



**Manulife FGP Canadian Equity Fund
Foyston, Gordon & Payne Inc.**

December 31, 2016

Lead manager(s):	John Berry	Investment style:	Value
Investment objective:	The Fund aims to generate an attractive total investment return through long-term capital growth as well as dividend and other income. To achieve this, the Fund will invest in a diversified mix of Canadian equity securities.		
Last meeting date:	Q4 2016	Next estimated meeting date:	Q4 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Manulife FGP Canadian Equity Fund	N/A	N/A	N/A	-9.81	27.85	N/A
S&P/TSX Capped Composite Total Return	N/A	N/A	N/A	-8.31	21.09	N/A
Value added (+) / lost (-)	N/A	N/A	N/A	-1.49	6.76	N/A
Quartile ranking ⁽¹⁾	N/A	N/A	N/A	4 th	1 st	N/A

Short-term performance analysis

- The Fund outperformed strongly in 2016 and was ranked in the first quartile versus Canadian Equity peers.
- Fund relative performance benefitted from a zero weight to the health care sector and security selection within the Materials sector. Security selection in Industrials and Consumer Discretionary were also beneficial.
- The Fund's largest absolute sector weightings were in the Financials, Energy and Consumer Discretionary sectors. Utilities and Health Care were both held at a zero-weighting in the Fund.
- Based on the DJ Canada Select Indices, value strongly outperformed growth over the latest 12-month period. Given the Fund's value investment style, this would have generally been favourable to the Fund's performance.
- The investment manager feels that if the new U.S. administration implements the business-friendly initiatives and heavy commitments to fiscal stimulus they have been promoting, then we may expect to see further upward pressure on bond yields. This could be beneficial to the Fund's bank and insurance holdings.
- The investment manager feels higher oil prices are likely to continue to play out through 2017 as a result of production cuts and underinvestment by the industry which should lead to tighter supply conditions. The manager's strategy is to remain over weighted to high quality integrated energy producers and oil services companies.
- The Fund is expected to continue to have reduced exposure to REITs, pipelines, utilities, and telecommunications companies as the investment manager feels that poor value persists in many companies whose valuations have been supported by unnaturally low interest rates.

Long-term performance analysis

- A long term analysis is not possible with the short period of time the Fund has been on the platform
- In 2015, given the manager's value investment style, the Fund underperformed its benchmark in what was a strong environment for growth managers. There are no concerns with the Fund's performance since addition to the platform.

Significant corporate events

Corporate

- In December 2014, Foyston, Gordon & Payne Inc. announced that the President, Jim Houston, had left the firm. Bryan Pilsworth, Vice-President and Portfolio Manager, Canadian Equities assumed Mr. Houston's role both as President and as secretary on FGP's Board of Directors.

Fund specific

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

IMS commentary

- The Fund manager employs a long-term, bottom-up value-oriented approach to security selection. The portfolio manager, supported by the research team, is responsible for security selection and portfolio construction within the Fund manager's diversification and risk control guidelines. Above all, the manager looks to add value by strictly adhering to a disciplined valuation-driven approach to guard against overpaying for securities. They take a patient, long-term view of the securities they own and are often contrarian in their strategies as they strive to differentiate their approach from consensus thinking.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- Fund management has consistently applied its value approach to Canadian equities. Performance has been as would be expected. In 2015 the Fund underperformed in a growth environment and showed strong performance in 2016 where the value style outperformed.

Conclusion:

- Due to the fact that 1) the Fund has shown solid relative performance against its benchmark while remaining within its stated investment philosophy and style and 2) stock selection has been a solid contributor to outperformance, IMS continues to rate this Fund In Good Standing.

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

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