

Manulife asset allocation portfolios

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Market review

The world equity markets surged in the second quarter, propelling most broad-based global indexes to all-time highs by the end of June. The quarter opened with a pronounced sell-off in response to President Donald Trump's Liberation Day announcement that imposed much higher tariffs than investors had been expecting. As market turmoil mounted, President Trump pivoted by placing a 90-day pause on his initial plan. The move raised hopes that trade policy would ultimately be less restrictive than first thought, quickly restoring confidence. Stocks soon recovered all of their earlier losses as data related to global growth, inflation, and corporate earnings exhibited stability despite the shifting policy backdrop. European stocks and the emerging markets led the way in the rally, while the United States lagged.

After a poor start, Canada's stock market recovered to deliver a solid return in the second quarter. Equities plunged in the first week of April following President Trump's announcement. The downturn proved short-lived, however, as President Trump enacted a 90-day pause on the initial tariffs within a week. Stocks surged in response, as investors concluded the earlier announcement was largely a negotiating tactic. Continued interest rate cuts by the Bank of Canada provided further support for equities as the quarter progressed. The rally persisted through the end of June, leading to a series of all-time highs for the S&P/TSX Index. Gold miners and financial stocks each performed well, offsetting a weaker showing for energy.

Global bond markets advanced in the second quarter as bond yields declined broadly in most regions of the globe. The enactment of new, wide-ranging tariffs by the U.S. presidential administration early in the quarter led to lowered global growth expectations. Although the new tariff regime was paused for 90 days shortly thereafter, concerns about a potentially escalating global trade war and its impact on economic growth led to falling bond yields and higher bond prices. Decelerating global inflation also contributed to the rally in global bond markets.

Canadian bonds declined in the second quarter as bond yields rose broadly. The primary factor driving Canadian bond yields up was the uncertainty surrounding U.S. tariff policy and the potential escalation of tariffs on Canadian goods and services. On the positive side, the year-over-year Canadian inflation rate fell to an eight-month low during the quarter. Nonetheless, the Bank of Canada left short-term interest rates unchanged at its policy meetings in April and June after seven consecutive rate cuts. The Canadian central bank cited the unpredictability and magnitude of U.S. tariffs, which could lead to both weaker Canadian economic growth and rising inflation, as the reason for its pause.

Portfolio review

During the second quarter of 2025, all portfolios posted positive absolute returns; however, all portfolios trailed their respective benchmarks, with the exception of the Conservative Portfolio. From a peer-relative perspective, the Moderate Portfolio posted second quartile results, Balanced and Growth Portfolios third quartile, and the Conservative within the fourth quartile of their respective peers.

Within all portfolios, asset allocation attribution was positive, largely driven by an underweight in global equity and an overweight in Canadian small and mid caps. An overweight in U.S. equities detracted, as did an overweight in global infrastructure. Manager selection attribution was mixed, with the Conservative and Moderate Portfolios largely neutral, but Balanced and Growth negative, driven by weaker results from active Canadian equity managers (Manulife Dividend Income Fund and Manulife Fundamental Equity Fund); Manulife Global Dividend Fund was also a notable detractor. Manulife Strategic Income Fund, Global Unconstrained Bond Fund, and U.S. Unconstrained Bond Fund were the top-performing strategies.

The opportunistic sleeve was a net detractor over the period, largely due to a long position in a short S&P 500 Index ETF, U.S. value ETF, and China equity ETF.

Outlook

The first half of the year has presented an interesting market environment for investors to digest. In the United States, a new administration brought forth trade policies that spooked global markets, causing recession and inflation concerns, leading to wider credit spreads and double-digit negative equity returns. Despite the volatility, equity markets have finished the first half of 2025 in positive territory.

Looking forward, the subadvisor has a moderately optimistic outlook. From a macroeconomic perspective, the subadvisor doesn't anticipate recessionary conditions across major global economies in the second half. While economic momentum may slow, this may actually be a net positive for markets as it allows the U.S. Federal Reserve to begin easing monetary policy. The subadvisor's base case is for multiple rate cuts in the second half of 2025, which could lead to increased business confidence and capital spending, ultimately leading to improved economic momentum. Within Canada, U.S. tariffs on key Canadian exports have disrupted the nation's trade activity and weighed on business sentiment. As the effects of the tariffs filter through the Canadian economy, the subadvisor expects a protracted slowdown in the second half of 2025.

In equity markets, valuations remain elevated after rebounding from April lows while risk related to trade and geopolitical uncertainty remain; however, the economy remains on stable footing and fundamentals in the equity market remain healthy. The first half of the year saw non-U.S. equities outperform U.S. equities and the subadvisor expects that trend to continue as non-U.S. markets may benefit from increased fiscal spending, relative valuations discounts, and positive currency returns.

In the bond market, valuations are also extended as illustrated by tight credit spreads, but given the favorable economic outlook, higher coupon payments offered across the fixed-income spectrum are attractive.

Overall, diversification remains key as uncertainty and risk remain.

