



# Building Portfolios with Alternative Investments



Nathan Thooft, CFA

Managing Director and Portfolio  
Manager of Asset Allocation, Portfolio  
Solutions Group

John Hancock Asset Management, a wholly owned subsidiary of Manulife Financial Corporation, is the investment sub-advisor of the John Hancock Funds II Alternative Asset Allocation. John Hancock Funds is the distributor of John Hancock Alternative Asset Allocation Portfolio.

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ACR # 114902

# Portfolio Solutions Group

## *Highlights*

John Hancock Asset Management's Portfolio Solution Group (PSG) specializes in asset allocation portfolio management, developing tailored multi-asset investment products to meet defined risk/return profiles

- Responsible for asset allocation portfolio management globally
- Manage over US\$112 billion around the globe
- Oversee internal Manulife DB and DC plans
- Over twenty experienced investment professionals averaging thirteen years of experience
- Senior team members have worked together for nearly sixteen years at Manulife/John Hancock

Source: John Hancock Asset Management, December 31, 2013



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# Portfolio Solutions Group

## Organization

### Barry Evans, CFA

President, John Hancock Asset Management North American & CIO, Global Asset Allocation

### Portfolio Management Team

<b>Robert Boyda</b> (Boston) 34 Years' Experience	<b>Steve Medina, CFA</b> (Boston) 19 Years' Experience	<b>Sarah Lu, CFA, FRM</b> (Hong Kong) 19 Years' Experience	<b>Glen Martin, CMT, DMS</b> ( Toronto) 15 Years' Experience	<b>Marcelle Daher, CFA</b> (Boston) 14 Years' Experience	<b>Nathan Thooft, CFA</b> (Boston) 13 Years' Experience
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#### Quantitative Research & Analysis

<b>Ricky Chau, CIM</b> (Hong Kong) 11 Years' Experience	<b>Irina Muhina, PhD</b> (Toronto) 17 Years' Experience
<b>Vlad Kyrychenko, PhD, CFA</b> (Toronto) 18 Years' Experience	<b>Shereef Osman</b> (Toronto) 8 Years' Experience
<b>Simeng Ding</b> (Toronto) 1 Year Experience	<b>Jason Zhang, CFA</b> (Toronto) 6 Years' Experience
<b>Zahron Mitchell</b> (Hong Kong) 2 Years' Experience	

#### Fundamental Research & Analysis

<b>David McGrory, CFA</b> (Boston) 18 Years' Experience	<b>Christopher Walsh, CFA</b> (Boston) 11 Years' Experience
<b>Robert Sykes, CFA</b> (Boston) 12 Years' Experience	<b>Alex Richard</b> (Toronto) 4 Years' Experience
<b>Matthew Murphy, CFA</b> (Boston) 11 Years' Experience	<b>Mike Comer</b> (Boston) 3 Years' Experience
<b>Judith Hlavac</b> (Boston) 17 Years' Experience	<b>Wendy Ho</b> (Hong Kong) 17 Years' Experience

#### Fiduciary Management

<b>Eric Menzer*, CFA, CAIA</b> (Boston) 16 Years' Experience	<b>Johnny Yong, CFA</b> (Boston) 7 Years' Experience
<b>Joseph O'Connor</b> (Boston) 5 Years' Experience	

#### Portfolio Specialists

<b>Benjamin Forssell, CFA</b> (Boston) 13 Years' Experience
<b>Michelle Ng</b> (Hong Kong) 15 Years' Experience

#### Economic Research

<b>Bill Cheney</b> (Boston) 36 Years' Experience
<b>Oscar Gonzalez, PhD</b> (Boston) 22 Years' Experience

#### Derivatives

<b>Gary Li, PhD</b> (Boston) 17 Years' Experience
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### Additional Resources

Global Equity Teams

Global Investment Risk &  
Quantitative Analytics

Product & Business Services  
Toutou Marsden (Boston)  
14 Years' Experience

Global Fixed Income Teams

\*Also has portfolio management responsibilities. Source: John Hancock Asset Management as of January 14, 2014

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# Building Portfolios with Alternative Investments

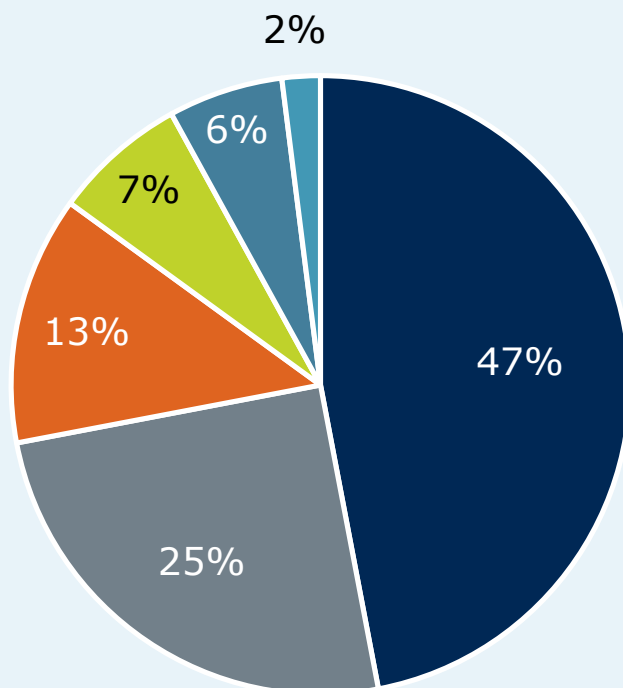
Not All Alternatives Are Created Equal

Building Portfolios with Alternatives

Selecting Alternative Investments

# Cogent Research Survey

## Survey Responses: Primary objectives when using alternative investments



- Adding diversification/non-correlated assets to portfolio
- Downside protection for portfolio/risk management
- Absolute return
- Making a tactical bet
- Return above a benchmark
- Managing tax benefits for clients

Source: Cogent Research – *Alternative Investment Trends 2012*. Responses from 1,741 financial advisors with an active book of business of at least \$5 million and offer investment advice or planning services to individual investors.

Diversification does not guarantee investment returns and does not eliminate risk of loss.

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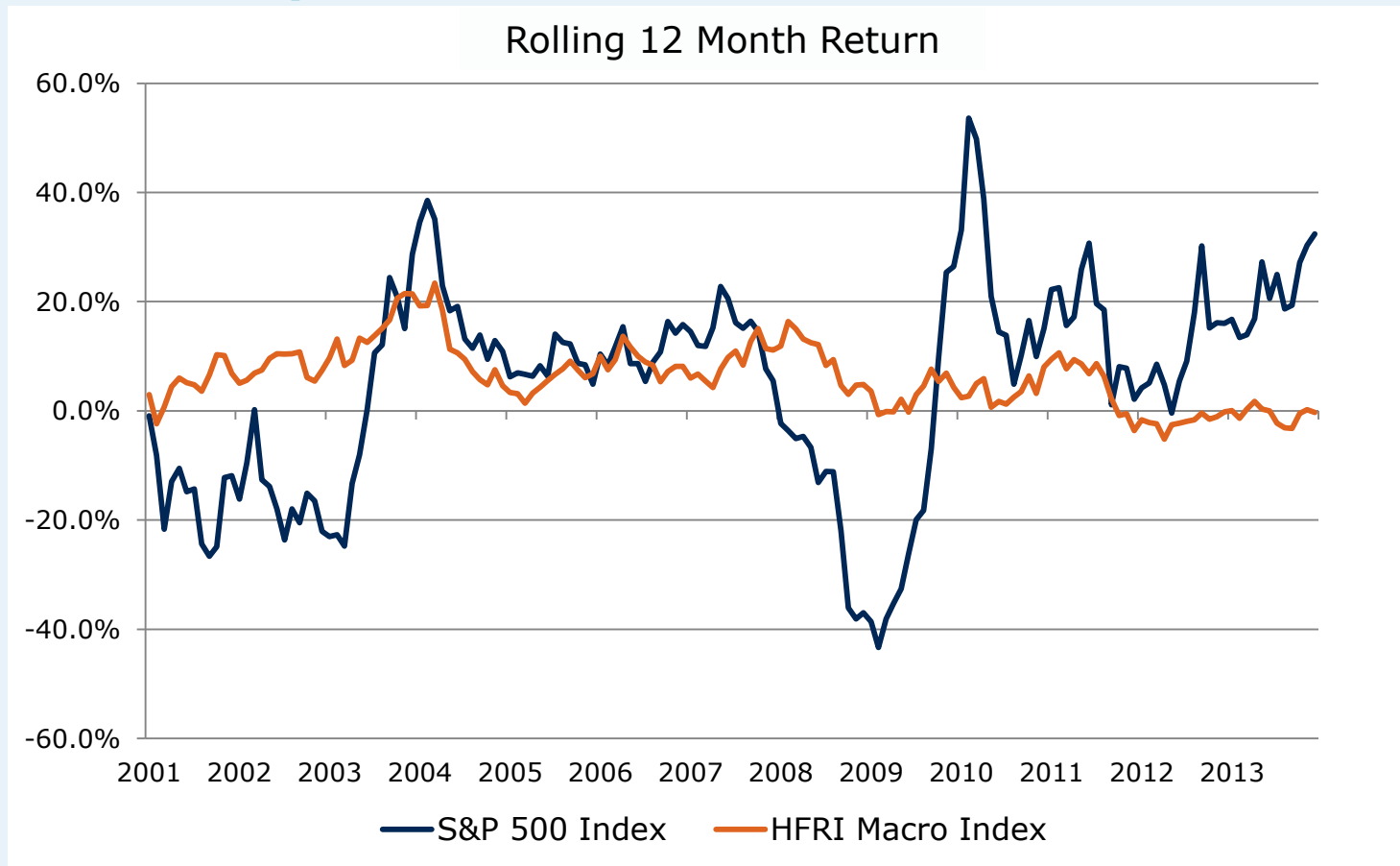
# Investment Opportunity Continuum



	Traditional Markets	Traditional Investment Approaches	Alternative Markets	Alternative Investment Approaches	Absolute Return Strategies
	Broad market exposure to "traditional" or "familiar" markets.	Active, long-only investment strategies focused on relative risk/return.	"Niche" or "non-mainstream" market exposures.	Unconstrained and opportunistic investment strategies with the flexibility to increase or decrease market exposures, among other things.	"Market agnostic" strategies with minimal or no correlation to traditional markets, designed to generate positive return in various market conditions.
	<ul style="list-style-type: none"> <li>› Developed market equities</li> <li>› High-quality fixed income</li> </ul>	<ul style="list-style-type: none"> <li>› "Style box" investing</li> <li>› Lower tracking-error portfolios</li> </ul>	<ul style="list-style-type: none"> <li>› Emerging markets bond</li> <li>› Global real estate</li> <li>› Commodities</li> </ul>	<ul style="list-style-type: none"> <li>› Multi-asset strategies</li> <li>› Multi-sector strategies</li> <li>› Long/short equities</li> </ul>	<ul style="list-style-type: none"> <li>› Currency long/short</li> <li>› Managed futures</li> <li>› Market neutral</li> </ul>
Relative Ability to:	Increase Return	High	Varies	Low	
	Decrease Risk	Mid-Low	Varies	High	
	Impact Correlation	Varies	Varies	High	



