



**Global Small-Cap Equity Fund (Invesco)**  
**Manulife Invesco Global Small-Cap Equity Fund**  
**Invesco Canada Ltd.**

**December 31, 2016**

<b>Lead manager(s):</b>	Invesco Perpetual Global Smaller Companies Group	<b>Investment style:</b>	Small cap
<b>Investment objective:</b>	The Fund seeks to achieve long-term capital growth by investing primarily in small-capitalization companies anywhere in the world.		
<b>Last meeting date:</b>	Q4 2016	<b>Next estimated meeting date:</b>	Q4 2017
<b>Current rating:</b>	<b>IN GOOD STANDING</b>		

**Annual fund performance (%)**

	2012	2013	2014	2015	2016	5 yrs
<b>Global Small-Cap Equity Fund (Invesco)</b>	N/A	40.71	8.93	20.09	4.17	N/A
MSCI ACWI Small Cap Index (Net, Can\$)*	N/A	37.29	10.96	18.68	7.70	N/A
Value added (+) / lost (-)	N/A	3.42	-2.03	1.41	-3.53	N/A
Quartile ranking <sup>(1)</sup>	N/A	3rd	3rd	4th	3 <sup>rd</sup>	N/A

\*The source of benchmark returns is utilizing the Bank of Canada end of day rate for currency exchange. This change may result in minor differences from otherwise listed benchmark returns.

**Short-term performance analysis**

- The Fund underperformed its benchmark in 2016 and ranks in the third quartile relative to its peers.
- Security selection produced significantly negative results more often than not over the last twelve months, detracting value through the Fund's positioning within the Financials, Industrials and Real Estate sectors.
- The Fund is comprised of six regional sub-portfolios. Each sub-portfolio is independently and actively managed by the regional specialist and his team. Final regional asset allocation is determined by Invesco Perpetual CIO Nick Mustoe based on both top-down and bottom-up inputs.

**Long-term performance analysis**

- The Fund outperformed its benchmark in two of the past four years, but has yet to build a five-year annualized track record. Fund performance since addition to the platform has largely been in-line with the index. There are no concerns with the Fund's performance at this time.
- Over the last three-year period, the Fund has underperformed. Weak security selection was the primary detractor from performance especially within the Real Estate, Industrials and Consumer Discretionary sectors. Positive security selection within the Materials and Energy sectors lifted the Fund's performance.
- Sector allocation had minimal effect to the overall Fund performance since addition to the platform.
- The Fund has consistently maintained its regional diversification by allocating to sub-portfolio managers. Fund management has maintained its long-term focus on valuation as well.

## Significant corporate events

### Corporate

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

### Fund specific

- Effective August 1, 2016, Juan Hartsfield was added as North American Regional Specialist on the Invesco Global Small Cap Equity Fund. Incumbent North American Regional Specialist, Juliet Ellis, would continue to be involved in the management of the North American sleeve but will transition out of the role as at June 30, 2017. Mr. Hartsfield will also become Lead Portfolio Manager of the Small Cap Growth and Equity team at that time. This change will affect only one of six regional sleeves that comprise the entire Fund. Going forward, Ms. Ellis would continue her role as Chief Investment Officer (CIO) of Invesco's U.S. Growth Equity Group.

## IMS commentary

- The team's two-step investment process consists of an asset allocation strategy based on a medium to long-term economic and market outlook as determined by Invesco's Global Smaller Companies Group which consists of senior regional portfolio managers and global strategists and thereafter a pragmatic bottom-up investment approach to security selection by the same regional portfolio managers. The team seeks small capitalization companies with high or improving returns at an attractive valuation in both developed and emerging markets. The asset allocation strategy takes into account both macro and micro inputs. The bottom-up investment approach includes conducting fundamental research and stock valuation.
- Mr. Hartsfield and Ms. Ellis have worked together for more than 16 years. Mr. Hartsfield is well-versed in the small-cap investment process that was developed by Ms. Ellis in 1993. Mr. Hartsfield's promotion is part of a long-term succession plan for the Small Cap Growth and Equity team. Moving forward, Ms. Ellis will focus on the long term development of the U.S. Growth Equity Group. IMS is comfortable with the addition of Juan Hartsfield to the North American sub-portfolio which forms one of the six sleeves in the Global Small Cap Equity Pool. The process will remain the same going forward and will not be impacted by the changes to the North American Regional team.
- Based on our due diligence, we are confident that the Manager has remained within the stated investment philosophy and style. We are pleased to see the firm's thoughtful approach to the long term succession plan for the Fund. The Fund continues to be managed by established and well-resourced teams.
- Although the Fund underperformed significantly in the last one year period ending December 31, 2016, the Fund has added value in two of four annual periods. Performance has been largely driven by security selection, the Manager's stated primary source of added value. Performance since addition to the platform has been in-line with the benchmark as well as expectations.

### Conclusion:

- Due to the fact that 1) we are confident that the fund-specific event will not have a negative impact on the management of the Fund, 2) the Fund has outperformed in two of four annual periods, all the while remaining within the stated investment philosophy and style, 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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\* Sources may include, but are not limited to, Mercer MPA, Morningstar, Principia and Thomson Baseline

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