Manulife asset allocation portfolios

September 30, 2025

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Market review

The world equity markets delivered strong returns in the third quarter, with most major, broad-based indexes hitting a series of all-time highs. A favorable backdrop of positive global growth, falling interest rates across the developed markets, and a lack of pronounced negative news fueled a surge in investors' appetite for risk. The U.S. market was a top performer amid renewed enthusiasm for the artificial intelligence theme and technology stocks more broadly. In addition, U.S. investors were cheered by positive corporate earnings reports and the relatively limited initial economic impact from tariffs. The emerging markets also performed very well, with China registering an impressive gain. On the other hand, Europe—while positive in absolute terms—lagged following its stellar returns in the first half of the year.

Canada's stock market logged a robust, double-digit gain and outpaced the majority of its global developed-market peers in the third quarter. The Bank of Canada enacted a quarter-point rate cut that brought the policy rate to 2.50% - its first reduction since March. Market participants were further cheered by expectations that additional cuts were likely in the coming year. Together, these favorable developments helped offset concerns about sluggish economic growth. The resulting rally was broad-based, with financials, energy stocks, and gold miners all experiencing robust gains. The strong showing helped the S&P/TSX Index achieve a series of new all-time highs and boosted its year-to-date return through September 30 to more than 20%.

Canadian bonds posted positive returns in the third quarter. The Canadian economy contracted in the second quarter, due largely to a sharp decline in exports caused by shifting U.S. tariff policies. The third quarter brought a four-year high in the unemployment rate and further deterioration in the Canadian housing market. Meanwhile, the year-over-year inflation rate remained below the Bank of Canada's target of 2%. Given the softer economic environment and lack of inflationary pressure, the Bank of Canada lowered short-term interest rates in September—the Bank's first rate cut in six months, which dropped its benchmark interest rate to a three-year low of 2.5%.

For the quarter, short- and intermediate-term Canadian bond yields declined, reflecting the Bank of Canada rate cut. However, long-term yields rose slightly amid continued concerns about the potential inflationary effects of U.S. tariff policy. On a sector basis, corporate bonds outperformed government bonds, led by the high-yield segment of the corporate bond market.

Global bond markets posted positive returns in the third quarter. North American bond markets led the overall advance as weaker economic data in both the U.S. and Canada led to interest rate cuts by the U.S. Federal Reserve and Bank of Canada in September. As a result, bond yields generally declined in both countries, boosting bond prices. In contrast, bond yields were slightly higher across much of Europe amid worries about fiscal deficits and rising inflation stemming from U.S. tariff policy. Yields also rose in many Asia-Pacific bond markets—most notably in Japan, China, and Australia—as investors expressed similar concerns.

As a result, North American bond markets generated solid gains for the quarter, while bond markets in Europe and the Asia-Pacific region produced more muted returns. On a sector basis, high-yield corporate bonds were the leading performers, while sovereign government bonds lagged.

Portfolio review

During the third quarter of 2025, all portfolios posted positive absolute returns, however all portfolios trailed their respective benchmarks. From a peer-relative perspective, all portfolios posted 3rd quartile results with the exception of the Conservative portfolio, which was in the 4th quartile.

Asset allocation attribution was positive across all portfolios, however manager selection was a significant detractor across the board, far outweighing the positive impacts from asset allocation. From an asset allocation perspective, the largest contributor was an overweight to Canadian Small/Mid Caps, which were the top performing asset class during the period. Also adding to returns were an underweight to global equities and an overweight to emerging markets, outpacing the negative impact of being overweight international developed equities. From a security selection standpoint, most active managers underperformed, led by active managers in the Canadian large cap asset class, but also U.S. and international developed international equities.

The opportunistic sleeve was a net contributor over the period with positions in Chinese equities, Mexican equities, U.S. Communications sector and U.S. SMID caps all adding value.

Outlook

As we enter the final quarter of 2025 and look ahead to 2026, the investment landscape remains cautiously constructive. Global growth has moderated amid tighter policy conditions and lingering uncertainty, but signs of stabilization are emerging. The subadvisor expects fiscal support to strengthen across major developed economies, while monetary policy begins to ease in key regions—setting the stage for improved momentum in the coming year.

