

Manulife asset allocation portfolios

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Market review

The world equity markets registered solid gains in the fourth quarter of 2025, helping the major indexes record their third consecutive year of double-digit returns. Performance was uneven over the first half of the quarter amid concerns that AI-related stocks were in a “bubble.” However, the market staged an impressive rebound and went on to achieve new all-time highs by year end. A continued decline in inflation allowed the U.S. Federal Reserve to enact two quarter-point interest rate cuts and wind down its multi-year effort to reduce its balance sheet. In addition, corporate earnings were robust and world economic growth remained positive. Consistent with trends in place throughout the full year, Europe and the emerging market equities led the way, while the United States and developed Asia lagged.

Canada's stock market delivered a robust gain in the fourth quarter and finished 2025 near an all-time high. Canada outpaced its global developed-market peers, building on its strong relative performance for the full year. Investors were encouraged that economic growth, while slow, was showing resilience despite U.S. tariffs. The market was also well supported by healthy corporate profits and continued interest rate cuts by the Bank of Canada. Financial stocks performed particularly well, as the low-rate environment contributed to better-than-expected earnings. The materials sector also registered gains thanks to rising prices for both precious and industrial metals. The fourth quarter rally helped Canadian stocks record a double-digit return for the third consecutive calendar year and the fourth in the last five.

Global bond markets posted positive returns in the fourth quarter. Much of the advance occurred early in the quarter as central bank interest rate cuts in North America and easing inflation across much of Europe led to lower bond yields in most regions of the world. However, bond yields reversed course in the latter half of the quarter amid better-than-expected economic data in the United States and Canada, fiscal concerns in Europe, and an interest rate hike by the Bank of Japan, which boosted its policy rate to a 30-year high. For the quarter, North American bond markets posted positive returns, led by the U.S. market, while bond markets in the Asia-Pacific region declined amid sharply higher yields in Japan and Australia. European bond markets were mixed but eked out fractional gains. On a sector basis, high-yield and investment-grade corporate bonds posted the best returns, while sovereign government bonds lagged.

Canadian bonds produced mixed results in the fourth quarter but declined modestly overall. The bond market rallied during the first half of the period as weakness in the labor market, uncertainty surrounding Canadian economic growth, and the continued effects of U.S. tariffs led to an interest rate cut by the Bank of Canada. The rate cut dropped the central bank's benchmark interest rate to its lowest level since July 2022. In December, however, the Canadian bond market sold off following a stronger-than-expected employment report, which included solid job gains and a 16-month low in the unemployment rate. The strong jobs data sparked expectations for better economic growth and speculation about possible interest rate increases by the Bank of Canada in 2026. For the quarter, Canadian bond yields rose across the board, with intermediate- and long-term yields increasing the most. Sector performance was mixed—government bonds declined, reflecting their greater interest rate sensitivity, while corporate bonds posted positive returns for the quarter.

Portfolio review

During the third quarter of 2025, all portfolios posted negative absolute returns. All trailed their respective benchmarks aside from the Conservative portfolio, which outperformed. From a peer-relative perspective, all portfolios posted third quartile results.

Asset allocation attribution was positive across all portfolios. However, manager selection continued to be a detractor across the board, outweighing the positive impact of asset allocation. Within asset allocation and relative to the benchmark, an underweight in global equities was a strong driver to relative returns, as well as an overweight in Canadian small- and mid-cap equities and emerging-market debt, overcoming negative impacts from an overweight in U.S. equities and global listed infrastructure.

Within manager selection, active managers continued to struggle, with Manulife World Investment Fund (Mawer), Manulife Fundamental Equity Fund (Manulife IM) and Manulife Dividend Income Fund (Manulife IM) the top three detractors. Mitigating the results somewhat were strong results from the actively managed Manulife Strategic Income Fund (Manulife IM) and Manulife Bond Fund (Manulife IM).

