

# Investment Management Services



## Notice

**Fund Manager** BlackRock Asset Management

**Date** February 2016

### Notice

BlackRock Asset Management announced that they will be implementing changes to the glidepath of the BlackRock LifePath funds in the second quarter of 2016. These changes will result in a modest increase to equity and equity-like allocations for some of the longer-dated funds and the removal of the discrete allocation to long duration bonds from the portfolios.

### Products Affected

Manulife Blackrock LifePath Index Retirement Fund (GBRS)  
Manulife Blackrock LifePath Index 2020 Fund (GBRS)  
Manulife Blackrock LifePath Index 2025 Fund (GBRS)  
Manulife Blackrock LifePath Index 2030 Fund (GBRS)  
Manulife Blackrock LifePath Index 2035 Fund (GBRS)  
Manulife Blackrock LifePath Index 2040 Fund (GBRS)  
Manulife Blackrock LifePath Index 2045 Fund (GBRS)  
Manulife Blackrock LifePath Index 2050 Fund (GBRS)  
Manulife Blackrock LifePath Index 2055 Fund (GBRS)

### Impact

#### Investment Process

As a result of research conducted by BlackRock's Defined Contribution Research Team, BlackRock has announced that it will be adjusting the shape of the glidepath for its LifePath strategies.

Based on BlackRock's research, the manager hopes to better capture a broader set of participants' behaviours and preferences. The changes to the glidepath are due to changing demographics (longevity risk) as well as a desire for the manager to meet investor needs with more precision. This will lead to a modest increase in equity and equity-like allocations for some of the longer-dated funds and the removal of the discrete allocation to long duration bonds.

Under the current structure, the starting allocation of 100% in equity and equity-like holdings is reduced more quickly and moves to the final weight of 40% at the target retirement date. After the changes are implemented, the glidepath will maintain higher allocations to equity and equity-like holdings until 30-35 years from the target retirement date. Subsequently, the equity and equity-like holdings will be more aggressively reduced to reach the 40% weight at the target retirement date.

The manager will also be removing the discrete allocation to long duration bonds which is expected to decrease the strategies' sensitivities to interest rates. Given the more robust model that addresses longevity risk, fund management feels that there is no requirement to maintain a discrete long bond allocation.

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### Equity and equity-like holdings at Q1 2016:

LifePath Funds	Current Glidepath	Updated Glidepath	Difference in Allocation
Blackrock Canadian LifePath Index Retirement Fund I	40.0%	40.0%	0.0%
Blackrock Canadian LifePath 2020 Index Fund	51.9%	53.1%	1.2%
Blackrock Canadian LifePath 2025 Index Fund	62.8%	63.3%	0.5%
Blackrock Canadian LifePath 2030 Index Fund	70.8%	72.3%	1.5%
Blackrock Canadian LifePath 2035 Index Fund	78.6%	81.2%	2.6%
Blackrock Canadian LifePath 2040 Index Fund	86.4%	90.2%	3.8%
Blackrock Canadian LifePath 2045 Index Fund	92.8%	97.0%	4.2%
Blackrock Canadian LifePath 2050 Index Fund	98.7%	99.9%	1.2%
Canadian LifePath 2055 Index Fund	100.0%	100.0%	0.0%
Average equity and equity-like exposure across all LifePath Funds			1.7%

### Evolution of the fixed income allocation:

LifePath Funds	Current Glidepath		Updated Glidepath	
	Total Fixed Income Allocation	Fixed Income Duration	Total Fixed Income Allocation	Fixed Income Duration
Blackrock Canadian LifePath Index Retirement Fund I	60.0%	9.3	60.0%	8.8
Blackrock Canadian LifePath 2020 Index Fund	48.1%	13.4	46.9%	8.8
Blackrock Canadian LifePath 2025 Index Fund	37.2%	14.5	36.7%	8.8
Blackrock Canadian LifePath 2030 Index Fund	29.2%	14.3	27.7	8.8
Blackrock Canadian LifePath 2035 Index Fund	21.4%	14.3	18.8%	8.8
Blackrock Canadian LifePath 2040 Index Fund	13.6%	14.3	9.8%	8.8
Blackrock Canadian LifePath 2045 Index Fund	7.2%	14.3	3.0%	8.8
Blackrock Canadian LifePath 2050 Index Fund	1.3%	14.3	0.1%	8.8
Canadian LifePath 2055 Index Fund	0%		0%	

\*Above table is based on current and expected evolved glidepath allocation for Q1 2016

### Closing Remarks

IMS recently met with BlackRock's Head of Defined Contribution Research Matthew O'Hara who discussed the research that led to the changes in the model. There are no concerns with the proposed changes, the changes to the glidepath are not expected to be sizable and are backed by a prolonged research effort by fund management.

IMS remains comfortable with the organization and team in place. The Defined Contribution Team is comprised of eight experienced investment professionals who are supported by a large and deep team of experts. There are no immediate concerns with the announced changes to the glidepath of the LifePath Funds. IMS will continue to monitor the funds closely to determine how effective the enhanced modelling capabilities are for the funds going forward.

The manager expects to begin implementing changes to the portfolios in early Q2 of 2016, with the changes to be completed approximately by the end of the quarter.

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