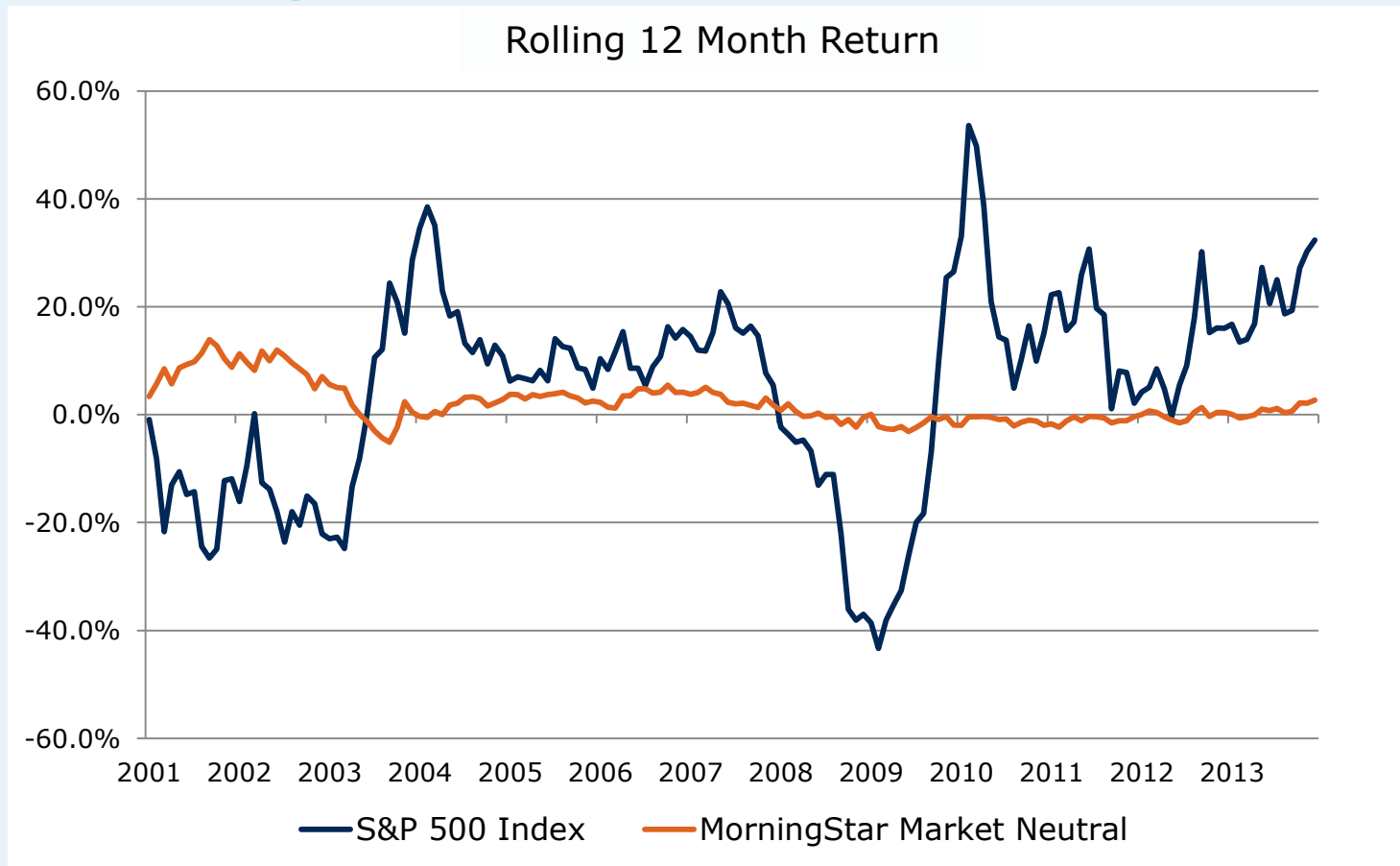
# A History of Different Return Streams



Source: Morningstar as of 12/31/13. For illustrative purposes only. The HFRI Macro Index is a benchmark designed to reflect macro hedge fund industry performance by constructing equally weighted composites of constituent funds, as reported by the hedge fund managers listed within HFR Database. Macro investment managers trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Please see Appendix slides for Index names and definitions. It is not possible to invest directly in an index. Past performance does not guarantee future results.



# A History of Different Return Streams



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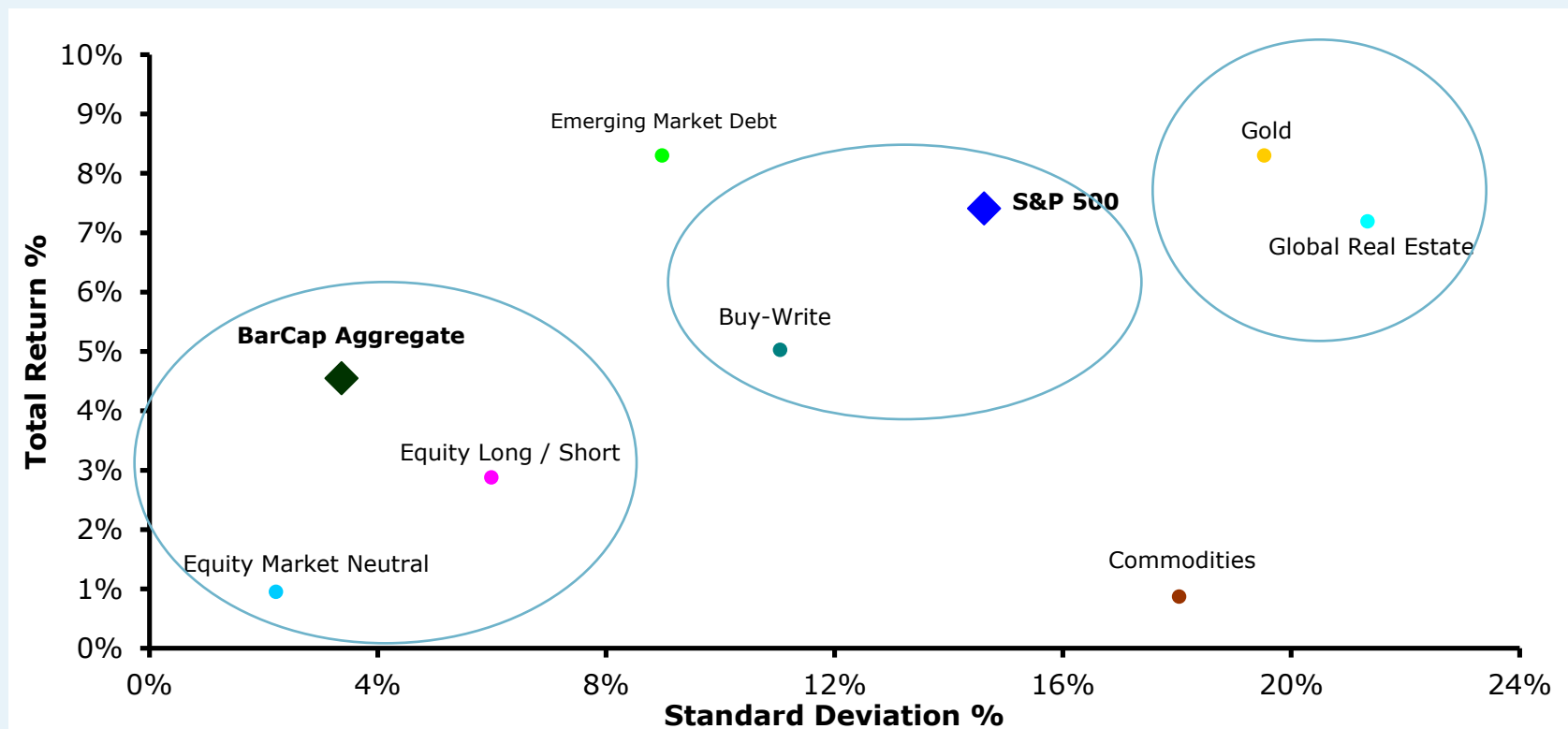




# Not All Alternatives are Created Equal

*Different alternatives have different risk / return profiles*

Risk and Return | 10 Years Ending Dec 31, 2013



Source: Morningstar Direct as of 12/31/13. Please see Appendix slides for Index name and definition associated with above asset classes. It is not possible to invest directly in an index. Past performance does not guarantee future results.

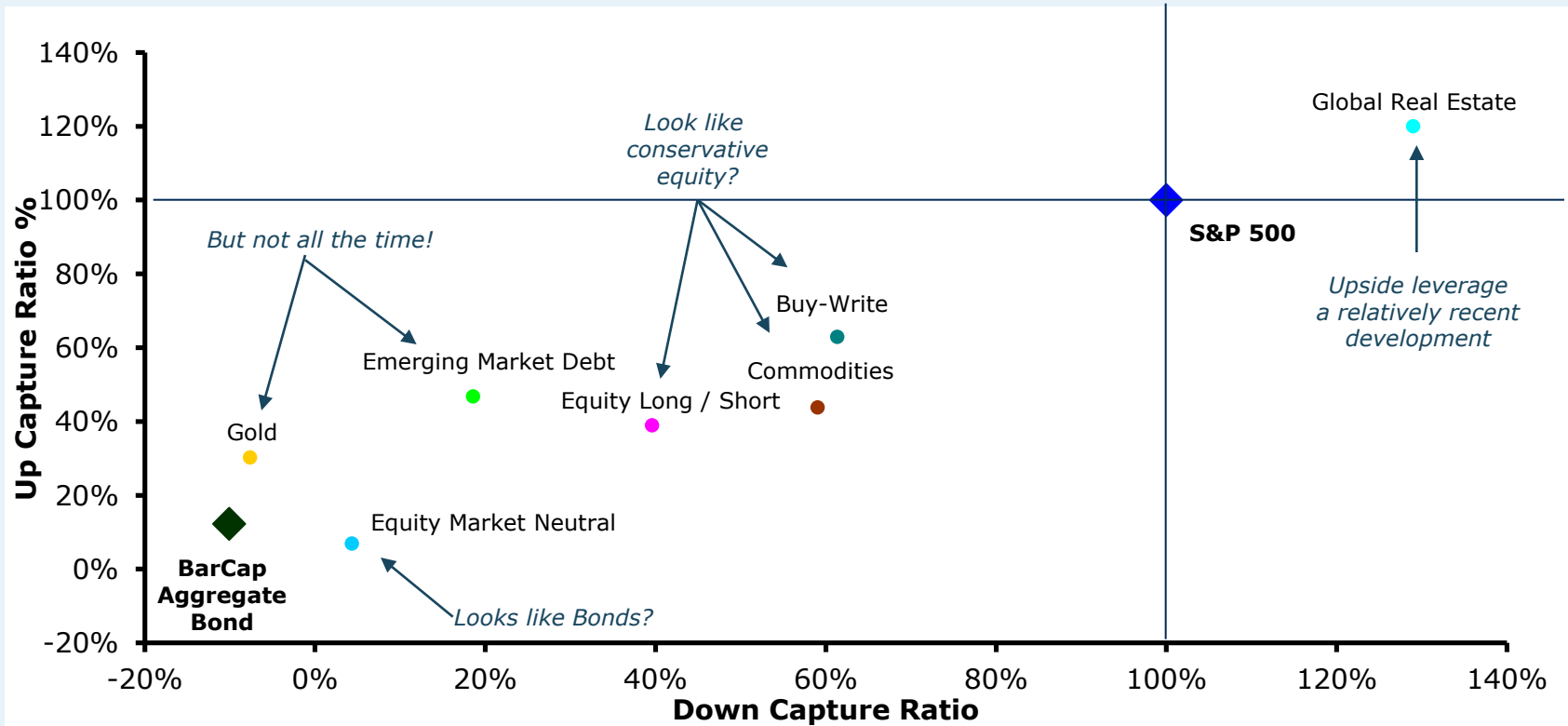
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# Not All Alternatives are Created Equal

*Different alternatives have different risk / return profiles*

Up / Down Capture vs. S&P 500 | 10 Years Ending Dec 31, 2013

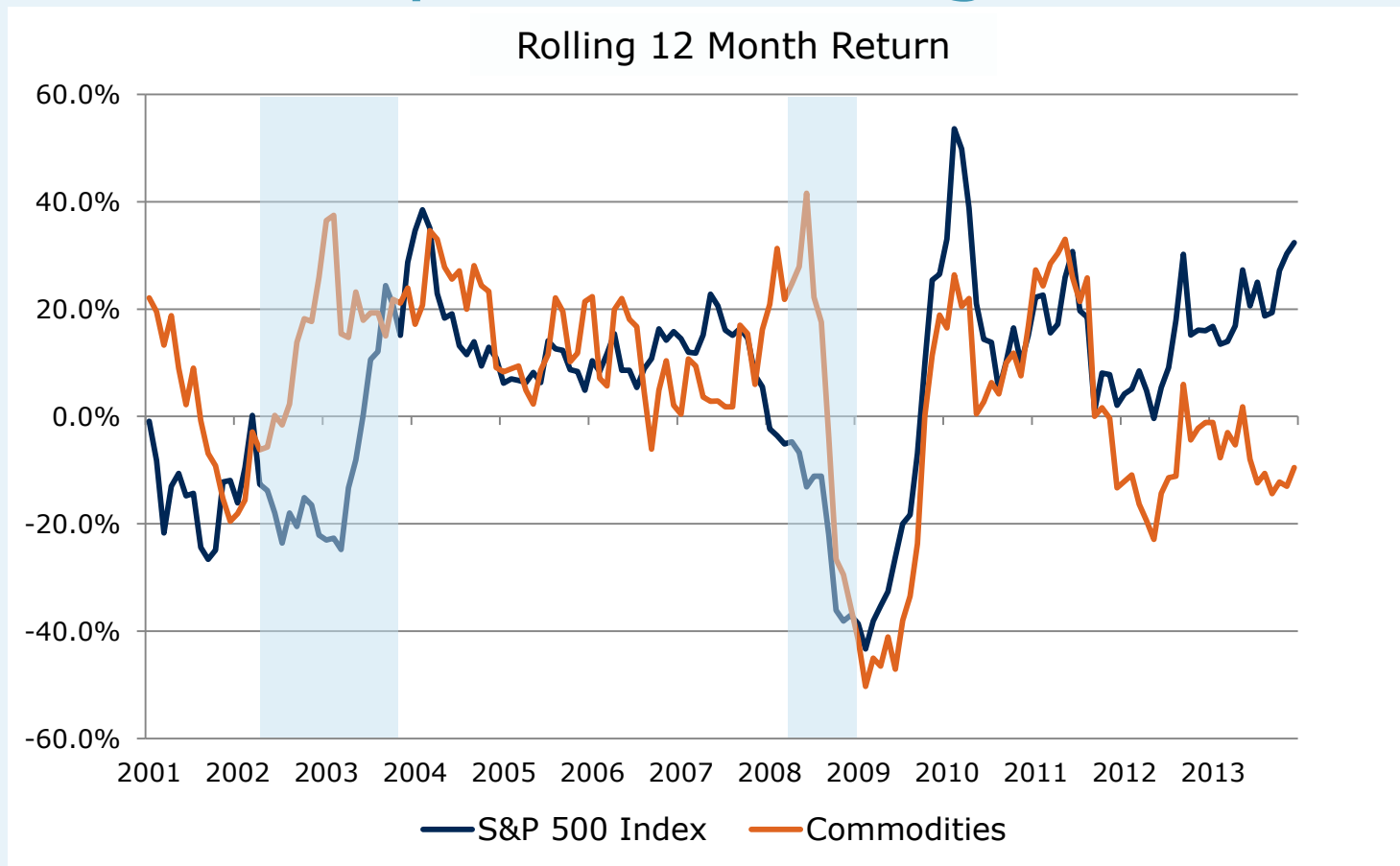


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# Relationships Can Change



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# Building Portfolios with Alternative Investments

