

Market Intelligence

Insights from our strategy team

MARKET OUTLOOK | AS OF MARCH 31, 2017



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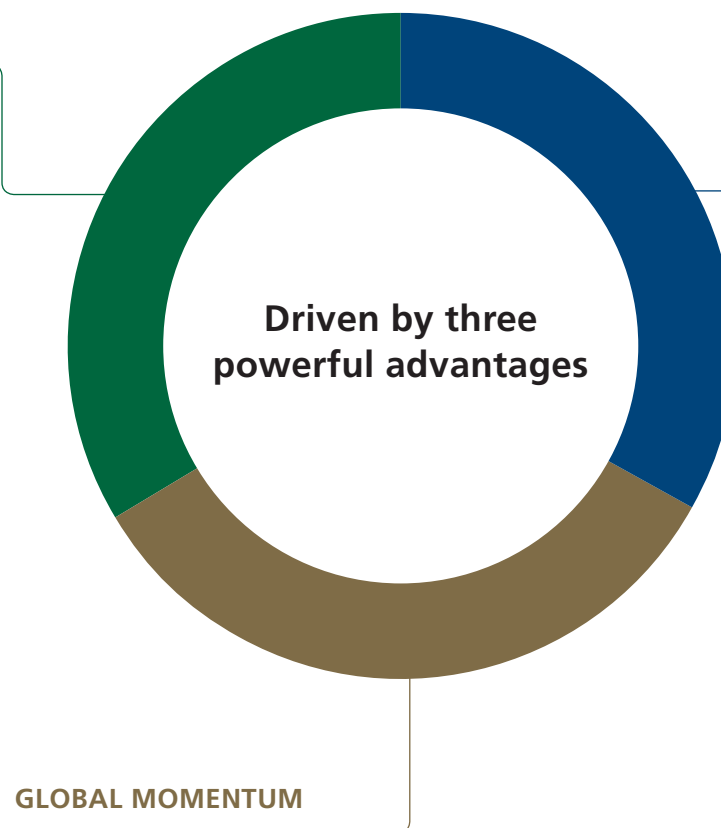
A better way to invest – a three-pronged approach

RIGOROUS RISK MANAGEMENT

- With a view to investor-driven performance expectations
- Close monitoring of behavioural risk
- Deep analysis to identify the right risks with the goal of long-term stability
- Built on more than 125 years of Manulife's wealth and investment expertise

EXPERIENCED SPECIALIZED TEAMS

- Harnessing strength and depth of expertise across multiple asset classes and geographies
- Tenacious approach to talent: if new capabilities are needed, conduct global searches to find the right team
- Access to differentiated philosophies, strategies and respected expertise
- Strategic sub-advisor partnerships



GLOBAL MOMENTUM

- Asset managers and teams "on the ground" in international locations
- Network of investment offices in North America, Asia Pacific and Europe with capabilities across a full range of asset classes
- More than 1,000 investment professionals in approximately 20 countries and territories

Our seasoned asset management teams help inform our views



BOUTIQUE INVESTMENT TEAMS. GLOBAL RESOURCES.

- Boutique environment: specialized team manages its own investment process from research through portfolio construction
- Global footprint: entrepreneurial teams strengthened by global resources
- Extensive investment capabilities: diverse range of investment strategies across asset classes, regions and the risk spectrum
- Ranked 28th worldwide among largest money managers¹



Mawer Investment Management Ltd.:
Independently owned Canadian investment manager that follows the mantra “Be Boring. Make Money.™”

- Investment philosophy of buying wealth-creating companies, with excellent management teams, that are trading at a discount to their intrinsic value
- Prudent investment approach rooted in risk management that has delivered superior risk-adjusted long-term results
- The firm’s “boring” investment approach has helped investors safely and profitably navigate the investing landscape over many different economic cycles



Brookfield Investment Management:
Experts in alternative strategies

- Specialized investment manager, focused on listed Real Asset investment strategies within both equity and debt
- Investment philosophy driven by fundamental, bottom-up analysis combined with broad operational and market insights
- Part of Brookfield Asset Management, a global alternative asset manager with over 100 years of experience in the ownership and operation of Real Assets

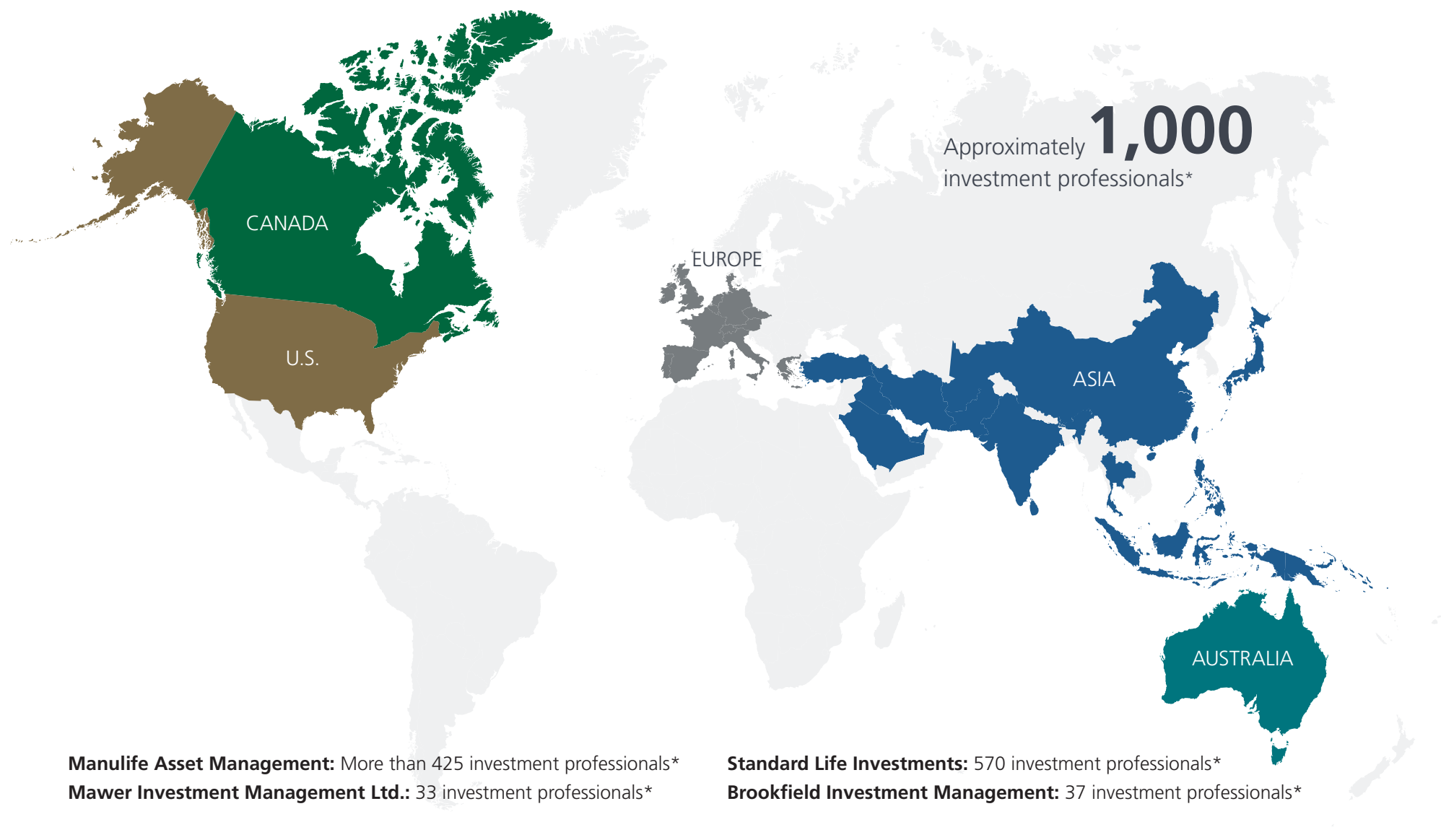


Standard Life Investments: Leading asset manager with an expanding global reach

- Investment capabilities span equities, bonds, real estate, private equity, multi-asset solutions, and absolute return strategies
- Active portfolio managers that place a significant emphasis on rigorous research and a strong collaborative ethos
- Backed by a Focus on Change investment philosophy, disciplined risk management and shared commitment to a culture of investment excellence

¹ From *Pensions and Investments* 2016 rankings based on worldwide institutional assets under management (data as of December 31, 2015).

Global reach



Manulife Asset Management: More than 425 investment professionals*
Mawer Investment Management Ltd.: 33 investment professionals*

Standard Life Investments: 570 investment professionals*
Brookfield Investment Management: 37 investment professionals*

The diagram represents the geographic location of investment professionals. *Number of investment professionals by sub-advisor: Manulife Asset Management as of December 31, 2016. Mawer Investment Management Ltd., Brookfield Investment Management and Standard Life Investments, as of March 31, 2017.

Market drivers

CANADIAN EQUITIES

Canadian equities finished the quarter in positive territory despite a fairly volatile quarter for the energy sector. The WTI crude oil price fell to its lowest level in the quarter on March 21st after data showed U.S. crude inventories rising faster than expected. The Organization of the Petroleum Exporting Countries (OPEC) is now under pressure to extend output cuts beyond June of this year.

U.S. EQUITIES

US markets continued to move higher, backed by strong underlying data and the expectation of investor friendly policies of personal and corporate tax cuts, deregulation and fiscal spending. However, the failure at the period end to pass revisions to healthcare legislation did plant doubts about the administration's ability to implement some of its policies.

