



**Manulife Canadian Bond Fund (MAM)
Bond Fund (SLI)
Manulife Asset Management Ltd.**

December 31, 2016

Lead manager(s):	Manulife Asset Management	Investment style:	Active
Investment objective:	To provide long-term returns consisting of interest income and capital growth with the preservation of capital by investing primarily in Canadian dollar denominated fixed income securities.		
Last meeting date:	September 2016	Next estimated meeting date:	Q3 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Manulife Canadian Bond Fund (MAM)	5.29	-0.87	8.73	3.10	2.05	3.61
FTSE TMX Canada Universe Bond Index	3.60	-1.19	8.79	3.52	1.66	3.23
Value added (+) / lost (-)	1.69	0.33	-0.06	-0.42	0.39	0.38
Quartile ranking ⁽¹⁾	1 st	3 rd	2 nd	3 rd	3 rd	2 nd

*Portfolio management responsibility of the Bond Fund (SLI) was transferred to the MAM Canadian Fixed Income team in May of 2015. The fund is now managed with the same investment philosophy and process as the MAM Canadian Bond Fund. As such, the above contains the performance track record for this Fund which differs from the long-term track record of the Bond Fund (SLI), but is more instructive of the current management team's performance track record.

Short-term performance analysis

- On a 1-year basis, the Fund outperformed its benchmark and ranked in the third quartile versus category peers.
- The Fund ended the period with a duration slightly longer than that of the benchmark.
- The Fund is positioned with an overweight towards corporate bonds and an underweight towards government bonds.
- Over the 1-year period ending December 31, 2016, as measured by the FTSE TMX Canada Universe Bond Index, corporate bonds outperformed government bonds. Overall, long-term bonds outperformed mid-term bonds, which outperformed short-term. Within corporate bond credit ratings, Corporate BBB rated issues outperformed Corporate A, which in turn outperformed Corporate AAA/AA rated issues. The Fund's overweight to corporate bonds could be expected to benefit performance given this environment.
- The investment manager maintains a positive outlook for corporate bonds and expect spreads to narrow. The search for yield in a persistently low interest rate environment should continue to be a significant theme and they expect demand for corporate bonds to be robust. However, the investment manager believes the political uncertainty of a Trump-led U.S. government could subject markets to volatility in the medium to long term.

Long-term performance analysis

- Over the 5-year annualized period observed, the Fund beat its benchmark and ranked in the second quartile relative to peers.
- Over the 5-year period ending December 31, 2016, as measured by the FTSE TMX Canada Universe Bond Index, corporate bonds outperformed government bonds. Overall, long-term bonds outperformed mid-term bonds, which outperformed short-term. Within corporate bond credit ratings, Corporate BBB rated issues outperformed Corporate A, which in turn outperformed Corporate AAA/AA rated issues. The Fund's overweight to corporate bonds could be expected to benefit performance given this environment.

Significant corporate events

Corporate

- In September of 2014, Manulife Financial Corp. announced the acquisition of Standard Life PLC's Canadian operations. This transaction was closed on January 30, 2015 and the company is now part of Manulife.

Fund specific

- In March 2016, as part of the planned Standard Life PLC integration process, the Standard Life Canadian Bond Fund merged into the Manulife Bond Fund.
- In May 2015, as part of the planned Standard Life PLC integration process, Manulife Asset Management (MAM) implemented changes to some investment teams and capabilities. The management responsibility of the SLI Canadian Bond Fund was transferred to the MAM Canadian Fixed Income Team in Toronto and the Fund is now co-managed by Terry Carr and Hosen Marjaee, Head and Senior Managing Director of the MAM Fixed Income Team, respectively.
- Going forward, the fixed income team responsible for all actively managed Canadian fixed income strategies will be headed by Terry Carr, the Head of MAM Canadian Fixed Income Team in Toronto. Jean-Pierre D'Agnillo, Ara Froundjian and Jose Saracut from the former SLI Canadian fixed income team have joined the MAM team, expanding its membership to 14 investment professionals.

IMS commentary

- The fixed income investment team believes long-term outperformance in the Canadian bond market is driven by an active investment style based on fundamental research. Utilizing a blend of top-down research and bottom-up credit analysis, the team seeks to identify and exploit "pockets of value" in the bond market. The team's investment philosophy emphasizes sector allocation, credit quality and security selection which is combined with active yield-curve management and risk containment.
- In May 2015, the SLI Canadian Bond Fund management responsibility was transferred to the MAM Canadian Fixed Income Team in Toronto and the Fund is now co-managed by Terry Carr and Hosen Marjaee, Head and Senior Managing Director of the MAM Fixed Income Team, respectively. We are confident that the MAM team offers depth and experience, has a proven track record and applies an investment process that is well structured and rigorous.
- The Fund has produced returns that have beat the benchmark over the long term.
- There are no concerns with the integration of the former Standard Life investment personnel to the Manulife Canadian Fixed Income team. The team is deep, shares similar expertise with the Standard Life personnel, and has shown the ability to add value managing mandates of this type historically.

Conclusion:

- Due to the fact that 1) we are confident that the change of management responsibilities to the MAM Fixed Income Team will not have a negative impact on the day-to-day management of the Fund and 2) long-term performance continues to be in-line with expectations, IMS continues to rate this Fund In Good Standing

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

This report card is provided by Manulife as a tool to assist you in the governance of your retirement plan.

Manulife makes no representation or warranty, express or implied, as to the accuracy or completeness of the information provided. Though Manulife has taken all reasonable measures to provide you with relevant information and professional opinions, based on reliable sources*, it reserves the right to correct any error or omission.

The opinion of Manulife expressed in this report card shall not be the only factor to consider for decisions related to your plan's portfolio. Manulife is not responsible for the outcome of decisions made based on the information and opinion provided in the report card.

* Sources may include, but are not limited to, Mercer MPA, Morningstar, Principia and Thomson Baseline

All rights reserved © 2016 The Manufacturers Life Insurance Company

The Manufacturers Life Insurance Company