



**Canadian Equity Fund (Beutel Goodman)**  
**Manulife Canadian Equity Fund (Beutel Goodman)**  
**Beutel, Goodman & Company Ltd.**

**December 31, 2016**

|                              |   |                                     |         |
|------------------------------|---|-------------------------------------|---------|
| <b>Lead manager(s):</b>      | Mark Thomson  | <b>Investment style:</b>            | Value   |
| <b>Investment objective:</b> | This fund seeks long-term capital appreciation primarily through investment in common shares and other equity securities of established Canadian issuers. |                                     |         |
| <b>Last meeting date:</b>    | Q2 2016   | <b>Next estimated meeting date:</b> | Q2 2017 |
| <b>Current rating:</b>       | <b>IN GOOD STANDING</b>   |                                     |         |

### Annual fund performance (%)

|  | 2012  | 2013  | 2014  | 2015  | 2016  | 5 yrs |
|--|-------|-------|-------|-------|-------|-------|
| <b>Canadian Equity Fund (Beutel Goodman)</b> | 12.21 | 25.98 | 11.69 | -4.05 | 20.11 | 12.72 |
| S&P/TSX TRI                                  | 7.19  | 12.99 | 10.55 | -8.32 | 21.08 | 8.25  |
| Value added (+) / lost (-)                   | 5.02  | 12.99 | 1.14  | 4.27  | -0.97 | 4.47  |
| Quartile ranking <sup>(1)</sup>              | 1st   | 1st   | 2nd   | 2nd   | 2nd   | 1st   |

### Short-term performance analysis

- The Fund underperformed its benchmark for the calendar year 2016 and ranked in the second quartile relative to its peers.
- As in the first half of the year, underperformance over the past 12 months came mainly from security selection, particularly within the Energy and Materials sectors. Security selection was positive within the Health Care and Information Technology sectors. The Fund's exposure to small cap securities was a slight detractor.
- Sector allocation was also negative, resulting from underexposure to both the Materials and Energy sectors, outweighing the positive impact from no exposure to the Health Care sector.
- Based on S&P/TSX style indices, value stocks outperformed on average. Given the Fund's value investment bias, its style had a positive impact on short-term performance.

### Long-term performance analysis

- The Fund outperformed its benchmark in four 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.
- Sector allocation was the main driver of added value over the long term and was positive more often than not.
- Security selection was mixed over the past five years.
- Based on S&P/TSX style indices, value stocks slightly outperformed on average over the last five years. Given the Fund's value investment bias, its style had a positive 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 Canadian Equity Fund (Beutel Goodman) is a bottom-up, value-focused Canadian equity mandate that emphasizes investing in companies with strong fundamentals trading at discounts to their intrinsic value. Added value is expected to be primarily a factor of superior stock selection. Beutel Goodman's value process will typically perform well in the early to mid-stages of a market cycle, tends to lag somewhat in the later stages as valuations become excessive and then normally outperforms significantly in downturns.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- Long-term performance remains very strong backed by a stable and deep investment team that is well resourced by its firm.
- Short-term underperformance relative to the benchmark is of no concern, as given their approach, we would not expect the investment team to hold significant positions in the commodity sectors that have driven performance in Canada in 2016. Long-term outperformance reflects the consistent application of management's approach.

### Conclusion:

- Due to 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 when compared to its peer group, IMS continues to rate this fund In Good Standing.

<sup>(1)</sup> Quartile rankings are based on the underlying fund's returns.

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