

Global Equity Fund (Invesco Trimark)
Manulife Global Equity Fund (Invesco Trimark)
Invesco Canada Limited

December 31, 2016

Lead manager(s):	Michael Hatcher	Investment style:	Value
Investment objective:	To seek high-quality global stocks that are attractively priced relative to their prospective earnings, cash flow and valuation record to achieve long-term capital growth.		
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 Equity Fund (Invesco Trimark)	14.00	32.81	11.94	21.17	7.09	17.07
MSCI World Index (Can\$)*	14.00	36.16	15.08	18.93	4.93	17.39
Value added (+) / lost (-)	0.00	-3.35	-3.13	2.24	2.16	-0.32
Quartile ranking ⁽¹⁾	3rd	3rd	3rd	2nd	2nd	2nd

*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 outperformed its benchmark in 2016 and ranks in the second quartile relative to its peers.
- Overall, security selection added positive value to the Fund over the last one-year period. Sector allocation further boosted the Fund's performance.
- Top drivers of performance in the Fund were derived from strong security selection within the Health Care and Consumer Staples sectors.
- The Fund's value approach and bias towards high-quality companies have led to overweight exposures to companies within the Consumer Staples and Industrials sectors. The Fund remains significantly underweight to the Financials sector.
- Over the last one-year period, the value style outperformed growth style in global equities, which was positive given the Fund's value approach.

Long-term performance analysis

- The Fund underperformed in two of the last five years and slightly lagged on a five-year annualized basis. This long-term performance ranks it in the second quartile when compared to its peers.
- Overall, both sector allocation and security selection have added significant value to the Fund's overall performance in the last five years.
- The Fund's cash weight was the top detractor of value over the five-year annualized period. Weak stock selection within the Consumer Discretionary sector further dragged down the Fund's performance. An underweight exposure to Energy and overweight exposures and positive stock selection within Health Care and Information Technology neutralized the Fund's detractors.
- The Fund has consistently maintained its high quality, contrarian, benchmark-agnostic investment approach, and has consistently maintained a go-anywhere, long-term, relatively higher tracking error strategy.
- Based on MSCI World style indices, growth stocks and value stocks performed relatively the same over the last five years. Given the Fund's quality and value style, this style preference within the market would have had a neutral impact against fund management's strategy.

Significant corporate events

Corporate

- In May 2015, Invesco announced the appointment of Rob Mikalachki as Chief Investment Officer, Invesco Canada Ltd. Mr. Mikalachki retains his responsibilities as Head of Small-Cap Equities at the firm.

Fund specific

- Effective January 2017, the benchmark for the Trimark Fund changed to better represent the investable universe that the manager employs for the investment strategy which includes a significant exposure to emerging markets. The benchmark for the Trimark Fund changed from the MSCI World Index (C\$) to the MSCI ACWI (C\$).

IMS commentary

- The Global Equity Fund (Invesco Trimark) is a bottom-up, value focused global equity mandate that emphasizes investing in companies trading at discounts to their business value. From time to time the fund composition might deviate substantially from the benchmark to focus on absolute returns. The Fund is expected to provide good downside protection, and to add relative value in the early stage of a market cycle and in sideways markets.
- Based on our due diligence, we are confident that the Manager has remained within the stated investment philosophy and style.
- Fund management has historically shown the ability to actively manage cash to protect value on the downside, although this can act as a drag on total returns in a strong upward trending market. The Fund continues to have a highly concentrated go-anywhere profile, consistent with its history, although the maximum size of individual holdings in the Fund has decreased since the current team took over in 2013. Given the nature of the Fund, it has a significantly different positioning than the benchmark, both in region and sector weightings. As a result, the team looks at risk from a different standpoint, focusing on understanding business risk, financial leverage, valuation risk and diversification. Any currency hedging positions taken by the Fund are based on the holdings themselves and are not a view on the geographic region. The 'FORS' (Free cash flow, Organic growth, Returns on invested capital, Sustainable competitive advantage) team distinguishes itself by extensive foreign travel to research companies and meet with management and employs a rigorous research process. We have no concerns at present, but given the long-term approach used by the investment team, performance is better judged over a complete market cycle. We expect the tracking error to remain high on this Fund given its active share position.

Conclusion:

- Due to the fact that 1) the Fund has outperformed its benchmark in recent periods, all the while generally remaining within its stated investment philosophy and style, 2) the Fund is managed by an experienced team and 3) the Fund ranks in the higher quartiles when compared to its peer group, IMS continues to rate this Fund In Good Standing.

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

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