

# Combining financial returns with *positive* impact

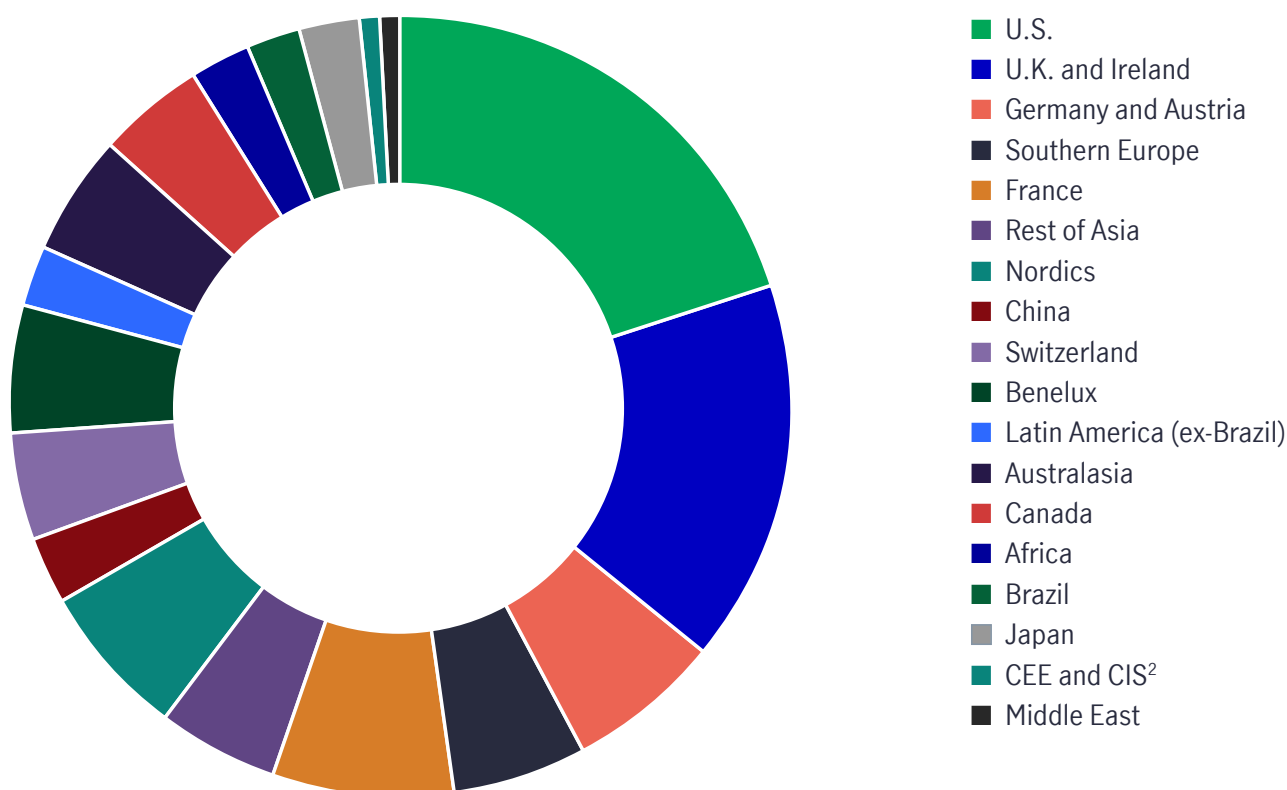
Environmental, social,  
and governance investing

# Three things to know about ESG investing

## 1 It's *mainstream* investing

Environmental, social, and governance (ESG) investing used to be considered a niche market. No longer. People everywhere are concerned about their society, their environment, and corporate governance issues. Over the past 20 years, ESG investing has grown from 55 funds that mostly excluded polluting corporations to more than 1,000 funds representing a diversity of approaches.

Total signatories, by region (3/31/23)



Source: Principles for Responsible Investment annual report, 2022-23.

