

Emerging markets: cheap valuations and a cycle turn?

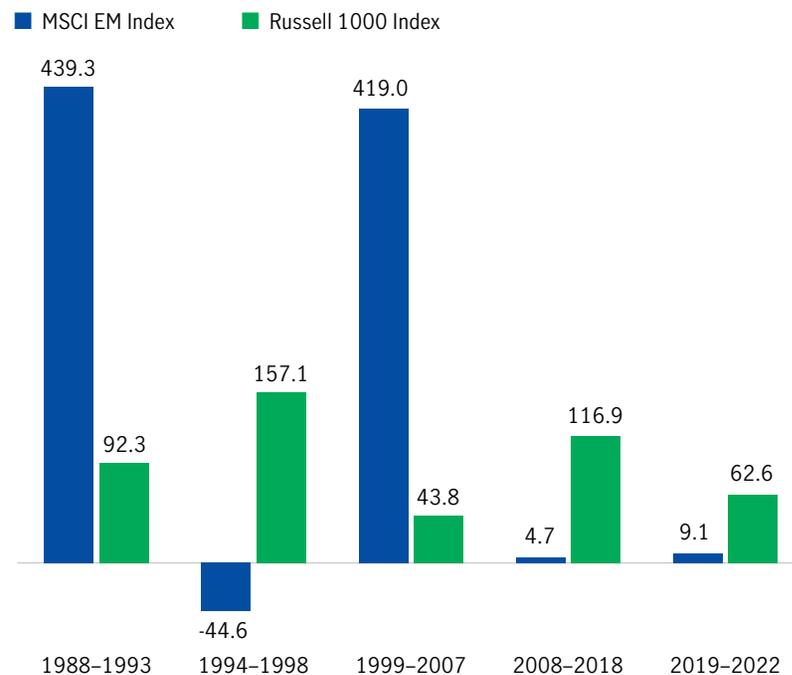
Emerging-market (EM) stocks should be part of any truly diversified global equity portfolio, even though they've significantly underperformed the U.S. market and many other developed-market indexes in recent years. The good news is that EM looks attractively valued now, while history suggests that EM outperformance can be prolonged and powerful when the cycle turns.

EM valuations running below average vs. U.S. valuations in recent years

Relative P/B ratio: MSCI EM Index vs. Russell 1000 Index, 1/31/06–12/31/22



Over the long run, EM has outperformed, with leadership cycles typically stretching several years (%)

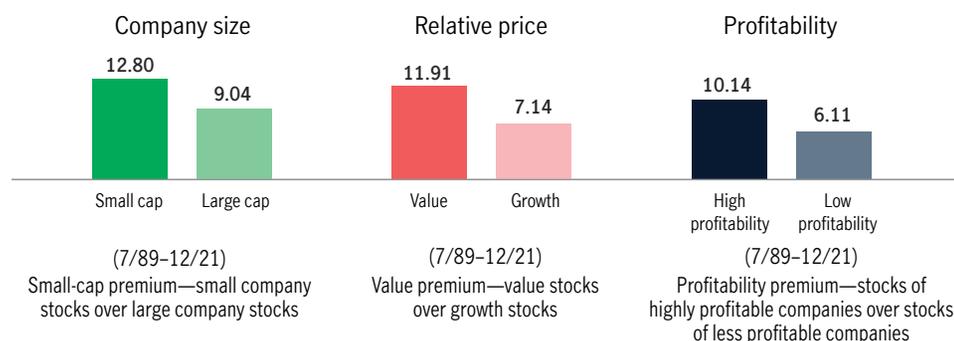


Source: Morningstar, as of 12/31/22. The MSCI Emerging Markets (EM) Index tracks the performance of publicly traded large- and mid-cap EM stocks. The Russell 1000 Index tracks the performance of 1,000 publicly traded large-cap companies in the United States. It is not possible to invest directly in an index. Price to book (P/B) is the ratio of a stock's price to its book value per share. Past performance does not guarantee future results.

