

Investment Management Services



Notice

Fund Manager Fidelity Investments

Date December 2015

Notice

Fidelity has announced that the ClearPath Portfolios will undergo glidepath changes as a result of updates from Fidelity's ongoing research in participant/investor behaviour, risk capacity, and capital market assumptions.

The following changes will be made to the portfolios effective January 15, 2016:

- ❖ **Modifying the glide path**
- ❖ **Allowing the funds to invest in other types of securities such as exchange traded funds and certain derivatives**
- ❖ **Introducing an active asset allocation approach**
- ❖ **Extension of the "roll down" period from the ClearPath® target retirement date into the ClearPath® income portfolio to approximately 20 years**

One key difference of the modified glide path is that the Fund's asset mix will continue to become more conservative for approximately twenty years past the target retirement date as opposed to the previous glidepath which arrived at a static equity allocation ten years post-retirement date.

Products Affected

Manulife Fidelity ClearPath Income Portfolio (GBRS)
Manulife Fidelity ClearPath 2010 Portfolio (GBRS)
Manulife Fidelity ClearPath 2015 Portfolio (GBRS)
Manulife Fidelity ClearPath 2020 Portfolio (GBRS)
Manulife Fidelity ClearPath 2025 Portfolio (GBRS)
Manulife Fidelity ClearPath 2030 Portfolio (GBRS)

Manulife Fidelity ClearPath 2035 Portfolio (GBRS)
Manulife Fidelity ClearPath 2040 Portfolio (GBRS)
Manulife Fidelity ClearPath 2045 Portfolio (GBRS)
Manulife Fidelity ClearPath 2050 Portfolio (GBRS)
Manulife Fidelity ClearPath 2055 Portfolio (GBRS)

Impact

People, Investment Process and Philosophy

The portfolios will continue to be managed by the Global Asset Allocation team, led by Andrew Dierdorf and Brett Sumsion. The Fidelity ClearPath Retirement Portfolios will continue to invest in a combination of Fidelity equity, fixed-income and money market mutual funds. The goal of Fidelity's ClearPath Portfolios also remains the same: constructing a portfolio to help investors achieve retirement readiness by adjusting the asset allocation over time, in keeping with the investors' expected retirement date.

Fidelity will add an active asset allocation objective to the process. Asset classes within the fund had previously allowed a +/-10% allocation, Fidelity will now also allocate to additional out-of-benchmark asset classes going forward. These extended asset classes will include Emerging Market Debt, Floating Rate Debt, High Yield, Non-Canadian Investment Grade Debt, Real Estate and Other (ie. Commodity-related, credit, inflation-protected debt). The maximum out-of-benchmark allocation to these asset classes will be 25% in total with a maximum of 10% allocation to any individual out-of-benchmark asset class.

Compared to the current glidepath, the enhanced glidepath will have a more linear shape and have a higher equity allocation at earlier stages of the investor's time horizon. The portfolios will also have modifications to the sub-fund line-up, adding several new mandates in most of the asset classes. There will be a reduction in Canadian equities and an increase to U.S. Equities and EAFE + EM equities. There will also be changes to the asset allocation to Fixed Income and Cash when compared to the current glidepath.

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Closing Remarks

IMS met with Andrew Dierdorf as well as Matthew Jensen, Head of the GlidePath Research team in December to discuss the changes to the ClearPath portfolios that will occur in January 2016. These changes were communicated well in advance of the implementation and the changes are being made to better align the portfolios with the research that was conducted regarding investor behavior, long term capital market assumptions and risk capacity of investors. These 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 immediate 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 with. There are no major concerns, however with the addition of active asset allocation to the framework, IMS will need to monitor the portfolios closely to ascertain how the portfolios will adjust to the change in process as well as the addition of out-of-benchmark asset classes.

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Benchmark Target Weight Before Change: November 30, 2015

