

Market Snapshot

Manulife Asset Allocation Portfolios

As of September 30, 2022

Global equities declined in the third quarter, continuing the downtrend that occurred in the first six months of the year. Although investor sentiment was actually fairly upbeat in July and the first two weeks of August—reflecting expectations that the U.S. Federal Reserve (Fed) would “pivot” to a less restrictive monetary policy—subsequent comments from Fed Chairman Jerome Powell made it clear that the central bank would continue to raise interest rates aggressively. The prospect of continued rate hikes, in turn, fueled worries about the potential for a recession and a downturn in corporate earnings. These events, along with ongoing geopolitical concerns and unusual volatility in the global currency and fixed-income markets, caused stocks to fall precipitously from their August highs and ultimately close the quarter in negative territory.

After rallying in the latter half of July into mid-August, the S&P/TSX Index fell sharply to close the third quarter near its lowest level in more than 18 months. Canada’s market was adversely affected by the same issues that weighed on equity performance across the globe; namely, higher inflation, rising interest rates, and concerns about the potential for slowing economic growth in 2023. The Bank of Canada was among those boosting rates, with hikes of one percentage point in July and another three-quarters of a point in September. These moves brought the central bank’s policy rate to 3.25%, up from 0.25% in December 2021, and more increases were expected before year-end. While all major segments of the market lost ground in the sell-off, gold stocks were especially weak.

Global bond markets declined in the third quarter as bond yields continued to climb around the world. Investors remained focused on elevated inflation rates, which surged to 9% in the U.S. and 10% in Europe during the quarter, and the efforts of central banks to combat these inflationary pressures by aggressively raising short-term interest rates. Many of the world’s major central banks—including the U.S. Federal Reserve, the Bank of Canada, the Bank of England, and the European Central Bank—enacted multiple rate hikes in the third quarter. In many cases, these actions pushed benchmark interest rates to their highest levels in more than a decade.

Despite growing concerns that central bank rate increases could lead to a global recession, bond yields rose broadly around the globe during the quarter, which put downward pressure on bond prices. On a regional basis, bond markets in the Asia-Pacific region held up the best, while European markets declined the most. On a sector basis, high-yield corporate bonds posted the best returns, while sovereign government bonds underperformed.

Recent events have underscored the need for special care to maintain a portfolio that can reasonably withstand unexpected shocks that might occur in the macro-economic or geopolitical backdrop, consistent with the level of risk investors are comfortable taking on. We continue to rely on diversification to seek opportunity in this challenging market environment. Consequently, we believe a global portfolio should include not only traditional equity and fixed-income securities, but also exposure to alternatives and non-traditional strategies when appropriate.

Leveraging the expertise of an experienced team, such as the Manulife Investment Management’s Multi-Asset Solutions Team, can help ensure your portfolio’s asset mix can adapt quickly to help mitigate market risks and protect capital, but also to take advantage of market opportunities as they arise.

Opportunistic Positions	Manulife Conservative Portfolio	Manulife Moderate Portfolio	Manulife Balanced Portfolio	Manulife Growth Portfolio
Vanguard Canadian Aggregate Bond Index ETF	4.54%	4.43%	3.57%	2.26%
iShares 1–5 Year Laddered Corporate Bond Index ETF	3.02%	2.53%	2.30%	2.03%
iShares MSCI United Kingdom ETF	1.01%	1.24%	1.73%	1.99%
iShares S&P/TSX Capped Energy Index ETF	0.26%	0.38%	0.49%	0.76%
iShares MSCI Brazil ETF	0.25%	0.35%	0.51%	0.51%
Vanguard S&P 500 ETF	0.98%	1.12%	1.46%	2.46%

As of September 30, 2022

Manulife Investment Management’s Multi-Asset Solutions Team has included the opportunities above in the Manulife Asset Allocation Portfolios for several reasons*:

- Vanguard Canadian Aggregate Bond Index ETF: equity diversifier and defensive positioning against market volatility
- iShares 1–5 Year Laddered Corporate Bond Index ETF: short duration exposure on expectation that yields will trend higher
- iShares MSCI United Kingdom ETF: diversified exposure to value-oriented sectors at attractive valuation multiples and a generous yield relative to its developed markets peers
- iShares S&P/TSX Capped Energy Index ETF: cyclical and value exposure with broadly positive outlook, trading at steep discount
- iShares MSCI Brazil ETF: positive price momentum driven by surging commodity prices, easing fiscal concerns and cheap valuations relative to historical averages
- Vanguard S&P 500 ETF: driven by upside potential of the broader U.S. markets

*At time of purchase

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:

