



**Manulife PH&N Bond Fund**  
**Phillips, Hager & North Investment Management**

**December 31, 2016**

Lead manager(s): Stephen Burke Investment style: Active

Investment objective: The Fund seeks to provide stability of capital and generate interest income by investing primarily in a well-diversified portfolio of fixed income securities issued by Canadian governments and corporations.

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
<b>Manulife PH&amp;N Bond Fund</b>	4.03	-0.69	9.28	3.85	2.44	3.73
FTSE Universe Overall Bond TR	3.60	-1.19	8.79	3.52	1.66	3.23
Value added (+) / lost (-)	0.43	0.51	0.49	0.33	0.78	0.51
Quartile ranking <sup>(1)</sup>	4th	2nd	1st	1st	1st	1st

### Short-term performance analysis

- The Fund outperformed its benchmark in 2016 and ranked in the first quartile relative to its peers.
- Credit and liquidity strategies were responsible for relative value added in the most recent period. The Fund's overweight position in corporate issues was a significant contributor to returns over the past year.
- Security selection within provincial bonds was also a positive contributor to relative returns, particularly from those holdings in resource-based areas.

### Long-term performance analysis

- The Fund outperformed its benchmark in each of the past five years and added value on a five-years annualized basis. This long-term performance ranks in the first quartile when compared to its peers.
- Corporate issues have contributed positively to the Fund's relative value added over longer periods.
- Duration positioning has been mixed over the long term.

## Significant corporate events

### Corporate

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

### Fund specific

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

## IMS commentary

- The PH&N Bond Fund uses multiple strategies (duration, yield curve management, and credit and liquidity strategies) to add value and provide diversification. The Fund uses a conservative approach with moderately-sized positions taken concurrently in a number of strategies focusing on the overall risk/reward profile.
- The PH&N fixed income team uses proprietary, quantitative risk management tools including the multi-factor risk model BondLab, which decomposes security risk exposure into categories including interest rate, credit, liquidity and currency.
- There have been some changes within the Fixed Income team. Will John left the firm in the first quarter of 2016 after taking personal leave in 2015. Stephen Burke and Graeme Robertson assumed leadership for the PH&N Fixed Income team in Q3 2015. Kristian Sawkins and Matt Dubras have assumed additional responsibilities.
- PH&N have announced they are restricting flows from new clients into most active fixed income strategies effective June 30, 2016. Existing clients are not affected. This looks to be a prudent step taken by Fund management to ensure that existing client's assets are protected as PH&N's assets under management has grown appreciably over the past five years.

### Conclusion:

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

<sup>(1)</sup> Quartile rankings are based on the underlying fund's returns.

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