



**Emerging Markets Debt Fund (Aberdeen)**  
**Manulife Aberdeen Emerging Markets Debt Fund**  
**Aberdeen Asset Management Inc.**

**December 31, 2016**

**Lead manager(s):** Brett Diment **Investment style:** Active

**Investment objective:** The investment objective of the Fund is long-term total return by investing primarily in government or corporate debt of issuers located in or participating in emerging market countries.

**Last meeting date:** July 2016 **Next estimated meeting date:** Q3 2017

**Current rating:** **IN GOOD STANDING**

### Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
<b>Emerging Markets Debt Fund (Aberdeen)</b>	N/A	N/A	N/A	-0.88	12.03	N/A
JPM EMBI Global Diversified Hedge	N/A	N/A	N/A	4.35	6.28	N/A
Value added (+) / lost (-)	N/A	N/A	N/A	-5.23	5.75	N/A

### Short-term performance analysis

- The Fund outperformed its benchmark on a one-year basis and has shown better results following a more difficult 2015.
- Country allocation was a strong contributor to relative value while currency allocation was the main detractor from performance for the year.
- The Fund invests mainly in hard currency as opposed to local currency issues and has its largest weightings in government and quasi-sovereign bond issues. Regionally, over the year, the Fund has held overweight allocations towards bonds issued in the Middle East/Africa and underweight allocations towards Asian bonds.
- The Fund remains slightly long duration and has a higher yield-to-maturity relative to its benchmark.
- Fund management believes that while December provided more clarity on Donald Trump's cabinet appointments, it remained unclear at the end of the year as to the direction of the president-elect's domestic and foreign policy mix. Trump's protectionist rhetoric during the campaign and on his victory tour when he threatened to enact large trade tariffs on China and Mexico may be dialed back as the Republican Party does not have a history of being trade protectionists. On the other hand, fund management believes that he will have the backing of his party for sweeping tax cuts that should be supportive for US growth, which ultimately could be good news for emerging market growth.
- The manager believes that the asset class currently presents attractive valuation opportunities relative to developed markets.

### Long-term performance analysis

- The Fund has a limited performance history on which to base a long-term analysis. However, there are no concerns with performance since the Fund's addition to the platform.

## Significant corporate events

### Corporate

- In August 2015, Aberdeen announced that they have entered into an agreement to acquire Arden Asset Management, LLC – a provider of hedge fund solutions to expand their hedge fund business. The transaction was completed on December 31, 2015.
- In June 25, 2015, Aberdeen Asset Management (“Aberdeen”) announced that Hugh Young, Managing Director, would take on a wider role within the firm which includes providing oversight for the Property and Fixed Income decisions as well as the Active Equities business. As such, Aberdeen appointed Devan Kaloo, currently the Head of Global Emerging Markets, to succeed Hugh as the Global Head of Equities. The regional and global equity desk heads now report to Devan.
- In May 2015, Aberdeen Asset Management announced that the firm has entered into an agreement to acquire FLAG Capital Management, LLC (“FLAG”). The transaction was completed on August 1, 2015.

### Fund specific

- There have been no significant Fund specific events in the last three years.

## IMS commentary

- The Fund's investable universe is all fixed income instruments of issuers located in emerging market countries or issued in emerging market currencies, including sovereign and corporate issuers, external and domestic debt instruments and foreign exchange. The investment team aims to exploit the opportunities offered by an imperfect asset class through a well-diversified portfolio, pursuing a total return objective. Comprehensive country research, set in the context of global economic developments, forms the foundation of their investment process. Their approach can be broadly defined as an active, macro-fundamental style.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Canadian pooled version of the Aberdeen Emerging Debt fund has just over one year of performance. However, the underlying strategy has a much longer historical track record and has solid performance against its benchmark over the long-term.

### Conclusion:

- Due to the fact that the strategy has remained within the stated investment philosophy and style and performance has been in-line with expectations, IMS continues to rate this Fund In Good Standing.

<sup>(1)</sup> Quartile rankings are based on the underlying fund's returns.

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