Fixed-income fund Quarterly commentary

John Hancock Investment Grade Bond Fund

A: TAUSX C: TCUSX I: TIUSX R2: JIGBX R4: JIGMX R6: JIGEX

Objective
Current income and capital preservation

Use for
High-quality income opportunities

Morningstar category
Intermediate Core Bond

Quarterly commentary

Highlights

- The fund's benchmark, the Bloomberg U.S. Aggregate Bond Index, registered a positive return for the fourth quarter.
- The fund also posted a positive return but underperformed the index.
- Yield curve positioning and security selection detracted from performance, while asset allocation contributed.

Market review and outlook

The fixed-income market recovered from its protracted downturn to finish the fourth quarter with a gain. Still, 2022 proved to be a historic year for bonds as elevated inflation and rising interest rates led to sharply negative returns across most categories. Although the U.S. Federal Reserve (Fed) continued to raise rates aggressively—with increases of three-quarters of a point in November and another half-point in December—the markets began to price in expectations that the current cycle of interest-rate hikes could be moving closer to a conclusion.

U.S. Treasury yields rose, but at a slower pace than they had over the first nine months of the year. Short-term debt continued to lag longer-term issues, increasing the extent of the yield curve's inversion. Yield spreads on investment-grade corporate bonds declined, leading to outperformance for the category relative to U.S. Treasuries. Spreads, while closing the year much higher than where they stood at the end of 2021, remained at levels well below those typically seen in times of recession. Securitized assets produced mixed results. Agency mortgage-backed securities (MBS) outperformed the index, but asset-backed securities (ABS) and commercial MBS lagged somewhat.

Contributors and detractors

The fund's underperformance was partially a result of its yield curve positioning, where it lost ground through the impact of rate moves on certain holdings in MBS. Security selection also detracted, but to a very limited extent. On the other hand, asset allocation contributed positively. An overweight position in investment-grade corporates helped results, as did a corresponding underweight in U.S. Treasuries. The fund lost some relative performance through overweights in ABS and nonagency MBS.

Portfolio changes

We increased the fund's allocation to agency MBS, which we continue to view as a defensive category with a favorable risk-and-reward profile and attractive valuations. The fund's allocation to investment-grade corporates declined somewhat, continuing the process of risk reduction that we pursued throughout 2022. Within the corporate segment, we remained focused on shorter-term debt with one- to five-year maturities. The fund's allocations to securitized assets and U.S. Treasuries were largely stable. We continued to position the portfolio defensively, with a slightly short duration and neutral yield curve posture versus the benchmark. (Duration is a measure of interest-rate sensitivity.) We maintained an emphasis on bottom-up security selection, as we believe this will be a more important driver of return than asset allocation in a challenging, low-growth environment.

With that said, we think much of the increase in yields is in the rearview mirror. Inflation declined for the second consecutive month in November, indicating that higher rates could be starting to have an impact. While we believe the downtrend in price pressures is likely to continue, we're also keenly aware of the Fed's desire to reduce inflation closer to its target rate; we're therefore alert for a scenario in which the Fed keeps rates elevated for longer than investors are anticipating. We would welcome this development, since higher yields would provide support for total returns across the fixed-income market.

Managed by

Manulife
Investment Management

Howard C. Greene, CFA
On the fund since 2003.
Investing since 1979

Connor Minnaar, CFA
On the fund since 2022.
Investing since 2002

Jeffrey N. Given, CFA
On the fund since 1998.
Investing since 1993

Pranay Sonalkar, CFA
On the fund since 2021.
Investing since 2014

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	1.61	-14.15	-14.15	-2.67	0.04	1.31	4.49	1/1/92
Class A without sales charge	1.54	-14.36	-14.36	-2.92	-0.21	1.06	4.29	1/1/92
Class A with sales charge	-2.50	-17.79	-17.79	-4.24	-1.03	0.65	4.15	1/1/92
Bloomberg U.S. Aggregate Bond Index	1.87	-13.01	-13.01	-2.71	0.02	1.06	4.64	—
Intermediate core bond category	1.56	-13.34	-13.34	-2.83	-0.24	0.91	—	—

Expense ratios[3]	Gross	Net (what you pay)	Contractual through
Class I	0.56%	0.49%	9/30/2023
Class A	0.81%	0.74%	9/30/2023

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 4.0%. 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.

10 largest issuers[4]

		%
1.	Federal National Mortgage Association	18.73
2.	United States of America	15.73
3.	Federal Home Loan Mortgage Corp.	10.71
4.	Bank of America Corp.	1.11
5.	Wells Fargo & Company	1.02
6.	Government National Mortgage Association	1.02
7.	JPMorgan Chase & Company	0.88
8.	BX Trust	0.87
9.	Charter Communications Operating, LLC/Charter Communications Operating Capital C	0.76
10.	Credit Suisse Mortgage Capital Certificates	0.72

What you should know before investing

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. 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. Hedging and other strategic transactions may increase volatility and result in losses if not successful. Fund distributions generally depend on income from underlying investments and may vary or cease altogether in the future. 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 12/31/91 is the inception date for the oldest class of shares, Class A shares. Class I shares were first offered on 7/28/03; returns prior to this date are those of Class A shares and have not been adjusted for expenses; otherwise, returns would vary. **2** The Bloomberg U.S. Aggregate Bond Index tracks the performance of U.S. investment-grade bonds in government, asset-backed, and corporate debt markets. 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. **4** Listed holdings reflect the largest portions of the fund's total and may change at any time. They are not recommendations to buy or sell any security. Data is expressed as a percentage of net assets and excludes cash and cash equivalents. Fund characteristics will vary over time.

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