



Manulife Fidelity ClearPath Income Portfolio Fidelity Institutional Asset Management (FIAM)

December 31, 2016

Lead manager(s): Andrew Dierdorf, Brett Sumsion

Investment style: Target Date

Investment objective: The fund's objective is to deliver high current income, and as a secondary objective, capital appreciation through investments in a combination of underlying funds, using an asset allocation strategy designed for investors already in retirement.

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
Manulife Fidelity ClearPath Income Portfolio	7.16	9.44	8.11	4.91	3.05	6.51
Blend: Fidelity ClearPath Inc Pt	5.55	6.82	6.77	2.39	3.26	4.94
Value added (+) / lost (-)	1.62	2.63	1.34	2.52	-0.21	1.57

Benchmark: 5.3% S&P/TSX Capped Composite + 7.9% Russell 3000 + 7.9% MSCI EAFE + EM (Net) + 35.0% FTSE TMX Canadian Universe Bond + 43.8% FTSE TMX 91-day T-Bill

Short-term performance analysis

- In 2016 the Fund slightly underperformed its blended benchmark across 2016.
- 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 driver of added value for 2016, particularly within the Canadian equity component of the Fund, where all four underlying Canadian equity portfolios outperformed their benchmarks. Security selection within the US equity and Emerging market sleeves acted as a drag on performance.
- Asset allocation provided a negligible impact to performance overall.

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. Asset class performance was the primary driver of added value over the past five years.
- Asset allocation had a minimal impact on performance as the Fund's allocation was in line with the blended benchmark.

Significant corporate events

Corporate

- Effective October 15th, 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 15th, 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

- 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.

⁽¹⁾ Quartile rankings are based on the underlying fund's returns.

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