



**Mortgage Fund (Standard Life)**  
**Manulife Canadian Mortgage Fund**  
**Standard Life Assurance Company of Canada**

**December 31, 2016**

Lead manager(s):	Bruce Graham	Investment style:	Mortgage
Investment objective:	To provide long-term returns based on income by investing primarily in mortgages.		
Last meeting date:	Q2 2015	Next estimated meeting date:	Q1 2017
Current rating:	<b>IN GOOD STANDING</b>		

### Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
<b>Mortgage Fund (Standard Life)</b>	3.00	2.49	5.07	3.33	2.54	3.28
Blended Benchmark*	4.90	3.41	5.09	3.18	1.19	3.56
Value added (+) / lost (-)	-1.90	-0.92	-0.03	0.15	1.34	-0.28
Benchmark*:	75% FTSE TMX Canada Short Term Overall Bond Index + 25% FTSE TMX Canada Mid Term Overall Bond Index					

### Short-term performance analysis

- The Fund has outperformed its benchmark in 2016 and has provided fairly consistent absolute returns over the past five years.
- The portfolio is comprised of a variety of mortgages on retail, residential, industrial & warehouse, and office properties. Nearly half of the portfolio's geographic allocation is to Ontario, with British Columbia and Quebec combining for another quarter of the geographic allocation.
- In the last year and a half, the Fund has been reducing its exposure to Alberta and to office markets significantly. Concurrently, the portfolio's exposure to Ontario and multi-family residential properties has increased. This change in allocation has been discussed in depth with Fund management and reflects the decline in fundamentals in the Alberta market, as well as the increased deal flow generation out of multi-family residential properties.

### Long-term performance analysis

- The Fund has outperformed its benchmark in two of the past five years and has produced a return that was roughly in line with its benchmark on a five-year annualized basis.
- Long-term performance continues to be in-line with expectations and there are no concerns.

## 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

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

## IMS commentary

- The Mortgage Fund (Standard Life) is an actively managed fixed income mandate which invests in a highly diversified portfolio of secure mortgages underwritten on income producing real estate properties located across Canada. The majority of its holdings are in mortgage loans secured by office, retail and industrial properties, although a smaller portion is assigned to residential mortgages but limited essentially to multi-unit buildings. The average term of the loans making up the fund normally varies between three and eight years.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- We believe the corporate event has not had a negative impact on the day-to-day management activities of the Fund. The Fund has continued to be managed with the same holdings base, process, and philosophy as previously.
- Long-term performance continues to be in-line with expectations. There are no concerns.

### Conclusion:

- Due to the fact that the Fund has met its objective of offering a diversified portfolio of quality, largely commercial mortgages, while generating results that have been generally in line with its benchmark, IMS continues to rate this Fund In Good Standing.

<sup>(1)</sup> The Benchmark was changed from FTSE/TMX Canadian Mortgage Market Index to the current benchmark on June 30<sup>th</sup>, 2014.

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