



Diversified Tri-Plan Fund (SLI)
Manulife Diversified Tri-Plan Fund (Manulife Asset Management)
Manulife Asset Management Ltd.

December 31, 2016

Lead manager(s):	Manulife Asset Management	Investment style:	Active
Investment objective:	To provide long-term returns through capital appreciation, interest income and dividends by investing primarily in a diversified mix of equities, fixed income securities, cash and cash equivalent securities.		
Last meeting date:	June 2016	Next estimated meeting date:	Q2 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Diversified Tri-Plan Fund (SLI)	7.69	16.70	9.09	6.34	4.92	8.87
Diversified Tri-Plan Fund Benchmark (SLI)	7.74	13.24	10.40	3.87	8.18	8.64
Value added (+) / lost (-)	-0.05	3.46	-1.31	2.47	-3.26	0.23
Quartile ranking ⁽¹⁾	4 th	2 nd	4 th	2 nd	4 th	4 th

* Benchmark: 35% FTSE TMX Canada Universe Bond Index + 32% S&P/TSX Composite Index + 14% S&P 500 (Can\$) Index + 14% MSCI EAFE (Can\$) Index + 5% FTSE TMX Canada 91-day T-Bill Index

Short-term performance analysis

- In 2016, the Fund underperformed its benchmark and ranked in the fourth quartile of its peer group.
- Security selection within and sector allocation towards equities both detracted from results.
- In Canadian equities, an underweight allocation to and security selection within the Financials, Consumer Discretionary and Materials sectors detracted value. The Materials sector had very strong performance driven by metals and mining companies in 2016. Within Financials, bank stocks strongly outperformed their sector peers. An underweight in Canadian banks was a detractor to relative returns for the year.
- The Canadian Asset Mix Committee continues to establish the asset mix strategy for the Fund. As at December 2016, the Fund was underweight to the Canadian fixed income market and maintained an overweight allocation to equities. The Fund ended the year slightly favouring Canadian and U.S. equities relative to their benchmark weights.
- Given its core investment philosophy, the Fund is generally expected to participate to some degree in both value and growth style markets.

Long-term performance analysis

- The Fund performed in-line with its benchmark over the 5-year annualized period and ranked in the 4th quartile of its peer group.
- Nearer term results have weighed negatively on the Fund's longer-term results.
- Given its core investment philosophy, the Fund is generally expected to participate to some degree in both value and growth style markets.

Significant corporate events

Corporate

- In September 2014, Manulife Financial Corp. announced the acquisition of Standard Life PLC's Canadian operations. This transaction was closed on January 30, 2015 and the company is now part of Manulife.

Fund specific

- In May 2015, as part of the planned integration process, Manulife Asset Management (MAM) implemented changes to some investment teams and capabilities.

Neil Matheson, who was handling the asset mix implementation of all balanced and diversified portfolios, announced his retirement and departure from MAM in the second half of the year. The Canadian Asset Mix Committee continues to establish the asset mix strategy for the Standard Life Diversified Fund (SLI). Monika Skiba, the head of MAM Canadian Fundamental Equity team, now chairs the committee and Glen Martin is responsible for the implementation of its decisions. This committee also includes Terry Carr, Head of MAM Canadian Fixed Income Team.

The investment strategy of the Fund is comprised of four core asset classes. Each of the asset classes will be managed as follows going forward:

- Canadian Fixed Income: this allocation is now managed by the Manulife Asset Management Canadian Fixed Income Team, headed by Terry Carr;
 - Canadian Equity: Monika Skiba now manages the Canadian equity allocation of the strategy;
 - US Equity: MAM US Core Value team has taken over management of the US equity allocation. This team, co-managed by Sandy Sanders and Jonathan White.
 - International Equity: MAM International Value team has taken over management of this allocation. This team is led by Wendell L. Perkins.
- The Standard Life Diversified Tri-Plan Fund (SLI) will continue to be managed under the same objectives and guidelines. The overall investment strategy and asset allocation process will remain.

IMS commentary

- The Diversified Tri-Plan Fund (SLI) is a balanced core mandate which combines asset allocation, stock selection, portfolio construction and risk management to configure its investment allocation. The research-intensive philosophy seeks to add value by focusing on early identification of changes in the key drivers affecting markets and the factors likely to cause a shift in the investment environment.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund has performed in-line with its benchmark over the long term with modest rankings against peers.
- Upon review of the Corporate and Fund specific events, we are confident that the day-to-day management of the Fund will not be negatively impacted. The Fund will continue to be managed under the same objectives and guidelines. The overall investment strategy and asset allocation process are unchanged and going forward will leverage the global investment insights and capabilities of MAM.

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

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Conclusion:

- Due to the fact that 1) the Fund has performed in-line with expectations over the long term, all the while remaining within the stated investment philosophy and style, and 2) we are confident that the corporate and fund specific events will not have a negative impact on the day-to-day management of the Fund, IMS continues to rate this Fund In Good Standing.

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