The opportunistic sleeve was a net detractor over the period with positions in Canadian energy equities, the U.S. communication services sector and short-term Canadian corporate bonds adding value and positions in Chinese equities, U.S. small caps, gold, and the U.S. technology sector detracting.

Outlook

As we enter the opening months of 2026, the global investment backdrop remains mixed but increasingly constructive. After a period of elevated policy uncertainty and uneven growth, clearer signals are emerging across regions. Manulife John Hancock expects global activity to improve as the year progresses, supported by easier monetary conditions, targeted fiscal stimulus in several developed markets, and gradually firming manufacturing and trade cycles.

Macroeconomic conditions continue to diverge meaningfully by region. In the United States, growth may start slowly but is expected to strengthen into the second half of the year as fiscal initiatives and the lagged effects of prior rate cuts gain traction. Europe's cyclical recovery appears set to continue, aided by pro-growth reforms and fiscal support, while Japan advances further along a path of normalization amid improving domestic demand. China's outlook remains imbalanced, with policy accommodation helping stabilize growth despite persistent structural challenges. A broadly weaker U.S. dollar could act as a tailwind for global trade and emerging markets.

Equity markets remain underpinned by resilient earnings and long term structural themes. U.S. large cap technology leadership continues, driven by sustained investment in AI, though opportunities are gradually broadening across sectors and regions. European equities may benefit from improving growth dynamics and comparatively attractive valuations, while select emerging markets stand to gain from recovering trade and manufacturing activity.

In fixed income, elevated debt levels and lingering inflation pressures warrant caution. We favor a selective approach, emphasizing diversification, careful duration management, and fundamentals-driven credit exposure. Commodity markets may present differentiated opportunities, with gold continuing to play a strategic diversification role amid policy uncertainty.

Overall, while near term risks persist, our outlook for 2026 is increasingly optimistic. Regional differentiation, disciplined diversification, and active portfolio management remain essential as investors navigate a shifting global environment.

Opportunistic positions (%)

As of December 31, 2025

Opportunistic positions	Manulife Conservative Portfolio	Manulife Moderate Portfolio	Manulife Balanced Portfolio	Manulife Growth Portfolio
ISHARES S&P/TSX Capped Energy Index ETF	0.50	0.61	0.75	0.88
ISHARES Biotechnology ETF	0.25	0.49	0.49	0.74
Vanguard Communication Services ETF	0.50	0.61	0.99	1.36
Vanguard Information Technology ETF	0.25	0.49	0.49	0.74
iShares MSCI China ETF	0.25	0.49	0.73	0.75
iShares MSCI Mexico ETF	0.25	0.49	0.98	1.23
iShares Core S&P Small-Cap ETF	—	—	—	0.88
Vanguard Extended Market ETF	0.25	0.48	0.73	0.98
Vanguard FTSE All World ex-US Small-Cap ETF	—	—	—	0.90
SPDR Gold Shares	0.25	0.49	0.49	0.49
iShares 1-5 Year Laddered Corporate Bond Index ETF	5.53	4.51	3.51	2.25
Vanguard Canadian Aggregate Bond Index ETF	2.01	1.25	0.75	0.50

Source: Manulife Investments.

Performance for Manulife asset allocation portfolios vs. benchmarks (%)

As of December 31, 2025

Manulife asset allocation portfolios ¹	Portfolio manager	3 months	YTD	1 year	3 years	5 years	Since inception	Inception date
Manulife Conservative Portfolio	James Robertson, Multi-Asset Solutions Manulife Investment Management	0.40	5.91	5.91	7.85	3.42	4.03	May 5, 2017
Conservative Portfolio benchmark		0.19	6.90	6.90	7.93	2.67	—	
Manulife Moderate Portfolio		0.39	7.73	7.73	9.27	4.49	5.00	
Moderate Portfolio benchmark		0.67	9.29	9.29	10.49	4.90	—	
Manulife Balanced Portfolio		0.80	10.43	10.43	11.85	6.53	6.56	
Balanced Portfolio benchmark		1.38	12.64	12.64	13.96	7.93	—	
Manulife Growth Portfolio		1.04	12.36	12.36	13.67	8.01	7.72	
Growth Portfolio benchmark		1.95	15.21	15.21	16.60	10.23	—	

Source: Manulife Investments. Performance histories are not indicative of future performance.

