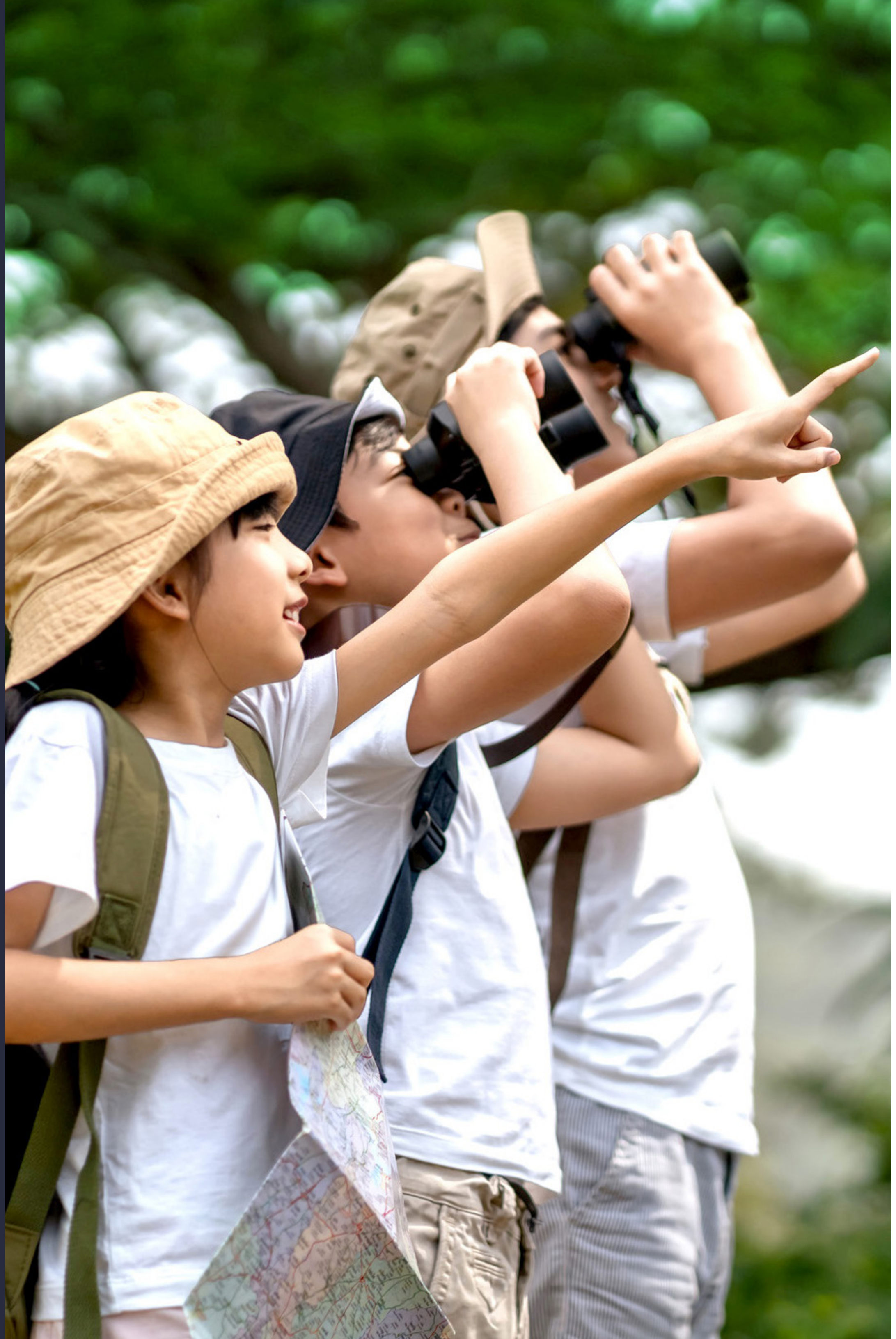


Manulife Investment Management

Better Income

1 Interest rates have risen, and bond yields are normalised. Sitting on cash or cash equivalents could earn attractive interest yield in today’s higher-for-longer interest-rate environment without taking additional risk. Why do investors in Asia still need *“income investing”*?

Many Asian investors are traditionally wedded to the perceived safety of high money market exposure and bank deposit positions, relying on cash savings or bank deposits to achieve their financial goals[1]. Indeed, the region’s households typically allocate 40% of their assets to cash[2].

However, following the global financial crisis, we entered a low-yielding or close-to-zero interest rate environment, with key central bank rates effectively touching zero in 2015-2016. During these years, investors naturally sought higher income from multiple sources in place of bank deposits, and different income products offering attractive headline yields subsequently came to the market.

