Manulife Investment Management

2H Market Intelligence

Our outlook for the second half of 2022

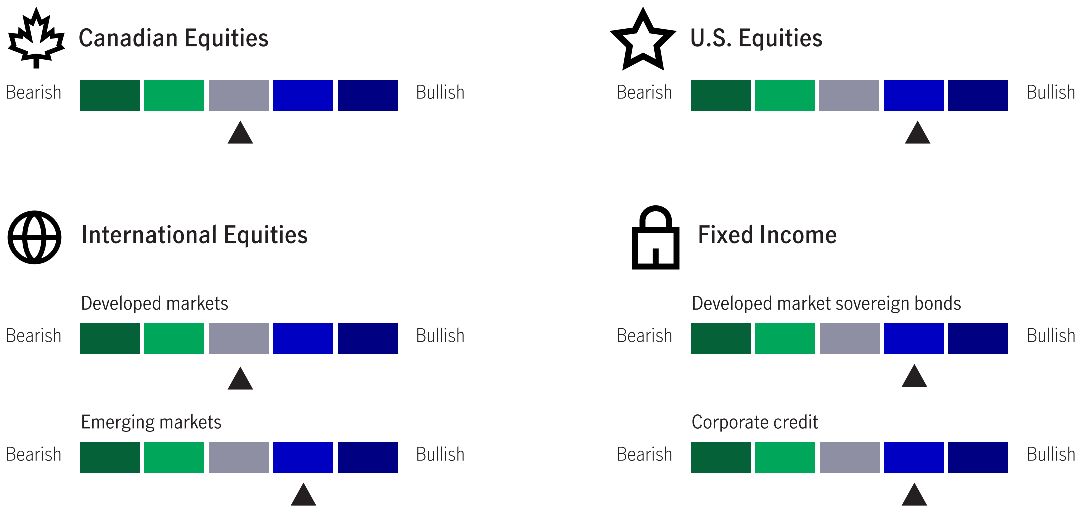
This year's road trip has been more than a little bumpy.

Presented by:

Kevin Headland
Co-Chief Investment Strategist

Macan Nia
Co-Chief Investment Strategist

Capital Markets Strategy team's outlook—a snapshot



Source: Capital Markets Strategy, as of June 30, 2022.

In "**Our outlook for 2022**," we drew comparisons between the path for market returns and that of a family road trip. The journey would have both expected and unexpected pit stops along the way, but the end destination can likely be positive. What had been expected was the start of the pivot in global central banks' monetary policies from ultra-accommodative to tightening. What was unexpected was that the pivot and market expectations would be toward an ultra-restrictive monetary policy in the form of above-average interest rate increases.

Further, the war in Ukraine and its impact on energy and food prices, along with the implementation of a zero-COVID policy in China and its added impact on supply chain disruptions, have also been unexpected but material pit stops. However, as Brad Paisley said, "If you make the mistake of looking back too much, you aren't focused enough on the road ahead of you." As investors, it's easy to focus on the past, given the volatility across nearly all asset classes, but it's important to keep the focus on the road ahead, as that's what'll likely lead us to our desired destination.

Is a recession around the corner, and if so, how deep will it be?

Jerome Powell, Chairman of the U.S. Federal Reserve, has raised rates three times for a total increase of 1.5% in the first half of 2022, bringing the upper bound Federal Funds Rate to 1.75%. The last increase of 75 basis points on June 15, 2022 was the largest increase since 1994. Higher interest rates coupled with U.S. national gasoline prices above $5 per gallon and high food inflation has many investors concerned that the odds of a recession this year have materially increased since the start of the year.

The Markit Purchasing Manager Indices (PMIs) give a 30,000-foot view of the global economy. They provide advance insight into the private sector economy by tracking variables such as output, new orders, employment, and prices across key sectors. A reading above 50 indicates that the manufacturing output is growing while a reading less than 50 signals that it's contracting. Said differently, green is good, yellow is neutral, and red is bad. PMIs tend to be a strong indicator of the overall health of the economy. Recent readings indicate that despite higher interest rates, higher inflation, and supply chain disruptions, the global economy remains resilient today. However, all leading measures, including the PMIs, indicate that the global economy will continue to slow through 2022 and into 2023. The pace of the slowdown could even increase if expectations of higher interest rates and runaway inflation unfold for the rest of the year.

