



**Manulife Mawer International Equity Fund**  
**Mawer Investment Management Ltd.**

**December 31, 2016**

<b>Lead manager(s):</b>	David Ragan, Jim Hall	<b>Investment style:</b>	GARP
<b>Investment objective:</b>	To invest for above-average long term returns in the securities of non-North American companies.		
<b>Last meeting date:</b>	Q2 2016	<b>Next estimated meeting date:</b>	Q2 2017
<b>Current rating:</b>	<b>IN GOOD STANDING</b>		

**Annual fund performance (%)**

	2012	2013	2014	2015	2016	5 yrs
<b>Manulife Mawer International Equity Fund</b>	21.15	24.22	10.65	22.09	-1.89	14.81
Mawer International Equity Benchmark <sup>(1)</sup>	14.72	31.02	3.67	18.96	-3.02	12.44
Value added (+) / lost (-)	6.43	-6.80	6.99	3.13	1.14	2.37
Quartile ranking <sup>(2)</sup>	1st	4th	1st	2nd	2nd	1st

**Short-term performance analysis**

- Over 2016, the Fund significantly outperformed its benchmark and ranked in the second quartile relative to its peers.
- The Fund underperformed its benchmark in the fourth quarter of 2016. Security selection within Financials, Industrials, IT and Materials was all negative. Holdings in the UK and Japanese also detracted value for the quarter. The Fund's overweight in Consumer Staples and zero weight to Energy also detracted.
- Security selection was the main driver of added value for the year, particularly within the Financials, Consumer Discretionary, Health Care and Consumer Staples sectors.
- Sector allocation also produced positive results in 2016, primarily with the Fund's overweight exposure to the Consumer Staples and underweight allocation to the Financials and Consumer Discretionary sectors. These positive effects outweighed the Fund's lack of exposure to the Energy and Utilities sectors.
- From a geographic perspective in 2016, the Fund's positive security selection within Japan, the U.K., Sweden and Switzerland added value. The overall allocation to emerging market securities and an underweight exposure to Italy further contributed to returns.
- Fund management initiated four new positions in the fourth quarter including Heineken, Sika AG, UBM PLC, and Glanbia PLC. No positions were eliminated.
- Based on MSCI style indices, value stocks outperformed in 2016. Given the fund's GARP investment bias, its style had a limited impact on short-term performance.

**Long-term performance analysis**

- The Fund outperformed its benchmark in four of the past five years and added value on a five-year annualized basis. This long-term performance ranks it in the first quartile when compared to its peers.
- Security selection was positive more often than not and was the main driver of added value on a five-year annualized basis.
- Sector allocation produced mixed results over the long term.
- Based on MSCI style indices, growth stocks slightly outperformed on average over the past five years. Given the Fund's GARP investment bias, its style had limited impact on long-term performance.

## Significant corporate events

### Corporate

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

### Fund specific

- In September 2015, Mawer announced the appointment of Peter Lampert as Co-Portfolio Manager of the Mawer International Equity Fund and all international equity mandates managed by the organization. Mr. Lampert joins David Ragan, Lead Portfolio Manager, and Jim Hall, Co-Portfolio Manager of International equities.

## IMS commentary

- The International Equity Fund (Mawer) follows a bottom-up, GARP oriented investment approach. Its emphasis is on creating a broadly diversified portfolio of wealth-creating companies, with excellent management teams, and improving fundamentals bought at discounts to their intrinsic value. This bottom-up quality growth approach is identical to the process and strategy followed by all other equity mandates offered by the firm.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- IMS has no concerns with Peter Lampert's appointment to co-PM of the Fund. Peter has worked closely with both the Lead Portfolio Manager and Co-Portfolio Manager on the International Equities Team for a number of years and there have been no modifications to the investment process and philosophy practiced at the firm as a result of the changes. Mawer has typically followed a similar co-PM structure within the other mandates offered at its firm to appropriately plan for future succession.
- The Fund has added value over the long term and ranks in the higher quartiles. Outperformance has been mostly due to positive security selection, The manager's stated the primary source of added value.

### Conclusion:

- Due to the fact that 1) the Fund has outperformed its benchmark over the long term, all the while remaining within its stated investment philosophy and style, 2) outperformance has primarily been a factor of positive stock selection and 3) the Fund ranks in the higher quartiles when compared to its peer group, IMS continues to rate this Fund In Good Standing.

<sup>(1)</sup> The source of benchmark returns are utilizing the Bank of Canada end of day for currency exchange. This change may result in minor differences from otherwise listed benchmark returns.

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

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