John Hancock Investment Management

Quarterly conversations

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Hassell H. McClellan

Chairperson,
John Hancock Group of Funds
Board of Trustees

"No one can control events, but we believe you can help minimize your exposure to future potential crises, especially if you're asking the right questions."

—Hassell McClellan

The merits of the multimanager approach

We sat down with Hassell McClellan to talk about John Hancock Investment Management's multimanager approach and how the board contributes to risk management across the fund complex.

Q: Why does the multimanager approach matter for investors?

A: The combination of outstanding returns and risk mitigation are generally key objectives for investors. The multimanager approach has been shown to be an exceptionally efficient and effective way to access the knowledge and expertise necessary to pursue these objectives. Aware of this, John Hancock Funds and John Hancock Investment Management have made the multimanager approach a core competency in our investment practice. John Hancock Investment Management, and by extension the board of the funds, focuses on delivering investment options that may be best suited to provide the most attractive risk-adjusted performance over time relative to any other available product in similar categories. I'm proud that our multimanager approach has been successful in that regard.

In our multimanager approach, John Hancock hires a variety of asset managers—those that have demonstrated competitive performance in their category or strategy—and the board is there to evaluate their execution and performance on behalf of shareholders. It doesn't matter what categories or investment strategies we're considering. It could be high-dividend paying equities, fixed income, international equities, thematic investments, or other investing options. Regardless, John Hancock consistently asks, "Who do we think is strongest in this category?" And the board asks, "Is what John Hancock Investment Management has concluded appropriate?"

Q: Is taking a multimanager approach another way of expressing a commitment to diversification?

A: Absolutely, yes. Just as diversification in portfolio construction can yield great performance and mitigate risk over time, the multimanager model reflects our commitment to superior performance and risk mitigation through access to the broadest universe of investment expertise. It allows us to be open and receptive to innovations in wealth and asset management. You can see this in our fund lineup, which reflects the inclusion of managers who excel across the investment spectrum, including more traditional categories like value and growth investing but also newer categories like factor-based and thematic investing.

Q: Diversification is a form of risk management. How does the board help the management company manage risk?

A: The John Hancock fund complex includes roughly 30 subadvisors who collectively manage more than 200 funds. The board must approve each strategy before it gets the green light for distribution, and then we continually monitor the strategies—how they're performing, whether they're sticking to their stated objectives and process, and whether their fees are structured appropriately. This is a central part of the board's risk management responsibility working on behalf of John Hancock fund shareholders.

Q: As a board, how do you stay informed about critical risks for investors?

A: First of all, the board tries to be proactive rather than reactive regarding risks. We recognize no one can control events, but our experience suggests you can help minimize your exposure to future potential crises, especially if you are asking the right questions.

To help us ask better questions, we talk to experienced advisors and economists, as well as state and federal policy makers about the global landscape of risk. And we ask questions about the potential for economically transformative events—about where they may come from next and how investors can be better prepared. We're constantly trying to acquire more information to help our decision-making. Board members even actually visit with our portfolio managers and have regularly scheduled educational sessions at our meetings. Together, these actions help us stay more informed and better able to assess potential risks for shareholders.

Q: How does the multimanager model help with different types of large-scale risks—things like war, inflation, or regulatory uncertainty—in the face of global problems like climate change?

A: In the most recent investment cycle, we've seen significant risks emerge around the world, from war in Ukraine to skyrocketing energy prices and protracted economic turmoil from the COVID-19 pandemic. But to interpret these risks—both for their likely impact on the economy and how they give shape to investment risks and sometimes opportunity—it helps to get a perspective from a geographically diverse set of asset managers. That's one of the great things about the multimanager model at John Hancock. The lineup includes subadvisors based in Europe, for example, as well as subadvisors with significant footprints in Canada, Asia, and other parts of the world.

Geographical diversity, combined with the firm's bias toward active management, is a key ingredient of John Hancock's multimanager model. This translates into experience with different geopolitics, markets, and regulatory regimes, as well as varying expectations on the part of advisors and investors. And the active part helps in the sense that major risks typically imply significant inflection points for the economy and markets—and balancing risks with opportunity at inflection points is where active managers arguably have an important advantage over passive, index-based investment strategies.

As I mentioned, one way the board serves shareholders is by constantly training ourselves to ask the right questions—about investment strategies as well as systemic risk. This is something we take very seriously. And it's part of what the multimanager model is designed to address, across geographies, different forms of active and passive investing, and in public and private markets. The multimanager approach tries to offer strategies that can be complementary or core to any investor's portfolio at any point in the investment cycle.

Diversification does not guarantee a profit or eliminate the risk of a loss.

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