	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021	July 2021	August 2021	September 2021	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022	April 2022	May 2022	June 2022
JPMorgan Global PMI	48.0	50.6	51.8	52.4	53.1	53.8	53.8	53.6	54.0	55.0	55.8	56.0	55.5	55.4	54.1	54.1	54.2	54.2	54.3	53.2	53.7	52.9	52.3	52.3	52.2
United States	49.8	50.9	53.1	53.2	53.4	56.7	57.1	59.2	58.6	59.1	60.5	62.1	62.1	63.4	61.1	60.7	58.4	58.3	57.7	55.5	57.3	58.8	59.2	57.0	52.7
Canada	47.8	52.9	55.1	56.0	55.5	55.8	57.9	54.4	54.8	58.5	57.2	57.0	56.5	56.2	57.2	57.0	57.7	57.2	56.5	56.2	56.6	58.9	56.2	56.8	54.6
Mexico	38.6	40.4	41.3	42.1	43.6	43.7	42.4	43.0	44.2	45.6	48.4	47.6	48.8	49.6	47.1	48.6	49.3	49.4	49.4	46.1	48.0	49.2	49.3	50.6	52.2
U.K.	50.1	53.3	55.2	54.1	53.7	55.6	57.5	54.1	55.1	58.9	60.9	65.6	63.9	60.4	60.3	57.1	57.8	58.1	57.9	57.3	58.0	55.2	55.8	54.6	52.8
Eurozone	47.4	51.8	51.7	53.7	54.8	53.8	55.2	54.8	57.9	62.5	62.9	63.1	63.4	62.8	61.4	58.6	58.3	58.4	58.0	58.7	58.2	56.5	55.5	54.6	52.1
Germany	45.2	51.0	52.2	56.4	58.2	57.8	58.3	57.1	60.7	66.6	66.2	64.4	65.1	65.9	62.6	58.4	57.8	57.4	57.4	59.8	58.4	56.9	54.6	54.8	52.0
Holland	45.2	47.9	52.3	52.5	50.4	54.4	58.2	58.8	59.6	64.7	67.2	69.4	68.8	67.4	65.8	62.0	62.5	60.7	58.7	60.1	60.6	58.4	59.9	57.8	55.9
France	52.3	52.4	49.8	51.2	51.3	49.6	51.1	51.6	56.1	59.3	58.9	59.4	59.0	58.0	57.5	55.0	53.6	55.9	55.6	55.5	57.2	54.7	55.7	54.6	51.4
Italy	47.5	51.9	53.1	53.2	53.8	51.5	52.8	55.1	56.9	59.8	60.7	62.3	62.2	60.3	60.9	59.7	61.1	62.8	62.0	58.3	58.3	55.8	54.5	51.9	50.9
Spain	49.0	53.5	49.9	50.8	52.5	49.8	51.0	49.3	52.9	56.9	57.7	59.4	60.4	59.0	59.5	58.1	57.4	57.1	56.2	56.2	56.9	54.2	53.3	53.8	52.6
Ireland	51.0	57.3	52.3	50.0	50.3	52.2	57.2	51.8	52.0	57.1	60.8	64.1	64.0	63.3	62.8	60.3	62.1	59.9	58.3	59.4	57.8	59.4	59.1	56.4	53.1
Czech Republic	44.9	47.0	49.1	50.7	51.9	53.9	57.0	57.0	56.5	58.0	58.9	61.8	62.7	62.0	61.0	58.0	55.1	57.1	59.1	59.0	56.5	54.7	54.4	52.3	49.0
Poland	47.2	52.8	50.6	50.8	50.8	50.8	51.7	51.9	53.4	54.3	53.7	57.2	59.4	57.6	56.0	53.4	53.8	54.4	56.1	54.5	54.7	52.7	52.4	48.5	44.4
Greece	49.4	48.6	49.4	50.0	48.7	42.3	46.9	50.0	49.4	51.8	54.4	58.0	58.6	57.4	59.3	58.4	58.9	58.8	59.0	57.9	57.8	54.6	54.8	53.8	51.1
Australia	51.5	54.0	53.6	55.4	54.2	55.8	55.7	57.2	56.9	56.8	59.7	60.4	58.6	56.9	52.0	56.8	58.2	59.2	57.7	55.1	57.0	57.7	58.8	55.7	56.2
Japan	40.1	45.2	47.3	47.7	48.7	49.0	50.0	49.8	51.4	52.7	53.6	53.0	52.4	53.0	52.7	51.5	53.2	54.5	54.3	55.4	52.7	54.1	53.5	53.3	52.7
China (Caixin)	51.2	52.8	53.1	53.0	53.6	54.9	53.0	51.5	50.9	50.6	51.9	52.0	51.3	50.3	49.2	50.0	50.6	49.9	50.9	49.1	50.4	48.1	46.0	48.1	51.7
South Korea	43.4	46.9	48.5	49.8	51.2	52.9	52.9	53.2	55.3	55.3	54.6	53.7	53.9	53.0	51.2	52.4	50.2	50.9	51.9	52.8	53.8	51.2	52.1	51.8	51.3
Taiwan	46.2	50.6	52.2	55.2	55.1	56.9	59.4	60.2	60.4	60.8	62.4	62.0	57.6	59.7	58.5	54.7	55.2	54.9	55.5	55.1	54.3	54.1	51.7	50.0	49.8
Vietnam	51.1	47.6	45.7	52.2	51.8	49.9	51.7	51.3	51.6	53.6	54.7	53.1	44.1	45.1	40.2	40.2	52.1	52.2	52.5	53.7	54.3	51.7	51.7	54.7	54.0
Indonesia	39.1	46.9	50.8	47.2	47.8	50.6	51.3	52.2	50.9	53.2	54.6	55.3	53.5	40.1	43.7	52.2	57.2	53.9	53.5	53.7	51.2	51.3	51.9	50.8	50.2
Malaysia	51.0	50.0	49.3	49.0	48.5	48.4	49.1	48.9	47.7	49.9	53.9	51.3	39.9	40.1	43.4	48.1	52.2	52.3	52.8	50.5	50.9	49.6	51.6	50.1	50.4
Singapore	43.2	45.6	43.6	45.1	48.6	46.7	50.5	52.9	54.9	53.5	51.8	54.4	50.1	56.7	52.1	53.8	52.3	52.0	55.1	54.4	52.5	52.9	56.7	59.4	57.5
India	47.2	46.0	52.0	56.8	58.9	56.3	56.4	57.7	57.5	55.4	55.4	50.8	48.1	55.3	52.3	53.7	55.9	57.6	55.5	54.0	54.9	54.0	54.7	54.6	53.9
Brazil	51.6	58.2	64.7	64.9	66.7	64.0	61.5	56.5	58.4	52.8	52.3	53.7	56.4	56.7	53.6	54.4	51.7	49.8	49.8	47.8	49.6	52.3	51.8	54.2	54.1
Turkey	53.9	56.9	54.3	52.8	53.9	51.4	50.8	54.4	51.7	52.6	50.4	49.3	51.3	54.0	54.1	52.5	51.2	52.0	52.1	50.5	50.4	49.4	49.2	49.2	48.1
South Africa	42.5	44.9	45.3	49.4	51.0	50.3	50.2	50.8	50.2	50.3	53.7	53.2	51.0	46.1	49.9	50.7	48.6	51.7	48.4	50.9	50.9	51.4	50.3	50.7	52.5
Saudi Arabia	47.7	50.0	48.8	50.7	51.0	54.7	57.0	57.1	53.9	53.3	55.2	56.4	56.4	55.8	54.1	58.6	57.7	56.9	53.9	53.2	56.2	56.8	55.7	55.7	57.0
Russia	49.4	48.4	51.1	48.9	46.9	46.3	49.7	50.9	51.5	51.1	50.4	51.9	49.2	47.5	46.5	49.8	51.6	51.7	51.6	51.8	48.6	44.1	48.2	50.8	50.9

