



Diversified Fund (Foyston, Gordon & Payne)
Manulife Foyston, Gordon & Payne Diversified Fund
Foyston, Gordon & Payne Inc.

December 31, 2016

Lead manager(s): Stephen Copeland **Investment style:** Active

Investment objective: To generate an attractive total investment return through income and long-term capital growth. To achieve this objective, the Fund invests primarily in a diversified mix of equity and fixed-income securities.

Last meeting date: December 2016 **Next estimated meeting date:** Q4 2017

Current rating: **IN GOOD STANDING**

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Diversified Fund (Foyston, Gordon & Payne)	N/A	N/A	N/A	0.50	11.04	N/A
FGP Balanced Blended Benchmark	N/A	N/A	N/A	4.37	8.60	N/A
Value added (+) / lost (-)	N/A	N/A	N/A	-3.87	2.44	N/A
Quartile ranking ⁽¹⁾	N/A	N/A	N/A	4 th	1 st	N/A
Benchmark*:	35% S&P/TSX Composite Index + 12.5% S&P 500 Index (Can\$) + 12.5% MSCI EAFE Index (Can\$) + 40% FTSE TMX Universe Bond Index					

Short-term performance analysis

- On a one-year basis, the Fund outperformed its blended benchmark and ranked first quartile versus category peers.
- An overweight towards Canadian equities as well as performance of the Fund's Canadian allocation was beneficial while an overweight and performance within International equity lagged over 2016.
- The Fund ended the 2016 period with an overweight to equity and an underweight to fixed income. Canadian and International equities finished the year above their respective benchmarks. The U.S. equity allocation remained below its neutral weight given higher relative valuations in the US market, and management finding stronger opportunities to utilize their value approach in other markets.
- The fixed income portfolio remains defensively positioned with its duration now half a year shorter than the FTSE TMX Canada Universe Bond Index. This strategy still reflects the investment manager's outlook for slightly higher inflation and moderately rising interest rates.
- The investment manager feels that valuation measures across the three major equity asset classes continue to warrant an above benchmark weight in Canadian and International equities and an underweight allocation to U.S. stocks.

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, the equity sub-funds underperformed their benchmarks in what was a strong growth style environment across all regions which acted as a headwind to performance due to the manager's value investment style. There are no concerns with Fund performance since its addition to the platform.

Significant corporate events

Corporate

- In December 2014, Foyston, Gordon & Payne Inc. (FGP) announced that the President, Jim Houston, would be leaving the firm effective December 31, 2014. Bryan Pilsworth, Vice-President and Portfolio Manager, Canadian Equities assumed Mr. Houston's role on January 1, 2015 both as President and as Secretary on FGP's Board of Directors.

Fund specific

- Foyston, Gordon & Payne Inc. ("FGP") announced that Stephen Mitchell joined the firm as at September 7, 2016, assuming portfolio management responsibility for FGP's global and international equity mandates. Mr. Mitchell replaced Andrew Fernow who departed the firm effective August 30, 2016 to pursue other interests.
- In 2015, Dave Chan joined the firm as a Senior Research Analyst on the foreign equities team. Chan has 15 years of experience and past experience in value investing and will be focusing on the Industrials, Utilities and Telecom sectors.

IMS commentary

- FGP believes that consistent investment returns are achieved by taking a long term, bottom-up, value-oriented approach to investing based on detailed fundamental research and analysis. The Balanced Fund invests in FGP's equity and fixed income funds in proportions determined by the Investment Committee. The Committee determines the asset mixes monthly or more frequently if economic and market conditions warrant a potential asset mix change.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund has performed in line with the broad-based benchmark and broadly in-line with expectations, there are no serious concerns.

Conclusion:

- Due to the fact that 1) the Fund has performed in line with its blended benchmark over the long term, all the while remaining within the stated investment philosophy and style, and 2) the Fund ranks in the higher quartiles when compared to its relevant peers since addition to the platform, IMS continues to rate this Fund In Good Standing.

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

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