



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

31-12-2016

Lead manager(s):	AllianceBernstein LP	Investment style:	Specialty
Investment objective:	The fundamental investment objective is to seek capital appreciation with current income as a secondary objective. The fund will invest primarily in equity securities of companies outside North America.		
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 International Equity Fund (Meritas)	13.97	33.10	1.74	26.15	0.49	14.36
MSCI ACWI ex US Index	14.24	23.02	4.80	13.14	0.88	10.95
Value added (+) / lost (-)	-0.27	10.08	-3.06	13.01	-0.39	3.41
Quartile ranking ⁽¹⁾	4th	1st	4th	1st	1st	2nd

Short-term performance analysis

- The Fund underperformed its benchmark for 2016 and ranked in the first quartile relative to its peers.
- Relative performance over the past year came mainly from sector allocation while security selection was positive overall.
- Sector allocation was negatively impacted by an underweight exposure to both the Energy and Materials sectors.
- Security selection was positive, particularly within the Consumer Staples and Utilities sectors.
- Based on the MSCI style indices, value stocks outperformed over the past year in International equity markets. 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 two of the past five years and added value on a five-year annualized basis. This long-term performance ranks in the second quartile when compared to its peers.
- Returns longer than two years performance are based on the results of the previous manager.
- Based on MSCI style indices, growth stocks have slightly outperformed on average. 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 events over the past three years.

Fund specific

- Effective April 10, 2015, OceanRock Investments appointed AllianceBernstein as the sub-advisor to the SRI International Equity Fund (Meritas). The benchmark was changed from MSCI EAFE Index to MSCI ACWI ex-US Index in March 2015. With AllianceBernstein's commitment to delivering strong performance and responsible investing, OceanRock believes the sub-advisor will be able to perform strongly in a variety of market environments and provide downside protection in volatile periods.

IMS commentary

- The SRI International 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. The fund should outperform its benchmark under most market environments.
- 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 ranks in the higher quartiles when compared to peers on an annualized basis over five years. AllianceBernstein has added considerable value to the benchmark since assuming responsibility for the Fund approximately one year and nine months ago.
- The Materials and Energy sectors can be challenging areas for ESG funds, as it can be difficult for Fund management to find opportunities that meet its ESG criteria, relative performance can suffer when those sectors lead market returns, as has been the case over the past year. There are no concerns.

Conclusion:

- Due to the fact that 1) we are confident that Meritas is an appropriate socially responsible fund provider in Canada, 2) the Fund has remained within the stated investment philosophy and style, and 3) the Fund has produced positive relative return versus its benchmark over the long term, IMS continue to rate this Fund In Good Standing.

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

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