Source: Bloomberg, Capital Markets Strategy, as of May 31, 2022.

Historically, there are warning signals prior to falling into a traditional economic recession. We characterize "traditional economic recession" as one where unemployment surges and is the major cause of the recession. Some of the signals that we look at are highlighted in the table below. Once again, we use the green, yellow, and red colour coding to illustrate our views of each indicator. While there's no specific rule as to how many of the signals need to be red before a recession is a foregone conclusion, the more important element is the number that are moving from green to yellow to red. The inflection points are what matters most. Our lone red signal is inflationary pressure, which was already pointing to a higher risk of recession late last year. Last quarter, we moved two indicators from green to yellow: the yield curve, measured by the difference between the 10-2-year U.S. government bond yields, and tighter financial conditions, as they began to signal an economic slowdown. Most recently, we've moved U.S. housing starts and leading economic indicators to yellow, as they too are pointing to a weaker economic environment in the U.S.

Signs of a recession	Present today?
Inverted yield curve	Neutral
ISM Manufacturing PMI below 45	No
Positive inflationary trends	Yes
Tighter financial conditions	Neutral
Housing starts declining	Neutral
Labour market weakening	No
Leading economic indicators negative	Neutral

Source: Bloomberg, Capital Markets Strategy, as of June 29, 2022.

If the rate at which our indicators are declining continues, we're likely to experience a shallow recession in the United States in the firsthalf of 2023. In addition, we could see a more severe recession in Europe as a result of the impact of the war in Ukraine. We remain optimistic that the Federal Reserve and other central banks will be able to soften their tone and become less hawkish than expected, as a weakening economy and a lessening of supply chain disruptions provide an environment for inflation to ease from current levels. Governments around the world are acutely aware of the damaging effects of inflation on their citizens' purchasing power and are actively looking at policies to help reduce inflation. For example, U.S. President Joe Biden is looking at a possible suspension of the 18.4 cent per gallon federal tax along with potentially removing some tariffs on Chinese imports that were set during former President Donald Trump's administration.

