

# Standard Life

## Canadian Equity Fund (MFS) MFS Investment Management Canada Limited

Lead Manager(s): Canadian Equity Team

Performance Review Date: December 31, 2013

**Investment Objective:** To seek capital appreciation by investing in Canadian companies that offer sustainable, above-average growth. MFS considers an issuer to be Canadian if it is domiciled in, or has economic ties to, Canada.

**Investment Style:** Growth

### Annual Fund Performance (%)

	2009	2010	2011	2012	2013	5 yrs
<b>Canadian Equity Fund (MFS)</b>	42.18	16.48	-21.62	10.13	19.96	11.39
Canadian Equity Fund Benchmark (MFS) <sup>(1)</sup>	35.05	17.61	-8.71	7.19	12.99	11.92
Value Added (+) / Lost (-)	7.13	-1.13	-12.91	2.94	6.97	-0.53
Quartile Ranking <sup>(2)</sup>	1st	3rd	4th	2nd	2nd	4th

### Annualized Performance – Relative Rankings <sup>(2)</sup> (ending December 31, 2013)

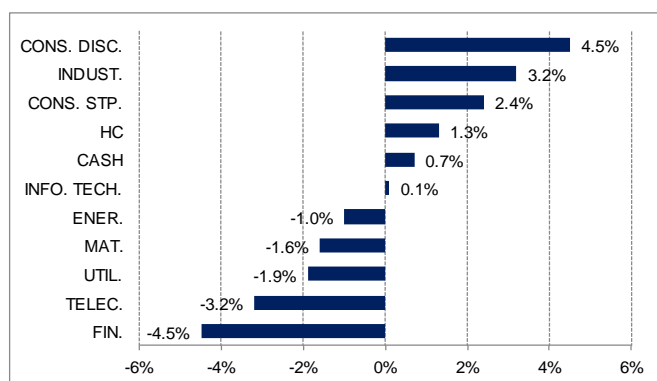
3 years	4 <sup>th</sup>	Quartile
5 years	4 <sup>th</sup>	Quartile
7 years	4 <sup>th</sup>	Quartile
10 years	4 <sup>th</sup>	Quartile

### Risk Characteristics (5 years ending December 31, 2013)

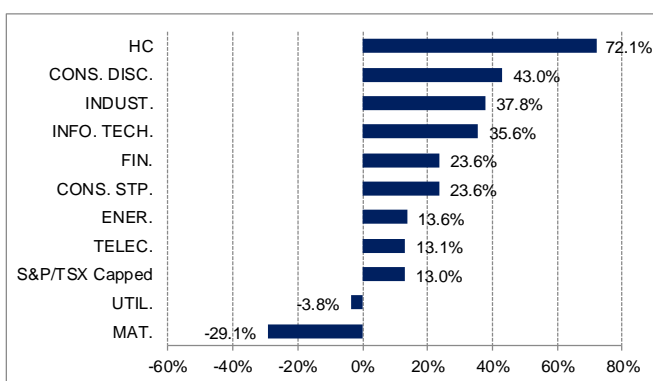
Downside Volatility	3.17%	1 <sup>st</sup>	Quartile
Standard deviation	15.27%	1 <sup>st</sup>	Quartile
Tracking error	5.67%	1 <sup>st</sup>	Quartile
Information ratio	-0.09	4 <sup>th</sup>	Quartile
Beta	1.12	1 <sup>st</sup>	Quartile

### Portfolio Positioning

#### Fund Sector Deviations



#### Year-to-date Index Sector Performance



### Short-Term Performance Analysis

- In 2013, the fund outperformed its benchmark and ranks in the second quartile relative to its peers.
- Security selection was the main driver of added value, particularly within the Consumer Discretionary and Consumer Staples sectors.
- Sector allocation also produced positive results, primarily due to an overweight position in the outperforming Consumer Discretionary sector.
- Based on S&P/TSX style indices, Value stocks outperformed on average. Given the fund's Growth investment bias, its style had a negative impact on short-term performance.