INTERNATIONAL EQUITIES

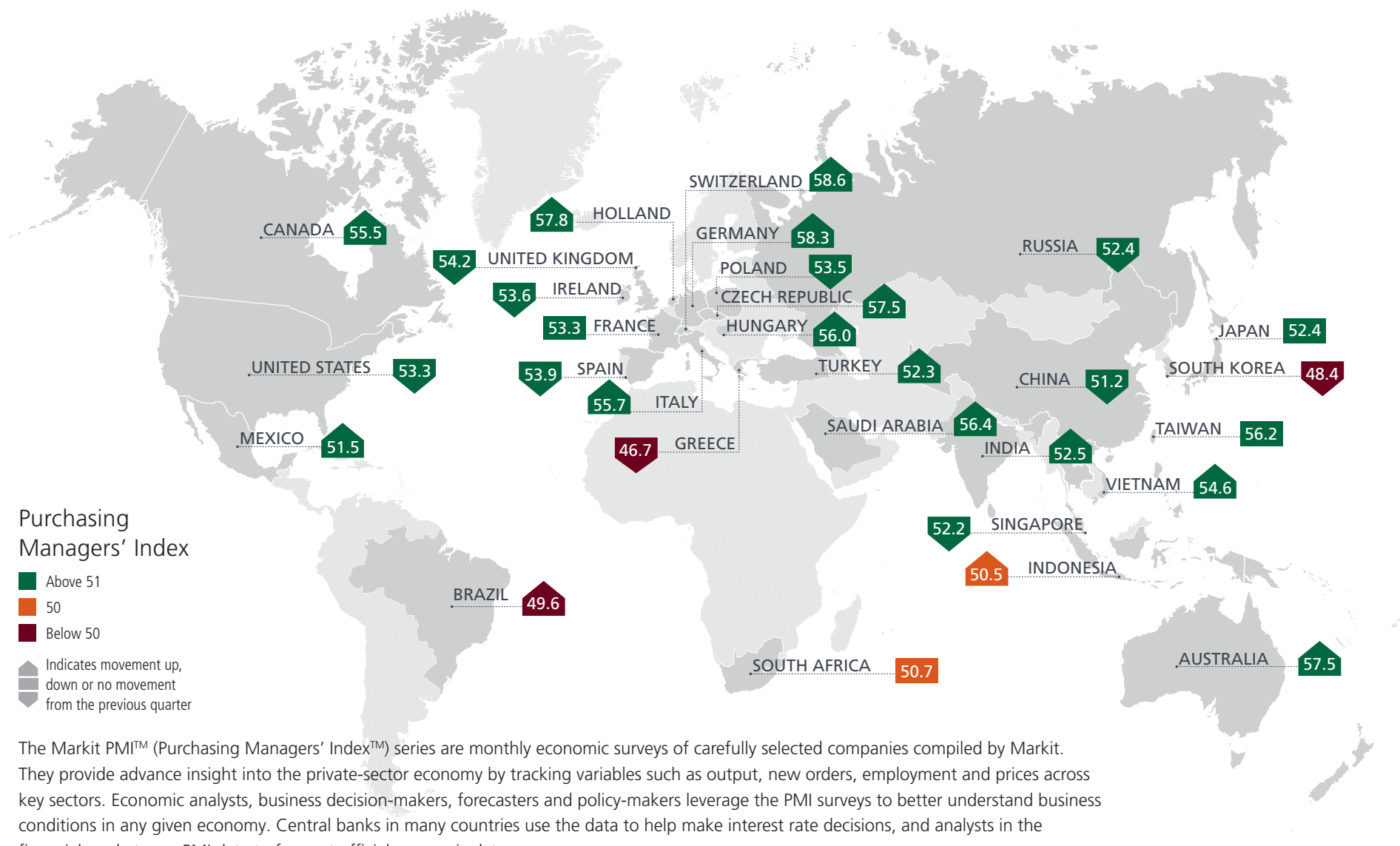
Eurozone equities delivered strong gains amid upbeat economic releases. Political worries seem to have receded, at least for now, following the win for the centre-right in the Dutch elections. Article 50 was triggered at the end of the period, signaling the formal start of the process to leave the EU.

FIXED INCOME

The US Federal Reserve increased their overnight rate by another quarter point in March. Despite an increase in yields across the curve, from an income perspective, traditional fixed income continues to fall short of investors' needs, especially after factoring the impact of inflation and taxation.

Macro snapshot

Manulife Investments believes that the global economy has reached an inflection point.



Source: Markit and Manulife Investments as of March 31, 2017. Performance histories are not indicative of future results.

Manulife Investments' outlook snapshot



CANADIAN EQUITIES

Following the path of oil

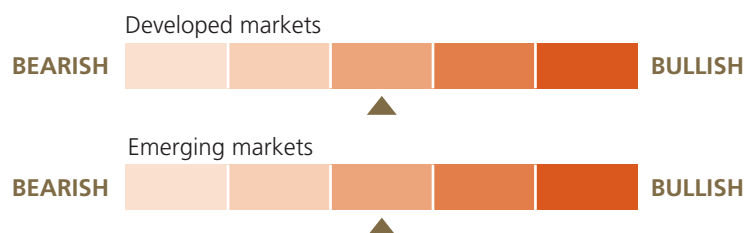
If oil prices can continue their upward trend or even maintain their current levels, Canadian equities should continue to be supported by better year-over-year earnings in the near term.



INTERNATIONAL EQUITIES

Improving conditions but uncertainty remains

European and Japanese central banks continue to try and stoke economic growth through monetary policy. Although some economic improvements are occurring, uncertainties remain, specifically around the European political environment.



U.S. EQUITIES

Earnings growth is in the driver's seat

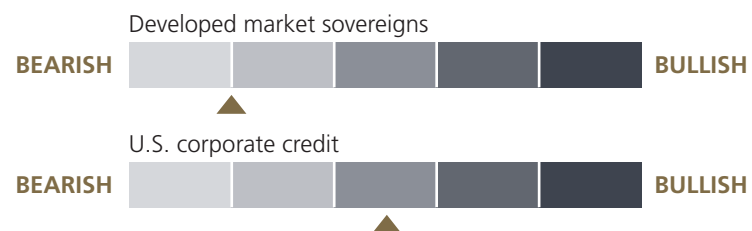
Against a backdrop of improving economic data including PMI, wage growth and employment gains, and expectations for investor-friendly government policies, the return to earnings growth is providing more reason to believe U.S. equities will keep climbing in 2017.



FIXED INCOME

Flexibility is key in low-yield environment

Global deflation risks creating a sell-off within traditional fixed income. An environment of higher inflation and higher interest rates highlights the need for agile portfolio management to help mitigate volatility and to seek out alternative sources of income.



A bearish reading indicates the potential for an asset class to underperform its historical average on a risk-adjusted basis. A bullish reading indicates the potential for an asset class to outperform its historical average on a risk-adjusted basis. A neutral reading indicates the potential for performance in line with the asset class's historical averages.

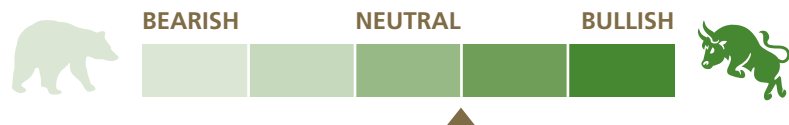
Source: Manulife Investments as of March 31, 2017. The commentary on this page is that of Manulife Investments. Performance histories are not indicative of future results. For illustration purposes only.



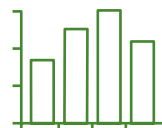
CANADIAN EQUITIES

Following the path of oil

CANADIAN EQUITIES



KEY THEMES



Canadian economic headwinds have abated

The current Canadian economic recovery/expansion appears to be picking up pace. The more recent recovery is a result of improvements in energy prices and business investment.



Business investment is stabilizing

Lost business investment was the thorn in Canada's side throughout 2015-16 but is now showing a meaningful stabilization.



Supply/demand differential will be the main driver of oil prices

As US shale production increases, OPEC is now under pressure to extend output cuts beyond June of this year.

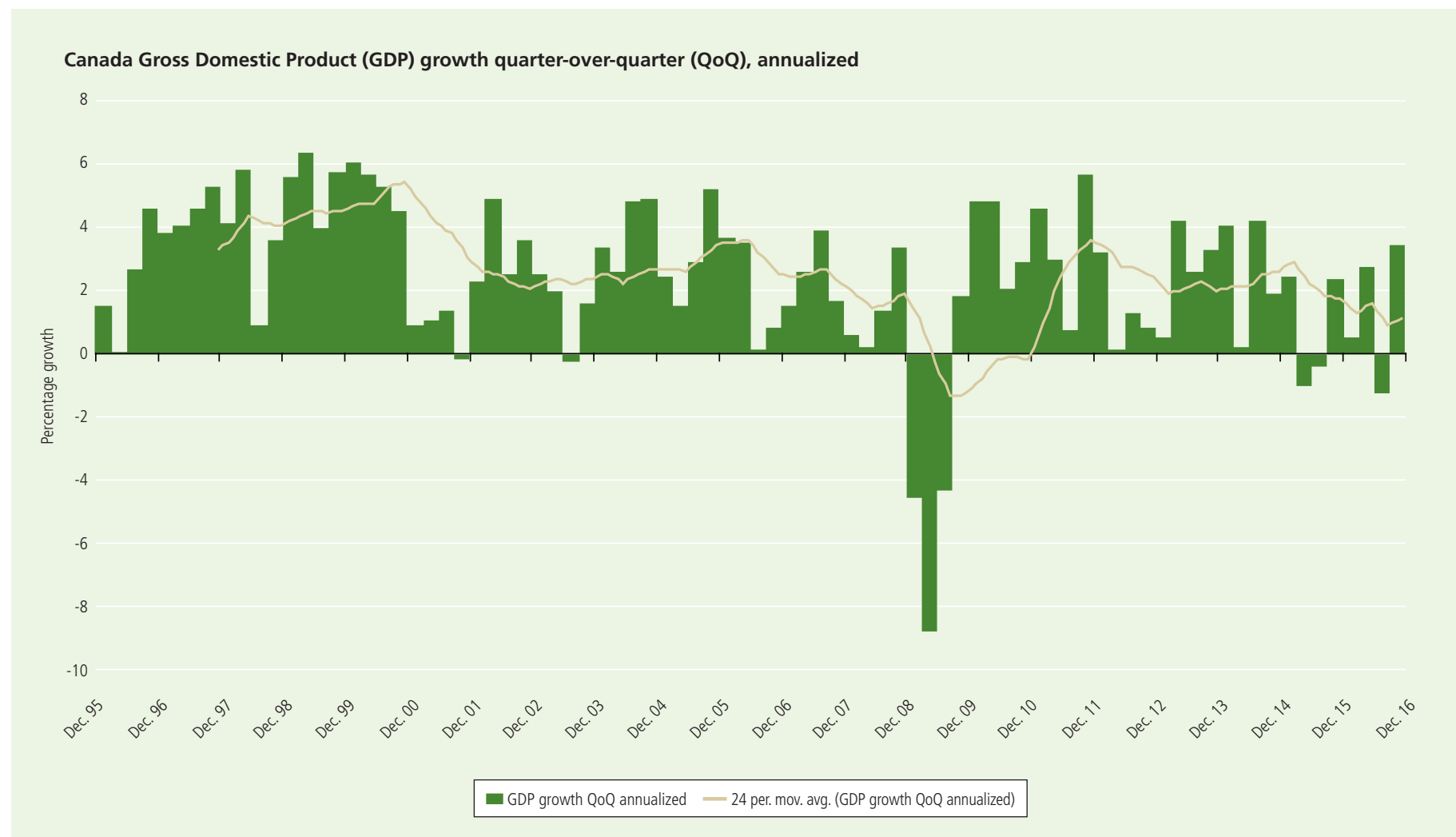


Manulife Investments believes earnings growth will be the key driver of returns for the S&P/TSX

Oil prices above \$45 should result in higher S&P/TSX earnings growth through Q2 2017.