## 2 It's making a *difference*

By engaging directly with company management and boards over sustainability issues, investors have helped shape corporate behavior worldwide. One testament to the global impact of ESG investing is the creation of the Principles for Responsible Investment (PRI), a leading proponent of ESG investing, with nearly 5,400 signatories worldwide representing roughly \$121 trillion in invested assets.<sup>1</sup>

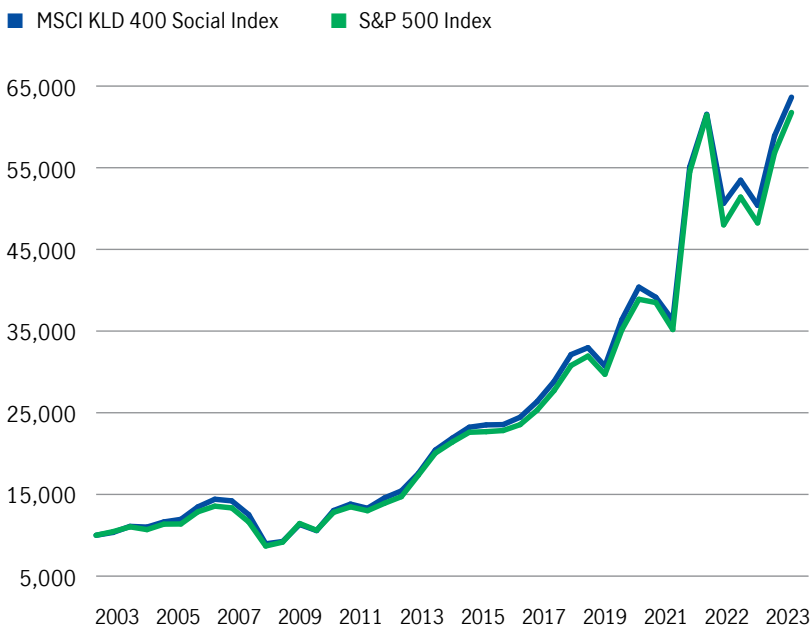
<sup>1</sup> Principles for Responsible Investment, September 2023 (most recent data available). <sup>2</sup> CEE refers to Central Eastern Europe. CIS refers to commonwealth of independent states.

### 3 It *doesn't* mean sacrificing performance

One early criticism of ESG investing was that eliminating certain stocks would hinder performance; however, investment results suggest otherwise. Moreover, academic research found more than a decade ago that high sustainability companies have outperformed low sustainability companies in terms of both stock market performance and return on equity.<sup>3</sup>

#### Sustainability-focused indexes have kept pace with traditional indexes over time

Growth of \$10,000, 2003–2023 (US\$)



Source: MSCI, Standard & Poor's, 2023. The MSCI KLD 400 Social Index tracks the performance of 400 U.S. companies with outstanding ESG ratings and excludes companies whose products have negative social or environmental impacts. 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. Past performance does not guarantee future results.

<sup>3</sup> "The Impact of Corporate Sustainability on Organizational Processes and Performance," hbs.edu, 2013. <sup>4</sup> Gartner, November 2022. <sup>5</sup> Reuters, September 2022. <sup>6</sup> BusinessWire, June 2022.

# 87%

of business leaders expect to increase sustainability investment over the next two years.<sup>4</sup>

# 90%+

of the world's largest companies will have at least one asset highly exposed to the physical impacts of climate change by the 2050s.<sup>5</sup>