Portfolio	Equities			Fixed Income		Cash
	Canadian equities	US equities	International equities + EM	Canadian Fixed Income	Foreign Fixed Income	
Fidelity ClearPath Income Portfolio	14.47%	7.71%	8.15%	29.98%	4.90%	34.77%
Fidelity ClearPath 2005 Portfolio	14.44%	7.78%	8.20%	30.63%	4.92%	34.05%
Fidelity ClearPath 2010 Portfolio	13.83%	8.76%	9.20%	30.74%	5.17%	32.37%
Fidelity ClearPath 2015 Portfolio	17.36%	10.01%	10.49%	28.76%	5.42%	27.99%
Fidelity ClearPath 2020 Portfolio	21.96%	11.08%	11.65%	39.25%	5.67%	10.37%
Fidelity ClearPath 2025 Portfolio	28.07%	12.19%	12.92%	37.74%	5.85%	3.22%
Fidelity ClearPath 2030 Portfolio	36.22%	13.18%	14.19%	30.30%	6.11%	0.00%
Fidelity ClearPath 2035 Portfolio	41.30%	14.20%	15.38%	22.87%	6.25%	0.00%
Fidelity ClearPath 2040 Portfolio	48.33%	15.29%	16.56%	13.29%	6.54%	0.00%
Fidelity ClearPath 2045 Portfolio	50.07%	15.34%	16.65%	11.18%	6.78%	0.00%
Fidelity ClearPath 2050 Portfolio	52.63%	15.10%	16.69%	8.46%	7.09%	0.00%
Fidelity ClearPath 2055 Portfolio	53.24%	15.11%	16.72%	7.57%	7.33%	0.00%

Source: Fidelity; Retirement Date Benchmark

Benchmark Target Weight After Change: January 15, 2016

Portfolio	Equities			Fixed Income	
	Canadian equities	US equities	International equities + EM	Canadian Fixed Income	Cash
Fidelity ClearPath Income Portfolio	5.30%	7.90%	7.90%	35.00%	43.80%
Fidelity ClearPath 2005 Portfolio	8.70%	13.00%	13.00%	46.00%	19.20%
Fidelity ClearPath 2010 Portfolio	11.40%	17.10%	17.10%	41.00%	13.50%
Fidelity ClearPath 2015 Portfolio	14.00%	21.00%	21.00%	36.00%	7.90%
Fidelity ClearPath 2020 Portfolio	15.50%	23.30%	23.30%	38.00%	0.00%
Fidelity ClearPath 2025 Portfolio	17.00%	25.50%	25.50%	31.90%	0.00%
Fidelity ClearPath 2030 Portfolio	19.40%	29.00%	29.00%	22.60%	0.00%
Fidelity ClearPath 2035 Portfolio	23.00%	34.50%	34.50%	7.90%	0.00%
Fidelity ClearPath 2040 Portfolio	23.00%	34.50%	34.50%	7.90%	0.00%
Fidelity ClearPath 2045 Portfolio	23.00%	34.50%	34.50%	7.90%	0.00%
Fidelity ClearPath 2050 Portfolio	23.00%	34.50%	34.50%	7.90%	0.00%
Fidelity ClearPath 2055 Portfolio	23.00%	34.50%	34.50%	7.90%	0.00%

Source: Fidelity; Retirement Date Benchmark

Portfolio	11/30/2015			1/15/2016		
	Equity weight	Canadian Fixed Income Weight	Short Term Weight	Equity weight	Canadian Fixed Income Weight	Short Term Weight
Fidelity ClearPath Income Portfolio	30.34%	29.98%	34.77%	21.20%	35.00%	43.80%
Fidelity ClearPath 2005 Portfolio	30.42%	30.63%	34.05%	34.80%	46.00%	19.20%
Fidelity ClearPath 2010 Portfolio	31.78%	30.74%	32.37%	45.50%	41.00%	13.50%
Fidelity ClearPath 2015 Portfolio	37.86%	28.76%	27.99%	56.10%	36.00%	7.90%
Fidelity ClearPath 2020 Portfolio	44.69%	39.25%	10.37%	62.00%	38.00%	0.00%
Fidelity ClearPath 2025 Portfolio	53.18%	37.74%	3.22%	68.10%	31.90%	0.00%
Fidelity ClearPath 2030 Portfolio	63.59%	30.30%	0.00%	77.40%	22.60%	0.00%
Fidelity ClearPath 2035 Portfolio	70.88%	22.87%	0.00%	92.10%	7.90%	0.00%
Fidelity ClearPath 2040 Portfolio	80.18%	13.29%	0.00%	92.10%	7.90%	0.00%
Fidelity ClearPath 2045 Portfolio	82.06%	11.18%	0.00%	92.10%	7.90%	0.00%
Fidelity ClearPath 2050 Portfolio	84.41%	8.46%	0.00%	92.10%	7.90%	0.00%
Fidelity ClearPath 2055 Portfolio	85.08%	7.57%	0.00%	92.10%	7.90%	0.00%

Source: Fidelity; Retirement Date Benchmark

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