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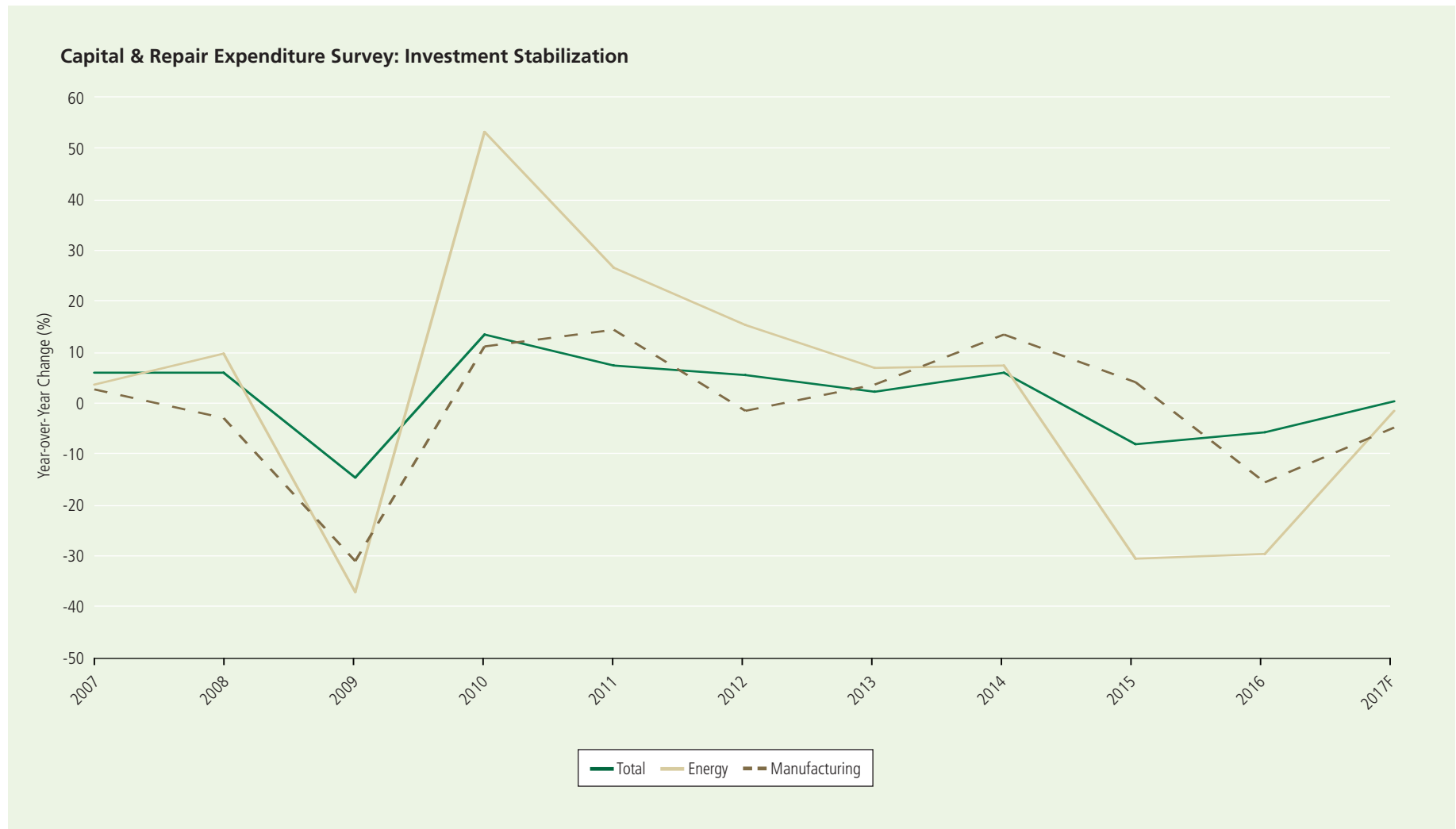
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Source: Bloomberg and Manulife Investments, as of February 29, 2017. The commentary on this chart is that of Manulife Investments. Performance histories are not indicative of future results.

Business Investment is Stabilizing

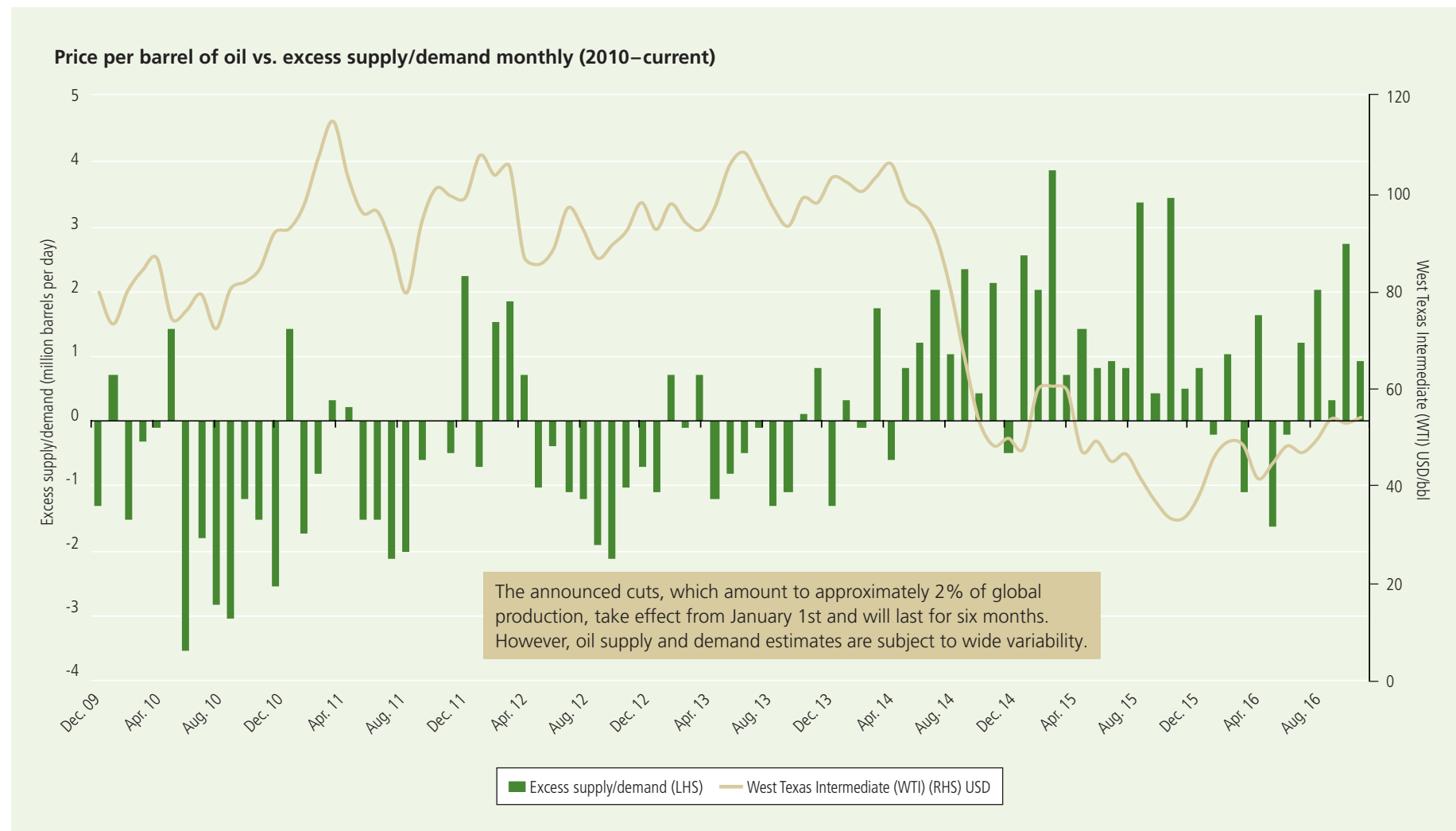
Lost business investment was the thorn in Canada's side throughout 2015-16 but is now showing a meaningful stabilization.



Source: Statistics Canada, Manulife Asset Management. As of February 28, 2017

Supply/demand differential will be the main driver of oil prices

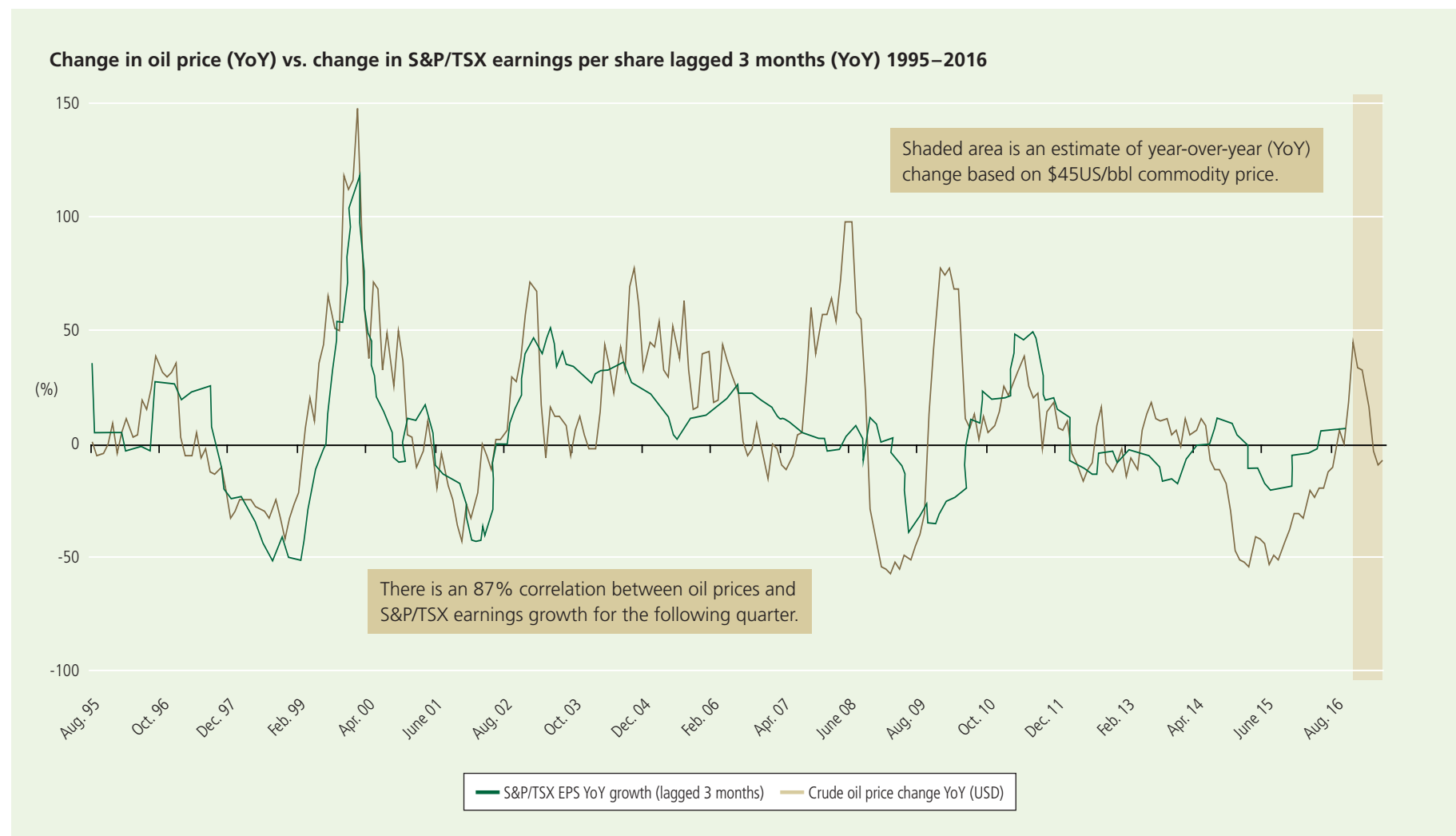
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Source: Bloomberg, Energy Intelligence Group Oil Product Demand Data, Manulife Investments as of February 28, 2017. The commentary on this chart is that of Manulife Investments. Performance histories are not indicative of future results.