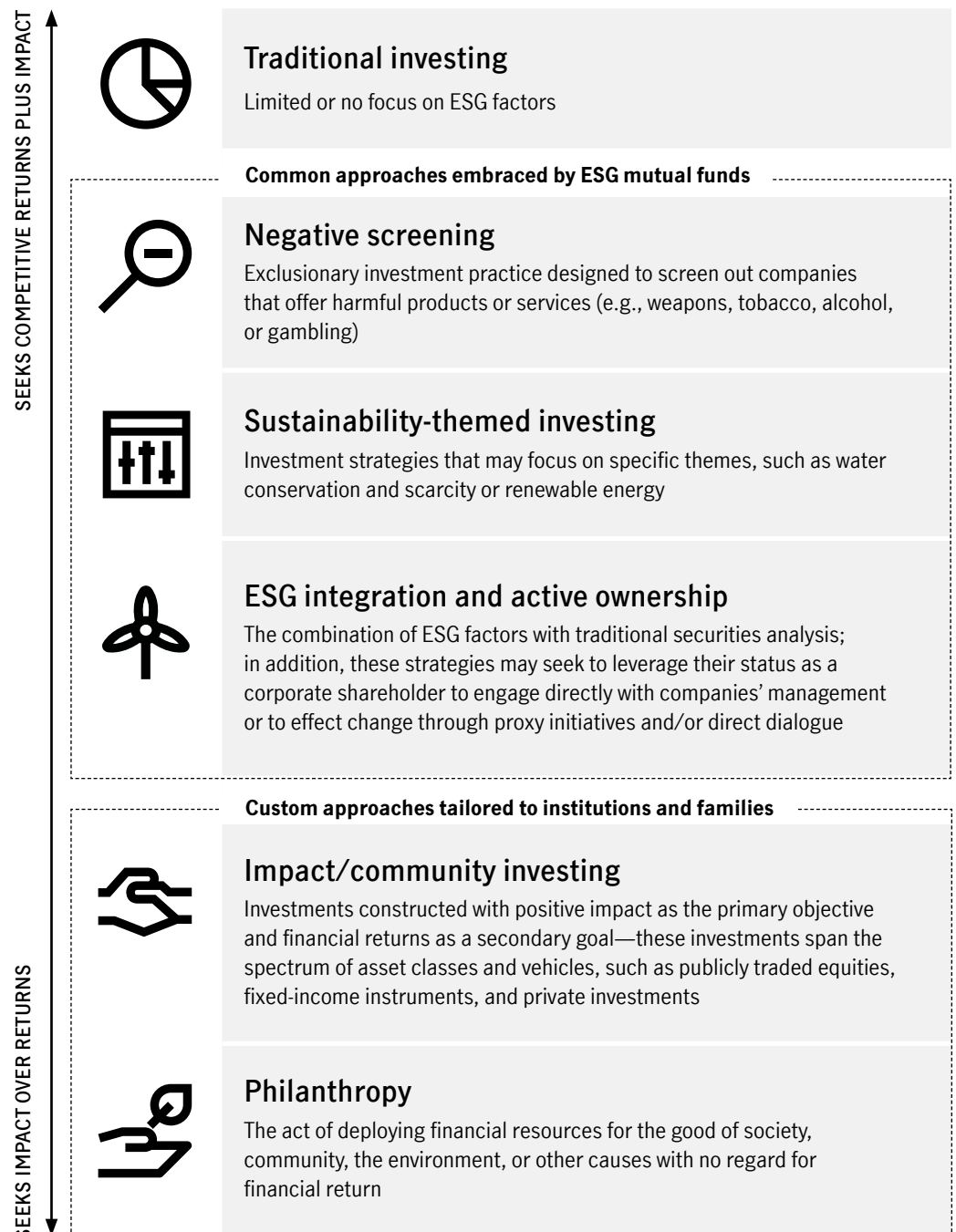
# 66%

of Americans and 80% of young Americans (ages 18–34) are willing to pay more for sustainable products versus less sustainable competitors.<sup>6</sup>



# Different ways to make a *difference*

The practice of integrating ESG issues into investment research has evolved significantly from the days of merely excluding companies on the basis of moral values. A variety of methods are now being used by both value-motivated and values-motivated investors in considering ESG issues across asset classes.





From traditional investing to philanthropy, investors have a variety of ways to make a difference and balance the goals of investment returns with social impact.

Today's ESG issues are high on the agenda of CEOs, corporate boards, and ESG investors around the world

### Environmental

- Climate change and carbon emissions
- Air and water pollution
- Biodiversity
- Energy efficiency
- Deforestation
- Waste management
- Water scarcity

### Social

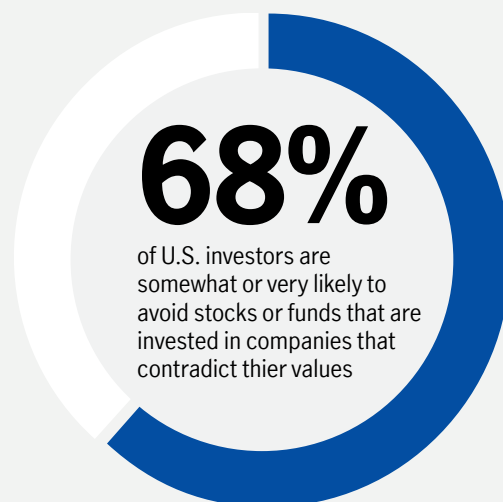
- Customer satisfaction
- Data protection and privacy
- Gender and diversity
- Community relations
- Employee engagement
- Human rights
- Labor standards

### Governance

- Board composition
- Executive compensation
- Audit committee structure
- Bribery and corruption
- Lobbyings
- Political contributions
- Whistle-blower schemes

ESG

## Consider *this*



Source: Gallup, 2022.

**81%**

of U.S. institutional investors reported in 2022 that they plan to increase their allocations to ESG products by the end of 2024.

