



Manulife Canadian Large Cap Value Equity Fund (MAM)
SLI Canadian Value Equity
Manulife Asset Management

December 31, 2016

Lead manager(s):	Manulife Asset Management	Investment style:	Value
Investment objective:	To achieve long-term capital growth by investing primarily in high-quality large cap Canadian Equities.		
Last meeting date:	December 2016	Next estimated meeting date:	Q4 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Manulife Canadian Large Cap Value Equity Fund (MAM)	15.19	20.59	10.36	-9.08	17.46	10.36
S&P/TSX TRI	7.19	12.99	10.55	-8.31	21.08	8.25
Value added (+) / lost (-)	8.00	7.60	-0.20	-0.76	-3.62	2.11
Quartile ranking ⁽¹⁾	1 st	2 nd	3 rd	4 th	3 rd	3 rd

*Portfolio management responsibility of the Canadian Value Equity Fund (SLI) was transferred to the MAM Canadian Value Equity in May of 2015. The fund is now managed with the same investment philosophy and process as the MAM Canadian Large Cap Value Equity Fund. As such, the above contains the performance track record for this Fund which differs from the long-term track record of the Canadian Value Equity Fund (SLI), but is more instructive of the current management team's performance track record.

Short-term performance analysis

- Over 2016, the Fund underperformed its benchmark and ranked in the third quartile relative to peers.
- Stock selection was the main detractor from relative performance against the benchmark though sector allocation also detracted value.
- Security selection in Consumer Staples, Energy and Financials led performance detraction. Securities such as Empire Co. (Consumer Staples), Imperial Oil (Energy) and CI Financial (Financials) were leading detractors.
- The Fund's underweight exposure towards the strong performing mining names made for a negative relative contributor in the Materials sector over 2016 as did an underweight exposure towards the big banks which performed well versus sector peers. This positioning was consistent with Fund management's approach, as the majority of active managers eschewed large positions in the volatile resource companies that led the index in 2016.
- Security selection in Information Technology and an underweight allocation to Health Care were positive performance contributors versus the benchmark.
- In 2016, based on DJ Canada Select style indices, value stocks outperformed growth stocks in general. Given the fund's value investment bias, its style would generally have had a favourable impact on performance over the short-term.

Long-term performance analysis

- The Fund outperformed its benchmark over the 5-year period and ranked in the third quartile of its peer group.
- More recent performance has been a drag on the 5-year performance result.
- Based on DJ Canada Select style indices, value stocks outperformed growth stocks in general over the 5-year period ending December 2016. Given the fund's value investment bias, its style would generally have had a favourable impact on performance over the longer term.

Significant corporate events

Corporate

- There are no significant events over the past three years.

Fund specific

- As part of the planned integration between Standard Life and Manulife, the MAM Canadian Value Equity team took over management of the SLI Canadian Value Equity Fund in May of 2015.

IMS commentary

- The focus of the Fund is on buying individual businesses that provide the best risk/reward ratio based on comparing the investment manager's proprietary valuation to the market price and ensuring unique, uncorrelated business risk diversification. The investment manager does this to maximize the quality, valuation and business value creation of the portfolio, regardless of the overall economic environment or other factors impacting investors and the stock market.
- The investment team remains deep and stable at Manulife Asset Management and has consistently applied its unique value process.
- Long-term results remain strong. There are no concerns with any underperformance over the shorter term, as results have been in-line with expectations, positioning has been long-maintained, and the factors that caused underperformance in 2016, particularly the underweight allocation to the resource sectors was consistent with Fund management's long-term approach.
- There are no concerns with the transfer of the SLI Canadian Value Equity Fund to the MAM Canadian Value Equity team as the team has demonstrated an ability to manage its value style and has produced strong long-term results.

Conclusion:

- The Fund has stayed true to its style and philosophy and performance has generally been favourable against the benchmark, with the exception of 2016. However, the Fund overall has demonstrated solid absolute returns in strong upward markets. IMS continues to rate this Fund In Good Standing.

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

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