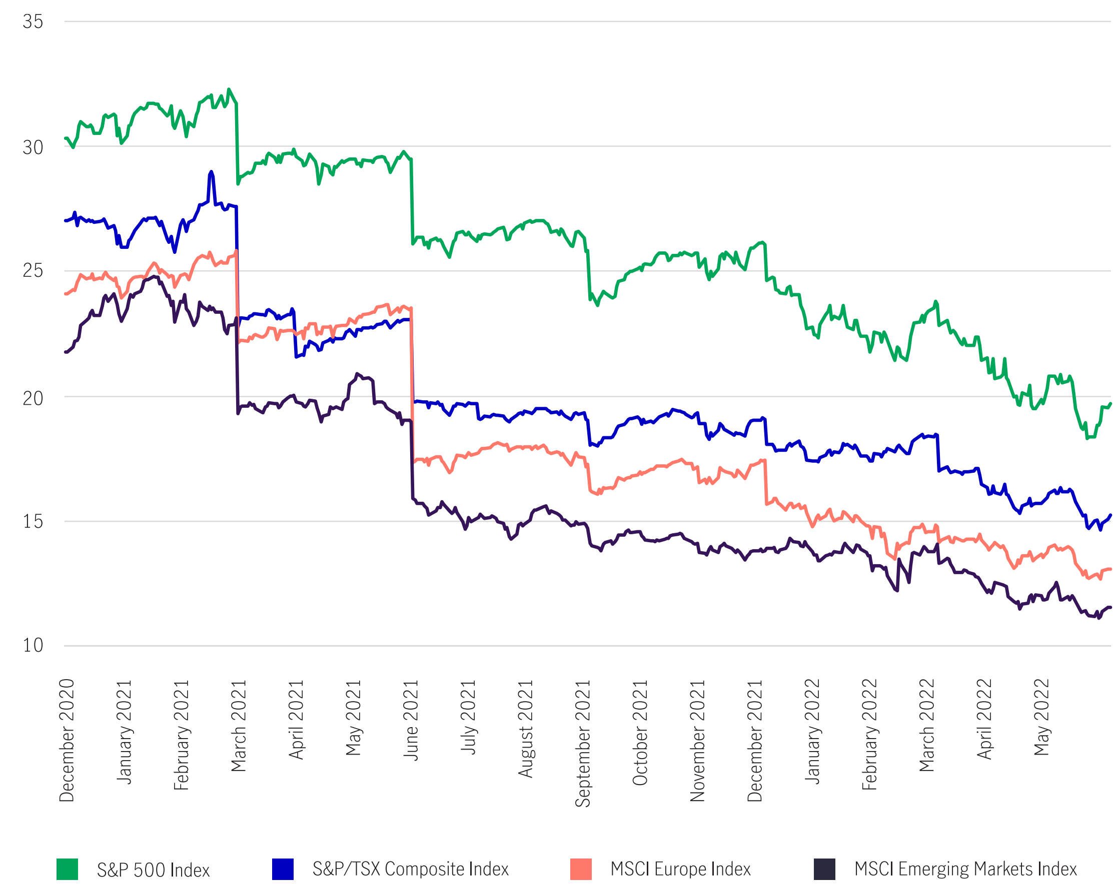
We're optimistic that a focus on policies to reduce inflation, the end of government support programs, and improvement in previous supply-demand imbalances could ease inflationary pressures in the second half of the year and into next year. Inflation levels don't have to come down materially, but evidence of a continued reduction must be present. If we're proven correct, the chances of a deep, consumption-driven recession will reduce and the odds of a milder slowdown will increase.

Equity markets caught up in the perfect storm

Equity markets around the world have experienced one of the worst first halves of the year on record, with many in bear market territory—defined as a drop of more than 20% from their most recent peak. One of the lone bright spots, if you can call it that, has been Canada, as the S&P/TSX Composite Index has been one of the relatively best performers in the developed market world, yet has still posted a negative return of 9.9% on a total return basis, as of June 30, 2022.

