



**Canadian Equity Fund (Guardian)  
Manulife Guardian Canadian Equity Fund  
Guardian Capital LP**

**December 31, 2016**

**Lead manager(s):** Ted Macklin, Sam Baldwin

**Investment style:** GARP

**Investment objective:** To achieve long-term growth of capital while maintaining steady current dividend income, primarily through the investment in common shares or other equity-related investments issued by Canadian companies.

**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
<b>Canadian Equity Fund (Guardian)</b>	11.49	17.09	12.50	-3.25	18.19	10.92
S&P/TSX Capped Composite Total Return	7.19	12.99	10.55	-8.32	21.09	8.25
Value added (+) / lost (-)	4.31	4.09	1.94	5.07	-2.90	2.67
Quartile ranking <sup>(1)</sup>	2nd	3rd	2nd	2nd	3rd	2nd

**Short-term performance analysis**

- Over 2016, the Fund has had strong positive absolute performance; however, it has underperformed its benchmark and ranks in the third quartile relative to its peers.
- The Fund outperformed the benchmark in the fourth quarter, both from the perspective of sector allocation and security selection. A zero weight to the Health Care sector continued to be a positive, as was an underweight allocation to the Telecom sector. Stock selection was positive in both the Materials and Energy sectors as the trends that drove strong performance in the Materials sector for the first half of the year reversed in the fourth quarter.
- The Fund's underperformance in 2016 was mainly attributable to poor security selection within the Materials and Energy sectors.
- Sector allocation, which is a residual of the Fund's bottom-up, stock selection process, was positive for the year. In particular, the lack of exposure to the Health Care sector added value as the sector was the poorest performing sector in the index.
- The portfolio focuses on high-quality names that are expected to provide downside protection in times of poor market performance. In terms of portfolio characteristics, the portfolio's growth profile exceeds that of the index while valuations are relatively attractive. This GARP profile is consistent with the portfolio's historical positioning.
- Based on S&P/TSX style indices, value stocks outperformed on average in 2016. Given the Fund's GARP investment bias, its style was a headwind to Fund performance for the year.

**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 second quartile when compared to its peers.
- Security selection drove performance over the long term.
- Sector allocation was generally positive over most observed periods and further added value on a five-year annualized basis.
- Based on S&P/TSX style indices, value stocks have slightly outperformed on average over the last five years. Given the Fund's GARP investment bias, its style had limited impact on long-term performance.

## Significant corporate events

### Corporate

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

### Fund specific

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

## IMS commentary

- The Canadian Equity Fund (Guardian) is a bottom-up, GARP Canadian equity mandate that focuses on investing in quality companies with stable earnings growth. The fund tends to outperform in down markets, and underperform in more speculative, momentum driven markets.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style. The team has remained stable. 2016 underperformance is of no significant concern, as the TSX was driven by the resource sectors, with the speculative, momentum driven companies that the Fund is not expected to hold, driving market returns.
- Fund management primarily uses a fundamental, bottom-up approach to security analysis. They identify companies that they believe have the potential for significant long-term capital growth, and invest in the securities of those which can be obtained at a reasonable price. They also look to evaluate the financial condition and management of the company, its industry and relevant economic factors. As part of this evaluation, they also analyze financial data and other information services relevant to the issuer; assess the quality of company management; and conduct company interviews, as deemed necessary.
- This process has been consistently applied historically with little turnover within Fund management. There are no significant concerns at this time.
- The Fund has outperformed over the long-term and ranks in the higher quartiles. Outperformance has been primarily due to positive security selection, the manager's stated the primary source of added value.

### 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) the Fund ranks in the higher quartiles relative to its peers and 3) outperformance has been primarily a factor of positive stock selection, we continue to rate this Fund In Good Standing.

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

This report card is provided by Manulife as a tool to assist you in the governance of your retirement plan.

Manulife makes no representation or warranty, express or implied, as to the accuracy or completeness of the information provided. Though Manulife has taken all reasonable measures to provide you with relevant information and professional opinions, based on reliable sources\*, it reserves the right to correct any error or omission.

The opinion of Manulife expressed in this report card shall not be the only factor to consider for decisions related to your plan's portfolio. Manulife is not responsible for the outcome of decisions made based on the information and opinion provided in the report card.

\* Sources may include, but are not limited to, Mercer MPA, Morningstar, Principia and Thomson Baseline

All rights reserved © 2016 The Manufacturers Life Insurance Company

The Manufacturers Life Insurance Company