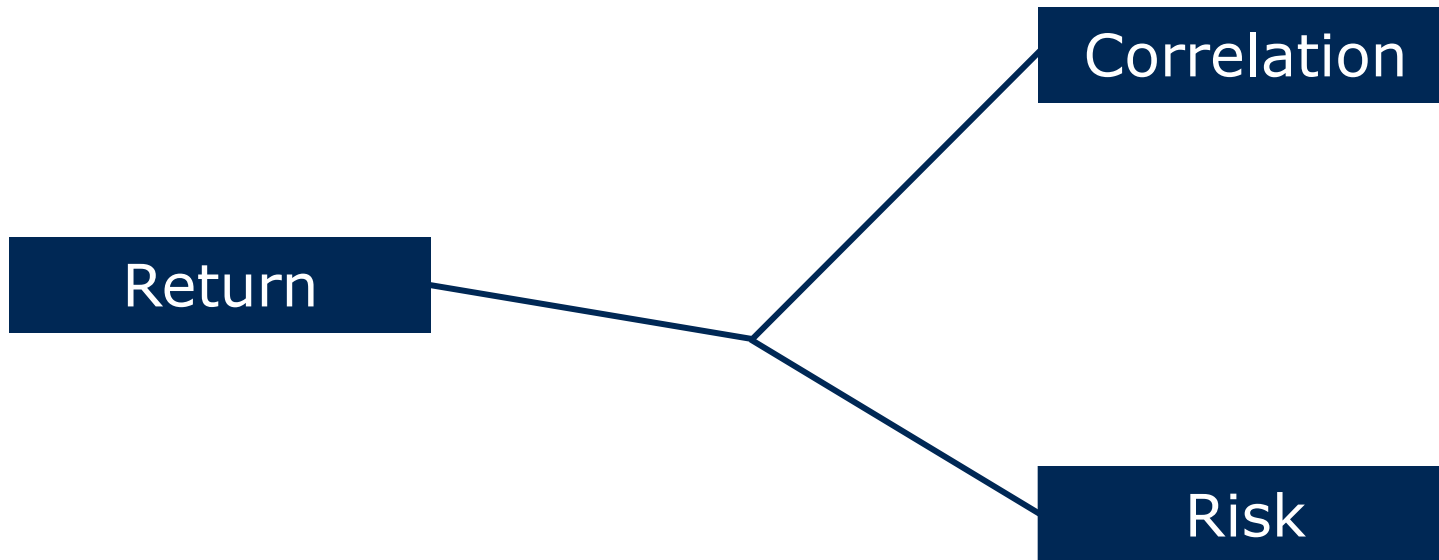
Not All Alternatives Are Created Equal

Building Portfolios with Alternatives

Selecting Alternative Investments

# The Best Use of Alternatives

*Strikes a balance between risk, return and correlation*



Understanding the relationship that alternatives' attributes have with one another — and with your traditional portfolio — is key

# Risk Patterns, Return Patterns and Correlation

- Building better portfolios means finding asset classes with **good risk-adjusted return potential**
  - Not just low correlations

# Risk Patterns, Return Patterns and Correlation

➤ Building better portfolios means finding asset classes with **good risk-adjusted return potential**

➤ Low correlated assets can reduce risk, but the **correlation coefficient says nothing about return**

- Just because an asset has a low correlation does not mean that including it will automatically improve risk-adjusted return
- Manager alpha is best at creating return streams that are uncorrelated with traditional investments, but it is hard to generate

Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of market risk as measured by beta. A positive Alpha figure indicates the portfolio has performed better than its market beta would predict.

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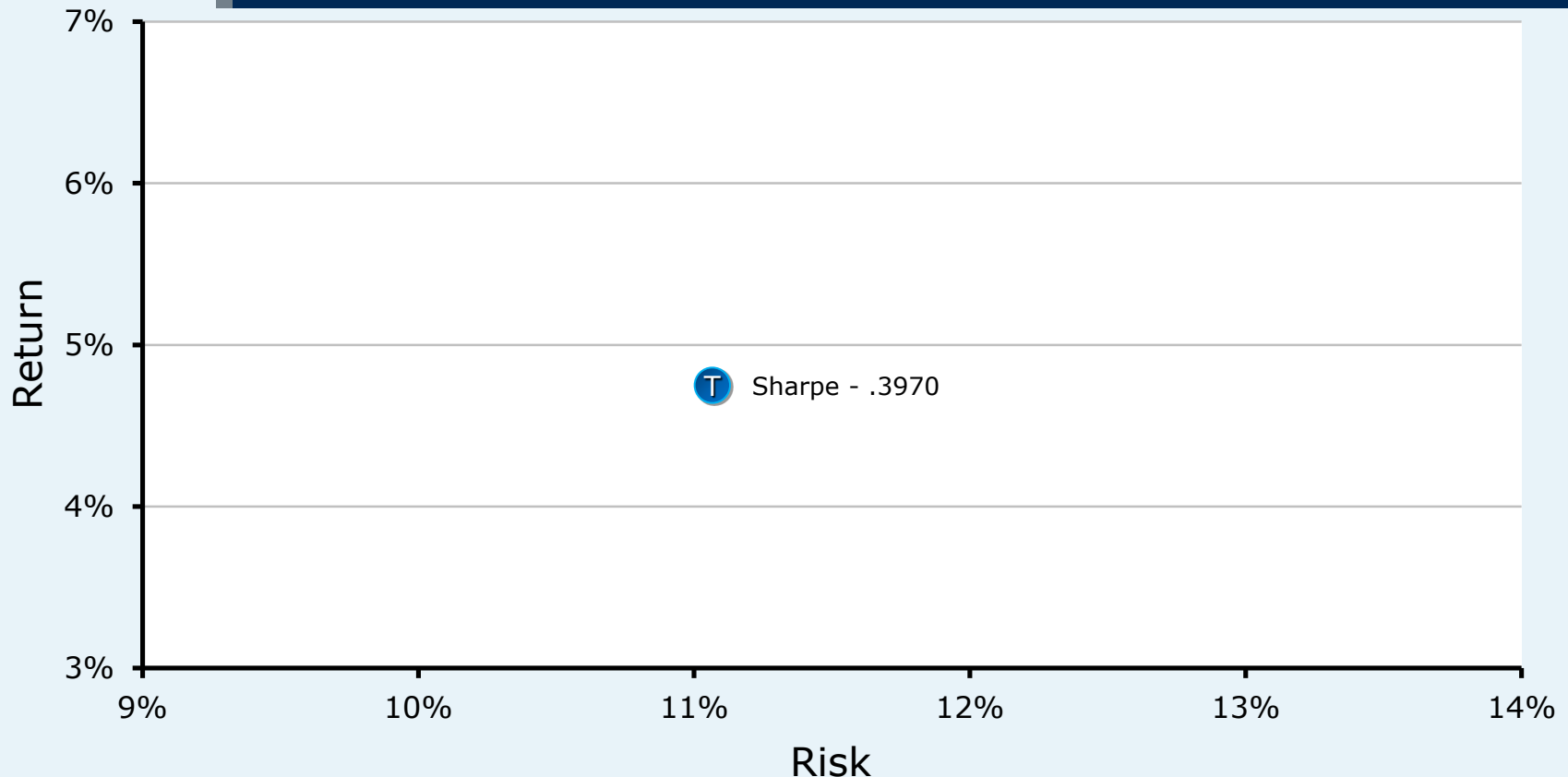
# Risk Patterns, Return Patterns and Correlation

- Building better portfolios means finding asset classes with **good risk-adjusted return potential**
- Low correlated assets are powerful reducers of risk, but the **correlation coefficient says nothing about return**
- To use alternatives effectively, **consider their risk pattern and return pattern** in addition to correlation
  - Different alternatives pull risk and return “levers” to varying degrees
  - Various alternatives can be combined to potentially increase portfolio return and reduce portfolio risk, even if none of them do so individually



# Hypothetical Modeling Simulation

Weight	Asset	Return	Risk	Beta	Correlation
100%	Traditional	4.6	11.1	1.0	1.0



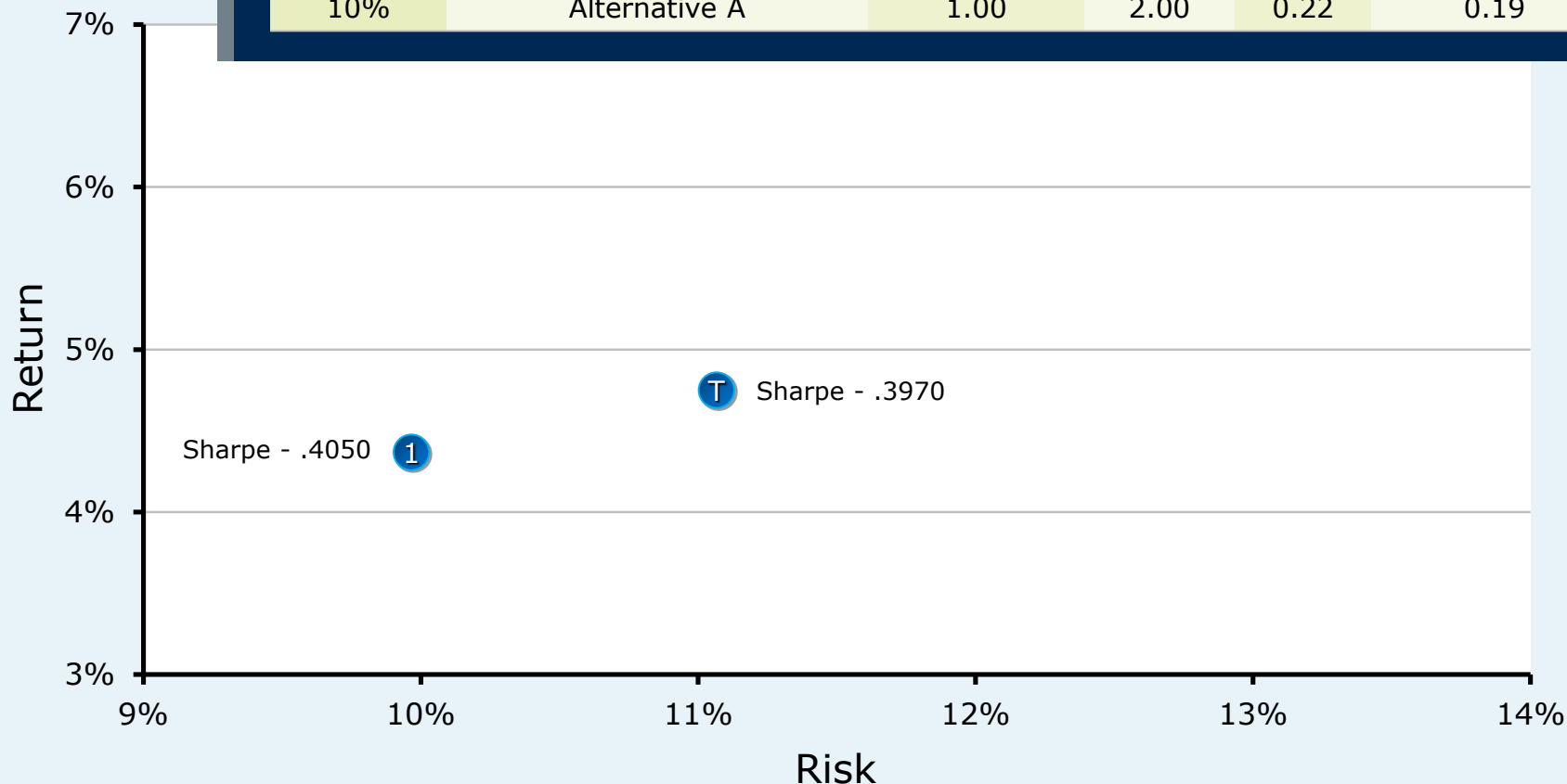
The above illustrative example makes hypothetical assumptions about each assets' return, risk and correlation with the S&P 500 Index. The historical success, or the investment team's belief in the future success, of any strategy is not indicative of, and has no bearing on, future results. Risk controls and other proprietary technology do not promise any level of performance or guarantee against loss of principal. Past performance is not indicative of future results. Source: John Hancock Asset Management. It is not possible to invest directly in an index.

