

Manulife Investments

Asset Allocation Outlook

October 2026*

1The latest publication schedule is January, April, July and October. The last update was issued in July 2026.



Table of Contents

Key global themes 3

Asset class overview 5

Active asset allocation views 6

Views on key asset classes 8

Higher yields offer a more attractive opportunity, but we remain underweight duration 11

Key global themes

Three structural forces are shaping markets today: higher rates, resilient growth, and the scarcity premium.

1. Rising rates reset the income equation

- Conflict in the Middle East has reshaped the fixed income landscape. **Central banks have turned more hawkish** as higher energy prices feed through to their economies, lifting policy rates and rate expectations.
- **Bond yields also face pressure from heavier government funding needs** tied to fiscal stimulus and rising corporate issuance from the artificial intelligence (AI) buildout, although government intervention may cap the risks.
- **Higher yields have improved income opportunities,** offering more attractive starting yields than in recent years. While policy uncertainty and curve dynamics warrant selectivity, we prefer high-quality credit and shorter-duration exposures to balance income with risk.

2. Higher rates don't automatically mean lower stock prices

- Historically, equities have often struggled right after a first rate hike. History shows that **weakness is usually temporary.**
- As investors refocus on earnings and economic growth, **markets have typically recovered and moved higher** through past hiking cycles.
- Rising rates aren't the problem. **The reason behind the move is what matters.** If rates are climbing because growth is strong, that's a sign of economic health.
- **Recession risk remains contained, labour markets are holding up and activity is resilient globally.** Rate hikes don't kill bull markets; recessions do. As such, we remain modestly overweight equities.

Source: Multi-Asset Solutions Team (MAST), as of 30 September 2026. Projections or other forward-looking statements regarding future events, targets, management discipline or other expectations are only current as of the date indicated. There is no assurance that such events will occur, and if they were to occur, the result may be significantly different than that shown here. .No forecasts are guaranteed. These views are updated on a quarterly basis. This commentary is provided for informational purposes only and is not an endorsement of any security, mutual fund, sector, or index. Diversification does not guarantee a profit or eliminate the risk of a loss.

Key global themes (cont'd)

3. When money is no longer free, scarcity matters

- **With capital no longer free, investors are paying a premium for assets that are hard to replicate and essential to growth:** electricity and power grids, critical minerals, compute capacity, water, transportation infrastructure and skilled labour.

- **Geopolitics is accelerating the shift.** Governments and companies are prioritising energy security, resource security and supply-chain resilience, reshaping where capital gets spent.

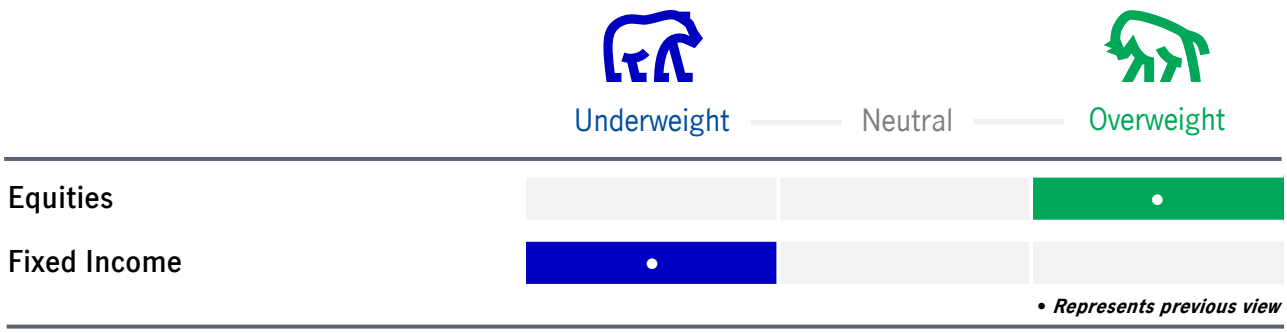
- Driven by these themes, we are constructive on things like industrial automation, infrastructure, energy systems and select commodities, which we believe are entering a prolonged upcycle. Within this environment, selectivity matters. We prefer **quality businesses with exposure to what will be hardest to obtain, alongside real assets with inflation-resilient characteristics.**

.

Source: Multi-Asset Solutions Team (MAST), as of 30 September 2026. Projections or other forward-looking statements regarding future events, targets, management discipline or other expectations are only current as of the date indicated. There is no assurance that such events will occur, and if they were to occur, the result may be significantly different than that shown here. .No forecasts are guaranteed. These views are updated on a quarterly basis. This commentary is provided for informational purposes only and is not an endorsement of any security, mutual fund, sector, or index. Diversification does not guarantee a profit or eliminate the risk of a loss.

