



US Equity Fund (Jarislowsky Fraser)
Manulife Jarislowsky Fraser US Equity Fund
Jarislowsky Fraser Limited

December 31, 2016

Lead manager(s):	Investment Committee	Investment style:	GARP
Investment objective:	Provide capital appreciation while maintaining a controlled level of risk for this asset category.		
Last meeting date:	Q2 2016	Next estimated meeting date:	Q2 2017
Current Rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
US Equity Fund (Jarislowsky Fraser)	14.34	41.91	23.65	24.18	6.14	21.47
S&P 500 CompositeTR (\$Cdn)	13.48	41.53	23.99	20.96	8.61	21.21
Value added (+) / lost (-)	0.85	0.38	-0.34	3.21	-2.47	0.26
Quartile ranking ⁽¹⁾	2nd	3rd	2nd	1st	3rd	1st

Short-term performance analysis

- In 2016, the Fund underperformed its benchmark and ranks in the third quartile relative to its peers.
- Security selection was the main detractor from relative performance particularly in the Consumer Staples and Industrials sectors as the portfolio's more defensive positioning within these sectors detracted value. Positive stock selection in the Health Care sector offset some of the negative effect.
- Sector allocation also produced a slightly negative effect primarily due to an overweight position in the underperforming Consumers Staples sector and zero exposure to the outperforming Telecommunications and Utilities sectors.
- The Manager continues to maintain considerable overweight allocations to the Consumer Staples and Health Care sectors and zero exposure to the Telecommunications, Utilities and Real Estate sectors. The Fund also remains underweight to the Industrials and Consumer Discretionary sectors which is in-line with its investment bias towards non-cyclical sectors and industries.
- Based on S&P 500 style indices, value stocks outperformed on average. Given the Fund's value-tilted GARP investment bias, its style had a positive impact on short-term performance.

Long-term performance analysis

- The Fund outperformed its benchmark in three of the past five years and added value on a five-year annualized basis. This long-term performance ranks in the first quartile when compared to its peers.
- Security selection was positive more often than not and was the main driver of added value on a five-year annualized basis.
- Sector allocation also produced slightly positive results over the long term.
- Based on S&P 500 style indices, value stocks and growth stocks performed in line with one another on a five-year annualized basis. Given the Fund's value-tilted GARP investment bias, its style had no impact on long-term performance.

Significant corporate events

Corporate

- Effective February 1, 2015, U.S. Equities Portfolio Manager Dan Hanson became a member of the Investment Strategy Committee. Fixed Income Portfolio Manager Kim White stepped away from the Investment Strategy Committee but remains active in managing Fixed Income portfolios.
- Effective July 1, 2015, Global Equities Portfolio Manager Marc Novakoff became a member of the Investment Strategy Committee. Marc has been with the firm since 2003 and has 13 years of investment experience.
- In October 2015, Kelly Patrick was promoted to Portfolio Manager of International Equities and became a member of the Investment Strategy Committee. Former Portfolio Manager of International Equities, Michel Brutti, remains a member of the Investment Strategy Committee but is stepping down from the day-to-day management of the international equity strategy.

Fund specific

- In February 2014, Jarislowsky Fraser Limited announced that Bernard Gauthier, previously Head of U.S. Equities, was appointed Head of Canadian Equities following the departure of Helen Beck. Also, Dan Hanson, who was co-managing U.S. equities with Bernard Gauthier, was appointed Head of U.S. Equities.
- Effective February 1, 2015, Dan Hanson, Portfolio Manager of U.S. Equities, became a member of the Investment Strategy Committee. Jeremy Schaal was promoted to Associate Portfolio Manager of U.S. Equities and works closely with Dan Hanson. Jeremy joined the firm in 2005 and has been a North American Equity research analyst since 2007.

IMS commentary

- The US Equity Fund (Jarislowsky Fraser) is a bottom-up, GARP U.S. equity mandate that focuses on investing in larger cap, non-cyclical growth companies. The fund tends to outperform in down markets and underperform in more speculative, momentum driven markets.
- Based on our due diligence, we are confident that the Manager has remained within the stated investment philosophy and style.
- The Fund has slightly outperformed its benchmark on a five-year annualized basis and ranks in the first quartile relative to its peers. This long term performance has been consistent given the strong market environment and the near-term underperformance in 2016 is also in line with our expectation given the volatile equity market environment across the most recent year. Given the Fund's quality-biased approach this was a difficult environment in which to add value.
- There have been multiple significant corporate and fund specific events over the last few years. We have met with the executive and investment management teams at Jarislowsky Fraser on numerous occasions and the recent promotions of several key investment professionals to the Investment Strategy Committee have affirmed our view that the firm has been able to re-focus its portfolio management activities and is committed to retaining key investment talent and enforcing their team based investment approach.

Conclusion:

- Given the fact that 1) the Fund has outperformed its benchmark over the long term, all the while remaining within its stated investment philosophy and style, 2) the Fund ranks in the higher quartiles relative to its peers and 3) we are confident that the firm has been able to re-focus its portfolio management activities and is committed to retaining key investment talent and enforcing their team based investment approach, IMS continues to rate this Fund In Good Standing.

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

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