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Q1 2025 outlook

# Market Intelligence

The latest thinking and insight from our experts



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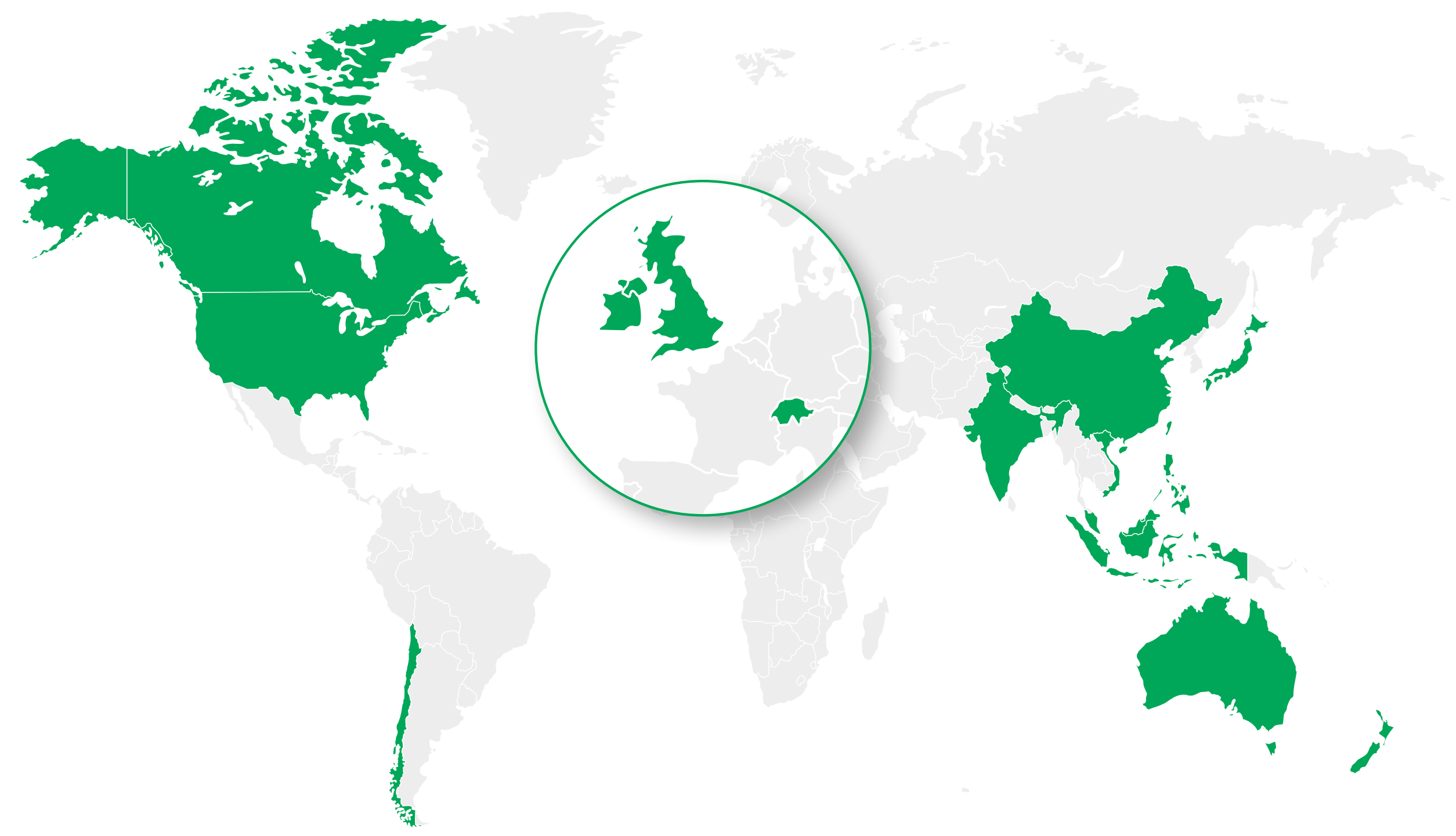
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# Combining local insight with global scale

As part of Manulife Investment Management, we draw on more than a century of financial stewardship and the full resources of our parent company to serve individuals, institutions, and retirement plan members worldwide. Our leading capabilities in public and private markets are strengthened by an investment footprint that spans five continents. We're committed to investing responsibly across our businesses, and we believe in supporting financial well-being through our workplace retirement plans.



<sup>1</sup> MFC statistical information package, assets under management and administration (AUMA), as of 12/31/24.

## At a glance

Manulife's global wealth and asset management business<sup>1</sup>

**600+**  
investment professionals

**5**  
continents

**120+**  
years operating in Asia and North America

**19M**  
customers globally

**1.1T**  
in assets under management and administration

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# Complementing in-house capabilities with specialized expertise

While our in-house asset management teams offer a range of world-class capabilities, leveraging those talents is just the beginning of the story. We scour the world for specialized expertise at unaffiliated managers whose skill sets we can tap to complement our own. The result is that we're able to offer investors a variety of options in each category, a unique approach that we believe truly serves the best interests of our investors.

Equity	Fixed income	Liquid alts	Asset allocation	Private assets
     	     	    	    	 

Mutual funds | SMAs | ETFs | Model portfolios | Private assets | 529 plans | CITs

Representative sampling of subadvisors. All logos are the property of their respective owners. Manulife Investment Management is an affiliated asset manager. Not all strategies incorporate environmental, social, and governance (ESG) factors to the same degree.

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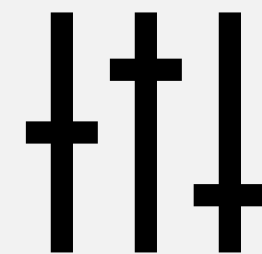
# Insight that leverages the best thinking from across our network

A natural by-product of our manager research is timely investment insight from across the industry. Leveraging the intellectual capital from our in-house asset management teams at Manulife Investment Management along with our network of unaffiliated asset managers allows us to uncover real-time opportunities and risks. We then combine that bottom-up input with top-down perspective from global macro research firms to deliver a focused collection of actionable investment ideas.

## How we formulate our 12- to 18-month outlook



We conduct a quantitative assessment of asset manager, broker-dealer, and asset allocation and macro research provider views across 17 distinct asset classes.



We analyze, evaluate, and weight these views in light of manager biases, market fundamentals, and global macroeconomic factors.

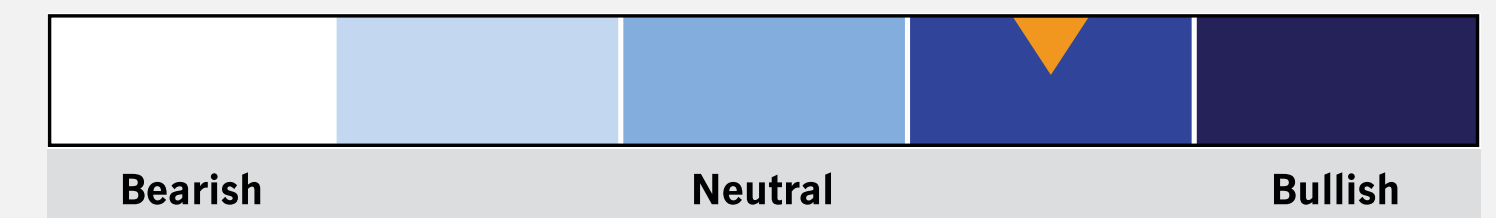


We develop our asset class views in the context of a global multi-asset portfolio, highlighting our most compelling ideas for clients while focusing on risk management.

## How to read our views

Darker shading indicates a greater concentration of views within our network.

A golden caret indicates our current 12- to 18-month outlook for the asset class.



## Looking for more?

Visit our *Market Intelligence* page for weekly video updates, related blog posts, and more from our investment strategists.



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# U.S. equity: positioning for a late-cycle environment

A decelerating economic backdrop calls for an emphasis on quality at a reasonable price.

## Our 12–18 month view: SLIGHTLY BULLISH

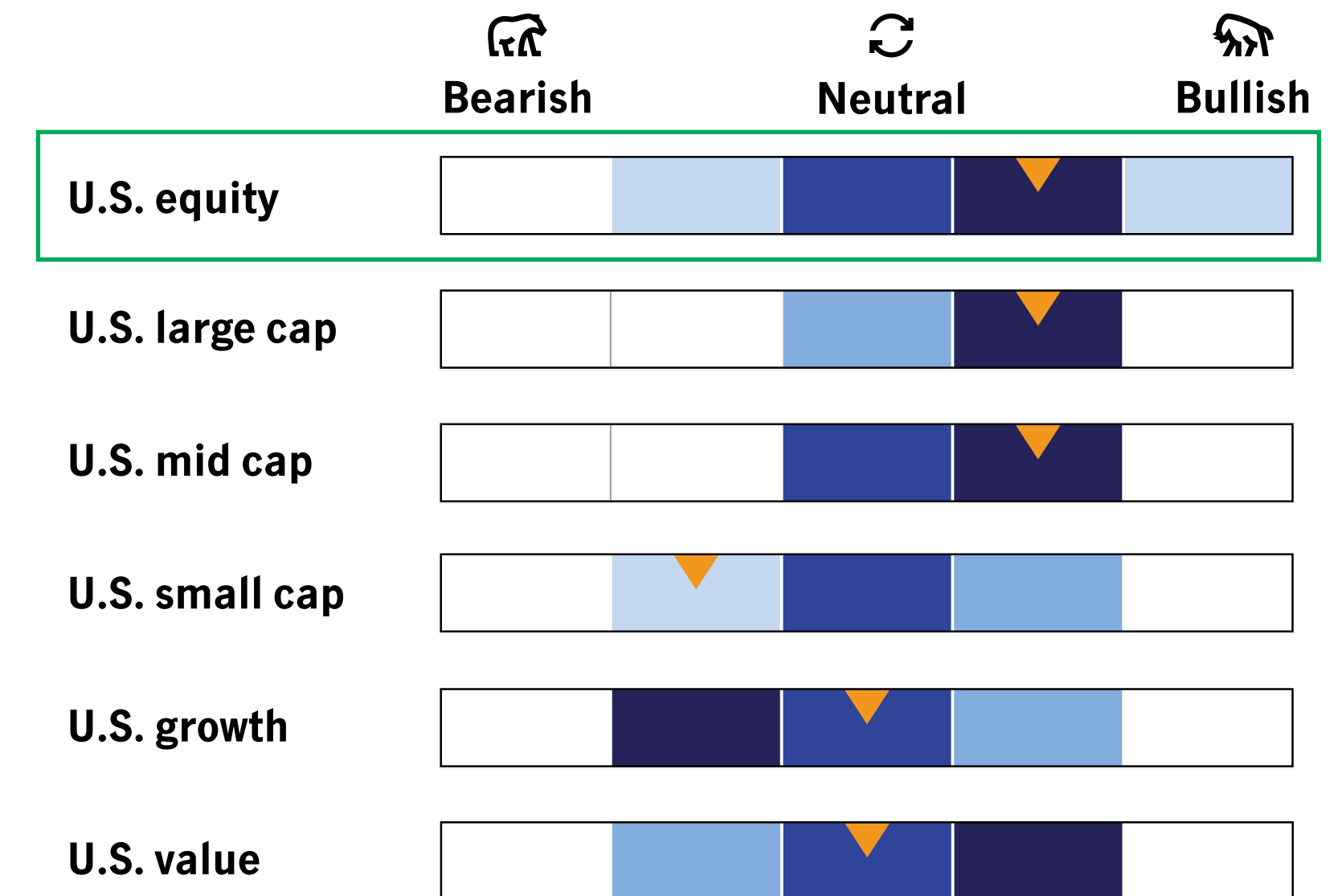
We've been slightly bullish on U.S. large- and mid-cap equities since mid-2019 and currently see mid-cap stocks as the best opportunity for offense within U.S. equities. We've been bullish on quality since Q3 2018 and began pairing that stance with the value factor in Q1 2021.

### What's inside

- Leading indicators continue to improve but remain in negative territory, suggesting growth may slow from here
- Hard data will be the key to seeing if the U.S. economy is heading toward an economic contraction
- Earnings estimates are improving but may be overly optimistic
- Overweight quality and value by emphasizing targeted sectors
- U.S. mid-cap stocks have the largest exposure to the industrials sector across the market cap spectrum
- Mid caps look attractive relative to their large-cap counterparts
- Mid caps offer less foreign revenue exposure but still ample profitability

## Range of views from our network

Darker shading indicates a greater concentration of views within our network.



**Changes to network views:** During the fourth quarter, the consensus view on U.S. equities remained slightly positive. Within U.S. equities, our network continues to be overweight on large- and mid-cap stocks and neutral on small caps.



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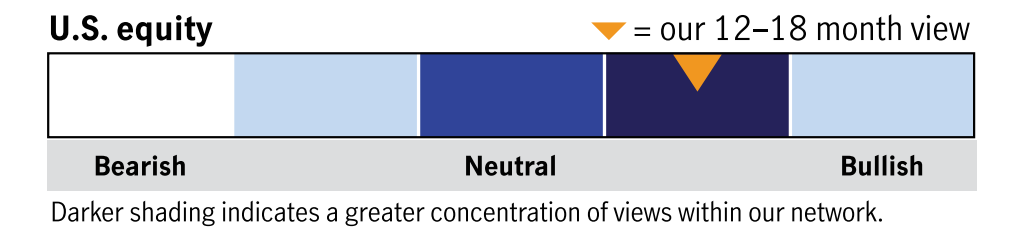
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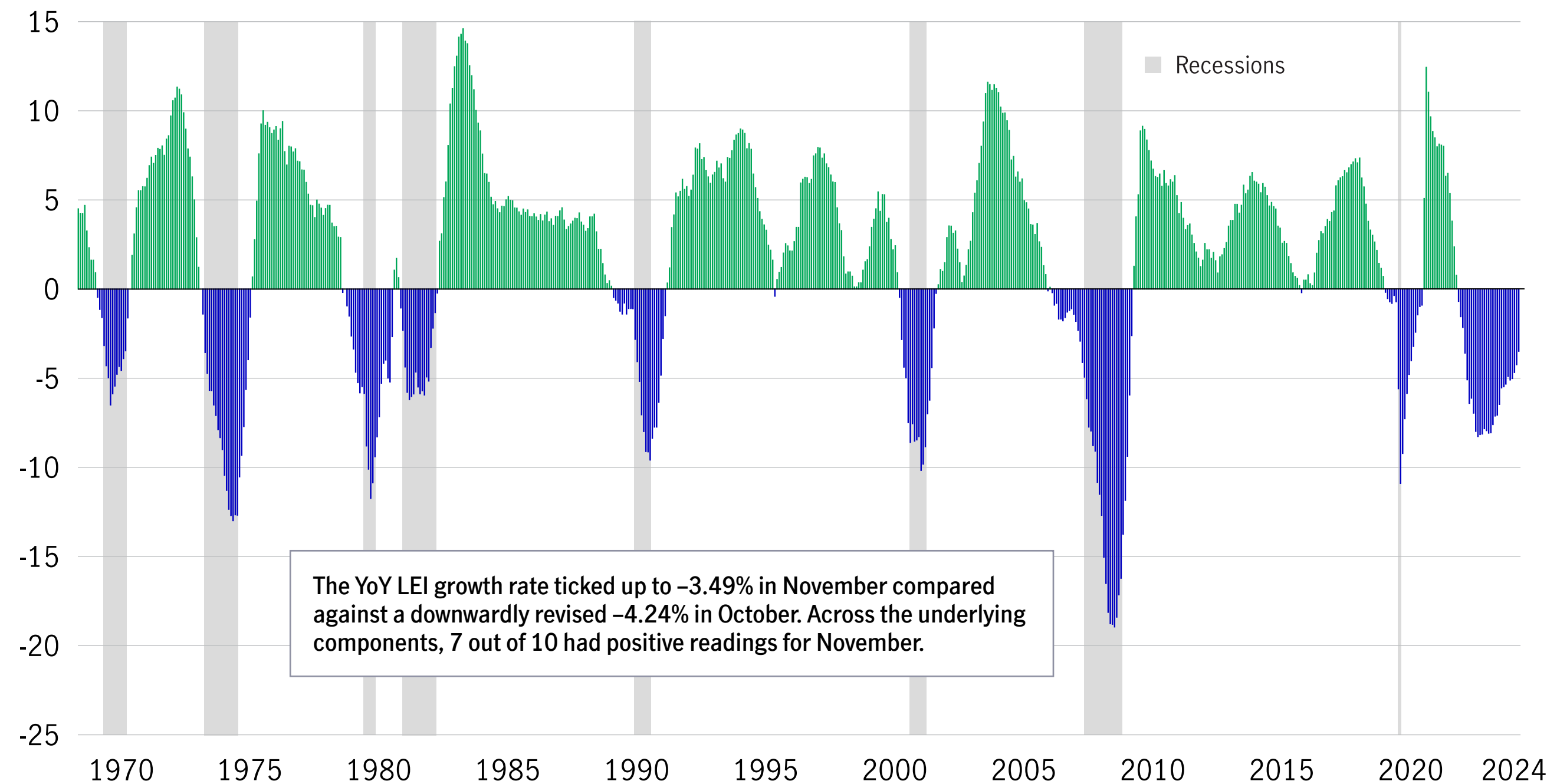
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# Leading indicators continue to improve but remain in negative territory, suggesting growth may slow from here



### YoY change in the LEI (%)



### LEI (ranked by weighting in the index)

Weekly manufacturing hours worked	24%	▲
ISM index of new orders	17%	▼
Consumer expectations	16%	▼
Yield spread	12%	▼
Leading credit index	9%	▲
New orders of consumer goods and materials	8%	▲
New orders of nondefense capital goods	5%	▲
Stock prices	4%	▲
Building permits	3%	▲
Weekly unemployment claims (inverted)	2%	▲

Source: The Conference Board, as of 11/30/24. The Composite Index of Leading Indicators (LEI) is published monthly by The Conference Board and tracks 10 economic components whose changes tend to precede changes in the overall economy. It is not possible to invest directly in an index. YoY refers to year over year. Past performance does not guarantee future results.



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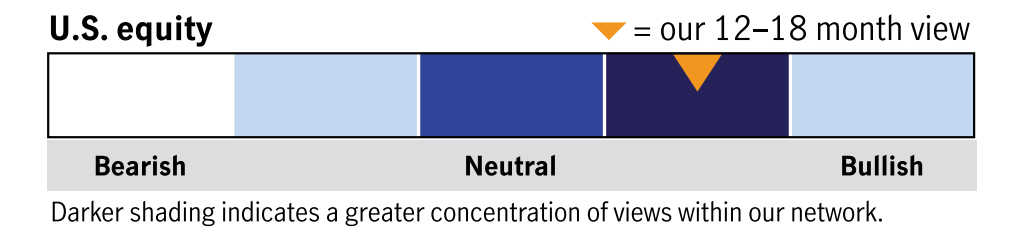
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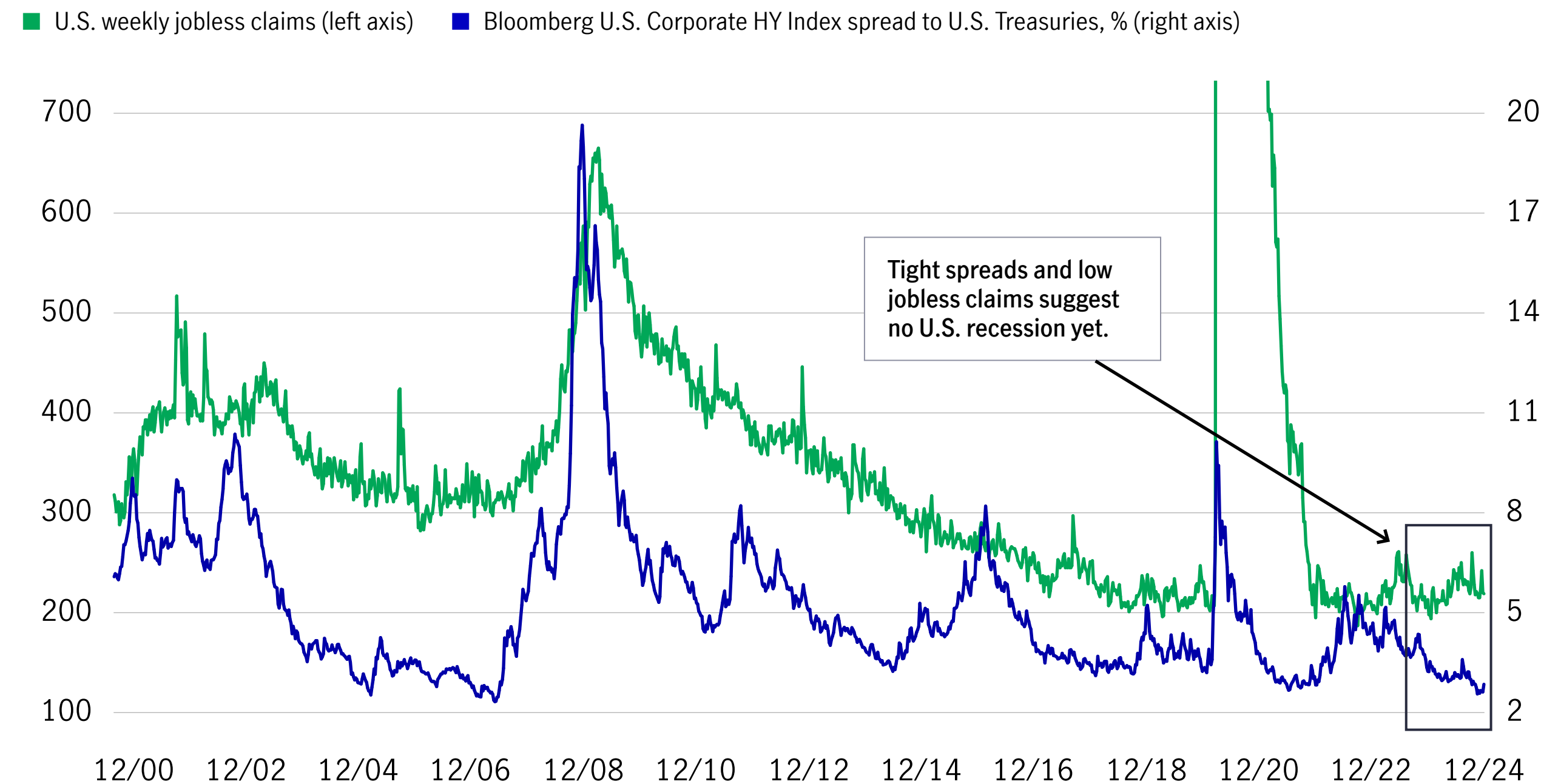
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# Hard data will be the key to seeing if the U.S. economy is heading toward an economic contraction



## A steady labor market and tight high-yield spreads suggest the economy remains resilient



## Potential triggers for a contraction

- Initial jobless claims over 300K
- High yield spreads over 5%
- Unemployment rate of 5% or more

Source: FactSet, as of 12/31/24. The Bloomberg U.S. Corporate HY Index tracks the performance of U.S. HY corporate bonds. It is not possible to invest directly in an index. Past performance does not guarantee future results.