Asset class overview

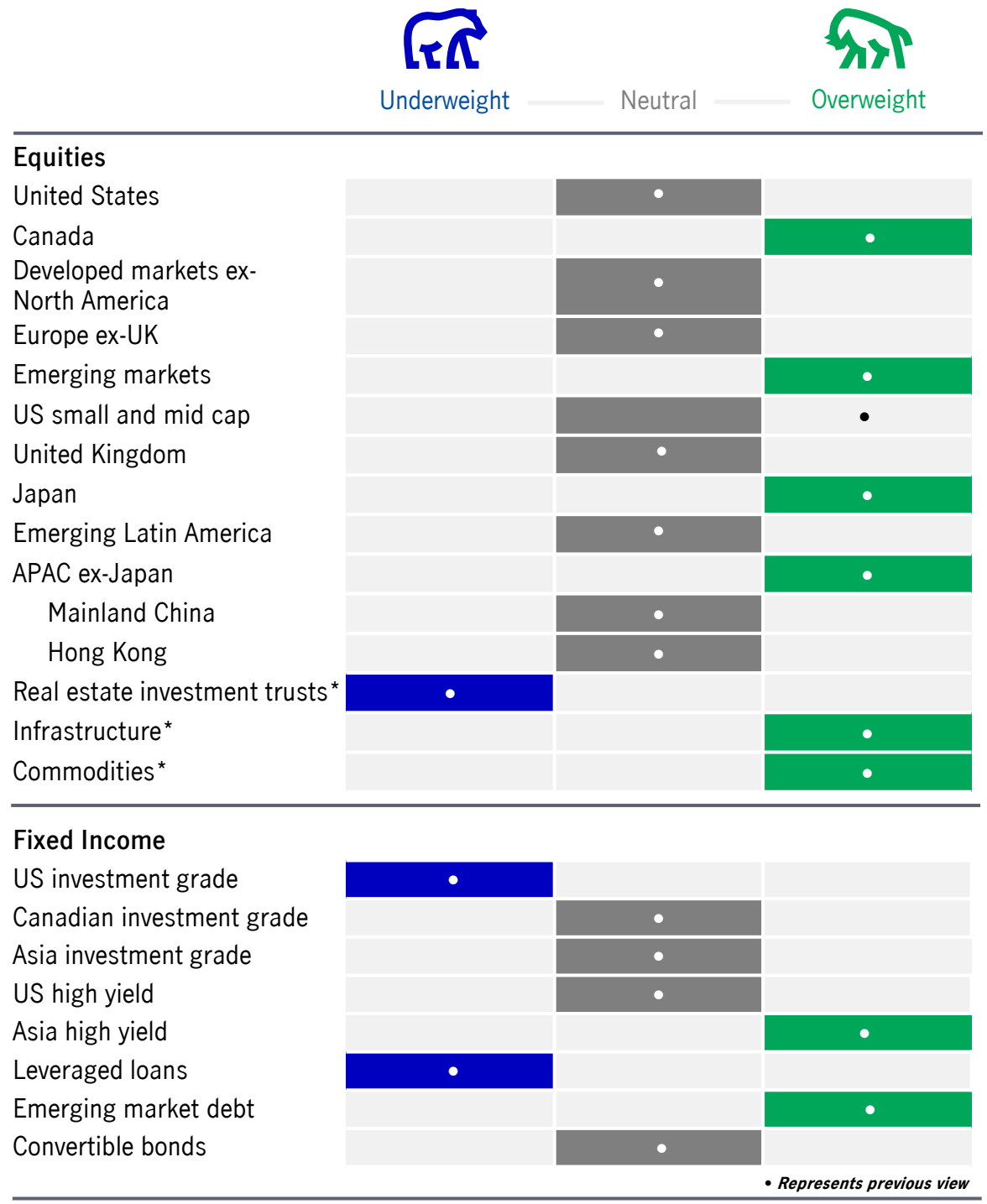
Broad asset class outlook



- **We remain overweight equities,** driven by earnings strength, persistent economic growth and continued investment in artificial intelligence. While elevated bond yields, fiscal pressures, and geopolitical developments may contribute to volatility, the current backdrop remains supportive of risk assets.
- **We continue to be underweight fixed income** as rising fiscal deficits and upside inflation risks pressure longer-term bond yields. Within the asset class, we prefer **shorter-duration exposures and high-quality credit,** where corporate fundamentals remain strong.