Investing involves risks, including the potential loss of principal. There is no guarantee that a fund's investment strategies will be successful. Foreign investing has additional risks, such as currency and market volatility and political and social instability. 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, and value stocks may decline in price. A portfolio concentrated in one industry or sector or that holds a limited number of securities may fluctuate more than a diversified portfolio. Shares may trade at a premium or discount to their NAV in the secondary market, and a fund's holdings and returns may deviate from those of its index. These variations may be greater when markets are volatile or subject to unusual conditions. Errors in the construction or calculation of a fund's index may occur from time to time. Please see the fund's prospectus for additional risks.

John Hancock Multifactor Emerging Markets ETF (JHEM) uses a multifactor approach

EM stocks with certain factors have outperformed over time



Source: John Hancock Investment Management, Morningstar, Ibbotson, Professor Kenneth R. French, mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html, 2021. Professor French's study on premiums examines the most reliable emerging-market long-term data available, which dates back to 1989 for market, company size, and relative price and 1991 for profitability metrics. This data does not portray results of indexes.

A premium represents the excess return that securities with particular characteristics have historically generated. The chart above shows historical geometric mean performance for different groupings of stocks within the broad equity universe. This universe, or market, includes stocks listed on exchanges in emerging markets. The research does not portray results of indexes. T-bill data is from Morningstar, Ibbotson. In order to assess returns of stocks with different characteristics, researchers Eugene Fama and Kenneth French grouped stocks according to size, relative price, and profitability. For groupings based on company size, stocks were ranked by market capitalization, where small cap represents stocks of companies comprising the bottom 10% of aggregate market cap and large cap represents stocks of companies comprising the top 90% of aggregate market cap ranked on firm size. For groupings based on relative price, stocks in each region were ranked by book-to-market equity ratios, where value represents stocks of companies in the top 30% of the universe and growth represents stocks of companies in the bottom 30% of the universe. For groupings based on profitability, stocks were ranked in each region by operating profitability (annual revenues minus the cost of goods sold, interest expense, and selling, general, and administrative expenses, divided by book equity), where high profitability represents stocks of companies in the top 30% of the universe and low profitability represents stocks of companies in the bottom 30% of the universe. Drs. Fama and French are directors of, and provide consulting services to, Dimensional Fund Advisors LP. Diversification does not guarantee a profit or eliminate the risk of a loss. Selection of other periods may produce different results, including losses. For index descriptions and methodology for John Hancock Multifactor ETFs, please visit us.dimensional.com/john-hancock-indexes. Past performance does not guarantee future results.

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. 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/etf. Market performance is determined using the bid/ask midpoint at 4 P.M., Eastern time, when the NAV is typically calculated; your returns may differ if you traded shares at other times. NAV is calculated by dividing the total value of all the securities in the fund's portfolio plus cash, interest, and receivables, minus any liabilities, by the number of fund shares outstanding.

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Average annual total returns as of 12/31/22 (%)

	QTD	YTD	1 year	3 year	Since inception
John Hancock Multifactor Emerging Markets ETF (JHEM) Managed by Dimensional Fund Advisors					9/27/18
Multifactor Emerging Markets ETF (NAV)	9.12	-17.37	-17.37	-1.88	0.73
Multifactor Emerging Markets ETF (Market price)	8.78	-17.87	-17.87	-2.22	0.54
John Hancock Dimensional Emerging Markets Index	9.80	-16.43	-16.43	-0.69	1.71
MSCI EM Index	9.70	-20.09	-20.09	-2.69	0.28
Diversified emerging markets fund category	9.71	-21.03	-21.03	-2.48	—
Net (what you pay) ¹ expense ratio: 0.49%					Gross expense ratio: 0.56%

¹ Represents the effect of a contractual fee waiver and/or expense reimbursement contractual through 8/31/23, and is subject to change.