

## Balanced Fund (MFS) MFS Investment Management Canada Limited

Lead Manager(s): Asset Mix Team

Performance Review Date: December 31, 2013

**Investment Objective:** To provide a superior real rate of return through income and capital appreciation by investing in a diversified portfolio of equity and fixed income assets.

**Investment Style:** Active

### Annual Fund Performance (%)

	2009	2010	2011	2012	2013	5 yrs
<b>Balanced Fund (MFS)</b>	18.44	8.33	-5.37	10.17	16.94	9.36
Balanced Fund Benchmark (MFS)	15.82	9.85	-0.08	7.30	13.54	9.14
Value Added (+) / Lost (-)	2.62	-1.52	-5.29	2.87	3.40	0.22
Quartile Ranking <sup>(1)</sup>	1st	4th	4th	2nd	2nd	4th
Benchmark:	30% S&P/TSX Capped Composite Index + 15% S&P 500 Index + 15% MSCI EAFE Net Index + 35% DEX Universe Bond Index + 5% DEX 91-Day T-Bill Index					

### Annualized Performance – Relative Rankings <sup>(1)</sup> (ending December 31, 2013)

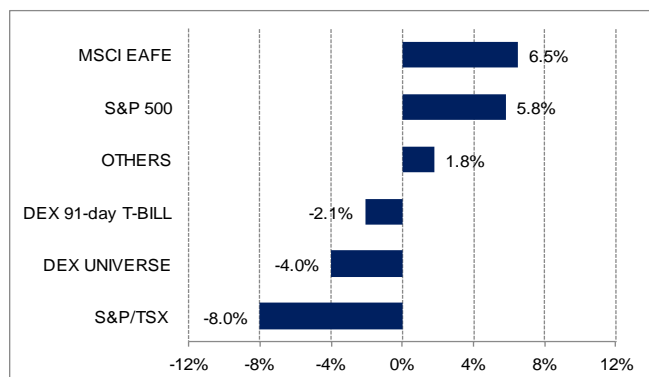
3 years	3 <sup>rd</sup>	Quartile
5 years	4 <sup>th</sup>	Quartile
7 years	4 <sup>th</sup>	Quartile
10 years	4 <sup>th</sup>	Quartile

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

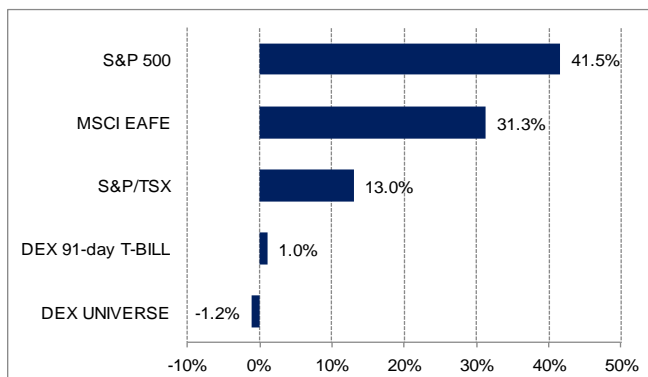
Downside Volatility	1.47%	2 <sup>nd</sup>	Quartile
Standard deviation	6.77%	2 <sup>nd</sup>	Quartile
Tracking error	1.87%	3 <sup>rd</sup>	Quartile
Information ratio	0.17	3 <sup>rd</sup>	Quartile
Beta	1.11	2 <sup>nd</sup>	Quartile

### 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.
- Asset allocation was the main driver of added value, primarily due to an overweight position in the outperforming global equity markets.
- Asset class performance also produced positive results, particularly within the Canadian equity market.
- Based on the 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 Canadian equity performance.
- Based on the MSCI World Style indices, Value stocks outperformed on average. Given the fund's Growth investment bias, its style had a negative impact on short-term global equity 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
<b>MSCI WORLD Outperforming Style</b>	Growth	Growth	Value	Growth	Value	Growth

## Long-Term Performance Analysis

- The fund has outperformed its benchmark in three of the past five years and has added value over a five-year annualized basis. This long-term performance ranks it in the fourth quartile when compared to its peers.
- Asset allocation was the main driver of added value over the long term.
- Asset class performance produced mixed results over the last five years.
- Based on the 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 Canadian equity performance.
- Based on the MSCI World Style indices, Growth stocks outperformed on average. Given the fund's Growth investment bias, its style had a positive impact on long-term global equity 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, the people who were involved in equity research and portfolio management roles in the MB Balanced Fund, and who have left the firm, are as follows:  
John Cushman – Equity Research: utilities, energy, telecom  
Kumar Stenger – Global Equity Growth, US Equities, Equity Research: industrials, information technology, financials  
Michael Hakes – Global Equity Growth, Equity Research: consumer discretionary, 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, US Equity  
Brian Dawson – Global Equity Core, US Equity  
Yoshiko Saba – Equity Research: consumer discretionary, information technology

## Quality & Choice Commentary

- Historically the Balanced Fund (MFS) was an active balanced mandate that focused on evaluating expected returns on the three broad asset classes (Canadian & global equities, fixed income, cash) where commitments to the various assets were made within specific ranges and based on long-term objectives. Though the fund was expected to add value across all asset classes, the majority of its added value was expected to come from security selection within the equity component. Emphasis was placed on earnings stability, strong management teams and sound balance sheets within their growth equity portfolios.

**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> Quartile rankings are based on the underlying fund's returns.

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