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For immediate release

Filipinos' preference for saving through cash limits growth of their assets; cost of big ticket purchases rising at a faster rate – Manulife Asset Management

Investors are losing ground each year, as the rate at which their savings grow is outpaced by the growth in the cost of retirement, living expenses, homes, education and healthcare. Filipinos' inclination toward saving in cash rather than other investment instruments is seen as the key factor limiting investment growth.

Makati – For every step forward the average investor in Asia – the Filipino investor included - takes towards meeting their big financial goals, many fall half a step back, because of the rising costs of those goals, according to a new report by Manulife Asset Management.

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 top five financial goals across Asia – saving for retirement, paying for children's higher education, meeting current living expenses, buying a home and saving for a rainy day (which includes unexpected healthcare costs) – and the saving and investment strategies that investors use to meet these goals.

Michael Dommermuth, Executive Vice President, Head of Wealth & Asset Management, Asia, Manulife Asset Management, explained: "In the Philippines, we looked into the goals of saving for a rainy day and for children's higher education. We found that healthcare costs have risen 11.9% annually over the past five years. Meanwhile, the cost of education has risen an average of 8.2% a year over the past four years."

The cost of retirement, education, living expenses and healthcare in the Philippines has risen an average of 8.1% a year in the past five years; however, Filipinos' investment portfolios only delivered average returns of 4.6% a year in the same period. The average investment returns are, thus, 3.5% lower than the annual increase in the cost of consumers' key expenses.

Aira Gaspar, CFA, Chief Investment Officer of Manulife Philippines, explained: "While PHP10,000 invested today has the potential to grow to more than PHP15,500 over 10 years, PHP10,000 in the cost of a basket of the top five financial goals is expected to grow to more than PHP21,500 in the same period – resulting in a potential shortfall of about PHP6,000. Looking further ahead, the potential shortfall stands to increase more than 350% to almost PHP23,000 after another 10 years and then almost triple again to about PHP65,000 by the 30th year. Investors should seriously consider what this means, particularly as retirement was reported as one of their top financial goals."

The research reveals that the limited investment growth is primarily the result of the high level of cash investors hold in their portfolios. According to the survey, the average Filipino holds 38% of their assets in local currency, with another 4% held in foreign currency – in total, cash represents 42% of their assets.

Dommermuth said, "Filipinos 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 preventing investors from generating returns that match or exceed the growth in the cost of their five leading financial goals."

According to Gaspar, reallocating a portion of this cash could increase returns and reduce the potential gap between investment earnings and growing cost: "We found that shifting 50% of local currency holdings to higher yielding instruments could allow Filipinos' savings to grow more rapidly and possibly reduce, if not eliminate, the potential returns shortfall."

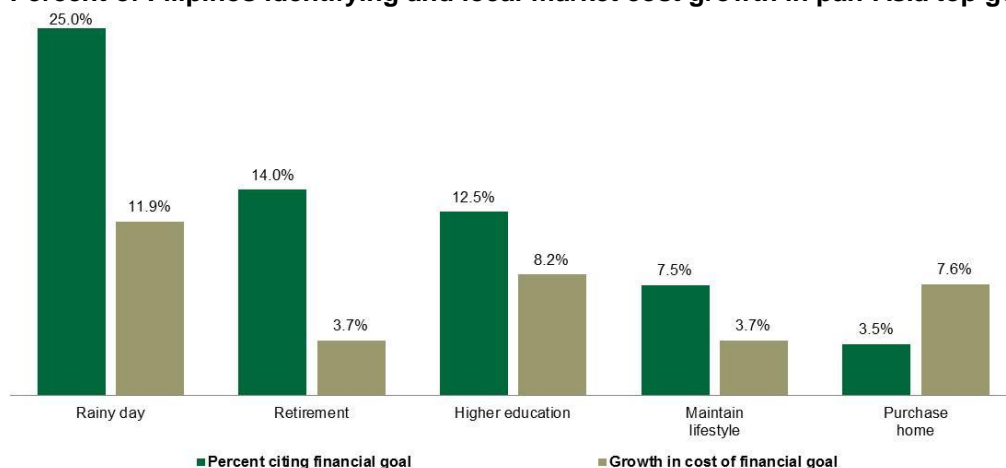
“In our view, one of the most effective ways for Filipino investors to improve the returns on their investments would be to diversify their investments across multiple asset classes and geographies. This will allow them to access greater opportunities for returns while also helping to moderate their level of risk. Well-balanced asset allocation has always been important, but these days investors need to be even more thoughtful and vigilant in managing their investment portfolios than in the past.”

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 of Filipinos identifying and local-market 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 survey¹. 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.

Potential savings growth, cost growth and returns shortfall on PHP10,000

Years	Savings growth based on 4.6% investment returns a year (A)	Cost growth based on 8.1% inflation a year (B)	Potential investment shortfall (B - A)
0	PHP 10,000	PHP 10,000	
5	PHP 12,522	PHP 14,761	PHP 2,240
10	PHP 15,679	PHP 21,790	PHP 6,111
15	PHP 19,632	PHP 32,165	PHP 12,533
20	PHP 24,583	PHP 47,480	PHP 22,897
25	PHP 30,782	PHP 70,088	PHP 39,306
30	PHP 38,543	PHP 103,460	PHP 64,916
35	PHP 48,262	PHP 152,721	PHP 104,459
40	PHP 60,432	PHP 225,438	PHP 165,006

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.

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.

About Manulife Philippines

The Manufacturers Life Insurance Company opened its doors for business in the Philippines in 1907. Since then, Manulife's Philippine Branch and later The Manufacturers Life Insurance Co. (Phils.), Inc. (Manulife Philippines) has grown to become one of the leading life insurance companies in the country. Manulife Philippines is a wholly-owned domestic subsidiary of Manulife Financial Corporation.

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.

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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