We came into the year expecting some bumps in the road, but what we've experienced so far has been a perfect storm. Equity markets have had to deal with persistently higher inflation—leading to aggressively hawkish global central banks—and a war in Ukraine. Our expectations for 2022 were that S&P 500 earnings would grow but at a much slower pace, and that valuation would decrease slightly, in an orderly fashion. Clearly, this hasn't been the case. While earnings growth expectations haven't changed for the full year 2022,[1] valuation has fallen materially from 26 times trailing price/earnings ratio to just under 20 times since the beginning of the year. It was near 30 times only a year ago. It would seem now that the markets are almost pricing in a recession, and if that's the case, this would be one of the most predicted recessions in history.

Trailing price/earnings ratio (Since December 2020)



Source: Bloomberg, Capital Markets Strategy, as of June 29, 2022.

Past performance does not guarantee future results. It is not possible to invest directly in an index.

S&P 500 Price Index

Peak	Peak-to-trough decline	Years to trough	Years to recover peak
8/2/56	-21.6%	1.3	2.2
12/12/61	-28.0%	0.6	1.8
2/9/66	-22.2%	0.7	1.3
11/29/68	-36.1%	1.5	3.3
1/11/73	-48.2%	1.7	7.6
9/21/76	-19.4%	1.5	2.9
11/28/80	-27.1%	1.7	2.0
8/25/87	-33.5%	0.3	1.9
7/16/90	-19.9%	0.3	0.6
7/17/98	-19.3%	0.1	0.4
3/24/00	-49.1%	2.6	7.2
10/9/07	-56.8%	1.4	5.5
4/29/11	-19.4%	0.4	0.8
9/20/18	-19.8%	0.3	0.6
2/19/20	-33.9%	0.1	0.5
3/1/22	??	??	??
Average	**-30.3%**	**1.0**	**2.6**
Median	**-27.1%**	**0.7**	**1.9**

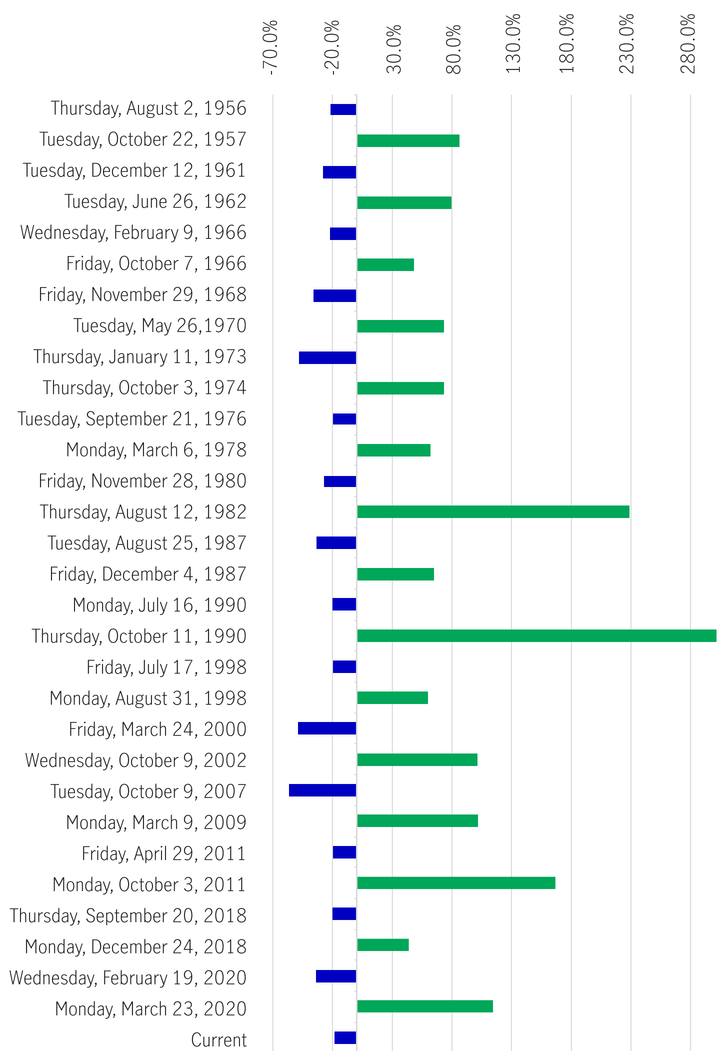
Source: Bloomberg, Capital Markets Strategy, as of June 29, 2022.

As we write this, we're in a bear market. A bear market is defined as a decline of 20% or more from the peak. There have been 15 bear markets since the 1950s. In general, we classify them into two buckets: baby bears (seven occurrences) and big bears (eight occurrences), with the *baby bears* meaning a bear market outside of a recession while a *big bear* is a bear market that occurs in a recessionary environment. The average peak-to-trough selloff during baby bears is 23% while big bears is 37%. If we use history as a guide, we can conclude that the market has already priced in nearly 60% of the average drawdown during a recession. Yes, there are big bear recessions that saw selloffs of 57% (Great Financial Crisis), 49% (dot-com) and 48% (1973–1974 recession), but we believe the environment today is different than those periods and we're unlikely to either experience a systematic shock to the market or a severe recession.