Why income investing?

Introducing “Better Income”

Different sources of income

Even though interest rates are now higher as central banks have normalised interest rates to fight inflation, pursuing a regular and achieving a higher income from investment products is still a priority for Asian investors.

Income investing is a very relevant approach that can potentially capture higher rates beyond those available from cash deposits and provide an opportunity to benefit from their investments, such as rising bond values as interest rates begin to fall or capital growth when equity markets rise.

However, income products are not risk-free, carry no guarantees, and come with an underlying investment objective that may not suit everyone. We believe offering value through investor education programmes is essential, redefining “income” by moving away from a product dialogue towards a **“Better Income”** approach that considers the balance of risk, growth, and income elements that reflect investors’ objectives and income needs.

A “Better Income” approach considers the balance of risk, growth, and income elements that reflect investors’ objectives and income needs.

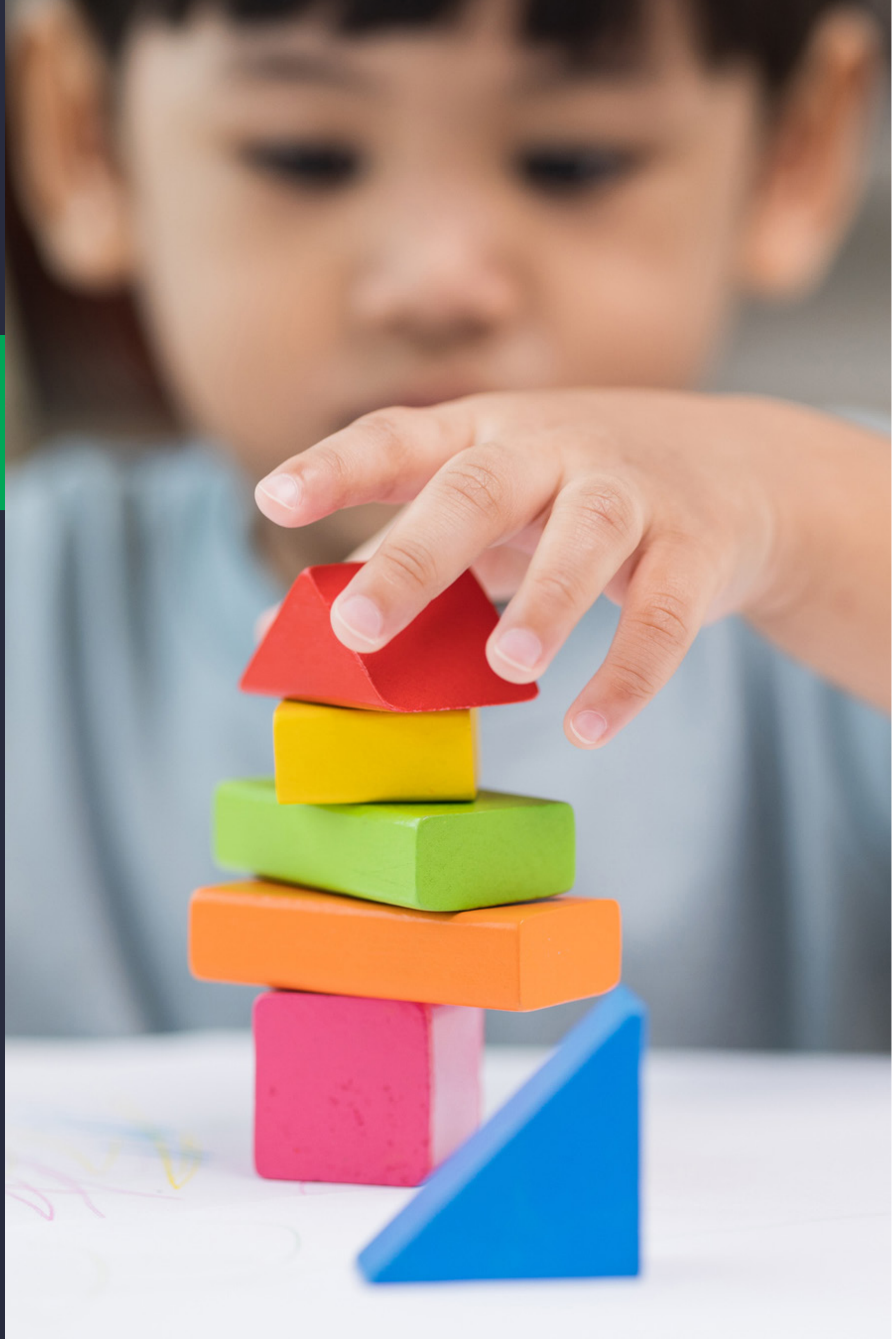
[1] Manulife Asia Care Survey 2024

[2] Manulife Investment Management commissioned NielsenIQ to conduct an online survey of 2,000 people from Hong Kong, Taiwan, Indonesia, and Malaysia – 500 people from each market – who are aged 20 to 60 between 25 August and 6 September 2022. The research aims to assess people’s retirement readiness and aspirations, including savings and investments, and lifestyles and family issues they consider when planning for retirement.

