



Manulife FIAM Canadian Focused Equity Fund
Fidelity Institutional Asset Management

December 31, 2016

Lead manager(s):	Joe Overdeest	Investment style:	Core
Investment objective:	The investment objective is to seek long-term capital appreciation by investing in a concentrated portfolio of Canadian equities.		
Last meeting date:	September 2016	Next estimated meeting date:	Q3 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Manulife FIAM Canadian Focused Equity Fund	N/A	N/A	12.27	2.17	15.61	N/A
S&P/TSX Capped Composite Total Return	N/A	N/A	10.53	-8.32	21.09	N/A
Value added (+) / lost (-)	N/A	N/A	1.71	10.48	-5.48	N/A
Quartile ranking ⁽¹⁾	N/A	N/A	2nd	1st	4th	N/A

Short-term performance analysis

- In 2016, the Fund underperformed its benchmark significantly and ranked in the fourth quartile relative to its peers.
- The Fund also underperformed its benchmark in the fourth quarter with investments in the Energy and Materials sectors being the primary detractors from relative performance.
- The underperformance for the year was mainly attributable to poor security selection within the Financials and Materials sectors. In particular, having no exposure to gold-related companies detracted from relative performance as gold bullion extended its rally and lifted gold stocks higher in the first half of the year. The Fund's lack of exposure to metals and mining companies also hurt performance over the period. This is consistent with Fund management's approach as Fidelity's research resources have not found the resource sectors a compelling opportunity given their elevated level of volatility.
- Sector allocation did not have a major impact on the portfolio performance due to the sector-neutral strategy of the mandate.
- Fund management had added exposure to select names within integrated oil and gas, Information Technology and Industrials companies. Fund management is also seeing opportunities within stocks that have exposure to US earnings and the US economy.
- Based on Canadian equity style indices, value stocks outperformed on average in 2016. Given the fund's core investment bias, its style did not have a large impact on short-term performance.

Long-term performance analysis

- Longer term performance is unavailable as the Fund has been on the platform less than a five year period. However, performance since inception has been in-line with expectations and there are no concerns.
- Overall, longer term performance is expected to come from security selection as this is a sector-neutral portfolio of best ideas.
- Based on Canadian equity style indices, value stocks outperformed growth on average over the five year period. Given the fund's core investment bias, its style should not have a large impact on long-term performance.

Significant corporate events

Corporate

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

Fund specific

- There were no significant fund specific events over the last three years.

IMS commentary

- The Canadian Focused Equity discipline invests in a concentrated portfolio of Canadian stocks based on fundamental research inputs where active sector and capitalization allocation are the result, primarily, of bottom-up stock selection. The investment approach is core. Investments in individual names will be conviction-weighted and may result in significant differences in exposures relative to the benchmark index.
- The Fund is managed by Joe Overdevest and he has ultimate authority over the investment decision-making processes while taking into account the analysts' views and research. The portfolio manager's investment decisions and portfolio construction are informed by daily interaction and dialogue among the Team Canada group of analysts and portfolio managers.
- The investments in this mandate are limited to $\pm 7.5\%$ from the GICS sector weights in the benchmark, the S&P/TSX Capped Composite Index. There are no industry allocation limits. The investment process has remained unchanged. The portfolio continues to be largely sector neutral, industry active, and driven by fundamental research. It places emphasis on sector analyst's ability to bring best ideas to the portfolio.
- Based on our due diligence, we are confident that the Manager has remained within the stated investment philosophy and style.
- Overall, this is a well-run strategy, managed by a very capable investment team, and with a very clear investment process. The Canadian equity strategies managed by this team have performed in line with expectations. Team Canada has had no changes in the past year and the team has been stable.

Conclusion:

- Due to the fact that 1) the Fund has outperformed its benchmark since inception, all the while remaining within its stated investment philosophy and style, 2) outperformance has been primarily a factor of positive stock selection, the Manager's primary stated style and 3) the Fund ranks in the higher quartiles since inception, IMS continues to rate this Fund In Good Standing.

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

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