



**US Equity Index Fund (SLI)**  
**Manulife US Equity Index Fund (Manulife Asset Management)**  
**Manulife Asset Management Ltd.**

**December 31, 2016**

**Lead manager(s):** Brett Hryb **Investment style:** Index

**Investment objective:** To provide returns that closely track the total return of the S&P 500 Index by investing primarily in equities with the intention of replicating the composition of the Index.

**Last meeting date:** Q4 2016 **Next estimated meeting date:** Q4 2017

**Current rating:** **IN GOOD STANDING**

### Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
<b>US Equity Index Fund (SLI)</b>	13.07	41.09	23.60	20.48	8.23	20.79
S&P 500 Total Return Index (Can\$)*	13.14	41.08	23.63	20.58	8.26	20.84
Value added (+) / lost (-)	-0.07	0.01	-0.03	-0.10	-0.03	-0.05

\*The source of benchmark returns is utilizing the Bank of Canada end of day rate for currency exchange. This change may result in minor differences from otherwise listed benchmark returns.

### Short-term performance analysis

- The Fund performed in-line with its Index across 2016 and remained in-line with tracking error expectations.

### Long-term performance analysis

- The Fund's long-term performance was near its long term tracking error expectations and has remained in-line with the index returns. There are no concerns with the Fund's long-term performance.

## Significant corporate events

### Corporate

- In September 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 October 2015, as part of the integration process, head of Manulife Asset Management's passive equity team Brett Hryb was named lead manager for the former Standard Life Canadian and US Equity Index mandates. Mr. Hryb has been leading the Manulife Passive Equity team since June of 2014.
- The official benchmark for the Fund is the S&P 500 CAD TR Index. Subject to GRS's approval, MAM has suggested the benchmark be changed retroactively to the S&P 500 CAD (Net of 15% Withholding Tax) which better reflects the taxable nature of the Fund. This should minimize tax impact and reduce tracking error deviation. MAM has requested the performance team to generate a custom S&P 500 CAD (Net of 15% Withholding Tax) benchmark using the BOC close exchange rates to match how the Fund is valued. Once GRS approves the change, MAM will forward the updated index returns sent to Morningstar.

## IMS commentary

- The US Equity Index Fund (SLI) is a U.S. equity mandate that closely reproduces the composition of the S&P 500 Index. The manager will invest directly or indirectly in all of the individual security issues included in the Index and weighted to match each issue's weight on the Index. The fund is expected to reasonably replicate the returns of its stated benchmark. It is made available to both registered and nonregistered plans, resulting in the possibility of a slightly higher tracking error due to the application of foreign withholding taxes on foreign investment income.
- Based on our due diligence, we are confident that the Manager has remained within the stated investment philosophy and style.
- IMS has met with the Manulife Asset Management team that has assumed portfolio management responsibilities for the Canadian and US Equity Index Funds at Manulife and has no significant concerns. The team has a long-term history in successfully managing index Funds within those asset classes and IMS is confident that the changes will not have a negative impact on the portfolio.

### Conclusion:

- Due to the fact that the Fund has generally respected its short and long term tracking error objective, 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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