Manulife Asset Allocation Portfolios Asset Mix*:	Underlying Portfolio Manager	Manulife Conservative Portfolio	Manulife Moderate Portfolio	Manulife Balanced Portfolio	Manulife Growth Portfolio
Canadian Equity		9.5%	13.6%	18.7%	22.4%
Manulife Dividend Income Fund	Alan Wicks, Manulife Investment Management Ltd.	3.26%	4.57%	6.24%	7.44%
Manulife Fundamental Equity Fund ¹	Patrick Blais, Manulife Investment Management Ltd.	3.25%	4.51%	6.16%	7.41%
Manulife Multifactor Canadian Large Cap Index ETF	Dimensional Fund Advisors Canada ULC	3.03%	4.55%	6.31%	7.58%
U.S. Equity		0.0%	4.8%	9.6%	11.9%
Manulife U.S. All Cap Equity Fund	Sandy Sanders, Manulife Investment Management (US) LLC		4.77%	7.68%	9.98%
Manulife Multifactor US Large Cap Index ETF	Dimensional Fund Advisors Canada ULC			1.97%	1.94%
International Equity		0.0%	6.2%	10.7%	12.1%
Manulife World Investment Fund	Mawer Investment Management Limited		4.31%	8.83%	10.27%
Manulife Multifactor Developed International Index ETF	Dimensional Fund Advisors Canada ULC		1.84%	1.84%	1.83%
Emerging Markets Equity		0.0%	3.1%	5.3%	7.2%
Manulife Emerging Markets Fund	Kathryn Langridge, Manulife Investment Management (Europe) Ltd.		3.09%	3.35%	4.49%
Manulife Multifactor Emerging Markets Index ETF	Dimensional Fund Advisors Canada ULC			2.00%	2.75%
Global Equity		6.3%	1.8%	7.6%	13.0%
Manulife Global Dividend Fund	Paul Boyne, Manulife Investment Management (US) LLC	2.67%	1.78%	7.56%	8.49%
Manulife Global Equity Class	Mawer Investment Management Ltd.	3.59%			
Manulife Investment Management Global Small Cap Equity Pooled Fund	Ed Ritchie & Bill Talbot, Manulife Investment Management Ltd.				4.52%
Alternatives		3.1%	3.5%	0.0%	0.0%
Manulife Global Listed Infrastructure Fund	Brookfield Public Securities Group LLC	3.08%	3.50%		
Equity Total		18.9%	32.9%	51.9%	66.7%
Canadian Fixed Income		32.9%	23.1%	11.9%	6.8%
Manulife Bond Fund	Roshan Thiru, Manulife Investment Management Ltd.	23.13%	15.48%	9.19%	4.08%
Manulife Canadian Unconstrained Bond Fund ²	Roshan Thiru, Manulife Investment Management Ltd.	2.72%	2.73%	2.76%	2.73%
Manulife Smart Short-Term Bond ETF	Jean-Francois Giroux, Manulife Investment Management LP	7.02%	4.92%		
North American Fixed Income		5.9%	5.9%	5.5%	4.6%
Manulife Corporate Bond Fund	Roshan Thiru, Manulife Investment Management Ltd.	5.86%	5.88%	5.51%	4.56%
U.S. Fixed Income		4.0%	3.6%	3.6%	3.6%
Manulife U.S. Unconstrained Bond Fund ³	Dennis McCafferty, Manulife Investment Management (US) LLC	4.00%	3.57%	3.63%	3.63%
Global Multi-Sector Fixed Income		28.2%	24.3%	16.9%	8.2%
Manulife Strategic Income Fund	Dan Janis, Manulife Investment Management (US) LLC	22.94%	19.86%	12.85%	4.11%
Manulife Global Unconstrained Bond Fund ⁴	Dennis McCafferty, Manulife Investment Management (US) LLC	5.30%	4.43%	4.06%	4.05%
Fixed Income Total		71.0%	56.9%	38.0%	23.2%
Cash & Equivalents		0.10%	0.15%		0.15%
Opportunistic Positions		10.1%	10.0%	10.1%	10.0%
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.manulifeinvestmentgmt.com/ca/en/landing-page/manulife-asset-allocation-portfolios>.

* For illustration purposes only. Breakdowns shown the allocation weights as of September 30, 2022 and subject to change based on market cycle and opportunities for investment. Please consult the Simplified Prospectus for more information.

¹ Formerly Manulife Canadian Stock Fund. On May 25, 2018, the Manulife Canadian Opportunities Fund merged into the Manulife Fundamental Equity Fund.

² Formerly Manulife Canadian Bond Plus Fund. On May 25, 2018, Manulife Canadian Corporate Bond Fund merged into the Manulife Canadian Unconstrained Bond Fund.

³ Formerly Manulife U.S. Tactical Credit Fund. On May 25, 2018, Manulife High Yield Bond Fund merged into Manulife U.S. Unconstrained Bond Fund.

⁴ On June 28, 2013, the Manulife Strategic Income Opportunities Fund was converted from a closed-end fund and renamed the Manulife Global Tactical Credit Fund. On April 6, 2018, the Manulife Global Tactical Credit Fund was renamed the Manulife Global Unconstrained Bond Fund. On April 20, 2018, the Manulife Asia Total Return Bond Fund merged into the Manulife Global Unconstrained Bond Fund.

To find out more about Manulife Asset Allocation Portfolios,
visit **manulifeim.ca**

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