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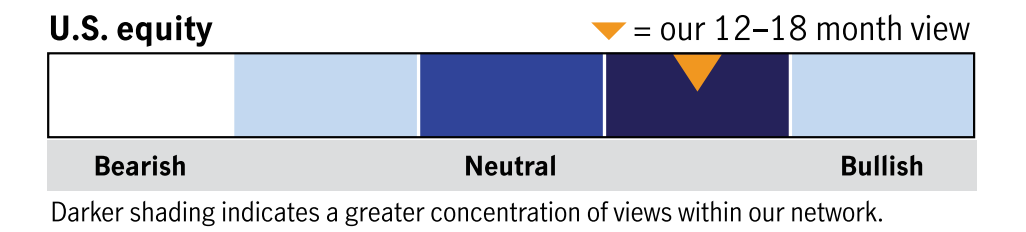
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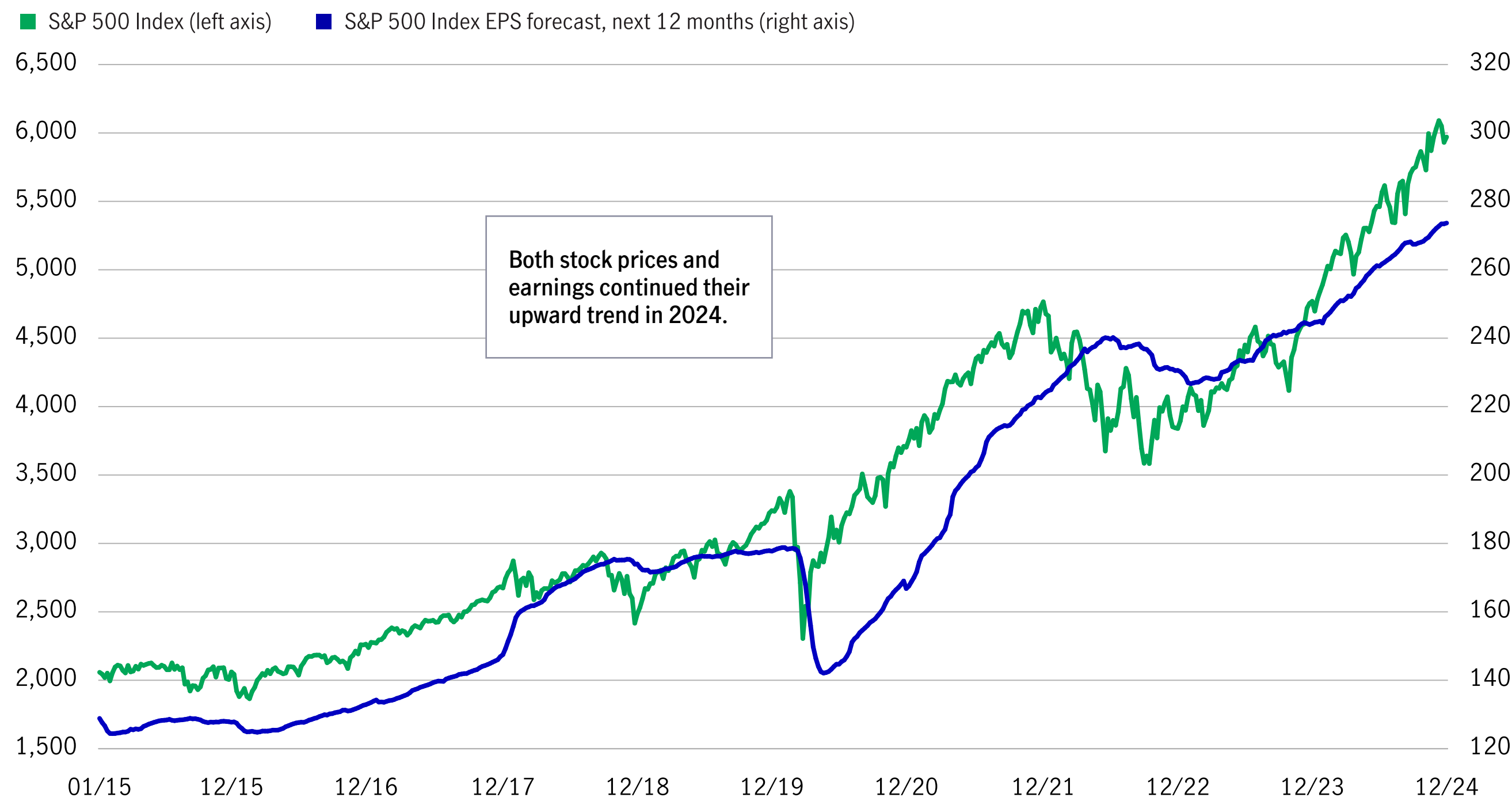
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# Earnings estimates are improving but may be overly optimistic



## Stock prices and earnings estimates tend to move together over time



EPS growth estimates, YoY (%)	2024	2025
Communication services	21.84	14.84
Information technology	17.46	22.57
Financials	16.69	8.76
Consumer discretionary	14.35	11.97
Utilities	11.05	8.55
<b>S&amp;P 500 Index</b>	<b>9.41</b>	<b>14.54</b>
Real estate	4.48	4.57
Healthcare	3.94	20.67
Consumer staples	2.49	5.37
Industrials	-0.35	18.55
Materials	-9.75	17.56
Energy	-16.94	3.79

Source: FactSet, as of 12/31/24. The S&P 500 Index tracks the performance of 500 of the largest publicly traded companies in the United States. It is not possible to invest directly in an index. Earnings per share (EPS) is a measure of how much profit a company has generated calculated by dividing the company's net income by its total number of outstanding shares. YoY refers to year over year. No forecasts are guaranteed. Past performance does not guarantee future results.



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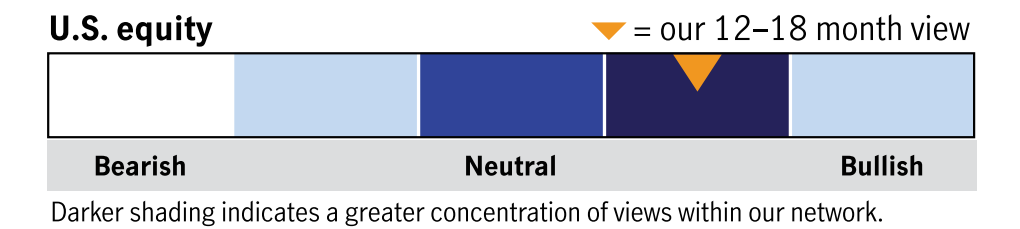
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# Overweight quality and value by emphasizing targeted sectors



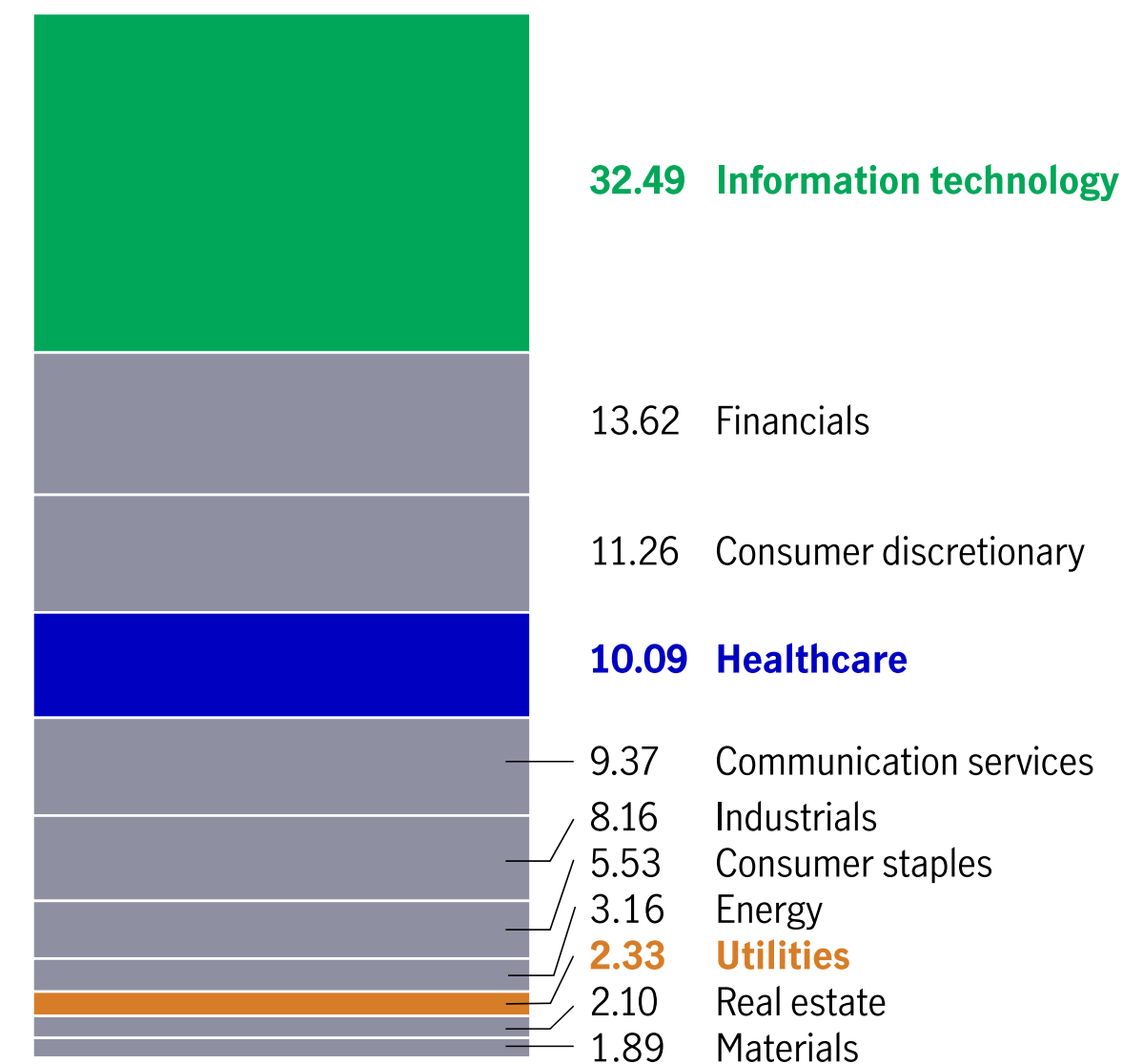
## We favor tilting toward the information technology, healthcare, and utilities sectors

### Favorite factors

**Quality**—Strong balance sheets, more durable profitability, higher ROE, and less need for capital in a period in which borrowing costs are rising

**Value**—Screening stocks based on valuations such as P/B or P/E, minimizing exposure to nonprofitable expensive stocks

### S&P 500 Index sectors, by weighting (%)



### Favorite sectors

**Information technology**—Leading quality sector based on solid profit margins, high ROE, and strong balance sheets

**Healthcare**—Improving earnings estimates, still trading at a discount, and can offer defensive characteristics

**Utilities**—Trading at a discount and stand to benefit from a market rotation

Source: FactSet, as of 12/31/24. Return on equity (ROE) is a measure of profitability that calculates how many dollars of profit a company generates with each dollar of shareholders' equity. Price/book (P/B) is the ratio of a stock's price to its book value per share. Price to earnings (P/E) is a valuation measure comparing the ratio of a stock's price with its earnings per share. The S&P 500 Index tracks the performance of 500 of the largest publicly traded companies in the United States. It is not possible to invest directly in an index.



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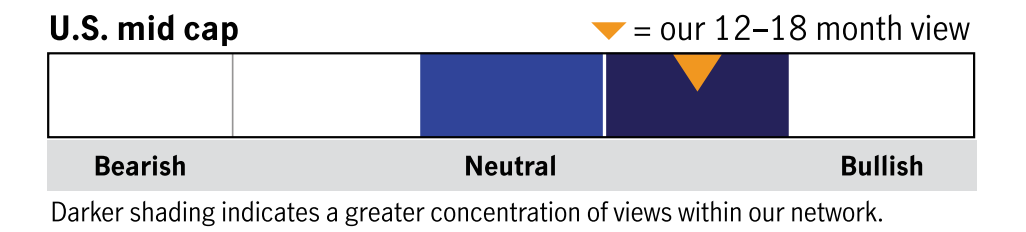
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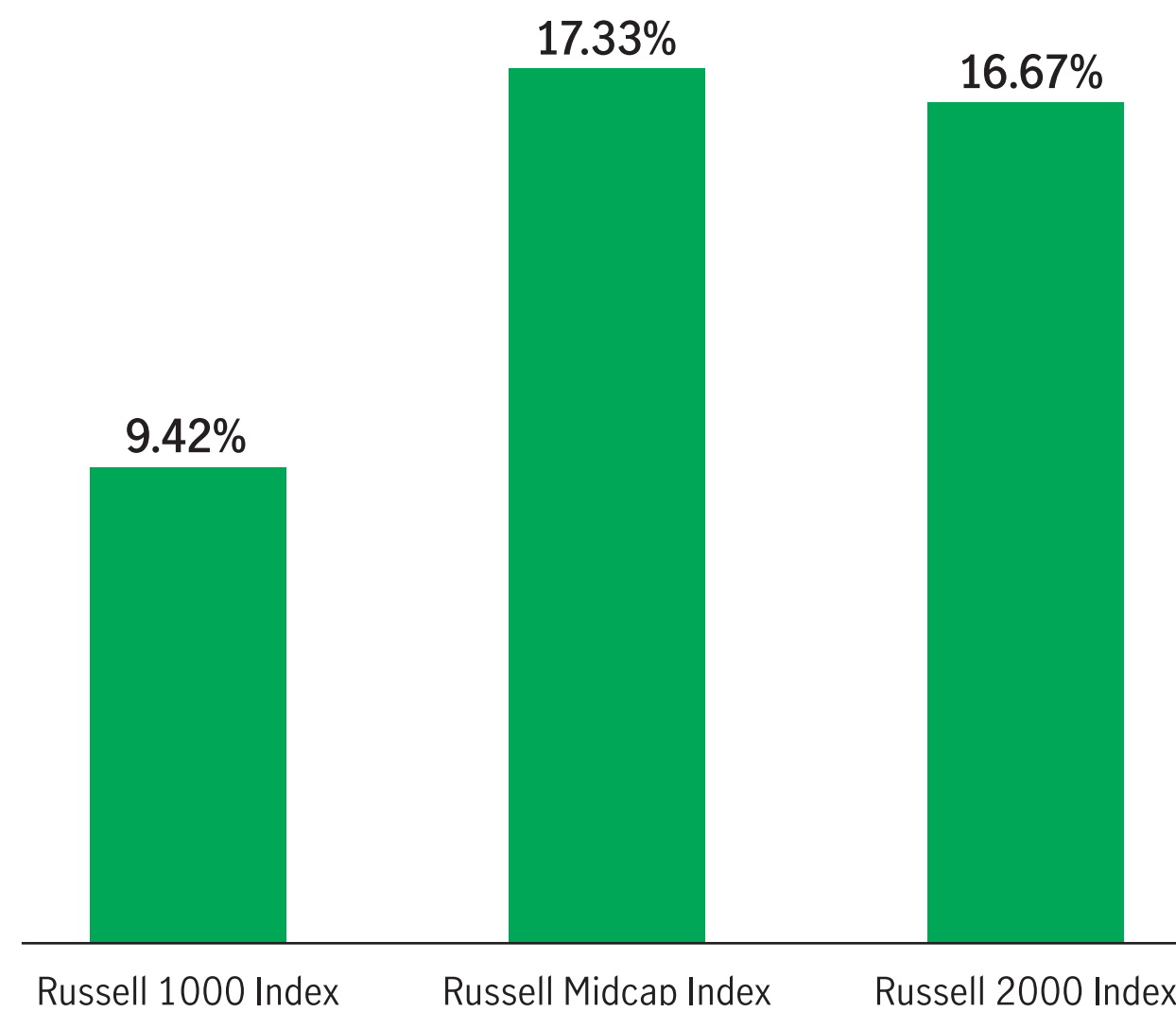
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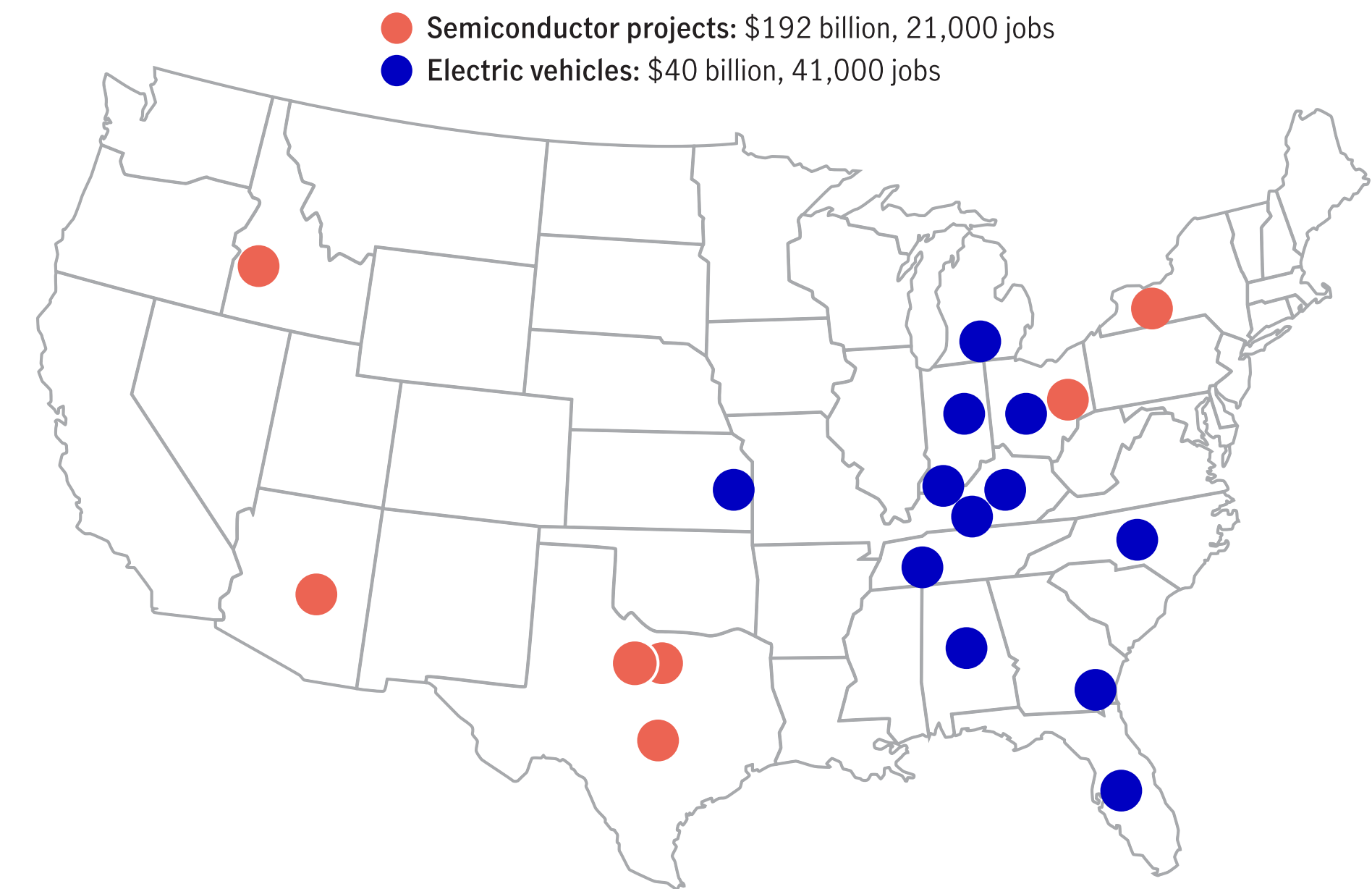
# U.S. mid-cap stocks have the largest exposure to the industrials sector across the market cap spectrum



## U.S. mid- and small-cap stocks have significant exposure to the industrials sector



## The onshoring trend has boosted job creation and investment throughout the U.S. Auto/semiconductor business investment locations, 2021-2024



Source: FactSet, as of 12/31/24. The Russell 1000 Index tracks the performance of 1,000 large-cap companies in the United States. The Russell Midcap Index tracks the performance of approximately 800 mid-cap companies in the United States. The Russell 2000 Index tracks the performance of 2,000 small-cap companies in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results.



