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2018 GENERAL RATE APPLICATION  
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**Undertaking #5**

Inquire to see if there is a reason for the underperformance of MPI's small to mid-cap equities at 28.3 percent as compared to benchmark of 45.8 percent.

**RESPONSE:**

The Canadian small/mid cap sector is a highly volatile sector. The manager is an active manager that has an investment strategy that differs from the index. As a result, the manager's returns are different than the index. The manager has outperformed the index over the long term but does occasionally underperform the index. For the fiscal year ending February 28, 2017, the manager was underweight in the materials sector and in particular the gold sector, which was a primary contributor to the manager's underperformance over the period.

Overall, the Canadian small/mid cap manager has performed well over longer periods of time. In particular, the manager has added value over the last 4 and 10 years by significant amounts:

- For the 4 years ending February 28, 2017, the small/mid cap Canadian equity manager outperformed the benchmark by 10.9% on an annualized basis (15.3% annualized return compared to the benchmark return of 4.4%).
- Over the last 10 years ending February 28, 2017, the small/mid cap Canadian equity manager outperformed the benchmark by 8.3% on an annualized basis (10.7% annualized return compared to the benchmark return of 2.4%).