



Bond Fund (Jarislowsky Fraser)
Manulife Jarislowsky Fraser Bond Fund
Jarislowsky Fraser Limited

December 31, 2016

Lead manager(s):	Fixed Income Team	Investment style:	Active
Investment objective:	Seeks high current income combined with capital appreciation. Benchmark for the fund is the FTSE TMX Universe Bond Index.		
Last meeting date:	Q2 2016	Next estimated meeting date:	Q2 2017
Current Rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Bond Fund (Jarislowsky Fraser)	6.20	0.06	8.21	3.10	2.88	4.05
FTSE Universe Overall Bond TR	3.60	-1.19	8.79	3.52	1.66	3.23
Value added (+) / lost (-)	2.59	1.25	-0.58	-0.42	1.22	0.82
Quartile ranking ⁽¹⁾	1st	1st	4th	3rd	1st	1st

Short-term performance analysis

- In 2016, the Fund outperformed its benchmark, and ranks in the first quartile relative to its peers.
- Sector allocation was the main driver of added value primarily due to the Fund's significant overweight to the outperforming Corporate sector.
- Credit positioning within the Corporate sector was also positive, primarily due to the Fund's underweight allocation to underperforming AAA/AA securities and overweight allocation to outperforming A/BBB securities.
- Within government bonds, an overweight allocation to the Provincials sector also produced a slightly positive selection effect.
- Duration positioning was negative as the Fund's underweight in long term securities detracted value.
- The portfolio continues to meaningfully favour the Corporate sector with a tilt towards lower-rated credits within investment grade securities. Overall portfolio duration remains in line with that of the benchmark.
- Based on FTSE TMX Canada Universe Bond sub-indices, Corporate Bonds outperformed the broad index. Given the Fund's credit-focused bias, its investment approach had a positive effect on short term performance.

Long-term performance analysis

- The Fund outperformed its benchmark in three of the past five years, and added value on a five-year annualized basis. This long-term performance ranks it in the top quartile when compared to its peers.
- Security selection within the Corporate sector was positive more often than not, and was the main driver of added value on a five-year annualized basis.
- Sector allocation also produced slightly positive results over the long term.
- Based on FTSE TMX Canada Universe Bond sub-indices, Corporate Bonds outperformed Government Bonds on average. Given the Fund's credit-focused bias, its investment approach had a positive impact on long-term performance.

Significant corporate events

Corporate

- Effective February 1, 2015, Dan Hanson, Portfolio Manager, U.S. Equities, became a member of the Investment Strategy Committee. Kim White, Portfolio Manager, Fixed Income, stepped off the Investment Strategy Committee but remains active in managing Fixed Income portfolios.
- Effective July 1, 2015 Marc Novakoff, Portfolio Manager, Global Equities, became a member of the Investment Strategy Committee. Marc has been with the firm since 2003 and has 13 years of investment experience.
- In October 2015, Kelly Patrick was promoted to Portfolio Manager of International Equities and became a member of the Investment Strategy Committee. Former Portfolio Manager of International Equities, Michel Brutti, remains a member of the Investment Strategy Committee but is stepping down from the day-to-day management of the international equity strategy.

Fund specific

- Effective February 1, 2015, Kim White, Portfolio Manager, Fixed Income, stepped off the Investment Strategy Committee but remains active in managing Fixed Income portfolios.
- In April 2016, Jarislowsky Fraser announced that Antoine Potter has joined the Fixed Income Team as Associate Portfolio Manager as part of the eventual transition in planning for Portfolio Manager Kim White's retirement. Mr. Potter has more than 15 years of investment experience and his particular area of expertise is credit analysis and relative value. Mr. Potter is involved in the management of all the fixed income products on an ongoing basis.

IMS commentary

- The Bond Fund (Jarislowsky Fraser) is a fixed income mandate that focuses on investing in bonds that offer high current income combined with capital appreciation. The fund tends to consistently have an overweight exposure to corporate bonds, compared to its benchmark. As such, sector performance (Federal, Provincial, Municipal and Corporate) will be a major determinant of relative fund returns.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund has outperformed its benchmark over the long term and ranks in the top quartiles relative to its peers.
- There have been multiple significant corporate and fund specific events over the last few years. We have met with the executive and investment management teams at Jarislowsky Fraser on numerous occasions and we feel confident the recent promotions of several key investment professionals to the Investment Strategy Committee have affirmed our view that the firm has been able to re-focus on the portfolio management activities and is committed to retaining key investment talent and enforcing their team based investment approach.
- The recent addition of Association Portfolio Manager Antoine Potter is a positive development as the team continues to gradually transition responsibilities in anticipation of the future retirement of Mr. Kim White.

- Conclusion:**
- Given the fact that 1) the Fund has outperformed its benchmark over the long term while remaining within its stated investment philosophy and style, 2) the Fund ranks in the higher quartiles relative to its peers and 3) we are confident that the firm has been able to re-focus on the portfolio management activities and is committed to retaining key investment talent and enforcing their team based investment approach, IMS continues to rate this Fund In Good Standing.

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

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