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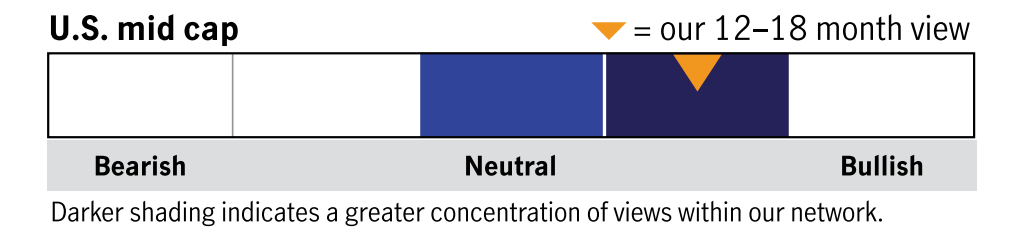
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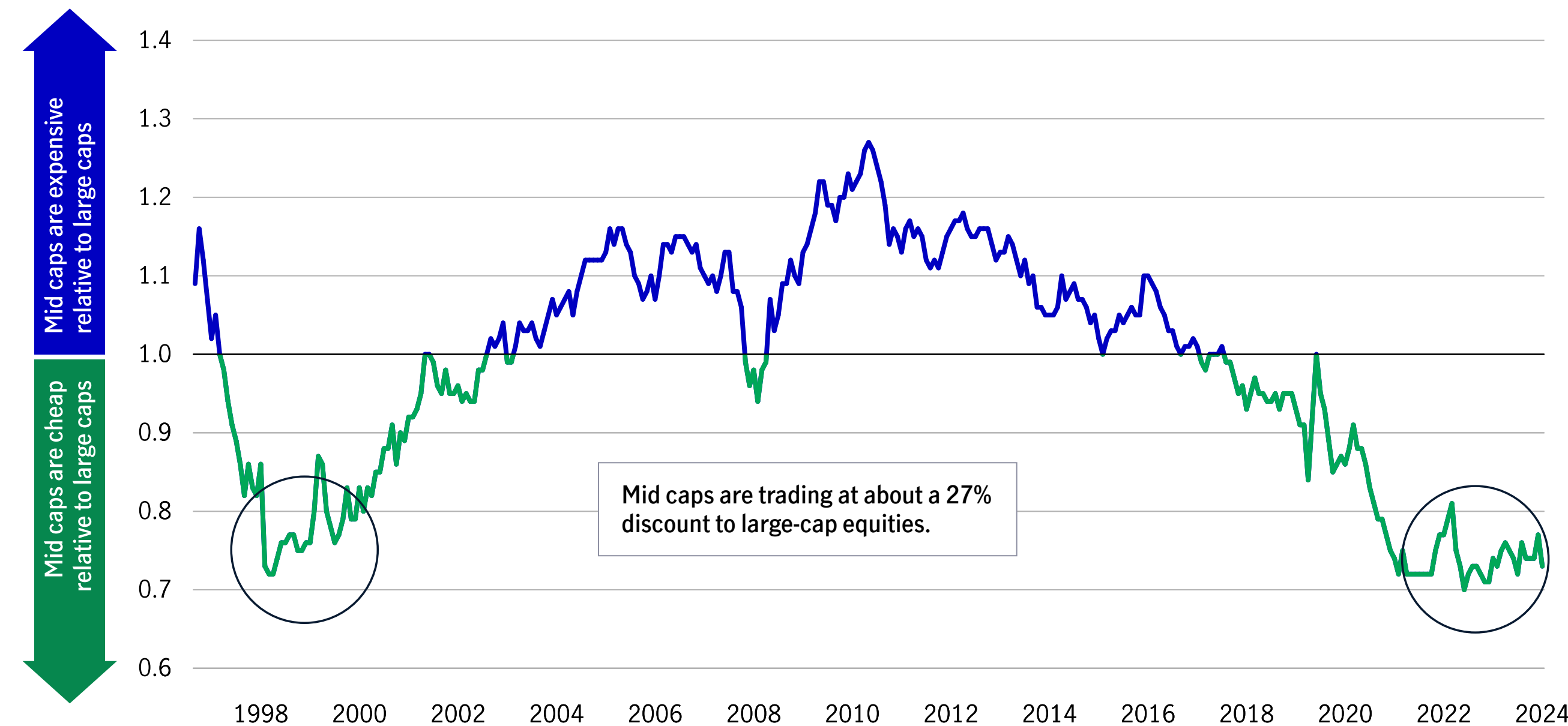
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# Mid caps look attractive relative to their large-cap counterparts

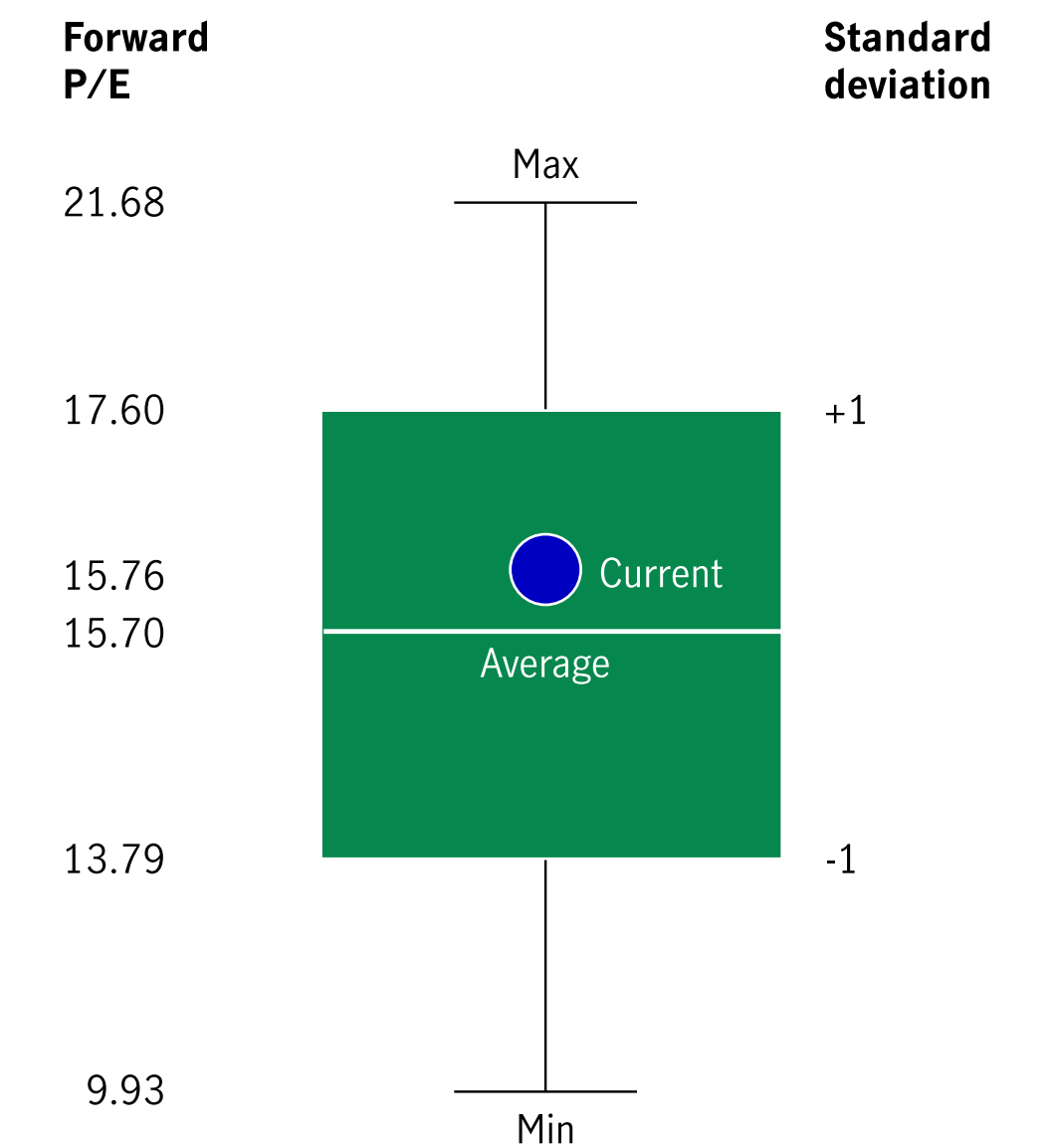


### S&P MidCap 400 Index P/E ratio relative to S&P 500 Index P/E ratio



### Mid-cap core is at fair value, but tilting toward value can provide a greater discount

20-year forward P/E range



Source: FactSet, as of 12/31/24. The S&P MidCap 400 Index tracks the performance of 400 mid-cap publicly traded companies in the United States. The S&P 500 Index tracks the performance of 500 of the largest publicly traded companies in the United States. It is not possible to invest directly in an index. The forward price-to-earnings (P/E) ratio is a stock valuation measure comparing the current share price of a stock with the underlying company's estimated earnings per share over the next 12 months. Standard deviation is a statistical measure of the historic volatility of a portfolio. It measures the fluctuation of a fund's periodic returns from the mean or average. The larger the deviation, the larger the standard deviation and the higher the risk. Past performance does not guarantee future results.



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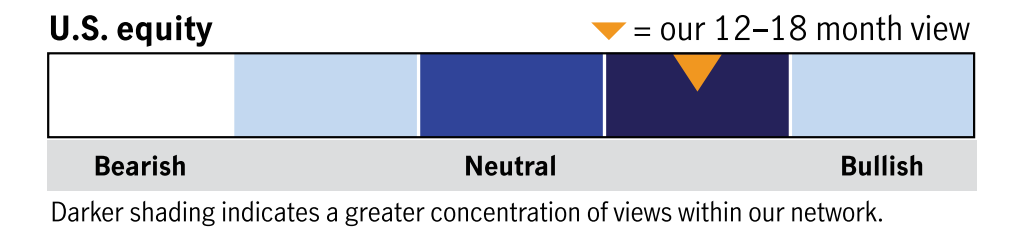
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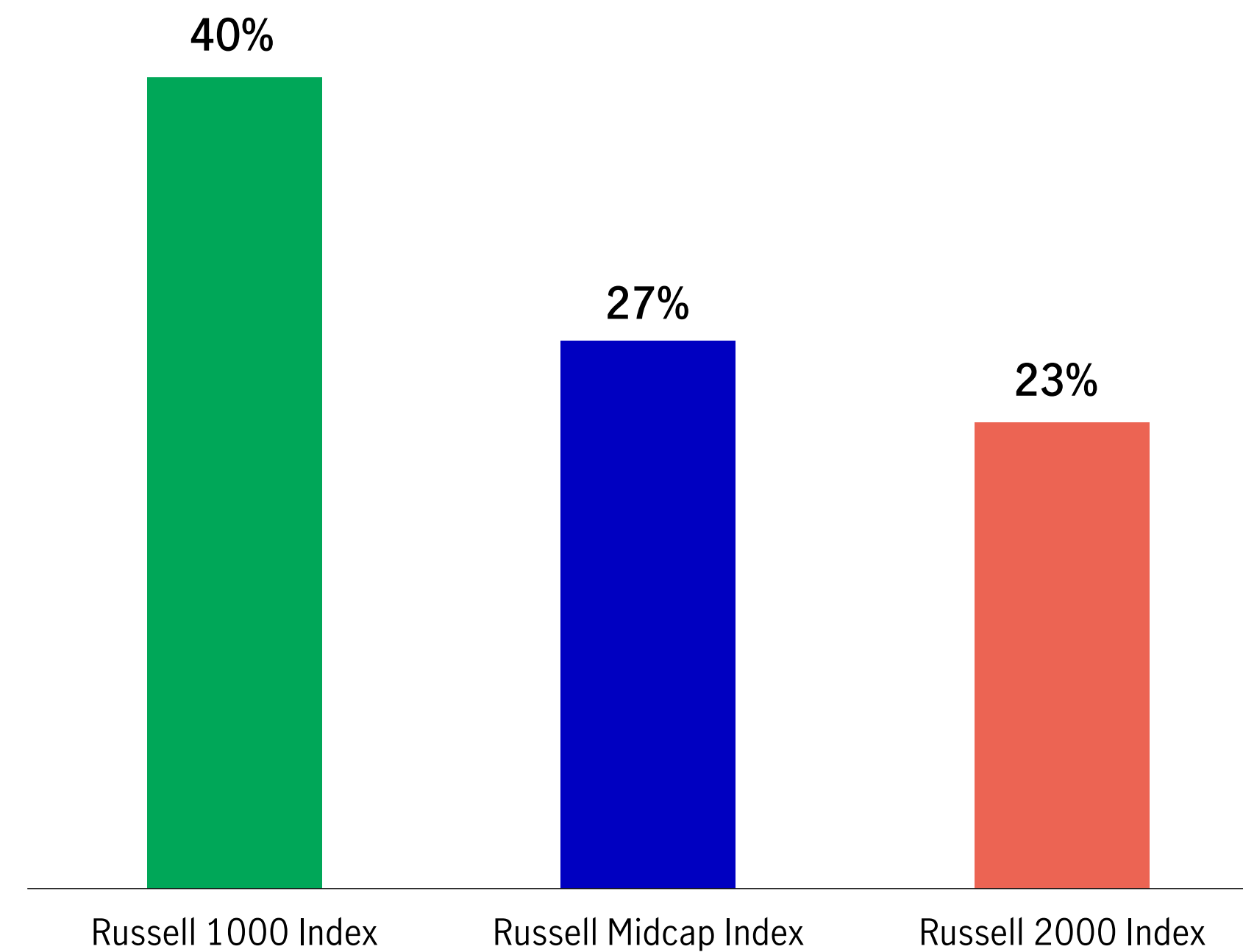
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# Mid caps offer less foreign revenue exposure but still ample profitability



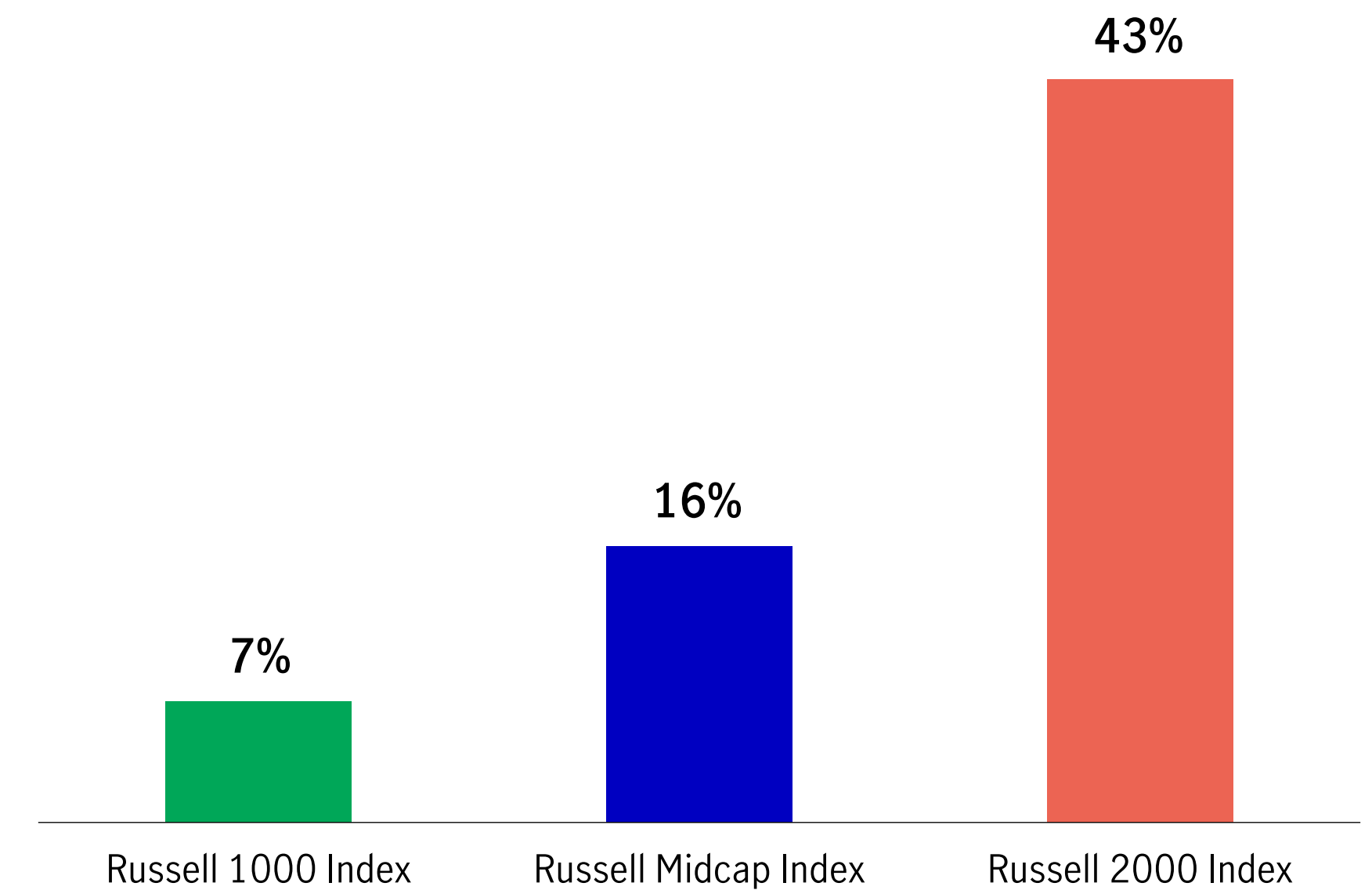
## Large-cap indexes tend to have greater foreign revenue exposure

Foreign revenue exposure (%)



## Smaller-cap indexes have more exposure to nonprofitable businesses

Allocation to unprofitable companies (%)



Source: FactSet, as of 12/31/24. The Russell 1000 Index tracks the performance of 1,000 large-cap companies in the United States. The Russell Midcap Index tracks the performance of approximately 800 mid-cap companies in the United States. The Russell 2000 Index tracks the performance of 2,000 small-cap companies in the United States. It is not possible to invest directly in an index. An unprofitable company is one that has had negative earnings, or expenses that exceeded revenues, in the most recent quarter.

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# International equity: employing an active approach that emphasizes earnings potential

Slowdowns in manufacturing and earnings estimates suggest a late-cycle environment.

## Our 12–18 month view: SLIGHTLY NEGATIVE

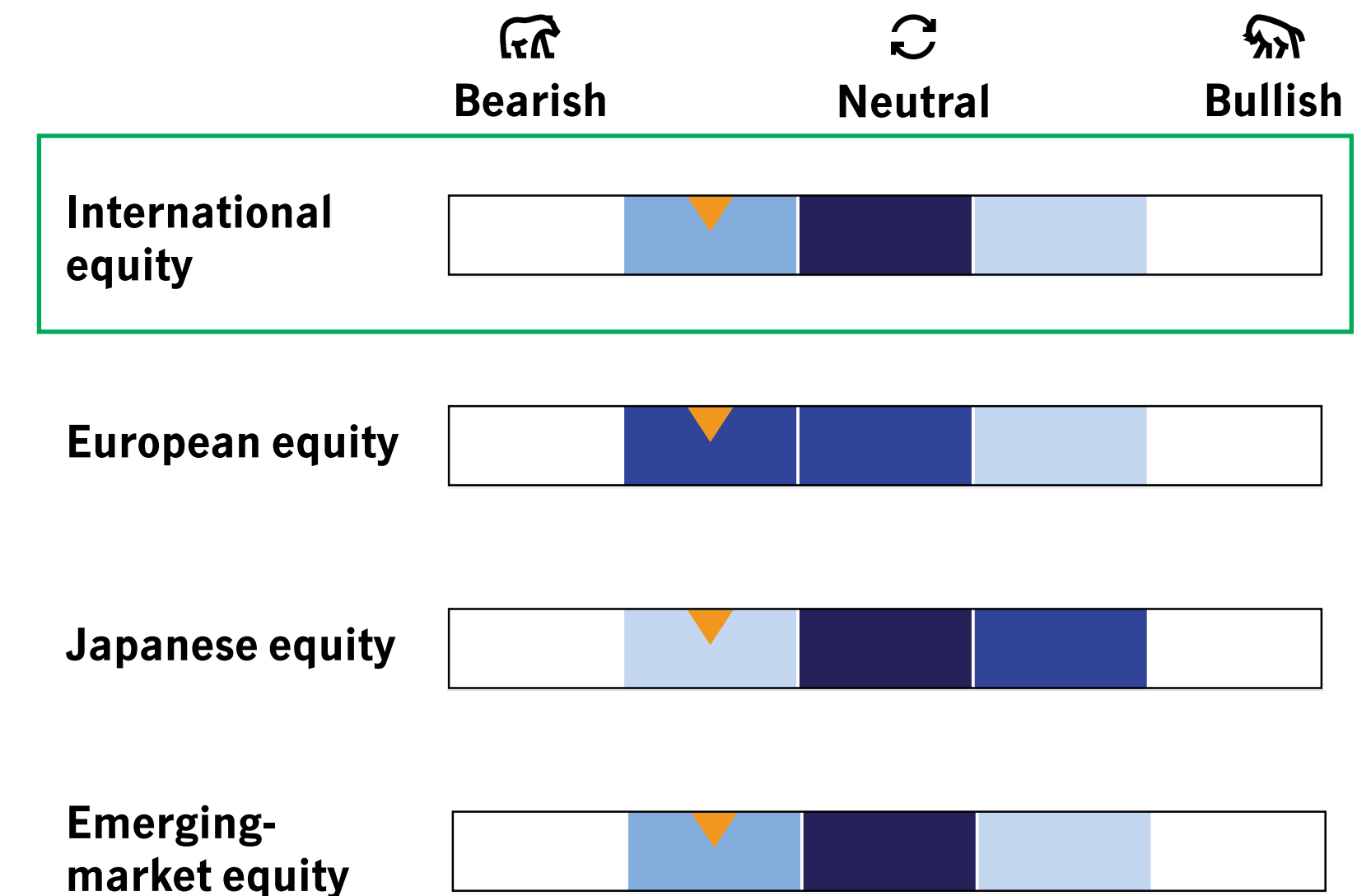
In mid-2022, we downgraded Europe to slightly negative to reduce our exposure to highly cyclical markets; we followed suit by reducing exposure to emerging-market equities in Q4. We've been underweight Japan since mid-2018 due to structurally slow growth.

## What's inside

- ⌚ Manufacturing PMIs abroad are choppy, with large divergences across countries
- ⌚ Non-U.S. earnings growth estimates have hooked lower
- ⌚ Emerging-market earnings estimates have started to fade
- ⌚ Overseas, value fundamentals look more attractive than growth fundamentals
- ⌚ The U.S. dollar's direction can have a meaningful impact on relative performance

## Range of views from our network

Darker shading indicates a greater concentration of views within our network.



**Changes to network views:** During the fourth quarter, the consensus view remained neutral on international equities overall. Within international equities, Japan remains the highest-conviction region, a shift that began in mid-2023. The views on both Europe and emerging-market equities stayed neutral.



