Our Investment Portfolio: High Quality and Diversified

Our investment philosophy employs a bottom-up approach, which combines our strong asset management skills with an in-depth understanding of the characteristics of each investment. We are not limited to fixed income investments but rather have a diversified blend of assets, including a variety of alternative long-duration asset classes, which provides a distinctive positioning. We use a disciplined approach across all asset classes, and we do not chase yield in the riskier end of the fixed income market. This philosophy has resulted in a well-diversified, high quality investment portfolio, with excellent credit experience.

Fixed Income and Other
- Over 83% of the total portfolio

Alternative Long-Duration Assets
- Diversified by asset class and geography
- Historically generated enhanced yields without having to pursue riskier fixed income strategies

Public Equities
- Diversified by industry and geography
- Primarily backing participating or pass-through liabilities

Our invested assets total C$367.3 billion and include a variety of asset classes that are highly diversified by geography and sector. This diversification has historically produced superior risk-adjusted returns while reducing overall risk.

“Our long term, through-the-cycle, disciplined investment approach has historically allowed us to derive superior long-term risk-adjusted returns by using a diversified, high quality asset mix.”

Scott Hartz
Chief Investment Officer

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1 Includes government insured mortgages (C$7.2B or 15% as at June 30, 2019).
2 Includes debt securities, private placement debt, mortgages, cash & short-term securities, policy loans, loans to bank clients, and other.
3 The credit quality carrying values have been adjusted to reflect the credit quality of the underlying issuers referenced in the credit default swaps (“CDS”) sold by the Company. At June 30, 2019, the Company had C$643 million notional outstanding of CDS protection sold.

All figures in accordance with International Financial Reporting Standards “IFRS” carrying value, quoted as at June 30, 2019 unless otherwise noted.
High Quality Geographical Asset Mix
C$367.3 billion

- Canada 33%
- U.S. 44%
- Hong Kong, rest of Asia & Other 14%
- Japan 5%
- Europe 4%

Presented based on location of issuer
- Assets in Greece, Italy, Ireland, Portugal and Spain limited to <0.3% of total invested assets
- 30% of Asia & Other assets (including Japan) represent sovereign issuers

We currency match our assets with our liabilities, so most of the Asian holdings are local currency bonds backing local currency liabilities.

Highly Diversified Debt Securities and Private Placement Debt
C$230.6 billion, representing 63% of Total Invested Assets

- Utilities 19%
- Government & Agency 33%
- Energy 8%
- Consumer (non-cyclical) 8%
- Industrial 8%
- Basic Materials 2%
- Captive Finance Subs 1%
- Telecommunications 2%
- Insurance 2%
- Securitized MBS/ABS 2%
- Other Financial Services 3%
- REITS & Real Estate Related 3%
- Other 1%

- Diversified across 13 primary sectors
- 54% of issuers are outside of the U.S.
- No single position represents more than 1% of invested assets (excluding government holdings)

Our Debt Securities and Private Placement Debt portfolio is highly diversified by industry sector and geography. It includes private placements of C$36.3 billion, or 16% of our total Debt Securities and Private Placement Debt portfolio, which are a great source of diversification by name, industry and geography.

High Quality Securitized Holdings
C$4.1 billion, representing over 1% of Total Invested Assets

- BBB 2%
- A 9%
- AA 16%
- AAA 73%

- Over 98% rated A or better, with 73% rated AAA
- 100% of the CMBS holdings rated AAA are in the most senior class
- ABS holdings highly rated and diversified by sector

Our Structured Credit portfolio totals C$4.1 billion, or over 1% of total invested assets. Of this, approximately C$1.7 billion is commercial mortgage-backed securities (CMBS), less than C$0.1 billion is residential mortgage-backed securities (RMBS), and C$2.4 billion is other asset-backed securities (ABS). 100% of the portfolio is rated as investment grade, demonstrating the high quality of these holdings.

“Our private placement debt portfolio helps further diversify the fixed income portfolio by name and by industry as it provides opportunities not available in the public markets. Private placements also typically contain protective covenants not generally available in the public bond market.”

Scott Hartz
Chief Investment Officer

All figures in accordance with International Financial Reporting Standards “IFRS” carrying value; quoted as at June 30, 2019 unless otherwise noted.
High Quality Direct Mortgage Portfolio
C$48.8 billion, representing 13% of Total Invested Assets

By Property Type
- Canadian single-family residential – CMHC-insured 13%
- Canadian single-family residential 27%
- Agriculture 1%
- Other Commercial – CMHC-insured 1%
- Other Commercial 6%

- Diversified by geography
- 64% of portfolio is based in Canada, with remainder in the U.S.
- C$7.2 billion or 15% of total mortgage portfolio is insured, primarily by CMHC

Non-CMHC Insured Commercial Mortgages
Conservatively underwritten with low loan-to-value and high debt-service coverage ratios.

