

**SRI Canadian Equity Fund (Ethical Funds)**  
**Manulife Ethical SRI Canadian Equity Fund**  
**Ethical Funds**

**31-12-2016**

<b>Lead manager(s):</b>	QV Investors	<b>Investment style:</b>	Specialty
<b>Investment objective:</b>	The investment objective of the Fund is to provide consistent growth with below average risk through buying companies with higher growth and lower valuations.		
<b>Last meeting date:</b>	Q4 2016	<b>Next estimated meeting date:</b>	Q4 2017
<b>Current rating:</b>	<b>IN GOOD STANDING</b>		

## Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
<b>SRI Canadian Equity Fund (Ethical Funds)</b>	8.37	23.60	10.41	-5.59	21.25	11.10
S&P/TSX TRI <sup>(1)</sup>	7.19	12.99	10.55	-8.31	21.08	8.25
Value added (+) / lost (-)	1.19	10.61	-0.14	2.72	0.17	2.85
Quartile ranking <sup>(2)</sup>	3rd	1st	3rd	3rd	2nd	2nd

## Short-term performance analysis

- The Fund performed in line with its benchmark in 2016 and ranks in the second quartile relative to its peers.
- The Fund had a strong 4<sup>th</sup> quarter, helped by selection within the Financials sector, which led the benchmark return. The strategy has a 25% sector limit, which preserves diversification, but served to limit the extent of the return impact within the overall fund.
- While an underweight exposure to the Energy and Materials sectors acted as a drag on relative returns in the first half of the year, the mandate's lack of gold exposure helped the Fund to strong outperformance in the Materials sector in the fourth quarter.
- Based on style indices, value stocks outperformed on average in Canada. Given the Fund's large cap value profile, its style had a positive impact on short-term performance.

## Long-term performance analysis

- The Fund outperformed or performed in line with its benchmark in four of the past five years and added value on a five-year annualized basis. This long-term performance ranks in the second quartile when compared to its peers.
- Security selection has been mixed over time.
- Sector allocation was positive or neutral more often than not over the long term.
- Based on style indices, value stocks have outperformed in Canada on average over the last five years. Given the Fund's large cap value profile, its style had a positive impact on long-term performance.

## Significant corporate events

### Corporate

- There were no significant corporate events over the past three years.

### Fund specific

- There were no significant Fund events over the past three years.

## IMS commentary

- The SRI Canadian Equity Fund (Ethical Funds) follows a socially responsible approach to investing. The Portfolio Manager uses a fundamental research approach, employing a bottom-up stock selection process that includes company visits and management interviews. The Portfolio Manager's selection process focuses on the acumen, commitment and depth of the management, the company's record of financial benefit to shareholders, the development of the company's securities and the culture of dividend payment.
- In July 2013, the Fund merged with another NEI Ethical Canadian Equity fund. This event led to a change in the Fund's investment philosophy and style. We are confident this Fund will continue to be an above average socially responsible Canadian Equity investment offering. The NEI Ethical Canadian Equity Fund is sub-advised to QV Investors.
- Performance both before and after the changes to investment philosophy have remained strong. Fund management has been committed to employing its socially responsible approach to investing throughout.

### Conclusion:

- Due to the fact that we are confident this Fund will continue to be an above average socially responsible Canadian Equity investment offering, IMS continues to rate this Fund In Good Standing.

<sup>(1)</sup> The benchmark returns shown above are calculated using the returns of 84% S&P/TSX Composite Index and 16% MSCI World Index until June 30, 2013 and the S&P/TSX Composite Index thereafter.

<sup>(2)</sup> Quartile rankings are based on the underlying fund's returns.

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