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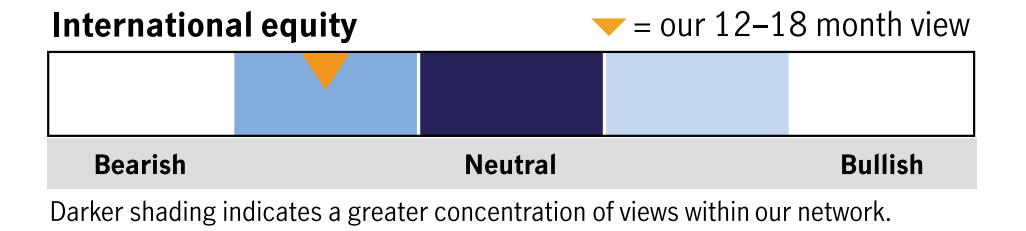
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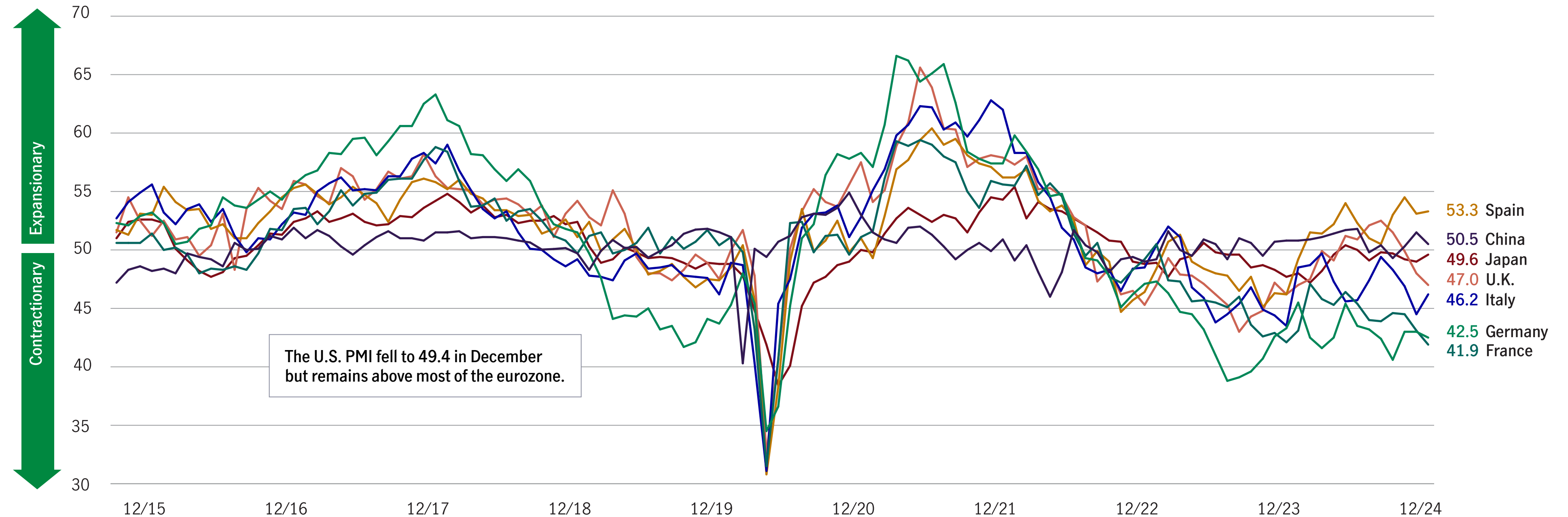
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# Manufacturing PMIs abroad are choppy, with large divergences across countries



Overseas, manufacturing PMIs have diverged across the eurozone



Source: Markit, World Bank, FactSet, as of 12/31/24. The Purchasing Managers' Index (PMI) tracks the economic activity of the manufacturing sector in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results.



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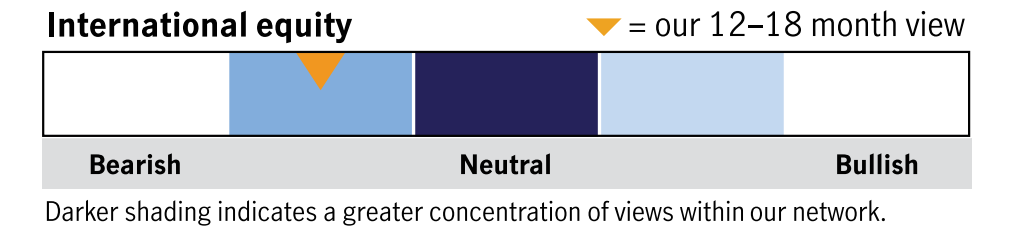
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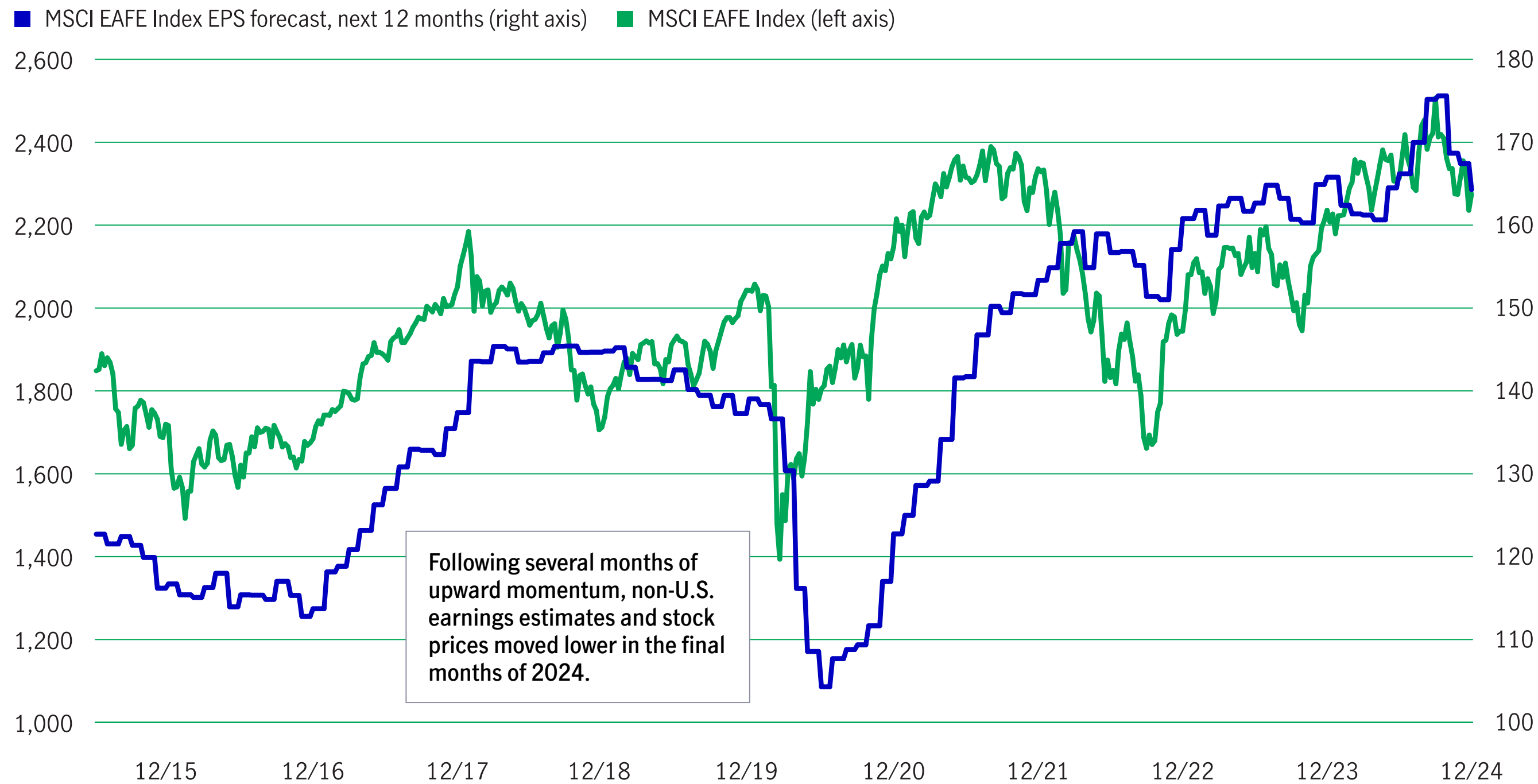
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# Non-U.S. earnings growth estimates have hooked lower



## Non-U.S. earnings estimates and stock prices moved lower to end the year



EPS growth estimates, YoY (%)	2024	2025
Real estate	38.75	6.89
Communication services	35.75	7.47
Utilities	17.94	-4.79
Financials	13.10	4.46
Industrials	7.12	5.03
Healthcare	6.72	12.72
Materials	5.78	7.27
<b>MSCI EAFE Index</b>	<b>2.80</b>	<b>6.22</b>
Information technology	2.72	17.69
Consumer staples	0.89	7.94
Consumer discretionary	-16.44	8.42
Energy	-20.08	-2.11

Source: FactSet, as of 12/31/24. Earnings per share (EPS) is a measure of how much profit a company has generated calculated by dividing the company's net income by its total number of outstanding shares. YoY refers to year over year. The MSCI Europe, Australasia, and Far East (EAFE) Index tracks the performance of large- and mid-cap stocks of companies in those regions. It is not possible to invest directly in an index. No forecasts are guaranteed. Past performance does not guarantee future results.



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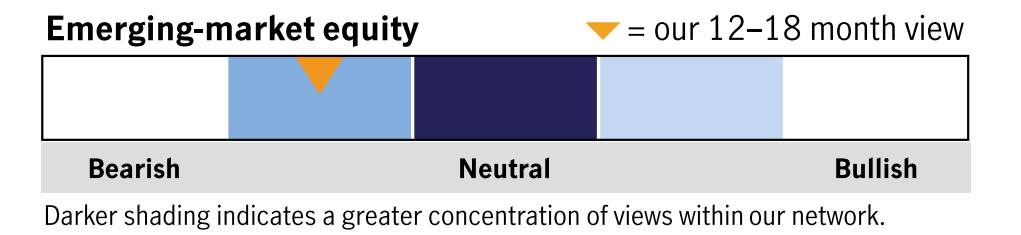
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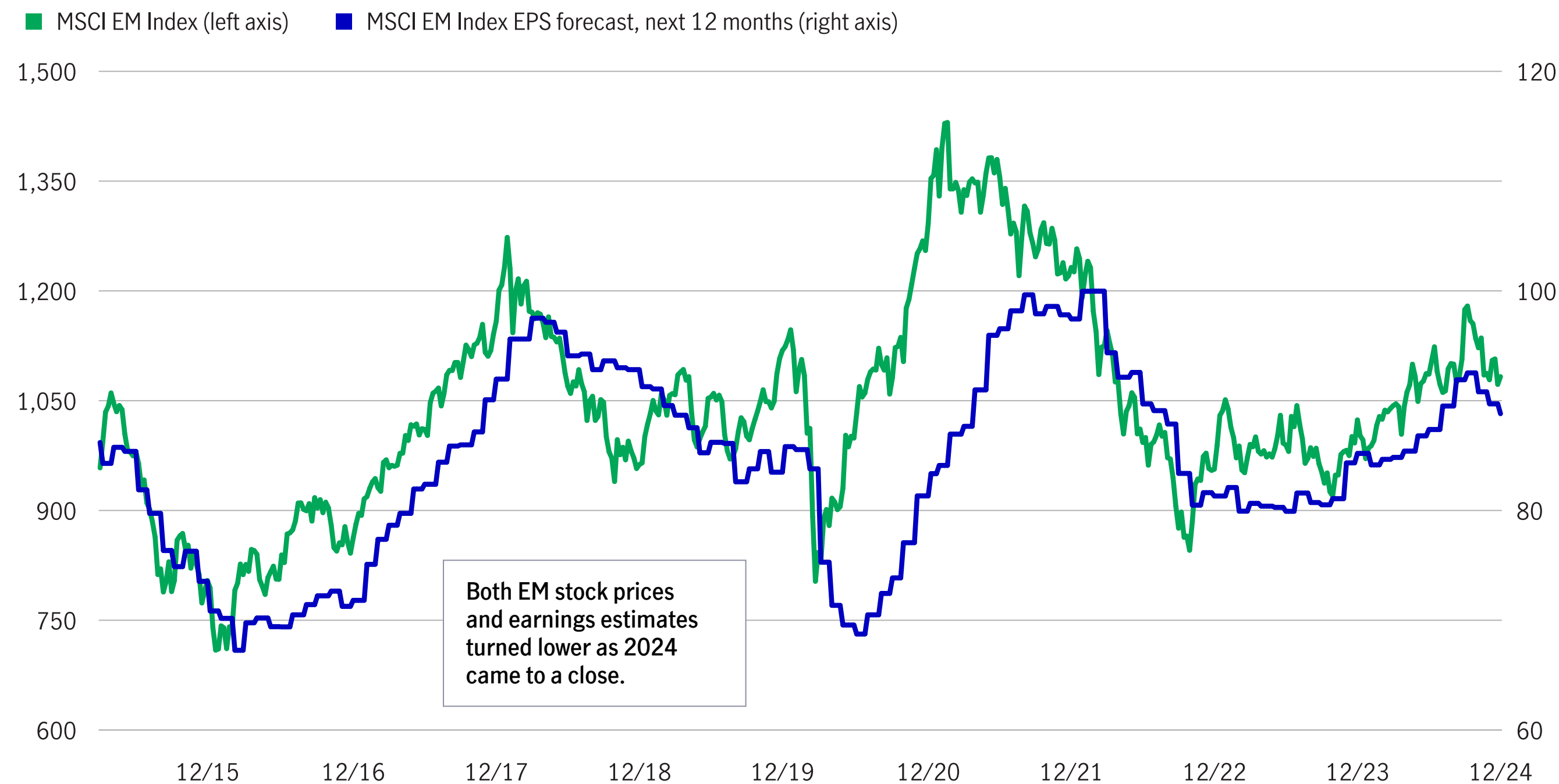
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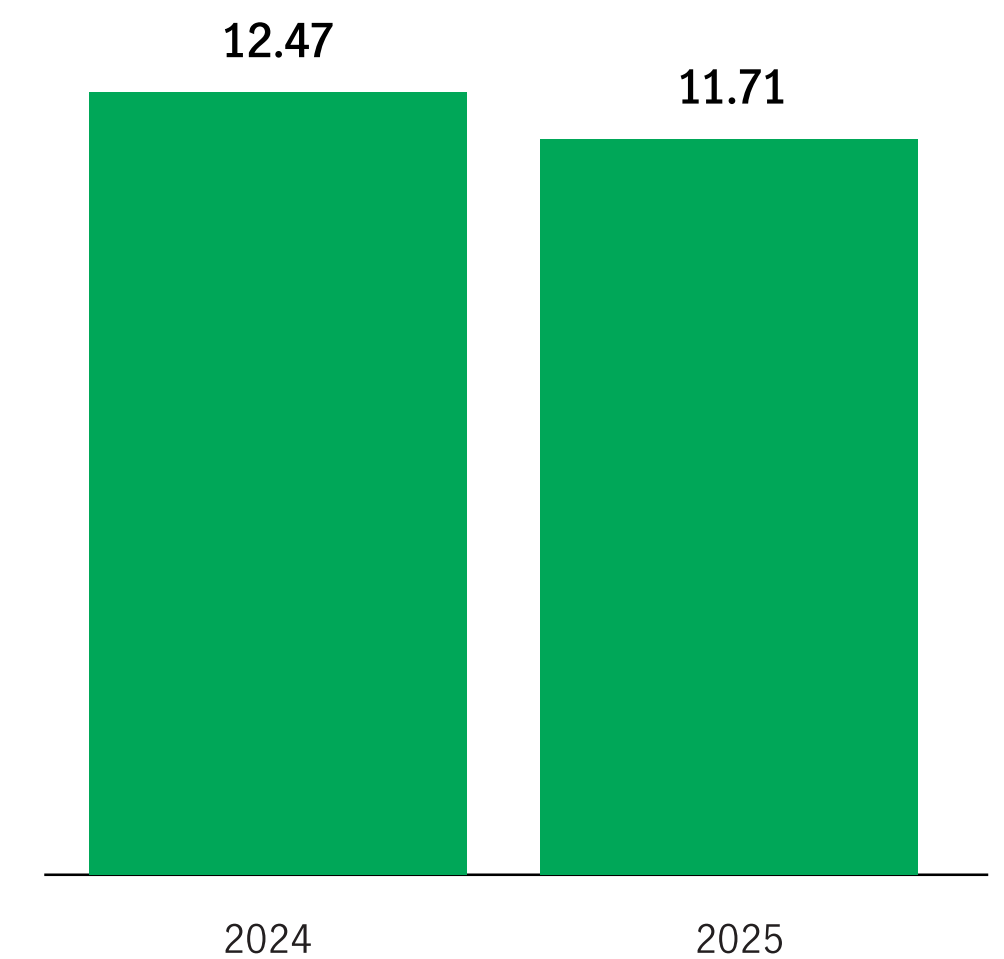
# Emerging-market earnings estimates have started to fade



## EM earnings estimates shifted downward to end the year



## MSCI EM Index—earnings growth estimates, YoY (%)



Source: FactSet, as of 12/31/24. Earnings per share (EPS) is a measure of how much profit a company has generated calculated by dividing the company's net income by its total number of outstanding shares. YoY refers to year over year. The MSCI Emerging Markets (EM) Index tracks the performance of large- and mid-cap EM stocks. It is not possible to invest directly in an index. No forecasts are guaranteed. Past performance does not guarantee future results.



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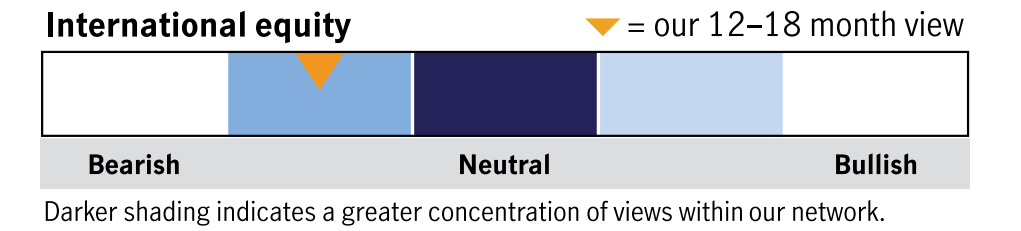
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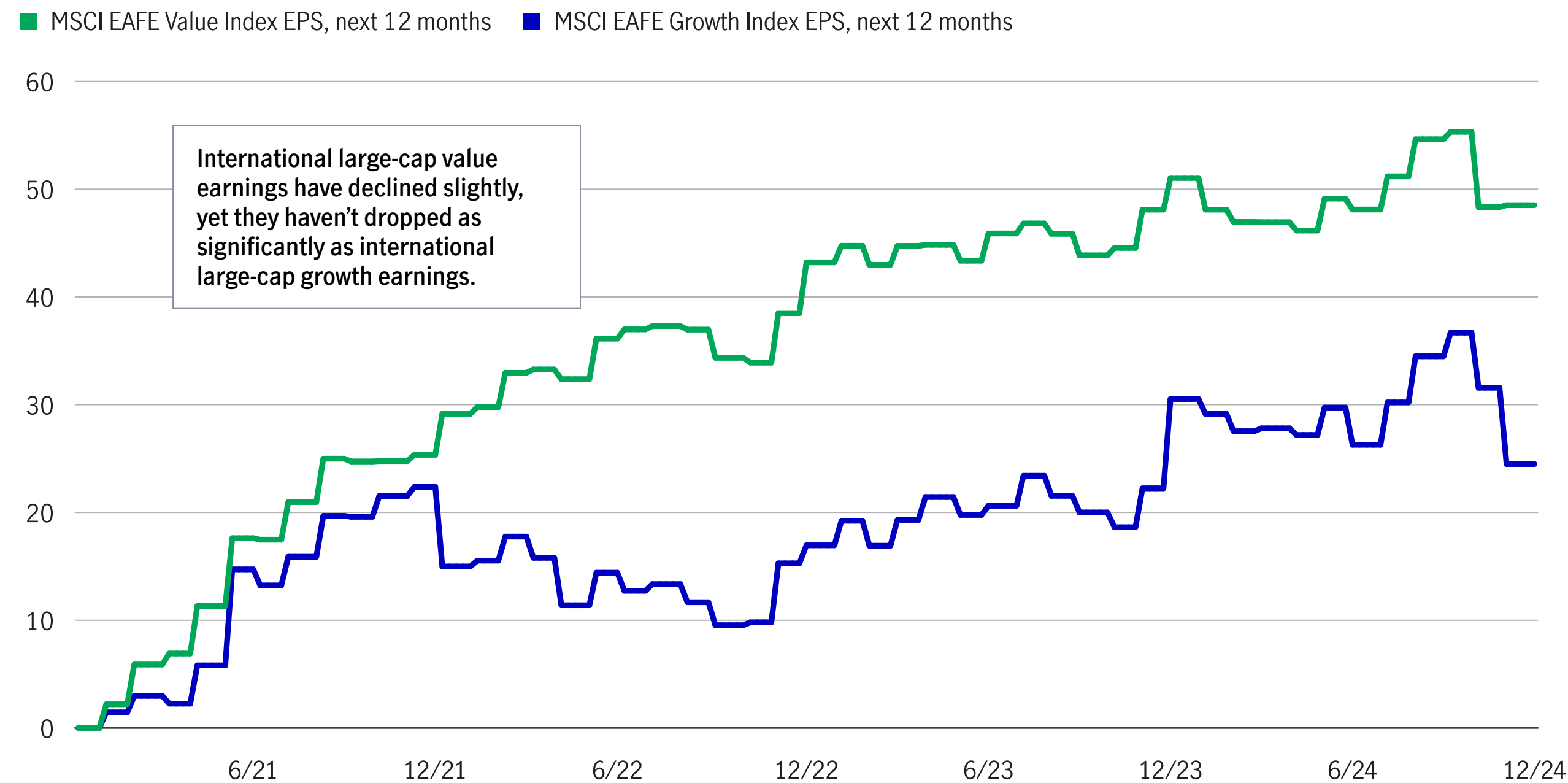
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# Overseas, value fundamentals look more attractive than growth fundamentals

