

Balanced Fund (Jarislowsky Fraser)
Manulife Balanced Fund (Jarislowsky Fraser)
Jarislowsky Fraser Limited

December 31, 2016

Lead manager(s):	Investment Committee	Investment style:	Active
Investment objective:	To add value through longer term asset mix positioning rather than short-term trading, keeping volatility to a minimum.		
Last meeting date:	Q2 2016	Next estimated meeting date:	Q2 2017
Current Rating:	IN GOOD STANDING		

Annual fund performance (%)

	2012	2013	2014	2015	2016	5 yrs
Balanced Fund (Jarislowsky Fraser)	10.72	18.54	11.83	8.24	6.89	11.17
Blend: JF Balanced ⁽¹⁾	7.24	11.75	10.04	3.69	7.52	8.02
Value added (+) / lost (-)	3.48	6.79	1.79	5.19	-1.26	3.15
Quartile ranking ⁽²⁾	1st	1st	2nd	1st	3rd	1st
Benchmark:	30% S&P/TSX Composite Index + 12.5% S&P 500 Index (Can\$) + 12.5% MSCI EAFE Index (Can\$) + 39% FTSE TMX Canadian Universe Bond Index + 6% FTSE TMX 91-day T-Bill Index					

Short-term performance analysis

- In 2016, the Fund underperformed its benchmark and ranks in the third quartile relative to its peers.
- Asset class performance was the main detractor from relative performance particularly in the Canadian equity sleeve where a significant underweight position in the strongly performing Materials sector and an overweight allocation to the underperforming Consumer Staples sector led to weak relative performance. In addition, U.S. equities slightly underperformed due to weak stock selection in the Consumer Staples and Industrials sectors.
- Asset allocation produced a neutral result as gains from an underweight allocation to the underperforming fixed income market were offset by losses from an overweight allocation to the underperforming International equity market.
- The Balanced Fund still has an overweight allocation to foreign equities and an underweight to the Canadian bond market while remaining neutral to Canadian equities.
- 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.
- Based on MSCI World 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.
- Both asset allocation and underlying fund performance contributed positively to the Fund's long term performance. In particular, an overweight allocation to the strong U.S. equity market and an underweight allocation to the fixed income market were the main drivers of added value over the long term. In addition, the strong relative performance of the Canadian equity component also contributed to the Fund's long term performance.
- Based on S&P/TSX style indices, value stocks have outperformed on average over the past five years. Given the Fund's value-tilted GARP investment bias, its style had a positive impact on long-term performance.
- Based on MSCI World style indices, value stocks and growth stocks have outperformed in line with one another over the past five years. Given the Fund's value-tilted GARP investment bias, its style had no impact on long-term performance.

Significant corporate events

Corporate

- Effective February 1, 2015, Dan Hanson, Portfolio Manager of U.S. Equities, became a member of the Investment Strategy Committee. Kim White, Portfolio Manager of Fixed Income, stepped away from the Investment Strategy Committee but remains active in managing Fixed Income portfolios.
- Effective July 1, 2015 Marc Novakoff, Portfolio Manager of Global Equities, 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 away from the day-to-day management of the international equity strategy.

Fund specific

- In February 2014, Jarislowsky Fraser Limited announced that Bernard Gauthier was appointed Head of Canadian Equities following the departure of Helen Beck. Also, Dan Hanson, who was co-managing U.S. equities with Bernard Gauthier, was appointed Head of U.S. Equities.
- On February 1, 2015, Jarislowsky announced that:
 - Kim White, Portfolio Manager of Fixed Income, stepped away from the Investment Strategy Committee but remains active in managing Fixed Income portfolios;
 - Charles Nadim was promoted to Portfolio Manager of Canadian Equities and now co-manages Canadian equities with Bernard Gauthier, Portfolio Manager of Canadian Equities.
 - Dan Hanson, Portfolio Manager of U.S. Equities, became a member of the Investment Strategy Committee. Jeremy Schaal was promoted to Associate Portfolio Manager of U.S. Equities.
- 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 away from the day-to-day management of the international equity strategy.
- In April 2016, Antoine Potter joined the Fixed Income Team as Associate Portfolio Manager as part of the eventual transition for Portfolio Manager Kim White's retirement.

IMS commentary

- The Balanced Fund (Jarislowsky Fraser) is a balanced mandate with an equity (Canadian, U.S. and international) component that focuses on investing in larger cap, non-cyclical growth companies, and a fixed income component that seeks higher relative income combined with capital appreciation. The Fund tends to outperform in down markets and underperform in more speculative, momentum driven markets. Added value is expected to be primarily a factor of security selection.
- 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 quartiles relative to its peers.
- There have been multiple significant corporate and fund specific events over the last few years. IMS has met with the executive and investment management teams at Jarislowsky Fraser on numerous occasions subsequently and we are confident 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, all the while remaining within its stated investment philosophy and style, 2) the Fund ranks in the higher quartiles relative to its peers over the long-term and 3) we are confident 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, IMS continues to rate this Fund In Good Standing.

⁽¹⁾ The source of benchmark returns are utilizing the Bank of Canada end of day for currency exchange. This change may result in minor differences from otherwise listed benchmark returns.

⁽²⁾ Quartile rankings are based on the underlying fund's returns.

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