¹ Since inception, May 5, 2017, Series F is generally designed for investors who have a fee-based or wrap account with their dealer. Series F performance is net of fees and expenses. Advisor Series is also available and includes a 1.00% trailing commission. Conservative Portfolio Benchmark consists of 40% FTSE Canada Universe Bond Index, 40% Bloomberg Barclays Multiverse Bond Index, 10% S&P/TSX Composite TR Index, 10% MSCI World NR Index. Moderate Portfolio Benchmark consists of 30% FTSE Canada Universe Bond Index, 35% Bloomberg Barclays Multiverse Bond Index, 13% S&P/TSX Composite TR Index, 22% MSCI World NR Index. Balanced Portfolio Benchmark consists of 20% FTSE Canada Universe Bond Index, 25% Bloomberg Barclays Multiverse Bond Index, 18% S&P/TSX Composite TR Index, 37% MSCI World NR Index. Growth Portfolio Benchmark consists of 15% FTSE Canada Universe Bond Index, 15% Bloomberg Barclays Multiverse Bond Index, 22% S&P/TSX Composite TR Index, 48% MSCI World NR Index.

The indexes cited are widely accepted benchmarks for investment performance within their relevant regions, sectors, or asset classes, and represent non-managed investment portfolios. Although these indexes are similar to the fund's objectives, there may be material differences, including permitted holdings or investment strategies, which may affect returns. Please refer to the Fund Facts of the fund for more information.

We believe applying active asset allocation successfully takes a proven team. Manulife Investment Management's Multi-Asset Solutions Team has built its reputation and global wealth management credentials on its asset allocation expertise.

Manulife Asset Allocation Portfolios (%)