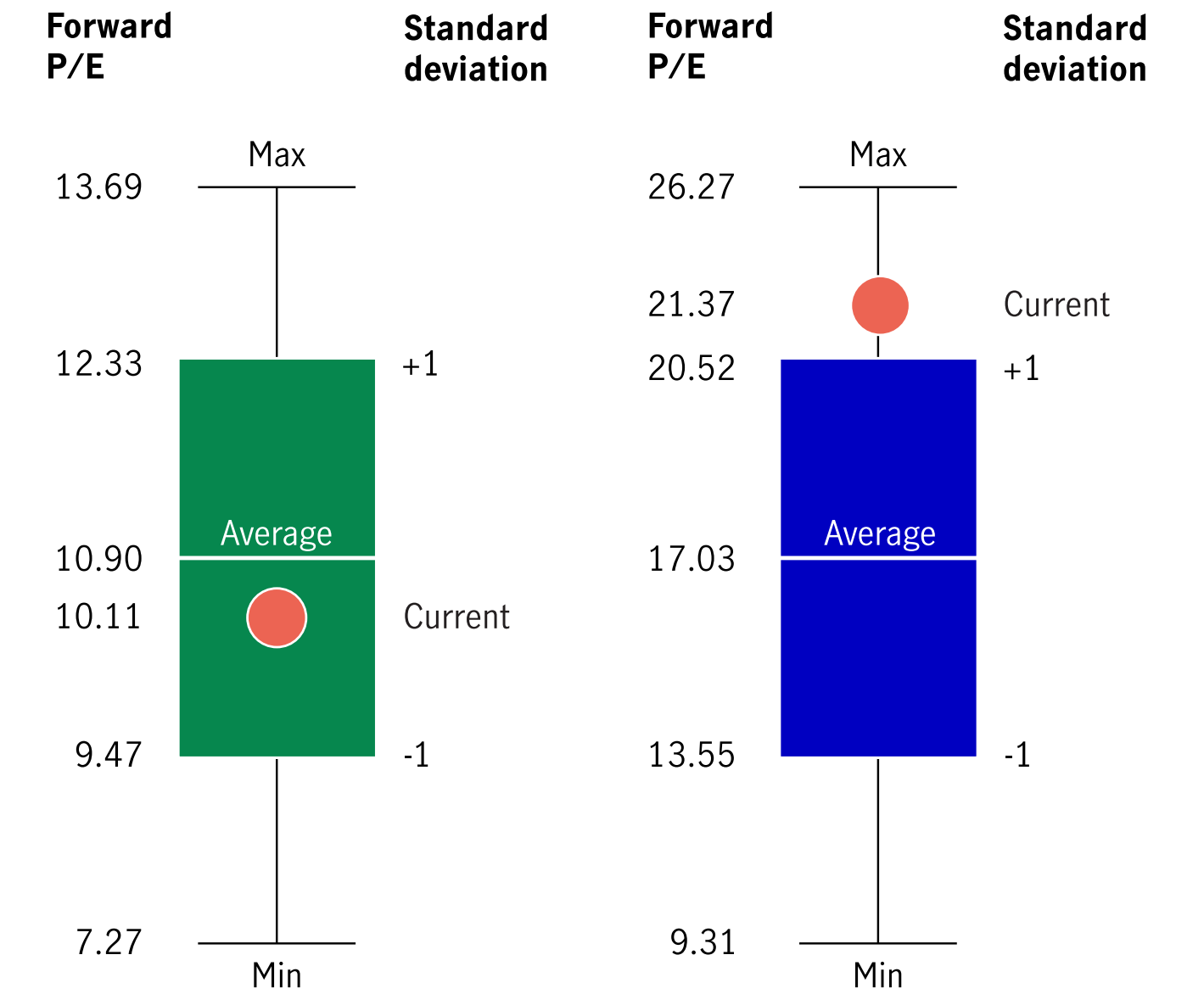


## Over the last 3 years, value earnings have increased faster than growth earnings internationally



## International value stocks look cheap while international growth stocks are pricey

20-year average



Source: FactSet, as of 12/31/24. Earnings per share (EPS) is a measure of how much profit a company has generated calculated by dividing the company's net income by its total number of outstanding shares. The forward price-to-earnings (P/E) ratio is a stock valuation measure comparing the current share price of a stock with the underlying company's estimated earnings per share over the next 12 months. Standard deviation is a statistical measure of the historic volatility of a portfolio. It measures the fluctuation of a fund's periodic returns from the mean or average. The larger the deviation, the larger the standard deviation and the higher the risk. The MSCI Europe, Australasia, and Far East (EAFE) Value Index tracks the performance of large- and mid-cap securities exhibiting overall value style characteristics across developed-market countries around the world, excluding the United States and Canada. The MSCI Europe, Australasia, and Far East (EAFE) Growth Index tracks the performance of growth-oriented large- and mid-cap stocks of companies in those regions. It is not possible to invest directly in an index. Past performance does not guarantee future results.



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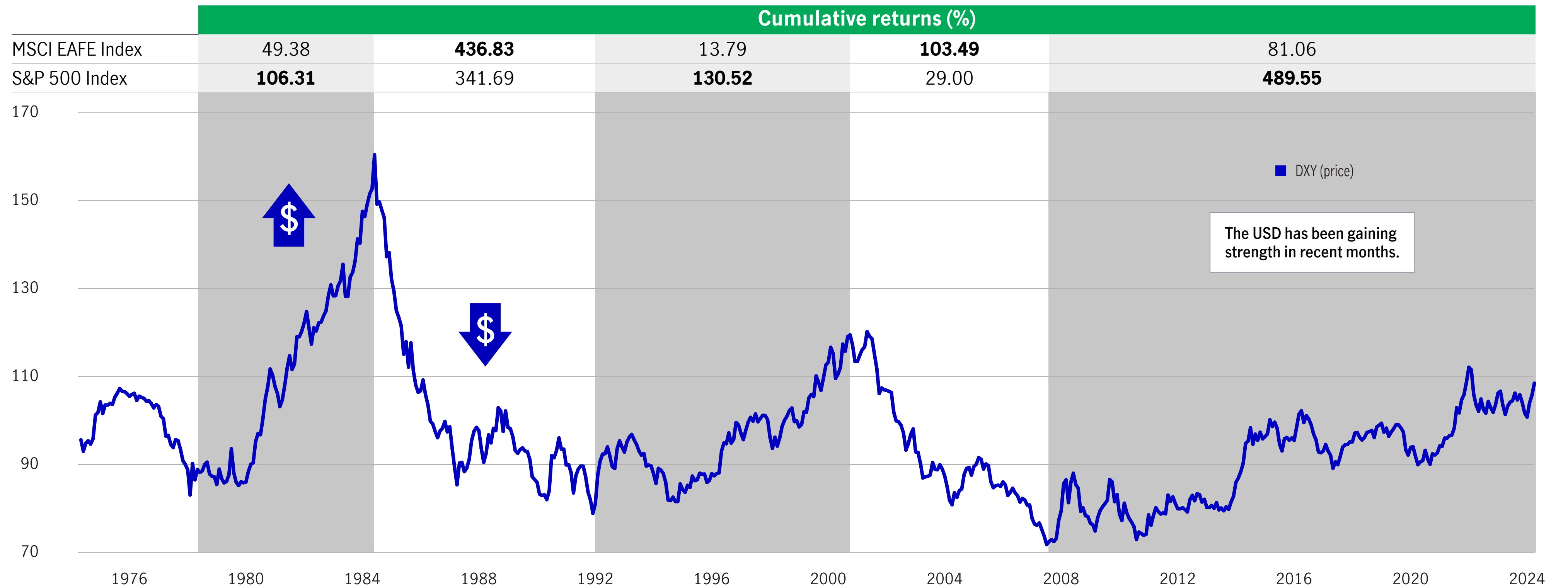
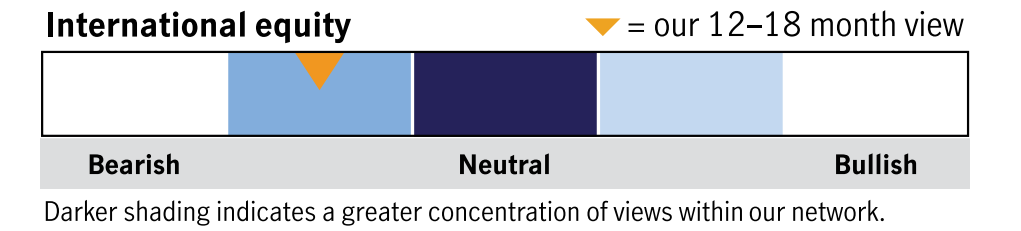
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# The U.S. dollar's direction can have a meaningful impact on relative performance



Source: FactSet, as of 12/31/24. The U.S. Dollar Index (DXY) tracks the performance of the U.S. dollar (USD) relative to the value of a basket of world currencies. International equities are represented by the MSCI Europe, Australasia, and Far East (EAFE) Index, which tracks the performance of large- and mid-cap stocks of companies in those regions. U.S. equities are represented by the S&P 500 Index, which tracks the performance of 500 of the largest publicly traded companies in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results.



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# Fixed income: emphasizing high-quality bonds over credit

Late-cycle dynamics call for a targeted approach.

## Our 12–18 month view: SLIGHTLY POSITIVE

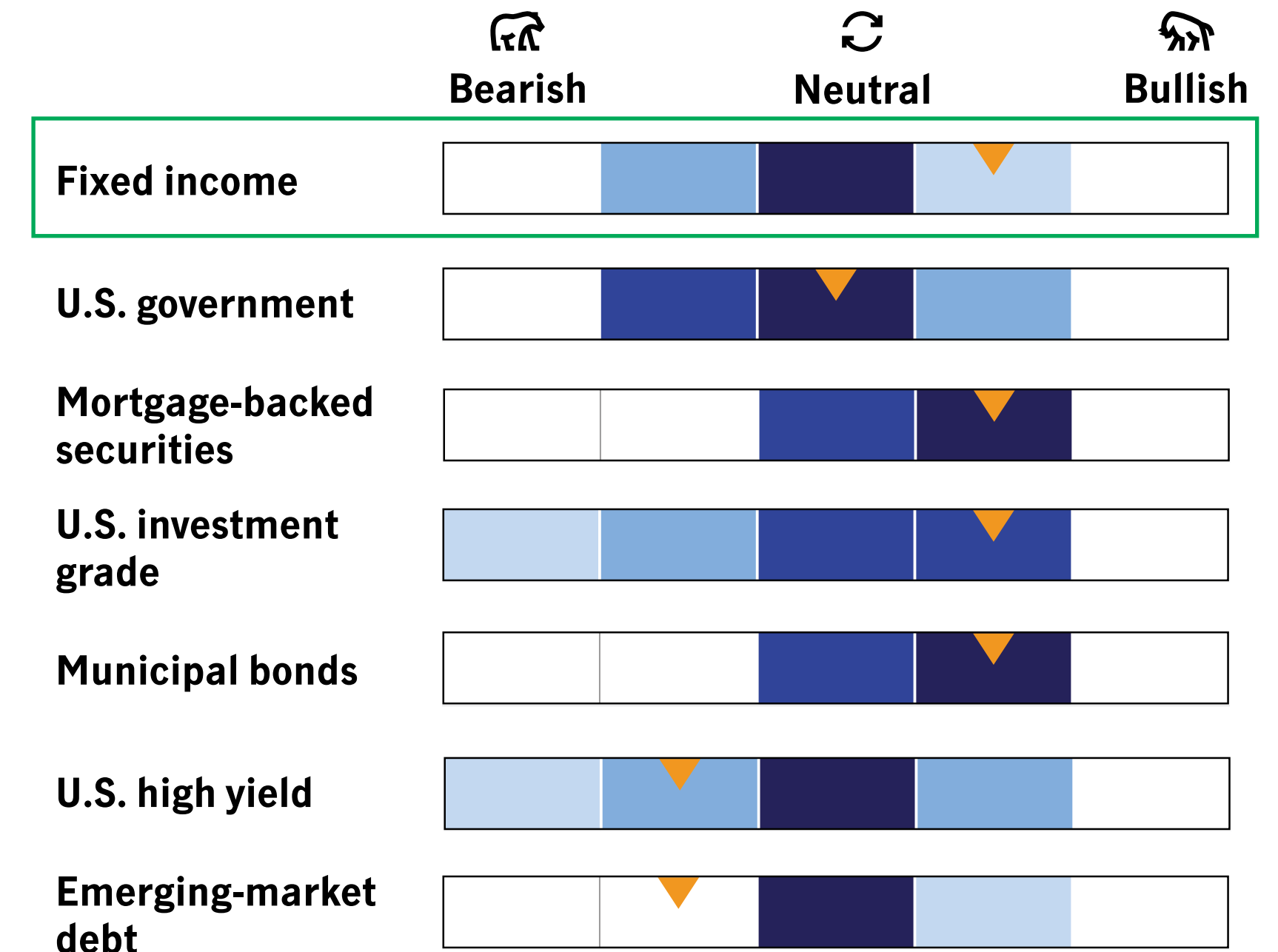
In Q1 2023, we moved to a slightly positive view on fixed income from neutral. Within fixed income, we downgraded our view on high-yield bonds and bank loans and upgraded our view on municipal bonds and mortgage-backed securities (MBS). We continue to maintain an overweight in investment-grade corporate bonds.

### What's inside

- ⌚ The Fed is now balancing inflation risk and employment risk
- ⌚ The Fed may slow rate cuts in 2025, but history suggests rates could be lower by the cycle's end
- ⌚ High-quality bonds are now offering historically elevated yields
- ⌚ Today's math looks like it has the potential to be favorable for high-quality bonds
- ⌚ Starting yield has historically been a major driver of bonds' 5-year total returns
- ⌚ Investment-grade corporates are still trading at prices that are at a discount to par
- ⌚ Muni yields remain elevated, with potential opportunities across the credit spectrum
- ⌚ Investors aren't likely to be compensated for taking on risk of lower-quality securities
- ⌚ While there is extra income potential, EM debt can have greater risk
- ⌚ Cash balances have increased even as more attractive total return potential is available in high-quality bonds
- ⌚ Adding alternatives in a late-cycle environment can help reduce portfolio risk

## Range of views from our network

Darker shading indicates a greater concentration of views within our network.



**Changes to network views:** During the fourth quarter, the consensus view on bonds became increasingly neutral as positive conviction waned. Within fixed income, our network remained neutral on U.S. Treasuries, emerging-market debt, and high-yield bonds and slightly positive on MBS, investment-grade corporates, and municipal bonds.

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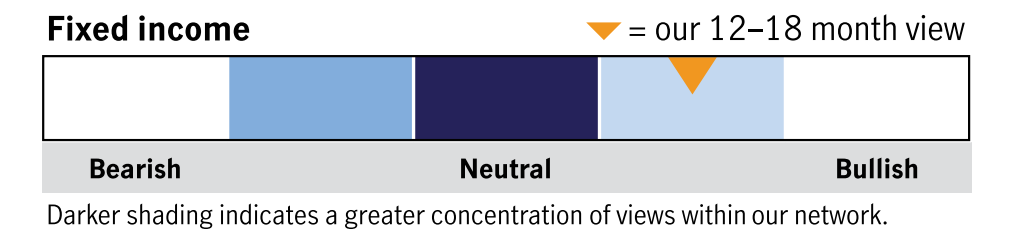
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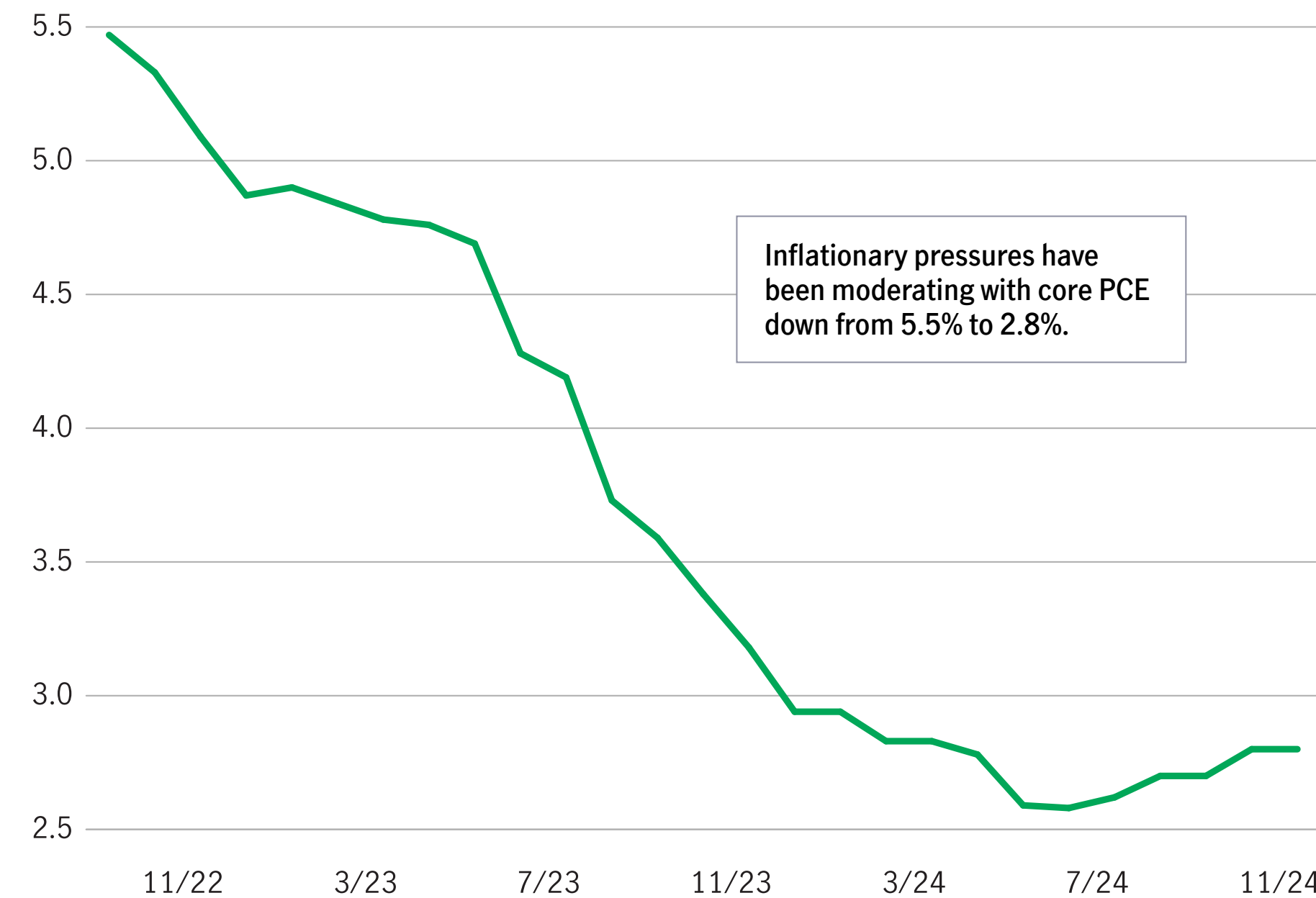
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# The Fed is now balancing inflation risk and employment risk

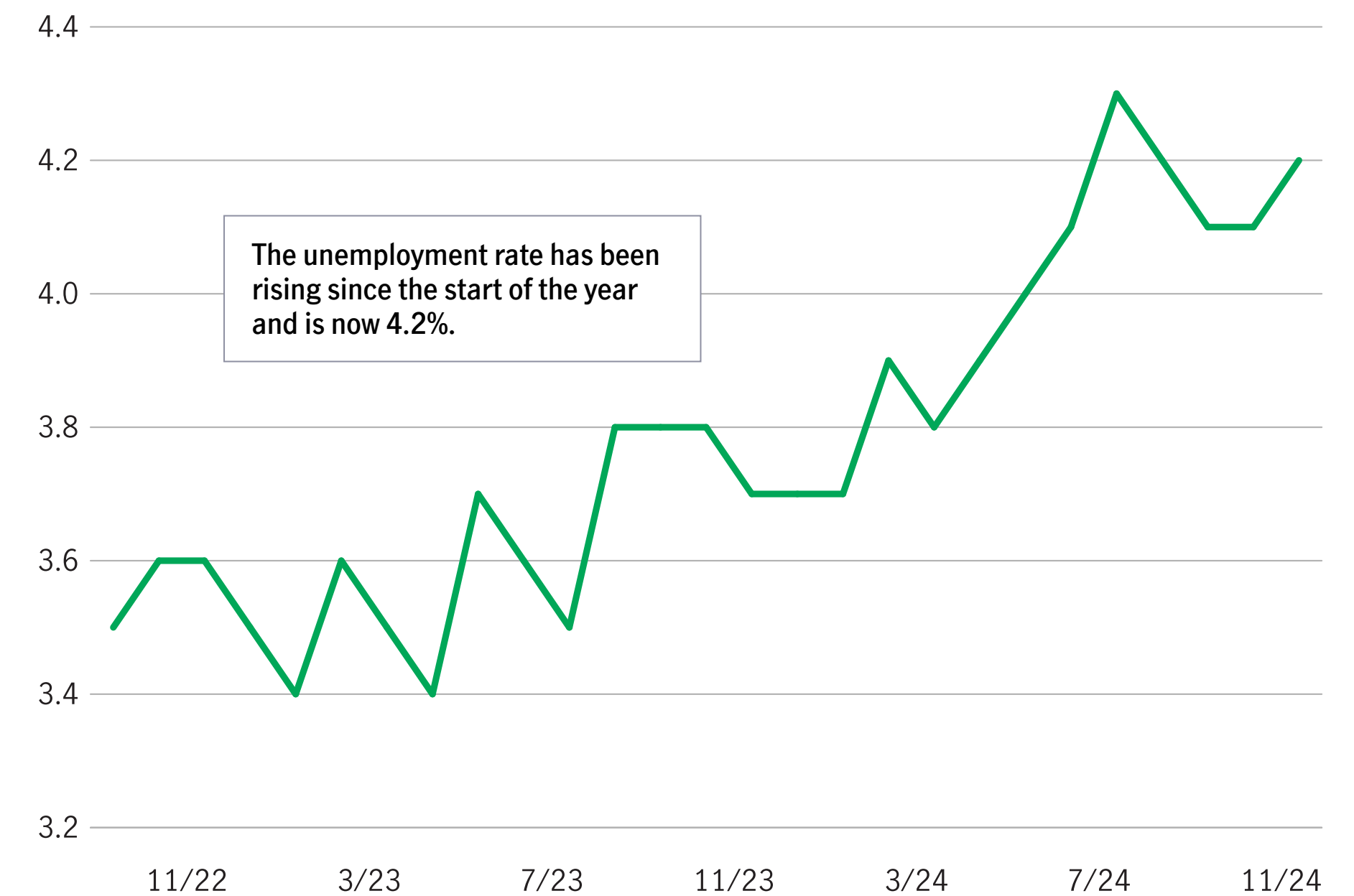


The Fed has been successful in dampening inflation, but cracks in the labor market are starting to show

Core PCE, YoY (%)



Unemployment rate (%)



Source: FactSet, as of 11/30/24. The Core Personal Consumption Expenditure (PCE) Price Index tracks the changes in prices paid by consumers for goods and services, excluding more volatile food and energy prices. It is not possible to invest in an index. Past performance does not guarantee future results.



