



Global Bond Fund (SLMF)
Manulife Strategic Investment Grade Global Bond Fund
Manulife Asset Management

December 31, 2016

Lead manager(s):	Daniel Janis, Thomas Goggins	Investment style:	Active
Investment objective:	The Fund's objective is to provide superior income returns and currency diversification. The Fund invests primarily in the foreign currency debt securities of high-quality issuers.		
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
Global Bond Fund (SLMF)	N/A	N/A	11.41	8.98	3.27	N/A
FTI: JPM Global Government Bond Index (C\$)	N/A	N/A	9.75	16.81	-1.94	N/A
Value added (+) / lost (-)	N/A	N/A	1.66	-7.84	5.21	N/A
Quartile ranking ⁽¹⁾	N/A	N/A	2nd	3rd	2nd	N/A

Short-term performance analysis

- The Fund outperformed its benchmark in 2016 and ranks in the second quartile within the Global Bond peer group.
- Currency management was the largest contributor to the Fund's outperformance, while asset allocation decisions also added value.
- Overweight allocations to investment-grade Industrial and Financial issuers contributed to outperformance. In addition, a meaningful underweight to US Treasuries also helped.
- The strategy's shorter duration profile was a headwind for much of the year until the fourth quarter when it contributed significantly, particularly in the U.S. as the 10-year Treasury yield rose.
- The portfolio has maintained a defensive posture from a security selection standpoint, as well as from an interest rate sensitivity perspective, with portfolio duration running at about half of that of the benchmark.

Long-term performance analysis

- The Fund does not yet have a long-term performance track record to assess. There are no concerns with Fund performance since its addition to the platform.
- Given Fund management's unique, benchmark agnostic approach short-term performance can significantly deviate from both benchmark and peer performance.

Significant corporate events

Corporate

- In September 2014, Manulife Financial Corp. announced the acquisition of Standard Life PLC's Canadian operations. This transaction closed on January 30, 2015.

Fund specific

- On April 15, 2016, Standard Life Global Bond Fund merged into the Manulife Strategic Investment Grade Global Bond Fund.
- In May 2015, as part of the planned integration process with Standard Life's Canadian operations, Manulife Asset Management (MAM) implemented changes to some investment teams and capabilities. Portfolio management responsibilities for the Global Bond Fund (SLMF) were transferred from Ivan Francis of SLI Canada to Daniel Janis and Thomas Goggins of Manulife Asset Management (US) LLC and Kisoo Park of Manulife Asset Management (Hong Kong) Limited.

IMS commentary

- The Manulife Strategic Investment Grade Global Bond Fund employs a tactical asset allocation strategy across multiple fixed income sectors including global government bonds, investment grade corporate and emerging markets bonds. In addition, a dynamic currency management strategy is in place to help the Fund benefit from and mitigate currency fluctuations. By expanding the investment universe to include multiple sectors and currencies, management believes it can increase its potential to add value while reducing risk.
- In May 2015, the MAM Global Bond Team located in the U.S. and Hong Kong took over lead management responsibilities. IMS is comfortable with the MAM Global Bond Team taking over the day-to-day management of the Fund as they have demonstrated an ability to add value on a risk-adjusted basis over the long term in their management of other mandates, most notably the Manulife Strategic Income Fund.
- Performance since inception has been strong, there are no concerns. Given the multiple buckets of value that Fund management attempts to add value with, and their benchmark agnostic approach, short-term Fund performance can significantly deviate from the Fund's benchmark.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.

Conclusion:

- Due to the fact that 1) we have no concerns with the transfer of management responsibilities to the MAM Global Bond Team, and 2) the new management team has generated strong risk-adjusted results over the long-term in their management of other mandates with similar strategies, IMS continues to rate this Fund In Good Standing.

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

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