



Manulife TD Emerald Low Volatility Canadian Equity Fund
TD Asset Management

December 31, 2016

Lead manager(s): Wilcox Chan **Investment style:** Specialty

Investment objective: The objective of the strategy is to minimize portfolio volatility over a full market cycle.

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
Manulife TD Emerald Low Volatility Canadian Equity Fund	N/A	N/A	19.46	-4.16	17.92	N/A
S&P/TSX TRI	N/A	N/A	10.55	-8.31	21.08	N/A
Value added (+) / lost (-)	N/A	N/A	8.91	4.15	-3.16	N/A
Quartile ranking ⁽¹⁾	N/A	N/A	1st	2nd	3rd	N/A

Short-term performance analysis

- The Fund underperformed its benchmark in 2016 and ranked in the third quartile relative to its peers.
- Relative performance over the past year is the result of both negative allocation and negative security selection. In the last quarter of the year, the least volatile parts of the market contributed most to the Fund's negative relative performance.
- Sector allocation was the biggest contributor to underperformance in 2016, particularly from an underweight exposure to Materials and an overweight exposure to the Consumer Staples sector.
- Security selection was negative in the Energy and Materials sectors, countering the positive contribution from security selection within the Health Care sector.
- Based on S&P/TSX style indices, value stocks outperformed on average. Given the Fund's Specialty mandate, its style had no impact on short-term performance.

Long-term performance analysis

- The Fund has outperformed its benchmark in two of the past three years and is still in the process of building a long term performance track record since it's addition to the platform. There are no concerns with long-term performance at this time.

Significant corporate events

Corporate

- Bruce Cooper was appointed Chief Investment Officer in Q1 2015 following the retirement of Satish Rai. Mr. Cooper has been with TDAM for 20 years.
- Bruce Cooper succeeded Tim Wiggan as Chief Executive Officer effective November 1, 2016 following Mr. Wiggan's return to TD Securities. Mr. Cooper has retained his role as CIO while some responsibilities have been reassigned.

Fund specific

- The Low Volatility Equity team has added resources over time as they expand and refine their mandates. Managing Director Jean Masson is focused on Quantitative Research and Wilcox Chan assumed responsibility for portfolio management in 2015.

IMS commentary

- The Fund follows an active quantitative investment style that is bottom-up in nature. The investment philosophy of the strategy is that capitalization-weighted market indices are not efficient and that portfolio optimization techniques focusing on minimizing expected return volatility can provide market-like returns over the long term, with less volatility than the market capitalization-weighted index.
- IMS has met with Fund management subsequent to the recent changes to the investment team and has no concerns. Overall, the team has been increasing its depth and building their resources.
- There are no concerns with performance since its addition on the platform.

Conclusion:

- Given that commodities have been a significant reason for the strong returns in the Canadian market over the past year, it is not surprising that a low volatility mandate would not be heavily invested in these sectors and that the Fund would underperform in a market environment where the resource sectors led the market.
- Due to the fact that the Fund has outperformed its benchmark in two of the past two years and has maintained an annualized standard deviation lower than its benchmark, we rate this Fund In Good Standing.

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

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