

TACTICAL ASSET ALLOCATION VIEW

Don Rich and his team provide Manulife Asset Management investment professionals around the world with insights and information on a wide range of issues and subjects that may affect the global markets, focusing largely on the near term. These insights, however, do not dictate investment policy nor do they represent a "house" view.

Asset	View
Cash	Neutral; watching for opportunities to redeploy
Fixed Income	Negative. Frothy credit market most vulnerable short term*, but impending cyclical turn generally favors riskier assets
Equities	Negative as overbought short term, but expected to rally later in 2011
Emerging Market Equities	Negative short term, but favored 2011 equity class on positive cyclical, currency trends
Commodities	Neutral
REITs	Neutral
Currencies	Positive on U.S. dollar, negative on euro, yen

Don Rich Head of Tactical Asset Allocation

The Tactical Asset Allocation Team is cautiously optimistic about the outlook for returns on risk assets in 2011. In the short term*, though, improving fundamental data must be balanced against indicators that markets are overbought and the expectation that the global monetary accommodation that is currently so supportive will begin to be less supportive in the second half of the year.

The deceleration in global growth tracked since early last year by our monthly global output composite is easing. We expect the broader global economic down cycle to persist through April, though, and will remain cautious until then. Supporting our stance, broad market beta remains a more significant driver of risk asset returns than alpha. Our indicator on this is now signaling levels of investor complacency last seen in early 2010 before the sharp pullback that ended last May.

Despite huge negatives of high unemployment and depressed home values, U.S. consumer spending was surprisingly strong last year, particularly over the

holidays. Inventory restocking also remained surprisingly high, though. Although this presents a risk that excess inventories will be a drag on future growth, we expect an improving jobs market will spur continued robust consumption and buffer this risk. Only housing is expected to remain a net negative for the economy in the short term.

As the market cycle matures, differentiation among countries, sectors and securities will become a more important determinant of returns. Countries first out of the gate will be those best poised for renewed economic momentum; the economic cycles in China, Mexico, Indonesia and Norway have already turned up.

An expected ratcheting down of anxiety about the fiscal crises in peripheral Eurozone member states like Portugal should also boost risk appetites, although the problem won't go away. The European Financial Stability Facility can't fully meet rollover demand on at-risk Eurozone sovereign bonds, so until the region's political leadership acts to reassure markets, the euro will remain volatile.

After plunging against a basket of trade partner currencies due to relatively loose U.S. monetary policy,

* "Short term" <= 6 months, "Long term" > 6 months

the U.S. dollar is now rebounding – behavior more consistent with a correction. This is negative for risky assets in the short term, but is expected to have run its course by the second half.

Manulife Asset Management™ is the institutional asset management arm of Manulife Financial. Manulife Asset Management™ and its affiliates provide comprehensive asset management solutions for institutional investors and investment funds in key markets around the world. This investment expertise extends across a full range of asset classes including equity, fixed income and alternative investments such as real estate, timber, farmland, as well as asset allocation strategies. Manulife Asset Management™ has investment offices in the United States, Canada, the United Kingdom, Japan, Hong Kong, and eight other markets throughout Asia. Additional information about Manulife Asset Management™ may be found at ManulifeAM.com. Manulife Asset Management™, Manulife and the block design are trademarks of The Manufacturers Life Insurance Company and are used by it and its affiliates including Manulife Financial Corporation. Prior to December 15, 2010, Manulife Asset Management™ was known as MFC Global Investment Management®.

The opinions expressed are those of Manulife Asset Management's Tactical Asset Allocation team as of January 2011, and are subject to change based on market and other conditions. The opinions may differ from other Manulife Asset Management groups that use different investment philosophies. The information in this document 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. Manulife Asset Management™ disclaims any responsibility to update such information. All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Clients should seek professional advice for their particular situation. Neither Manulife Financial, Manulife Asset Management™, nor any of their affiliates or representatives is providing tax, investment or legal advice. Past performance does not guarantee future results. This material was prepared solely for informational purposes, does not constitute an offer or an invitation by or on behalf of Manulife Asset Management™ to any person to buy or sell any security and is no indication of trading intent in any fund or account managed by Manulife Asset Management™.