JHancock Disciplined Value Mid Cap I JVMIX

A strong option.

Morningstar's Take JVMIX

Morningstar Rating	★★★★★
Morningstar Analyst Rating	Silver

Morningstar Pillars

Process	Above Average
Performance	—
People	High
Parent	Above Average
Price	—

Role In Portfolio

Supporting Player

Fund Performance

Year	Total Return (%)	+/- Category
YTD	-17.56	2.22
2019	30.14	4.96
2018	-14.74	-1.88
2017	15.64	2.42
2016	15.25	-2.81

Data through 6-30-20

7-02-20 | by Alec Lucas

John Hancock Disciplined Value Mid Cap's caution and opportunism merit a Morningstar Analyst Rating of Silver for its cheapest share classes, while its priciest shares fall to Bronze.

The fund effectively blends quantitative and fundamental analysis. Boston Partners' quant team ranks U.S. mid-cap stocks and ADRs based on relative valuations (40% of the model's weight), momentum (40%), and business health (20%). The fundamental analysts dig into stocks that score well and keep an eye out for special situations, such as spin-offs. Lead manager Steven Pollack then picks stocks he thinks have catalysts that can unlock value over the next year or two, which explains the fund's 54% fiscal 2020 turnover.

Pollack's implementation of the process is thoughtful. While he doesn't hesitate to sell stocks whose prospects change for the worse, he keeps valuation in mind and will come back to a name if he thinks the price is right. In March 2020, he cut the fund's position in Southwest Airlines amid uncertainty about the economic impact of the coronavirus. As that uncertainty lessened in April and the stock got cheaper, he bought back those shares and then some.

The fund's 150-stock portfolio regularly shows Pollack's willingness to bargain hunt in cyclical parts of the market. Adding Southwest shares helped push the April 2020 portfolio's industrials stake to 18.1%, 6.2 percentage points more than the Russell Midcap Value Index's and near the US mid-cap equity Morningstar Category's top decile. Pollack also built modest positions in stocks like Live Nation Entertainment and Darden Restaurants.

Not every move works out, but Pollack's judgment has helped the fund fare well in downturns while keeping pace in rallies since he started here in July 2001. The fund now has a sizable edge on the index thanks to losing less in the 2007-09 credit crisis, the 2015-16 correction, and the early-2020 bear market while outperforming in 2013 and 2017.

Reopened to new investors in March 2019, the roughly $18 billion strategy is a strong option.

Process Pillar Above Average | Alec Lucas 07/01/2020

The fund receives an Above Average Process rating for consistent execution of Boston Partners' proven, firmwide approach. Centered on companies with attractive relative valuations, positive momentum, and sound business fundamentals, the process begins with the firm's quant team ranking stocks and ADRs in the market-cap range of the Russell Midcap Index based on a 13-factor model. Value-oriented factors, such as price/free cash flow and enterprise value/EBITDA, account for 40% of the model's weighting; momentum indicators, including sales and earnings revisions, another 40%; and signs of healthy fundamentals, like a robust return on assets, the final 20%.

The fundamental analysts then focus on stocks placing in the model's top two deciles. They also examine stocks that score poorly or can't be scored--such as spin-offs--but nonetheless look compelling from a qualitative standpoint. They aim to identify a catalyst that will unlock a company's value, whether a new product, management change, or restructuring.

Based on analysts' recommendations and his own preference for cash-generative businesses, manager Steven Pollack buys stocks trading at about a 20% discount to the analysts' price targets over a one- to two-year horizon. He sells stocks that appreciate as anticipated, show declining fundamentals, or experience negative momentum that seems likely to persist.

In the early to mid-2000s, lead manager Steven Pollack invested in about 80-100 stocks, but since the financial crisis he has reduced security-specific risk by spreading his bets on across a roughly 125-150 stock portfolio. He now caps top positions around 2% of assets and is more inclined to buy several promising names within an industry rather than just one.

Pollack isn't afraid to depart materially from the Russell Midcap Value Index's sector weightings. Technology stocks have consistently been a favorite since early 2004. The fund's overweighting in this sector peaked in October 2017, when its 20.6% stake was nearly 14 percentage points more than index. That tech stake included current holding Activision Blizzard, then a top-10 position. Pollack first bought the video game maker in July 2013 and held on amid negative product reviews as he believed in Activision's ability to churn out more blockbusters.

Pollack typically avoids stocks beset by uncertainty or setbacks, and that contributed to the now mid-value fund's time in the mid-blend category between late 2016 and mid-2019. The fund has often straddled the border between these two peer groups.

The now $18 billion strategy had been closed to new investors since early 2014 but reopened in March 2019 after outflows freed up some capacity. At its late-2017 peak, the strategy held nearly $25 billion.

Performance Pillar | Alec Lucas 07/01/2020
The fund's focus on firms with attractive relative valuations, positive momentum, and sound fundamentals has led to a strong record. From Steven Pollack's July 2001 start through May 2020, the Institutional shares' 9.3% annualized gain beat the Russell Midcap Value Index by 1.2 percentage points and outpaced all but one of its mid-value and mid-blend current and former category peers combined (the fund has spent time in both groups). Its risk-adjusted results were also superior.

Pollack's aversion to declining fundamentals and businesses facing major headwinds has led to success in varied conditions. A financials underweighting throughout the 2007-09 credit crisis didn't spare the fund from catastrophic loss, but its peak-to-trough 51.3% drop was 9.4 percentage points better than the index's. Similarly, the fund edged the index during the 2015-16 correction and the early-2020 bear market. It has also outpaced the index in rallies, like 2013 and 2017.

