

# Manulife asset allocation portfolios

**December 31, 2024**



**James Robertson, CIM**

Head of Asset Allocation Canada and  
Global Head of Tactical Allocation,  
Senior Portfolio Manager,  
Multi-Asset Solutions  
Manulife Investment Management

## Market review

The global equity markets produced mixed results in the fourth quarter. While broad-based measures such as the MSCI World Index delivered robust performance, most of the gain was the result of strength in the United States. U.S. stocks strongly outperformed their developed-market peers due to the country's faster economic growth, an election outcome perceived to be market friendly, and a continued rally in the country's mega-cap technology sector. Returns overseas were much more muted, however. Europe and the emerging markets lost ground, reflecting slowing global growth and rising protectionism in the United States, while developed Asia posted only modest gains. Despite their uneven performance late in the year, global equities finished 2024 firmly in positive territory.

Canadian equities gained ground in the fourth quarter, but all of the positive return occurred in October and November. During this time, investors were cheered by the aggressive interest-rate cuts by the Bank of Canada, continued positive economic growth, and strength in the banking sector. The picture changed in December, however, leading to a sharp sell-off that erased a large portion of the previous gain. The downturn reflected the combination of political turmoil, a report showing growth turned negative in November, and expectations that the United States would adopt a more protectionist trade policy in the wake of its presidential election. Despite its weak showing in December, Canada comfortably outperformed its non-U.S. developed-market peers in both the quarter and the full year.

Global bond markets posted mixed results but declined overall in the final quarter of the year. Bond yields rose in most regions of the world despite interest-rate cuts by many of the world's major central banks, including the U.S. Federal Reserve, the European Central Bank, the Bank of England, and the People's Bank of China. However, stronger-than-expected economic data in some regions, anticipated economic policy changes by the new U.S. presidential administration, and geopolitical upheaval—most notably in Canada, France, Germany, and South Korea, as well as the Middle East—combined to drive bond yields higher and bond prices lower.

While global bond yields rose across most maturities during the quarter, short-term bond yields generally fell, reflecting central bank interest-rate cuts. Regionally, North American bond markets declined, European markets posted relatively flat returns, and bond markets in the Asia-Pacific region generated the best returns. On a sector basis, corporate bonds continued to outperform sovereign government securities, led by the high-yield sector.

Canadian bonds posted mixed results in the final quarter of the year but declined fractionally overall. Bond yields rose during the quarter despite two more interest-rate cuts by the Bank of Canada, which brought the total to five in the last seven months. The Bank of Canada has lowered its benchmark interest rate from 5% to 3.25% over that span as inflation eased and the Canadian economy struggled to gain traction. However, political upheaval—including the unexpected resignation of Canada's finance minister—and the threat of U.S. trade tariffs by the new U.S. presidential administration combined to drive bond yields higher across most maturities, leading to lower bond prices.

For the quarter, intermediate-term bond yields rose the most, while yields on short-term securities fell slightly, reflecting the Bank of Canada's rate cuts. On a sector basis, government bonds declined during the quarter, while investment-grade and high-yield corporate bonds posted modest gains.

## Portfolio review

During the fourth quarter of 2024, all portfolios posted positive absolute returns; however, all trailed their respective benchmarks. Asset allocation and manager selection attribution was negative across the portfolios, with the exception of the Conservative Portfolio, which had a positive contribution from asset allocation. In the more aggressive portfolios (Balanced & Growth Portfolios), an underweight in global equities and an overweight in emerging-market equities were the largest detractors from an asset allocation perspective, overshadowing the positive effects of an overweight in high yield and emerging-market debt. In the Moderate and Conservative Portfolios, where those allocations were smaller, the impacts were lessened to the point where the Conservative Portfolio wasn't impacted. From a manager selection perspective, active managers continued to be challenged, with strategic income, global unconstrained bond, and U.S. unconstrained bond all underperforming, as well as active managers in global and Canadian equities and core ETF holdings managed by Dimensional Fund Advisors. Results in the opportunistic sleeve were mixed but positive overall, with strong performance in exposures to the U.S. communications sector, U.S. small and mid caps, U.S. natural gas segment, gold, U.S. leveraged loans, and Canadian short-term ladder corporate bonds. These outshined the negative impact of weaker results in exposures to Canadian energy, India, and Japan.

