



True North Fund (Fidelity)
Manulife True North Fund (Fidelity)
Fidelity Investments Canada ULC

December 31, 2016

Lead manager(s):	Maxime Lemieux	Investment style:	GARP
Investment objective:	Aims to achieve long-term capital growth by investing primarily in Canadian equity securities.		
Last meeting date:	August 2016	Next estimated meeting date:	Q3 2017
Current Rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
True North Fund (Fidelity)	10.70	25.24	16.10	0.37	12.48	12.69
S&P/TSX Capped Composite Total Return	7.19	12.99	10.55	-8.32	21.09	8.25
Value added (+) / lost (-)	3.51	12.25	5.55	8.69	-8.60	4.44
Quartile ranking ⁽¹⁾	2nd	1st	1st	1st	4th	1st

Short-term performance analysis

- In 2016, the Fund underperformed its benchmark and ranks in the fourth quartile within the Canadian Equity peer group.
- Sector allocation was the main detractor from relative performance primarily due to a significant underweight position in the outperforming Materials sector and overweight positions in the underperforming Information Technology and Consumer Staples sectors. A large cash position (9%) also detracted value.
- Security selection produced slightly positive results as gains in Information Technology and Health Care (primarily to U.S. Health Care) have more than offset losses in the Materials sector caused by an under-allocation to gold companies.
- The portfolio continues to maintain a considerable underweight allocation to the Financials, Materials and Energy sectors due to the Manager's concerns about the potential for a credit cycle downturn in Canada and fundamental supply and demand issues in the Energy and Materials sectors. The portfolio's largest overweight exposures remain to the Information Technology and Consumer Staples sectors. The Fund continues to hold moderate positions in U.S. equities (7%) and cash (9%).
- Based on S&P/TSX style indices, value stocks outperformed on average. Given the Fund's growth-tilted GARP investment bias, its style had a negative impact on short-term performance.

Long-term performance analysis

- The Fund outperformed its benchmark in four of the past five years and added value on a five-year annualized basis. This long-term performance ranks it in the first quartile when compared to its peers.
- Security selection was positive more often than not and was the main driver of added value on a five-year annualized basis.
- Sector allocation also produced positive results over the long term.
- Based on S&P/TSX style indices, value stocks outperformed on average over the last five years. Given the Fund's growth-tilted GARP investment bias, its style had a negative 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 True North Fund (Fidelity) is a bottom-up, GARP Canadian equity mandate placing emphasis on security selection as the primary driver of portfolio construction. When company fundamentals are at the forefront of the decision-making process in the market, the fund is expected to outperform its benchmark. In contrast, when the market is being driven by sentiment rather than pure company fundamentals, the fund is at a disadvantage and may underperform.
- Based on our due diligence, we are confident that the Manager has remained within the stated investment philosophy and style.
- The Fund has outperformed its benchmark over the long-term and ranks in the higher quartiles. Outperformance has been primarily a factor of positive security selection, the Manager's stated primary source of added value.
- 2016 underperformance is not a significant concern. The Fund's approach would be expected to underperform when the market is driven by more volatile, momentum-driven companies such as the Canadian resource sectors during this past year. Long term performance remains strong and there are no significant concerns.

Conclusion:

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

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

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