



SRI Monthly Dividend and Income Fund (Meritas)
Manulife Meritas SRI Monthly Dividend and Income Fund
OceanRock Investments Inc.

December 31, 2016

Lead manager(s): Jarislowsky Fraser Limited **Investment style:** Specialty

Investment objective: To provide a combination of income from dividends, interest income and capital gains.

Last meeting date: Q3 2016 **Next estimated meeting date:** Q3 2017

Current rating: **IN GOOD STANDING**

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
SRI Monthly Dividend and Income Fund (Meritas)	12.75	23.84	14.16	-3.45	19.21	12.90
S&P/TSX TRI	7.19	12.99	10.55	-8.32	21.08	8.25
Value added (+) / lost (-)	5.56	10.85	3.61	4.87	-1.87	4.65
Quartile ranking ⁽¹⁾	1st	1st	1st	2nd	2nd	1st

Short-term performance analysis

- The Fund underperformed its benchmark in 2016 and ranked in the second quartile relative to its peers.
- The Fund's underperformance in the calendar year is due mainly to security selection, particularly within the Materials, Industrials and Energy sectors.
- Sector allocation was positive over the same period with the positive impact of no holdings in the Health Care sector compensating for the negative effect of an overweight position in the Consumer Staples sector.
- Based on style indices, value stocks outperformed on average in the Canadian market. Given the Fund's quality, dividend-focused investment bias, its style had no impact on short-term performance.

Long-term performance analysis

- The Fund outperformed its benchmark in four of the past five years and has added value on a five-year annualized basis. This long-term performance ranks 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 was positive more often than not.
- Based on style indices, value stocks have outperformed on average over the last five years in the Canadian market. Given the Fund's quality, dividend-focused investment bias, its style had no impact on long-term performance.

Significant corporate events

Corporate

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

Fund specific

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

IMS commentary

- The SRI Monthly Dividend and Income Fund (Meritas) is committed to all three aspects of SRI and uses positive and negative screening guidelines, shareholder activism and community development investments to help investors align their portfolio with their social, ethical, governance and environmental concerns. The fund tends to outperform in a normalized market environment.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund has outperformed over the long-term and ranked in the higher quartiles.
- The Fund manager, Jarislowsky Fraser maintains a low exposure to cyclical securities and has a characteristic underweight position in the Materials sector, which would have put the Fund at a disadvantage in the past year given the significant returns in the Materials sector. There are no concerns about the recent underperformance.

Conclusion:

- Due to the fact that the Fund has 1) proven to be a high quality socially responsible investment vehicle, 2) remained within the stated dividend-focused investment philosophy and style, and 3) has outperformed its benchmark over the long-term, we continue to rate this Fund In Good Standing.

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

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