

# Manulife asset allocation portfolios

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## **Market review**

Uncertainty regarding U.S. tariffs weighed on broad-based global equity indexes in the first quarter. Most of the downturn was the result of weakness in the United States, where stocks were pressured by concerns that President Trump's trade policies could cause a resurgence in inflation and weigh on economic growth. Additionally, worries about reduced investment in AI-related infrastructure led to a sell-off in technology stocks. Still, there were pockets of meaningful strength in the world markets. In a reversal of the trends that characterized 2024, international stocks outpaced the United States and the value style soundly outperformed growth. European equities performed particularly well thanks to the German government's announcement of substantial fiscal stimulus, propelling the major regional indexes to their highest level since 2009 in mid-March.

Canadian stocks posted a narrow gain in the first quarter, with a rally in gold miners offsetting weaker returns in other areas. The market was heavily influenced by the Trump administration's shifting trade policy and worries about the potential economic impact of U.S. tariffs. Investors also remained on edge due to political developments, highlighted by former Prime Minister Justin Trudeau's resignation and new PM Mark Carney's announcement of a snap election in April. On the positive side, the Bank of Canada announced two quarter-point interest rate cuts that lowered the benchmark policy rate to 2.75%. While the central bank is expected to slow the pace of easing, a continued decline in inflation fueled hopes that two more quarter-point reductions could be in store before year end.

Global bond markets posted mixed results in the first quarter but delivered positive overall returns. Much of the positive performance was driven by rallies in North American bond markets. In the United States, weaker-than-expected economic data and uncertainty about U.S. tariff policy sent bond yields lower and prices higher, while the Canadian bond market benefited from two interest rate cuts by the Bank of Canada.

The European Central Bank also lowered interest rates during the quarter, but bond yields moved higher in most European countries on expectations that renewed defense spending would drive an increase in government borrowing. Bond markets in the Asia-Pacific region declined the most, due largely to Japan, where the central bank raised its key short-term interest rate to the highest level in 17 years amid a two-year high in the inflation rate.

Global sector performance reflected a risk-off market environment—sovereign government securities and investment-grade corporate bonds outperformed, while high-yield corporate bonds lagged.

## Portfolio review

During the first quarter of 2025, all portfolios posted positive absolute returns, outperforming their respective benchmarks with the exception of the Conservative Portfolio, which slightly trailed. Asset allocation attribution was a strong driver of results (neutral in the Conservative Portfolio), driven by exposure to international equity (relative to a benchmark that has exposure to global equities only). Emerging-market equity and listed infrastructure equities were also strong drivers to results.

Manager selection attribution was mixed, with the Growth and Balanced Portfolios supported by strong results from Manulife Global Dividend Fund, Manulife World Investment Fund, and Manulife Smart International Dividend ETF, overcoming more challenged results from Manulife U.S. All Cap Equity Fund. These funds were held in smaller amounts in the Moderate and Conservative Portfolios, which also suffered from the underperformance of the core holding, Manulife Strategic Income Fund.

The opportunistic sleeve was additive over the period, with strong results from positions in U.S. natural gas, Canadian energy, and Japanese equities, overcoming underperformers U.S. small and mid caps and the U.S. communications sector.

## Outlook

As we enter the second quarter of 2025, uncertainty continues to significantly influence market dynamics, driven by rapidly evolving U.S. government policies. Proposed tariffs on global trading partners have been a major focus, contributing to market volatility. Traditionally, government policies aim to provide stability for businesses, consumers, and investors to foster economic growth. However, the current unpredictable market environment could lead to higher prices, affecting consumers and companies through increased costs and reduced profit margins. This uncertainty complicates economic forecasting and may hinder decisive actions from central banks as they approach the end of their easing cycles.

In the longer term, tariffs could reshape domestic production and alter global supply chains, potentially dampening consumer and business confidence and slowing economic growth while increasing inflation.

Overall, we expect the current volatility and uncertainty to persist until we see more conciliatory tariff conversations take place between the United States and its trading partners, which have historically taken time to negotiate.