<table>
<thead>
<tr>
<th>Holding</th>
<th>FAIR VALUE</th>
<th>OCCUPANCY RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td>3,418</td>
<td>96.5%</td>
</tr>
<tr>
<td>Boston</td>
<td>2,107</td>
<td>96.0%</td>
</tr>
<tr>
<td>Los Angeles / San Diego</td>
<td>1,818</td>
<td>93.0%</td>
</tr>
<tr>
<td>Chicago</td>
<td>584</td>
<td>83.5%</td>
</tr>
<tr>
<td>Ottawa / Montreal</td>
<td>1,033</td>
<td>94.5%</td>
</tr>
<tr>
<td>Singapore</td>
<td>751</td>
<td>100.0%</td>
</tr>
<tr>
<td>Vancouver</td>
<td>742</td>
<td>98.0%</td>
</tr>
<tr>
<td>Atlanta / Orlando</td>
<td>177</td>
<td>93.4%</td>
</tr>
<tr>
<td>Calgary</td>
<td>568</td>
<td>74.8%</td>
</tr>
<tr>
<td>Washington</td>
<td>435</td>
<td>77.4%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>537</td>
<td>100.0%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>458</td>
<td>97.9%</td>
</tr>
<tr>
<td>New York</td>
<td>357</td>
<td>90.5%</td>
</tr>
<tr>
<td>Japan</td>
<td>386</td>
<td>99.9%</td>
</tr>
<tr>
<td>Melbourne</td>
<td>271</td>
<td>100.0%</td>
</tr>
<tr>
<td>Edmonton</td>
<td>200</td>
<td>89.0%</td>
</tr>
<tr>
<td>Kitchener / Waterloo</td>
<td>129</td>
<td>100.0%</td>
</tr>
<tr>
<td>Halifax / Maritimes</td>
<td>49</td>
<td>100.0%</td>
</tr>
<tr>
<td>Other Asia</td>
<td>67</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

We have C$28.4 billion in commercial mortgages which have been conservatively underwritten and continue to have low loan-to-value and high debt-service-coverage ratios. We are well diversified by property type and we avoid risky segments of the markets such as construction loans and second liens. Further, we currently have no loans in arrears.

Our Canadian residential mortgage portfolio includes high quality residential mortgages issued by Manulife Bank of Canada, with 33% insured, primarily by CMHC.

Our agriculture loans are well diversified by business type and geography.

1 CMHC is Canada Mortgage and Housing Corporation, Canada's AAA national housing agency, and is the primary provider of mortgage insurance.
2 LTV and DSC are based on current loan review cash flows.
3 Arrears defined as over 90 days past due in Canada and over 60 days past due in the U.S.
4 Excludes CMHC insured loans and Manulife Bank commercial mortgage loans.
5 Excludes assets slated for disposition / development.
6 Excludes fair value of the land lease for Manulife Tower, Hong Kong which is classified as an operating lease for accounting purposes.

High Quality Commercial Real Estate Holdings
Fair value of C$14.1 billion, representing 4% of Total Invested Assets on a fair value basis

Fair Value, By Type
- Office – Downtown: 39%
- Office – Suburban: 13%
- Residential: 14%
- Industrial: 6%
- Multi-family Residential: 10%
- Multi-family Residential – CMHC Insured: 1%
- Other Commercial – CMHC Insured: 1%
- Other Commercial: 6%
- Retail: 18%
- Company Own-Use: 23%
- Other: 2%

Holdings (C$ Millions)

We are well diversified by property type and we avoid risky segments of the markets such as construction loans and second liens. Further, we currently have no loans in arrears.

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5 Excludes assets slated for disposition / development.
6 Excludes fair value of the land lease for Manulife Tower, Hong Kong which is classified as an operating lease for accounting purposes.

The fair value of our commercial real estate portfolio is C$14.1 billion and represents 4% of our total invested assets on a fair value basis. This is a high quality portfolio, with virtually no leverage and mostly premium urban office towers, concentrated in cities with stable growth and highly diverse economies in North America and Asia. With an average occupancy rate of 94.4% and average lease term remaining of 5.5 years, we are well positioned to manage through challenging economic conditions.

All figures in accordance with International Financial Reporting Standards “IFRS” carrying value; quoted as at June 30, 2019 unless otherwise noted.
Our other alternative long-duration assets have a carrying value of C$24.9 billion representing 7% of our total invested assets.

These alternative long-duration assets have historically generated enhanced yields and diversification relative to traditional fixed income markets. The longer term nature of these assets is a good match for our long-duration liabilities, and results in superior risk adjusted returns without having to pursue fixed income strategies.

The fair value of our other alternative long-duration assets is C$25.5 billion and represents 7% of our total invested assets on a fair value basis.

### Other Alternative Long-Duration Assets

C$24.9 billion, representing 7% of Total Invested Assets

- Private Equity 29%
- Timberland 13%
- Oil and Gas 14%
- Infrastructure 33%
- Farmland 5%
- Other ALDA 6%

### Other Notable Items

- Financials fixed income net exposure\(^1\) of C$16.4 billion is well diversified by geography, sub-sector and name
- Gross unrealized losses limited to C$0.6 billion of our Debt Securities and Private Placement Debt portfolio
  - Gross unrealized losses for Debt Securities and Private Placement Debt were trading at less than 80% of cost for greater than 6 months is C$51 million
  - The potential future impact to shareholders’ pre-tax earning for Debt Securities and Private Placement Debt trading at less than 80% of cost for greater than 6 month is limited to C$32 million
- Monoline insurance net exposure\(^1\) of C$348 million in wrapped bonds but we place no reliance on the guarantees
- Limited net exposure\(^1\) to:
  - RMBS (C$7 million)
  - European bank hybrids (C$69 million)\(^2\)
  - Greece, Italy, Ireland, Portugal, and Spain\(^2\):
    - No direct sovereign or financial sector debt exposure to Greece, Ireland, or Portugal
    - Banks (C$29 million)
- Limited exposure to credit default swaps ("CDS"), with C$643 million notional outstanding of CDS protection sold

"We have strong capabilities and experienced investment professionals in each of these alternative long-duration asset (ALDA) classes. We are both an ALDA investor and an ALDA manager which provides us with a deeper understanding of these asset classes.”

Scott Hartz
Chief Investment Officer

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\(^1\) Excludes par and pass-thru and reflects the cumulative impact of downgrades on reserves.

\(^2\) Presented based on location of issuer parent.

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