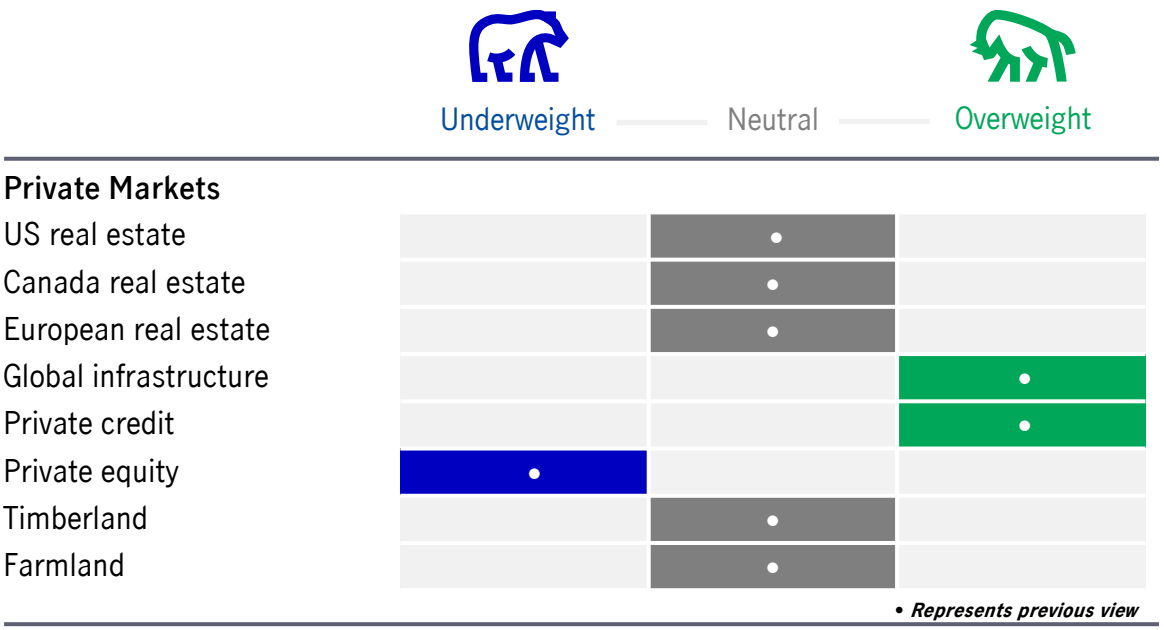
Source: Multi-Asset Solutions Team (MAST), as of 30 September 2026. Projections or other forward-looking statements regarding future events, targets, management discipline or other expectations are only current as of the date indicated. There is no assurance that such events will occur, and if they were to occur, the result may be significantly different than that shown here.

Active asset allocation views



Source: Multi-Asset Solutions Team (MAST), as of 30 September 2026. Projections or other forward-looking statements regarding future events, targets, management discipline or other expectations are only current as of the date indicated. There is no assurance that such events will occur, and if they were to occur, the result may be significantly different than that shown here. Information about asset allocation view is as of issue date and may vary. Active asset allocation views will be updated on a quarterly basis. *Public markets only.

Active asset allocation views



Source: Multi-Asset Solutions Team (MAST), as of 30 September 2026. Projections or other forward-looking statements regarding future events, targets, management discipline or other expectations are only current as of the date indicated. There is no assurance that such events will occur, and if they were to occur, the result may be significantly different than that shown here. Information about asset allocation view is as of issue date and may vary. Active asset allocation views will be updated on a quarterly basis.

Equity view

Broad equity

- **We remain neutral US equities.** Growth is resilient and earnings continue to exceed expectations, with AI capex supporting profitability. After a strong rally, demanding valuations limit further upside.
- **We remain overweight Canadian equities.** Firm oil prices and resilient gold demand support earnings across a resource-heavy market that is well positioned amid geopolitical uncertainty. Trade and policy risk with the US remains the key item to watch.
- **We remain overweight emerging market equities.** Resilient growth, attractive relative valuations and AI-related investment underpin the asset class, with earnings momentum and policy support improving in select markets.

Regional/ Sector-specific equity

- **We've moved to neutral on US small and mid-cap equities** as tightening financial conditions and geopolitical uncertainty remain structural headwinds.
- **We remain overweight Japan equities** on strong corporate earnings, shareholder-friendly reforms, and improving macro momentum. Valuations are less compelling after recent gains, but the fundamental backdrop holds.
- **We remain overweight Asia-Pacific ex-Japan equities** on resilient regional growth and the AI and semiconductor cycle, with Taiwan and South Korea key beneficiaries of digital infrastructure investment.
- **We remain overweight commodities,** favouring base metals such as copper on AI infrastructure, electrification, and power-network demand. Gold is supported by central bank buying and long-term fiscal concerns.

