



**John F. Iles**

Managing Director & Portfolio Manager  
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- Jeff Ray: You manage a new fund called the Manulife Emerging Markets Debt Fund. Can you describe the emerging market debt space and why you think it provides a good solution for investors?
- John (Jack) Iles: Well, developed markets are experiencing difficulties, low growth being one of them, which is forcing interest rates around the world to migrate to lower levels. Emerging markets debt provides a diversification for investors where they can purchase funds that invest in higher quality assets and provide more yield, and also, in some cases, an FX play.
- JR: How large is the emerging markets debt space?
- Jl: The debt space, by our measurement, is approximately a trillion and that would most likely be conservative estimates at this stage.
- JR: How do you utilize the offices that Manulife has around the world to help manage this fund?
- Jl: We have folks in Hong Kong and Taiwan, but primarily Hong Kong, who will be helping us out with this fund. They will be managing a sleeve of the assets. They will manage pretty much all of our Asian FX exposure and bond risk.
- JR: What countries are you finding the best opportunities to invest in?
- Jl: The best opportunities we think are in Brazil and the Asian markets; Asian markets for



sovereign and FX risk, Brazil for corporate risk.

JR: What are some of the differences in yield between the emerging markets countries and more developed countries?

Jl: The developed markets have very low rates. Treasury rates at zero per cent for a long time have created that situation. And the sovereign risk market: I would say the rates are pretty similar to the U.S., so we're focused on the corporate market, which provides about two to 250 basis points more in terms of equal quality type spreads.

JR: What's the biggest risk in investing in emerging markets?

Jl: Well, I think the biggest risk in the marketplace is interest rate risk, and a spike in short rates would drive spreads much wider.

JR: What are your thoughts on default risk?

Jl: Default risk is probably projected at this point in time by Moody's to be less than 1 per cent for emerging markets corporates. There is always the risk of sovereign default, but that's pretty much diminished at this point.

JR: How do you manage currency risk in the fund?

Jl: We manage it pretty much the way we manage other strategies in the U.S. Our approach is to hedge all of the dollar risk or currency risk back to Canada, and that's probably going to be the case going forward.

JR: Thank you, Jack.

Jl: You're welcome.



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