



Manulife Franklin Bissett Canadian Equity Fund Franklin Templeton Investments

December 31, 2016

Lead manager(s):	Gary Aitken and Tim Caulfield	Investment style:	GARP
Investment objective:	The fund seeks long-term capital appreciation by investing primarily in a diversified portfolio of mid- to large-cap Canadian equities.		
Last meeting date:	June 2016	Next estimated meeting date:	Q2 2017
Current rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Manulife Franklin Bissett Canadian Equity Fund	N/A	N/A	11.95	-6.98	23.84	N/A
S&P/TSX TRI	N/A	N/A	10.55	-8.31	21.08	N/A
Value added (+) / lost (-)	N/A	N/A	1.40	1.33	2.75	N/A
Quartile ranking ⁽¹⁾	N/A	N/A	2nd	3rd	1st	N/A

Short-term performance analysis

- Over 2016, the Fund outperformed its benchmark and ranked in the first quartile relative to its peers.
- The Fund also outperformed its benchmark in the fourth quarter of the year, the Fund's underweight to the Materials sector which had detracted over the first half of the year added value as the gold companies that had been driving the performance of the TSX sharply reversed. This underweight allocation has been long maintained. At the end of the year the Fund is overweight to the Industrials, Financials and Consumer Staples sectors and is also underweight to the Telecom and Real Estate sectors.
- Overall, stock selection was positive and contributed to the Fund's outperformance for the year. In particular, the Fund's positioning within the Energy sector through Oil Gas and Consumable Fuels companies added the most value as this sector benefitted from a higher underlying commodity price environment as the price of crude increased.
- Sector allocation partially offset this outperformance as the Fund's underweight exposure to the strongly performing Materials sector, specifically within the Metals and Mining companies detracted value in 2016.
- Based on Canadian equity indices over 2016, value stocks outperformed. Given the fund's GARP investment bias, its style acted as a headwind to short-term performance.

Long-term performance analysis

- Longer-dated performance is not available as the mandate has been on the platform for less than five years. There are no concerns with how the Fund has performed since its addition to the platform. The Fund has outperformed its benchmark in each of the last three years. Performance since inception continues to be in-line with expectations and there are no concerns.

Significant corporate events

Corporate

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

Fund specific

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

IMS commentary

- The Bissett Canadian Equity Fund's investment approach follows a bottom-up, GARP, research-driven process. The Fund seeks long-term capital appreciation by investing in mid-large cap Canadian equities. The Fund is co-managed by Gary Aitkan (CIO) and Tim Caulfield (VP/ Director Equity Research). Gary and Tim are situated in Calgary and lead the Canadian Equity team. Gary has co-led this fund since 2003. The Bissett Research Team has experienced no turnover amongst the analyst group over the past year.
- The Fund mainly focuses on high-quality businesses with strong long-term profitability and growth profiles. The Fund targets to have a high risk-adjusted return and also targets a low level of turnover in all strategies the firm manages.
- There have been no material changes to the policy/ process. Management has historically specialized in taking advantage of opportunities further down the capital spectrum.
- Based on our due diligence, we are confident that the Manager has remained within the stated investment philosophy and style.
- Bissett remains well supported by Franklin Templeton, their parent company, with continued growth within the analyst ranks. The Fund has largely performed as would be expected.

Conclusion:

- There has been growth from within the firm. The culture is strong and the process is repeatable. The process remains a research driven one, and the team is strong and stable, with a few new analysts recently added. The Fund has performed as expected in the periods measured. The risk-adjusted returns of this portfolio have been solid. Fund management has managed the Fund within the stated investment philosophy and style. IMS continues to have confidence in the management team of this Fund and continue to rate this Fund In Good Standing.

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

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