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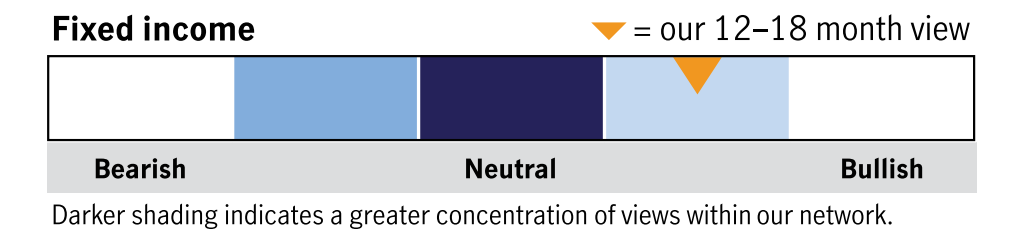
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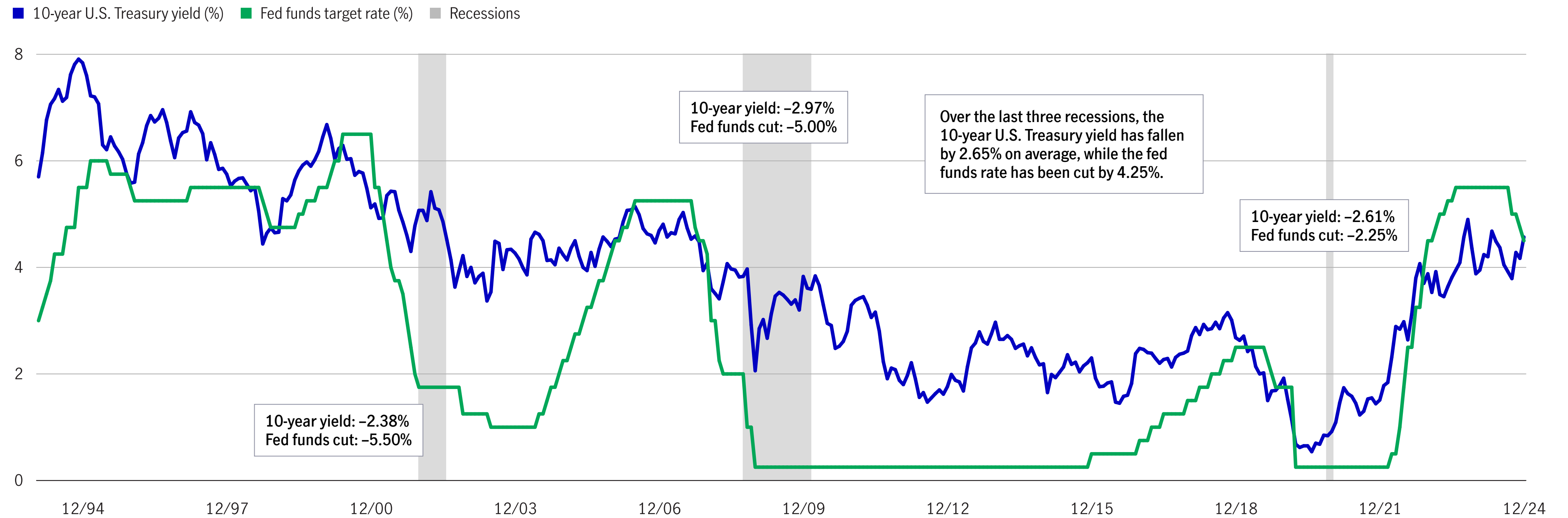
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# The Fed may slow rate cuts in 2025, but history suggests rates could be lower by the cycle's end



### The fed funds target rate tends to fall further than the 10-year U.S. Treasury yield once the Fed shifts policy



Source: FactSet, as of 12/31/24. Fed refers to the U.S. Federal Reserve. Past performance does not guarantee future results.



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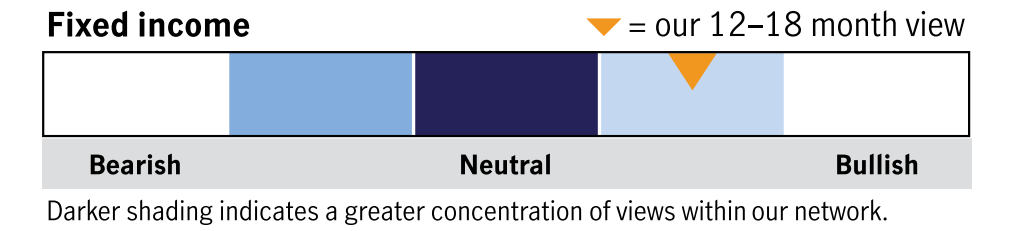
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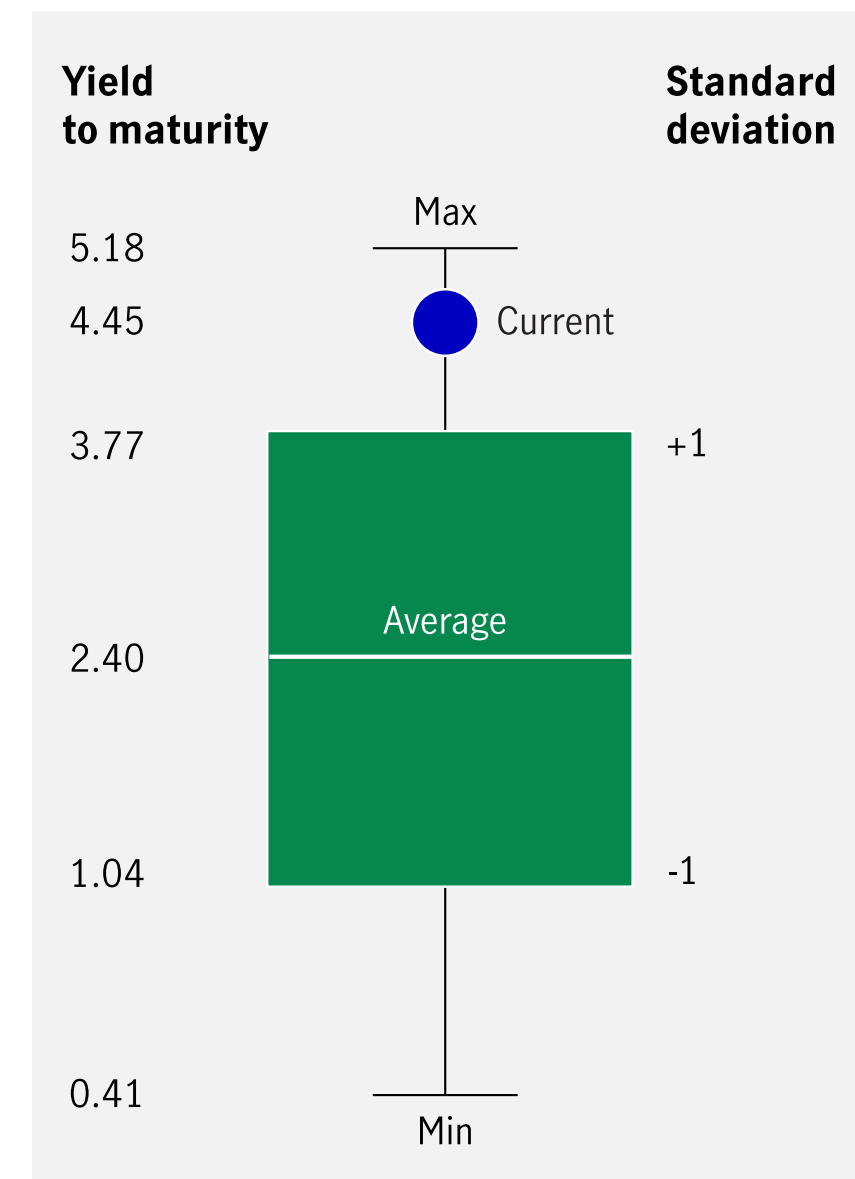
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# High-quality bonds are now offering historically elevated yields

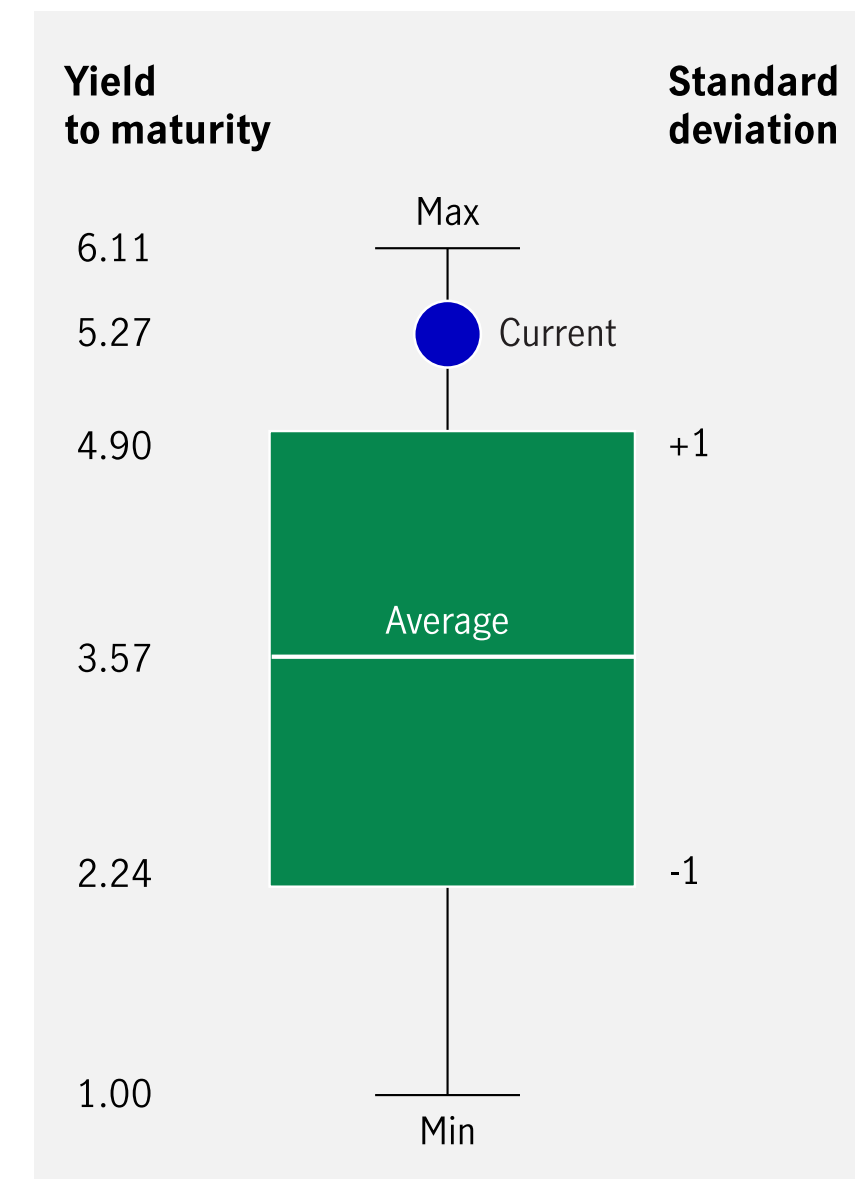


## Some fixed-income yields remain elevated above their 20-year average

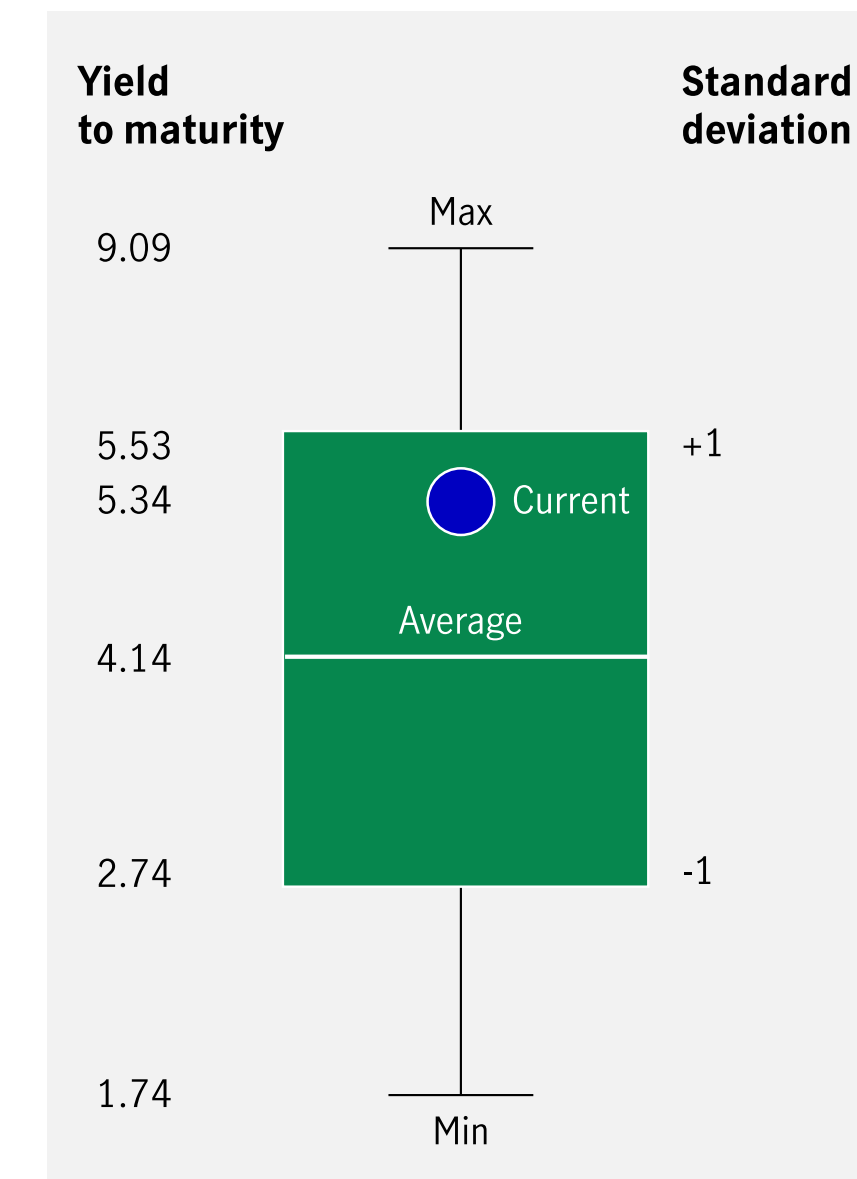
### Bloomberg U.S. Aggregate Government/Treasury Index



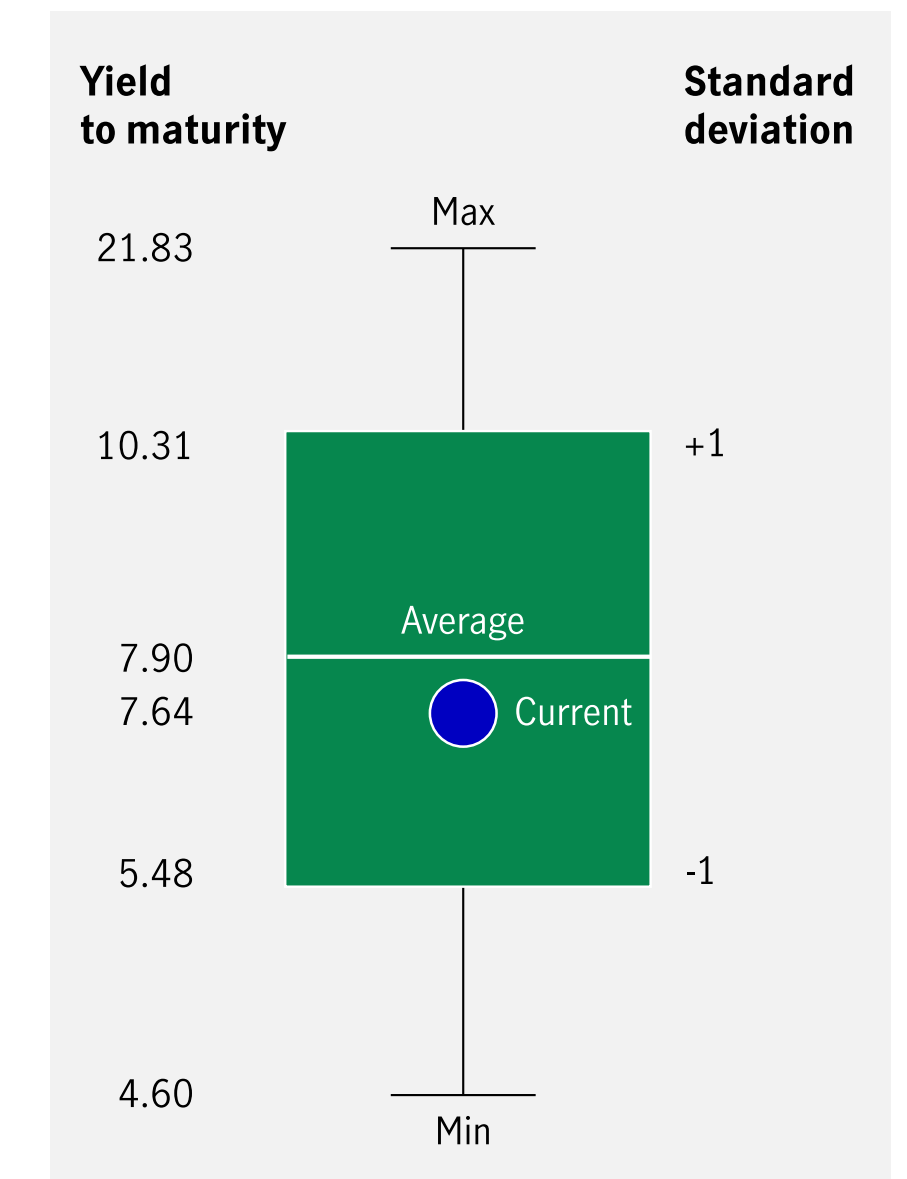
### Bloomberg U.S. Aggregate Securitized MBS Index



### Bloomberg U.S. Corporate IG Index



### Bloomberg U.S. Corporate HY Index



Source: FactSet, as of 12/31/24. The Bloomberg U.S. Aggregate Government/Treasury Index tracks the performance of public obligations of the U.S. Treasury comprising U.S. Treasury bonds and notes across maturities ranging from one to thirty years. The Bloomberg U.S. Aggregate Securitized Mortgage-Backed Securities (MBS) Index tracks the performance of investment-grade U.S. securitized MBS. The Bloomberg U.S. Corporate Investment Grade (IG) Index tracks the performance of the IG, fixed-rate, taxable corporate bond market. The Bloomberg U.S. Corporate High Yield (HY) Index tracks the performance of U.S. HY corporate bonds. It is not possible to invest directly in an index. Standard deviation is a statistical measure of the historic volatility of a portfolio. It measures the fluctuation of a fund's periodic returns from the mean or average. The larger the deviation, the larger the standard deviation and the higher the risk. Past performance does not guarantee future results.



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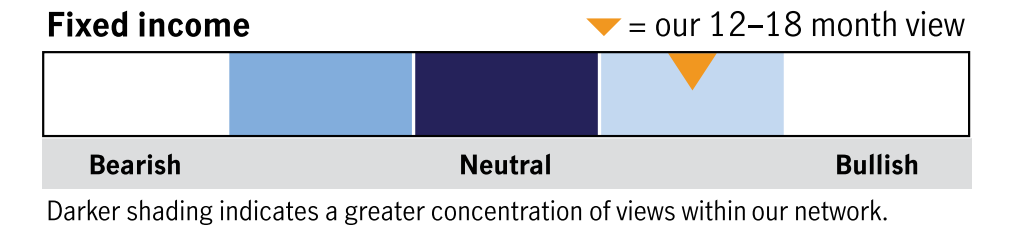
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# Today's math looks like it has the potential to be favorable for high-quality bonds



**Elevated yields have created an asymmetric total return profile, with the potential for both income and price appreciation**

Bloomberg U.S. Aggregate Bond Index (%)	
Yield	4.91
Duration	6.02
10-year U.S. Treasury yield	4.57

10-year U.S. Treasury yield scenarios	6.00	5.50	5.00	4.50	4.00	3.50	3.00	2.50	2.00	1.50	1.00	0.50
<b>Agg 12-month total return (Duration return + Yield)</b>	<b>-3.70</b>	<b>-0.69</b>	2.32	5.33	8.34	11.35	14.36	17.37	20.38	23.39	26.40	29.41

Hypothetical performance only, assumes no spread changes and holds the U.S. Treasury yield curve constant. The green cells indicate positive hypothetical performance over the designated time period, with darker shading indicating a higher positive return. The red cells indicate negative performance over the designated time period, with darker shading indicating a lower negative return.

Source: Morningstar Direct, as of 12/31/24. The Bloomberg U.S. Aggregate Bond Index (Agg) tracks the performance of U.S. investment-grade bonds in government, asset-backed, and corporate debt markets. It is not possible to invest directly in an index. An inverted yield curve occurs when short-term interest rates move higher than long-term rates as a result of deteriorating economic performance. Duration measures the sensitivity of the price of bonds to a change in interest rates. Past performance does not guarantee future results.



