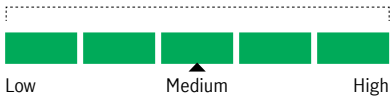


# Manulife U.S. Mid-Cap Equity Fund

## Risk Tolerance



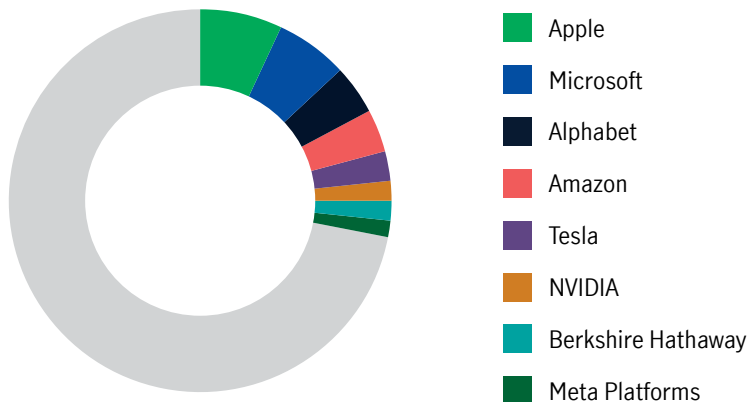
## Target Asset Mix



## A closer look at a land of opportunity

The U.S. equity market is by far the largest, deepest, and most dynamic in the world, historically delivering strong absolute returns over the long term. Yet while large cap companies have led returns in recent years, the S&P 500 Index has become overly concentrated. The eight biggest stocks in the S&P 500 have a market cap equal to that of the bottom 394 companies in the index combined.<sup>1</sup> These mega-cap companies have helped to drive exceptional returns in U.S. equities for over a decade, but given today’s macroeconomic and geopolitical landscape, the ground may be shifting under investors who have ignored this hidden concentration risk. Knowing this, how can investors gain U.S. exposure in their portfolios without adding unwanted concentration risk?

## S&P 500 Index Constituents



Source: Bloomberg, April 1, 2022

## The case for U.S. mid caps

Mid cap securities can offer both growth potential and stability. Unlike their large cap counterparts, most mid cap companies aren’t household names and tend to be overlooked by investors and analysts. At the same time, they’re also likely to be more established and profitable than small cap firms, so they have a history of lower volatility.<sup>2</sup> They can also offer significant pricing power, helping them power through inflationary environments.<sup>3</sup>

<sup>1</sup> Source: Bloomberg, April 1, 2022

<sup>2</sup> Source: Trailing Weighted Earnings Per Share, Bloomberg, March 2022

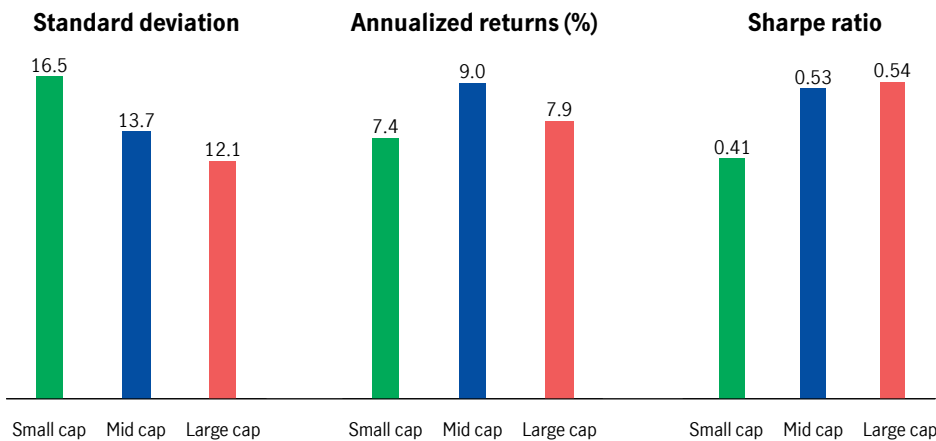
<sup>3</sup> Source: “Market Intelligence: Midquarter 1Q22 Outlook”, Manulife Investment Management, February 2022.



