Asset allocation fund Quarterly commentary

John Hancock Balanced Fund

A: SVBAX C: SVBCX I: SVBIX R2: JBATX R4: JBAFX R5: JBAVX R6: JBAWX

Objective
Current income and long-term growth, consistent with capital preservation

Use for
Core moderate holding

Morningstar category
Moderate Allocation

Quarterly commentary

Highlights

- Equities gained ground during the quarter, led by a narrow group of large-cap growth stocks, while the fixed-income market gave back gains achieved earlier in 2023.
- The fund's equities slightly underperformed, primarily due to positioning within the consumer staples and energy sectors.
- In fixed income, an out-of-benchmark weighting in high-yield bonds contributed, as did an underweight in U.S. Treasuries.

Market review and outlook

The U.S. economy slowed but continued to defy the market's expectations for a recession. Corporate earnings came in better than expected. Although inflation declined to its lowest level in nearly two years, the U.S. Federal Reserve (Fed) signaled its plans to continue raising interest rates.

Against this backdrop, the equity market gained ground, with a narrow group of large-cap growth stocks leading the way. Meanwhile, the fixed-income market faced headwinds and gave back some of the increase it achieved earlier in the year.

Looking ahead, we believe the Fed is committed to ensuring the downward trend in inflation continues and therefore unlikely to begin cutting interest rates soon. While market prices are now largely aligned with this view, the timing of potential cuts in 2024 remains highly uncertain.

Contributors and detractors

The fund's equity portfolio underperformed. Positioning in the consumer staples and energy sectors hampered results the most; however, security selection was favorable, especially in healthcare.

The fund's biggest individual relative detractor was a lack of exposure to benchmark component NVIDIA Corp., a maker of graphics processors whose shares soared amid a boom in artificial intelligence. Another notable detractor was Valero Energy Corp., an energy producer whose stock we overweighted. Valero struggled as energy commodity prices weakened. Also hampering results was discount retailer Dollar General Corp., which reported weaker-than-expected financial performance.

In contrast, Broadcom, Inc. contributed to results. In May, this semiconductor company reported very strong quarterly earnings. Also adding value was online retail giant Amazon.com, Inc., whose strong earnings helped drive the stock higher this quarter. A third contributor was Eli Lilly & Company, a drugmaker whose shares rose on continued strength of its core diabetes and obesity drug offerings, as well as investors' optimism about a treatment the company is developing for early-stage Alzheimer's disease.

The fixed-income portfolio slightly outperformed, mainly due to an out-of-benchmark allocation to high-yield bonds. An underweight in U.S. Treasuries contributed, as well. All other factors, including security selection and yield curve positioning, had a neutral effect on relative performance.

Portfolio changes

During the quarter, the fund's stock exposure drifted higher with the market. As of period end, the fund's equity and fixed-income allocations were roughly 62% and 38%, respectively, up from 60% and 40%, respectively, three months earlier.

Turnover in the equity portfolio was limited over the past three months. We added to or trimmed a handful of names, purchased just two new holdings, and sold just one. The fund continued to hold a smaller-than-normal number of stocks, as we believe security selection could add value in this market, and we maintained relatively larger investments in the handful of names we had the most conviction in.

In the fixed-income portfolio, we maintained a generally defensive posture throughout the quarter. Our most notable move was to reduce the fund's position in high-yield bonds to near the low end of the historical range. This shift reflected our view that yield spreads weren't providing adequate compensation for the risk of slowing growth.

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Michael J. Scanlon, Jr., CFA
On the fund since 2015.
Investing since 2000

Jeffrey N. Given, CFA
On the fund since 2006.
Investing since 1993

Susan A. Curry
On the fund since 2019.
Investing since 1993

Average annual total returns[1,2]

%

	Qtd	Ytd	1 yr	3 yr	5 yr	10 yr	Life of fund	Life of fund date
Class I without sales charge	5.01	10.10	11.50	6.69	7.64	7.79	7.38	3/4/02
Class A without sales charge	4.93	9.92	11.15	6.36	7.31	7.45	7.22	10/6/92
Class A with sales charge	0.19	4.97	6.14	4.74	6.33	6.96	7.06	10/6/92
S&P 500 Index	8.74	16.89	19.59	14.60	12.31	12.86	8.74	—
Blended Benchmark	4.86	10.81	11.24	7.09	7.94	8.45	6.88	—
Bloomberg U.S. Aggregate Bond Index	-0.84	2.09	-0.94	-3.96	0.77	1.52	3.41	—
Moderate allocation category	3.40	7.33	8.48	6.78	5.64	6.17	—	—

Expense ratios[3]	Gross	Net (what you pay)	Contractual through
Class I	0.74%	0.73%	7/31/2024
Class A	1.04%	1.03%	7/31/2024

The past performance shown here reflects reinvested distributions and the beneficial effect of any expense reductions, and does not guarantee future results. The sales charge for Class A shares, reflects the maximum sales charge of 4.5%. For Class I shares, there is no sales charge. 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.

What you should know before investing

The value of a company's equity securities is subject to change in the company's financial condition and overall market and economic conditions. 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. Investments in higher-yielding, lower-rated securities include a higher risk of default. Foreign investing, especially in emerging markets, has additional risks, such as currency and market volatility and political and social instability. 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. 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. The use of hedging and derivatives could produce disproportionate gains or losses and may increase costs. Active and frequent trading of securities can increase transaction costs (lowering performance) and taxable distributions. Please see the fund's prospectus for additional risks.

Request a prospectus or summary prospectus from your financial professional, 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.

1 Effective 8/1/19, the Class A sales charge was reduced from 5.0% to 4.5%. **2** The S&P 500 Index tracks the performance of 500 of the largest publicly traded companies in the United States. The Bloomberg U.S. Aggregate Bond Index tracks the performance of U.S. investment-grade bonds in government, asset-backed, and corporate debt markets. The Blended Benchmark comprises 60% S&P 500 Index and 40% Bloomberg U.S. Aggregate Bond Index. It is not possible to invest directly in an index. **3** "Net (what you pay)" represents the effect of a contractual fee waiver and/or expense reimbursement and is subject to change.