From a macroeconomic perspective, the subadvisor anticipates continued divergence in regional policy paths. The U.S. and Canada are progressing through the second phase of easing cycles, while Europe may hold steady and Japan gradually normalizes. A weakening U.S. dollar could further support global manufacturing and export-driven economies, particularly in Asia and parts of Europe.

In equity markets, leadership remains concentrated in large-cap U.S. technology firms, fueled by ongoing enthusiasm around AI. Despite elevated valuations, strong fundamentals and high returns on invested capital continue to support investor confidence. Broader opportunities are emerging as earnings expectations rise across sectors. International markets—especially Europe ex-U.K.—offer attractive valuations and improving sentiment, while select Asian economies benefit from tech-fueled export strength.

Fixed income markets face headwinds from sticky inflation and elevated U.S. debt levels. The subadvisor maintains a preference for shorter to intermediate duration assets, particularly in regions with more supportive fiscal and monetary backdrops. Credit spreads remain tight, limiting upside, but underlying fundamentals are stable.

Within Canada specifically, Canada's economy entered the second half of 2025 under pressure from U.S. tariffs on key exports—steel, aluminum, autos, and lumber—which triggered a contraction in Q2 GDP and a rise in unemployment to 7.1%. Household consumption has shown resilience despite a rising unemployment rate. Business investment has contracted amidst low sales expectations and U.S. duties.

The Bank of Canada cut its policy rate to 2.5% in September and is expected to cut again in October. Given a stable Canadian dollar, the removal of most retaliatory tariffs, and the large negative output gap, the subadvisor does not believe inflation will be an issue for the Bank of Canada in the next two years. In other words, it will be prepared to ease further if the economy fails to stabilize.

Overall, while the outlook is modestly positive heading into year-end and beyond, regional differentiation and asset class diversification remain critical. Investors should stay selective and diversified, as policy shifts, valuation concerns, and geopolitical risks continue to shape the global investment environment.

Opportunistic positions (%)

As of September 30, 2025

Opportunistic positions	Manulife Conservative Portfolio	Manulife Moderate Portfolio	Manulife Balanced Portfolio	Manulife Growth Portfolio
iShares S&P/TSX Capped Energy Index ETF	0.49	0.61	0.73	0.86
Vanguard Communication Services ETF	0.74	1.11	1.48	1.86
Vanguard Value ETF	0.25	0.50	0.75	1.01
iShares MSCI China ETF	0.25	0.50	0.75	0.75
iShares MSCI Mexico ETF	0.25	0.50	1.01	1.25
iShares Core S&P Small-Cap ETF	—	—	—	0.90
Vanguard Extended Market ETF	0.50	0.74	0.99	1.50
Vanguard FTSE All World ex-US Small-Cap ETF	—	—	—	0.90
iShares 1-5 Year Laddered Corporate Bond Index ETF	7.54	6.02	4.23	2.74

Source: Manulife Investments.

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

As of September 30, 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	**2.98**	**5.49**	**6.56**	**8.84**	**3.87**	**4.11**	May 5, 2017
Conservative Portfolio benchmark		3.84	6.69	8.27	8.86	2.94	—	
Manulife Moderate Portfolio		**3.72**	**7.31**	**8.68**	**10.66**	**5.23**	**5.11**	
Moderate Portfolio benchmark		5.05	8.56	11.05	11.63	5.35	—	
Manulife Balanced Portfolio		**4.98**	**9.55**	**11.36**	**13.60**	**7.53**	**6.67**	
Balanced Portfolio benchmark		6.68	11.10	14.80	15.32	8.63	—	
Manulife Growth Portfolio		**6.16**	**11.20**	**13.67**	**15.65**	**9.29**	**7.83**	
Growth Portfolio benchmark		7.88	13.01	17.60	18.08	11.12	—	