Opportunistic positions (%)

As of June 30, 2025

Opportunistic positions	Manulife Conservative Portfolio	Manulife Moderate Portfolio	Manulife Balanced Portfolio	Manulife Growth Portfolio
iShares S&P/TSX Capped Energy Index ETF	0.50	0.62	0.74	0.87
Vanguard Communication Services ETF	0.75	1.13	1.52	1.93
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	1.27
iShares MSCI South Korea ETF	0.25	0.25	0.25	0.25
iShares Core S&P Small-Cap ETF	—	—	—	0.91
Vanguard Extended Market ETF	0.50	0.75	1.01	1.52
Vanguard FTSE All World ex-US Small-Cap ETF	—	—	—	0.92
iShares 1-5 Year Laddered Corporate Bond Index ETF	3.00	3.00	2.24	1.74
Vanguard Canadian Aggregate Bond Index ETF	4.26	2.75	1.75	0.75

Source: Manulife Investment Management.

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

As of June 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	0.90	2.43	8.39	7.49	3.71	3.86	May 5, 2017
Conservative Portfolio benchmark		0.84	2.75	10.18	7.44	2.49	—	
Manulife Moderate Portfolio		1.83	3.47	10.12	8.95	5.13	4.80	
Moderate Portfolio benchmark		1.90	3.34	11.90	9.74	4.81	—	
Manulife Balanced Portfolio		2.62	4.36	11.49	11.38	7.36	6.24	
Balanced Portfolio benchmark		3.35	4.15	14.20	12.76	7.95	—	
Manulife Growth Portfolio		3.48	4.76	12.86	12.98	9.02	7.29	
Growth Portfolio benchmark		4.45	4.75	15.88	15.02	10.33	—	

Source: Manulife Investment Management. 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		10.75	14.18	18.00	22.52
Manulife Dividend Income Fund	Conrad Dabiet, Manulife Investment Management Ltd.	2.51	3.50	4.91	5.33
Manulife Fundamental Equity Fund³	Patrick Blais, Manulife Investment Management Ltd.	3.17	4.31	5.36	6.08
Manulife Multifactor Canadian Large Cap Index ETF	Dimensional Fund Advisors Canada ULC	3.06	4.36	5.46	6.11
Manulife Growth Opportunities Fund	Noman Ali, Manulife Investment Management Ltd.	2.01	2.01	2.26	5.00
U.S. equity		—	4.42	9.60	10.97
Manulife U.S. All Cap Equity Fund	Sandy Sanders, Manulife Investment Management (US) LLC	—	4.42	5.93	6.43
Manulife Multifactor US Large Cap Index ETF	Dimensional Fund Advisors Canada ULC	—	—	3.67	4.53
International equity		—	6.54	10.66	11.99
Manulife World Investment Fund	Mawer Investment Management Ltd.	—	4.51	5.57	5.83
Manulife Multifactor Developed International Index ETF	Dimensional Fund Advisors Canada ULC	—	2.03	3.11	3.52
Manulife Smart International Dividend ETF	Geoffrey Kelley, Manulife Investment Management Ltd.	—	—	1.98	2.64
Emerging-market equity		—	3.35	4.96	6.75
Manulife Emerging Markets Fund	Kathryn Langridge, Manulife Investment Management (Europe) Ltd.	—	1.99	2.70	3.63
Manulife Multifactor Emerging Markets Index ETF	Dimensional Fund Advisors Canada ULC	—	1.36	2.26	3.13
Global equity		8.15	—	5.26	10.66
Manulife Global Dividend Fund	Paul Boyne, Manulife Investment Management (US) LLC	4.07	—	5.26	6.13
Manulife Global Equity Class	Mawer Investment Management Ltd.	4.07	—	—	—
Manulife Investment Management Global Small Cap Equity Pooled Fund	Ed Ritchie and Bill Talbot, Manulife Investment Management Ltd.	—	—	—	4.53
Alternatives		3.62	3.52	2.00	2.00
Manulife Global Listed Infrastructure Fund	Brookfield Public Securities Group LLC	3.62	3.52	2.00	2.00
Total equity		22.52	32.01	50.47	64.89
Canadian fixed income		29.25	25.66	14.46	8.74
Manulife Bond Fund	Roshan Thiru, Manulife Investment Management Ltd.	24.59	20.99	12.47	6.75
Manulife Core Plus Bond Fund⁴	Roshan Thiru, Manulife Investment Management Ltd.	2.00	2.00	1.99	1.99
Manulife Smart Short-Term Bond ETF	Jean-Francois Giroux, Manulife Investment Management LP	2.65	2.67	—	—
North American fixed income		4.94	4.94	2.69	1.98
Manulife Corporate Bond Fund	Roshan Thiru, Manulife Investment Management Ltd.	4.94	4.94	2.69	1.98
U.S. fixed income		2.70	2.35	1.99	1.98
Manulife U.S. Unconstrained Bond Fund⁵	Caryn Rothman, Manulife Investment Management (US) LLC	2.70	2.35	1.99	1.98
Emerging-market fixed income		5.34	5.33	5.31	3.99
Manulife Investment Management Emerging Markets Corporate Debt Pooled Fund	R. Sanchez-Dahl, Manulife Investment Management Ltd.	5.34	5.33	5.31	3.99
Global multi-sector fixed income		25.22	19.70	15.04	6.50
Manulife Strategic Income Fund	Chris Chapman, Manulife Investment Management (US) LLC	16.21	14.40	11.65	4.02
Manulife Global Unconstrained Bond Fund⁶	Caryn Rothman, Manulife Investment Management (US) LLC	9.01	5.30	3.39	2.48
Total fixed income		67.45	57.98	39.50	23.20
Opportunistic positions		10.02	10.01	10.03	11.91
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 June 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.

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

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