

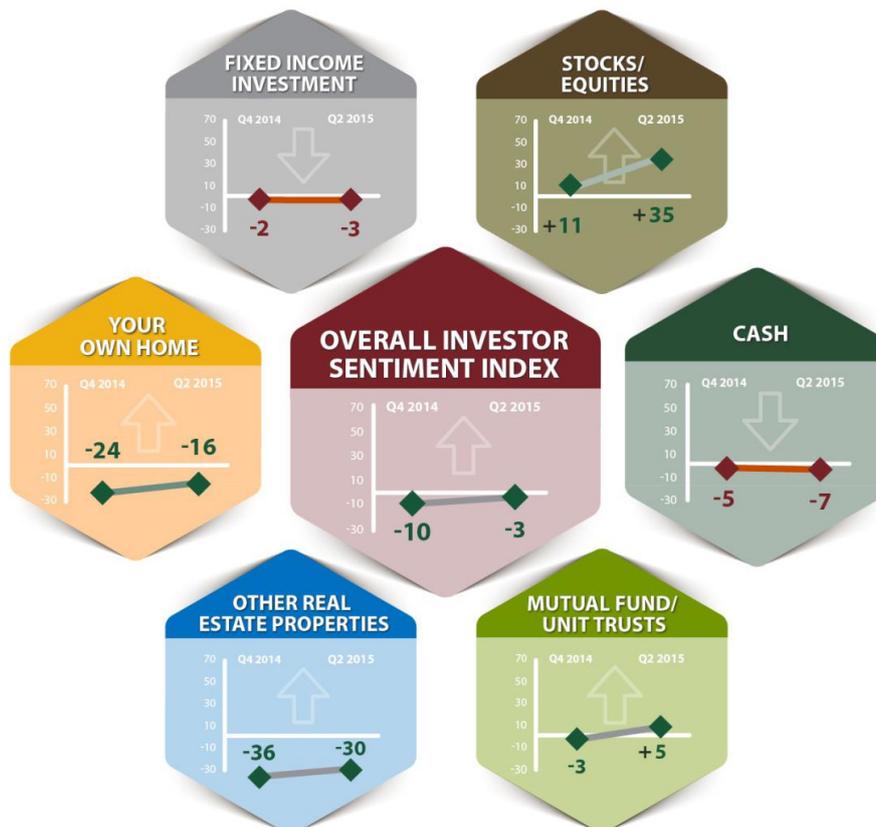
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Hong Kong investor sentiment reaches record high before the stock market slide, with hopes largely pinned on China

- *Recent events demonstrate the importance of a disciplined investment attitude and a diversified portfolio*
- *Paradoxical asset allocation may make scaled-up expected investment returns difficult to achieve*

HONG KONG – Manulife’s survey revealed that Hong Kong investor sentiment soared to a record high in May before the recent stock market slide. Only a small percentage of investors surveyed were wary that market conditions could turn unfavourable, suggesting many investors are ill prepared to take a disciplined approach to manage their investments for the long term.

The Manulife Investor Sentiment Index (MISI) for Hong Kong shows that sentiment for equities soared by 24 points in May 2015, to stand at +35, the highest level since MISI was launched in early 2013. The increased preference for stocks mirrored the gains to the Hang Seng Index and A-shares during April and May. Within the Greater China region, sentiment towards equities also largely followed movements of the stock market in the mainland China. The overall MISI across six asset classes was as a result brought to a record high, although it still remained in the negative region at -3, dragged mainly by the highly negative sentiment in real estate properties.



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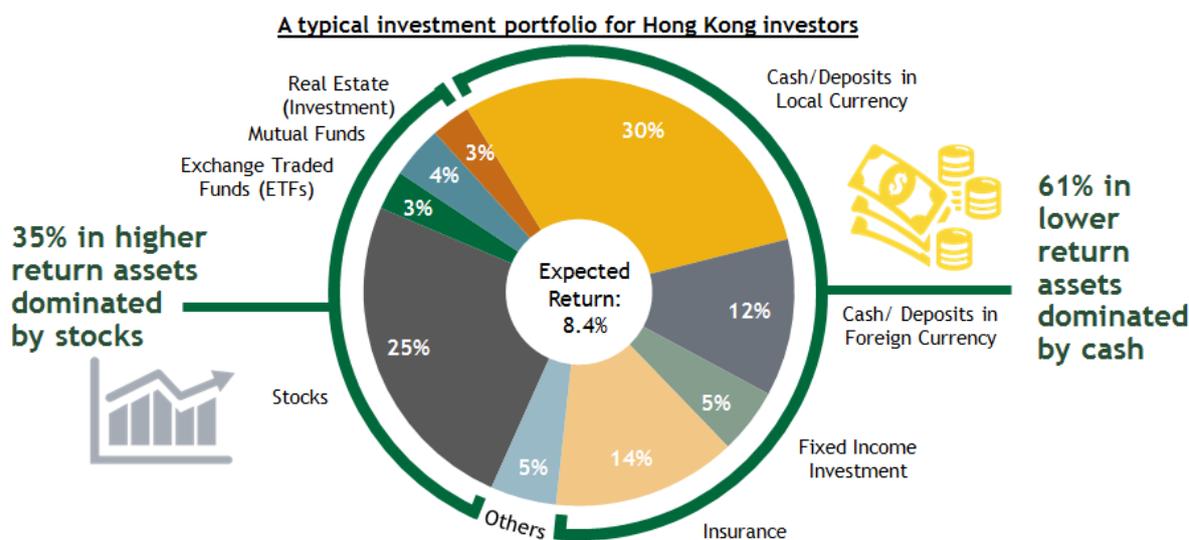
Hong Kong investor sentiment may partially have been boosted by broader confidence in the mainland China market as a whole, with sentiment towards investing in China reaching +40. Interest in A-shares through the Shanghai-Hong Kong Stock Connect has jumped, with a third of investors now keen to take advantage of the scheme. “This level of interest is at odds with the A-shares market correction, and we remind investors that recent volatility does not affect the mid- to long-term outlook for mainland China equities. Indeed, we believe the correction is taking the froth off the market and pushing out highly leveraged and speculative investors,” said Ronald CC Chan, Chief Investment Officer, Equities, Asia (ex-Japan), Manulife Asset Management. “Looking forward, China’s economic growth remains generally on track, with first- and second-quarter 2015 GDP having matched the full-year target of 7% and other major indicators showing generally positive trends alongside continued economic stimulus.”