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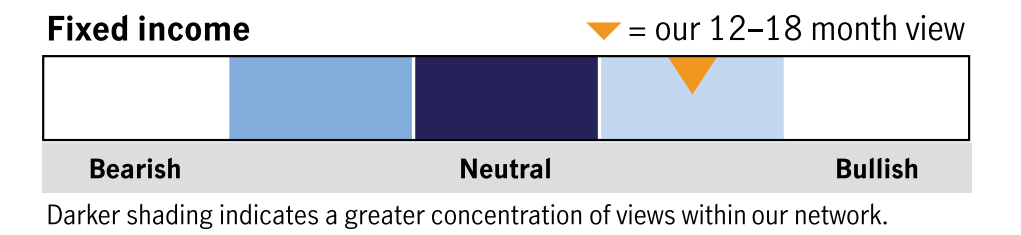
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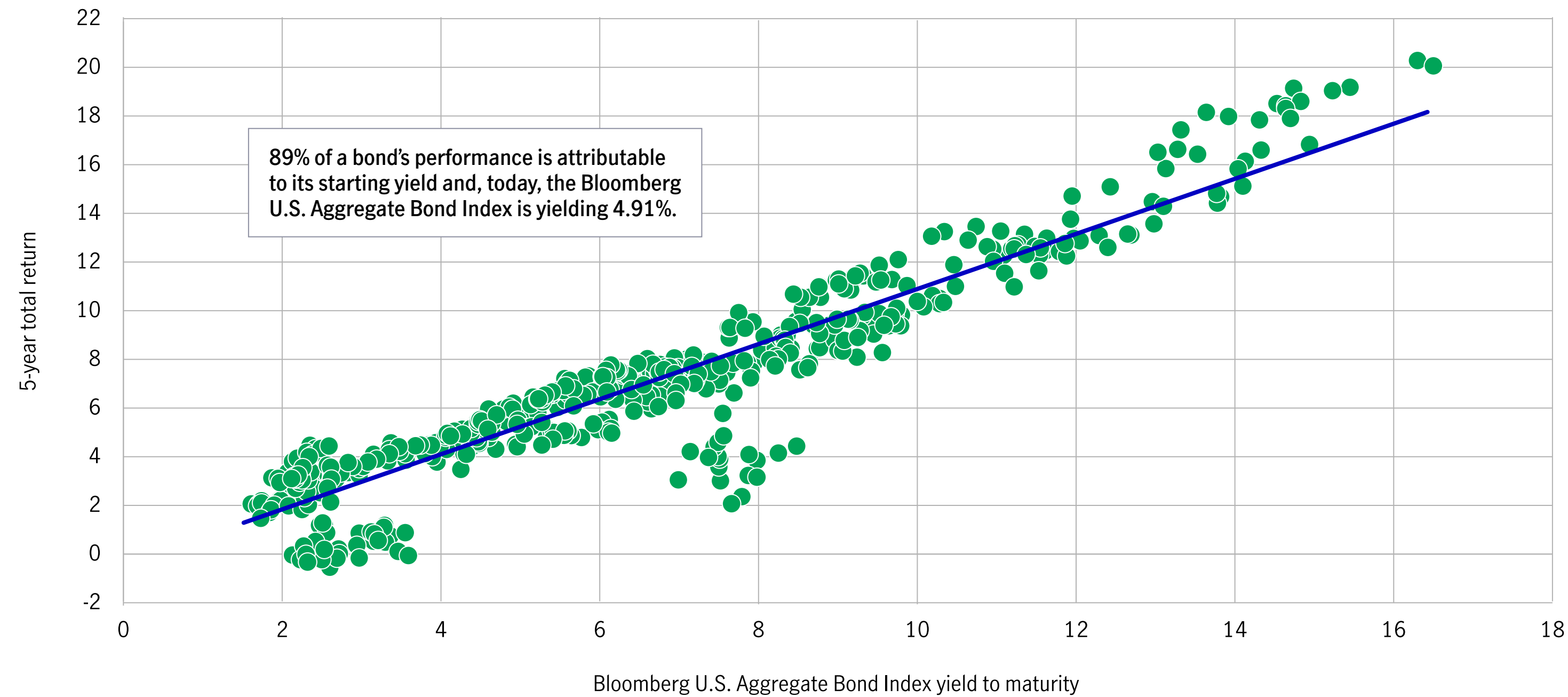
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# Starting yield has historically been a major driver of bonds' 5-year total returns



### Correlation of 5-year total return vs. starting yield to maturity for the Bloomberg U.S. Aggregate Bond Index (%)



### Largest Bloomberg U.S. Aggregate Bond Index drawdowns

Month ended	Drawdown (%)
November 2016	-3.28
July 2003	-3.55
August 2013	-3.67
October 2008	-3.83
May 1984	-4.88
September 1987	-4.90
June 1994	-5.15
August 1980	-12.74
October 2022	-15.72

Source: FactSet, as of 12/31/24. The Bloomberg U.S. Aggregate Bond Index tracks the performance of U.S. investment-grade bonds in government, asset-backed, and corporate debt markets. It is not possible to invest directly in an index. Drawdown is a measure of market declines from a peak to a subsequent trough. Month of trough is shown. Correlation is a statistical measure that describes how investments move in relation to each other, which ranges from -1.0 to 1.0. The closer the number is to 1.0 or -1.0, the more closely the two investments are related. Past performance does not guarantee future results.



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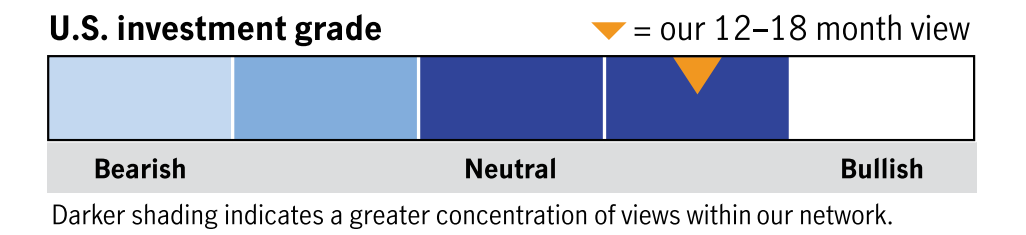
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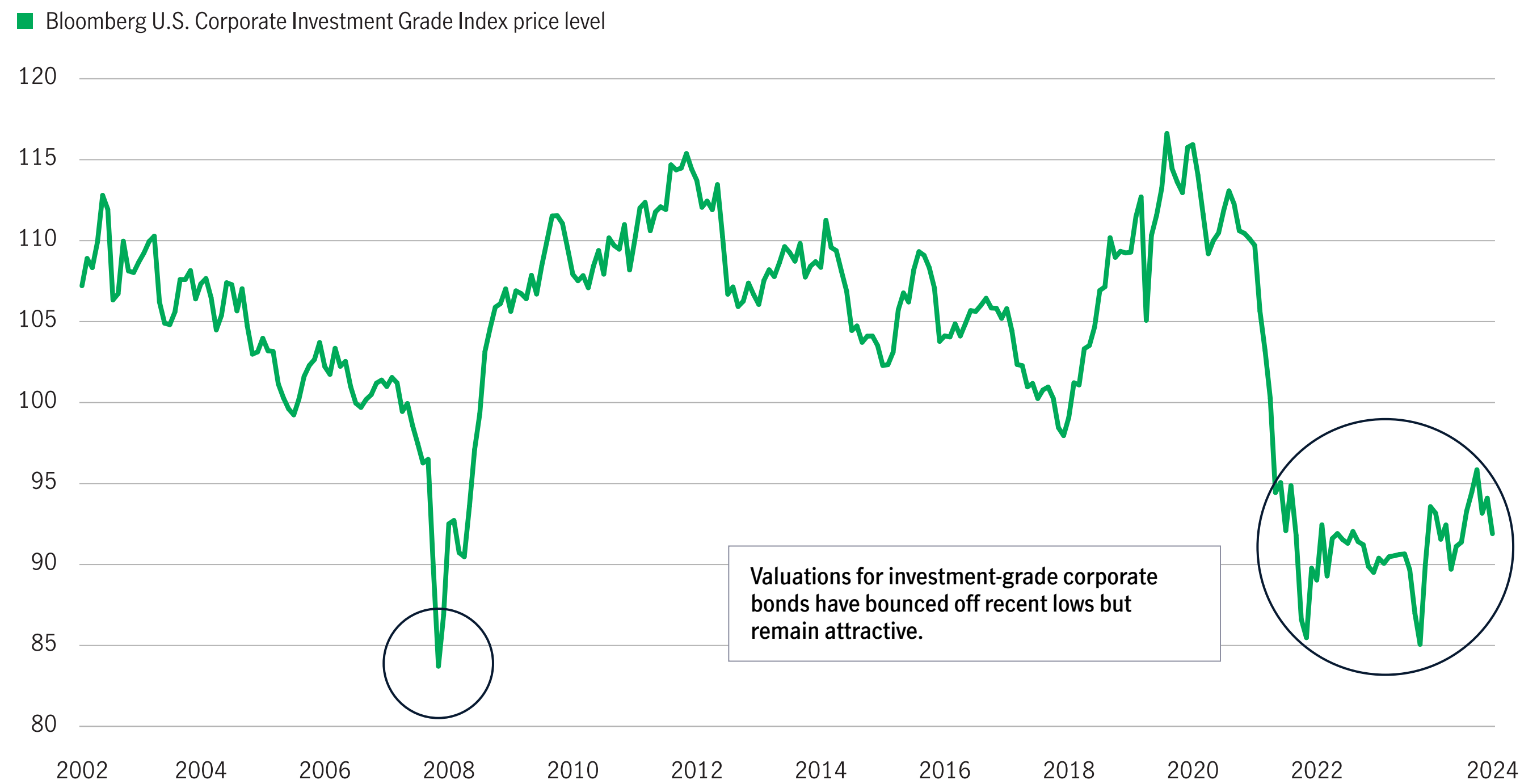
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# Investment-grade corporates are still trading at prices that are at a discount to par



## High-quality corporate bonds have rarely traded at valuations this low



## We prefer higher-quality corporates with yields in the 4%–5% range, especially A-rated issues

Bloomberg index/segment	Yield to maturity (%)
U.S. Corporate AAA	4.45
U.S. Corporate AA	4.58
U.S. Corporate A	4.91
U.S. Corporate Investment Grade	5.06
U.S. Corporate BAA	5.28
U.S. Credit/Corporate High Yield BA	6.42
U.S. High Yield Corporate	7.80
U.S. Credit/Corporate High Yield B	7.67
U.S. Credit/Corporate High Yield CAA	12.61

Source: FactSet, as of 12/31/24. The Bloomberg U.S. Corporate Investment Grade (IG) Index tracks the IG, fixed-rate, taxable corporate bond market. It is not possible to invest directly in an index. Past performance does not guarantee future results.



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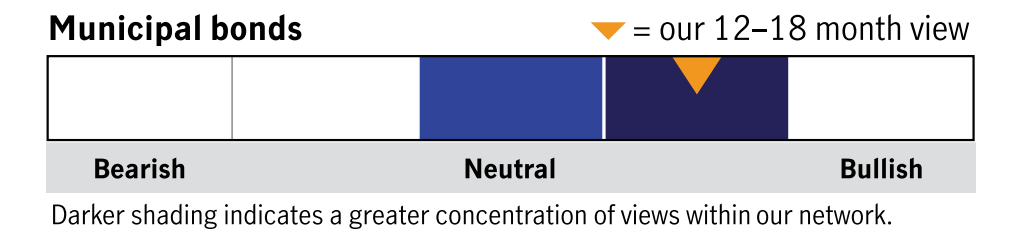
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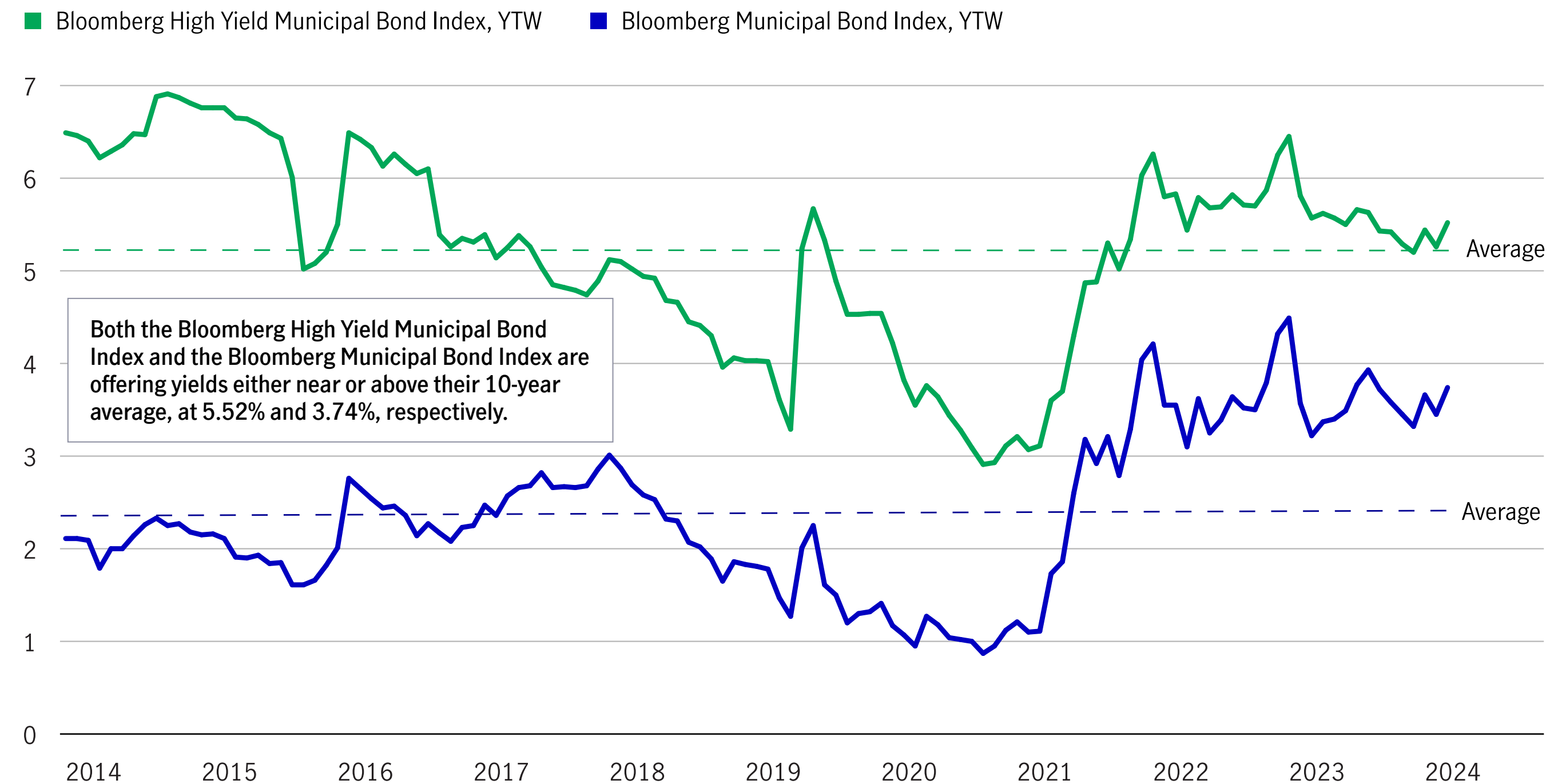
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# Muni yields remain elevated, with potential opportunities across the credit spectrum



## Municipal bond yields are historically attractive, even before accounting for tax benefits (%)



Our preference is for A-rated munis given their combination of attractive yield and higher credit quality

## Bloomberg Municipal Bond Index yields by credit rating (%)

AAA	3.60
AA	3.61
<b>A</b>	<b>3.99</b>
BAA	4.49

Source: FactSet, as of 12/31/24. Yield to worst (YTW) is the lowest potential yield calculated by taking into account an issue's optionality, such as prepayment or calls. The Bloomberg Municipal Bond Index tracks the performance of the U.S. investment-grade tax-exempt bond market. The Bloomberg High Yield (HY) Municipal Bond Index tracks the performance of municipal bonds rated below investment grade (BBB/Baa) and those that are unrated. It is not possible to invest directly in an index. Past performance does not guarantee future results.



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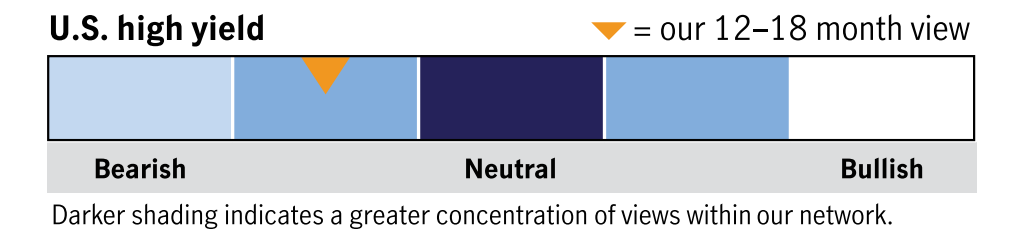
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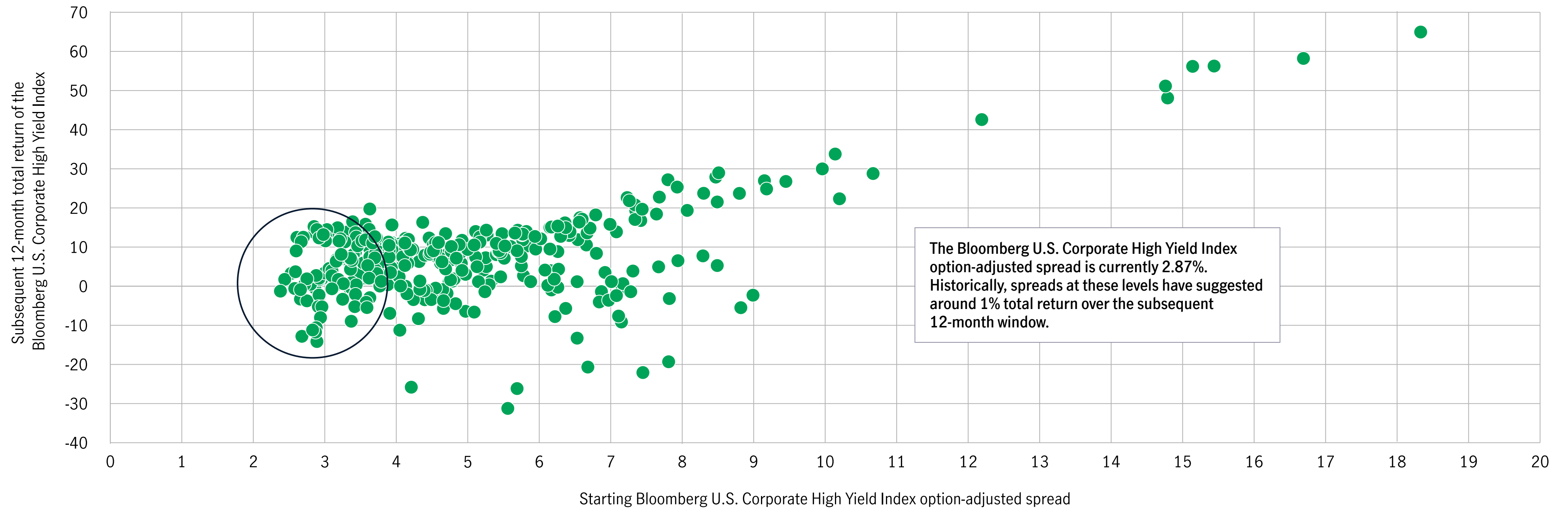
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# Investors aren't likely to be compensated for taking on risk of lower-quality securities



High-yield spreads relative to U.S. Treasuries are near historic lows (%)



Source: Morningstar Direct, as of 12/31/24. Past performance does not guarantee future results. The Bloomberg U.S. Corporate High Yield (HY) Index tracks the performance of U.S. HY corporate bonds. It is not possible to invest directly in an index.



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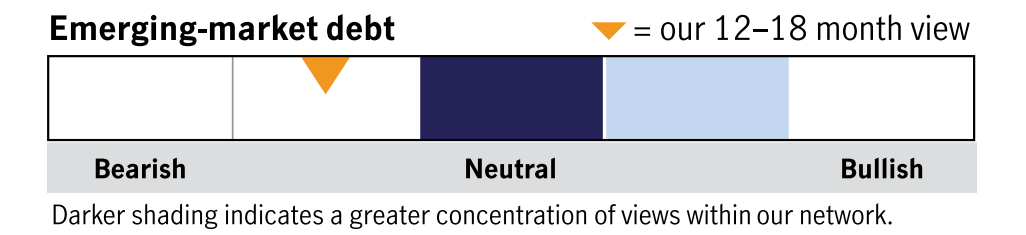
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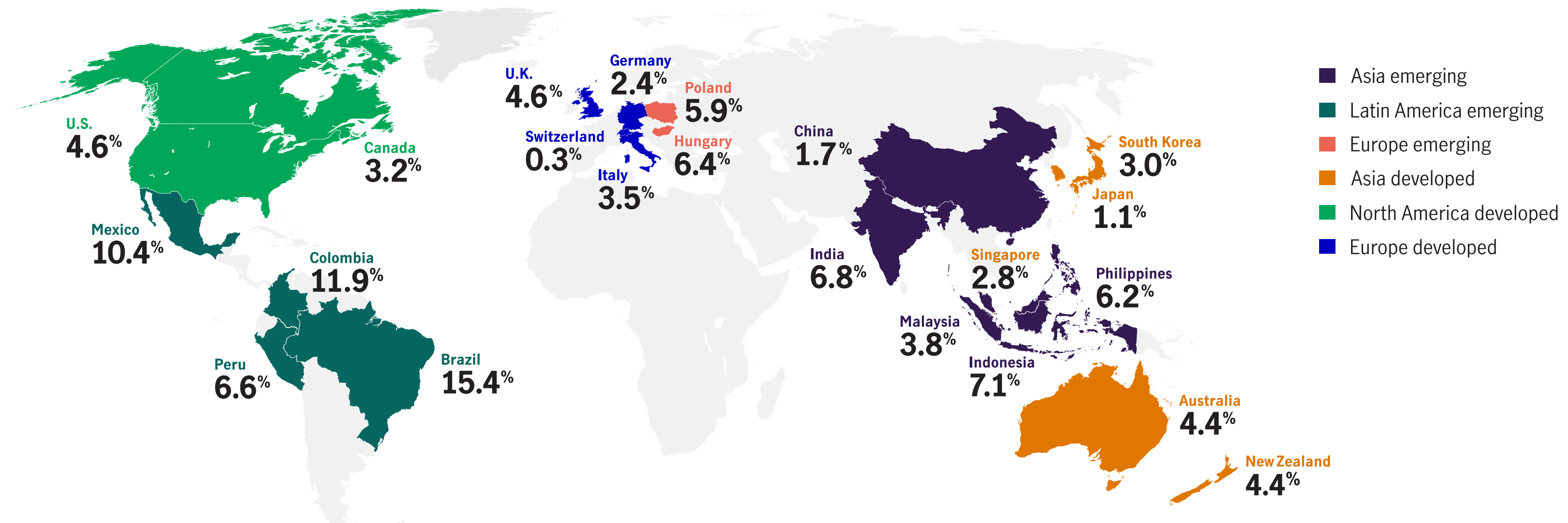
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# While there is extra income potential, EM debt can have greater risk



## 10-year government bond yields



Source: FactSet, as of 12/31/24. Foreign investing, especially in emerging markets, has additional risks such as currency and market volatility and political and social instability. EM refers to emerging market. Past performance does not guarantee future results.