## Outlook

In 2025, global economic growth is projected to remain below trend across most major economies, driven by pressured consumers and high borrowing costs. Financial conditions are expected to remain balanced, avoiding extremes that could either slow down the economy or reignite inflation. Key central banks are anticipated to continue easing monetary policy, although the pace and extent will vary by region.

These conditions are likely to be favorable for risk assets such as equities as 2025 begins, although investors should prepare for turbulence due to government policy uncertainties. U.S. equities are poised to lead, supported by favorable monetary policy, a robust labor market, and stable inflation within a resilient economic framework. While valuations are elevated, they find support in comparatively strong earnings growth and promising investment prospects.

Additionally, U.S. markets may benefit from pro-growth economic policies, such as corporate tax cuts and deregulation. Although broad-based tariffs present a potential risk, a more targeted and strategic approach to trade negotiations is anticipated. Furthermore, continued positive economic growth and broader earnings strength could open diverse market opportunities beyond the equities that led in 2023 and 2024. Undervalued cyclical sectors and small-cap stocks present potentially attractive investment options.

In Canada, the economy has shown signs of life in the fourth quarter, but this is partly explained by businesses frontloading potential tariffs from the Trump administration. In 2025, we expect subdued growth. It will take some time before last year's Bank of Canada rate cuts lift household consumption. Meanwhile, the mortgage refinancing schedule will continue, limiting consumption options for many households. Businesses remain pessimistic about the year-ahead outlook. The very elevated odds of U.S. tariffs being imposed early in the year dampen investment intentions and could lead to a recession if applied as advertised. One silver lining is that core inflation has moderated substantially, especially after discounting shelter costs. This should allow the Bank of Canada to continue cutting rates in 2025.

Within fixed income, we favor lower duration assets, while historically tight spreads limit the attractiveness of both high yield and investment-grade credit. Emerging-market bonds remain a favored asset class, supported by strong fundamentals and attractive yields. Alternatives also remain a valuable third lever in portfolio construction to help navigate uncertain equity and bond markets. We remain focused on navigating these conditions with a strategic emphasis on quality and resilience across the portfolios.

## Opportunities positions

As of December 31, 2024

Opportunistic positions	Manulife Conservative Portfolio (%)	Manulife Moderate Portfolio (%)	Manulife Balanced Portfolio (%)	Manulife Growth Portfolio (%)
iShares S&P/TSX Capped Energy Index ETF	1.01	1.23	1.49	1.50
Vanguard Communication Services ETF	0.50	0.73	0.98	1.47
iShares MSCI Japan ETF	0.50	0.74	1.24	1.49
iShares MSCI China ETF	0.25	0.49	0.98	1.01
iShares Core S&P Small-Cap ETF	—	—	—	0.88
Vanguard Extended Market ETF	0.49	0.72	0.97	1.47
Vanguard FTSE All World ex-US Small-Cap ETF	—	—	—	0.90
U.S. Natural Gas Fund LP	0.33	0.32	0.31	0.33
iShares 1–5 Year Laddered Corporate Bond Index ETF	4.26	3.51	2.27	1.52
Vanguard Canadian Aggregate Bond Index ETF	2.77	2.26	1.76	1.27

Source: Manulife Investment Management.

