



Manulife Templeton Global Stock Trust Fund
Franklin Templeton Investments

December 31, 2016

Lead manager(s):	Katherine Owen	Investment style:	Value
Investment objective:	To achieve long-term capital appreciation by investing in a diversified portfolio of equity securities of companies around the world, excluding Canada.		
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
Manulife Templeton Global Stock Trust Fund	19.54	46.99	10.11	16.38	1.73	18.03
MSCI World (Cdn) ⁽¹⁾	14.00	36.16	15.08	18.93	4.93	17.39
Value added (+) / lost (-)	5.54	10.38	-4.97	-2.55	-3.19	0.64
Quartile ranking ⁽²⁾	1st	1st	4th	3rd	3rd	1st

Short-term performance analysis

- Over 2016, the Fund underperformed its benchmark and ranked in the third quartile relative to its peers.
- The Fund outperformed its benchmark in the fourth quarter, with several sectors contributing to the outperformance. Most notably, the Fund's overweight allocation to and security selection within Energy both added value. An overweight position to Financials also added value as did security selection and an underweight allocation to Consumer Staples.
- This significant underperformance was primarily attributable to the Fund's poor security selection for the year. Sector allocation, a residual of bottom-up stock selection also had a negative impact. In particular, the Fund's overweight exposure to and stock picking within banks within the Financials sector detracted the most value across the first three quarters of the year. The Fund's holdings in European financial companies, an area which the Fund had a relatively large exposure to, was impacted negatively due to the market sentiment after the UK's Brexit vote in June 2016.
- From a regional perspective, the Fund's stock selection as well as the long-held underweight allocation to holdings within the U.S. further detracted value for the year. Shorter term performance and holdings within Europe also contributed to the relative performance, as did poor selection and an overweighting in the United Kingdom, and an overweight exposure to the Netherlands.
- Based on the MSCI World style indices, growth stocks outperformed on average. Given the Fund's value investment bias, its style had a negative impact on the short-term performance.

Long-term performance analysis

- The Fund has only outperformed its benchmark in two of the past five years, but has outperformed the index on a five-year annualized basis. This long-term performance ranks it in the first quartile when compared to its peers.
- Security selection was positive more often than not and was the main driver of added value on a five-year annualized basis.
- Sector allocation produced mixed results over the long term.
- Based on the MSCI World style indices, growth stocks outperformed on average. Given the Fund's value investment bias, its style had a negative impact on its long-term performance.

Significant corporate events

Corporate

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

Fund specific

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

IMS commentary

- Although the Global Equity Fund (Templeton) utilizes a value-oriented investment approach, its emphasis is not necessarily to offer superior protection in a down-market, but rather it attempts to locate out-of-favor stocks in which long-term fundamentals appear intact in all sectors, both in developed and emerging markets. Thus, performance patterns will not necessarily follow other more classic value managers.
- This unique, value-based approach can result in significant deviations from the benchmark in terms of both portfolio positioning and performance. Fund management has consistently taken a long-term view and maintained their conviction and positioning despite some periods of short-term underperformance. Over the past few years this positioning has included overweight allocations to European Financials and integrated Energy companies that have impacted performance. Fund management has been able to justify its positioning in light of currently prevailing valuations. However, investors should be aware of the potential for this Fund to be out of favor relative to the index and peers.
- 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 five-year period, and the Fund's long-term returns are in line with expectations. There have been periods of significant short-term underperformance across this track record which can be attributed to the Fund's deep value investment style being out of favor. Fund management's unique approach can meaningfully deviate from benchmark returns. The positioning held within the Fund has been long maintained and has shown the ability to add value.
- There are no significant concerns with the Fund.

Conclusion:

- Due to the fact that 1) we are confident that the manager has remained within the stated investment philosophy and style, 2) the Fund's has outperformed over the long-term and ranked in the higher quartiles, IMS continues to rate this Fund In Good Standing.

⁽¹⁾ The source of benchmark returns are utilizing the Bank of Canada end of day for currency exchange. This change may result in minor differences from otherwise listed benchmark returns.

⁽²⁾ Quartile rankings are based on the underlying fund's returns.

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