



US Equity Fund (SLI)

US Equity Non-Registered (SLI)

December 31, 2016

Manulife SLI US Equity Fund

Standard Life Investments Ltd.

Lead manager(s):	Scott Eun	Investment style:	Core
Investment objective:	To provide long term capital growth by investing primarily in equities listed on a recognized U.S. exchange.		
Last meeting date:	Q3 2016	Next estimated meeting date:	Q3 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
US Equity Fund (SLI)	15.68	42.16	24.97	23.08	3.65	21.26
S&P 500 CompositeTR (\$Cdn)	13.48	41.53	23.99	20.96	8.61	21.21
Value added (+) / lost (-)	2.19	0.63	0.98	2.12	-4.96	0.05
Quartile ranking ⁽¹⁾	1st	3rd	1st	1st	4th	2nd

Short-term performance analysis

- In 2016, the Fund underperformed its benchmark and ranks in the fourth quartile within the US Equity peer group.
- Security selection was the main detractor from relative performance, particularly in the Information Technology, Financials and Industrials sectors. Within Technology, Alliance Data System and Salesforce were the largest detractors; within Financials, several mid-cap names (OneMain Holding, Lazard, Evercore Partners) and an underweight to the major banks produced a negative selection effect; within Industrials, a number of positions produced negative returns and added to weak stock selection within the strongly performing sector.
- Sector allocation also produced a negative result primarily due to a moderate underweight allocation to the strongly performing Energy, Financials and Telecommunications sectors and overweight allocations to the underperforming Consumer Discretionary and Health Care sectors.
- The portfolio remains largely sector-neutral with minor deviations from the benchmark index. Within sectors, the portfolio holds large active shares and often has out-of-benchmark holdings
- Based on S&P 500 style indices, value stocks outperformed on average. Given the Fund's growth-tilted core investment bias, its style had a negative impact on short-term performance.

Long-term performance analysis

- The Fund outperformed its benchmark in four of the past five years and produced a return that was in line with its benchmark on a five-year annualized basis. This long-term performance ranks it in the second quartile when compared to its peers.
- Security selection was positive more often than not and was the main driver of added value on a five-year annualized basis.
- Sector allocation produced negative results over the past five years.
- Based on S&P 500 style indices, value stocks slightly outperformed on a five-year annualized basis. Given the Fund's growth-tilted core investment bias, its style had a slightly negative impact on long-term performance.

Significant corporate events

Corporate

- In September of 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. This transaction has no impact on the Fund as it remains sub-advised by the U.S. Equity Team of Standard Life Investments out of their Boston operations.

Fund specific

- There were no significant fund specific events over the last three years.

IMS commentary

- The U.S. Equity Fund (SLI) is a bottom-up, core U.S. equity mandate that emphasizes investing in companies with strong management, solid financials, sustainable earnings and attractive valuations relative to its peers. Added value is expected to be primarily a factor of superior stock selection.
- Based on our due diligence, we are confident that the Manager has remained within the stated investment philosophy and style.
- The Fund has produced a return that was in line with its benchmark index over the longer term and ranks in the higher quartiles. Outperformance has been mostly due to positive security selection, the Manager's stated primary source of added value.
- The Fund's weak underperformance in 2016 has detracted from the Fund's long term track record of strong performance. Given the Fund's growth-tilted core investment bias, this near-term underperformance was largely in line with our expectations as Fund management's style was out of favor for the year.

Conclusion:

- Due to the fact that 1) the Fund has produced long-term returns in line with its benchmark index during a long period of strong market performance, all the while remaining within its stated investment philosophy and style, 2) outperformance has primarily been a factor of positive stock selection and 3) the Fund ranks in the higher quartiles, IMS continues to rate this Fund In Good Standing.

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

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