



Canadian Equity Fund (BlackRock)
Manulife Canadian Equity Fund (BlackRock)
BlackRock Asset Management Canada Limited

June 30, 2016

Lead manager(s):	Team Approach	Investment style:	Core
Investment objective:	The objective of the Fund is to outperform the S&P/TSX Capped Composite Index (total return) while maintaining the expected return and risk profile of the Fund.		
Last meeting date:	November 2015	Next estimated meeting date:	Q4 2016
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	YTD	5 yrs
Canadian Equity Fund (BlackRock)	-8.86	7.97	28.83	-1.48	-2.38	7.60	4.05
S&P/TSX Composite Index	-10.26	7.90	28.66	-1.16	-0.20	9.84	4.21
Value added (+) / lost (-)	1.40	0.07	0.18	-0.32	-2.18	-2.24	-0.16
Quartile ranking ⁽¹⁾	2nd	4th	3rd	3rd	4th	3rd	4th

Short-term performance analysis

- The Fund underperformed its benchmark significantly across the past one year period and ranks in the fourth quartile relative to its peers.
- For the one-year period ending June 30, 2016, weak security selection particularly within the Industrials and Financials sector dragged performance lower while positive security selection overall tempered the degree to which the Fund underperformed.
- Given the Fund's core investment style, the prevailing investment style favored within the markets is not expected to have had a significant impact on the Fund's relative performance.

Long-term performance analysis

- The Fund has underperformed its benchmark in two of five annual periods and slightly lagged its benchmark on a five-year annualized basis. This long term performance ranks it in the fourth quartile relative to its peers.
- The top detractor from relative performance was weak stock selection within the Energy and Financials sectors but relative returns have been lifted by strong stock selection within the Materials sector over this time period.
- Based on the S&P/TSX style indices, value stocks outperformed on average over the five-year annualize basis. Given the Fund's core investment bias, its style would have had a neutral impact on long-term performance.

Significant corporate events

Corporate

- Former President and CEO of CPPIB, Mark Wiseman, joined BlackRock as Senior Managing Director and a member of the Global Executive Committee (GEC) in September 2016. Mr. Wiseman has also become Chairman of the BlackRock Global Investment Committee, the investment sub-committee of the GEC and help support BlackRock Alternative Investors.

Fund specific

- In September 2016, Mark Wiseman became Head of Global Active Equity and now oversees more than 350 portfolio management and business professionals across the Americas, EMEA and Asia-Pacific regions responsible for investing over \$275 billion in equity-based investment strategies.
- In early 2015, Director of North American Active Equity Sameer Parab left the firm to pursue other opportunities. While the Active Canadian Equity team finds a replacement for Mr. Parab, the Scientific Active Equity team is now providing idea generation and operations support during the hiring process.

IMS commentary

- The Active Canadian Equity (ACE) Fund employs a proprietary optimization model that combines the return, risk and costs forecasts to create a portfolio with the highest possible alpha for a given risk target, researchers are generatlists that focus on the model. The investment model groups the universe of securities into five broad areas: Analyst Expectation, Relative Value, Earnings Quality, Sentiment and Themes. Each stock in the universe is ranked by the model to reflect these insights. The PM also manages the model to ensure late-breaking information is captured. For example, avoiding trades in stocks that have just announced corporate actions.
- The Fund's quantitative process is unique and has added value in the past. There is no concern with Mr. Parab's departure last year as BlackRock's quantitative team is deep and equipped with state-of-art technology. The Canadian team is able to leverage resources from the global platform with new research ideas to enhance the model.
- The Fund has produced returns that were largely in line with the benchmark over the five-year annualized period, but ranks below median. This ranking can be attributed to the Fund's particular investment philosophy and style, which is to produce positive relative returns with minimal tracking error (core-enhanced index). As per the manager, the market has had lower breadth than historically which has provided a more difficult environment for the Fund's process. The Fund would be expected to underperform relative to peers in market environments where active manager's significantly outperform the benchmark, as has been the case within Canadian equities over the past five years. As a result there are no significant concerns with the Fund's, core, lower tracking error approach or performance.
- Based on our due diligence, we are confident that the Manager has remained within the stated investment philosophy and style.

Conclusion:

- Due to the fact that the fund has performed in line with its benchmark over the long term, all the while remaining within its stated investment philosophy and style, IMS continues to rate this Fund In Good Standing.

⁽¹⁾ Quartile rankings are based on the underlying fund's returns.

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