Whilst the research pre-dates the stock market slide seen in the mainland China and Hong Kong since the end of June, only a small group of investors showed signs of vigilance to the possibility of short-term fluctuations. Fourteen per cent of Hong Kong investors surveyed thought it was a bad time to invest in equities, with over half of them flagging market volatility as a potential issue. That suggests only 7% of investors are prepared to navigate market volatility.

“The recent market correction highlights the need for a disciplined investment attitude. Investment decisions should be based on risk tolerance levels and investment horizons. A diversified portfolio, with investments in a range of asset classes, geographies and industries, can help manage risk during periods of market volatility. A well thought out asset allocation strategy is crucial to helping investors realise their investment goals,” said Michael Huddart, Manulife’s Executive Vice President and General Manager for Greater China.

Investors pursue paradoxical asset allocation strategies

Hong Kong investors polled in the survey looked for an average of 8.4% investment returns in 2015, but their asset allocation strategies are not yet optimal. The survey showed they hold 61% of their portfolio in low return assets⁽¹⁾, including 42% in cash, with more than half of the rest of their wealth (25% of all) bet on the stock market to achieve the targeted return. Exposure to other higher return assets⁽²⁾ remains minimal, but almost six out of 10 investors thought they should continue to increase their cash holdings, demonstrating little understanding of the low interest rate investment environment.



Despite Hong Kong investors' monotonous choices of asset classes, the interest in mutual funds (+5) increased by eight points in May. Influenced by the stock market rally, there was particularly strong sentiment towards equity-focused funds (+11), although they still lag behind shares. "Mutual fund provides a wider scale of asset and market diversification that cannot be achieved by individual investors with limited capital," said Steve Chiu, Vice President, Investment Funds, Manulife Asset Management (Hong Kong) Limited.

"According to our survey, currently one in five Hong Kong investors owns mutual fund products. The recent launch of Mutual Recognition of Funds scheme⁽³⁾ will benefit Hong Kong investors with access to more extensive choices of products and professional asset management expertise from the mainland China," added Chiu.

Remarks:

(1) Low return assets include cash in local currency and foreign currency, insurance, and fixed income.

(2) High return assets include equities, exchange traded funds (ETF), mutual funds and investment properties.

(3) Since the announcement on Mutual Recognition of Funds scheme was made on May 22, 2015, its influence on MISI is not completely reflected in this survey, whose fieldwork was done between May 5 to 21, 2015.

For more information on the Manulife Investor Sentiment Index, please visit www.manulife.com.hk.

***About Manulife Investor Sentiment Index in Asia**

Manulife's Investor Sentiment Index in Asia (Manulife ISI) is a half-yearly, proprietary survey measuring and tracking investors' views across eight markets in the region on their attitudes towards key asset classes and issues related to personal financial planning. The Index is calculated as a net score (% of "Very good time" and "Good time" minus % of "Bad time" and "Very bad time") for each asset class. The overall index is calculated as an average of the index figures of asset classes. A positive number means a positive sentiment, zero means a neutral sentiment, and a negative number means negative sentiment.

The Manulife ISI is based on 500 online interviews in each market of Hong Kong, China, Taiwan, Japan, Singapore, Malaysia, Indonesia and the Philippines. Respondents are middle class to affluent investors, aged 25 years and above who are the primary decision maker of financial matters in the household and currently have investment products.

The Manulife ISI is a long-established research series in North America. The Manulife ISI has been measuring investor sentiment in Canada for the past 15 years, and extended this to its John Hancock operation in the U.S. in 2011 and Asia in 2013. Asset classes taken into Manulife ISI Asia calculations are stocks/equities, real estate (primary residence and other investment properties), mutual funds/unit trusts, fixed income investment and cash.

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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.

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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