



Global Equity Fund (Franklin)
Manulife Franklin Global Equity Fund
Franklin Templeton Investments Corp.

December 31, 2016

Lead manager(s):	Donald Huber	Investment style:	Growth
Investment objective:	The fund seeks to achieve long-term capital appreciation by investing (indirectly via the Franklin World Growth Fund) primarily in equity securities of growth companies with any market size capitalization, which are located throughout the world.		
Last meeting date:	February 2016	Next estimated meeting date:	Q1 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Global Equity Fund (Franklin)	19.74	27.05	14.13	18.40	-2.18	15.00
MSCI World (Cdn) ⁽¹⁾	14.00	36.16	15.08	18.93	4.93	17.39
Value added (+) / lost (-)	5.74	-9.11	-0.94	-0.53	-7.11	-2.39
Quartile ranking ⁽²⁾	1st	4th	2nd	3rd	4th	4th

Short-term performance analysis

- Over 2016, the Fund had negative absolute performance, significantly underperformed its benchmark and ranked in the fourth quartile relative to its peers.
- Poor security selection was the main detractor from relative value for the year, particularly within the Consumer Discretionary and Financials sectors.
- Sector allocation also produced a negative effect on the Fund's 2016 performance with the Fund's underweight exposure to the Consumer Staples sector hurting performance. From a country perspective, the largest detractor came from the Fund's poor stock picking within the United States as well as in Asia. Geographic allocation partially offset the Fund's underperformance, as Fund's off-benchmark exposure to certain emerging markets regions as well as the Fund's underweight exposure to Japan added value.
- Based on MSCI style indices, value stocks outperformed in the 2016 period. Given the fund's growth investment bias, its style had a negative impact on short-term performance.

Long-term performance analysis

- The Fund underperformed its benchmark in four of the past five years, and failed to add value on a five-year annualized basis. This long-term performance ranks it in the fourth quartile when compared to its peers.
- Security selection was negative more often than not and was the main detractor of relative value on a five-year annualized basis.
- Sector allocation also produced negative results over the long term.
- Based on MSCI style indices, growth stocks slightly outperformed on average. Given the Fund's investment bias, its style did not have a major impact on long-term performance.

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 Global Equity Fund (Franklin) employs a disciplined, bottom-up, growth oriented investment approach. They believe this philosophy has the potential to deliver alpha over a full market cycle. Their approach is focused on building a concentrated portfolio of high quality sustainable growth companies. This approach results in a concentrated best idea portfolio of approximately 40 stocks which are roughly equally weighted and rebalanced via a contrarian approach based on market movements and valuation support.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund has failed to add relative value over the longer term and ranked in the lower quartiles. Underperformance can be in large part, attributed to the weak performance in 2013, a period when the Fund's particular quality focused, conservative growth investment style was out of favor. The magnitude of recent underperformance is also noted and is being closely monitored. 2016 was another time period in which the Fund's style was not rewarded, as a number of sectors with low valuations significantly advanced (Energy, Financials, Materials), and the growth companies that did well were those with a more volatile, higher growth profile than have historically been held by Fund management. Serious concerns do not exist at this point in time, although performance and the Fund's holdings are being monitored very closely.
- Given the Fund's contrarian, conservative growth approach, the Fund can be out of favor in very strong growth markets when companies with lower quality profiles are driving the market.

Conclusion:

- Due to the fact that 1) the Fund has remained within the stated investment philosophy and style, and 2) long-term underperformance and the Fund's lower quartile ranking can be in large part attributed to weak performance during two short periods when the Fund's style was out of favor, IMS continues to rate this Fund In Good Standing, although current portfolio positioning is being closely monitored.

⁽¹⁾ 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.

⁽²⁾ Quartile rankings are based on the underlying fund's returns.

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