

i-Watch Rating System:

Date April 17, 2025

Fund Manager Manulife Investment Management

i-Watch Status ● **Increased Scrutiny**

- No concern(s)
- Moderate concern(s) requiring frequent and close monitoring
- Serious concern(s) that require a full review and may lead to removal from the fund platform

Product(s) Impacted:

Manulife Conservative Asset Allocation Fund (2001)

Summary

- In an effort to enhance the expected risk-return profile of the Manulife Conservative Asset Allocation Fund (the Fund), the benchmark and asset allocation for the Fund will be changed from the existing 80% Fixed Income and 20% Equity to a 70% Fixed Income and 30% Equity effective on June 1, 2025.
- Global Manager Research (GMR) has no concerns about the updated benchmark and asset allocation.

Commentary

Manulife's Multi-Asset Solutions Team (MAST) conducts a yearly review and optimization exercise of the Manulife Asset Allocation Funds. They have determined that a 70% Fixed Income and 30% Equity asset allocation has the potential to provide a better outcome for investors in the Fund.

Impact

From the existing 80% Fixed Income and 20% Equity benchmark and asset allocation, the 10.0% reduction in Fixed Income allocation will come from the allocation in Canadian Core Bonds (8.5%), and 0.5% each from Global Investment Grade bonds, US High Yield bonds, and Emerging Market debt. The newly created Alternative Outcome benchmark (a change of the previous Canadian Real Estate as announced in the i-Watch Notice issued in January 2025) will increase by 7.0%, from the existing 3.0% in Canadian Real Estate to 10.0% overall. At the same time, MAST is also looking to increase the allocation to Global Infrastructure, a type of defensive equity asset class, by 3.0%.

These changes are expected to increase the Fund's expected return and reduce the forecasted risk, by reducing the rate sensitivity and bolstering diversification in the portfolio, while maintaining the conservative risk profile.

Closing Remarks

GMR recognized that MAST has conducted research and analysis on the asset classes' long-

term equilibrium capital market assumptions in their optimization exercise, and thus has no concerns about the updates to the asset allocation and benchmark for the Fund. The Increased Scrutiny rating for the Fund is a result of the removal of Nathan Thooft from the portfolio management team in February 2025, as notified in a separate i-Watch Alert.



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