

Investment Management Services



Alert

Fund Manager Invesco

Date November 2015

Alert

Due to continuing concerns related to the investment process and performance of the Manulife Trimark Canadian Fund and Invesco Select Canadian Funds, IMS is recommending that these Funds be placed 'on-Watch'. The Fund is also included as a sub-fund within the Standard Life Ideal Select Portfolios on the Segregated Fund platform.

Products Affected

Manulife Trimark Canadian (GRS, IIC, SL Seg)

Manulife Invesco Select Canadian (IIC)

Impact

Organization & People:

The Trimark Canadian and Invesco Select Canadian Funds are managed by Ian Hardacre who has been with the firm since 1997 and head of Canadian Equities within Trimark since 2011. Hardacre has been the lead manager utilizing this strategy since 1999. Some key man risk exists with fund management due to Hardacre's relatively distinct approach.

Investment Process & Philosophy:

The funds have consistently been managed with a 'go-anywhere', value, contrarian, benchmark agnostic approach to focused Canadian equity investing. This philosophy has led to large positioning to foreign and small cap stocks, which have contributed to a volatile return profile.

The funds are expected to maintain these allocations over time and significant deviations in returns from the benchmark are also to be expected. Investors must be comfortable with the potential for significant short-term underperformance as well as the fact that this portfolio will not be composed purely of large-cap Canadian equities similar to other active Canadian equity options on the platform, due to Fund management's willingness to allocate to these foreign and small cap positions.

Performance:

The funds have experienced disappointing performance while maintaining a much riskier profile than the benchmark over the 1-year and 3-year annualized periods ending September 30, 2015. The funds have also struggled with low peer rankings over the same trailing periods. The elevated tracking error and contrarian approach have led to strong relative performance in the past, although this has been balanced by periods such as 2007, 2010, 2014 and year-to-date in 2015 where the funds have significantly underperformed. These issues with performance had resulted in the fund being previously placed on-Watch, from Q4 of 2007 until Q2 of 2010.

Closing Remarks

As a result of on-going concerns identified with the investment process and performance of the funds, IMS is recommending that the Manulife Trimark Canadian and Invesco Select Canadian funds be placed 'on-Watch'. IMS has met with fund management recently and will continue to actively monitor the funds closely and on an ongoing basis.

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