Why income investing?

Introducing “Better Income”

Different sources of income



2 What is the *“Better Income”* concept, and does it apply to my investment profile?

A **“Better Income”** approach seeks to understand an investor’s investment objective alongside the underlying risk of certain levels of income generation. Income brings with it varying levels of risk commensurate with the level of income an investor seeks.

A younger investor may have a different attitude towards income generation versus a retiree due to their different investment objectives and lifestyle needs.

As a baseline, a retiree may assume less risk and aim to preserve capital while looking for a decent income level above cash rates (e.g., 4-5% per annum). A younger investor may have a higher risk appetite, looking to maintain exposure to growth assets in the pursuit of wealth accumulation whilst having little current income needs and, therefore, may be willing to sacrifice some of that income generation potential to pursue higher growth.

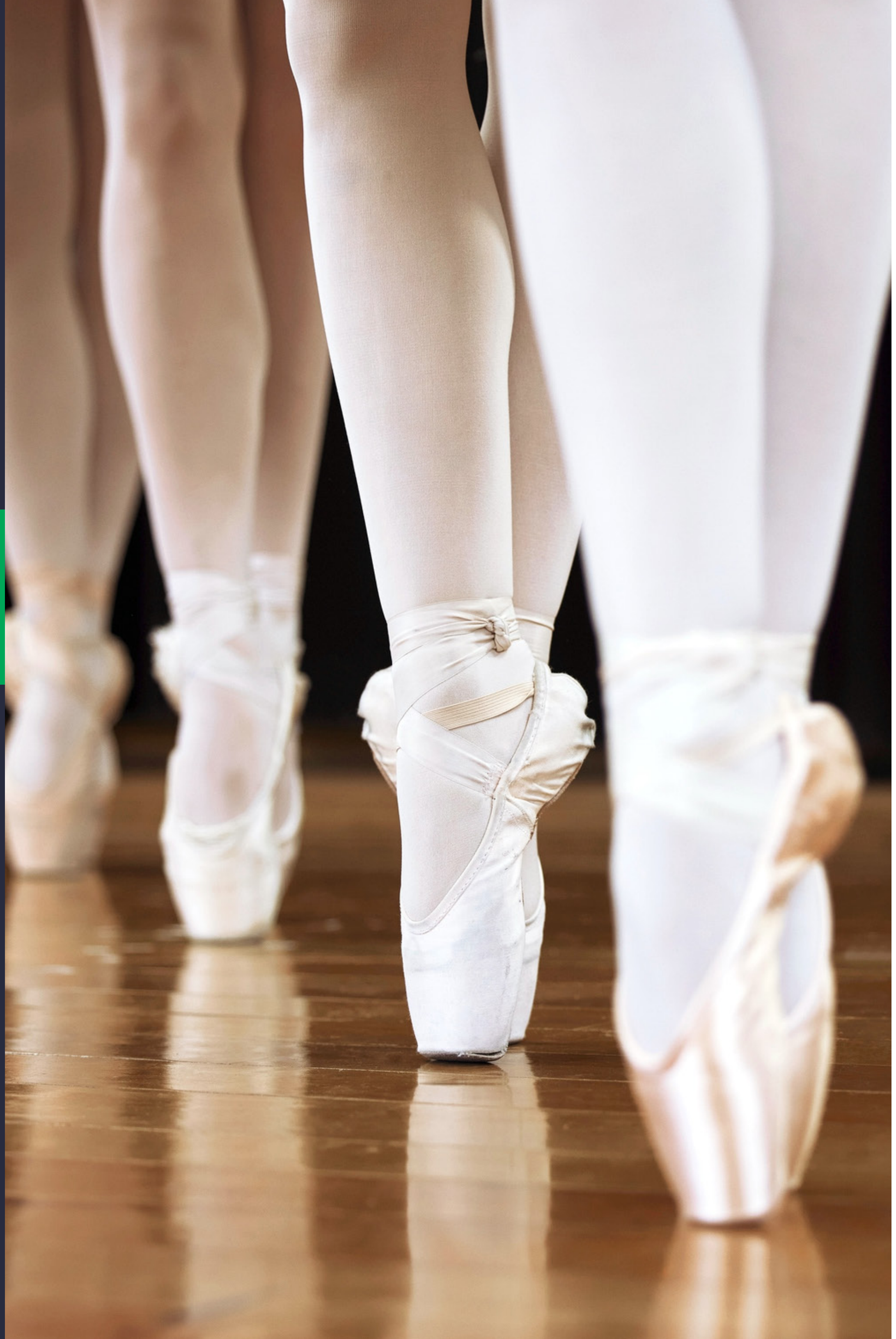
Why income investing?