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# Hypothetical Modeling Simulation

Weight	Asset	Return	Risk	Beta	Correlation
90%	Traditional	4.60	11.10	1.00	1.00
10%	Alternative A	1.00	2.00	0.22	0.19



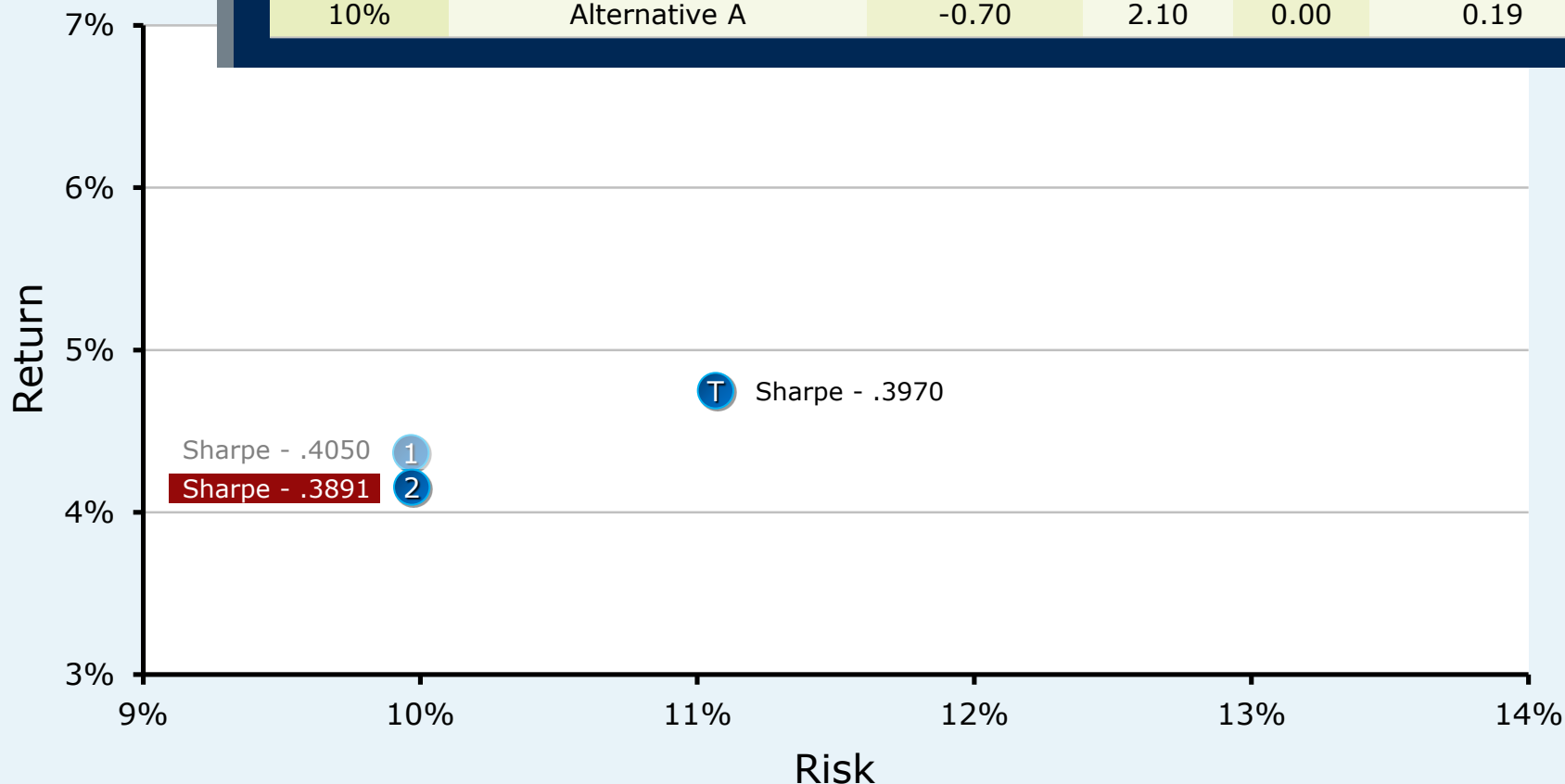
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# Hypothetical Modeling Simulation

Weight	Asset	Return	Risk	Beta	Correlation
90%	Traditional	4.60	11.10	1.00	1.00
10%	Alternative A	-0.70	2.10	0.00	0.19



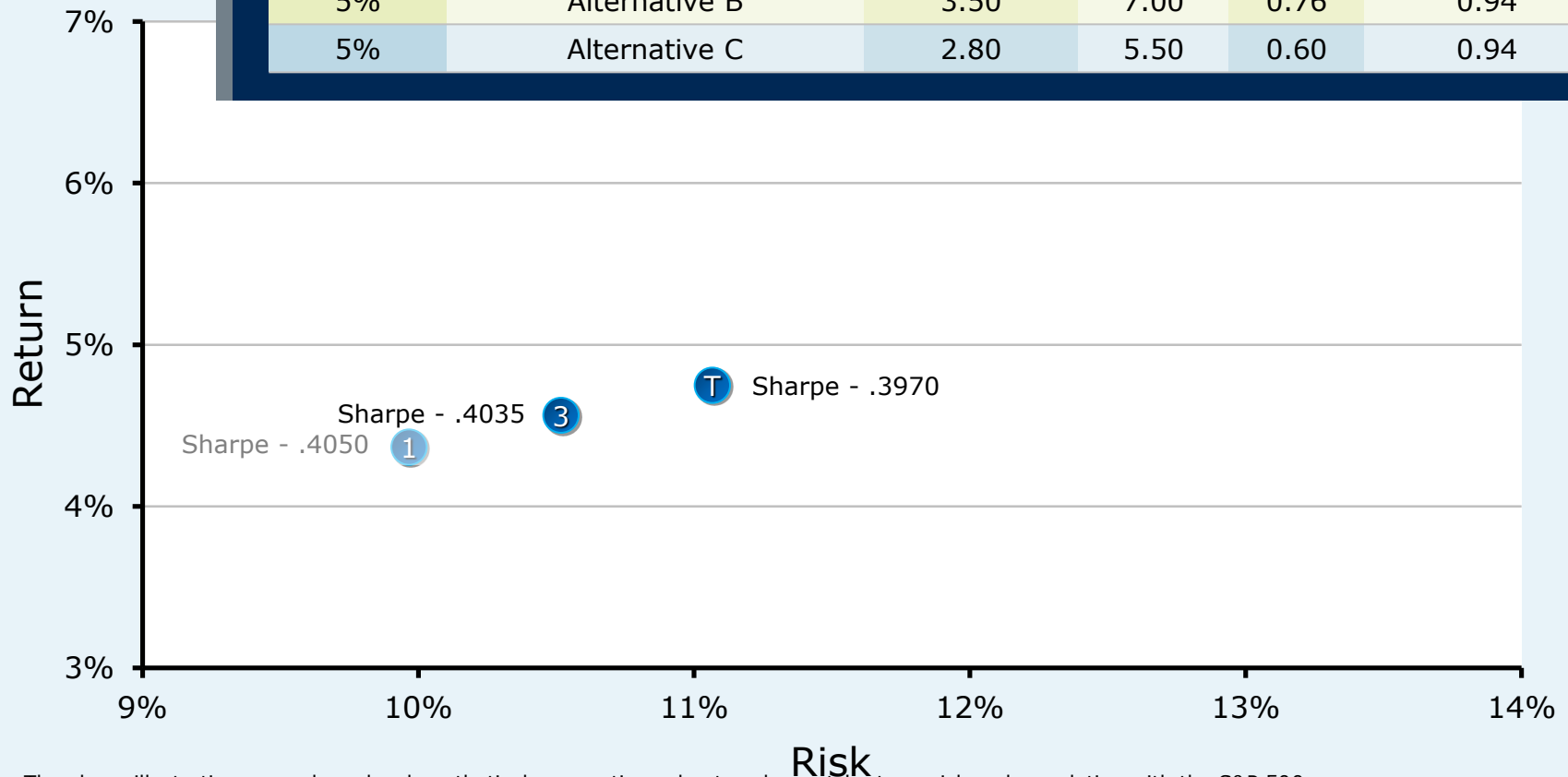
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# Hypothetical Modeling Simulation

Weight	Asset	Return	Risk	Beta	Correlation
90%	Traditional	4.60	11.10	1.00	1.00
5%	Alternative B	3.50	7.00	0.76	0.94
5%	Alternative C	2.80	5.50	0.60	0.94



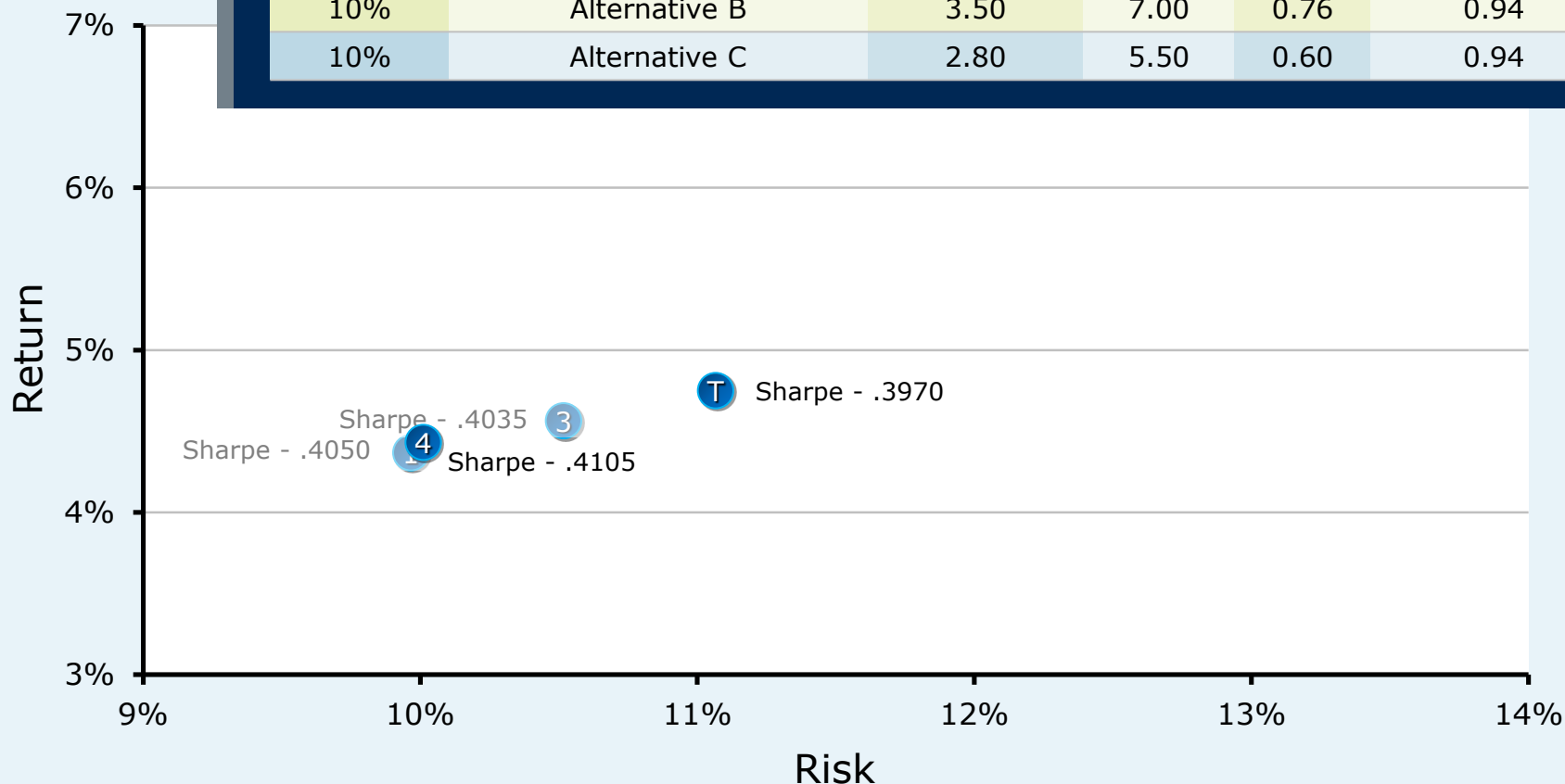
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# Hypothetical Modeling Simulation

