Manulife Asset Management

PRESS RELEASE

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For immediate release

Cash the culprit in Malaysia as investment returns fall 2.8% short of cost growth of financial goals – Manulife Asset Management

Investors losing ground each year as savings grow more slowly than costs due to inefficient asset allocation – excessive cash holdings emerge as the key culprit

Kuala Lumpur – For every step forward the average investor in Asia takes towards meeting their main financial goals, many fall half a step back owing to the rising costs of those goals, according to a new report by Manulife Asset Management. Malaysia is no exception, with local investors facing a potential investment returns shortfall of 2.8% a year versus the annual growth in the cost of their goals. That looks manageable as a percentage, but it represents a large sum when compounded over 10 or 20 years.

The report, entitled *One step forward, half a step back: Meeting financial goals in Asia*, is the sixth in Manulife Asset Management's Aging Asia series. It analyses the five most cited financial goals on a pan-Asia basis – retirement, paying for children's higher education, meeting current living expenses, purchasing a primary residence and saving for a rainy day (which includes unexpected healthcare costs) – and the saving and investment strategies that investors are employing to meet these goals.

Michael Dommermuth, Executive Vice President, Head of Wealth & Asset Management, Manulife Asset Management, explained: "In Malaysia, we highlighted the goals of saving for a rainy day and retirement. We found that Malaysia has a hybrid public and private healthcare system and that participation in the rapidly growing private system in particular had driven out-of-pocket healthcare spending to rise a daunting 11.9% a year over the past five years. Meanwhile, retirement was a lower ranked goal for individual investors but the government recognises its importance and has taken steps to increase retirement preparedness via policy measures such as raising the official retirement age and introducing the Private Retirement Scheme (PRS)."

Malaysia's potential returns shortfall of 2.8% a year arises because the cost of the five goals has risen an average of 7.9% a year over the past five years while self-reported investment portfolios delivered average returns of 5.1% a year in the same period, the highest potential returns among the markets analysed.

Mr Wong Boon Choy, Chief Executive Officer and Executive Director of Manulife Asset Management Services Berhad, explained: "While MYR10,000 invested today has the potential to grow to almost MYR16,500 over 10 years, MYR10,000 in the cost of a basket of the five most cited financial goals would have been on track to grow to almost MYR21,500 in the same period – representing a potential shortfall of about MYR5,000. While the shortfall may seem manageable over a period of ten years, it stands to almost quadruple to more than MYR18,500 over the following 10 years and then almost triple again to about MYR53,500 in the third decade. Investors should seriously consider what this means, particularly as retirement was reported as one of their top financial goals."

The research reveals this shortfall is primarily the result of the high level of cash investors hold in their portfolios. According to the survey, the average Malaysian holds 44% of their assets in local currency.

Dommermuth said, "Malaysians are hardly alone, with survey respondents across Asia reporting that 37% of their assets are allocated to local currency and another 5% to foreign currency. Our research reveals that this level of cash holdings is the key factor compromising investors' abilities to generate returns that match or exceed the growth in the cost of their five leading financial goals. Indeed, we found that local currency delivered average returns of just 3.0% a year in Malaysia over the past five years."

According to Jason Chong, Chief Investment Officer of Manulife Asset Management Services Berhad, reallocating a portion of this cash to more efficient assets such as local-market equities or fixed income could dramatically reduce the potential shortfalls facing Malaysian investors: "We found that shifting 50% of local-currency holdings to local equities could virtually erase the potential returns shortfall for Malaysians, lowering it from 2.8% a year to less than 1%. Shifting the same percentage to local fixed income could reduce the potential shortfall to 1.9% a year while also maintaining generally conservative risk exposure."

Mr Wong added, "We see the opportunity for Malaysians to cut their potential returns shortfall further – and potentially generate a surplus – by diversifying their investments across multiple geographies to access a wider array of opportunities for returns. Such asset allocation decisions have always been important, but these days investors need to be more tactical than in the past. For example, investors could consider a professionally managed dynamic asset allocation solution that can be accessed via a unit trust fund or investment-linked insurance platform."

Manulife Asset Management's Aging Asia series of reports and related resources can be accessed at: www.manulifeam.com/agingasia.

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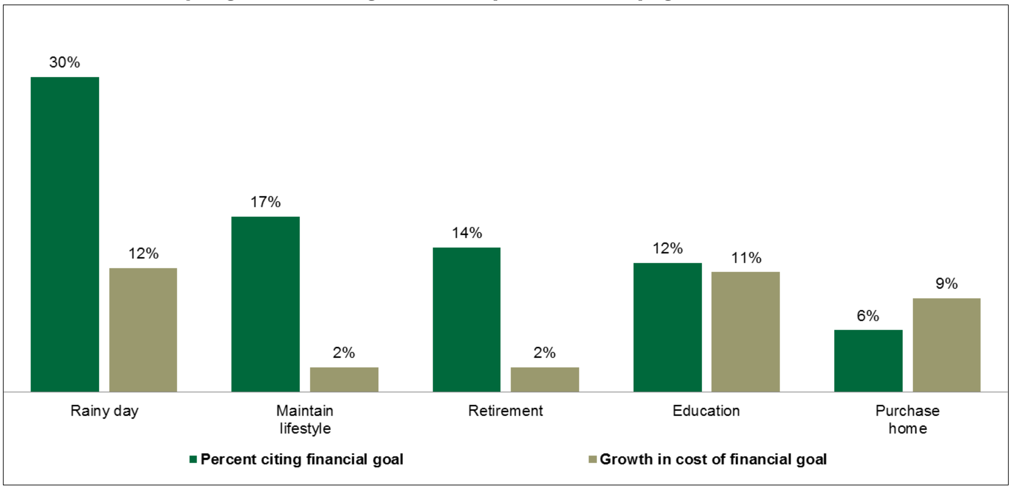
Note to editors:

