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 hold 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 or alternative asset markets. This philosophy has resulted in a well-diversified, high quality investment portfolio, with excellent credit experience.

Highly Diversified Asset Mix

Our invested assets total C$405.3 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 portfolio 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

All figures in accordance with International Financial Reporting Standards “IFRS” carrying value; quoted as at December 31, 2020 unless otherwise noted.
High Quality Geographical Asset Mix

C$405.3 billion

- Canada 30%
- U.S. 46%
- Hong Kong, rest of Asia & Other 15%
- Japan 5%

High Quality Securitized Holdings

C$4.2 billion, representing 1% of Total Invested Assets

- BBB 2%
- A 10%
- AAA 72%

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$254.4 billion, representing 63% of Total Invested Assets

- Utilities 19%
- Energy 8%
- Consumer (non-cyclical) 8%
- Industrial 8%
- REITS & Real Estate Related 4%
- Other Financial Services 3%
- Consumer (cyclical) 3%

Our Structured Credit portfolio totals C$4.2 billion, or 1% of total invested assets. Of this, approximately C$1.8 billion is commercial mortgage-backed securities (CMBS), less than C$0.1 billion is residential mortgage-backed securities (RMBS), and C$2.3 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 March 31, 2020 unless otherwise noted.
Manulife

High Quality Direct Mortgage Portfolio
C$51.8 billion, representing 13% of Total Invested Assets

By Property Type

- Commercial Mortgages
- Other Mortgages

- Canadian single-family residential 27%
- Office – Downtown 38%
- Office - Suburban 12%
- Industrial 8%
- Residential 13%
- Agriculture 1%
- Other Commercial – CMHC1 insured 0.5%
- Other Commercial 6%
- Multi-family Residential 11%
- Multi-family Residential - CMHC1 insured 0.5%
- Retail 18%
- Office 19%
- Multi-family
- Industrial 5%
- Other

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

- Loan-to-Value Ratio (LTV)²: 62% (Canada), 56% (U.S.)
- Debt-Service Coverage Ratio (DSC)²: 1.48x (Canada), 1.88x (U.S.)
- Average Duration (years): 4.77 (Canada), 6.55 (U.S.)
- Average Loan Size: C$17.2M (Canada), C$19.7M (U.S.)
- Loans in Arrears³: 0% (Canada), 0% (U.S.)

We have C$31.0 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 32% insured, primarily by CMHC¹.

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


High Quality Commercial Real Estate Holdings
Fair value of C$15.2 billion, representing 4% of Total Invested Assets on a fair value basis

Fair Value, By Type

- Company Own-Use 23%
- Office – Downtown 38%
- Office - Suburban 12%
- Industrial 8%
- Residential 13%
- Multi-family Residential
- Retail 3%
- Other

Holdings (C$ Millions)

<table>
<thead>
<tr>
<th>Location</th>
<th>FAIR VALUE</th>
<th>OCCUPANCY RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td>3,446</td>
<td>98.2%</td>
</tr>
<tr>
<td>Boston</td>
<td>2,246</td>
<td>94.0%</td>
</tr>
<tr>
<td>Los Angeles / San Diego</td>
<td>1,899</td>
<td>90.7%</td>
</tr>
<tr>
<td>Chicago</td>
<td>640</td>
<td>89.6%</td>
</tr>
<tr>
<td>Ottawa / Montreal</td>
<td>989</td>
<td>94.3%</td>
</tr>
<tr>
<td>Singapore</td>
<td>804</td>
<td>96.2%</td>
</tr>
<tr>
<td>Vancouver</td>
<td>780</td>
<td>99.1%</td>
</tr>
<tr>
<td>Atlanta</td>
<td>240</td>
<td>88.7%</td>
</tr>
<tr>
<td>Calgary</td>
<td>543</td>
<td>55.3%</td>
</tr>
<tr>
<td>Washington</td>
<td>481</td>
<td>74.8%</td>
</tr>
<tr>
<td>Hong Kong³</td>
<td>586</td>
<td>100.0%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>676</td>
<td>99.1%</td>
</tr>
<tr>
<td>New York</td>
<td>382</td>
<td>90.4%</td>
</tr>
<tr>
<td>Japan</td>
<td>446</td>
<td>100.0%</td>
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<tr>
<td>Melbourne</td>
<td>266</td>
<td>100.0%</td>
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<tr>
<td>Edmonton</td>
<td>201</td>
<td>84.4%</td>
</tr>
<tr>
<td>Kitchener / Waterloo</td>
<td>139</td>
<td>100.0%</td>
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<tr>
<td>Halifax</td>
<td>49</td>
<td>100.0%</td>
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<tr>
<td>Other Asia</td>
<td>298</td>
<td>100.0%</td>
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<tr>
<td>Other</td>
<td>108</td>
<td>n/a</td>
</tr>
</tbody>
</table>

The fair value of our commercial real estate portfolio is C$15.2 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 93.5% 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 March 31, 2020 unless otherwise noted.

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 stated 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.
Other Alternative Long-Duration Assets

C$25.3 billion, representing 6% of Total Invested Assets

- Private Equity 28%
- Infrastructure 35%
- Timberland 13%
- Other ALDA 8%
- Oil and Gas 10%
- Farmland 6%

- Real assets represent investments in varied sectors of the economy
- A good match for long-duration liabilities
- Alternative source of asset supply to long-term Corporate bonds
- Majority of the assets are managed in-house; we have significant experience in managing and originating these assets

Our other alternative long-duration assets have a carrying value of C$25.3 billion representing 6% 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$26.1 billion and represents 6% of our total invested assets on a fair value basis.

Other Notable Items

- Financials fixed income net exposure\(^1\) of C$18.5 billion is well diversified by geography, sub-sector and name
- Gross unrealized losses were limited to C$3.6 billion of our fixed income holdings
  - Gross unrealized losses for debt securities trading at less than 80% of amortized cost for more than 6 months is C$146 million
  - The potential future impact to shareholders’ pre-tax earnings for debt securities trading at less than 80% of cost for greater than 6 month is limited to C$78 million
- Limited net exposure to European bank hybrids (C$75 million)\(^2\)
- Limited exposure to credit default swaps ("CDS"), with C$493 million notional outstanding of CDS protection sold

“Our 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

\(^1\) 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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Investor Relations Contact:
Adrienne O’Neill
Head of Investor Relations
200 Bloor Street East, Toronto ON, Canada M4W 1E5
Tel: (416) 926-6997

Media Relations Contact:
Sean Pasternak
AVP Communications
200 Bloor Street East, Toronto, ON Canada M4W 1E5
Tel: (416) 852-2745