

## Manulife Trimark Income Growth Fund Invesco Canada

December 31, 2016

<b>Lead manager(s):</b>	Clayton Zacharias	<b>Investment style:</b>	Core
<b>Investment objective:</b>	The Fund aims to generate capital growth and income over the long term. The Fund invests primarily in Canadian equities, fixed-income securities of Canadian issuers, both government and corporate, and foreign equities and fixed-income securities.		
<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>Manulife Trimark Income Growth Fund</b>	11.34	22.94	10.23	3.61	13.04	12.06
Blend: Trimark Income Growth	7.22	12.26	10.47	1.58	7.72	7.79
Value added (+) / lost (-)	4.12	10.68	-0.24	2.03	5.32	4.27
Quartile ranking <sup>(1)</sup>	1st	1st	3rd	3rd	1st	1st
Benchmark:	35% S&P/TSX Composite Index + 35% FTSE TMX Universe Bond Index + 25% MSCI World Index (Can\$) + 5% FTSE TMX 91-day T-Bill Index					

### Short-term performance analysis

- For the most recent one-year period, the Fund added significant value and ranks in the first quartile relative to its peers. In the last 12 months, weak security selection within Materials and Financials was the top driver of underperformance while positive stock selection within Energy and Health Care added material value.
- The Manager currently favors equities and expects to maintain its overweight exposure in equities. The equity component remains the primary driver of performance in the Fund. The objective of the fixed income component is to preserve capital and generate income over a 3 to 5 year time horizon. The manager continues to maintain a significantly shorter duration than the benchmark to substitute interest rate risk for credit risk.

### Long-term performance analysis

- The Fund outperformed its benchmark in four of the past five years and added value on a five-year annualized basis. This long-term performance ranks it in the first quartile when compared to its peers.
- Over a five-year annualized period, positive selection in Materials and Industrials added significant value which was further lifted by an underweight exposure to Materials. A slight overweight exposure to Energy tempered the Fund's strong performance over the long term.

## Significant corporate events

### Corporate

- In May 2015, Invesco announced the appointment of Rob Mikalachki as Chief Investment Officer, Invesco Canada Ltd. Reporting to Mr. Mikalachki would be Michael Hatcher, Head of Global Equities; Ian Hardacre, Head of Canadian Equities; and Jennifer Hartviksen, Head of Fixed Income Investments. Mr. Mikalachki retains his responsibilities as Head of Small-Cap Equities at the firm.

### Fund specific

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

## IMS commentary

- The Manager expects equities to be the primary driver of performance and continues to favor equities over fixed income. As of Q4 2016, the Fund maintained its 10% overweight exposure to equities given that Fund management believes this to be a better risk-return opportunity, the Fund remains with an offsetting 10% underweight exposure to fixed income.
- Based on our recent review, the integration of the Toronto fixed income team with the Atlanta team seems to be a positive development. The team is able to leverage Invesco's experienced and broad fixed income capabilities which includes 167 investment professionals and the team now has more formal interactions with the Atlanta team.
- The Fixed Income team employs a bottom-up fundamentals driven process that emphasizes findings issues with attractive risk-adjusted returns, solid management teams and cash flow and liquidity sufficient to support the capital structure throughout the business and credit cycle. The objective of the fixed income component is to preserve capital and generate income over a 3 to 5 year time horizon. As of Q4 2016, Manager continues to maintain a significantly shorter duration than the benchmark to substitute interest rate risk for credit risk.
- IMS is pleased to see that the fixed income team has stabilized and gained comfort with the team's role within the balanced fund which is to focus on the downside protection. Given these factors, IMS upgraded the Fund's rating to In Good Standing in Q3 2016.

### Conclusion:

- Due to the fact that 1) the Fund has remained disciplined within its stated investment philosophy and style, and 2) the Fund's performance has remained in-line with expectations given the nature of the process, 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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