Percent identifying and cost growth in pan-Asia top goals



Source: Manulife Asset Management based on investment returns and cost growth data outlined in *One step forward, half a step back: Meeting financial goals in Asia* which can be accessed at: www.manulifeam.com/agingasia.

Potential investment returns shortfall: The percentage that forecast annual local-currency investment returns on self-reported asset allocation falls short of the expected annual cost growth of the five leading financial goals on a pan-Asia basis identified by respondents to a proprietary survey[1]. It is determined by comparing the historical growth rate in the cost of these financial goals with the historical returns on investment allocation revealed in the same survey.

[1] The Manulife Investor Sentiment Index (MISI) in Asia is a quarterly, proprietary survey measuring and tracking investors' views across eight markets in the region - China, Hong Kong, Indonesia, Japan, Malaysia, the Philippines, Singapore and Taiwan - on the attitudes towards key asset classes and related issues. MISI findings quoted in this paper are the result of field research conducted between 30 May and 27 June 2014.

Potential savings growth, cost growth and returns shortfall on MYR10,000

Years	Savings growth based on 5.1% investment returns a year (A)	Cost growth based on 7.9% inflation a year (B)	Potential investment shortfall (B - A)
0	MYR 10,000	MYR 10,000	
5	MYR 12,824	MYR 14,625	MYR 1,802
10	MYR 16,445	MYR 21,390	MYR 4,945
15	MYR 21,088	MYR 31,284	MYR 10,196
20	MYR 27,043	MYR 45,754	MYR 18,711
25	MYR 34,679	MYR 66,917	MYR 32,238
30	MYR 44,471	MYR 97,869	MYR 53,397
35	MYR 57,029	MYR 143,137	MYR 86,108
40	MYR 73,132	MYR 209,343	MYR 136,210

Source: Manulife Asset Management based on investment returns and cost growth data outlined in *One step forward, half a step back: Meeting financial goals in Asia* which can be accessed at: www.manulifeam.com/agingasia.

Unless otherwise noted, data in this press release is sourced from Manulife Asset Management based on investment returns and cost growth data outlined in *One step forward, half a step back: Meeting financial goals in Asia* which can be accessed at: www.manulifeam.com/agingasia.

About Manulife Asset Management Services Berhad

Manulife Asset Management Services Berhad is a wholly owned subsidiary of Manulife Holdings Berhad, which is majority owned by Canada-based Manulife Financial Corporation. On 1 September 2014, Manulife Asset Management Services Berhad officially merged with MAAKL Mutual Berhad to form a single entity known as Manulife Asset Management Services Berhad. Manulife Asset Management Services Berhad offers a comprehensive range of over 30 unit trust funds in the asset classes of equity, fixed income and money markets. Led by a highly experienced senior management team, Manulife Asset Management Services Berhad is well positioned to be among the most professional unit trust force in Malaysia. Our award-winning MHO Mobile application is available on the iPad, iPhone and Android Smartphones. MHO Mobile empowers investors to monitor and manage their unit trust investments at any time, from anywhere. Visit us online at www.manulifeinvestment.com.my.

About Manulife Asset Management

Manulife Asset Management is the global asset management arm of Manulife, providing comprehensive asset management solutions for investors. This investment expertise extends across a broad range of public and private asset classes, as well as asset allocation solutions. As at 31 March 2015, assets under management for Manulife Asset Management were approximately US$302 billion. Manulife Asset Management's public markets units have investment expertise across a broad range of asset classes including public equity and fixed income, and asset allocation strategies. Offices with full investment capabilities are located in the United States, Canada, the United Kingdom, Japan, Hong Kong, Singapore, Taiwan, Indonesia, Thailand, Vietnam, Malaysia, and the Philippines. In addition, Manulife Asset Management has a joint venture asset management business in China, Manulife TEDA. The public markets units of Manulife Asset Management also provide investment management services to affiliates' retail clients through product offerings of Manulife and John Hancock. John Hancock Asset Management and Declaration Management and Research are units of Manulife Asset Management. Additional information about Manulife Asset Management may be found at ManulifeAM.com.

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About Manulife

Manulife is a leading Canada-based financial services group with principal operations in Asia, Canada and the United States. We operate as John Hancock in the US and as Manulife in other parts of the world. We provide strong, reliable, trustworthy and forward-thinking solutions for our customers' significant financial decisions. Our international network of employees, agents and distribution partners offers financial protection and wealth management products and services to millions of clients. We also provide asset management services to institutional customers. Assets under management by Manulife and its subsidiaries were approximately US$648 billion as at 31 March 2015. Manulife Financial Corporation trades as 'MFC' on the TSX, NYSE and PSE, and under '945' on the SEHK. Manulife can be found on the Internet at manulife.com.

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