



MANULIFE

PORTFOLIO MANAGER INSIGHTS

FEATURING:

DANIEL JANIS III
SENIOR PORTFOLIO MANAGER
MANULIFE ASSET MANAGEMENT (U.S.) LLC

PHILIP PETURSSON
CHIEF INVESTMENT STRATEGIST
MANULIFE INVESTMENTS

PHILIP PETURSSON
CHIEF INVESTMENT STRATEGIST
MANULIFE INVESTMENTS

WINNER OF THE 2018
THOMSON REUTERS
LIPPER FUND AWARDS
CANADA

00:00:14 Dan, before we begin, I want to congratulate you on winning the 10-year Lipper Award in the global fixed income category for the Manulife strategic income fund congratulations. **00:00:24**

DANIEL JANIS III
SENIOR PORTFOLIO MANAGER
MANULIFE ASSET MANAGEMENT (U.S.) LLC

We're very fortunate we have a very good team. **00:00:26** We've been very fortunate to have the ability to manoeuvre around the markets over the last 10 years. **00:00:32** I think it's a testament to our risk management and to our process. **00:00:36** I think it's consistent and over a longer period of time, I think that usually shows up and it did this year, but I have a lot of supporting cast whether I have, you know, **00:00:45** my people in Asia, ___ and Kelly, Chris Chapman in London, Chuck, Tommy and the rest of the team in Boston and then all the other shared researchers that we utilize, I think it's truly a team effort. **00:00:57**

So Dan you often said we are not risk predictors, we are risk managers. **00:01:01** What does that mean? **00:01:02**

Risk predictors, you're trying to predict events that sometimes are very unpredictable so we're going to try to predict that, but we'll manage the risks around those events. **00:01:11** So, when we say risk managers, 4 major risks: interest rate risk, credit risk, currency risk and liquidity risk. **00:01:18** And when we look at the bond landscape, not



all the bonds we want to have all 4 of the risks. **00:01:22** So, on some of them, we may avoid the currency risk and hedge that away. **00:01:26** Some we may want to have no interest rate risk and have a short duration. **00:01:28** Some may want to embrace that and some on the credit side we will embrace that, but again we'll do it in a size that makes sense to us. **00:01:36** So again, there's no surprises. **00:01:38**

So 2018 was quite a challenging year for fixed income investors. **00:01:43** When I look at that and look at where we ended the year, one of the thoughts that jumps to my mind is the worst is probably behind us. **00:01:54** We are unlikely to see the federal reserve in the United States raise rates as much as they have in the last couple of years or since the fourth quarter of 2015. **00:02:03** We're unlikely to see the Bank of Canada raise rates as aggressively as they have in the last couple of years. **00:02:08** We're unlikely to see yields overall move up as much as they have in the last 2 years and so, when we think about that, we're in a better position in 2019. **00:02:17** First, do you believe as well that the worst is behind us? **00:02:19**

I think it is. **00:02:20** We had sort of upside down markets, we had low yield with high duration. **00:02:24** Now I think you know, the market has repriced that so now you've got a little more yield even with some of that high duration so you have some insulation there. **00:02:32** And all markets from a credit standpoint **EM** all got repriced in on a currency basis so now you're owning situations that have been repriced. **00:02:41** So we do think, you know, with higher yields and higher coupons and potential you know, different **asset** location, availability for us to take advantage of those, there are opportunities out there. **00:02:53**

The opportunity set starts to look much improved. **00:02:56** When you think about 2019, what comes to mind? **00:02:58**

Well we like the emerging markets space, they have sold off from a currency standpoint 14% and some of the bond yields going up maybe 1 to 2% so now you're getting yields, **00:03:09** you know, in Asia between 6 and you know, 8% and you're getting yields in Latin America and some of them as high as 10% so I think we have some nice opportunities there. **00:03:18**

So what does that look like in terms of the positioning of the portfolio? **00:03:21**

I would say, you know, a preponderance to have some emerging markets, a little bit less than 20% of the portfolio with Asia and you know, ___ a sprinkling of, you know, bank loans, probably less high yield than in the past. **00:03:38** A high-quality bond is probably between 15 and 20% and then ABS, CMBS converts and prefer we round out the balance. **00:03:46**

So, that means you need to have a very diverse and robust team. **00:03:50** Talk to us about the team. **00:03:51**

We look at our team we're all over the globe. **00:03:53** We have two people in Asia, one in London and then the rest in Boston. **00:03:58** We share resources around the globe but again, that sharing of the information around the whole, you know, Manulife system I think has worked out well. **00:04:05**



Management of the portfolio basically every minute of every hour that the bond markets are open because you have individuals placed all around the world for this ____.
00:04:15

Yeah it was design because we feel that, you know, you have one day off on Saturday, the market opens at 12:30 on Sunday ends at 6:00 on Friday and we feel that we have to have a presence globally **00:04:26** and having that first Asia time zone that's where the day starts and then in the middle of the day it's London and then we finish up the day in New York. **00:04:34** So, having that, you know, circle of connectivity to make sure that the risk is managed basically around the globe I think has worked out well.
00:04:41

We refer to the Manulife strategic income fund as a core fixed income portfolio.
00:04:48 What does it mean to you when you hear core fixed income portfolio?
00:04:51 What characteristics do you think that should exhibit? **00:04:53**