Weight	Asset	Return	Risk	Beta	Correlation
80%	Traditional	4.60	11.10	1.00	1.00
10%	Alternative B	3.50	7.00	0.76	0.94
10%	Alternative C	2.80	5.50	0.60	0.94



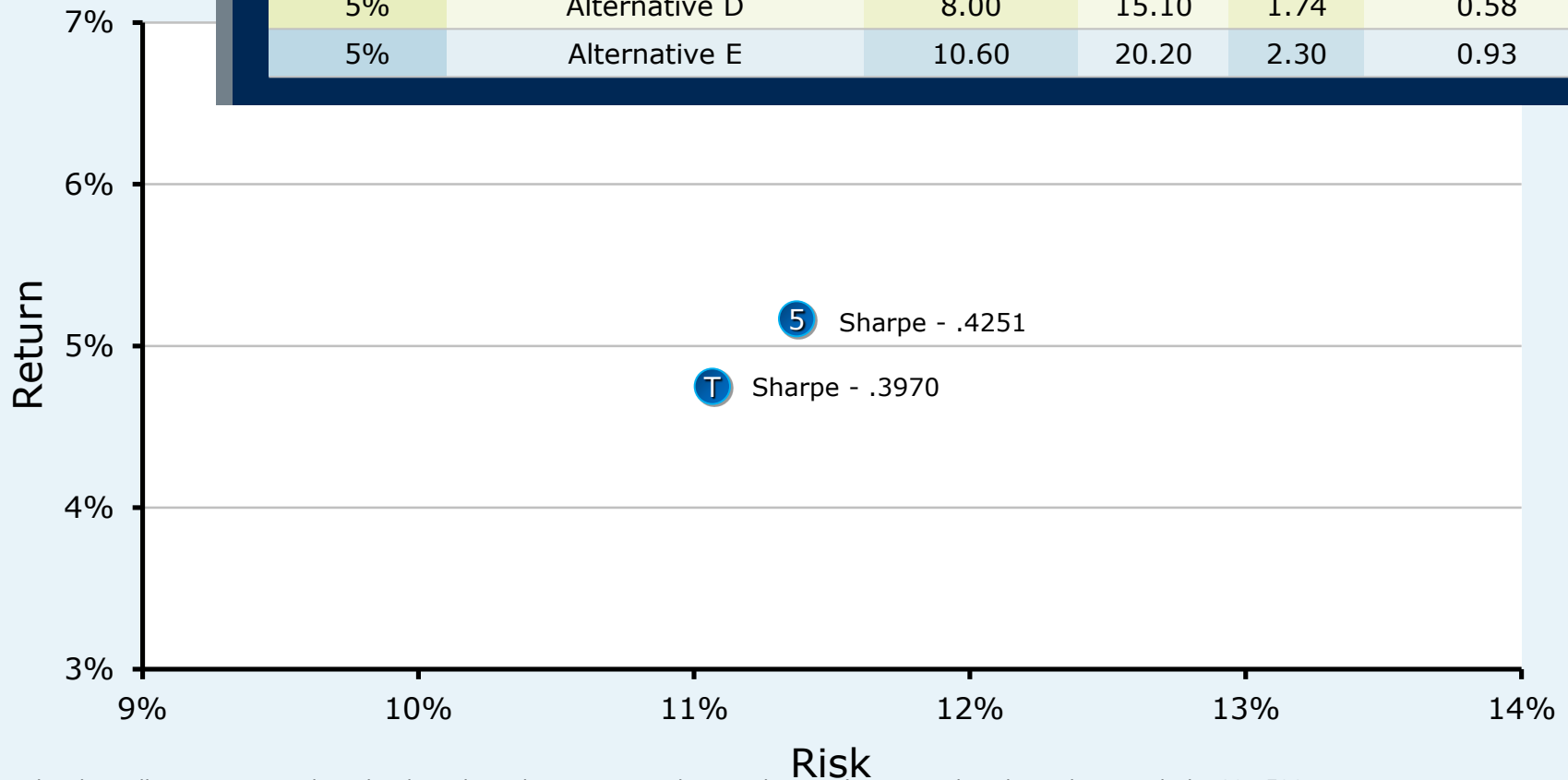
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# Hypothetical Modeling Simulation

Weight	Asset	Return	Risk	Beta	Correlation
90%	Traditional	4.60	11.10	1.00	1.00
5%	Alternative D	8.00	15.10	1.74	0.58
5%	Alternative E	10.60	20.20	2.30	0.93



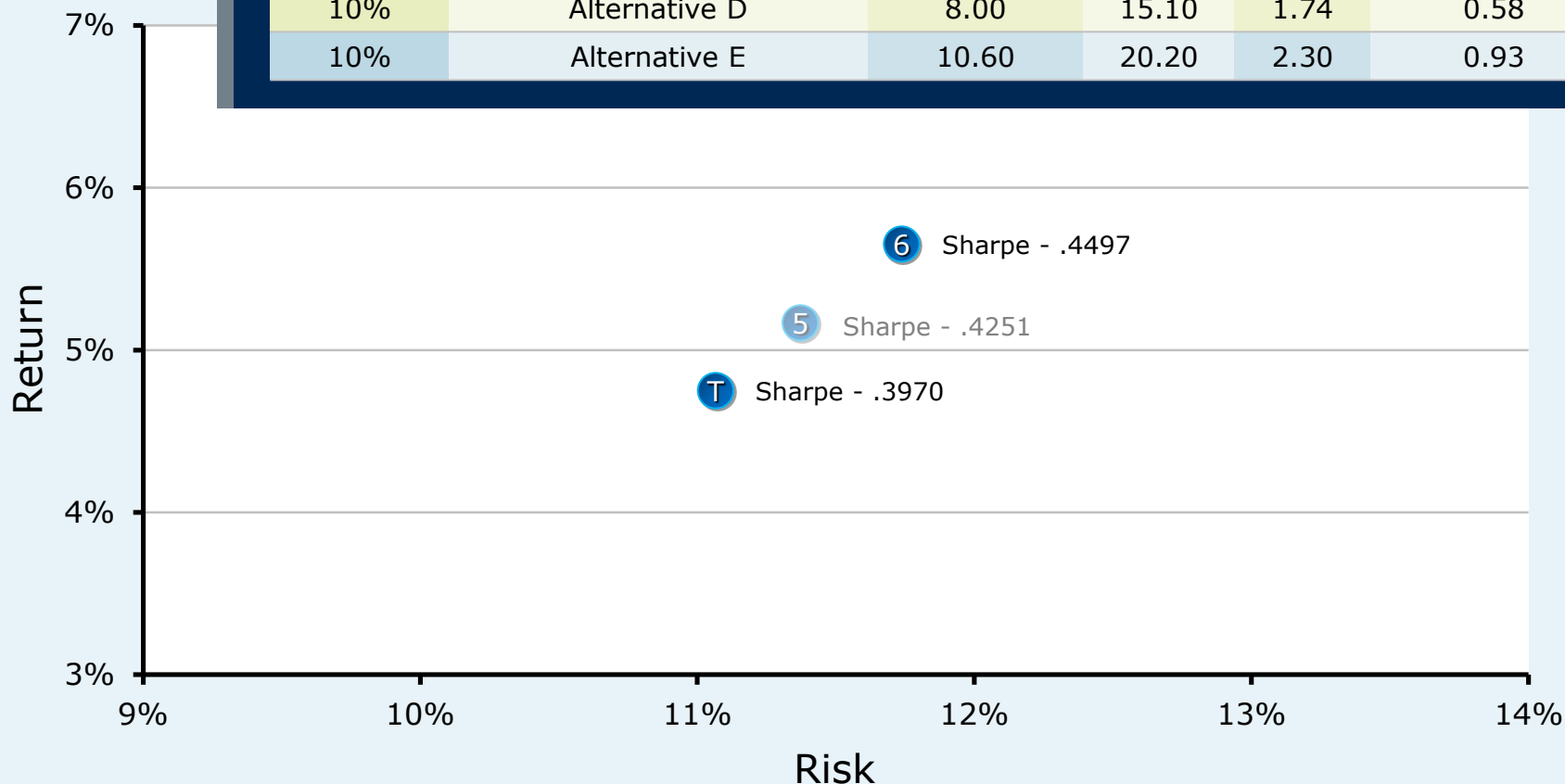
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# Hypothetical Modeling Simulation

Weight	Asset	Return	Risk	Beta	Correlation
80%	Traditional	4.60	11.10	1.00	1.00
10%	Alternative D	8.00	15.10	1.74	0.58
10%	Alternative E	10.60	20.20	2.30	0.93



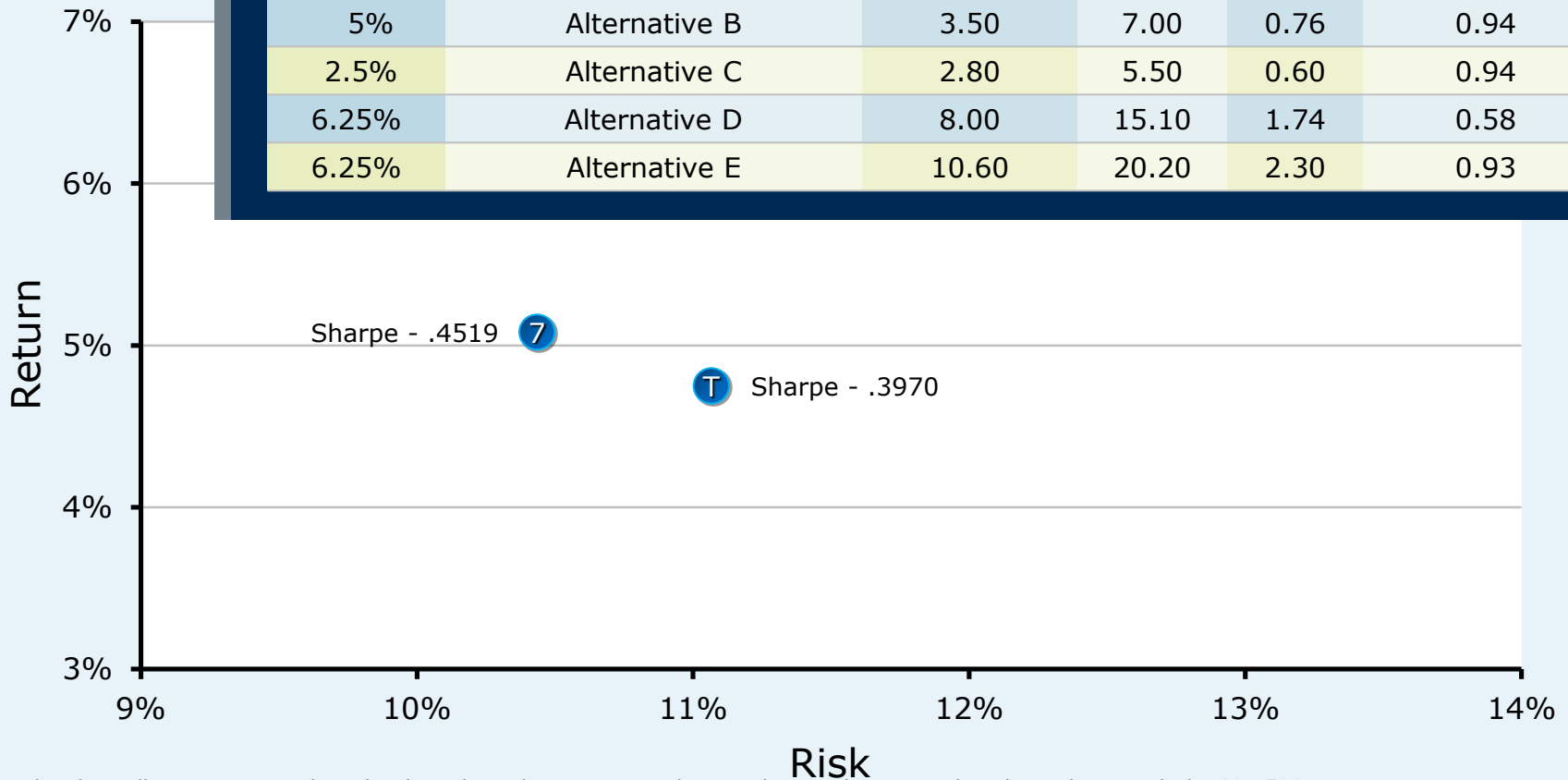
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# Hypothetical Modeling Simulation