In Canada, businesses are paring back hiring intentions, and we expect many consumers to delay major purchases in the coming months. While the country's GDP accelerated in the second half of 2024, we now expect it to contract if current tariffs stay in place. Since Canada hasn't retaliated dollar for dollar to U.S. tariffs, it should face, all else equal, a relatively modest rise in inflation in the near term. As such, we think the Bank of Canada will prefer to support growth by cutting interest rates to at least 2.0% in 2025. The S&P/TSX Index benefits from attractive relative valuations and is more concentrated on domestic consumption (except energy and materials). As such, it has overperformed U.S. large caps so far this year. Given negative sentiment out of U.S. equities, this divergence could continue for some time.

## Opportunistic positions (%)

As of March 31, 2025

Opportunistic positions	Manulife Conservative Portfolio	Manulife Moderate Portfolio	Manulife Balanced Portfolio	Manulife Growth Portfolio
iShares S&P/TSX Capped Energy Index ETF	1.03	1.24	1.48	1.76
Vanguard Value ETF	0.50	0.73	0.96	1.39
Vanguard Communication Services ETF	—	—	—	—
ISHARES MSCI JAPAN ETF	0.50	0.73	1.20	1.45
iShares MSCI China ETF	0.25	0.48	0.96	0.96
iShares Core S&P Small-Cap ETF	—	—	—	0.87
Vanguard Extended Market ETF	0.50	0.73	0.96	1.42
Vanguard FTSE All World ex-US Small-Cap ETF	—	—	—	0.88
US NATURAL GAS FUND LP	—	—	—	—
iShares 1–5 Year Laddered Corporate Bond Index ETF	3.02	3.01	2.27	1.77
Vanguard Canadian Aggregate Bond Index ETF	2.27	1.51	1.01	0.51
Invesco Senior Loan ETF	2.02	1.50	1.00	0.51

Source: Manulife Investment Management.

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

As of March 31, 2025

Manulife asset allocation portfolios <sup>1</sup>	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	1.52	1.52	8.19	4.73	5.06	3.87	May 5, 2017
Conservative Portfolio benchmark		1.89	1.89	10.04	4.54	3.33	—	
Manulife Moderate Portfolio		1.61	1.61	9.13	5.38	6.60	4.72	
Moderate Portfolio benchmark		1.41	1.41	11.00	5.96	5.78	—	
Manulife Balanced Portfolio		1.70	1.70	9.64	6.89	9.07	6.10	
Balanced Portfolio benchmark		0.77	0.77	12.21	7.76	9.15	—	
Manulife Growth Portfolio		1.23	1.23	10.21	7.74	10.80	7.06	
Growth Portfolio benchmark		0.28	0.28	13.05	9.06	11.75	—	