Introducing “Better Income”

Different sources of income

Overall, “income” is not “interest” and is not “risk free” (The risk-free rate has an implied default risk of zero, long-term US Treasuries have traditionally been used as a proxy for the risk-free rate because of the low default risk). We believe investors should seek to understand the risks built into their portfolios that reflect their risk-profiled outcome alongside yields that a particular portfolio or asset class composition may achieve. In general, the higher the yield, the higher the risks taken to achieve that yield and potential volatility endured. Meanwhile, “better” income may not refer to the highest income level but the stability and consistency of reasonably higher yields generated throughout various market cycles.

“Income” is not “interest” and is not “risk-free”.



3 What are the *different sources of income?*

We believe that investors should thoroughly understand a particular source of income and its investment risk profile to achieve a stable income while making their capital last as long as possible.

Why income investing?

Introducing "Better Income"

Different sources of income

Different sources of income

	Interest payout/coupon	Alternative income	Capital gain
Objective	Fixed/Relatively steady payouts	Alternative/higher income streams subject to market movements	Accumulation and realised gains to provide discretionary incomes
Examples	Cash and time deposits, government and corporate bonds, fixed-income funds	Options, preferred securities, REITs	Equities*, growth funds
Potential for capital appreciation	✔ Yes for bonds/Fixed income funds ✘ No for cash	✔	✔
Helps manage	Market volatilities	Mitigate drawdown, balanced with growth	Adverse impact of inflations
Benefits	Regular and more predictable income streams	Downside protection, higher income potentially achieved	Capture market upside with a higher correlation to market changes
Risks	Lower	Medium	Higher

*Investors may directly receive an income (in the form of dividends) if they hold equities. Alternatively, they may indirectly receive an income (in the form of distributions) if they own mutual funds, exchange-traded funds (ETFs), or other pooled vehicles that hold equities.

Distribution of incomes, the frequency of distribution and the amount/rate of incomes are not guaranteed. Positive distribution yield does not imply positive return.

Disclaimer

Manulife Investment Management is the global wealth and asset management segment of Manulife Financial Corporation. This material, intended for the exclusive use by the recipients who are allowable to receive this material under the applicable laws and regulations of the relevant jurisdictions, was produced by and the opinions expressed are those of Manulife Investment Management as of the date of writing and are subject to change. The information and/or analysis contained in this material have been compiled or arrived at from sources believed to be reliable but Manulife Investment Management does not make any representation as to their accuracy, correctness, usefulness or completeness and does not accept liability for any loss arising from the use hereof or the information and/or analysis contained herein. Information about the portfolio's holdings, asset allocation, or country diversification is historical and is not an indication of future portfolio composition, which will vary. Neither Manulife Investment Management or its affiliates, nor any of their directors, officers or employees shall assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained herein.

The information in this material may contain projections or other forward-looking statements regarding future events, targets, management discipline or other expectations, and is only as current as of the date indicated. There is no assurance that such events will occur, and may be significantly different than that shown here. The information in this material including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. This material was prepared solely for informational purposes and does not constitute a recommendation, professional advice, an offer, solicitation or an invitation by or on behalf of Manulife Investment Management to any person to buy or sell any security. This material should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any investment products or to adopt any investment strategy. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. Past performance is not an indication of future results.

Investment involves risk. Investors should not base on this material alone to make investment decisions and should read the offering document (if applicable) for details, including the risk factors, charges and features of any investment products.

Proprietary Information – Please note that this material must not be wholly or partially reproduced, distributed, circulated, disseminated, published or disclosed, in any form and for any purpose, to any third party without prior approval from Manulife Investment Management.

This material is issued by Manulife Investment Management (Hong Kong) Limited.

This material has not been reviewed by the Securities and Futures Commission (SFC).

Manulife
Investment Management