Performance hasn't been bulletproof. Lack of utilities exposure hurt in 2018. The fund can also struggle when deep-value stocks lead the way. It underperformed the index each calendar year between 2002 and 2005, lagged in 2009's junk-led rally following that year's March 9 bottom, and trailed again in 2016. In each of those periods, value stocks beat their growth counterparts, often by a wide margin.

People Pillar High | Alec Lucas 07/01/2020
Management experience and team stability combine to earn the fund a High People rating. Lead manager Steven Pollack of subadvisor Boston Partners has more than 35 years of industry experience. He started as an analyst at Hughes Investments in the late 1980s and during 12 years at Hughes worked his way up to portfolio manager of a more than $5 billion defined-benefit plan while also overseeing external managers. In mid-2000, Pollack joined Boston Partners and by July 2001 had taken over this mid-cap value strategy. Joseph Feeney, a co-founder of Boston Partners and the firm's co-CEO and CIO, has been a comanager here since late 2005 but is not involved on a daily basis. Pollack invests at least $500,000 in the fund; Feeney, who has more than $4 million across the Boston Partners lineup, invests at least $100,000 here.

Based in Boston Partners' Los Angeles office, Pollack draws on the firm's central research bench of 20 fundamental analysts and eight quant analysts. These two teams have a good mix of firm veterans and newer additions. Nine fundamental analysts and one quant analyst have been with Boston Partners less than five years. Analysts who join the firm rarely leave voluntarily for another asset manager. Long-short generalist Patrick Regan was one of the few to do so in 2010, but he subsequently rejoined the firm.

Parent Pillar Above Average | Madeline Hume 03/26/2019
John Hancock's influence is growing within its parent Manulife Financial Corp. In 2017, Manulife united its disparate regional investment and wealth-management groups into a single, global segment. The promotion of key individuals from John Hancock Investments, including its CEO Andrew Arnott and its former CIO Leo Zerilli, to this new segment's leadership team is a meaningful step toward bolstering investment oversight worldwide.

A culture of investing excellence is key to Hancock's growing prominence within Manulife. Although about 40% of Hancock's assets under management today are run by Manulife, since Arnott stepped into the CEO role in 2012, the firm's manager research team has abided by an ethos to deliver best-in-class strategies through giving more mandates to unaffiliated managers. Like many asset managers within insurance companies, Manulife continues to run a large portion of John Hancock's fixed-income AUM.

Lower fees have meaningfully improved the firm's investment offerings, now numbering more than 100. John Hancock has instituted complexwide fee breakpoints, which help pass economies of scale on to shareholders of both large and small funds through lower expenses. John Hancock, and Manulife, maintain their Positive Parent ratings.

Price Pillar | Alec Lucas 07/01/2020
It's critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category's second-cheapest quintile. Based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Silver.

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Average annual total returns[1] (as of 9/30/20)

	Class I (without sales charge)	Class A (without sales charge)	Class A (with 5% maximum sales charge)	Russell Midcap Value Index
1 year	-7.58	-7.80	-12.41	-7.30
5 year	6.18	5.93	4.85	6.38
10 year	10.99	10.69	10.13	9.71
Life of fund	9.06	8.79	8.55	8.99
Inception date	6/2/97	6/2/97	6/2/97	—
Net expense ratios[2] (%)	0.86	1.11	1.11	—
Gross expense ratios (%)	0.87	1.12	1.12	—

The past performance shown here reflects reinvested distributions and the beneficial effect of any expense reductions, and does not guarantee future results. Returns for periods shorter than one year are cumulative, and results for other share classes will vary. Shares will fluctuate in value and, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance cited. For the most recent month-end performance, visit jhinvestments.com. The fund recently experienced negative short-term performance due to market volatility associated with the COVID-19 pandemic.

1 Returns prior to the commencement date of Class A and Class I shares are those of Robeco Boston Partners Mid Cap Value Fund (the predecessor fund) and have not been adjusted for expenses; otherwise, returns would vary. **2** Reflects the effect of a contractual fee waiver and/or expense reimbursement through 7/31/21, and is subject to change.

The Russell Midcap Value Index tracks the performance of publicly traded mid-cap companies with lower price-to-book ratios and lower forecasted growth values. It is not possible to invest directly in an index.

Morningstar ratings: mid-cap value fund category, as of 9/30/20

Morningstar ratings Class I shares	★★★★★ Overall	★★★★ 3 year	★★★★ 5 year	★★★★★ 10 year

As of 9/30/20, the fund's Class I shares received a 5-star overall rating out of 391 funds in the Morningstar mid-cap value fund category. The fund was rated 4, 4, and 5 stars out of 391, 348, and 248 funds for the 3-, 5-, and 10-year periods, respectively.

For each managed product, including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts, with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return that accounts for variation in a fund's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. Exchange-traded funds and open-end mutual funds are considered a single population for comparative purposes. The top 10.0% of funds in each category, the next 22.5%, 35.0%, 22.5%, and bottom 10.0% receive 5, 4, 3, 2, or 1 star(s), respectively. The overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. The rating formula most heavily weights the 3-year rating using the following calculation: 100% 3-year rating for 36 to 59 months of total returns, 60% 5-year rating/40% 3-year rating for 60 to 119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. For complete performance information, visit jhinvestments.com. Other share classes may be rated differently. Past performance does not guarantee future results.

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The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties that may cause analyst expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

The stock prices of midsize and small companies can change more frequently and dramatically than those of large companies. Value stocks may decline in price. Foreign investing, especially in emerging markets, has additional risks, such as currency and market volatility and political and social instability. Large company stocks could fall out of favor, and illiquid securities may be difficult to sell at a price approximating their value. Please see the fund's prospectus for additional risks.

Request a prospectus or summary prospectus from your financial representative, by visiting jhinvestments.com, or by calling us at 800-225-5291. The prospectus includes investment objectives, risks, fees, expenses, and other information that you should consider carefully before investing.

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