Well I think number one we want to make sure that we have no surprises. **00:04:58** We have the volatility within a range of 4 to 8% and our goal is to hopefully **mask** the return with the risk that we take so, again, **00:05:05** probably people have a comfort level that we're going to avoid, you know, the Argentinas and Venezuelas of the world where big deals, **00:05:14** you know we have that liquidity and again I think that surprise element knowing that you're not going to be surprised when you wake up. **00:05:20** Faster sell is on credit and 24-6 management of currencies I think really has to be the mentor managing this portfolio. **00:05:27**

THE LIPPER FUND AWARDS, GRANTED ANNUALLY, ARE PART OF THE THOMSON REUTERS AWARDS FOR EXCELLENCE AWARDED BY LIPPER, INC. AND HIGHLIGHT FUNDS THAT HAVE EXCELLED IN DELIVERING CONSISTENTLY STRONG RISK ADJUSTED PERFORMANCE RELATIVE TO THEIR PEERS. THE LIPPER FUND AWARDS ARE BASED ON THE LIPPER RATINGS FOR CONSISTENT RETURN, WHICH IS A RISK-ADJUSTED PERFORMANCE MEASURE CALCULATED OVER 36, 60 AND 120 MONTH PERIODS. THE HIGHEST 20% OF FUNDS IN EACH CATEGORY ARE NAMED LIPPER LEADERS FOR CONSISTENT RETURN AND RECEIVE A SCORE OF 5, THE NEXT 20% RECEIVE A SCORE OF 4, THE MIDDLE 20% ARE SCORED 3, THE NEXT 20% ARE SCORED 2 AND THE LOWEST 20% ARE SCORED 1. THE HIGHEST LIPPER LEADER FOR CONSISTENT RETURN IN EACH CATEGORY WINS THE LIPPER FUND AWARD. LIPPER LEADER RATINGS CHANGE MONTHLY. FOR MORE INFORMATION, SEE WWW.LIPPERWEB.COM. ALTHOUGH LIPPER MAKES REASONABLE EFFORTS TO ENSURE THE ACCURACY AND RELIABILITY OF THE DATA CONTAINED HEREIN, THE ACCURACY IS NOT GUARANTEED BY LIPPER COMMISSIONS, TRAILING COMMISSIONS, MANAGEMENT FEES AND EXPENSES ALL MAY BE ASSOCIATED WITH MUTUAL FUND INVESTMENTS. PLEASE READ THE FUND FACTS AS WELL AS THE PROSPECTUS BEFORE INVESTING. THE INDICATED RATES OF RETURN ARE THE HISTORICAL ANNUAL COMPOUNDED TOTAL RETURNS INCLUDING CHANGES IN UNIT VALUE AND REINVESTMENT OF ALL DISTRIBUTIONS AND DO NOT TAKE INTO ACCOUNT SALES, REDEMPTION, DISTRIBUTION OR OPTIONAL CHARGES OR INCOME TAXES PAYABLE BY ANY SECURITYHOLDER THAT



WOULD HAVE REDUCED RETURNS. MUTUAL FUNDS ARE NOT GUARANTEED, THEIR VALUES CHANGE FREQUENTLY AND PAST PERFORMANCE MAY NOT BE REPEATED.

MANULIFE FUNDS ARE MANAGED BY MANULIFE INVESTMENTS, A DIVISION OF MANULIFE ASSET MANAGEMENT LIMITED. MANULIFE, MANULIFE & STYLIZED M DESIGN, AND STYLIZED M DESIGN ARE TRADEMARKS OF THE MANUFACTURERS LIFE INSURANCE COMPANY AND ARE USED BY IT, AND BY ITS AFFILIATES UNDER LICENSE. FROM THOMSON REUTERS LIPPER AWARDS, 2018 THOMSON REUTERS. ALL RIGHTS RESERVED. USED BY PERMISSION AND PROTECTED BY THE COPYRIGHT LAWS OF THE UNITED STATES. THE PRINTING, COPYING, REDISTRIBUTION, OR RETRANSMISSION OF THIS CONTENT WITHOUT EXPRESS WRITTEN PERMISSION IS PROHIBITED.

COMMISSIONS, TRAILING COMMISSIONS, MANAGEMENT FEES AND EXPENSES ALL MAY BE ASSOCIATED WITH MUTUAL FUND INVESTMENTS. PLEASE READ THE FUND FACTS AS WELL AS THE PROSPECTUS OF THE MUTUAL FUNDS BEFORE INVESTING. MUTUAL FUNDS ARE NOT GUARANTEED, THEIR VALUES CHANGE FREQUENTLY AND PAST PERFORMANCE MAY NOT BE REPEATED.

MANULIFE FUNDS AND MANULIFE CORPORATE CLASSES ARE MANAGED BY MANULIFE INVESTMENTS, A DIVISION OF MANULIFE ASSET MANAGEMENT LIMITED. MANULIFE, MANULIFE & STYLIZED M DESIGN, AND STYLIZED M DESIGN ARE TRADEMARKS OF THE MANUFACTURERS LIFE INSURANCE COMPANY, AND ARE USED UNDER LICENSE.

WINNER OF THE 2018
THOMSON REUTERS
LIPPER FUND AWARDS
CANADA

SEE THE FUND PROFILE FOR MORE DETAILS ON THE FUND

MANULIFE