



**Manulife Fidelity ClearPath 2020 Portfolio**  
**Manulife Fidelity ClearPath™ Institutional 2020 Fund**  
**Fidelity Institutional Asset Management (FIAM)**

**December 31, 2016**

**Lead manager(s):** Andrew Dierdorf, Brett Sumsion **Investment style:** Target Date

**Investment objective:** Designed for investors planning to retire in or around 2020, the Fund's objective is to seek a high total investment return through investments in a combination of underlying funds, using an asset allocation strategy designed for investors expecting to retire around the target date.

**Last meeting date:** December 2016 **Next estimated meeting date:** Q4 2017

**Current rating:** **IN GOOD STANDING**

**Annual fund performance (%)**

	2012	2013	2014	2015	2016	5 yrs
<b>Manulife Fidelity ClearPath 2020 Portfolio</b>	9.50	13.82	10.81	6.29	5.91	9.22
Blend: Fidelity ClearPath 2020	7.73	9.81	9.50	3.06	7.89	7.57
Value added (+) / lost (-)	1.77	4.01	1.31	3.23	-1.99	1.65
Quartile ranking <sup>(1)</sup>	1st	1st	1st	2nd	2nd	1st
Benchmark:	15.2% S&P/TSX Capped Composite + 15.2% Russell 3000 + 22.8% MSCI EAFE + EM (Net) + 22.8% FTSE TMX Canadian Universe Bond + 0.3% FTSE TMX 91-day T-Bill					

**Short-term performance analysis**

- Over 2016, the Fund underperformed the blended benchmark and ranked in the second quartile of its peer group.
- The Fund also slightly underperformed its benchmark in the fourth quarter. The performance of several of the Fund's underlying allocations, including to the Emerging Markets, US Equities and Canadian equities each detracted for the time period. This detraction was offset by positive performance from the Fund's underweight allocation to Canadian investment grade fixed income. The Fund's overall dividend focus has aided performance when the value style is in favor in the markets.
- Asset class performance was the main detractor from the Fund's performance in 2016, particularly within the Canadian equity component of the Fund as the Fidelity Canadian Disciplined Equity and Fidelity Dividend Investment Trust had weaker relative performance. Security selection within the US equity and Emerging Market equity sleeves of the Fund also contributed to the Fund's underperformance.
- Over 2016, the Fund's off-benchmark allocation to high-yield bonds added value, and partially offset the underperformance as this was the strongest performing asset class on an absolute basis. The Fund's overweight allocation to Emerging Market securities also helped 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 period. These results ranked the Fund in the first quartile relative to peers.
- Asset class performance was the primary driver of added value over the long term.
- Asset allocation had a minimal impact on the performance as the Fund's allocation was in line with the blended benchmark.

## Significant corporate events

### Corporate

- Effective October 15<sup>th</sup> 2015, Fidelity combined its institutional distribution and client service resources from across the enterprise. This included Pyramis Global Advisors and Fidelity Financial Advisor Solutions, to form a single organization named Fidelity Institutional Asset Management ('FIAM').
- In October 2014, Pyramis Global Advisors (Pyramis) announced that Jeff Lagarce had been appointed as President. Mr. Lagarce succeeded Mike Jones who left the firm at the end of the year.

### Fund specific

- In mid-January 2016, the Fidelity ClearPath Portfolios underwent glidepath changes as a result of updates from the firm's ongoing research in participant/investor behaviour, risk capacity, and capital market assumptions. The changes that were made to the funds were: modifications to the glidepath, allowing the funds to invest in other types of securities such as exchange traded funds and certain derivatives, introducing an active asset allocation approach as well as an extension of the "roll down" period from the ClearPath® target retirement date into the ClearPath® income portfolio to approximately 20 years.
- Effective October 15<sup>th</sup> 2015, Fidelity combined Pyramis Global Advisors and Fidelity Financial Advisor Solutions, to form a single organization named Fidelity Institutional Asset Management ('FIAM'). This change will result in the change of fund names from ClearPath™ Institutional Fund (Pyramis) to ClearPath™ Institutional Fund (Fidelity). This change has no impact on the investment team, strategy or process for the funds.
- In January 2014, Pyramis Global Advisors (Pyramis) announced that Brett Sumsion had joined their Target Date Team as Co-Portfolio Manager effective January 21. Following the appointment of Mr. Sumsion, Chris Sharpe is no longer a Co-Portfolio Manager on the target date strategies.

## IMS commentary

- The Fund's expected target allocation to equities on its target date is 44%. The Fund is designed for investors who plan on maintaining their investment, or withdrawing their investment gradually, following their retirement at or around 2020.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- While there were corporate and fund specific events over the course of the past 18 months, they have not had a negative impact on the management of the Fund as the fund management team remains the same and the changes were communicated well in advance of the implementation date. The glidepath changes made better align the portfolios with research that was conducted regarding investor behavior, long-term capital market assumptions and the risk capacity of investors. The changes to the glidepath are not expected to be a frequent occurrence and these changes are similar to those that have taken place in Fidelity's target date fund competitors. Overall, there are no concerns regarding the changes to the glidepath. The firm and team remain stable and strong, and are well resourced by the Fidelity organization. The portfolio managers have many years of industry experience and have a large team supporting the process. Fidelity also has access to several strong in-house asset managers to populate the ClearPath portfolios.

**Conclusion:**

- Due to the fact that the Fund's asset allocation and performance are in line with expectations (given its target date profile), 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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