Weight	Asset	Return	Risk	Beta	Correlation
75%	Traditional	4.60	11.10	1.00	1.00
5%	Alternative A	1.00	2.00	0.22	0.19
5%	Alternative B	3.50	7.00	0.76	0.94
2.5%	Alternative C	2.80	5.50	0.60	0.94
6.25%	Alternative D	8.00	15.10	1.74	0.58
6.25%	Alternative E	10.60	20.20	2.30	0.93



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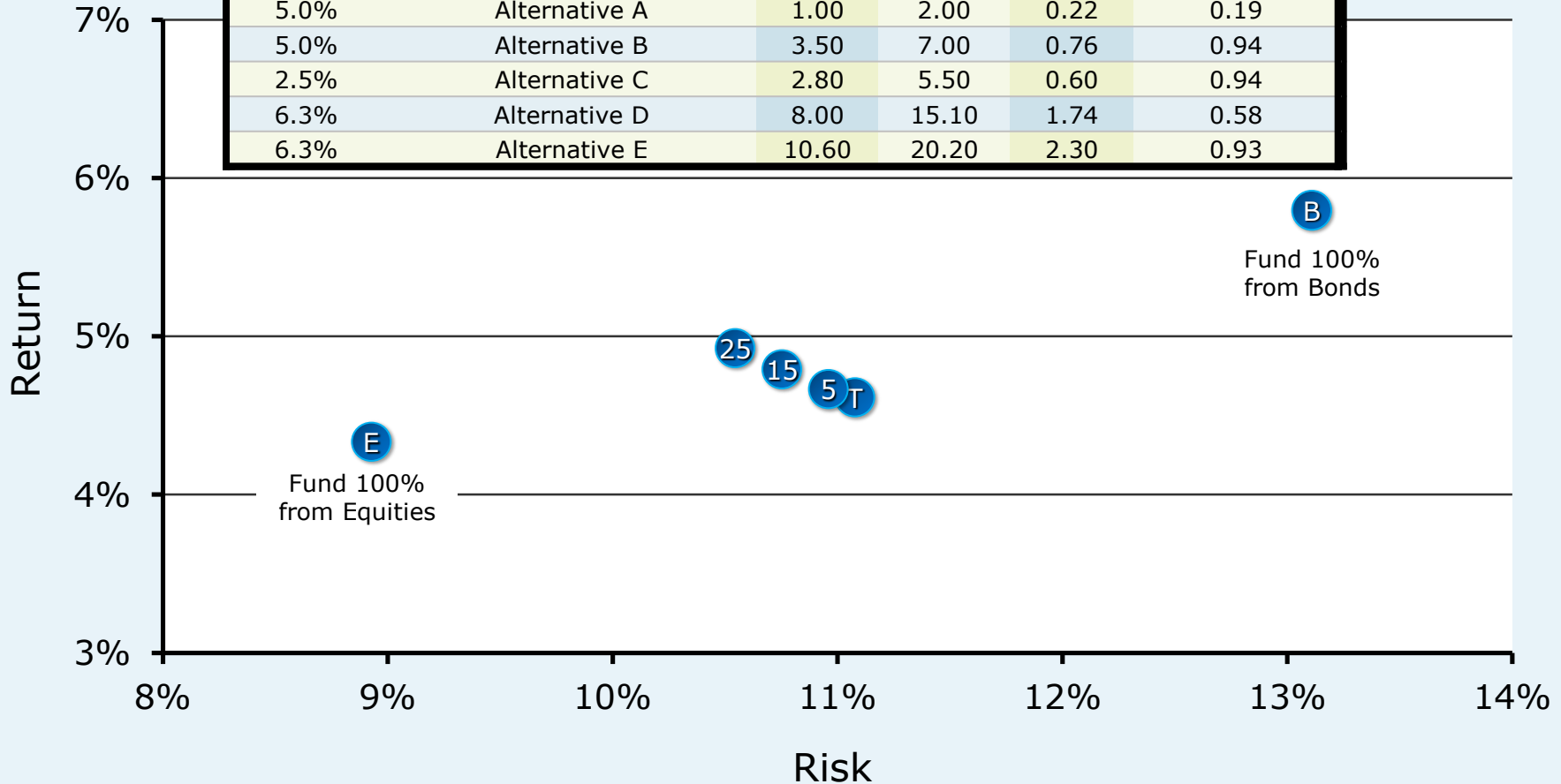
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# Hypothetical Modeling Simulation

Weight	Asset	Return	Risk	Beta	Correlation
75.0%	Traditional	4.60	11.10	1.00	1.00
5.0%	Alternative A	1.00	2.00	0.22	0.19
5.0%	Alternative B	3.50	7.00	0.76	0.94
2.5%	Alternative C	2.80	5.50	0.60	0.94
6.3%	Alternative D	8.00	15.10	1.74	0.58
6.3%	Alternative E	10.60	20.20	2.30	0.93



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# Building Portfolios with Alternatives

- **An effective alternatives strategy** will include assets that deliver a specific risk and return pattern that will help you achieve your portfolio objective, investor suitability and risk tolerance
  - A strategy or group of strategies that offer a relatively good risk/return pattern, delivered in a unique way, will provide the greatest potential benefit to overall risk-adjusted return for most investors
- The funding source for the alternatives allocation matters
  - funding **proportionately** from equities and fixed income is a reasonable “base case” for most investors

# Building Portfolios with Alternative Investments

Not All Alternatives Are Created Equal

Building Portfolios with Alternatives

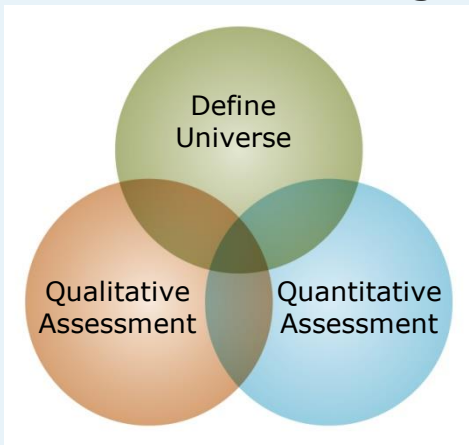
Selecting Alternative Investments

# Implementing Alternatives

*Two approaches*

## Targeted Approach

- › Use one or more alternative investment strategies



## Packaged Solution Approach

- › Use one fund that invests in multiple alternative investment strategies



- Determine funding source
- Determine how much to dedicate

- Determine funding source
- Determine how much to dedicate

# Targeted Approach

- Identify your objective
- Evaluate strategies, managers and products
  - Return pattern
  - Vehicle
  - Cost
  - Manager due diligence
- Quantitative assessment
  - Evaluate portfolio scenarios
- Qualitative assessment
- Active management

# John Hancock Example

## *The search for a global absolute return manager*

### **1. Establish “Performance Blueprint”**

- Help increase diversification, potentially reduce overall volatility
- Deliver a combination of Beta plus downside protection
- Lower volatility than equities, but with similar performance

### **2. Direct Access**

- See how they interact, generate ideas, construct the portfolio, and manage risk
- Witness how they leverage ideas from the equity and credit teams
- View the physical layout of their office

### **3. Understanding Risk**

- Extensive evaluation of OTC instruments by IMS and Complex Securities Committee
- Compliance /Legal teams visited subadvisor home offices to establish comfort level with 40 Act regulations

### **4. Intensive Debate and Dialogue**

- Final 3 candidates discussed at length before selecting one
- Continue to review and actively discuss the strategy on an ongoing basis

Screened approx.  
100 managers



Met with 37  
managers



Narrowed list to  
8-10 firms



Selected 3  
finalists



# Advantages of Packaged Solutions

**Understanding  
Alternative Strategies  
Can Be *Complicated***

Packaged Solutions Offer...

Professional money managers with experience using different types of alternatives and the capabilities to evaluate alternative strategies.

# Advantages of Packaged Solutions

**Understanding**  
Alternative Strategies  
Can Be ***Complicated***

**Searching** for  
Alternative  
Products Is ***Hard***

Packaged Solutions Offer...

Institutional relationships  
with alternative managers with  
institutional-level information  
and analysis.

Resources (analysts) required  
to sift through the many  
products available.



# Advantages of Packaged Solutions

**Understanding**  
Alternative Strategies  
Can Be ***Complicated***

**Shopping** for  
Alternative  
Products Is ***Hard***

**Building**  
Alternatives Portfolio  
Is ***Challenging***

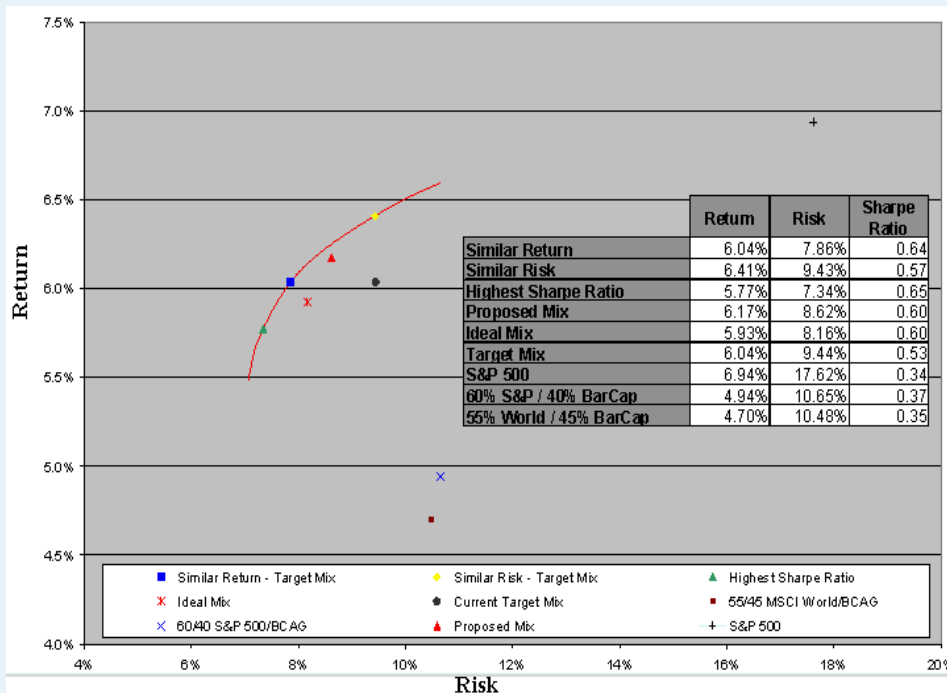
## Packaged Solutions Offer...

An understanding of the unique return streams, risk characteristics and betas of all alternative asset classes and the most effective ways to combine them.

Daily, active management with constant evaluation of the alternatives landscape for the inclusion of new products.