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		**10.89**	**14.15**	**18.05**	**22.62**
Manulife Dividend Income Fund	Conrad Dabiet, Manulife Investment Management Ltd.	2.50	3.49	4.95	5.37
Manulife Fundamental Equity Fund[3]	Patrick Blais, Manulife Investment Management Ltd.	3.15	4.28	5.37	6.09
Manulife Multifactor Canadian Large Cap Index ETF	Dimensional Fund Advisors Canada ULC	3.25	4.39	5.49	6.18
Manulife Growth Opportunities Fund	Noman Ali, Manulife Investment Management Ltd.	2.00	1.99	2.25	4.97
U.S. equity		**—**	**4.36**	**9.56**	**10.88**
Manulife U.S. All Cap Equity Fund	Jonathan T. White, Manulife Investment Management (US) LLC	—	4.36	5.77	6.26
Manulife Multifactor US Large Cap Index ETF	Dimensional Fund Advisors Canada ULC	—	—	3.79	4.62
International equity		**—**	**6.58**	**10.74**	**12.06**
Manulife World Investment Fund	Mawer Investment Management Ltd.	—	4.48	5.57	5.87
Manulife Multifactor Developed International Index ETF	Dimensional Fund Advisors Canada ULC	—	2.10	3.13	3.50
Manulife Smart International Dividend ETF	Geoffrey Kelley, Manulife Investment Management Ltd.	—	—	2.04	2.69
Emerging-market equity		**—**	**3.45**	**5.05**	**6.85**
Manulife Emerging Markets Fund	Kathryn Langridge, Manulife Investment Management (Europe) Ltd.	—	1.99	2.68	3.61
Manulife Multifactor Emerging Markets Index ETF	Dimensional Fund Advisors Canada ULC	—	1.46	2.36	3.24
Global equity		**8.09**	**—**	**5.26**	**10.61**
Manulife Global Dividend Fund	Paul Boyne, Manulife Investment Management (US) LLC	4.05	—	5.26	6.12
Manulife Global Equity Class	Mawer Investment Management Ltd.	4.05	—	—	—
Manulife Investment Management Global Small Cap Equity Pooled Fund	Ed Ritchie and Bill Talbot, Manulife Investment Management Ltd.	—	—	—	4.49
Alternatives		**3.60**	**3.49**	**2.00**	**2.01**
Manulife Global Listed Infrastructure Fund	Brookfield Public Securities Group LLC	3.60	3.49	2.00	2.01
Total equity		**22.58**	**32.03**	**50.65**	**65.03**
Canadian fixed income		**29.21**	**25.71**	**14.46**	**8.77**
Manulife Bond Fund	Roshan Thiru, Manulife Investment Management Ltd.	24.64	21.08	12.47	6.78
Manulife Core Plus Bond Fund[4]	Roshan Thiru, Manulife Investment Management Ltd.	2.01	2.01	1.99	1.99
Manulife Smart Short-Term Bond ETF	Jean-Francois Giroux, Manulife Investment Management LP	2.56	2.61	—	—
North American fixed income		**4.95**	**4.96**	**2.69**	**1.99**
Manulife Corporate Bond Fund	Roshan Thiru, Manulife Investment Management Ltd.	4.95	4.96	2.69	1.99
U.S. fixed income		**2.70**	**2.35**	**1.99**	**1.98**
Manulife U.S. Unconstrained Bond Fund[5]	Caryn Rothman, Manulife Investment Management (US) LLC	2.70	2.35	1.99	1.98
Emerging-market fixed income		**5.31**	**5.29**	**5.29**	**3.95**
Manulife Investment Management Emerging Markets Corporate Debt Pooled Fund	R. Sanchez-Dahl, Manulife Investment Management Ltd.	5.31	5.29	5.29	3.95
Global multi-sector fixed income		**25.23**	**19.68**	**14.98**	**6.50**
Manulife Strategic Income Fund	Chris Chapman, Manulife Investment Management (US) LLC	16.23	14.39	11.61	4.02
Manulife Global Unconstrained Bond Fund[6]	Caryn Rothman, Manulife Investment Management (US) LLC	9.00	5.29	3.37	2.48
Total fixed income		**67.40**	**57.99**	**39.40**	**23.19**
Opportunistic positions		**10.01**	**9.98**	**9.95**	**11.78**
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 September 30, 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.

Manulife
Investments

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

MK33586E CRINV-718450E 11/25 AODA 4987423