While it's near impossible to call the bottom of the market, there seems to be a lot of negativity already factored into the current equity markets. The University of Michigan's Consumer Sentiment Survey has hit an all-time low, Bloomberg Economics U.S. recession probability model is indicating a 99% chance of a recession in the next 24 months, and the bond market is pricing in a 3.5% Federal Funds Rate by year end. The proverbial market pendulum seems to have swung pretty far. Should we get any moderation in the negative sentiment, we could see a positive reaction in equities.

Whether we look back at this period and classify it as a big bear or baby bear, these are often attractive entry points for investors with patience to withstand additional short-term volatility, as the bull markets that follow tend to be stronger and longer lasting.

S&P 500 Index price returns—bull and bear markets: 1956 – June 2022



Source: Bloomberg, Capital Markets Strategy, as of June 29, 2022.

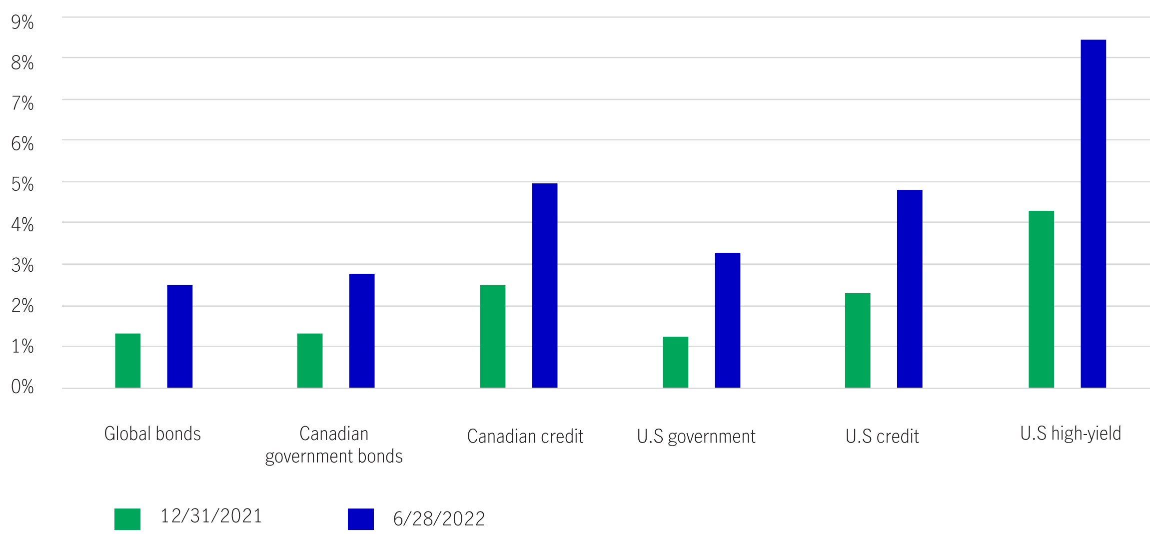
Past performance does not guarantee future results. It is not possible to invest directly in an index.

Fixed Income—a light at the end of the tunnel

While the fall in equities took many by surprise, the selloff in bonds was even a bigger shock. The minutes from the U.S. Federal Reserve's December 2021 meeting were released in early January and changed the markets' perception of the Fed's rate hike path, causing yields across the curve to begin to spike. Since January 3, the 2-year and 10-year yields jumped as high as 266 bps and 185 bps, respectively, peaking on June 14, before falling slightly recently.[1] Not surprisingly, this is on the back of persistently high inflation and the belief that the Fed will raise rates as high and fast as needed to get it under control and perhaps even cause a recession to do so.

As a result of the jump in yields across many fixed-income instruments and maturities, there was really nowhere left to hide. However, there seems to be a light at the end of the tunnel for bond investors. Yields for high-quality government bonds are likely getting close to peaking, which means that the majority of the downside risk is in the rear-view mirror. New investments in bonds are now providing yield levels not seen in quite some time.

Various fixed-income asset class yield-to-worst
12/31/2021 vs 6/26/2022



Source: Bloomberg, Capital Markets Strategy. As of June 29, 2022.

Proxies that represent these asset classes: Global bonds – Bloomberg Global Aggregate Bond Index; Canadian credit – FTSE Canada Universe Bond Index; Canadian government bonds – FTSE Canada All Government Bond Index; U.S. government – Bloomberg US Treasury Index; U.S. credit – Bloomberg US Corporate Bond Index; U.S. high yield – Bloomberg US Corporate High Yield Bond Index.