Source: Multi-Asset Solutions Team (MAST), as of 30 September 2026. Projections or other forward-looking statements regarding future events, targets, management discipline or other expectations are only current as of the date indicated. There is no assurance that such events will occur, and if they were to occur, the result may be significantly different than that shown here.

Fixed income view

Fixed income

- **We remain underweight US investment grade, preferring credit and mortgage-backed securities over Treasuries.**
- **We continue to favour short and intermediate duration in the US,** as sticky inflation, rising supply, softer demand and heavy tech-related issuance keep pressure on longer-term yields.
- **We remain neutral on US high yield.** The macro backdrop is constructive, but spreads are compressed versus history, particularly in higher-quality tiers.
- **We continue to prefer Asian high yield over investment grade.** Elevated all-in yields, shorter duration, resilient issuer fundamentals and supportive technicals underpin the outlook.
- **We maintain a neutral view on convertible bonds.** Healthy fundamentals, attractive bond floors and equity volatility support the asset class, while elevated valuations and technology concentration temper our conviction.

Source: Multi-Asset Solutions Team (MAST), as of 30 September 2026. Projections or other forward-looking statements regarding future events, targets, management discipline or other expectations are only current as of the date indicated. There is no assurance that such events will occur, and if they were to occur, the result may be significantly different than that shown here.

Private markets view

Private markets

- **We remain optimistic about global infrastructure** as strong secular trends, including digitisation and decarbonisation, require significant amounts of long-term capital investment and showcase resilience through market cycles.
- **Private credit remains a compelling asset class.** While there are elevated risks in select subsectors, fundamentals are largely stable. Softened demand from recent headlines has led spreads to tick higher for new loans, favouring lenders. All-in yields remain in the high single digit, low double-digit range.
- **We're underweight private equity** due to elevated valuations, extended holding periods, tighter exit conditions, and diminished benefits from leverage. The industry's scale and slower turnover challenge its ability to sustain historical return assumptions.

Source: Multi-Asset Solutions Team (MAST), as of 30 September 2026. Projections or other forward-looking statements regarding future events, targets, management discipline or other expectations are only current as of the date indicated. There is no assurance that such events will occur, and if they were to occur, the result may be significantly different than that shown here.

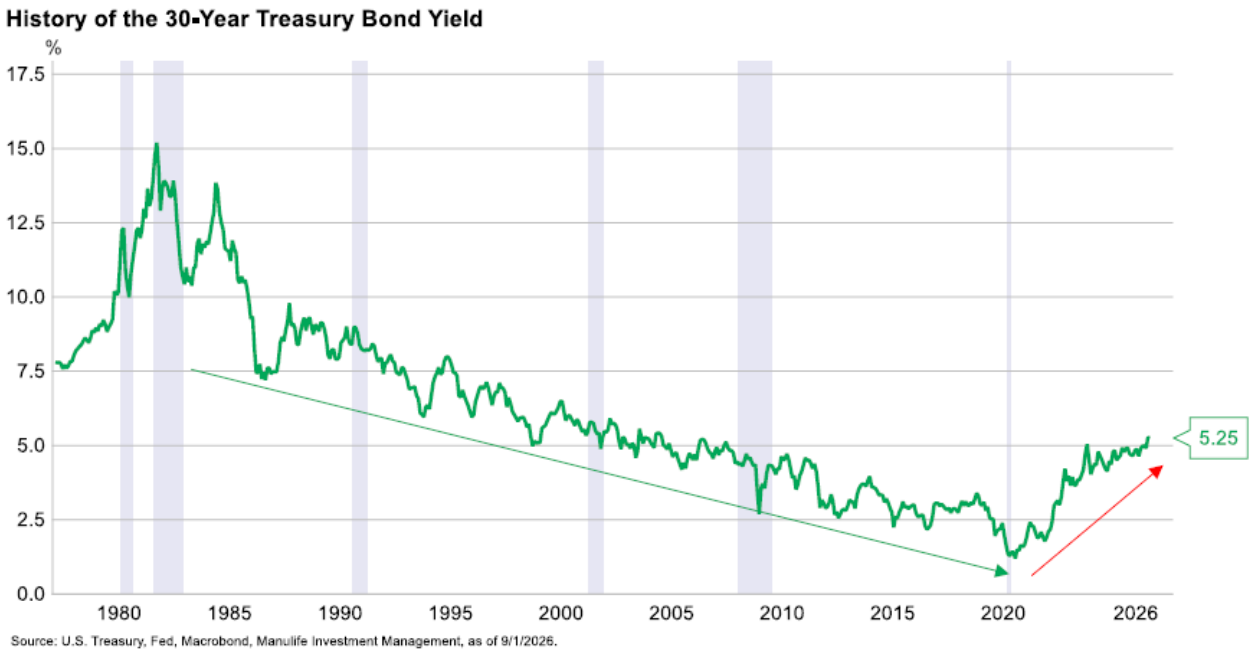
Higher yields offer a more attractive opportunity, but we remain underweight duration

