



Canadian Core Plus Bond Fund (PIMCO)
Manulife PIMCO Canadian Core Plus Bond Fund
PIMCO Canada

December 31, 2016

Lead manager(s):	Ed Devlin	Investment style:	Active
Investment objective:	The objective of the Fund is to seek investment performance which exceeds that of its benchmark, consistent with prudent investment management.		
Last meeting date:	Q1 2016	Next estimated meeting date:	Q1 2017
Current Rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Canadian Core Plus Bond Fund (PIMCO)	6.55	-0.42	8.33	4.45	2.27	4.27
FTSE Universe Overall Bond TR	3.60	-1.19	8.79	3.52	1.66	3.22
Value added (+) / lost (-)	2.95	0.77	-0.46	0.93	0.61	1.05
Quartile ranking ⁽¹⁾	1st	1st	4th	1st	2nd	1st

Short-term performance analysis

- In 2016, the Fund outperformed its benchmark and ranks in the second quartile when compared to its peers.
- Outperformance was primarily attributed to positive security selection within Provincial bonds and sector allocation through exposure to mortgage securities. Emerging market debt and currency strategies also added moderate value.
- Credit strategies produced a neutral result. Within the investment grade sector, the portfolio's overweight to higher credit quality (AAA/AA rated) and underweight to lower credit quality bonds (A/BBB rated) produced a negative result and offset some of the gains from exposure to high yield issues.
- Yield curve strategy had been a main detractor in the first half of 2016; as yields started to rise and the yield curve steepened in the fourth quarter, earlier losses were offset considerably by the portfolio's underweight to the long end of the curve and overweight to the short end of the curve, but overall, interest rate strategies were a detractor from one-year performance.
- The portfolio maintains an overweight allocation to Provincial bonds and Canadian banks as they offer a yield advantage over federal government issues. The Manager will also deploy tactical Canadian interest rate curve positions while remaining overweight to inflation protected securities as the Manager believes they will outperform nominal bonds over a long term horizon. The portfolio continues to maintain material exposure (30%) to non-Canadian markets especially in mortgage securities.
- The Fund's core plus style, which affords it the flexibility to add value utilizing out-of-benchmark securities, had a positive impact on short term performance as the portfolio has produced positive results from exposure to high yield bonds, emerging market debt and non-Canadian mortgage securities. Currency strategies have also added value.

Long-term performance analysis

- The Fund outperformed its benchmark in four of the past five years and added value on a five-year annualized basis. This long-term performance ranks it in the first quartile when compared to its peers.
- The portfolio's overweight allocations to Provincials, Agency Securities, foreign and high yield bonds generally contributed to the Fund's relative performance.
- The Fund has remained true to its goal of maintaining diversified drivers of return to add value by using securities that are benchmark constituents but also adding foreign bonds, high yield issues, emerging market debt and currency exposure.

Significant corporate events

Corporate

- Following the resignation of Bill Gross on September 27, 2014, the firm's Managing Directors elected Daniel Ivascyn as Group Chief Investment Officer. In addition, the firm appointed Andrew Balls, CIO of Global and Mark Kiesel, CIO of Global Credit.

As Group CIO, Daniel Ivascyn continues to oversee the firm's alternatives, structured credit and income strategies.

Fund specific

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

IMS commentary

- The Fund seeks to achieve its investment objective by investing primarily in a diversified portfolio of Canadian dollar denominated fixed-income instruments, of varying maturities, or derivatives on such instruments. In seeking to achieve its objective, the Fund attempts to diversify portfolio risk by actively employing multiple concurrent strategies, including duration management, yield curve positioning and sector rotation and by applying individual security selection techniques such as credit and quantitative research. The strategies and holdings of the Fund are based on long-term macroeconomic forecasting, relative value analysis and an on-going assessment of current valuations and market conditions.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund has added relative value over the long term. Outperformance has primarily been a factor of both Canadian and non-Canadian exposure, which is in line with expectations.

Conclusion:

- Due to the fact that the Fund has outperformed over the long term, all the while remaining within the stated investment philosophy and style, IMS continues to rate this Fund In Good Standing.

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

This report card is provided by Manulife as a tool to assist you in the governance of your retirement plan.

Manulife makes no representation or warranty, express or implied, as to the accuracy or completeness of the information provided. Though Manulife has taken all reasonable measures to provide you with relevant information and professional opinions, based on reliable sources*, it reserves the right to correct any error or omission.

The opinion of Manulife expressed in this report card shall not be the only factor to consider for decisions related to your plan's portfolio. Manulife is not responsible for the outcome of decisions made based on the information and opinion provided in the report card.

* Sources may include, but are not limited to, Mercer MPA, Morningstar, Principia and Thomson Baseline

All rights reserved © 2016 The Manufacturers Life Insurance Company

The Manufacturers Life Insurance Company