



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

**December 31, 2016**

<b>Lead manager(s):</b>	Glenn Fortin and Rui Cardoso	<b>Investment style:</b>	Value
<b>Investment objective:</b>	This fund seeks long-term enhancement of capital primarily through investments in common stocks and other equity securities of American 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>US Equity Fund (Beutel Goodman)</b>	15.47	41.41	26.02	17.11	15.08	22.63
S&P 500 CompositeTR (\$Cdn)	13.48	41.53	24.00	20.95	8.61	21.21
Value added (+) / lost (-)	1.99	-0.12	2.02	-3.86	6.47	1.42
Quartile ranking <sup>(1)</sup>	2nd	3rd	1st	3rd	1st	1st

**Short-term performance analysis**

- The Fund outperformed its benchmark in 2016 and ranked in the first quartile relative to its peers.
- Positive relative performance over the past 12 months came primarily from security selection, but also from sector allocation. Security selection was particularly strong within the Energy, Health Care, Industrials and Information Technology sectors.
- Sector allocation was positive overall, particularly from an underweight allocation to the Consumer Discretionary sector and an overweight exposure to both the Industrials and Financials sectors. Relative performance was detracted through an underweight position to the Energy sector.
- Based on S&P 500 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 has outperformed its benchmark in three of the past five years and has 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 the main driver of added value over the past five years.
- Sector allocation was positive more often than not.
- 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 investment bias, its style had a neutral impact on long-term performance.

## Significant corporate events

### Corporate

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

### Fund specific

- Beutel Goodman announced that on July 1<sup>st</sup>, 2013, a re-alignment to the Non-Domestic Equity Team took effect. A co-management structure was implemented for their three major non-domestic strategies:
  - American Equity (Glenn Fortin and Rui Cardoso)
  - International Equity (KC Parker and Colin Ramkissoon)
  - Global Equity (Glenn Fortin and KC Parker)
- Beutel Goodman announced the addition of Stanley Wu to the US and global equity team effective November 15, 2016 as an analyst and portfolio manager. Mr. Wu is to work alongside KC Parker as co-manager of the International Equity portfolio.

## IMS commentary

- The US Equity Fund (Beutel Goodman) is a bottom-up, value-focused U.S. 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.
- In early July 2013, there was an enhancement to the investment team structure of the non-domestic equity team (Co-Portfolio Managers), which we believe has had a positive impact on the management of the Fund.
- The Fund has outperformed over the long-term and ranks in the higher quartiles.
- Fund management has consistently applied its deep value approach to managing equity, the team remains stable, and long-term performance remains strong. There are no concerns.

### 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, and 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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