the fund.

Logo on screen:

The Manulife logo pushes onto the centre of the screen and changes from white to green. It's three vertical lines stand parallel, in the shape of the letter 'M'. A glare briefly appears behind the logo.

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