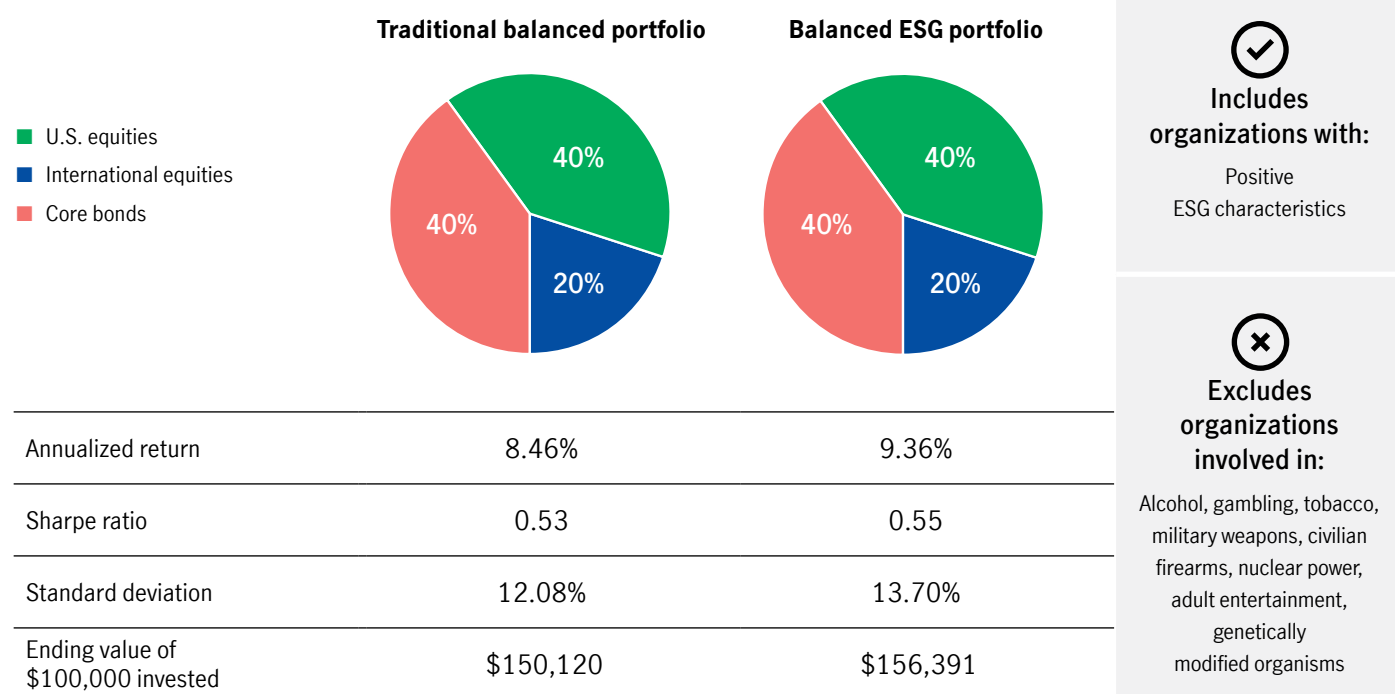
“Asset and wealth management revolution 2022: Exponential expectations for ESG,” institutional investor survey and report, PwC, 10/22/22. The survey consisted of 250 institutional investor respondents, with combined global assets of US\$60 trillion. Respondents covered a broad spectrum of assets under management (AUM) size, with more than half holding AUM of more than US\$10 billion. Public pension funds and private pension funds together accounted for more than half of the institutional investor respondent base.

# Adding ESG funds to your portfolio can help with *more* than your values

In addition to helping support companies with strong governance that are making a positive impact on the environment and society, a balanced ESG portfolio would have generated a higher absolute return and a higher risk-adjusted return—as measured by Sharpe ratio—as well as less volatility than a similar portfolio using traditional investments.

## Hypothetical \$100,000 investment in two balanced portfolios

9/1/19–9/30/24



Source: Morningstar Direct, as of 9/30/24. This chart is for illustrative purposes only and does not reflect the performance of any John Hancock fund. In the traditional balanced portfolio, U.S. equities, international equities, and core bonds are represented by the S&P 500 Index, which tracks the performance of 500 of the largest companies in the United States; and 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. In the balanced ESG portfolio, U.S. equities, international equities, and core bonds are represented by the MSCI KLD 400 Social Index, which tracks the performance of 400 U.S. companies with outstanding ESG ratings and excludes companies whose products have negative social or environmental impacts; the MSCI All Country (AC) World ESG Index, which tracks the performance of large- and mid-cap stocks of companies with high ESG performance relative to their sector peers in developed and emerging markets; and the Bloomberg MSCI U.S. Aggregate ESG Weighted Index, which tracks the performance of U.S. investment-grade bonds in government, asset-backed, and corporate debt markets, overweighting issuers that have higher ESG ratings/momentum while underweighting issuers that have lower ratings/momentum. It is not possible to invest directly in an index. Sharpe ratio is a measure of excess return per unit of risk, as defined by standard deviation. A higher Sharpe ratio suggests better risk-adjusted performance. 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.