# Portfolio Optimization

Illustrative Example - Efficient Frontier Chart



## 1. Based on Forward Looking Inputs

## 2. Multiple Runs

- Unconstrained
- Limited Constraints
- Fixed Allocations

## 3. Sensitivity Analysis

- Vary returns, volatilities, correlations

**RESULT:** Portfolio Mix expected to deliver superior risk-adjusted return metrics relative to traditional equities and mixed-asset portfolios

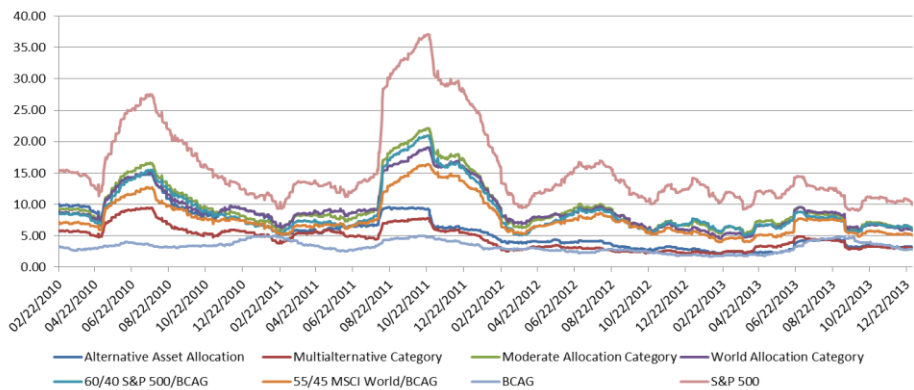
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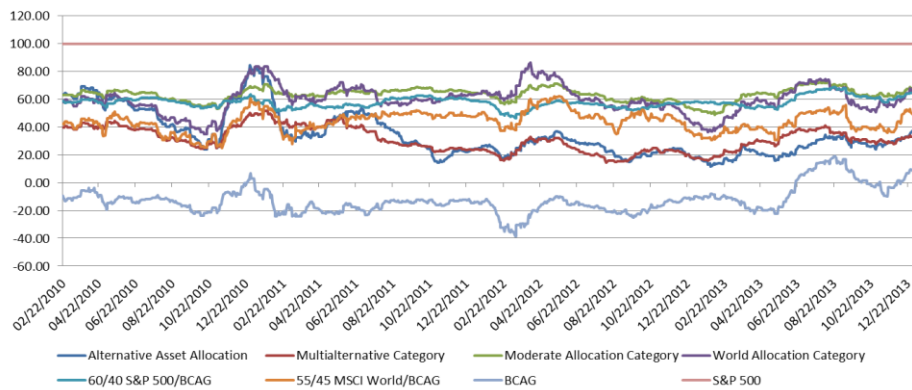
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# Multiple Views of Risk

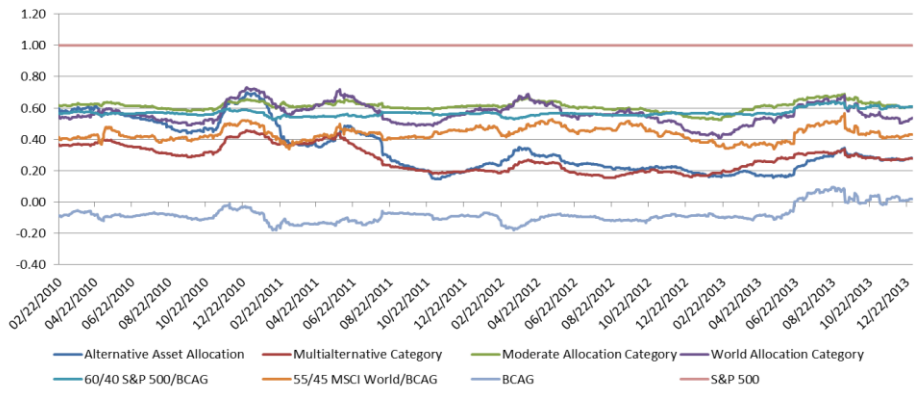
**Rolling 60 Day Standard Deviation**



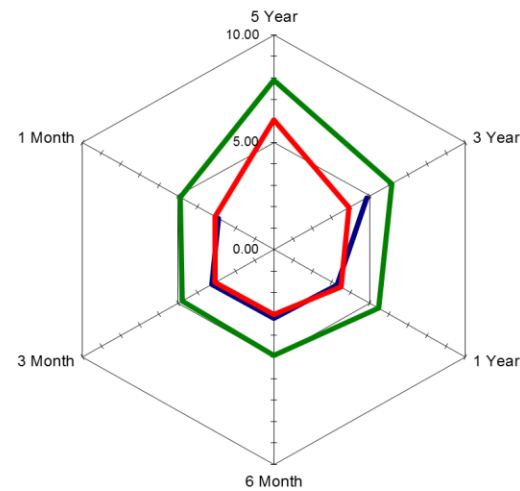
**Rolling 60 Day Downside Capture**



**Rolling 60 Day Beta**

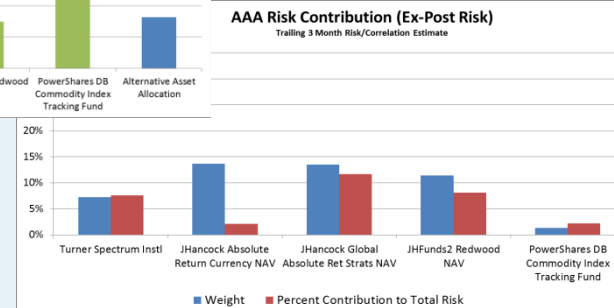
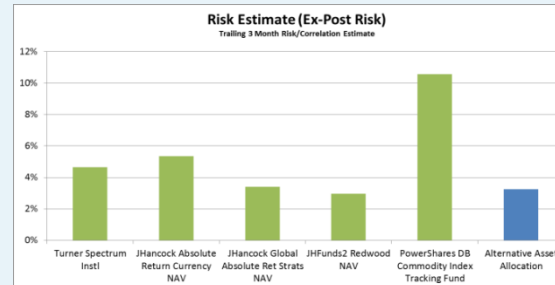
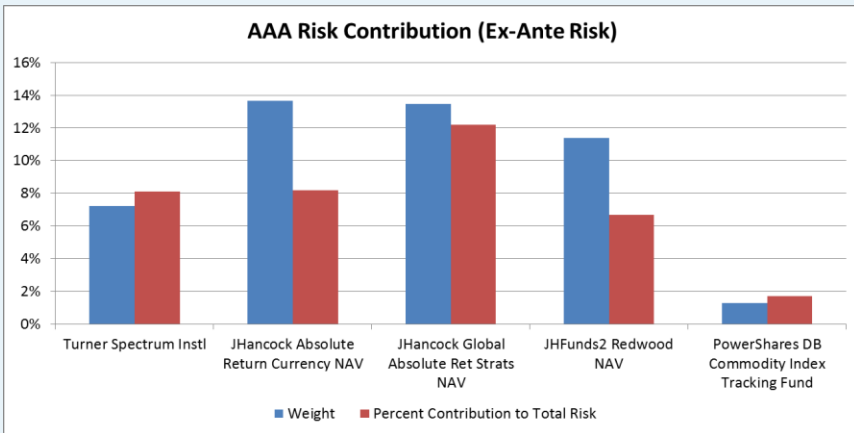
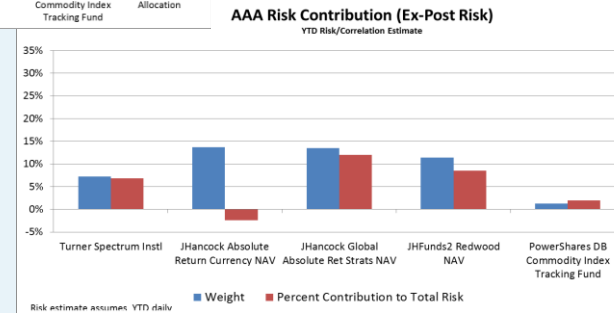
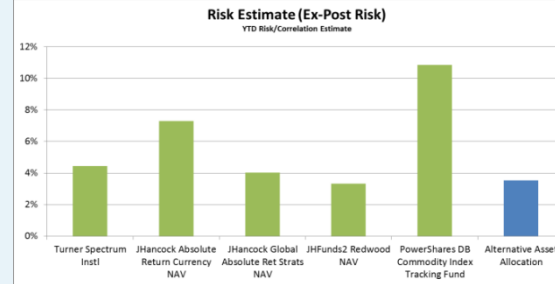
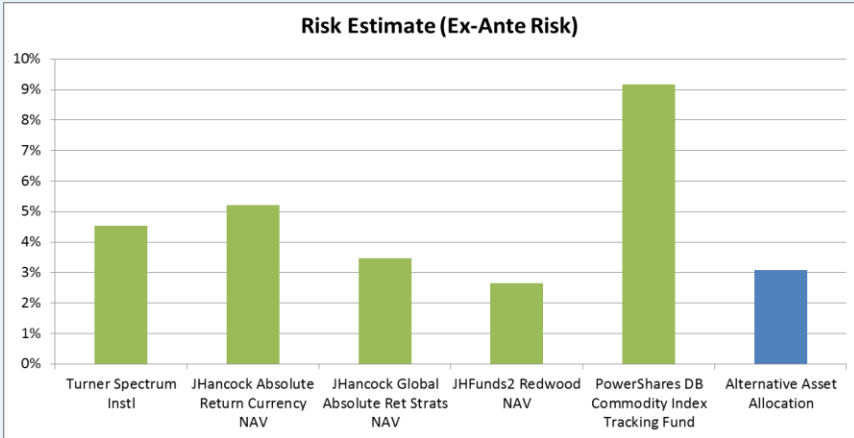


**JHancock Alternative Asset Allocation A**



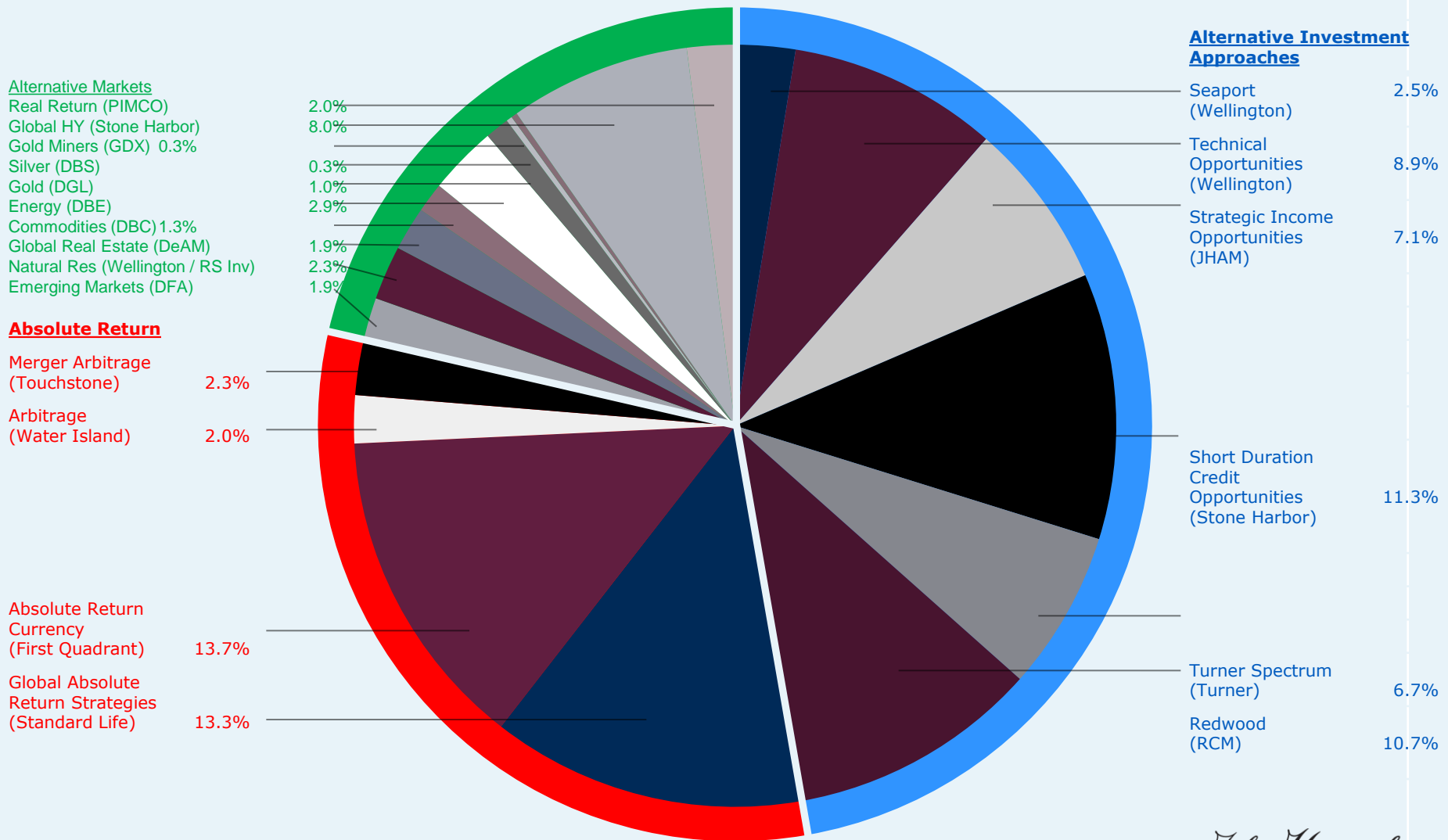
\*Source: Factset and VPA 12/31/13.

