



Fundamental Canadian Equity Fund (Beutel Goodman)
Manulife Fundamental Canadian Equity Fund (Beutel Goodman)
Beutel, Goodman & Company Ltd.

December 31, 2016

Lead manager(s):	Mark Thomson	Investment style:	Value
Investment objective:	The objective of the Fund is to maximize portfolio returns through capital enhancement and investment income, through investments in Canadian equities.		
Last meeting date:	May 2016	Next estimated meeting date:	Q2 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Fundamental Canadian Equity Fund (Beutel Goodman)	N/A	N/A	N/A	-4.59	19.74	N/A
S&P/TSX TRI	N/A	N/A	N/A	-8.32	21.08	N/A
Value added (+) / lost (-)	N/A	N/A	N/A	3.73	-1.34	N/A
Quartile ranking ⁽¹⁾	N/A	N/A	N/A	2nd	2nd	N/A

Short-term performance analysis

- The Fund underperformed its benchmark in 2016 and ranked in the second quartile relative to its peers.
- Relative underperformance in the past 12 months came almost equally from sector allocation and security selection. Negative selection came particularly from the Energy and Materials sectors. Security selection was positive within the Health Care, Information Technology and Industrials sectors.
- Sector allocation was negative due to an underweight exposure to both the Materials and Energy sectors and from an overweight exposure to the Consumer Discretionary sector.
- Based on S&P/TSX 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 one of the last two years. There is insufficient history to perform long-term analysis. However, the Fund follows the same strategy as the Beutel Goodman Canadian Equity Fund, with the exclusion of a dedicated small-cap allocation. This Fund has performed strongly over the long-term and we expect this mandate to track the performance of that Fund fairly closely. The Fund has outperformed over the past two years and there are no concerns with performance since inception.

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

- Beutel Goodman has been a value investor since 1967. They look for Canadian companies that generate free cash flow. The strategy is to invest in companies that internal research shows can produce substantial returns over a two to three-year time frame, and that have strong management. The Fund is composed of 20-45 Canadian equity securities. Another key element of the strategy is the implementation of a disciplined buy/sell process that sets the conditions under which a position is monetized or revaluated to contemplate market price fluctuations. Fund level risk is measured against the benchmark, however, the process focuses on identifying and managing absolute risk of which capital preservation is primary.
- 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 deep value process and short-term underperformance relative to the benchmark over the past year is of no concern given their investment approach. We would not expect the investment team to hold significant positions in the commodity sectors that have driven performance in Canada in 2016 given Fund management's conservative, quality-biased approach. Long-term outperformance from the similarly managed Beutel Goodman Canadian Equity Fund reflects the consistent application of Fund management's approach.

Conclusion:

- Due to the fact that 1) the Fund has outperformed its benchmark since inception, all the while remaining within its stated investment philosophy, IMS continues to rate this fund In Good Standing.

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

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