## But aren't U.S. mid caps riskier?

This is a common misconception and a reason why some investors avoid them. Over the last 20 years we don't see a massive uptick in risk for mid caps, represented by standard deviation in the table below. While it was slightly higher, there was a corresponding increase in annualized returns, and over this period the Sharpe ratio for mid caps was similar to large caps but higher than small caps. So, when invested in mid caps, investors took on a little more risk, but historically the risk-adjusted returns were superior to small caps and comparable to large caps.

### 20-year risk/return profiles across cap size



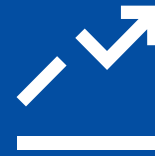
For illustration purposes only. Source: Morningstar, March 31, 2022. Chart data represented by the following indices: Russell 2000 Index TR CAD, Russell Mid Cap Index TR CAD; S&P 500 Index TR CAD. Performance histories are not indicative of future returns. The indices cited are widely accepted benchmarks for investment performance within their relevant regions, sectors or asset classes, and represent non-managed investment portfolios. Although these indices are similar to the fund's objectives, there may be material differences including permitted holdings or investment strategies, which may impact returns. Please refer to the Fund Facts of the fund for more information.

A specific portfolio allocation may give investors exposure to U.S. mid cap equity opportunities:

- Historically lower risk than small caps, having grown out of this more volatile phase of development, but still growing faster than large caps
- A history of long-term performance. The Russell Midcap Index outperformed the S&P 500 (large cap index) and the Russell 2000 Index (small cap index) over a 20-year period ending March 31, 2022<sup>4</sup>
- A strong overall risk-adjusted return profile

<sup>4</sup> Source: Morningstar, March 31, 2022. Performance histories are not indicative of future returns. Indices are unmanaged and cannot be purchased directly by investors.

<sup>5</sup> Source: Bloomberg, April 2022



In addition to better risk-adjusted returns and lower concentration risk compared to the S&P 500, over the last 20 years mid caps offered more attractive valuation opportunities and recovered more rapidly following U.S. recessions.<sup>5</sup>

## Consider the Manulife U.S. Mid-Cap Equity Fund

If you are considering adding U.S. mid caps to your portfolio, the [Manulife U.S. Mid-Cap Equity Fund](#) could be for you. It seeks to target companies with strong fundamentals and proven business models, that have yet to reach their full potential. The fund is sub-advised by our partner Mawer Investment Management, who have 35 years of experience investing in mid caps.

Through Mawer's deep dive security selection with a focus on only the highest quality names, they actively seek companies with the right balance of stability and growth prospects; companies that they think are ready to take their businesses to the next level. This approach creates a broadly diversified portfolio of potentially wealth-creating companies with excellent management teams, bought at discounts to their intrinsic values. The result is a portfolio of companies that have the potential to become the household names of tomorrow or take-over targets for larger corporations.

Manulife U.S. Mid-Cap Equity Fund is available as a mutual fund now and, starting May 24, 2022, in two Manulife Segregated fund contracts: GIF Select InvestmentPlus Series as [Manulife U.S. Mid-Cap Equity GIF Select](#) and in MPIP Segregated Pools as [Manulife U.S. Mid-Cap Equity Private Segregated Pool](#).



For more information, talk to your advisor or visit [manulifeim.ca/usmidcap](https://manulifeim.ca/usmidcap)

The [Russell Midcap Index](#) is a market capitalization-weighted index comprised of 800 publicly traded U.S. companies with market caps of between \$2 and \$10 billion. The 800 companies in the Russell Midcap Index are the 800 smallest of the 1,000 companies that comprise Russell 1000 Index.

The [Russell 2000 Index](#) is a stock market index that measures the performance of the 2,000 smaller companies included in the [Russell 3000 Index](#).

The Standard & Poor's 500 Index (S&P 500) is a [market-capitalization-weighted index](#) of 500 leading publicly traded companies in the U.S. It is not an exact list of the top 500 U.S. companies by [market cap](#) because there are other criteria that the index includes.

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