Liability-Driven Investing Overview

Liability-Driven Investing, or "L-D-I", as it's commonly known, is a unique institutional investment strategy that is not well known to retail investors.

LDI, in its most basic definition, is an investment strategy that matches an individual or institution's liability with a corresponding payment of income.

LDI is the investment strategy used in Manulife's Goals-Based Investing solution.

So why LDI? And how is it different?

It's important to understand the change in mindset with a goals-based investing approach.

It's a shift away from chasing market return growth to offset withdrawals in retirement to understanding, planning and implementing a solution aimed at meeting your future projected minimum income needs.

However, not all LDI strategies are created equal, they've evolved over time.

The type of LDI strategy that the Manulife Goals-Based Investing uses is called Dynamic LDI.

Dynamic LDI works like this: if an investor needs $100, 10 years from today. Our LDI team purchases a bond that would mature in 10 years' time worth $100. Given that a 10-year bond may only cost us $80 today the team not only purchases the bond but uses the remaining capital of $20 to purchase growth assets. Throughout the 10 years before maturity our portfolio management team monitors daily and strategically rebalances to capitalize on growth assets' gains. With the growth assets' proceeds they purchase additional fixed income assets to increase the projected minimum income.

As time passes, even if the growth assets are performing poorly, they are still sold to secure additional fixed income and "de-risk" the growth portion of the portfolio gradually.

Most importantly, because of the buy and hold to maturity hedging-fixed income strategy, clients will not have to worry about interest rate or market value risk affecting the secure income component. However, you should expect market value volatility from this investment strategy. Investors should be routinely informed that the market value should not impact the secure income component.

The investment solution is managed by Manulife's Quantitative Management Team – experienced institutional managers who have been running successful LDI strategies for over 20 years. The growth asset component is managed by Manulife Asset Management's Portfolio Solutions Group.

This LDI strategy helps investors meet their projected minimum income with a higher degree of confidence.

Now that's investing differently.

Supers:

Liability-Driven Investing
LDI
Unique institutional investment strategy
Retail space? LDI
Manulife Goals-Based Investing
Not all LDI strategies are created equal
Dynamic LDI
Monitor daily
strategically rebalance
Growth assets proceeds
Additional fixed income assets
Interest rate
Market Value Risk
Market value volatility
Should not impact secure income
Experienced institutional managers
Manulife Asset Management
Portfolio Solutions Group
(Manulife logo) Goals-Based Investing

The GBI Program tool is for educational and illustrative purposes only. Projected expenses and income illustrated by the GBI Program tool are estimates and not guaranteed and should not be construed as a contractual undertaking. Projected income levels (cash flows) are based on investments in mutual fund securities and assume there will be cash flows through redemptions. If your redemptions exceed your GBI goal recommended payout percentages, you will eventually deplete your investment and you will no longer receive income. You and your advisor are responsible for considering what meets your investment needs, and for determining your appropriate investment strategy based on your finances and other circumstances.

The GBI Program helps investors meet their projected minimum income with a higher degree of confidence. The term "confidence" refers to the probability that the investment strategy used in the GBI Program will provide at least the total projected minimum income (as shown in the GBI Program tool) over your selected retirement period. It assumes you make the initial and future contribution amounts you selected and uses interest rates current on the date of the illustration. Depending on your specific circumstances, your projected minimum income may be insufficient to cover your projected expenses, which may impact your GBI goal status.

The confidence assessment is based on simulated outcomes, using historical volatility and correlation parameters to forecast returns. Simulations have been developed for sample cases that may or may not be representative of your situation. Outcomes may differ for several reasons, including but not limited to changes in the market value of underlying assets, interest rate movements, credit defaults, changes to the timing or amounts of purchases, switches and redemptions, and other unforeseen circumstances. Consult with your advisor to understand these outcomes and your specific circumstances.

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. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The Goals-Based Investing Solutions are managed by Manulife Investments, a division of Manulife Asset Management Limited Manulife, Manulife Investments, and the Block Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.

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