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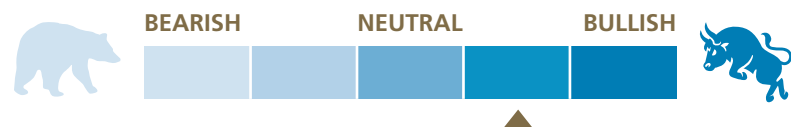
Source: Bloomberg and Manulife Investments, as of March 31, 2017. The commentary on this chart is that of Manulife Investments. Performance histories are not indicative of future results.

U.S. EQUITIES

The image features a solid blue background. On the right side, there is a white, jagged, geometric line that starts near the top right, moves left, then down, then left again, then down, then left, and finally down to the bottom right. This line creates a series of sharp angles and triangles, resembling a stylized mountain range or a jagged arrow pointing right. The text "U.S. EQUITIES" is positioned on the left side of the image, centered vertically.

Riding the reflation wave

U.S. EQUITIES



KEY THEMES

9 OUT OF 10

U.S. expansion remains intact

9 out of 10 leading economic indicators were positive in February.*



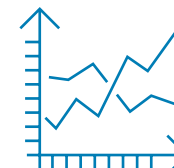
Increase in manufacturing activity should indicate better earnings growth

The pick-up in manufacturing should lead to improved earnings growth through the first half of 2017.



U.S. recession looks unlikely in the near term

With the current unemployment rate at an 8-year low, it seems unlikely to cross its 12-month moving average in the near term, a key recession indicator.



Negative calendar year returns are rare outside of recessions

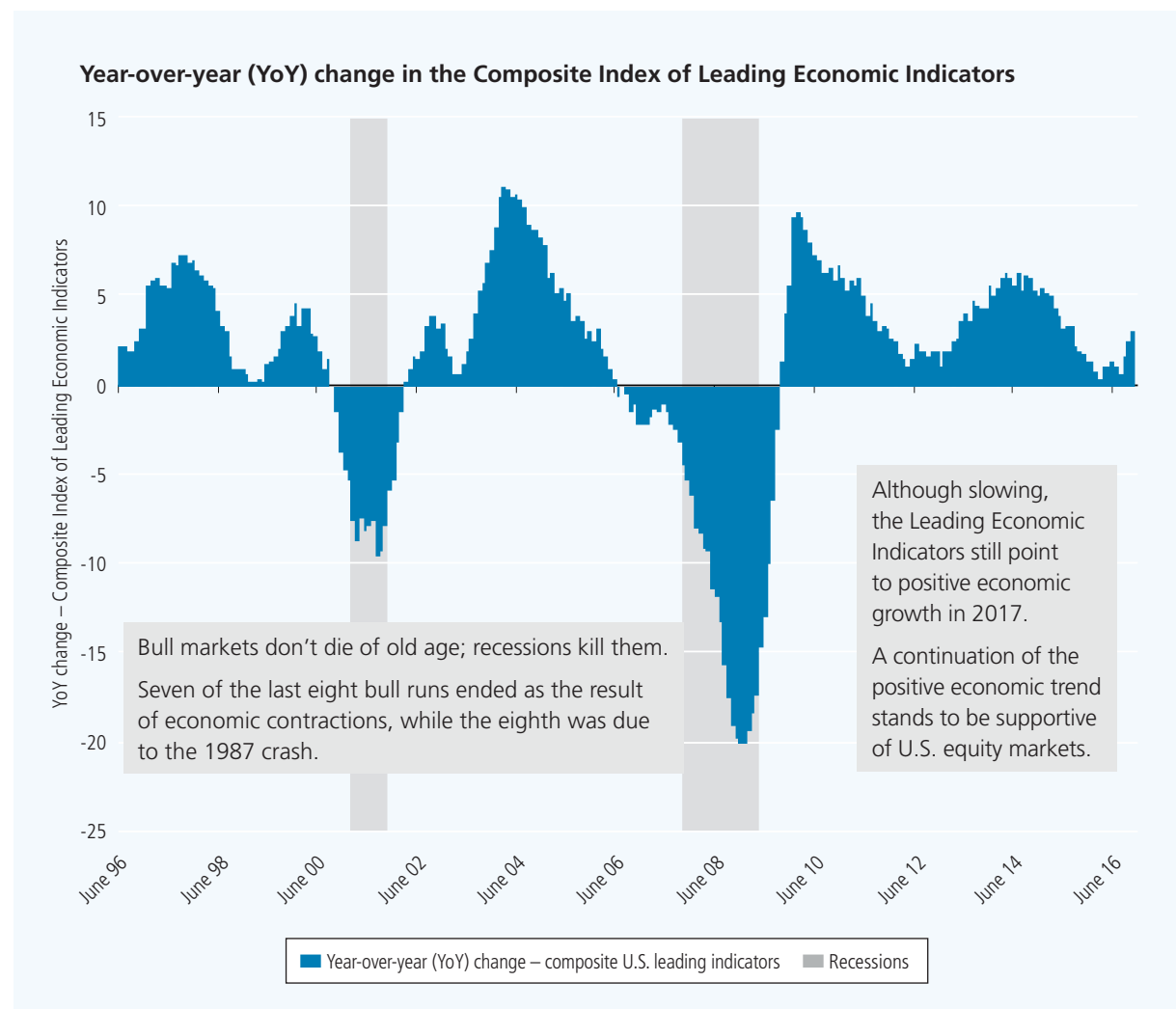
Markets are positive 76% of the calendar years since 1946. Markets are up 86% of the time when the economy is not in recession.

Source: Manulife Investments as of March 31, 2017. The commentary is that of Manulife Investments. Performance histories are not indicative of future results. See pages 16–19 for complete information. For illustration purposes only.

*Source: The Conference Board as of February 28, 2017.

U.S. expansion remains intact

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The Conference Board's Composite Index of Leading Economic Indicators

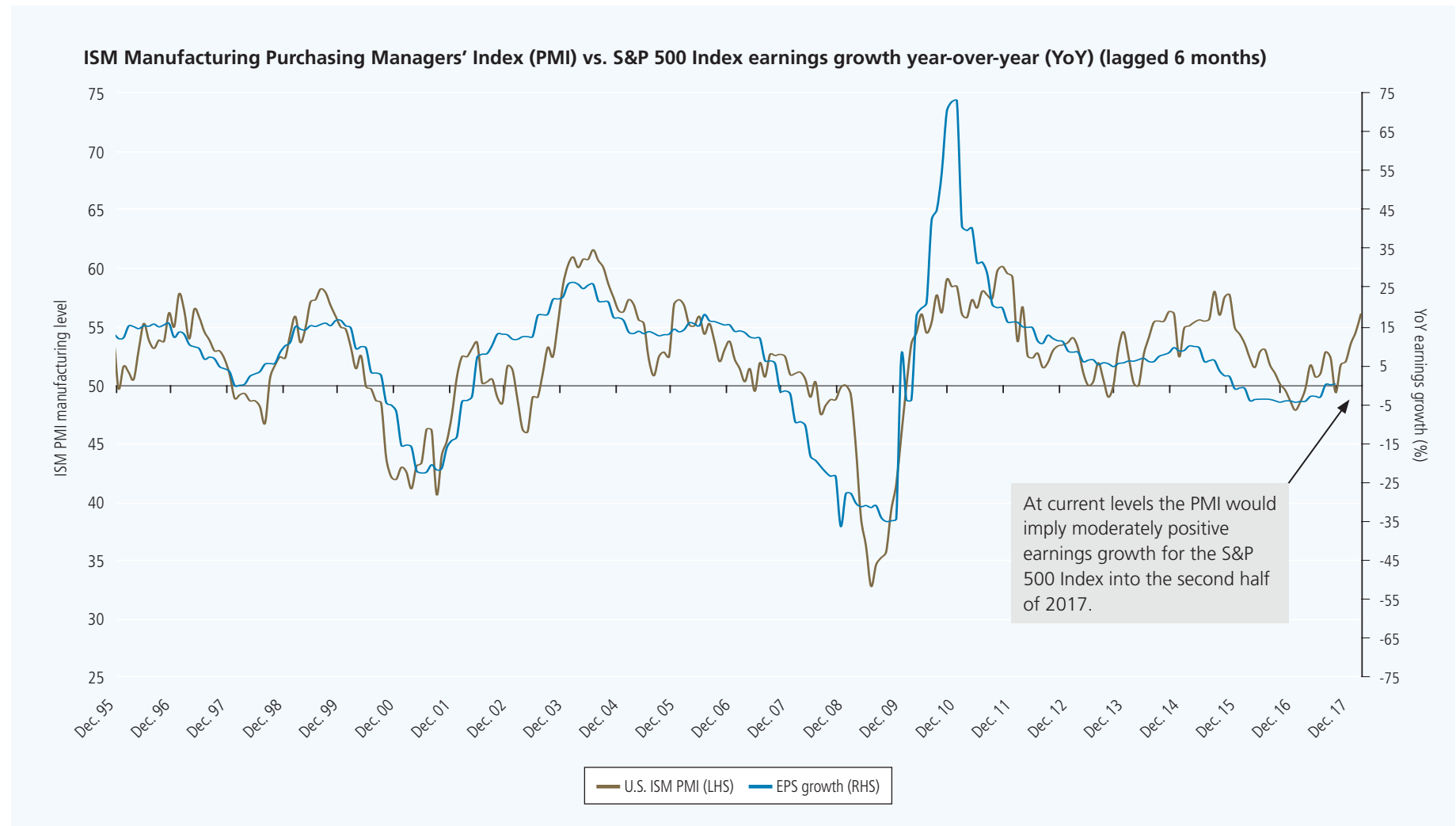
Average weekly initial claims for unemployment insurance	▲
Average weekly hours, manufacturing	▲
Manufacturers' new orders, consumer goods and materials	▲
ISM® Index of New Orders	▲
Manufacturers' new orders, non-defense capital goods	▲
Building permits, new private housing units	▼
Stock prices, 500 common stocks	▲
Leading Credit Index™	▲
Interest rate spread, 10-year Treasury bonds less federal funds	▲
Average consumer expectations for business conditions	▲

▲ Indicates positive contributor
 ■ Indicates no change
 ▼ Indicates negative contributor

Source: The Conference Board as of February 28, 2017. The commentary on this chart is that of Manulife Investments. Performance histories are not indicative of future results.

