Global Infrastructure Fund (Lazard)
Manulife Lazard Global Infrastructure Fund
Lazard Asset Management (Canada), Inc.

December 31, 2016

Lead manager(s): Team approach

Investment style: Global Listed Infrastructure

Investment objective: The Fund seeks to achieve total returns (comprising income and capital appreciation and before the deduction of fees and taxes) that outperform inflation as measured by the Canadian Consumer Price Index (reported by the Government of Canada) by investing in companies listed on an exchange that own physical infrastructure.

Last meeting date: October 2016

Next estimated meeting date: Q4 2017

Current Rating: **IN GOOD STANDING**

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Global Infrastructure Fund (Lazard)	18.98	28.80	19.87	11.57	9.60	18.70
Lazard Global Infrastructure Fund Benchmark (1)	13.28	20.99	21.58	-0.32	11.36	13.09
Value added (+) / lost (-)	5.70	7.81	-1.71	11.89	-1.76	5.61

Benchmark UBS Infrastructure and Utilities 50/50 Index (LC) until March 31, 2015,
FTSE Developed Core Infrastructure 50/50 Index (CAD hedged) thereafter

Short-term performance analysis

- In 2016, the Fund produced a solid absolute return but underperformed its benchmark index.
- Sector allocation was the main detractor from relative performance primarily due to the Fund's zero exposure to the Pipelines sector which produced an extremely strong return in 2016. The portfolio's large overweight allocation to the underperforming Broadcasting and Entertainment sector was also a main detractor while an overweight allocation to the strong performing Railroad sector and strong stock selection within the sector added significant value and was a main contributor to the performance.
- Geographically, the Portfolio remains significantly underweight in North America as the Manager believes that the U.S. market is very expensive, especially in Utilities and Pipelines. Meanwhile, the portfolio is significantly overweight in Europe, particularly in France and Italy focusing on Railroad and Transportation Services. Overall the portfolio maintains a significant underweight allocation to the Utilities sector and has zero exposure to Pipelines and Special REITs.

Long-term performance analysis

- The Fund outperformed its benchmark in three of the past five years and added significant value on a five-year annualized basis. This long term performance has consistently exceeded the Fund's investment objective.
- The Fund is a benchmark-unaware strategy and is managed with a performance objective of CPI+5% on an annual basis over the long term. The Manager believes that, given the strength in the infrastructure sector, the current opportunity set of attractively priced infrastructure investments for the portfolio is smaller than it has been over the past five years. Therefore, they do not expect the portfolio to deliver the same level of performance it has achieved in recent times. Despite this, the Manager believes the returns available from the portfolio today look relatively attractive when compared to a passive investment in infrastructure indices, bonds, or in broader equity markets.

Significant corporate events

Corporate

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

Fund specific

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

IMS commentary

- The Manager believes that investing in a subset of the wider infrastructure sector can provide investment characteristics that are attractive to investors such as the longevity of assets, low risk of capital loss and inflation-linked returns. The Manager defines this “Preferred Infrastructure” subset as those companies with higher level of revenue certainty, visible profitability and the longevity of assets located predominantly in OECD countries. The Manager employs a disciplined bottom-up process to conduct fundamental analysis and a Value Ranking system to construct a concentrated portfolio of 25-50 stocks. Diversification is considered on three levels: sector and country level, GDP growth level and sources of expected return level (capital growth, EPS growth or dividend yield growth).
- Based on our due diligence, we are confident that the Manager has remained within the stated investment philosophy and style.
- The Fund has produced a strong track record of consistent returns and added significant value over the long term.

Conclusion:

- Due to the fact that 1) the Fund has added significant value over the long term, all the while remaining within the stated investment philosophy and style and 2) the Fund provides a good exposure to the infrastructure asset class, IMS continues to rate this Fund In Good Standing.

[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.

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