Manulife asset allocation portfolios' asset mix ²	Underlying portfolio manager	Manulife Conservative Portfolio	Manulife Moderate Portfolio	Manulife Balanced Portfolio	Manulife Growth Portfolio
Canadian equity		10.93	14.27	18.06	22.83
Manulife Dividend Income Fund	Conrad Dabiet, Manulife Investment Management Ltd.	2.48	3.44	4.86	5.35
Manulife Fundamental Equity Fund ³	Patrick Blais, Manulife Investment Management Ltd.	3.12	4.22	5.30	6.06
Manulife Multifactor Canadian Large Cap Index ETF	Dimensional Fund Advisors Canada ULC	3.34	4.65	5.70	6.50
Manulife Growth Opportunities Fund	Noman Ali, Manulife Investment Management Ltd.	1.99	1.96	2.20	4.91
U.S. equity		—	4.30	9.47	10.82
Manulife U.S. All Cap Equity Fund	Jonathan T. White, Manulife Investment Management (US) LLC	—	4.30	5.72	6.19
Manulife Multifactor US Large Cap Index ETF	Dimensional Fund Advisors Canada ULC	—	—	3.75	4.62
International equity		—	6.55	10.76	12.18
Manulife World Investment Fund	Mawer Investment Management Ltd.	—	4.42	5.54	5.85
Manulife Multifactor Developed International Index ETF	Dimensional Fund Advisors Canada ULC	—	2.13	3.12	3.53
Manulife Smart International Dividend ETF	Geoffrey Kelley, Manulife Investment Management Ltd.	—	—	2.09	2.80
Emerging-market equity		—	3.46	5.07	6.94
Manulife Emerging Markets Fund	Kathryn Langridge, Manulife Investment Management (Europe) Ltd.	—	1.97	2.69	3.65
Manulife Multifactor Emerging Markets Index ETF	Dimensional Fund Advisors Canada ULC	—	1.50	2.38	3.29
Global equity		8.02	—	5.15	10.24
Manulife Global Dividend Fund	Paul Boyne, Manulife Investment Management (US) LLC	4.01	—	5.15	6.06
Manulife Global Equity Class	Mawer Investment Management Ltd.	4.02	—	—	—
Manulife Investment Management Global Small Cap Equity Pooled Fund	Ed Ritchie and Bill Talbot, Manulife Investment Management Ltd.	—	—	—	4.18
Alternatives		3.58	3.44	1.97	1.99
Manulife Global Listed Infrastructure Fund	Brookfield Public Securities Group LLC	3.58	3.44	1.97	1.99
Total equity		22.52	32.03	50.48	65.00
Canadian fixed income		29.17	25.68	14.51	8.80
Manulife Bond Fund	Roshan Thiru, Manulife Investment Management Ltd.	24.68	21.07	12.51	6.80
Manulife Core Plus Bond Fund ⁴	Roshan Thiru, Manulife Investment Management Ltd.	2.01	2.01	2.00	2.00
Manulife Smart Short-Term Bond ETF	Jean-Francois Giroux, Manulife Investment Management LP	2.48	2.61	—	—
North American fixed income		4.98	4.97	2.70	2.00
Manulife Corporate Bond Fund	Roshan Thiru, Manulife Investment Management Ltd.	4.98	4.97	2.70	2.00
U.S. fixed income		2.72	2.36	2.00	2.01
Manulife U.S. Unconstrained Bond Fund ⁵	Caryn Rothman, Manulife Investment Management (US) LLC	2.72	2.36	2.00	2.01
Emerging-market fixed income		5.25	5.25	5.28	3.93
Manulife Investment Management Emerging Markets Corporate Debt Pooled Fund	R. Sanchez-Dahl, Manulife Investment Management Ltd.	5.25	5.25	5.28	3.93
Global multi-sector fixed income		25.34	19.79	15.12	6.57
Manulife Strategic Income Fund	Chris Chapman, Manulife Investment Management (US) LLC	16.28	14.47	11.71	4.06
Manulife Global Unconstrained Bond Fund ⁶	Caryn Rothman, Manulife Investment Management (US) LLC	9.06	5.32	3.41	2.51
Total fixed income		67.45	58.06	39.61	23.30
Opportunistic positions		10.02	9.91	9.91	11.70
Total		100	100	100	100

For full listing of geographic asset weights and total composition by asset class type, see the portfolios' individual Fund Profile at <https://retail.manulifeinvestmentmgmt.com/ca/en/landing-page/manulife-asset-allocation-portfolios>

2 For illustrative purposes only. Breakdowns shown the allocation weights as of December 31, 2025, and subject to change based on market cycle and opportunities for investment. Please consult the Simplified Prospectus for more information. **3** Formerly Manulife Canadian Stock Fund. On May 25, 2018, Manulife Canadian Opportunities Fund merged into Manulife Fundamental Equity Fund.

4 Formerly Manulife Canadian Bond Plus Fund. On May 25, 2018, Manulife Canadian Corporate Bond Fund merged into the Manulife Canadian Unconstrained Bond Fund. On August 1, 2024 Manulife Canadian Unconstrained Bond Fund was renamed Manulife Core Plus Bond Fund. **5** Formerly Manulife U.S. Tactical Credit Fund. On May 25, 2018, Manulife High Yield Bond Fund merged into Manulife U.S. Unconstrained Bond Fund. **6** On June 28, 2013, Manulife Strategic Income Opportunities Fund was converted from a closed-end fund and renamed Manulife Global Tactical Credit Fund. On April 6, 2018, Manulife Global Tactical Credit Fund was renamed Manulife Global Unconstrained Bond Fund. On April 20, 2018, Manulife Asia Total Return Bond Fund merged into Manulife Global Unconstrained Bond Fund.

For more information, please speak with your advisor
or visit manulifeim.ca.

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