

Manulife Guardian Canadian Growth Equity Fund Guardian Capital LP

December 31, 2016

Lead manager(s): Gary Chapman

Investment style:

Growth

Investment objective:

The fund has the primary objective of investing in a portfolio of attractive Canadian issuers with a growth orientation and which are reasonably priced within the market.

Last meeting date:

August 2016

Next estimated meeting date:

Q3 2017

Current rating:

IN GOOD STANDING

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Manulife Guardian Canadian Growth Equity Fund	N/A	21.27	9.50	-7.49	20.29	N/A
S&P/TSX Capped Composite Total Return	N/A	12.99	10.55	-8.32	21.09	N/A
Value added (+) / lost (-)	N/A	8.28	-1.05	0.83	-0.79	N/A
Quartile ranking ⁽¹⁾	N/A	2nd	3rd	4th	2nd	N/A

Short-term performance analysis

- Over 2016, the Fund had strongly positive absolute returns; on a relative basis the Fund underperformed its benchmark and ranked in the second quartile relative to its peers.
- The Fund performed in-line with the index in Q4. Positive contributors to performance included stock selection within the Materials sector, and strong performance from a variety of unrelated growth stocks (SNC Lavalin, IMAX, BRP, Methanex). Not owning any weight in Valeant Pharmaceuticals or the more defensive Telecom, Real Estate and Utilities sectors was also a positive. The Fund's underweight to Financials detracted.
- Negative relative performance for the year was primarily attributable to poor stock selection within the Materials sector. In particular, the Fund's underweight exposure to Gold and Silver stocks hurt performance as these sub-sectors were top performers over the first half of the year.
- Partially offsetting the underperformance was the Fund's positioning within the Energy sector as positive stock selection added value in 2016.
- Fund management remains optimistic on the state of market opportunities due to the accelerating US economy and the potential for increased earnings growth in 2017, although significant uncertainty remains.
- Based on S&P/TSX style indices, value stocks outperformed on average for the year. Given the Fund's growth tilted investment bias, its style acted as a headwind to performance for 2016.

Long-term performance analysis

- The Fund outperformed its benchmark in two of the last four years and had added value since its inception to the platform.
- Security selection was negative in more recent years, but overall absolute and relative performance are positive on a long-term basis
- This is a high conviction, relatively concentrated portfolio that focuses firstly on growth, but also on quality, valuation and risk. Risk is viewed as a balance between absolute risk, and relative-to-the Index risk. The Fund continues to seek out attractive, long-term growing companies that can be bought at reasonable prices. Sector/industry weightings are purely from stock selection with the exception of Financials and Energy, in which the Managers are aware of the index weights. Given the high weights in these sectors, the Managers take top-down considerations into account and then select stocks with the best drivers of growth within those sectors.
- Based on S&P/TSX style indices, value stocks have outperformed on average over the last five years. Given the Fund's growth tilted investment bias, its style acted as a headwind to performance over the long-term.

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

- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund continues to have a collaborative culture between the lead PM, Gary Chapman and his team. He is supported closely by Sera Kim, Senior Equity Analyst, who has been on the team for four years. Sera is expected to eventually take on the Co-Portfolio Manager role as part of the team's succession planning. She is currently gaining additional responsibilities to prepare to take on a bigger role on the team. The team recently added another analyst to the team, Adam Low, who has worked with Sera in the past.
- This is a qualitative approach, focusing on growth drivers. The Fund continues to utilize a proprietary growth-at-a-reasonable-price approach to stock selection which first focuses on growth and then incorporates measures of quality, valuation and risk. The team strives to identify mid to large-cap Canadian companies that it believes exhibit multiple long-term drivers of growth such as a sustainable competitive advantage, dominant market share, new products or market opportunities or growth through acquisition or reorganization.
- The Fund has outperformed over the long-term and performance is largely in-line with expectations.

Conclusion: • Due to the fact that the Fund has outperformed its benchmark over the long term, all the while remaining within its stated investment philosophy and style, we continue to rate this Fund In Good Standing.

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

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