



**Canadian Equity Fund (SLI)**  
**Manulife Asset Management Canadian Equity Fund**  
**Manulife Asset Management Ltd.**

**March 31, 2017**

<b>Lead manager(s):</b>	Monika Skiba	<b>Investment style:</b>	Core
<b>Investment objective:</b>	To provide long-term capital growth by investing primarily in equities of issuers located in Canada and listed on a recognized exchange.		
<b>Last meeting date:</b>	Q3 2016	<b>Next estimated meeting date:</b>	Q3 2017
<b>Current rating:</b>	<b>INCREASED SCRUTINY</b>		

### Annual fund performance (%)

	2013	2014	2015	2016	2017	YTD	5 yrs
<b>Canadian Equity Fund (SLI)</b>	5.58	19.52	10.11	-4.87	15.29	2.79	8.79
S&P/TSX TR Index- C\$	6.11	15.97	6.93	-6.56	18.62	2.41	7.84
Value added (+) / lost (-)	-0.53	3.56	3.18	1.70	-3.33	0.38	0.95

### Short-term performance analysis

- Year-to-date the Fund has modestly outperformed its benchmark. An overweight towards the Consumer Discretionary, IT and an underweight to the Energy sector proved beneficial, while an underweight to Materials and selection in Financials hurt performance.
- Over the 12-month period ending March 2017, the Fund's returns were behind the benchmark. Overweight allocations to the Consumer Discretionary, Consumer Staples and Information Technology sectors detracted in a market environment led by the Materials, Financials and Industrial sectors. The Fund maintained a large underweight to gold companies, particularly to smaller-cap names. These companies were strong performing stocks within the index, as such the underweight allocation hurt relative performance significantly. An underweight to Teck Resources weighed negatively on returns. Selection within Financials detracted value as underweight positions to banks and positions in Intact Financial and CI Financial detracted.
- Given its core investment philosophy, style is not expected to weigh heavily on Fund results.

### Long-term performance analysis

- The Fund outperformed its benchmark over the 5-year period.
- Only performance since February of 2016 belongs to the current management team.
- The Fund solidly outperformed its benchmark in three of the five listed 12-month periods
- An overweight to Consumer Discretionary and selection within the Consumer sectors were favourable to performance over the 5-year period.
- Nearer term results weighed negatively on longer-term trailing returns.
- Given its core investment philosophy, style is not expected to weigh heavily on Fund results.

## 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

- Monika Skiba has announced her intent to retire in December 2017. Patrick Blais, currently Senior Portfolio Manager on the team, has been promoted and will join Monika as co-head of the team immediately. Upon Monika's retirement, Patrick will assume full leadership of the team, which will continue to have members in both Toronto and Montreal. Cavan Yie, who had been an analyst for the team's Canadian Core Equity strategies has been promoted to portfolio manager and will be joining Monika and Patrick as co-managers on the team's institutional core equity strategies.
- In January 2016, MAM announced several changes to the MAM Canadian Fundamental Equity Team. Following the departure of Marie-Eve Savard, Portfolio Manager for MAM/SLI's dividend and income-oriented strategies, Susan Da Sie took over portfolio management responsibilities for that team's strategies. Senior Portfolio Managers Monika Skiba and Patrick Blais took over responsibility for the management of the Canadian Core Equity strategies that were previously managed by Ms. Da Sie, including the SLI Canadian Equity Fund. The changes were effective as of February 2016.

## IMS commentary

- The Canadian Equity Fund (SLI) is a bottom-up, core Canadian equity mandate that emphasizes investing in companies with strong management, solid financials, sustainable earnings and attractive valuation relative to its peers. Added value is expected to be primarily a factor of stock selection.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- Under the management of Ms. Skiba and her team, the investment process will maintain its disciplined focus on identifying companies that exhibit strong cash flow return on invested capital utilizing the same process that has been in place for the Manulife Canadian Stock Fund under their management on the Manulife Mutual Funds retail platform.
- The team's Canadian Core Equity strategies are currently under Increased Scrutiny due to past team turnover. Monika Skiba's forthcoming retirement has been announced with lengthy advance notice, and IMS has met several times with Patrick Blais and Cavan Yie which both serve to mitigate concerns somewhat in regards to Monika's departure. However, the planned change remains significant and must be closely monitored. There have been no announced changes to the process, philosophy or strategy of any of these mandates as a result of these changes.

### Conclusion:

- We continue to rate this Fund under Increased Scrutiny as we are continuing to monitor the impact of the significant fund specific events on the day-to-day management of the Fund as well as the transition of Fund management occurring with the announced retirement of Monika Skiba.

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