



SRI Balanced Portfolio Fund (Meritas)
Manulife Meritas SRI Balanced Portfolio Fund
OceanRock Investments Inc.

December 31, 2016

Lead manager(s):	OceanRock Investments Inc	Investment style:	Specialty
Investment objective:	The fundamental objective of the Fund is to seek capital appreciation with an equal emphasis on current income. As this Fund invests in a socially responsible manner, it must adhere to Meritas' "Criteria for Socially Responsible Investing".		
Last meeting date:	Q3 2016	Next estimated meeting date:	Q3 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
SRI Balanced Portfolio Fund (Meritas)	N/A	N/A	N/A	7.23	6.51	N/A
Meritas Balanced Portfolio Benchmark	N/A	N/A	N/A	3.26	7.71	N/A
Value added (+) / lost (-)	N/A	N/A	N/A	3.97	-1.21	N/A
Quartile ranking ⁽¹⁾	N/A	N/A	N/A	1st	3rd	N/A
Benchmark: 45% FTSE TMX Canada Universe Bond Index + 26% S&P/TSX Composite TR Index + 14% S&P 500 Index (Can\$) + 10% MSCI EAFE Index (Can\$) + 5% FTSE TMX Canada 91 Day T-Bill						

Short-term performance analysis

- The Fund underperformed its benchmark in 2016 and ranked in the third quartile relative to its peers.
- Relative performance was strong in the Canadian passive fund and in Canadian bonds. The U.S. and International equity components underperformed their respective benchmarks, although the International component had a strong peer ranking.
- The Fund's continued underweight position to Canadian equities detracted over the year since the Canadian market has been one of the strongest performing markets globally, driven by the strength in the commodity sectors.
- The Materials and Energy sectors can be challenging areas for ESG funds to find companies that fit their criteria and relative performance can suffer when those sectors lead market returns, as has been the case in many regions over the past year.
- Given the Fund's SRI focused investment philosophy, style bias had no impact on short-term performance.

Long-term performance analysis

- The Fund has outperformed its benchmark in one of the last two years. Given the Fund's construction and SRI focus, it's performance relative to its benchmark is more instructive than comparisons to the balanced peer group. There are no concerns with long-term performance at this time.

Significant corporate events

Corporate

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

Fund specific

- Effective April 2015, OceanRock Investments appointed AllianceBernstein as the sub-advisor to the Manulife Meritas SRI International Equity Fund, which makes up the International equity component of the Balanced Fund.

IMS commentary

- The Fund will invest in units of other Meritas SRI funds according to certain benchmark weightings. The underlying funds and the benchmark weightings are determined by the portfolio adviser from time to time. The portfolio adviser currently intends to invest in underlying funds according to the following benchmark weightings: Cash equivalents and fixed income: 50%, Equity: 50%. The portfolio adviser will have the ability to allow the investment portfolio to deviate from the benchmark weightings by up to 7.5% beyond which point it will effect transactions to bring the portfolio back within these parameters. This Fund will participate in Meritas' "Direct Community Development Investments" initiative.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund has a conservative benchmark (50/50) in keeping with the original mandate of the Meritas group of funds. This may put the Fund at a disadvantage within its peer group against other funds with a more aggressive asset mix during times when equities are significantly outperforming fixed income instruments. There are no concerns with recent performance.
- Fund management has consistently applied their dedicated SRI approach to managing this Fund. There are no concerns with the process.

Conclusion:

- Due to the fact that the Fund has produced acceptable returns over the long term, all the while remaining within its stated investment philosophy and style, we continue to rate this Fund In Good Standing.

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

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