



**Real Return Bond Fund (SLI)**  
**Manulife Asset Management Real Return Bond Fund**  
**Manulife Asset Management Ltd.**

**December 31, 2016**

**Lead manager(s):** Manulife Asset Management      **Investment style:** Real Return

**Investment objective:** To provide returns which closely track the total return of the FTSE TMX Real Return Bond Index™ by investing primarily in Canadian real return bonds.

**Last meeting date:** Q3 2016      **Next estimated meeting date:** September 2017

**Current rating:** **IN GOOD STANDING**

**Annual fund performance (%)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>5 yrs</b>
<b>Real Return Bond Fund (SLI)</b>	2.82	-13.14	13.16	2.75	2.83	1.32
FTSE Canada Real Return Bond Index	2.85	-13.07	13.18	2.79	2.85	1.36
Value added (+) / lost (-)	-0.04	-0.07	-0.02	-0.04	-0.02	-0.04

**Short-term performance analysis**

- In 2016 the Fund produced returns in-line with that of its benchmark.
- The Fund's objective is to match the return of the FTSE TMX Canada Real Return Bond Index, which it has accomplished historically.

**Long-term performance analysis**

- The Fund has produced returns in line with its benchmark over annual periods and over the observed 5-year annualized period. There are no concerns, the Fund has appropriately tracked the FTSE Canada Real Return Bond Index over the long term.

## 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.

### Fund specific

- In May 2015, as part of the planned integration process, Manulife Asset Management (MAM) implemented changes to some investment teams and capabilities. The Standard Life Real Return Bond Fund formerly managed by Michel Pelletier of SLI Canada is now managed by the Manulife Canadian Fixed Income Team.
- Going forward, the fixed income team responsible for all actively managed Canadian fixed income strategies will be headed by Terry Carr, the Head of MAM Canadian Fixed Income Team in Toronto. Jean-Pierre D'Agnillo, Ara Froundjian and Jose Saracut from the former SLI Canadian fixed income team have joined the MAM team, expanding its membership to 14 investment professionals.

## IMS commentary

- The Real Return Bond Fund (SLI) is a passive fixed income mandate designed to match the performance of the FTSE TMX Real Return Bond Index. The fund attempts to utilize a full replication approach since the Index includes a small number of securities. However this task is rendered more difficult as certain holdings within the Index can be very illiquid. The objective of this strategy is to match the duration and sector exposure characteristics of the index.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund has produced returns that closely tracked its benchmark over the long term, which is in line with its stated objective.
- There are no concerns with the integration of the former Standard Life investment personnel to the Manulife Canadian Fixed Income team. The team is deep, shares similar expertise with the Standard Life personnel, and has shown the ability to add value managing mandates of this type historically.

### Conclusion:

- Due to the fact that 1) we are confident that the change of management responsibilities to the MAM Fixed Income Team will not have a negative impact on the day-to-day management of the Fund and 2) we have no concerns with the MAM Canadian Fixed Income Team and the Fund has tracked the performance of its index closely, IMS continues to rate this Fund In Good Standing.

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

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