



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

**31-12-2016**

<b>Lead manager(s):</b>	Glenn Fortin, Colin Ramkissoon	<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 outside of Canada.		
<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>Global Equity Fund (Beutel Goodman)</b>	17.35	32.66	6.68	14.19	8.77	15.58
MSCI World (Cdn)	14.00	36.16	15.08	18.92	4.93	17.39
Value added (+) / lost (-)	3.35	-3.50	-8.40	-4.73	3.84	-1.81
Quartile ranking <sup>(1)</sup>	2nd	3rd	4th	4th	1st	4th

### Short-term performance analysis

- The Fund outperformed its benchmark in 2016 and ranked in the first quartile relative to its peers. Performance has been strong in both the U.S. and International equity components over the past year.
- Relative outperformance came mainly from positive security selection in the last 12 months, particularly within the Industrials, Energy, Health Care and Consumer Staples sectors. Selection was negative within the Financials and Telecom sectors.
- Sector allocation was slightly negative with the adverse effect of an underweight position in Energy greater than the positive effect of an underweight exposure to the Consumer Discretionary sector.
- Based on MSCI 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 two of the past five years and had not added value on a five-year annualized basis. This long-term performance ranks in the fourth quartile when compared to its peers.
- Security selection was the main detractor from value added over the past five years and was negative more often than not.
- Sector allocation was mixed over the long-term.
- Based on MSCI 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

- Effective February 20, 2015, Beutel Goodman announced that Colin Ramkissoon would co-manage the Global Equity strategy with Glenn Fortin going forward.
- Beutel Goodman announced the addition of Stanley Wu to the US and global equity team effective November 15, 2016 as analyst and portfolio manager. Mr. Wu is to work alongside KC Parker as co-manager of the International Equity portfolio.

## IMS commentary

- The Global Equity Fund (Beutel Goodman) is a bottom-up, value-focused global equity mandate that emphasizes investing in companies trading at discounts to their business value. The fund is expected to provide good downside protection, add relative value in the early to mid-stages of a market cycle, and lag in the later stages.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- Fund performance has been of some concern, particularly given the poor relative returns in 2014 and 2015. Previous underperformance has come primarily from the International equity component of the Global Fund since returns have been strong in the U.S. equity allocation over the past two to three years.
- Although the firm employs the same investment process on all their mandates, there have been some adjustments made to the International equity strategy to provide more diversification and to ensure there is no unintended risk exposure. It would appear these changes have had a positive impact on the International equity returns over the past year, which has helped the Global mandate in turn. IMS will continue to monitor the changes to the process, and to the team, with respect to their impact on performance and positioning going forward.

### Conclusion:

- Due to the fact that 1) the Fund has underperformed in part due to the Manager's stated investment philosophy and style, and 2) steps have been taken to address the underperformance of the International equity component, which has performed well over the past 12 months, IMS continues to rate this fund In Good Standing at this time.

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

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