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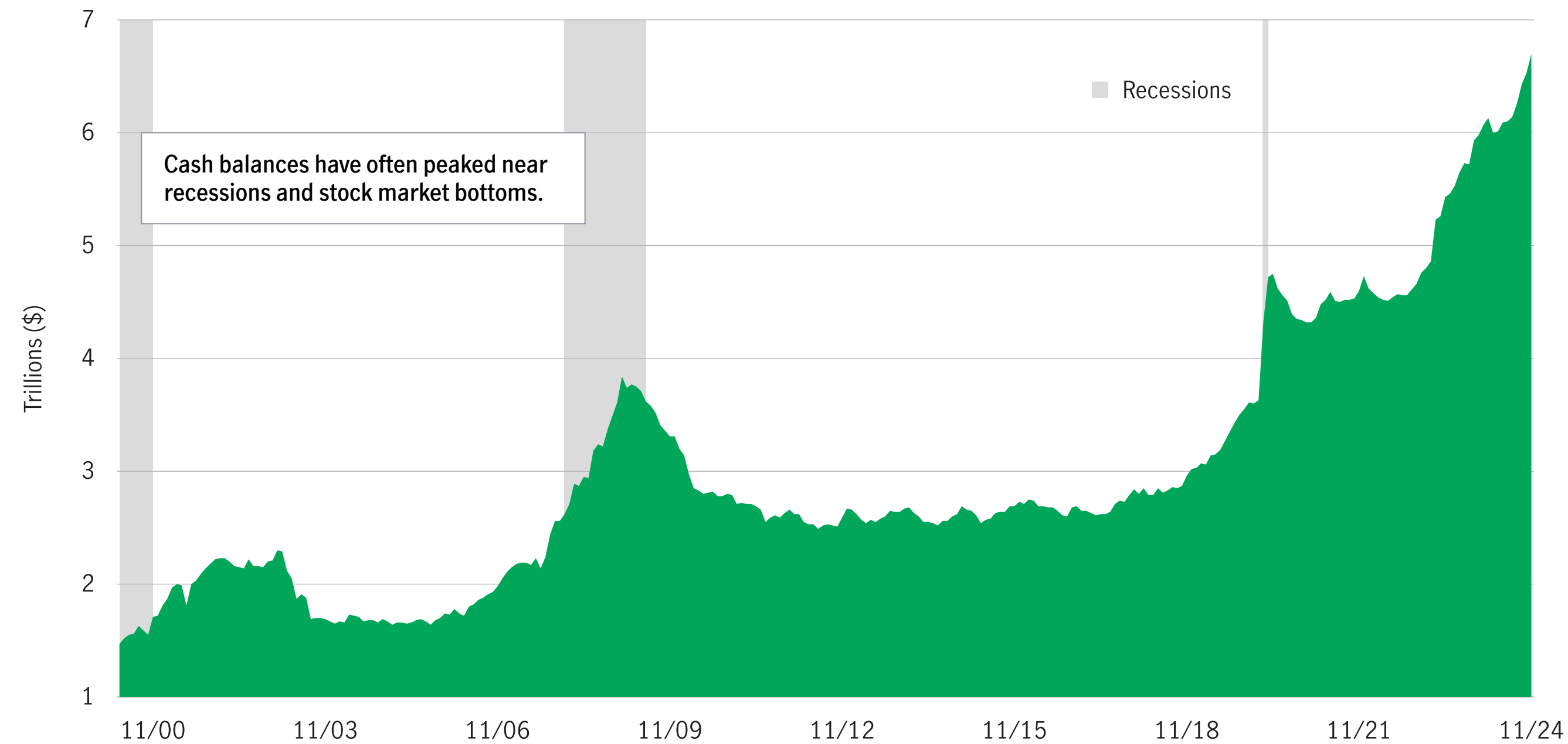
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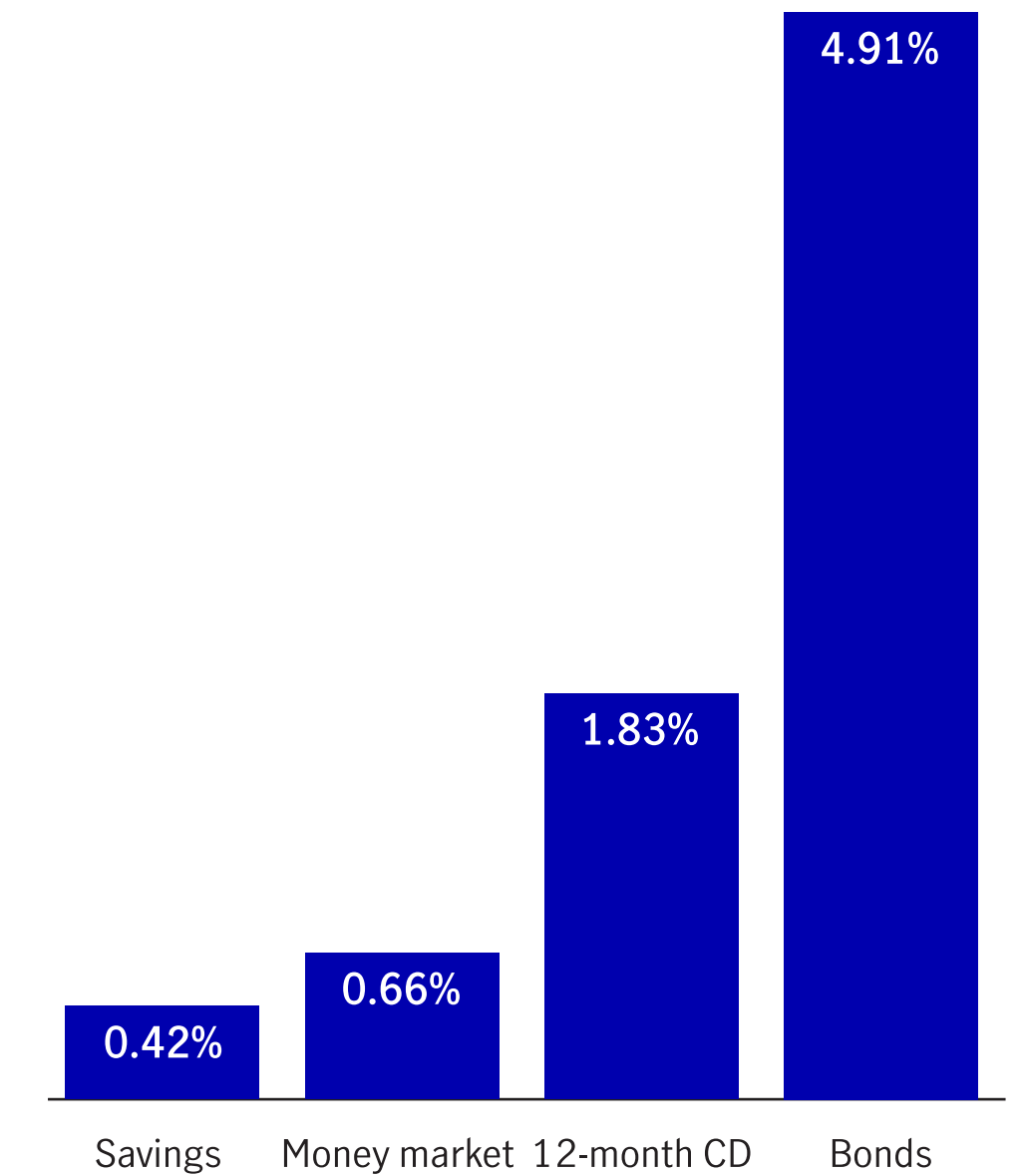
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# Cash balances have increased even as more attractive total return potential is available in high-quality bonds

Money market assets remain at all-time highs, with balances nearing \$7 trillion



Although rates on cash alternatives are up, they still lag bond yields



Source: FactSet, as of 12/31/24. Savings, money market, and 12-month certificate of deposit (CD) rates are measured by the FDIC national averages. Bond yields are represented by the Bloomberg U.S. Aggregate Bond Index, which tracks the performance of U.S. investment-grade bonds in government, asset-backed, and corporate debt markets. It is not possible to invest directly in an index. Past performance does not guarantee future results.



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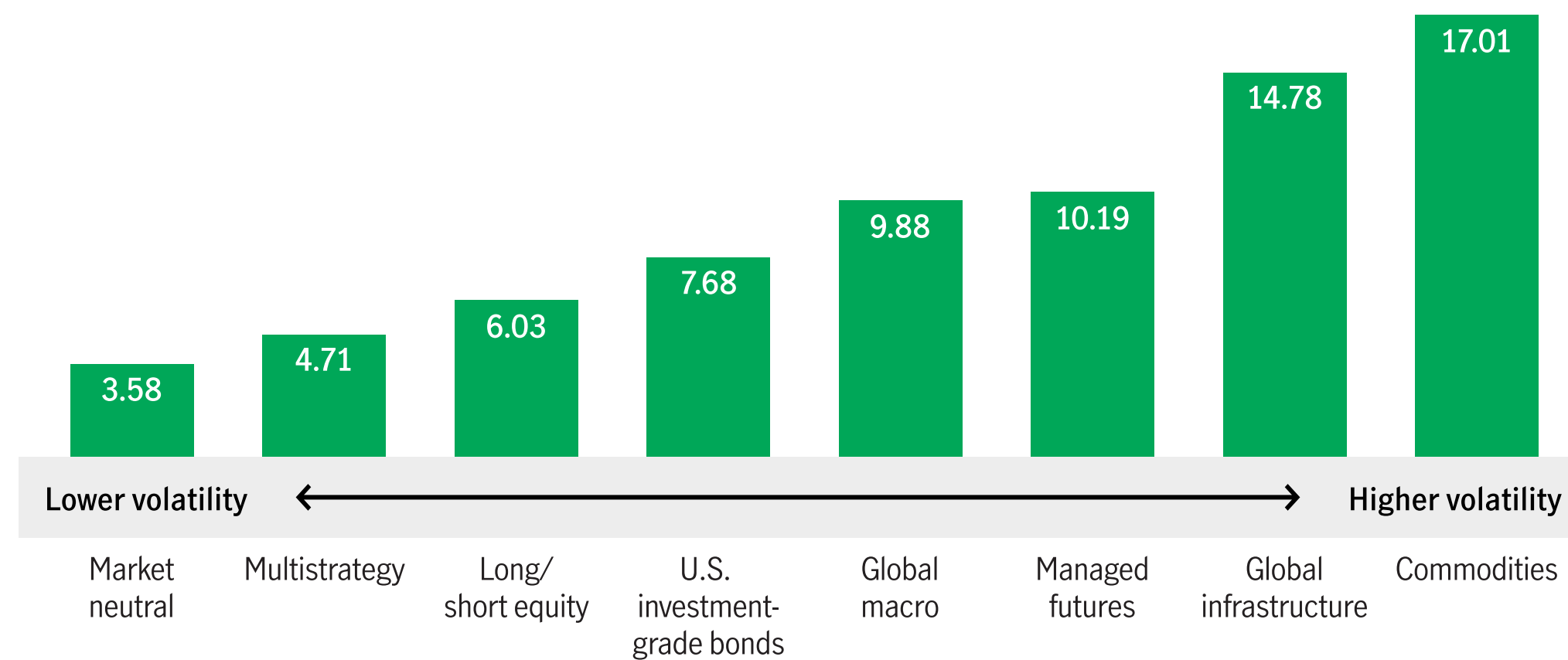
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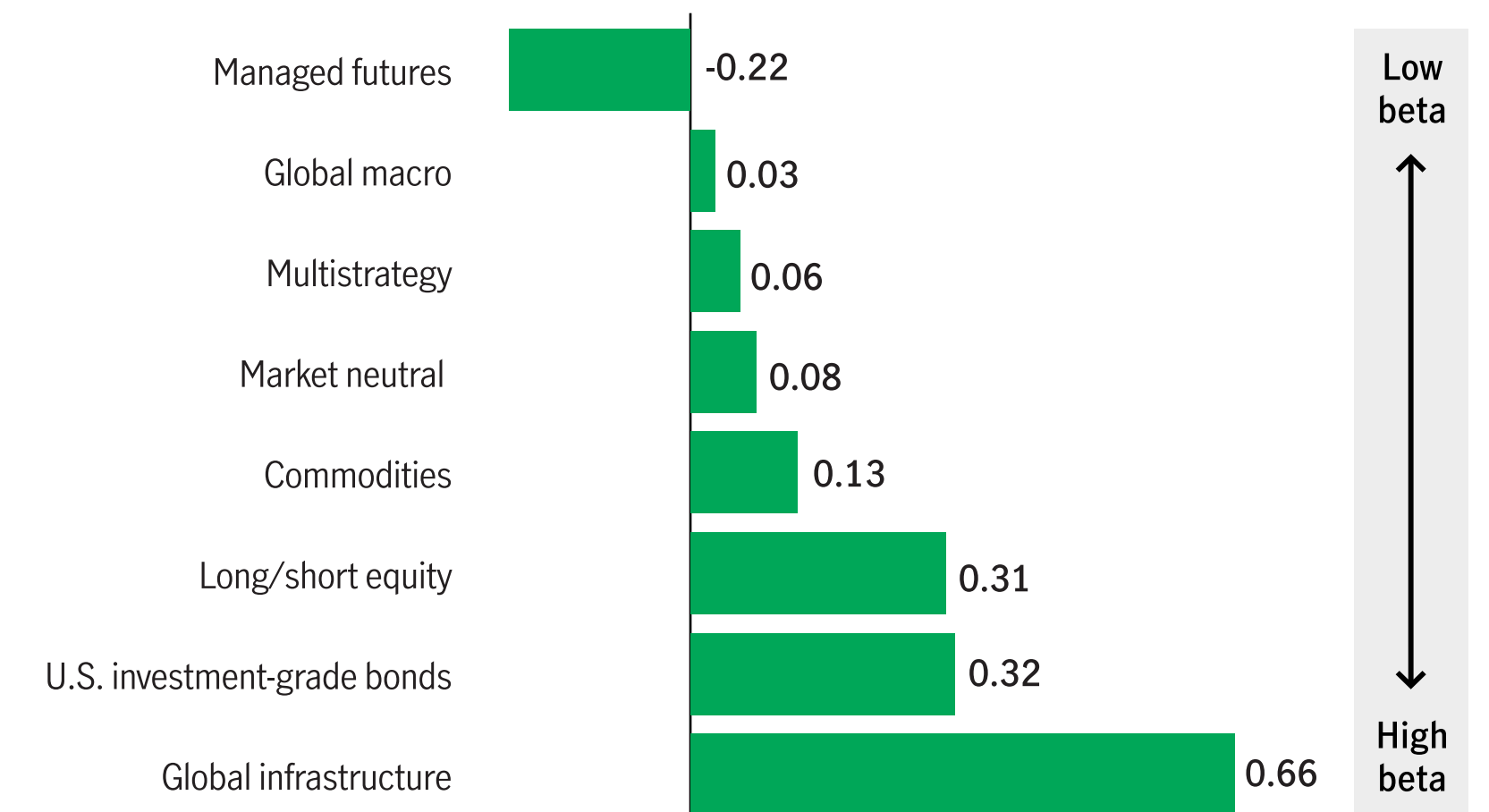
# Adding alternatives in a late-cycle environment can help reduce portfolio risk

Consider allocating to alternatives that can help lower volatility or reduce a portfolio's equity market beta—or both

5-year monthly annualized standard deviation (%)



Beta vs. S&P 500 Index



Source: FactSet, as of 12/31/24. Standard deviation is a statistical measure of the historic volatility of a portfolio. It measures the fluctuation of a fund's periodic returns from the mean or average. The larger the deviation, the larger the standard deviation and the higher the risk. Beta measures the sensitivity of the fund to its benchmark. The beta of the market (as represented by the benchmark) is 1.00. Accordingly, a fund with a 1.10 beta is expected to have 10% more volatility than the market. U.S. large-cap equities are measured by the S&P 500 Index, which tracks the performance of 500 of the largest publicly traded companies in the United States. U.S. investment-grade bonds are represented by the Bloomberg U.S. Aggregate Bond Index, which tracks the performance of U.S. investment-grade bonds in government, asset-backed, and corporate debt markets. Market neutral is represented by the Credit Suisse Equity Market Neutral Hedge Fund Index, which tracks the aggregate performance of equity market neutral funds. Multistrategy is represented by the Credit Suisse Multi-Strategy Hedge Fund Index, which tracks the aggregate performance of multistrategy funds. Managed futures are represented by the Credit Suisse Managed Futures Hedge Fund Index, which tracks managed futures hedge funds. Global macro is represented by the Credit Suisse Global Macro Hedge Fund Index, which tracks global macro hedge funds, which may hold positions in practically any market with any instrument. Long/short equity is represented by the Credit Suisse Long/Short Equity Index, a subset of the Credit Suisse Hedge Fund Index, which tracks the aggregate performance of dedicated short bias funds. Global infrastructure is represented by the MSCI World Infrastructure Index, which tracks the global opportunity set of companies that are owners or operators of infrastructure assets. Commodities are represented by the S&P GSCI Total Return Index, which tracks general commodity price movements and inflation in the world economy. It is not possible to invest directly in an index. Past performance does not guarantee future results.



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# Our top portfolio ideas to consider now

## U.S. quality at a reasonable price

Emphasizing companies with a combination of strong balance sheets and reasonable multiples should help position portfolios for the late-cycle economic environment in the United States.

## U.S. mid caps

In our opinion, mid-cap stocks occupy a Goldilocks position in the U.S. equity market, with generally higher quality than small caps and more attractive valuations than large caps.

## International value equities

Across non-U.S. equities, value stocks are cheaper relative to their history and are showing better earnings upgrades.

## High quality for fixed income

We're finding value in targeted high-quality segments of the fixed-income market, including municipal bonds, mortgage-backed securities, and investment-grade corporates.

Diversification does not guarantee a profit or eliminate the risk of a loss.



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# Our investment strategists

As co-chief investment strategists, Emily and Matt are responsible for developing and delivering timely market and economic insight to financial professionals and institutional investors across the country. Together, they lead the development of John Hancock Investment Management's flagship quarterly market outlook, *Market Intelligence*. In doing so, they combine insight from the firm's global network of asset managers, independent research firms, broker-dealers, and banks with top-down fundamental and macro analysis. They're featured regularly on CNBC and Bloomberg TV and are quoted frequently in the financial press.



## Emily R. Roland, CIMA

Co-Chief Investment Strategist

 [Emily Roland](#)

Emily has over 20 years of industry experience. She joined the company's investments division in 2004 and has held several positions in product management, competitive intelligence, and market and industry research. Prior to joining John Hancock, she held roles at GMO and the Boston Stock Exchange. Emily earned an M.B.A. from Boston College and a B.B.A. from James Madison University, and she holds the Certified Investment Management Analyst designation.



## Matthew D. Miskin, CFA

Co-Chief Investment Strategist

 [Matt Miskin](#)

Matt has over 20 years of industry experience. Prior to joining the company's investments division in 2014, he was a manager due diligence analyst at LPL Financial Research, where he was responsible for manager and asset allocation changes related to the firm's recommended list and discretionary models. Matt earned a B.S. in Finance from Elon University and an M.B.A. from Babson College, and he holds the Chartered Financial Analyst designation.

Views are those of Emily R. Roland, CIMA, and Matthew D. Miskin, CFA, of John Hancock Investment Management Distributors LLC and are subject to change. No forecasts are guaranteed. The commentary is provided for informational purposes only, is subject to change as market and other conditions warrant, and is not an endorsement of any security, mutual fund, sector, or index. Any economic or market performance is historical and is not indicative of future results. Investing involves risks, including the potential loss of principal.



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Asset manager views are compiled throughout the preceding calendar quarter through in-person discussions, reviewed research, and on-site visits. These inputs are complemented by third-party research collected during the calendar quarter. Our views reflect John Hancock Investment Management's proprietary weighting of these inputs.

A bearish reading indicates the potential for an asset to underperform its class or subclass on a risk-adjusted basis. A bullish reading indicates the potential for an asset to outperform its class or subclass on a risk-adjusted basis. A neutral reading indicates the potential for performance in line with the asset's historical averages.

*Stocks and bonds can decline due to adverse issuer, market, regulatory, or economic developments; foreign investing, especially in emerging markets, has additional risks, such as currency and market volatility and political and social instability; value stocks may decline in price; growth stocks may be more susceptible to earnings disappointments; the securities of small companies are subject to higher volatility than those of larger, more established companies; and high-yield bonds are subject to additional risks, such as increased risk of default. Fixed-income investments are subject to interest-rate and credit risk; their value will normally decline as interest rates rise or if an issuer is unable or unwilling to make principal or interest payments. Liquidity—the extent to which a security may be sold or a derivative position closed without negatively affecting its market value, if at all—may be impaired by reduced trading volume, heightened volatility, rising interest rates, and other market conditions. Hedging and other strategic transactions may increase volatility and result in losses if not successful. Currency transactions are affected by fluctuations in exchange rates. This material is not intended to be, nor shall it be interpreted or construed as, a recommendation or providing advice, impartial or otherwise. John Hancock Investment Management and our representatives and affiliates may receive compensation derived from the sale of and/or from any investment made in our products and services.*

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