



**Canadian Equity Fund (Jarislowsky Fraser)**  
**Manulife Canadian Equity Fund (Jarislowsky Fraser)**  
**Jarislowsky Fraser Limited**

**December 31, 2016**

<b>Lead manager(s):</b>	Investment Committee	<b>Investment style:</b>	GARP
<b>Investment objective:</b>	The primary goal of the fund is capital appreciation while maintaining a low level of risk.		
<b>Last meeting date:</b>	Q2 2016	<b>Next estimated meeting date:</b>	Q2 2017
<b>Current Rating:</b>	IN GOOD STANDING		

### Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
<b>Canadian Equity Fund (Jarislowsky Fraser)</b>	10.02	22.64	12.86	-2.49	18.83	12.03
S&P/TSX TRI	7.19	12.99	10.55	-8.31	21.08	8.25
Value added (+) / lost (-)	2.83	9.65	2.30	5.82	-2.25	3.78
Quartile ranking <sup>(1)</sup>	2nd	1st	2nd	1st	3rd	1st

### Short-term performance analysis

- In 2016, the Fund underperformed its benchmark and ranks in the third quartile relative to its peers.
- Sector allocation was the main detractor from relative performance primarily due to a significant underweight position in the strongly performing Materials sector and an overweight allocation to the underperforming Consumer Staples sector. In addition, losses from the portfolio's zero exposure to the strongly performing Telecommunications and Utilities sectors have more than offset gains from a zero exposure to the lagging Health Care sector.
- Security selection produced slightly negative results as positive selection in the Information Technology and Consumers Staples sectors was offset by negative selection in the Materials and Energy sectors. The Fund's lack of exposure to gold companies caused lagging performance within Materials and its defensive positions in Energy also led to underperformance relative to the benchmark.
- The portfolio continues to be overweight in the Consumer Staples and Information Technology sectors and underweight in the Materials, Telecommunications and Real Estate sectors. The Manager also maintains a moderate exposure to Canadian Small Cap equities through an allocation to the JF Special Equity Fund.
- Based on S&P/TSX style indices, value stocks outperformed on average. Given the Fund's value-tilted GARP investment bias, its style had a positive 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 top 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. Given the Fund's value-tilted GARP investment bias, its style had a positive impact on long-term performance.

## Significant corporate events

### Corporate

- Effective February 1, 2015, U.S. Equities Portfolio Manager Dan Hanson became a member of the Investment Strategy Committee. Fixed Income Portfolio Manager Kim White stepped away from the Investment Strategy Committee but remains active in managing Fixed Income portfolios.
- Effective July 1, 2015, Global Equities Portfolio Manager Marc Novakoff became a member of the Investment Strategy Committee. Marc has been with the firm since 2003 and has 13 years of investment experience.
- In October 2015, Kelly Patrick was promoted to Portfolio Manager of International Equities and became a member of the Investment Strategy Committee. Former Portfolio Manager of International Equities, Michel Brutti, remains a member of the Investment Strategy Committee but is stepping down from the day-to-day management of the international equity strategy.

### Fund specific

- In February 2014, the firm announced that Bernard Gauthier was appointed Head of Canadian Equities following the departure of Helen Beck. He has been a member of the Investment Strategy Committee since 2012 and partners with Charles Nadim, who was named Canadian equity portfolio manager in 2012.
- In February 2015, the firm announced that Charles Nadim was promoted to Portfolio Manager of Canadian Equities and would be co-managing Canadian Equities with Bernard Gauthier, Portfolio Manager of Canadian Equities. Mr. Nadim has been a Canadian equity manager since 2012.

## IMS commentary

- The Canadian Equity Fund (Jarislowsky Fraser) is a bottom-up, GARP Canadian equity mandate that focuses on investing in larger cap, noncyclical growth companies. The fund tends to outperform in down markets, and underperform in more speculative, momentum-driven markets as investment quality is given a higher level of importance within this fund. This was reflected in 2016, when the volatile, momentum-driven resource sectors drove market performance and the Fund lagged. There are no concerns with this underperformance as it is in-line with our expectations given the Fund's approach.
- 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 top quartile relative to its peers.
- There have been multiple significant corporate and fund specific events over the last few years. We have met with the executive and investment management teams at Jarislowsky Fraser on numerous occasions subsequently and we feel confident with the new senior management team and the new strategic direction the firm is taking. The recent promotions of several key investment professionals to the Investment Strategy Committee have affirmed our view that the firm has been able to re-focus its portfolio management activities and is committed to retaining key investment talent and enforcing their team based investment approach.

### Conclusion:

- Given the fact that 1) the Fund has outperformed its benchmark over the long term while remaining within its stated investment philosophy and style, 2) the Fund ranks in the higher quartiles relative to its peers and 3) we are confident that the the firm has been able to re-focus its portfolio management activities and is committed to retaining key investment talent and enforcing their team based investment approach, IMS continues to rate this Fund In Good Standing.

<sup>(1)</sup> Quartile rankings are based on the underlying fund's returns.

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