Increase in manufacturing activity should indicate better earnings growth

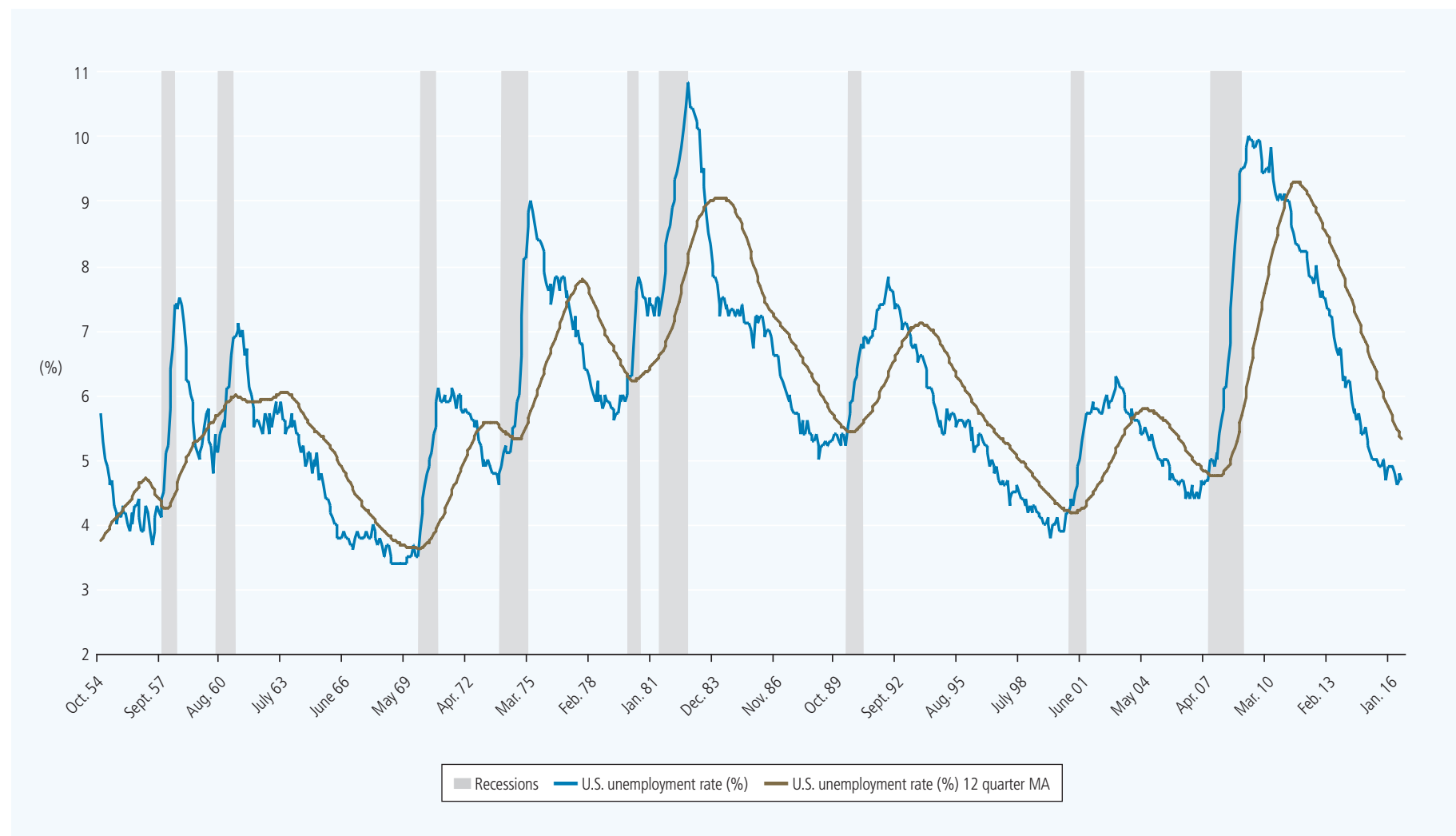
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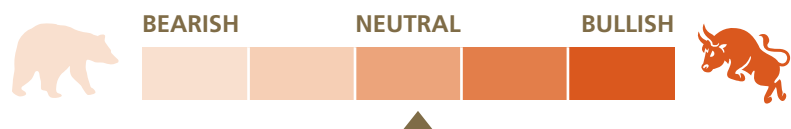


INTERNATIONAL EQUITIES

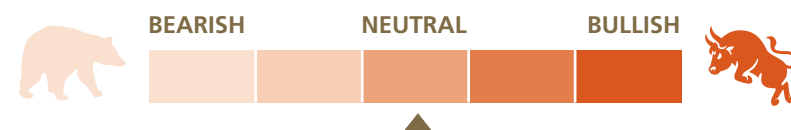


Improving conditions but uncertainty remains

DEVELOPED MARKETS



EMERGING MARKETS



KEY THEMES



Manufacturing activity is in expansion in developed and emerging markets

Manufacturing output in China, Europe, the UK and the U.S. is recovering at a steady pace, boosting hopes for the global economy.



Political instability in Europe may lead to continued volatility

Although economic data is improving, political uncertainty often results in increased market volatility.



Emerging-market fundamentals appear to have bottomed

Underlying data, including manufacturing surveys and earnings estimates, is improving.



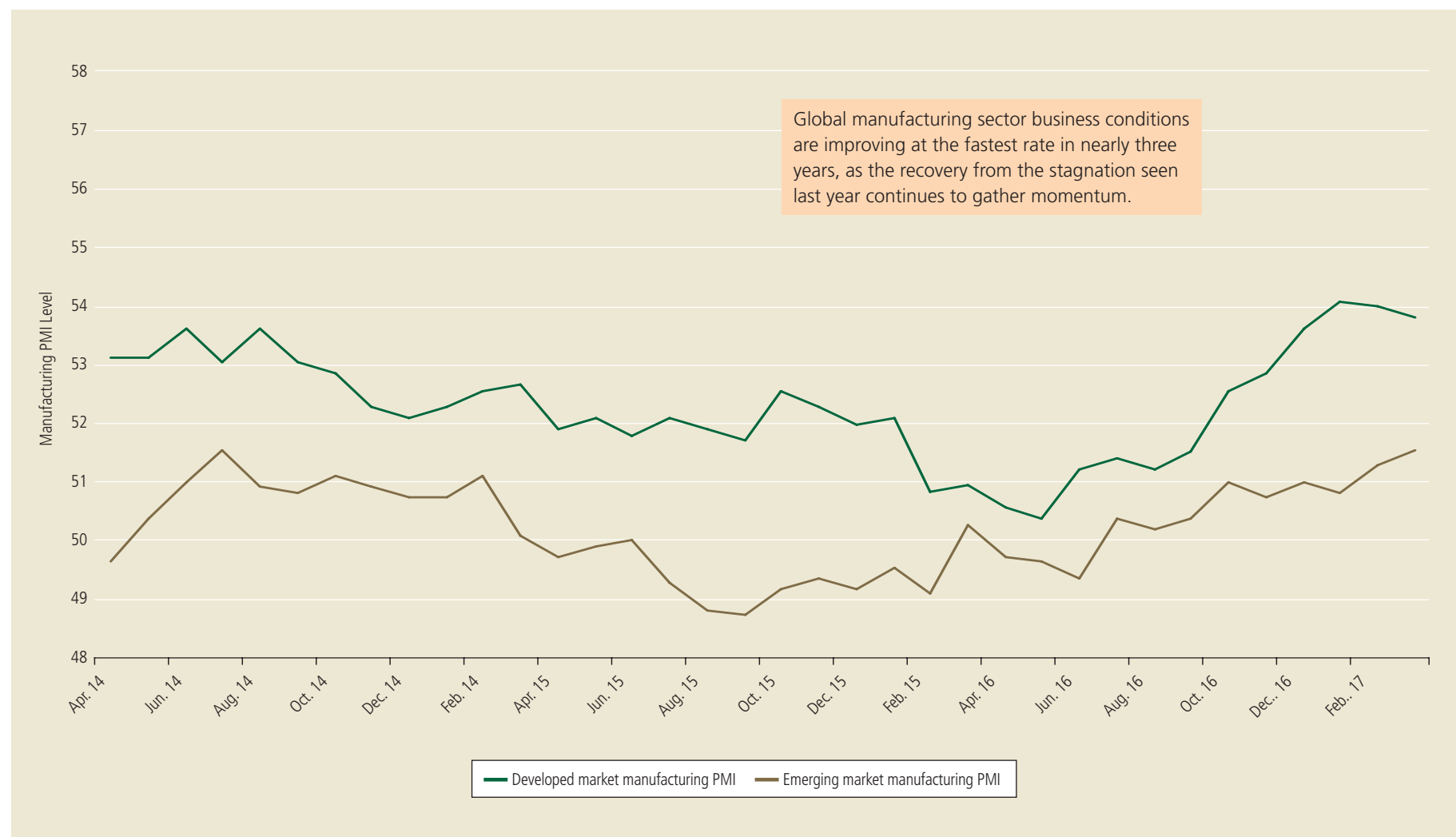
China's growth is reaccelerating

Recent economic improvements have provided an opportunity for mid- to long-term investors to potentially benefit from better fundamentals.

Sources: Manulife Investments, Bloomberg as of March 31, 2017. The commentary on this page is that of Manulife Investments. Performance histories are not indicative of future results. See pages 22–25 for complete information. For illustration purposes only.