## Performance for Manulife asset allocation portfolios vs. benchmarks

As of December 31, 2024

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	1.02	9.13	9.13	2.64	3.67	3.79	May 5, 2017
Conservative Portfolio benchmark		1.48	9.69	9.69	1.81	3.03	—	
Manulife Moderate Portfolio		1.28	10.80	10.80	3.08	4.75	4.65	
Moderate Portfolio benchmark		2.30	13.01	13.01	3.52	4.96	—	
Manulife Balanced Portfolio		1.65	13.62	13.62	4.22	6.51	6.07	
Balanced Portfolio benchmark		3.33	17.37	17.37	5.75	7.52	—	
Manulife Growth Portfolio		2.22	16.25	16.25	5.16	7.89	7.13	
Growth Portfolio benchmark		4.07	20.61	20.61	7.40	9.44	—	

Source: Manulife Investment Management, as of December 31, 2024. 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. The table below illustrates the current allocations for the Manulife Asset Allocation Portfolios.

<b>Manulife asset allocation portfolios' asset mix<sup>2</sup></b>	<b>Underlying portfolio manager</b>	<b>Manulife Conservative Portfolio (%)</b>	<b>Manulife Moderate Portfolio (%)</b>	<b>Manulife Balanced Portfolio (%)</b>	<b>Manulife Growth Portfolio (%)</b>
<b>Canadian equity</b>		<b>10.64</b>	<b>14.00</b>	<b>17.78</b>	<b>22.31</b>
<u>Manulife Dividend Income Fund</u>	Conrad Dabiet, Manulife Investment Management Ltd.	2.47	3.40	4.81	5.25
<u>Manulife Fundamental Equity Fund<sup>3</sup></u>	Patrick Blais, Manulife Investment Management Ltd.	3.12	4.18	5.26	5.97
<u>Manulife Multifactor Canadian Large Cap Index ETF</u>	Dimensional Fund Advisors Canada ULC	3.06	4.49	5.52	6.24
<u>Manulife Growth Opportunities Fund</u>	Noman Ali, Manulife Investment Management Ltd.	1.98	1.92	2.19	4.85
<b>U.S. equity</b>		<b>—</b>	<b>4.32</b>	<b>9.50</b>	<b>11.05</b>
<u>Manulife U.S. All Cap Equity Fund</u>	Sandy Sanders, Manulife Investment Management (US) LLC	—	4.32	5.75	6.23
<u>Manulife Multifactor US Large Cap Index ETF</u>	Dimensional Fund Advisors Canada ULC	—	—	3.75	4.82
<b>International equity</b>		<b>—</b>	<b>6.40</b>	<b>10.58</b>	<b>11.96</b>
<u>Manulife World Investment Fund</u>	Mawer Investment Management Ltd.	—	4.38	5.49	5.74
<u>Manulife Multifactor Developed International Index ETF</u>	Dimensional Fund Advisors Canada ULC	—	2.03	3.05	3.48
<u>Manulife Smart International Dividend ETF</u>	Geoffrey Kelley, Manulife Investment Management Ltd.	—	—	2.04	2.73
<b>Emerging-market equity</b>		<b>—</b>	<b>3.34</b>	<b>4.90</b>	<b>6.71</b>
<u>Manulife Emerging Markets Fund</u>	Kathryn Langridge, Manulife Investment Management (Europe) Ltd.	—	1.96	2.66	3.57
<u>Manulife Multifactor Emerging Markets Index ETF</u>	Dimensional Fund Advisors Canada ULC	—	1.37	2.24	3.14
<b>Global equity</b>		<b>8.04</b>	<b>—</b>	<b>5.13</b>	<b>10.45</b>
<u>Manulife Global Dividend Fund</u>	Paul Boyne, Manulife Investment Management (US) LLC	4.02	—	5.13	6.03
<u>Manulife Global Equity Class</u>	Mawer Investment Management Ltd.	4.02	—	—	—
<u>Manulife Investment Management Global Small Cap Equity Pooled Fund</u>	Ed Ritchie and Bill Talbot, Manulife Investment Management Ltd.	—	—	—	4.42
<b>Alternatives</b>		<b>3.62</b>	<b>3.44</b>	<b>1.99</b>	<b>1.97</b>
<u>Manulife Global Listed Infrastructure Fund</u>	Brookfield Public Securities Group LLC	3.62	3.44	1.99	1.97
<b>Total equity</b>		<b>22.30</b>	<b>31.50</b>	<b>49.89</b>	<b>64.44</b>
<b>Canadian fixed income</b>		<b>29.22</b>	<b>25.98</b>	<b>14.70</b>	<b>8.92</b>
<u>Manulife Bond Fund</u>	Roshan Thiru, Manulife Investment Management Ltd.	24.69	21.15	12.67	6.90
<u>Manulife Core Plus Bond Fund<sup>4</sup></u>	Roshan Thiru, Manulife Investment Management Ltd.	2.01	2.01	2.02	2.03
<u>Manulife Smart Short-Term Bond ETF</u>	Jean-Francois Giroux, Manulife Investment Management LP	2.52	2.81	—	—
<b>North American fixed income</b>		<b>4.97</b>	<b>4.98</b>	<b>2.73</b>	<b>2.03</b>
<u>Manulife Corporate Bond Fund</u>	Roshan Thiru, Manulife Investment Management Ltd.	4.97	4.98	2.73	2.03
<b>U.S. fixed income</b>		<b>2.71</b>	<b>2.36</b>	<b>2.02</b>	<b>2.02</b>
<u>Manulife U.S. Unconstrained Bond Fund<sup>5</sup></u>	Caryn Rothman, Manulife Investment Management (US) LLC	2.71	2.36	2.02	2.02
<b>Emerging-market fixed income</b>		<b>5.43</b>	<b>5.42</b>	<b>5.45</b>	<b>4.11</b>
<u>Manulife Investment Management Emerging Markets Corporate Debt Pooled Fund</u>	R. Sanchez-Dahl, Manulife Investment Management Ltd.	5.43	5.42	5.45	4.11
<b>Global multi-sector fixed income</b>		<b>25.27</b>	<b>19.79</b>	<b>15.21</b>	<b>6.63</b>
<u>Manulife Strategic Income Fund</u>	Chris Chapman, Manulife Investment Management (US) LLC	16.24	14.46	11.77	4.10
<u>Manulife Global Unconstrained Bond Fund<sup>6</sup></u>	Caryn Rothman, Manulife Investment Management (US) LLC	9.02	5.32	3.43	2.53
<b>Total fixed income</b>		<b>67.60</b>	<b>58.52</b>	<b>40.11</b>	<b>23.71</b>
<b>Opportunistic positions</b>		<b>10.11</b>	<b>9.99</b>	<b>10.00</b>	<b>11.85</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 December 31, 2024, 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)**.

