



US Equity Direct Index Registered Fund (SLI)

Manulife Asset Management US Equity Direct Index Registered Fund

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
US Equity Direct Index Registered Fund (SLI)	13.43	41.48	23.96	20.86	8.40	21.12
S&P 500 Total Return Index (Can\$)*	13.48	41.53	24.00	20.95	8.18	21.13
Value added (+) / lost (-)	-0.05	-0.05	-0.04	-0.09	0.22	-0.01

*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's short-term performance has largely been in-line versus the S&P 500 Index. Going forward, to ensure that the fund returns are being compared to a benchmark using the same exchange rate basis, MAM will create a custom benchmark reflecting the S&P 500 TR CAD using the BOC close rates up to June 27 and WM Reuters rate thereafter.

Long-term performance analysis

- The Fund respected its long-term tracking error guideline of +/- 10 basis points versus the S&P 500 Index. 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

- The Standard Life US Equity Index Registered Fund (SLI) will be closing following the decision to merge it with the Standard Life US Equity Direct Index Registered Fund (SLI), which has the same investment style and objectives and is part of the Quality & Choice Investment Program. The new fund is only available to registered plans in order to minimize the withholding tax impact on dividends.
- In October 2015, as part of the integration process, head of MAM'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.
- As of June 27, 2016, this fund converted from a fund investing in direct securities to a fund investing in the Manulife Asset Management US Equity Index Pooled Fund (non-tax). The new underlying fund is valued by State Street using the WM Reuters close exchange rates as against the Bank of Canada (BOC) close exchange rates used by Standard Life when the fund held securities directly. The fund returns shown on the factsheet reflect the valuation based on the WM Reuters rate from June 28 which is being compared with a benchmark converted using the BOC close exchange rate. A large portion of the tracking error in 2016 is a result of this difference in exchange rates. Going forward, to ensure that the fund returns are being compared to a benchmark using the same exchange rate basis, MAM will create a custom benchmark reflecting the S&P 500 TR CAD using the BOC close rates up to June 27 and WM Reuters rate thereafter.

IMS commentary

- The US Equity Direct 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 in the Index. The fund is expected to replicate the returns of its stated benchmark. This fund only accepts deposits in respect of registered group savings and retirement plans.
- 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 respected its long-term tracking error objective, IMS continues to rate this Fund In Good Standing.

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

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