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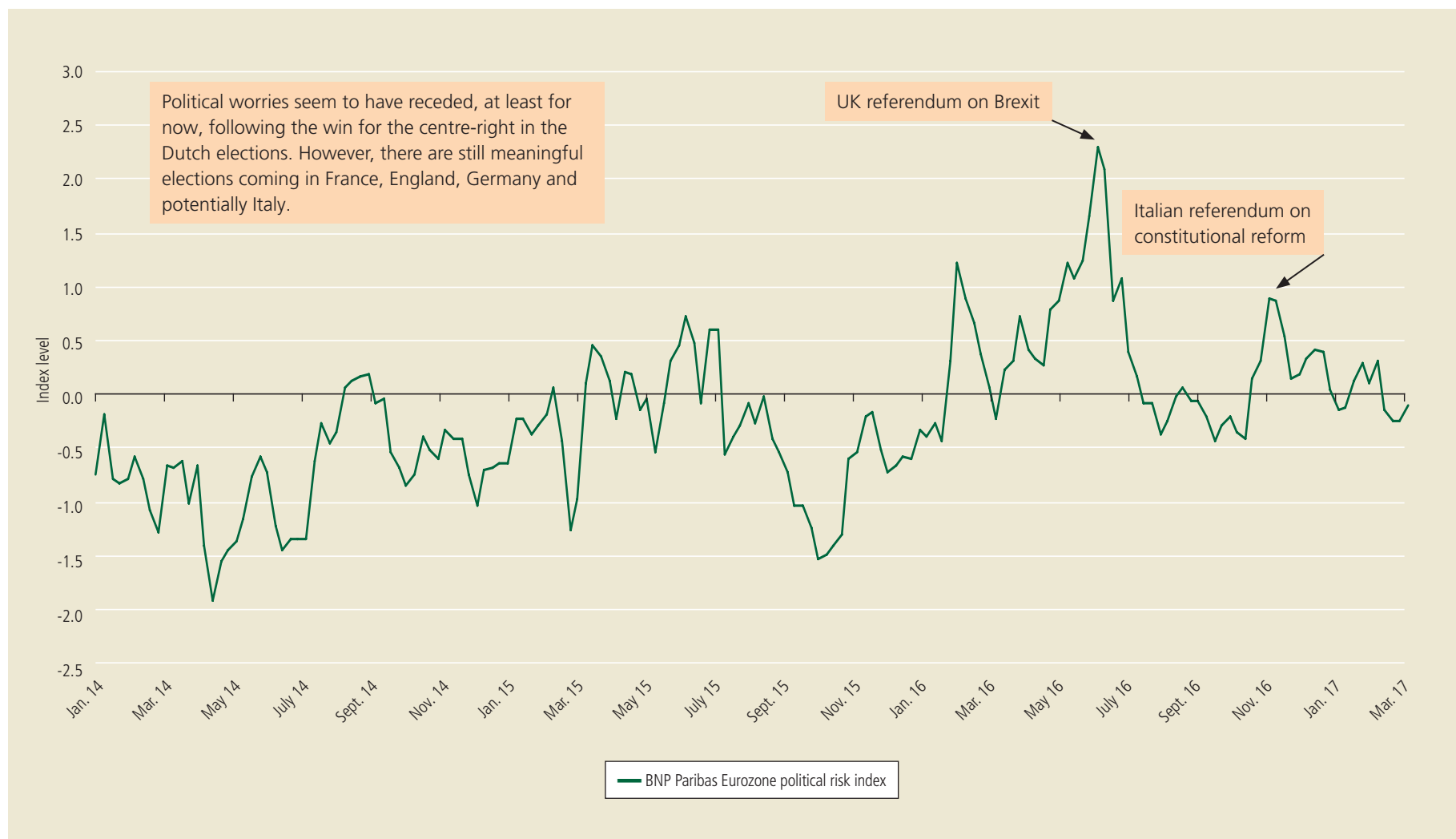
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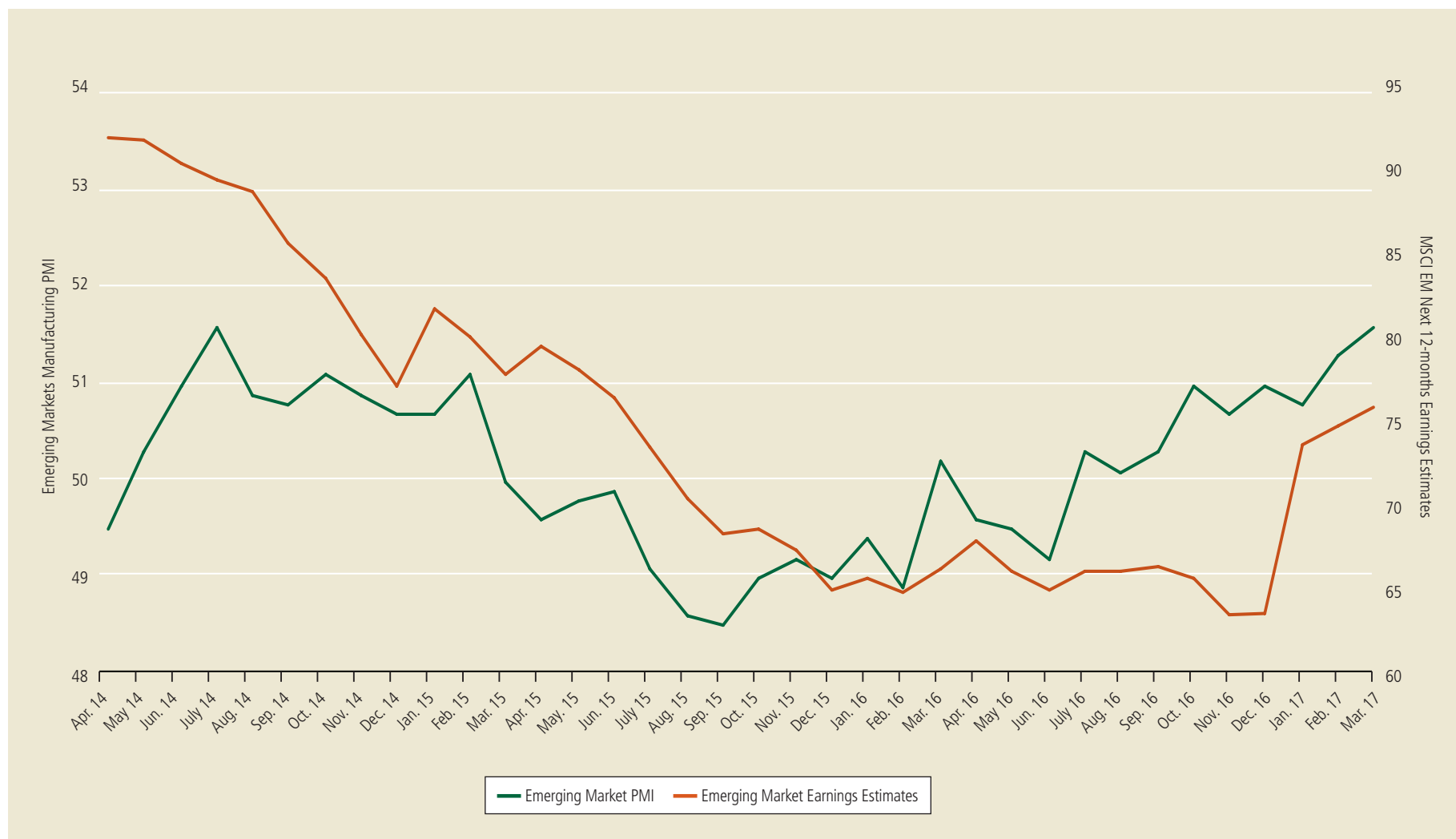
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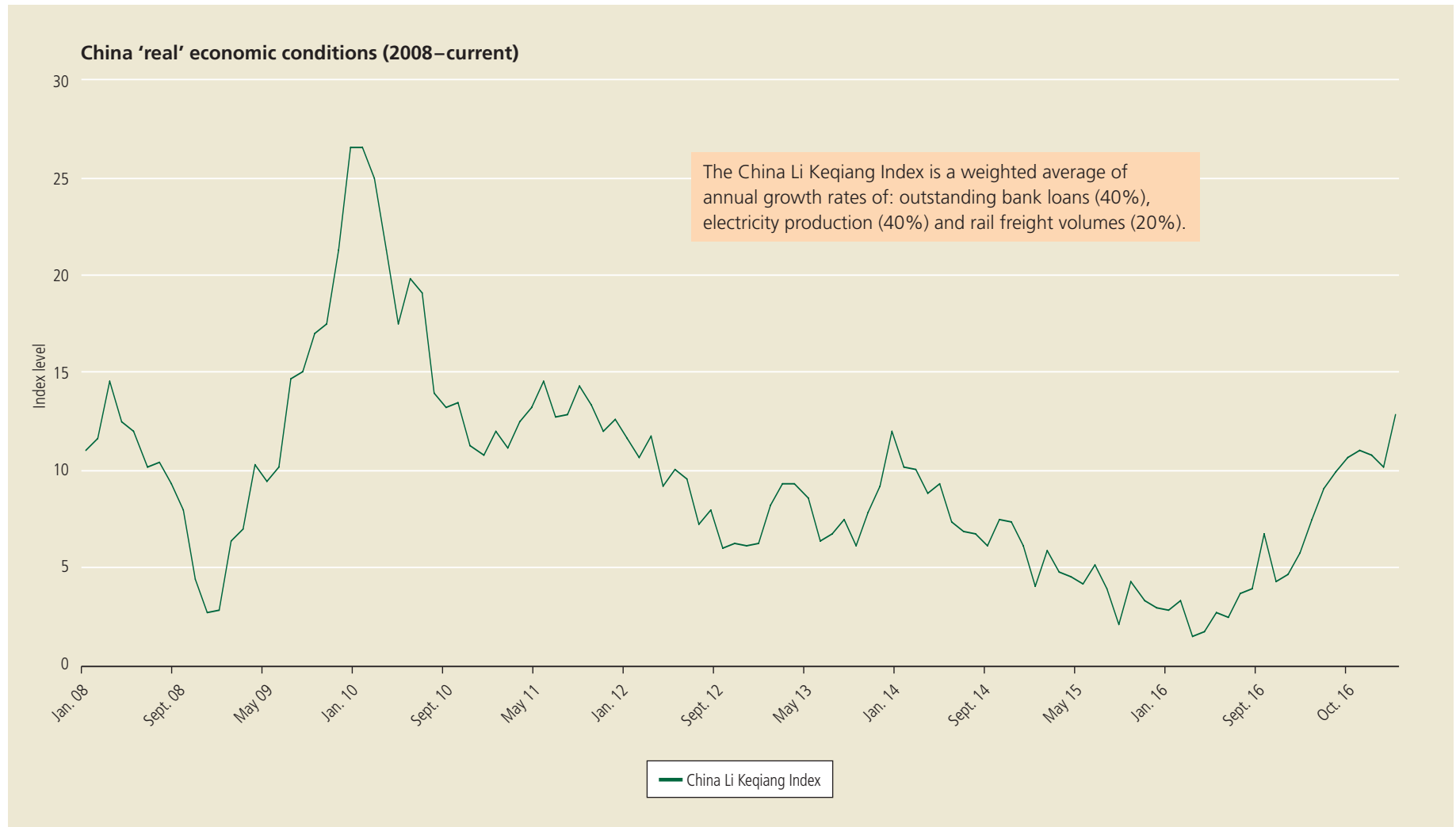
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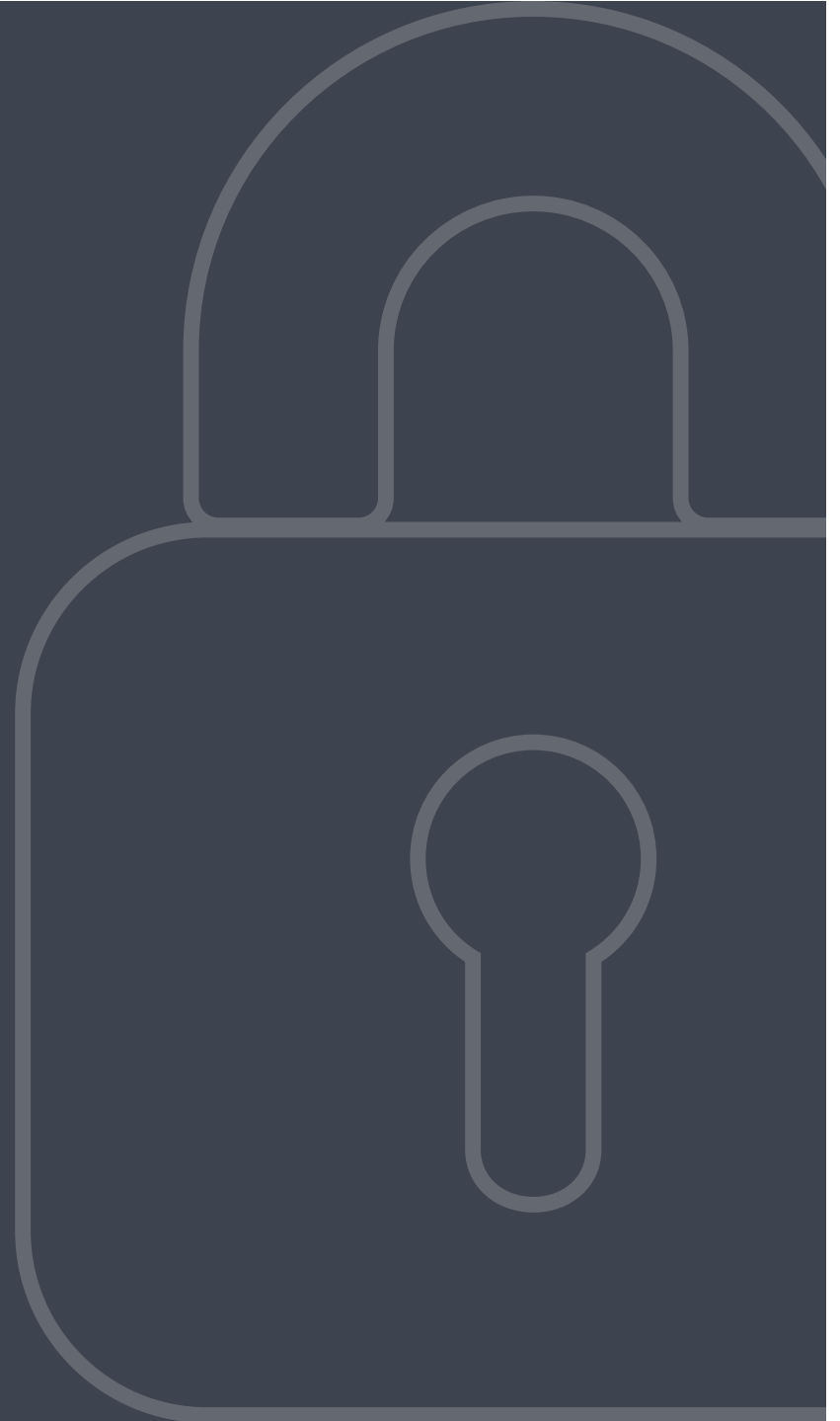
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FIXED INCOME



Flexibility is key in low-yield environment

DEVELOPED MARKET SOVEREIGNS



U.S. CORPORATE CREDIT



KEY THEMES



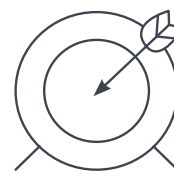
Despite recently increasing, low yields remain for high quality sovereign bonds

Current yields may not be attractive to income-seeking investors.