# Multiple Views of Risk



\*Risk is defined as the investment's standard deviation. Ex-Ante risk and correlation estimates sourced from JHAM proprietary model. Source: Factset and VPA 12/31/13.

# JH Alternative Asset Allocation Fund



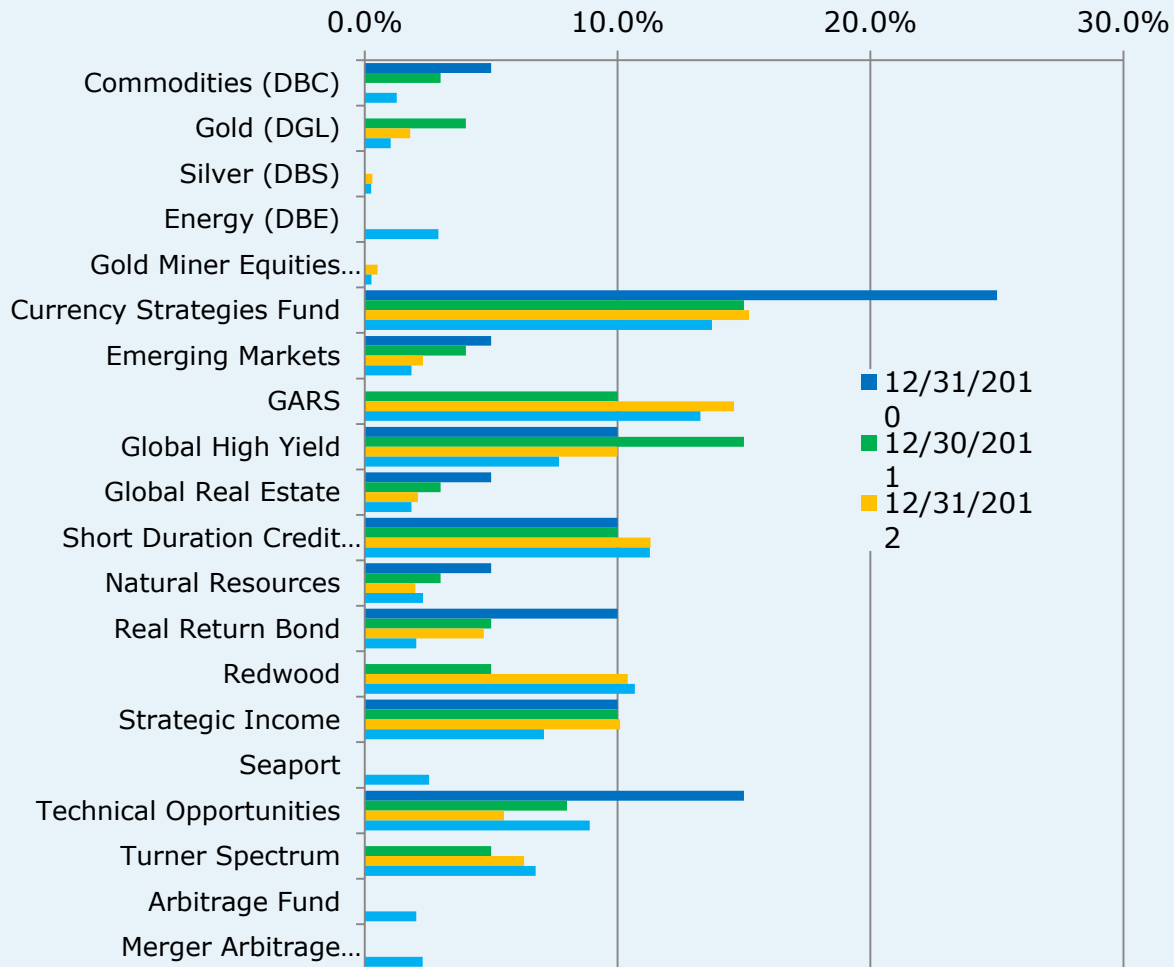
**As of December 31, 2013.** Source: John Hancock Asset Management. Portfolio characteristics, constraints and holdings are for illustrative purposes only, subject to change at any time and may differ for a specific account.



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# Ongoing Active Management

## *Changes in positioning*



### Volatility Management

- Expect mid-high single digit standard deviation
- Beta range ~.2 to .3
- Downside capture range ~.2 to .3

### Return Enhancement

- Driven by our forward looking capital market assumptions

### Diversification

- Complementary strategies can improve performance consistency

Source: VPA as of Dec 31, 2013

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# Solid Relative Absolute and Risk-Adjusted Returns

As of December 31, 2013	1 YR	3 YR	5 YR
<b>Return</b>			
JHF Alternative Asset Allocation Fund	3.98%	3.41%	11.79%
<i>MorningStar Multialternative Category Avg</i>	4.14%	2.22%	5.92%
<b>Standard Deviation</b>			
JHF Alternative Asset Allocation Fund	3.92%	5.96%	11.66%
<i>MorningStar Multialternative Category Avg</i>	4.15%	5.09%	7.74%
<b>Sharpe Ratio</b>			
JHF Alternative Asset Allocation Fund	1.44	0.83	1.43
<i>MorningStar Multialternative Category Avg</i>	1.18	0.46	0.89
<b>Beta vs. S&amp;P 500 Index</b>			
JHF Alternative Asset Allocation Fund	0.24	0.24	0.42
<i>MorningStar Multialternative Category Avg</i>	0.28	0.23	0.30
<b>Downside Capture vs. S&amp;P 500 Index</b>			
JHF Alternative Asset Allocation Fund	26.3%	25.8%	38.2%
<i>MorningStar Multialternative Category Avg</i>	31.5%	25.9%	30.4%

Source MorningStar Direct as of 12/31/13. Data covering periods greater than one year are annualized. Standard deviation, Sharpe Ratio and downside capture calculations are based on daily data. Past performance does not guarantee future results. Performance shown is net of fees.



# Performance

Average annual total returns, as of December 31, 2013 (Periods longer than one year are annualized)

Alternative Asset Allocation (A)	YTD	1-Year	3-Year	5-Year	Life of Fund (1/2/09)
Without sales charge	3.98%	3.98%	3.41%	11.79%	11.79%
With maximum sales charge of 5%	-1.22%	-1.22%	1.66%	10.65%	10.65%
MSCI World Index*	27.37%	27.37%	12.13%	15.68%	15.68%

Performance information prior to December 20, 2010 reflects an allocation to a different mix of underlying funds and would have been different if the fund had been allocated to its current mix of underlying funds. December 31, 2008 is the inception date for the oldest class of shares, Class A shares. Class I shares were first offered on December 31, 2010. The Fund's net annual operating expense ratio as of the current prospectus is 1.78%. The gross annual operating expense ratio of 1.80% is reduced due to contractual expense reimbursements which are in effect until at least 12/31/14 and may be terminated by the Adviser any time after this date. Expenses for other share classes will vary, which will affect returns. Performance figures assume that all distributions are reinvested. Performance quoted without sales charges would be reduced if the sales charges were applied.

For performance data current to the most recent month end, contact John Hancock Funds at 1-800-225-6020. The performance data contained within this material represents past performance, which does not guarantee future results. The return and principal value of an investment will fluctuate, so that shares, when redeemed, may be worth more or less than the original cost. The Fund's current performance may be higher or lower and is subject to substantial changes. Performance shown are net of fees.

\*The MSCI World (Gross) Index is an unmanaged index of freely traded stocks of foreign companies.





# Questions & Answers

# Appendix: Glossary

- › The **Standard & Poor's 500 Index** is an unmanaged index of 500 widely traded large-cap common stocks.
- › The **Barclays U.S. Aggregate Bond Index** is an unmanaged index of dollar-denominated and nonconvertible investment-grade debt issues. It is not possible to invest directly in an index.
- › **Equity Market Neutral** is represented by the **HFRI Equity Hedge: Equity Market Neutral Index**. Equity Market Neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale.
- › "**Buy-Write**" is represented by the CBOE S&P 500 Buy Write Index (BXM), a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.
- › "**Emerging Market Debt**" is represented by the JP Morgan Emerging Markets Bond Index (EMBI) which tracks U.S. dollar-denominated Brady bonds, loans and Eurobonds of external debt instruments (external meaning foreign currency denominated fixed income) in the emerging markets.
- › "**Gold**" is represented by the Morningstar Gold Commodity Index, a fully collateralized gold commodity futures index that is long all eligible commodities in the gold sector.
- › Fund of Funds Composite is represented by the HFRI Funds of Funds Composite. Fund of Funds managers have discretion in choosing which strategies to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies to design a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The index includes over 600 constituent funds.
- › Merger **Arbitrage** is represented by the **HFRI Event Driven: Merger Arbitrage Index**. Merger Arbitrage managers employ an investment process primarily focused on opportunities in equity and equity-related instruments of companies that are currently engaged in a corporate transaction.
- › **Macro** is represented by the **HFRI Macro Index**. Macro investment managers use a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.
- › **Relative Value** is represented by the HFRI Relative Value Index. Relative Value investment managers maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types.
- › **Long-Short Equity** is represented by the **Morningstar Long/Short Equity Category**, a collection of funds that hold sizable stakes in both long and short positions in equities and related derivatives. Some funds that fall into this category will shift their exposure to long and short positions depending on their macro outlook or the opportunities they uncover through bottom-up research.
- › **Multialternative** is represented by the **Morningstar Multialternative Category**, a collection of funds that offers investors exposure to several different alternative investment tactics.
- › **Currency** is represented by the **Morningstar Currency Category**, a collection of funds that invest in multiple currencies through the use of short-term money market instruments, derivative instruments including and not limited to forward currency contracts, index swaps and options; and cash deposits.
- › **Market Neutral** is represented by the **Morningstar Market Neutral Category**, a collection of funds that attempts to reduce systematic risk created by factors such as exposures to sectors, market-cap ranges, investment styles, currencies, and/or countries. These strategies are often managed at beta-neutral, dollar-neutral, or sector-neutral.
- › **Commodities** is represented by the **Morningstar Long-Only Commodity Trust Index**, a fully collateralized commodity futures index that is long all eligible commodities.
- › **Global Real Estate** is represented by the **Morningstar World Real Estate Index**, a subset of the Morningstar U.S. Market Index and consists of mortgage companies, property management companies and REITs.

# Disclaimer

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# Additional Information

The Fund's performance depends on the Advisor's skill in determining the strategic asset class allocations, the mix of underlying funds and the performance of those underlying funds. The underlying funds' performance may be lower than the performance of the asset class, which they were selected to represent. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track, which may cause a lack of liquidity, more volatility and increased management fees. The Fund is subject to the same risks as the underlying funds in which it invests, which include the following: 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; the securities of small-capitalization companies are subject to higher volatility than larger, more established companies; and high-yield bonds are subject to additional risks, such as increased risk of default. The underlying funds may use currency transactions to seek to achieve gains in the Fund. If currencies do not perform as expected, the Fund could have significant losses, which exceed the amount invested in the currency instruments. For additional information on these and other risk considerations, please see the Fund's prospectus.

Absolute return funds are not designed to outperform stocks and bonds in strong markets and there is no guarantee of positive returns. They employ certain techniques which are intended to reduce risk and volatility in the portfolio and provide protection against a decline in the Fund's assets. However, there is no guarantee that any investment strategy will be successful or that the Fund's objectives will be achieved. The use of hedging and derivatives transactions could produce disproportionate gains or losses and may increase volatility and costs. The issuer or grantor of a security, or counterparty to a transaction, may be unable or unwilling to make principal, interest or settlement payments. If the Fund invests in illiquid securities, it may be difficult to sell them at a price approximating their value.

The risks of investing in foreign securities are greater for investments in emerging markets. Emerging market countries may experience higher inflation, interest rates and unemployment, as well as greater social, economic, regulatory and political uncertainties than more developed countries. Value stocks may not increase in price as anticipated or may decline further in value. Fixed-income investments are subject to interest-rate and credit risk; their value will normally decline as interest rates rise or if the creditor is unable or unwilling to make principal or interest payments. Currency transactions are impacted by fluctuations in exchange rates, which may adversely affect the U.S. dollar value of a fund's investments. Investments in higher-yielding, lower-rated securities involve additional risks, as these securities include a higher risk of default and loss of principal. The prices of medium and small company stocks can change more frequently and dramatically than those of large company stocks. For additional information on these and other risk considerations, please see the Fund's prospectus.

*Clients should carefully consider a fund's objectives, risks, charges and expenses before investing. The prospectus contains this and other important information about the fund. To obtain a prospectus, call John Hancock Funds at 1-800-225-6020 or visit our Web site at [www.jhfunds.com](http://www.jhfunds.com). Clients should read the prospectus carefully before investing or sending money.*



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