*Large company stocks could fall out of favor. The stock prices of midsize and small companies can change more frequently and dramatically than those of large companies. Foreign investing, especially in emerging markets, has additional risks, such as currency and market volatility and political and social instability. A portfolio concentrated in one sector or that holds a limited number of securities may fluctuate more than a diversified portfolio. Hedging and other strategic transactions may increase volatility and result in losses if not successful. Illiquid securities may be difficult to sell at a price approximating their value. 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. Mortgage- and asset-backed securities may be sensitive to changes in interest rates and may be subject to early repayment and the market's perception of issuer creditworthiness. Municipal bond prices can decline due to fiscal mismanagement or tax shortfalls, or if related projects become unprofitable. The interest earned on taxable municipal securities is fully taxable at the federal level and may be taxed at the state level. 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. Fund distributions generally depend on income from underlying investments and may vary or cease altogether in the future. A fund's ESG policy could cause it to perform differently than similar funds that do not have such a policy. Please see the funds' prospectuses for additional risks.*

# ESG investing at John Hancock Investment Management

John Hancock Investment Management offers a range of ESG funds across asset classes. Each management team fully incorporates ESG metrics into their portfolio construction process, ensuring that the funds target attractive investment opportunities from responsible and sustainable organizations.

Average annual total returns as of 9/30/24 <sup>1</sup> (%)					Expense ratios (%)		Why this fund?
	1 year	3 year	5 year	Life of fund	Gross	Net <sup>2</sup> (what you pay)	
<b>John Hancock ESG Core Bond Fund</b> Managed by Breckinridge Capital Advisors					12/14/16		This core bond fund incorporates ESG screening metrics with traditional fundamental analysis, investing in both the investment-grade corporate and taxable municipal bond markets.
Class I (without sales charge)	9.23	-0.06	1.01	1.78	0.98	0.57	
Class A (without sales charge)	8.96	-0.31	0.76	1.53	1.23	0.82	
Class A (with 4% maximum sales charge)	4.62	-1.65	-0.06	1.00	1.23	0.82	
Bloomberg U.S. Intermediate Government/Credit Index	9.45	0.17	1.26	2.03	—	—	
Share classes:    A: JBOAX    I: JBOIX    R6: JBORX							
<b>John Hancock ESG International Equity Fund</b> Managed by Boston Common Asset Management					12/14/16		This international equity ESG fund invests across non-U.S. developed and emerging markets, enhancing the diversification potential of a U.S.-focused portfolio.
Class I (without sales charge)	24.32	0.93	6.99	7.82	1.17	0.97	
Class A (without sales charge)	24.09	0.67	6.72	7.55	1.42	1.22	
Class A (with 5% maximum sales charge)	17.87	-1.04	5.63	6.84	1.42	1.22	
MSCI ACWI ex USA Index	25.35	4.14	7.59	7.33	—	—	
Share classes:    A: JTQAX    I: JTQIX    R6: JTQRX							
<b>John Hancock ESG Large Cap Core Fund</b> Managed by Trillium Asset Management					6/6/16		This core large-cap ESG equity fund offers an alternative to traditional large company stock funds and the flexibility to invest across growth and value stocks.
Class I (without sales charge)	33.25	8.58	13.89	13.58	1.06	0.87	
Class A (without sales charge)	32.97	8.31	13.61	13.30	1.31	1.12	
Class A (with 5% maximum sales charge)	26.35	6.47	12.44	12.60	1.31	1.12	
S&P 500 Index	36.35	11.91	15.98	14.92	—	—	
Share classes:    A: JHJAX    C: JHJCX    I: JHJIX    R6: JHJRX							



**Ask your financial professional** how adding ESG funds to your portfolio can help you combine financial returns with positive impact.

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](https://jhinvestments.com).

<sup>1</sup> The Bloomberg U.S. Intermediate Government/Credit Index tracks the performance of intermediate-term U.S. government bonds, U.S. corporate bonds, and Yankee bonds. The MSCI All Country World Index (ACWI) ex USA Index tracks the performance of large- and mid-cap stocks of developed- and emerging-market companies, excluding 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. <sup>2</sup> "Net (what you pay)" represents the effect of a contractual fee waiver and/or expense reimbursement through 9/30/25 for John Hancock ESG Core Bond Fund and 2/28/25 for John Hancock ESG International Equity Fund and John Hancock ESG Large Cap Core Fund, and is subject to change.

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