The views expressed are those of the sub-advisor of Manulife Investment Management and are subject to change as market and other conditions warrant. Information about a portfolio's holdings, asset allocation, or country diversification is historical and is no indication of future portfolio composition, which will vary. Certain research and information about specific holdings in the fund, including any opinion, is based on various sources believed to be reliable. All overviews and commentary are for information purposes only and are not intended to provide specific financial, investment, tax, legal, accounting or other advice and should not be relied upon in that regard. Individuals should seek the advice of professionals to ensure that any action taken with respect to this information is appropriate to their specific situation.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments and the use of an asset allocation service. Please read the fund facts as well as the prospectus of the mutual funds in which investment may be made under the asset allocation service before investing. The indicated rates of return are the historical annual compounded total returns assuming the investment strategy recommended by the asset allocation service is used and after deduction of the fees and charges in respect of the service. The returns are based on the historical annual compounded total returns of the participating funds including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder in respect of a participating fund that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Manulife Funds, Manulife Corporate Classes, Manulife Exchange-Traded Funds and Manulife Asset Allocation Portfolios are managed by Manulife Investment Management Limited. Manulife Investment Management is a trade name of Manulife Investment Management Limited. Manulife, Manulife Investment Management, the Stylized M Design, and Manulife Investment Management & Stylized M Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.