



US Small-Cap Equity Fund (Invesco)
Manulife Invesco US Small-Cap Value Equity Fund
Invesco Advisers, Inc.

December 31, 2016

Lead manager(s):	Canon Coleman	Investment style:	Small Cap
Investment objective:	The Portfolio seeks capital appreciation through utilizing an intrinsic value approach to US Small Cap Equities.		
Last meeting date:	Q4 2016	Next estimated meeting date:	Q4 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
US Small-Cap Equity Fund (Invesco)	19.60	54.69	17.70	9.54	15.61	22.49
Russell 2000 Value Index (Can\$)*	15.44	43.55	13.61	10.97	27.23	21.60
Value added (+) / lost (-)	4.16	11.14	4.09	-1.44	-11.62	0.90

*The source of benchmark returns is utilizing the Bank of Canada end of day rate for currency exchange. This change may result in minor differences from otherwise listed benchmark returns.

Short-term performance analysis

- The Fund underperformed its benchmark significantly in 2016.
- Over the one year period, weak security selection within the Financials sector, a combination of security selection within and an overweight exposure to the Consumer Discretionary sector and holding cash were the largest detractors of value from performance for the Fund.
- The Fund's intrinsic, bottom-up value approach has led it to overweight companies within the Consumer Discretionary and Industrials sectors. The Fund remains significantly underweight the Financials sector and Real Estate sectors.
- Based on the Russell small cap style indices, value stocks significantly outperformed growth stocks which would have benefited the Fund's value approach over the one-year period.

Long-term performance analysis

- The Fund outperformed its benchmark in three of the past five years and has slightly added value on a five-year annualized basis.
- Security selection within the Information Technology sector as well as in the Industrials sector added the most value on a five-year annualized basis. Performance was muted due to the Fund's cash weight and overweight exposure and weak selection to the Consumer Discretionary sector.
- The Fund has consistently maintained its long-term focused, bottom-up, fundamental value investment approach. Fund management has no constraints on its sector allocation decisions.
- Based on the Russell small cap style indices, value stocks performed similarly to growth stocks which would have had a neutral impact on the Fund given its value approach over the five-year annualized period.

Significant corporate events

Corporate

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

Fund specific

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

IMS commentary

- The US Small-Cap Equity Fund (Invesco) is a bottom-up, value focused small-cap equity mandate that emphasizes investing in companies trading at discounts to their business value and experiencing positive catalysts. The fund is expected to outperform when the market is driven by pure company fundamentals rather than by investor sentiment.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund has slightly outperformed over the long-term. Outperformance has been in part due to positive security selection, the manager's stated primary source of added value. The volatile nature of small cap investing can result in significant short-term deviations from the Fund's benchmark in terms of performance. Over the long-term Fund management has maintained conviction in its approach and shown the ability to add value. The magnitude of 2016 underperformance is disappointing and is being monitored, however there are no significant concerns as of yet.

Conclusion:

- Due to the fact that 1) the Fund has added value over the long term, all the while remaining within its stated investment philosophy and style and 2) outperformance has been in part a factor of positive stock selection, IMS continues to rate this Fund In Good Standing.

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

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* Sources may include, but are not limited to, Mercer MPA, Morningstar, Principia and Thomson Baseline

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