## Long-Term Style Analysis

	2009	2010	2011	2012	2013	5 years
<b>S&amp;P/TSX Outperforming Style</b>	Growth	Value	Value	Value	Value	Value

## Long-Term Performance Analysis

- The fund outperformed its benchmark in three of the past five years but failed to add value on a five-year annualized basis. This long-term performance ranks it in the fourth quartile when compared to its peers.
- Sector allocation was negative more often than not, and was the main detractor of relative value on a five-year annualized basis.
- Security selection produced positive results over the long term.
- Based on S&P/TSX style indices, Value stocks outperformed on average. Given the fund's Growth investment bias, its style had a negative impact on long-term performance.

## Significant Corporate Events

### Corporate

- In August 2013, MFS McLean Budden Limited announced that the Canadian operations will be known as MFS Investment Management Canada Limited effective November 1, 2013. This move aligns MFS Investment Management Canadian operations with their global brand.

As a result of this announcement the names of the Standard Life funds will change from "MFS Mclean Budden" to "MFS" on November 1, 2013.

- In September 2011, Sun Life Financial announced that McLean Budden would become a wholly-owned subsidiary of MFS Investment Management, its sister company in the Sun Life organization. MFS is a U.S. based global asset management company, with offices in 19 countries and a portfolio of US\$223 billion in assets under management. The 32.4% minority share, generally held by McLean Budden's investment professionals, was purchased for \$144 million. The transaction was completed in November 2011. Martin E. Beaulieu, a senior officer of MFS, became Chairman and Chief Executive Officer of McLean Budden, succeeding Roger J. Beauchemin.

### Fund Specific

- Further to the corporate announcement in September 2011, several professionals involved in equity research and portfolio management had left the firm or have changed roles. In regards to the Canadian equity portfolios, the following professionals were affected:  
John Cushman – Equity Research: utilities, energy, telecom  
Kumar Stenger – Global Equity Growth, U.S. Equities, Equity Research: industrials, information technology, financials  
Michael Hakes – Global Equity Growth, Equity Research: consumer discretionary, consumer staples  
Scott Connell – Canadian Equity Growth, Global Equity Growth, Equity research: consumer discretionary, information technology  
Mary Mathers – US Equities, Equity Research: information technology, industrials  
Eleanor Wang – Equity Research: materials, industrials  
Miranda Hubbs – Canadian Equity Growth, Global Equity Core, U.S. Equity  
Yoshiko Saba – Equity Research: consumer discretionary, information technology  
Doug Andrews - transferred to the role of client servicing in the Vancouver office
- Bruce Murray, a member of the Canadian Equity Growth Fund stock selection committee previous to the acquisition by MFS, was named co-portfolio manager, along with MFS US Equity portfolio manager Nicole Zatlyn. Together, they will jointly manage the Canadian equity growth portfolio under a slightly modified approach, as of March 2012.

## Quality & Choice Commentary

- The Canadian Equity Fund (MFS) has historically followed a bottom-up, growth Canadian equity mandate that stressed fundamental research with a strong emphasis on larger growth oriented companies as the primary method of adding value.
- This investment process is expected to converge to that of MFS' overall equity approach; fundamental analysis of a company's profile and competitive advantage, its expected growth and its current valuation. Although this approach is generally similar to how McLean Budden managed equities, this specific product, previously MB's flagship product and claim to fame, will migrate more to a purer "growth" equity product that will cover a broader capitalization spectrum (eg. mid-small capitalization stocks). The new management team will develop a custom "Canadian growth-tilted equity benchmark" to ensure style discipline. Finally, the portfolio is expected to remain concentrated with 35-50 stocks.

**Conclusion:** The fund is No Longer Promoted as a Quality & Choice investment option as of July 2012, based on the analysis done at that time.

## Manager Outlook

- The manager has decided not to provide an investment outlook.

<sup>(1)</sup> The benchmark returns shown are calculated using the returns of the BMO/TSX Composite Cap 10 % Index before May 31, 2012 and the S&P/TSX Capped Composite Index thereafter.

<sup>(2)</sup> Quartile rankings are based on the underlying fund's returns.

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