



SRI US Equity Fund (Meritas)
Manulife Meritas SRI US Equity Fund
OceanRock Investments Inc.

December 31, 2016

Lead manager(s):	ClearBridge Investments, LLC.	Investment style:	Specialty
Investment objective:	The fundamental investment objective of the fund is to seek capital appreciation with current income being a secondary investment objective. The fund will invest primarily in equity securities of medium to large capitalization U.S. companies.		
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 US Equity Fund (Meritas)	11.34	36.49	21.48	21.13	6.09	18.86
S&P 500 CompositeTR (\$Cdn)	13.48	41.53	23.99	20.95	8.61	21.21
Value added (+) / lost (-)	-2.15	-5.04	-2.51	0.18	-2.51	-2.35
Quartile ranking ⁽¹⁾	4th	4th	2nd	2nd	3rd	4th

Short-term performance analysis

- The Fund underperformed its benchmark for 2016 and ranked in the third quartile relative to its peers.
- Underperformance in the calendar year came from negative results primarily in sector allocation, but also from security selection. Negative sector allocation came primarily from an underweight exposure to the Energy sector.
- Negative security selection within the Consumer Staples, Materials and Information Technology sectors outweighed positive selection within Health Care and Industrials.
- Based on S&P 500 style indices, value stocks outperformed on average. Given the Fund's Specialty investment bias, its style had no impact on short-term performance.

Long-term performance analysis

- The Fund outperformed its benchmark in one of the past five years and failed to add value on a five-year annualized basis. This long-term performance ranks in the fourth quartile when compared to its peers.
- Based on S&P 500 style indices, value and growth stocks performed equally. Given the Fund's Specialty 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 US Equity 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. In a normal market environment, the strategy should outperform the benchmark index with a lower level of risk.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund management team at ClearBridge has consistently applied its process and remains backed by the SRI screening that Meritas provides.
- The Materials and Energy sectors can be challenging areas for ESG funds to find suitable investments that meet its criteria. Relative performance can suffer when those sectors lead market returns, as has been the case over the past year with Energy in the U.S. market. We continue to believe this Fund remains a high quality socially responsible investment vehicle. There are no concerns.

Conclusion:

- Due to the fact that we maintain our confidence in the Fund as a high quality socially responsible investment vehicle, IMS continues to rate this Fund In Good Standing.

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

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