- We've been underweight duration, and higher yields haven't changed that. Yields are the best predictor of forward returns, so income is more compelling than it has been in years, and if a further rate rise cracks the market, bonds become genuinely attractive. For now, **we stay patient and selective** rather than reaching for duration.

- Long-term yields face **structural headwinds: persistent fiscal deficits, inflation pressure tied to energy and supply constraints, heavy government issuance and term premium rebuilding from depressed levels.** None of this is solved by a quarter-point move in short rates, so the long end can stay pressured even without a growth surprise.

- Expect more volatility. **Central banks are no longer moving in lockstep, which unsettles currencies and sovereign bonds.** Where inflation stays sticky and term premium rises, the reliable negative stock-bond correlation weakens, reducing the diversification long Treasuries once provided.

- **The rise in long-end yields is global,** reinforced by shifting buyer dynamics and Japan's normalisation. Meanwhile the AI build-out is absorbing trillions for data centres, power and semiconductors, a powerful new competitor for capital. The takeaway is that **yields are more attractive on the long end, but we remain cautious and underweight duration.**



Source: Multi-Asset Solutions Team (MAST), as of 30 September 2026. Projections or other forward-looking statements regarding future events, targets, management discipline or other expectations are only current as of the date indicated. There is no assurance that such events will occur, and if they were to occur, the result may be significantly different than that shown here.

Important Information

Manulife Investment Management is the global wealth and asset management segment of Manulife Financial Corporation. The information and/or analysis contained in this material have been compiled or arrived at from sources believed to be reliable but Manulife Investment Management does not make any representation as to their accuracy, correctness, usefulness or completeness and does not accept liability for any loss arising from the use hereof or the information and/or analysis contained herein. Neither Manulife Investment Management or its affiliates, nor any of their directors, officers or employees shall assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained herein.

This material was prepared solely for educational and informational purposes and does not constitute a recommendation, professional advice, an offer, solicitation or an invitation by or on behalf of Manulife Investment Management to any person to buy or sell any security. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. The economic trend analysis expressed in this material does not indicate any future investment performance result. This material was produced by and the opinions expressed are those of Manulife Investment Management as of the date of this publication, and are subject to change based on market and other conditions. Past performance is not an indication of future results. Investment involves risk, including the loss of principal. In considering any investment, if you are in doubt on the action to be taken, you should consult professional advisers.

Proprietary Information – Please note that this material must not be wholly or partially reproduced, distributed, circulated, disseminated, published or disclosed, in any form and for any purpose, to any third party without prior approval from Manulife Investment Management.
These materials have not been reviewed by, are not registered with any securities or other regulatory authority, and may, where appropriate, be distributed by the following Manulife entities in their respective jurisdictions.

Indonesia: PT Manulife Aset Manajemen Indonesia. **Malaysia:** Manulife Asset Management Services Berhad. **Singapore:** Manulife Investment Management (Singapore) Pte. Ltd. (Company Registration Number: 200709952G). **Vietnam:** Manulife Investment Fund Management (Vietnam) Company Limited. **Australia, South Korea and Hong Kong:** Manulife Investment Management (Hong Kong) Limited in Hong Kong and has not been reviewed by the HK Securities and Futures Commission (SFC). **Philippines:** Manulife Asset Management and Trust Corporation. **Japan:** Manulife Investment Management (Japan) Limited. **Taiwan:** Manulife Investment Management (Taiwan) Co., Ltd. (Investment is not protected by deposit insurance, insurance guaranty fund or other protection mechanism in Taiwan. For the disputes resulted from the investment, you may file a complaint to the Securities Investment Trust & Consulting Association of the R.O.C. or Financial Ombudsman Institution. License No. 106 Jin-Guan-Tou-Xin-Xin-008 "Independently operated by Manulife Investment Management (Taiwan) Co., Ltd." /6F., No.89, Songren Rd., Taipei, Taiwan 11073, Tel: (02)2757-5999, Customer Service: 0800-070-998.)