



Manulife Greystone Balanced Fund
Greystone Managed Investments Inc.

December 31, 2016

Lead manager(s):	Greystone Management Team	Investment style:	Growth
Investment objective:	To seek superior long-term total returns (current income and capital appreciation) by investing in a balanced portfolio of equity and fixed income asset classes.		
Last meeting date:	June 2016	Next estimated meeting date:	Q2 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Manulife Greystone Balanced Fund	8.10	15.37	11.71	8.91	4.41	9.64
Blend: GREYSTONE BALANCED	7.61	12.49	10.96	6.48	6.75	8.83
Value added (+) / lost (-)	0.49	2.88	0.75	2.43	-2.34	0.81
Quartile ranking ⁽¹⁾	3 rd	3 rd	2 nd	1 st	4 th	3 rd
Benchmark: 37.0% FTSE TMX Universe Bond Index + 24.0% S&P/TSX Composite Index + 18.0% S&P 500 Index (\$ Cdn) + 18.0% MSCI EAFE Index (\$ Cdn) + 3.0% FTSE TMX 91 Day Treasury Bill Index						

Short-term performance analysis

- Over calendar 2016, the Fund underperformed its blended benchmark and ranked in the 4th quartile versus peers.
- Despite posting double digit absolute returns, the Canadian equity portion strongly underperformed the S&P TSX index as the Materials and Energy sectors drove market returns, while Fund management's growth approach led it to not hold these volatile, lower valuation sectors. The manager indicated that low earnings growth stocks outperformed higher earnings growth stocks in 2016, which was reflected in style index performance.
- The Fund's U.S. and international equity allocations matched their respective index returns but returned less than Canadian equities on an absolute basis.
- The fixed income portion of the Balanced Fund outperformed its respective benchmark benefitting from an overweight in corporate bonds. The portfolio added value in the fourth quarter during the sell-off in bonds given its below-benchmark duration position.
- In the current environment, the investment manager continued to believe it is prudent to maintain an overweight allocation to equities but may look for opportunities to scale back risk if overly optimistic outcomes continue to be priced-in.
- Based on Dow Jones Canada Select style indices, value stocks outperformed growth stocks on average by double digit returns over calendar 2016. Based on the MSCI World style indices, value solidly outperformed growth stocks overall in 2016. Given the Fund's growth investment style, its style was a headwind to performance.

Long-term performance analysis

- The Fund outperformed its benchmark over a 5-year annualized period and ranked 3rd quartile versus peers.
- Nearer term results have dragged down the Fund's longer term performance results.
- Based on Dow Jones Canada Select style indices, value stocks outperformed growth stocks on average over the 5-year period. Given the Fund's growth investment style, its style was a headwind to long-term performance. Based on the MSCI World style indices, value and growth stocks had comparable returns over the same time period.

Significant corporate events

Corporate

- In November 2016, Greystone announced structural approach changes to their equity investment franchise:
 1. Greystone appointed Jeff Tiefenbach in a newly created CIO, Public Equities role
 2. The creation of two new functional teams, a Fundamental Research team and Quantitative Research/Risk Management team, reporting into Jeff Tiefenbach
 3. Analyst teams will research on a global sector basis, rather than following a regional approach
 4. Each equity portfolio will take on a two portfolio manager structure.

Greystone sees these changes as an enhancement in an increasingly complex and globalized world that will attempt to capitalize on their strengths.

Fund specific

- In November 2016, Greystone announced that Himanshu Sharma will join James Baldwin in leading the Canadian equity portfolio in addition to his Fundamental Research team responsibilities.
- In June 2015, James Baldwin took over as Head of Canadian Equities with the planned retirement of previous Head, Donnie MacKay.
- In June 2014, Greystone announced a change to the International Equity component of the Greystone Balanced Fund. Currently half of the International component is managed by Hansberger Global Investors, Inc. and the other half is managed in-house by the Greystone International Equity team. Following Greystone's assessment of the recent change in ownership at Hansberger, they decided to move the Hansberger component in-house.
- In March 2014, Greystone announced a change to the strategic target weights of the Greystone Balanced Fund benchmark effective April 1, 2014. The foreign equity content of the Fund increased by 11% with a corresponding decrease to the Canadian equity weighting. There is no change to the equity/fixed income mix which remains at 60% equity and 40% fixed income.

IMS commentary

- The Manager believes that active asset management delivers superior rates of return, that an asset's ability to generate income creates value and that diversification reduces risk and enhances returns. The manager utilizes a team approach in its investment process, utilizing a top-down and bottom up process to generate superior returns by investing in a balanced portfolio of equity and fixed income securities. Asset allocation is used primarily as a risk control measure. A team approach is utilized for consistency and continuity of their philosophy.
- Total assets at the firm remain stable and have increased slightly from a year ago. There are no concerns with this mandate or the firm.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- Long-term performance remains largely in-line with the benchmark and there are no concerns.

Conclusion:

- Despite the corporate and Fund changes mentioned within the Significant Corporate Events section, Greystone's Fund management has been consistent in adhering to their stated investment philosophy, process and style. The Fund has added relative value over the past four calendar years prior to 2016. More recent performance has suffered due to a market environment strongly favouring value-style investments and a sharp inflection in the markets, driven by Materials, the volatility of which has historically proven challenging to Fund management's strategy. IMS continue to rate this Fund In Good Standing.

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

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