Past performance does not guarantee future results. It is not possible to invest directly in an index.

We think bonds, for the most part, remain a misunderstood asset class—and for good reason, as it's a complicated one. Although difficult, we need to ignore the recent performance and look ahead to determine where the opportunities exist in fixed income. When investing in bonds, it's not always just about comparing yields but also looking at how the different types of securities perform toward the end of the economic cycle. If we're in the latter stages of this cycle, longer duration, higher quality bonds tend to outperform, as their prices tend to rise as the expectation for a recession increases. The combination of higher yields to begin with and the potential for price appreciation increases the overall attractiveness of longer duration bonds within a fixed-income portfolio. We think bonds continue to play an important role in a balanced portfolio over the longer term, either from a capital-preservation or income-generation perspective.

Illustrative portfolio

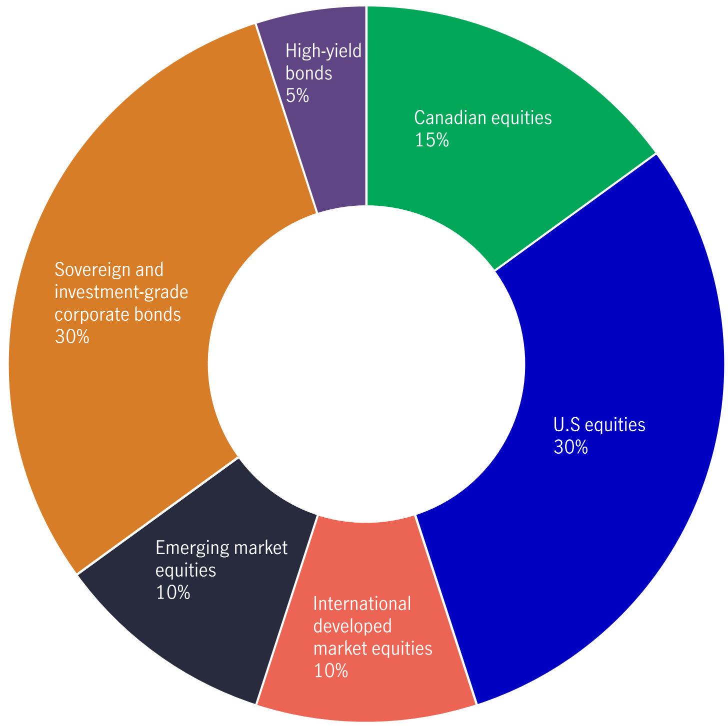
As we've outlined in our recent *Investment note*, "**Expect slower U.S. economic growth but not an equity bear market**," and in various podcasts, we believe that the U.S. Federal Reserve will disappoint current market expectations of a neutral rate of 3.25% to 3.50% by the first quarter of 2023. We believe slowing U.S. and global economies will help alleviate inflation from current levels, which will provide the backdrop for the Fed to not be as aggressive with their policy rate. We believe that if the Fed were to meet or exceed current market expectations, the odds of a recession increase materially. But our base case is that the Fed doesn't want or need a severe recession to tame inflation (not all of which it can control anyway). Any pivot in tone toward less hawkishness will be supportive of both equity and fixed-income asset classes.

However, we're very mindful of the extremely unique environment that we find ourselves in. COVID-19 was a once-in-a-generation event that led to unprecedented stimulus from governments and central banks. This stimulus is now being withdrawn from the system. We believe that at current levels, for a long-term, patient investor, equities can provide an attractive entry point. But does our current illustrative asset allocation provide enough protection in the event we experience a severe recession where unemployment spikes or if we experience a global earnings recession? Said differently, is our umbrella (i.e., bonds) big enough to weather a bigger storm? We don't think it is, so we're increasing our fixed-income weight by 5%. This decision is made easier by the opportunity from a total return perspective in bonds. Since the risk of a recession in the U.S. and Canada has increased over the next 12–18 months, it makes sense to begin to add duration to our fixed-income portfolio.

Should the bond market start reacting to the potential for recession, we should see yields start to fall, which is a positive backdrop for longer duration core bonds. As a result, we've decided to reduce our international equities by 5%. We believe that international equities will have a high, single-digit to low-teen return from these levels over the next year. But the visibility of that opportunity over the next 12 months is a bit murkier than that of U.S., Canadian, or emerging market equities, given the war in Ukraine and its impact on the region's economies. If the return profile for longer duration bonds is between 5–8% vs international equities of 8–12%, we believe the bond allocation offers a better risk-adjusted return.