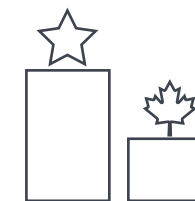
The Fed is Fully Justified to Continue Tightening

Increasing inflation coupled with a solid employment market is likely to lead to higher interest rates.



U.S. high-yield bonds may remain an attractive source of income

Higher interest rates are expected amid prospects for firmer global economic conditions, a rise in inflation expectations, and possibly even a more active Fed. Near-term volatility should be expected; however, relative risk/reward still looks attractive.

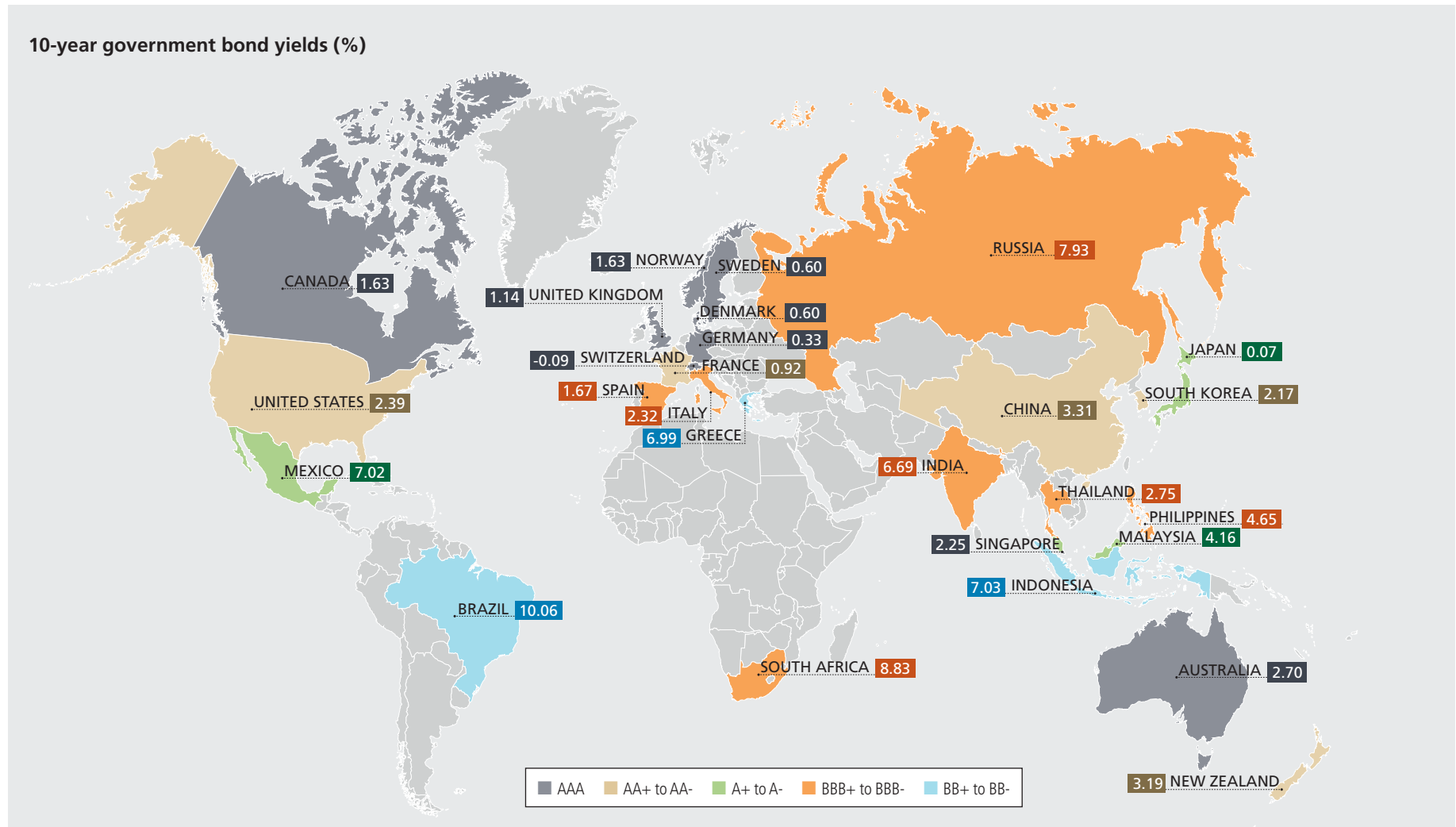


The Canadian dollar likely to be range bound

The Loonie is being pulled in two different directions. Higher from oil prices and lower from the difference in Canadian and US 2-year bond yields.

Low yields among high-quality sovereign bonds

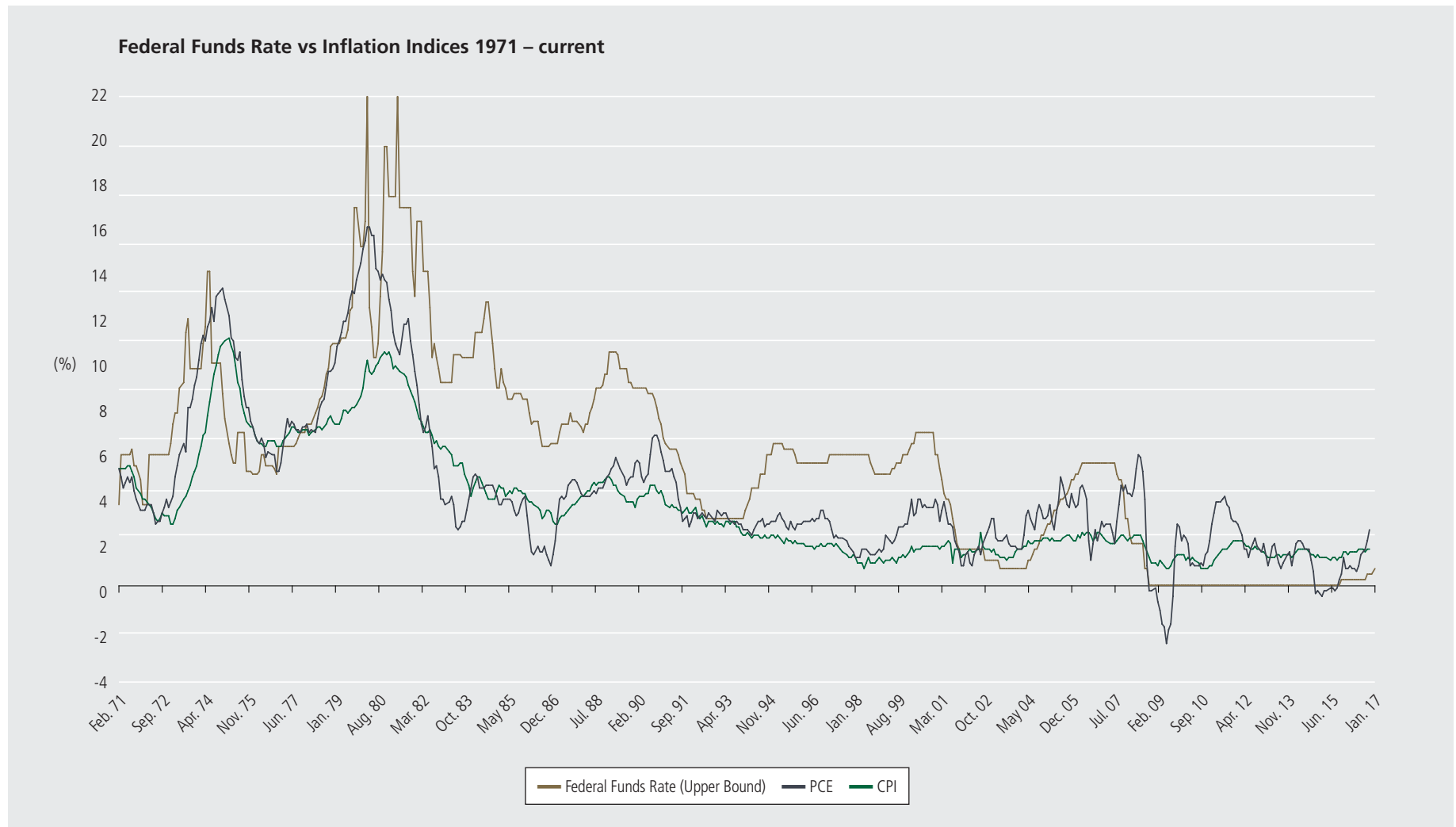
Current yields may not be attractive to income-seeking investors.



Source: Bloomberg, as of March 31, 2017. Ratings are from Standard & Poor's, 2016, and are subject to change. Foreign investing, especially in emerging markets, has additional risks, such as currency and market volatility and political and social instability. The commentary on this page is that of Manulife Investments. Performance histories are not indicative of future results.

