

Investment Management Services



Notice

Fund Manager

Leith Wheeler Investment Counsel Ltd.

Date October 2015

Notice

Leith Wheeler Investment Counsel announced that the U.S. equity component of the Leith Wheeler Diversified Fund that is currently sub-advised by Sprucegrove Investment Management, will be transitioned to manager Barrow, Hanley, Mewhinney & Strauss (Barrow Hanley) in January 2016. The International equity component will continue to be sub-advised by Sprucegrove Investment Management.

Products Affected

Manulife Leith Wheeler Diversified Fund (GRS)

Impact

People & Process

Sprucegrove employs a bottom-up fundamental research and value style approach to the management of all of its funds. In September 2015, Sprucegrove announced that Portfolio Manager and Research Director Alanna Marshall Lizzola was departing the firm for personal reasons. Ms. Marshall Lizzola was the second key personnel departure at the firm within the last year.

Former Co-President, Director, and Co-Lead PM Peter Ellement, had departed the firm in August 2014. Given our concerns regarding management turnover and the magnitude of underperformance in recent periods, the Sprucegrove International Equity Fund was placed under Increased Scrutiny.

Barrow Hanley has been managing assets since 1979 and currently manages approximately C\$100 billion in equity assets. Similar to its predecessor, Barrow Hanley applies a bottom-up fundamental research process to its value investment philosophy. The fund will be supported by a 27-member equity investment team that has over 20 years of average experience.

Final decisions will be made by lead portfolio Manager Mark Giambrone with the aid of assistant portfolio manager Michael Nayfa, CFA and Terry Pelzel, CFA and the equity analyst team.

Closing Remarks

After a comprehensive review of both the U.S. and International equity components, Leith Wheeler concluded that Barrow Hanley was the better alternative in the management of U.S. equities while it remained comfortable with Sprucegrove's long term record in International equities.

As would be expected given Leith Wheeler's value approach to equity investing, Barrow Hanley has also displayed a value process, similar to that of Sprucegrove historically. IMS will be monitoring how this addition changes the overall Leith Wheeler Diversified portfolio, will be meeting with the Barrow Hanley team in the near future and will continue to closely monitor developments within both Leith Wheeler and Sprucegrove going forward.

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