In keeping with our process, with reasonable current equity valuations but an increasing risk of a shallow recession at minimum within the next 18 months, we're slightly altering our asset allocation. As of June 30, 2022, the Capital Markets Strategy illustrative portfolio remains overweight equities at 65% (+5% to benchmark) and 35% to fixed income (–5% to benchmark). The portfolio is well balanced across equity geographies. Throughout the past couple of years, we've been advocating rebalancing portfolios to target asset allocations and dollar-cost averaging into this market. We continue to emphasize that approach today.

Illustrative portfolio by asset class as of June 30, 2022



The Capital Markets Strategy Illustrative Portfolios (the "Illustrative Portfolios") are hypothetical portfolios comprised of various asset classes and Manulife Investment Management's funds. They are designed to illustrate an approach in general terms and are not for specific investors. The Illustrative Portfolios and the related information do not constitute and are not to be construed as, investment advice. Any investment or allocation decisions by an investor should be made with the advice of a qualified investment professional with respect to individual circumstances, preferences, risk tolerance, and after reading the relevant fund facts and prospectuses. Manulife Investment Management Limited shall not have any liability, contingent or otherwise, to any person or entity for the quality, accuracy, timeliness and/or completeness of information in, or related to, the Illustrative Portfolios, or for delays, omissions or interruptions in the delivery of such information. Manulife Investment Management Limited makes no warranty, express or implied, as to the results to be obtained by any person or entity in connection with any use of the Illustrative Portfolios and any data related thereto, or any components thereof and is not liable for any action or decision made by you or an investor in reliance on the information contained therein.

Manulife Investment Management

Endnote

1 Source: Bloomberg

Important disclosure:

Investing involves risks, including the potential loss of principal. Financial markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. The information provided does not take into account the suitability, investment objectives, financial situation, or particular needs of any specific person.

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 and prospects should seek professional advice for their particular situation. Neither Manulife Investment Management nor any of our affiliates or representatives (collectively Manulife Investment Management) is providing tax, investment or legal advice.

This material is intended for the exclusive use of recipients in jurisdictions who are allowed to receive the material under their applicable law. The opinions expressed are those of the author(s) and are subject to change without notice. Our investment teams may hold different views and make different investment decisions. These opinions may not necessarily reflect the views of Manulife Investment Management. The information and/or analysis contained in this material has been compiled or arrived at from sources believed to be reliable, but Manulife Investment Management does not make any representation as to their accuracy, correctness, usefulness, or completeness and does not accept liability for any loss arising from the use of the information and/or analysis contained. The information in this material may contain projections or other forward-looking statements regarding future events, targets, management discipline, or other expectations, and is only current as of the date indicated. 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 Investment Management disclaims any responsibility to update such information.

Manulife Investment Management shall not assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained here. This material was prepared solely for informational purposes, does not constitute a recommendation, professional advice, an offer or an invitation by or on behalf of Manulife Investment Management to any person to buy or sell any security or adopt any investment approach, and is no indication of trading intent in any fund or account managed by Manulife Investment Management. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Diversification or asset allocation does not guarantee a profit or protect against the risk of loss in any market. Unless otherwise specified, all data is sourced from Manulife Investment Management. Past performance does not guarantee future results.

A widespread health crisis such as a global pandemic could cause substantial market volatility, exchange-trading suspensions and closures, and affect portfolio performance. For example, the novel coronavirus disease (COVID-19) has resulted in significant disruptions to global business activity. The impact of a health crisis and other epidemics and pandemics that may arise in the future could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other preexisting political, social ,and economic risks. Any such impact could adversely affect the portfolio's performance, resulting in losses to your investment.

Manulife Investment Management is the global brand for the global wealth and asset management segment of Manulife Financial Corporation. We draw on more than a century of financial stewardship and the full resources of our parent company to serve individuals, institutions, and retirement plan members worldwide. Headquartered in Toronto, our leading capabilities in public and private markets are strengthened by an investment footprint that spans 18 geographies. We complement these capabilities by providing access to a network of unaffiliated asset managers from around the world. We're committed to investing responsibly across our businesses. We develop innovative global frameworks for sustainable investing, collaboratively engage with companies in our securities portfolios, and maintain a high standard of stewardship where we own and operate assets, and we believe in supporting financial well-being through our workplace retirement plans. Today, plan sponsors around the world rely on our retirement plan administration and investment expertise to help their employees plan for, save for, and live a better retirement.

This material has not been reviewed by, is not registered with any securities or other regulatory authority, and may, where appropriate, be distributed by the following Manulife entities in their respective jurisdictions Manulife Investment Management Limited, Manulife Investment Management Distributors Inc.

555966 MBPSCS6940EN RLSQ 07/22 AODA