



US Equity Fund (Mackenzie)
Manulife Mackenzie US Equity Fund
Mackenzie Investments

March 31, 2017

Lead manager(s):	Erik Becker, Gus Zinn	Investment style:	Core
Investment objective:	The fund pursues long-term capital growth by investing primarily in equity securities of large capitalization (“blue chip”) U.S. companies.		
Last meeting date:	Q1 2017	Next estimated meeting date:	Q1 2018
Current rating:	INCREASED SCRUTINY		

Annual fund performance (%)

	2013	2014	2015	2016	2017	YTD	5 yrs
US Equity Fund (Mackenzie)	N/A	35.73	27.08	-0.53	14.17	3.91	N/A
S&P 500 CompositeTR (\$Cdn)	N/A	32.62	29.34	4.09	20.35	5.24	N/A
Value added (+) / lost (-)	N/A	3.11	-2.26	-4.62	-6.18	-1.33	N/A

Short-term performance analysis

- The Fund has underperformed its benchmark in the first quarter of the year and for the 12-month period ended March 31, 2017.
- The Fund’s holdings in the Energy and Financials sectors detracted from relative performance over the past three months. Security selection within the Information Technology sector was a positive contributor over the same period.
- Based on S&P 500 style indices, growth stocks outperformed on average. Given the Fund’s core investment bias, its style had no impact on short-term performance.

Long-term performance analysis

- The Fund has outperformed its benchmark in one of the past four years.
- Security selection has been the main driver of relative value over that time and has provided mainly negative results over the past four years.
- Sector allocation was mainly positive or neutral over the past four years, which indicates the top-down aspects of the investment process are having a positive impact.
- Based on S&P 500 style indices, growth stocks slightly outperformed on average. Given the Fund’s core investment bias, its style had no impact on long-term performance.

Significant corporate events

Corporate

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

Fund specific

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

IMS commentary

- The US Equity Fund (Mackenzie)'s Core Equity style's investment process is driven by the core belief that changes in expectations for long-term earnings power drive stock prices. Therefore, the goal is a relatively concentrated portfolio of companies expected to produce long-term earnings power above expectations.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- Erik Becker and Gus Zinn have been managing this large cap mandate for over ten years. There has been some team movement with a senior analyst leaving to take on the role of co-portfolio manager in another area at the firm. Promoting from within is a tradition at the firm and they are now looking to fill some analyst roles.
- The Fund's Health Care holdings had a significant negative impact on relative returns in 2016. The Fund was also poorly positioned to catch the upswing in the market following the US election results in Q4 of 2016. The investment process is based on identifying themes within the economy and choosing securities that represent those themes. Some of these themes appear to be taking longer than expected to show results.
- The Fund's subadviser, Waddell & Reed, has experienced a loss in assets under management and as a result has started to employ cost-cutting measures. These have been focused mainly on the firm's operational areas. While there are no immediate concerns in regards to Fund management, these pressures must be noted, and could also potentially impact the relationship between Mackenzie and Waddell & Reed.
- The Fund's pattern of poor relative performance over the past three years is cause for concern, particularly the significant underperformance in 2016, which continued into the first quarter of 2017. While the market for active U.S. equity managers has been challenging, this consistent underperformance calls into question the effectiveness of the investment process. As a result, the level of concern on this Fund has been raised to Increased Scrutiny.

Conclusion:

- This Fund has been placed under Increased Scrutiny due to the fact that 1) the Fund has underperformed its benchmark over the long term and 2) there is uncertainty about the ongoing efficacy of the investment process and 3) the Fund's subadviser, Waddell & Reed, is facing organizational pressures due to significant asset outflows.

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