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

<sup>1</sup> 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 <sup>2</sup>	Underlying portfolio manager	Manulife Conservative Portfolio	Manulife Moderate Portfolio	Manulife Balanced Portfolio	Manulife Growth Portfolio
<b>Canadian equity</b>		<b>10.73</b>	<b>14.22</b>	<b>17.95</b>	<b>22.74</b>
<a href="#">Manulife Dividend Income Fund</a>	Conrad Dabiet, Manulife Investment Management Ltd.	2.55	3.48	4.86	5.36
<a href="#">Manulife Fundamental Equity Fund<sup>3</sup></a>	Patrick Blais, Manulife Investment Management Ltd.	3.21	4.27	5.30	6.11
<a href="#">Manulife Multifactor Canadian Large Cap Index ETF</a>	Dimensional Fund Advisors Canada ULC	2.96	4.52	5.62	6.39
<a href="#">Manulife Growth Opportunities Fund</a>	Noman Ali, Manulife Investment Management Ltd.	2.01	1.95	2.17	4.88
<b>U.S. equity</b>		<b>—</b>	<b>4.26</b>	<b>9.21</b>	<b>10.30</b>
<a href="#">Manulife U.S. All Cap Equity Fund</a>	Sandy Sanders, Manulife Investment Management (US) LLC	—	4.26	5.61	5.98
<a href="#">Manulife Multifactor US Large Cap Index ETF</a>	Dimensional Fund Advisors Canada ULC	—	—	3.60	4.32
<b>International equity</b>		<b>—</b>	<b>6.54</b>	<b>11.04</b>	<b>12.65</b>
<a href="#">Manulife World Investment Fund</a>	Mawer Investment Management Ltd.	—	4.38	5.45	5.77
<a href="#">Manulife Multifactor Developed International Index ETF</a>	Dimensional Fund Advisors Canada ULC	—	2.17	3.29	3.79
<a href="#">Manulife Smart International Dividend ETF</a>	Geoffrey Kelley, Manulife Investment Management Ltd.	—	—	2.29	3.09
<b>Emerging-market equity</b>		<b>—</b>	<b>3.33</b>	<b>4.88</b>	<b>6.73</b>
<a href="#">Manulife Emerging Markets Fund</a>	Kathryn Langridge, Manulife Investment Management (Europe) Ltd.	—	1.94	2.59	3.50
<a href="#">Manulife Multifactor Emerging Markets Index ETF</a>	Dimensional Fund Advisors Canada ULC	—	1.39	2.29	3.23
<b>Global equity</b>		<b>8.10</b>	<b>—</b>	<b>5.12</b>	<b>10.43</b>
<a href="#">Manulife Global Dividend Fund</a>	Paul Boyne, Manulife Investment Management (US) LLC	4.06	—	5.12	6.06
<a href="#">Manulife Global Equity Class</a>	Mawer Investment Management Ltd.	4.04	—	—	—
<a href="#">Manulife Investment Management Global Small Cap Equity Pooled Fund</a>	Ed Ritchie and Bill Talbot, Manulife Investment Management Ltd.	—	—	—	4.37
<b>Alternatives</b>		<b>3.67</b>	<b>3.51</b>	<b>1.99</b>	<b>2.01</b>
<a href="#">Manulife Global Listed Infrastructure Fund</a>	Brookfield Public Securities Group LLC	3.67	3.51	1.99	2.01
<b>Total equity</b>		<b>22.50</b>	<b>31.86</b>	<b>50.19</b>	<b>64.86</b>
<b>Canadian fixed income</b>		<b>29.14</b>	<b>25.87</b>	<b>14.69</b>	<b>8.92</b>
<a href="#">Manulife Bond Fund</a>	Roshan Thiru, Manulife Investment Management Ltd.	24.73	21.08	12.67	6.89
<a href="#">Manulife Core Plus Bond Fund<sup>4</sup></a>	Roshan Thiru, Manulife Investment Management Ltd.	2.01	2.01	2.02	2.03
<a href="#">Manulife Smart Short-Term Bond ETF</a>	Jean-Francois Giroux, Manulife Investment Management LP	2.40	2.78	—	—
<b>North American fixed income</b>		<b>4.97</b>	<b>4.96</b>	<b>2.72</b>	<b>2.02</b>
<a href="#">Manulife Corporate Bond Fund</a>	Roshan Thiru, Manulife Investment Management Ltd.	4.97	4.96	2.72	2.02
<b>U.S. fixed income</b>		<b>2.70</b>	<b>2.35</b>	<b>2.01</b>	<b>2.02</b>
<a href="#">Manulife U.S. Unconstrained Bond Fund<sup>5</sup></a>	Caryn Rothman, Manulife Investment Management (US) LLC	2.70	2.35	2.01	2.02
<b>Emerging-market fixed income</b>		<b>5.37</b>	<b>5.34</b>	<b>5.36</b>	<b>4.05</b>
<a href="#">Manulife Investment Management Emerging Markets Corporate Debt Pooled Fund</a>	R. Sanchez-Dahl, Manulife Investment Management Ltd.	5.37	5.34	5.36	4.05
<b>Global multi-sector fixed income</b>		<b>25.25</b>	<b>19.70</b>	<b>15.20</b>	<b>6.62</b>
<a href="#">Manulife Strategic Income Fund</a>	Chris Chapman, Manulife Investment Management (US) LLC	16.25	14.41	11.79	4.10
<a href="#">Manulife Global Unconstrained Bond Fund<sup>6</sup></a>	Caryn Rothman, Manulife Investment Management (US) LLC	9.00	5.29	3.41	2.53
<b>Total fixed income</b>		<b>67.43</b>	<b>58.21</b>	<b>39.97</b>	<b>23.63</b>
<b>Opportunistic positions</b>		<b>10.08</b>	<b>9.93</b>	<b>9.84</b>	<b>11.51</b>
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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>.

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

<sup>4</sup> 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. <sup>5</sup> Formerly Manulife U.S. Tactical Credit Fund. On May 25, 2018, Manulife High Yield Bond Fund merged into Manulife U.S. Unconstrained Bond Fund. <sup>6</sup> 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](http://manulifeim.ca).

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