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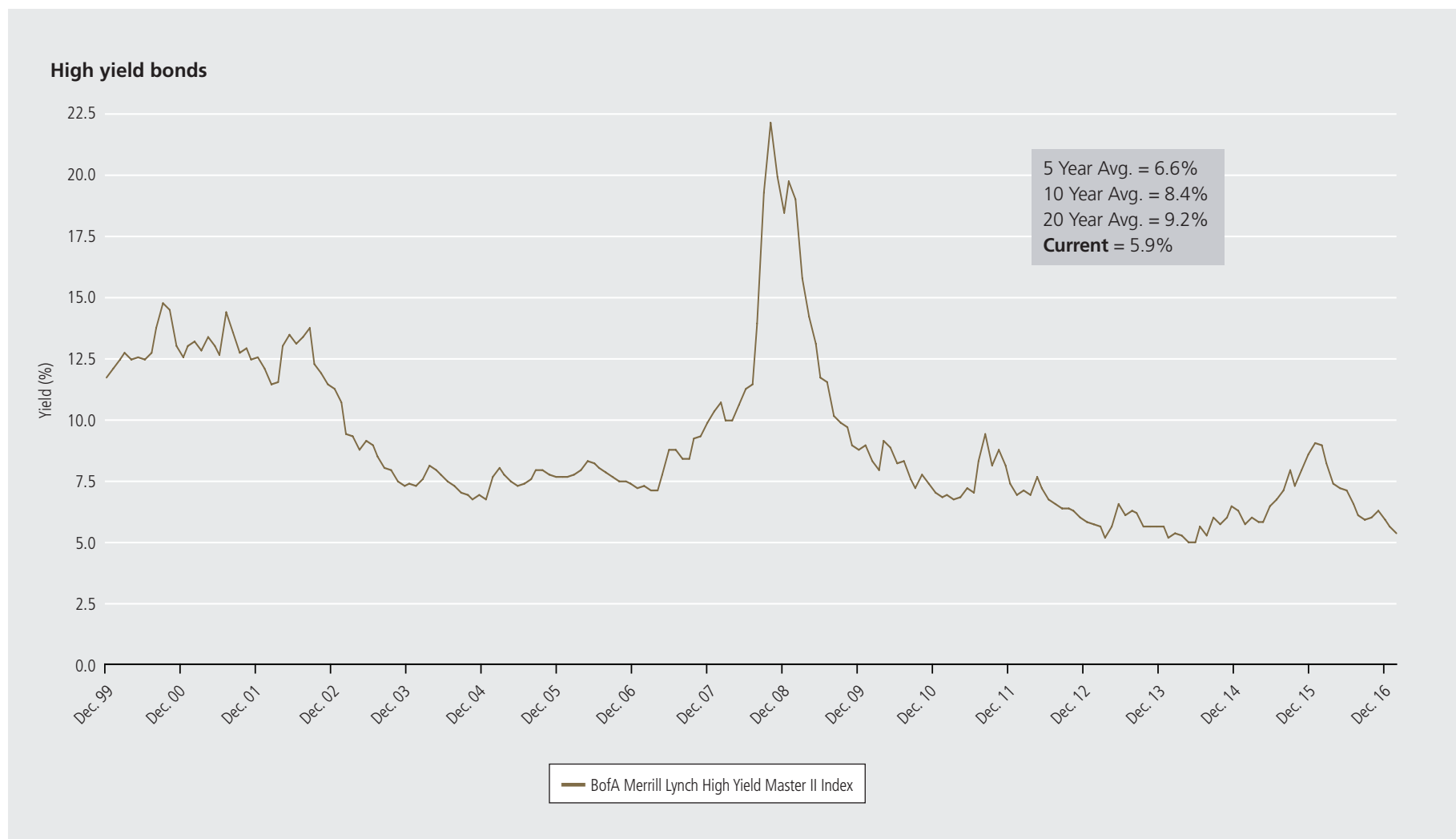
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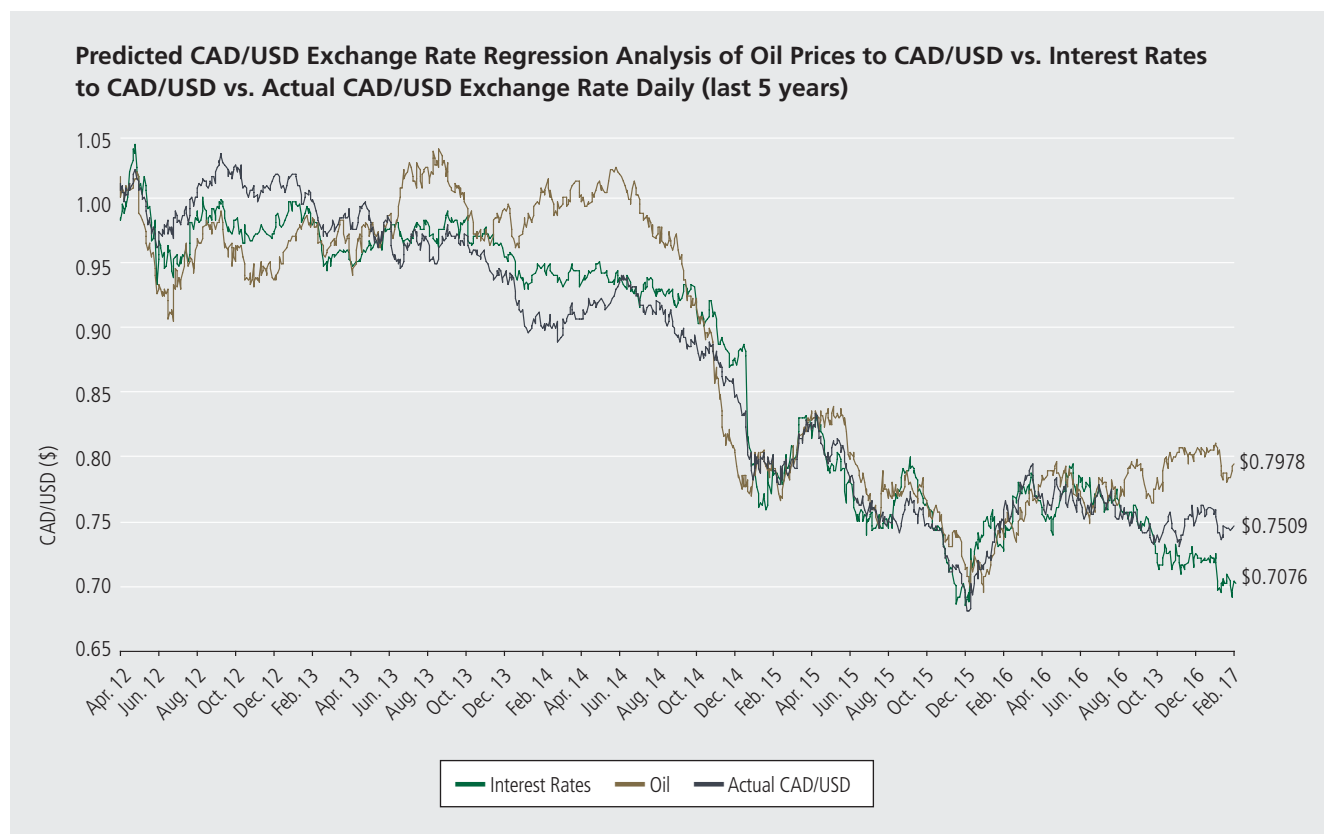
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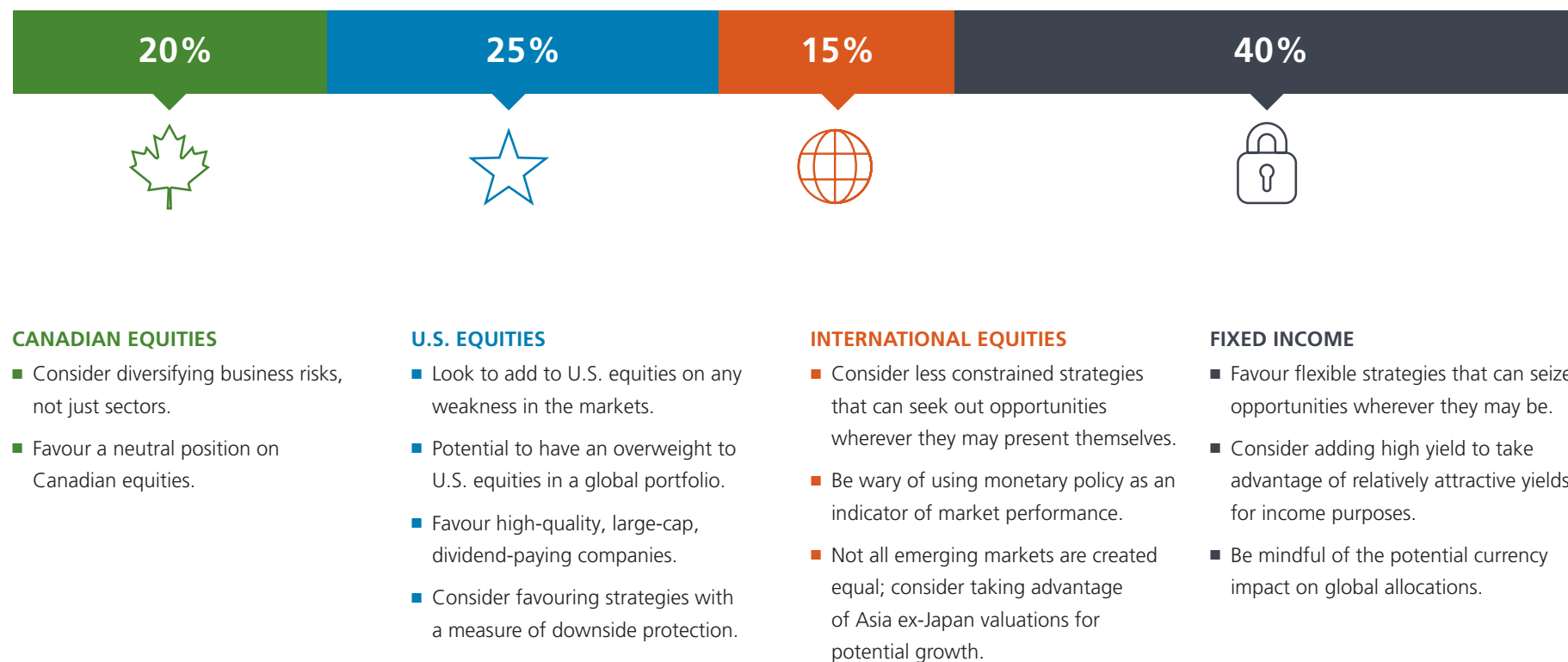


“The Canadian dollar is likely to remain range bound relative to the U.S. dollar over the near term.”

– Daniel S. Janis III,
Senior Managing Director
and Lead Portfolio Manager,
Manulife Asset Management (U.S.) LLC

Source: Bloomberg and Manulife Investments as of March 31, 2017. The commentary on this chart is that of Manulife Investments. Performance histories are not indicative of future results.

Manulife Investments' sample strategy to consider



Source: Manulife Investments as of March 31, 2017. For illustration purposes only. The information in this document does not replace or supersede KYC (know your client) suitability, needs analysis or any other regulatory requirements. Performance histories are not indicative of future results.

Access our Manulife Investments experts

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PRIVATE COMPANY ADVISORY

Creating shareholders value for business owners by advising on mergers, acquisitions and corporate finance transactions.



CAPITAL MARKETS AND STRATEGY

Market and economic analysis leading to guidance and commentary on strategies, asset allocation weightings and specific portfolio recommendations with the goal of helping advisors manage their clients' portfolio objectives, regardless of the market environment.

PORTFOLIO MANAGERS

Access to the professionals managing the money, to gain from their market insight and further understand portfolio construction and resulting positioning.

TAX, RETIREMENT AND ESTATE PLANNING SPECIALIST

A team of legal, accounting and industry-leading experts focused on identifying advisor opportunities within changing regulatory market environments.



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