

Manulife PH&N Balanced Pension Trust Fund Phillips, Hager & North Investment Management

December 31, 2016

Lead manager(s):	Sarah Riopelle & Milos Vukovic	Investment style:	Core
Investment objective:	The Fund seeks to provide long-term capital growth and income using a conservative core strategy, diversified across asset classes and geographic regions.		
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
Manulife PH&N Balanced Pension Trust Fund	8.64	14.54	12.59	5.73	8.46	9.95
Blend: PH&N Balanced Pension Trust	7.22	12.51	10.60	3.15	8.11	8.27
Value added (+) / lost (-)	1.42	2.02	1.99	2.58	0.35	1.68
Quartile ranking ⁽¹⁾	3rd	3rd	1st	2nd	2nd	2nd
Benchmark: 38% FTSE TMX Canada Universe Bond Index + 2% FTSE TMX Canada 91 Day T-Bill + 30% S&P/TSX Composite TR Index + 26% MSCI World (Net) Index C\$ + 4% MSCI Emerging Markets (Net) Index C\$						

Short-term performance analysis

- The Fund outperformed its benchmark in 2016 and ranked in the second quartile relative to its peers.
- Most of the value added over the past year has come from security selection or asset class performance, particularly within the Canadian Equity and Fixed Income components. Asset allocation was also slightly positive on a relative basis.
- The Canadian equity component benefitted from an overweight exposure to the Financials sector and from security selection within Financials. The Bond component was helped by its credit and liquidity strategies and by the High Yield exposure. Both global equity components underperformed their benchmark as did the Emerging Markets strategy.
- The asset mix had a net positive impact from an overweight position in Canadian Equities and an underweight exposure to Fixed Income. The overweight exposure to foreign equities was a small detractor.

Long-term performance analysis

- The Fund outperformed its benchmark in each 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.
- The Canadian Equity and Fixed Income components have performed well against their respective benchmarks over the long term. The Global Equity component of the Fund, which was re-configured in 2013 and 2014 has slightly outperformed the world benchmark over longer periods.
- Asset allocation has been mainly positive over the long term.

Significant corporate events

Corporate

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

Fund specific

- In September 2014, the Fund's benchmark was updated to the following composite mix: 2% FTSE TMX Canada 30 Day T-Bill Index, 38% FTSE TMX Canada Universe Bond Index, 30% S&P/TSX Capped Composite Index, 26% MSCI World (Net) Index C\$, 4% MSCI Emerging Markets (Net) Index C\$.

IMS commentary

- The Fund is structured using underlying component funds managed by individual fund managers and respective investment teams. Sarah Riopelle and Milos Vukovic are responsible for implementing the tactical asset allocation decisions made by the Asset Mix Committee.
- In September 2014, the Fund's allocation to foreign equity was increased from 25% to 30% with a 26% allocation to global equities and a 4% allocation to emerging markets equities. The global equity allocation is split equally between the RBC QUBE Global Equity Fund and the RBC Global Equity Focus Fund, essentially a split between a quantitative mandate and a fundamental mandate. The Global Equity Fund replaces the U.S. Equity Fund and the Overseas Equity Fund. The 4% emerging markets allocation goes to the RBC Emerging Market Equity Fund managed by Philippe Langham, Head of Global Emerging Markets. At the same time, the bond allocation was increased from 35% to 38% with a corresponding decrease in the cash allocation from 5% to 2% of the Fund. The mandate was also expanded to include the flexibility to invest in high yield bonds.
- The RBC QUBE Global Equity Fund is managed by Bill Tilford, Head of Quantitative Investments. This mandate was added to help dampen volatility within the foreign equity component of the Fund.
- There are no concerns with any of the recent changes to the Fund. RBC has successfully leveraged its relationship with PH&N to provide access to strong, well-resourced teams for the PH&N Balanced Fund.
- Long-term performance has been in-line with expectations. There are no concerns.

Conclusion:

- Due to the fact that 1) the Fund has outperformed its benchmark over the long term and 2) ranks above the median in the peer group over five years, IMS continues to rate this Fund In Good Standing.

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

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