



### i-Watch Rating System:

**Date** March 19, 2026

**Fund Manager** Manulife Investment Management

**i-Watch Status** ● **Increased Scrutiny**

- No concern(s)
- Moderate concern(s) requiring frequent and close monitoring
- Serious concern(s) that require a full review and may lead to removal from the fund platform

### Products Impacted:

Manulife MMF U.S. Unconstrained Fund [4446]

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### Summary

- The Manulife Investment Management Global High Yield team (“the investment team”) is now employing a more risk-managed, construction process designed to improve beta capture and upside participation of the high yield benchmark while still providing downside protection and delivering excess return primarily through issue selection.
- Global Manager Research (“GMR”) views this evolution in the construction to be a material change in the investment process that warrants close monitoring to ensure the team can effectively execute and deliver the outcomes aligned with the revised profile.
- The i-Watch Status of the Manulife MIM U.S. Unconstrained Fund (the “Fund”) has been downgraded to Increased Scrutiny.

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### Commentary

To improve the competitiveness of the performance profile, the Fund’s investment team developed a more risk-managed, benchmark-aligned portfolio construction approach which incorporates a Duration-Times-Spread (DTS) neutral methodology. DTS combines spread duration, which measures how sensitive a bond’s price is to changes in its credit spread, with credit spread, the additional yield above a risk-free benchmark demanded for taking credit risk. By multiplying these two factors, DTS provides a single figure that reflects the expected volatility of a security due to credit spread changes. By seeking to maintain comparable DTS exposures to the benchmark by credit quality and industry, the DTS neutral methodology is expected to allow the team to construct a better-diversified portfolio and implement risk constraints effectively and tighter to the high yield benchmark.

### Impact

**Allocations are now driven by DTS neutral approach:** Relative value assessment and portfolio construction now use a DTS neutral methodology. This approach seeks to improve beta capture and upside participation of the high yield market while still providing downside

protection and delivering excess return primarily through issue selection. Additionally, investment in lower credit quality issuers in the high yield universe has increased to reduce tracking error to the high yield benchmark.

**Capital structure flexibility and non-high yield exposures are materially reduced:** With a tighter focus on high yield bonds, the portfolio is now made up of predominantly index-eligible high yield bond securities. Investing across the capital structure and material investment in other asset classes such as bank loans, investment grade bonds and securitized debt has been reduced.

**Beta capture & risk management:** The team's revised process enforces stricter limits to avoid negative impact of having too low a beta during rallies.

**Greater focus on issue selection:** Allows the performance profile to more directly reflect and benefit from fundamental insights of MIM's credit research.

### **Closing Remarks**

While GMR believes these changes will better allow issue selection to drive outcomes with greater risk-managed discipline, limiting outsized benchmark deviations and should position the strategy for improved upside participation and without compromising downside protection, GMR views this evolution in the construction to be a material change in the process that warrants close monitoring to ensure the team can effectively execute and the outcomes align with the revised profile. As a result, the Fund's i-Watch status has been downgraded from In Good Standing to Increased Scrutiny. GMR will monitor this fund closely going forward.



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