

Investment Management Services



Alert

Fund Manager Standard Life Investments Inc.

Date December 2016

Alert

Following Standard Life Investment's ('SLI') announcement that Stephen Weeple, Portfolio Manager of the Manulife Global Equity Unconstrained Fund (SLI), has left Standard Life Investments, IMS is recommending that the Manulife Global Equity Unconstrained and SLI International Equity Funds be placed on-Watch. IMS has downgraded the Global Dividend Fund to Increased Scrutiny.

Products Affected

Manulife Global Equity Unconstrained Fund (SLI) (MMF, GBRS, SL Seg)

Manulife SLI International Equity Fund (SLI) (GBRS, SL Seg)

Manulife Global Dividend Growth Fund (SLI) (MMF, GBRS, SL Seg)

Impact

People

Significant concerns exist with Stephen Weeple's departure from the SLI Global Equity Team. In his role as Portfolio Manager for the Global Equity Unconstrained Fund and as Director of Equity Research, Mr. Weeple had a large impact on the process and portfolio positioning for the team's mandates, most closely, although not limited to, the Global Equity Unconstrained Fund. This loss of expertise and experience will require close monitoring to ascertain how the process and positioning of the Global Equity Team's mandates will be impacted going forward.

Mr. Weeple's Portfolio Manager role for the Global Unconstrained Equity strategy has been immediately assumed by Jaime Ramos Martin, who had been an investment director in SLI's US Equity Team. Mr. Martin has a total of 10-years tenure at SLI and rejoined the firm in 2015 following a one-year departure, during which time he managed global equities at a competitor. His research responsibilities in the US Equity Team covered the insurance and medical technology sectors; previously, he had held various portfolio management roles within SLI, including managing the SLI European Equity Growth Fund.

Within the Global Equity Team, Mr. Martin's main focus will be on the Global Equity Unconstrained strategy.

Mikhail Zverev, Head of the SLI Global Equity Team, will continue to lead the six-member team. Kevin Troup, Portfolio Manager for the International Equity Fund and MMF Global Dividend Fund, will continue to be the Lead PM of these two strategies.

Investment Process

In our discussion with SLI with regards to the portfolio manager turnover, it was reiterated that the Global Equity Team will continue to apply a team approach through an active debate and review

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process in managing their various strategies. Concerns had existed with the application of the team's process in regard to taking unrecognized and elevated factor risk exposures. These issues have resulted in significant underperformance within the mandates in 2016. This recent, significant senior management turnover elevates the uncertainty as to how the process will be applied going forward. Close monitoring is required.

Closing Remarks

Current Fund Ratings

In the third quarter of 2016, IMS had downgraded the SLI Global Unconstrained Equity Fund and SLI International Equity Funds to Increased Scrutiny due to the process and performance concerns mentioned.

IMS has been closely monitoring these two Funds in regard to their performance, portfolio holdings and recent transactions. We are also closely monitoring the SLI Global Dividend Fund, which is managed by the same team with the same investment philosophy but applies a dividend-focused approach.

Fund Rating Change

Previously, our concerns were primarily centered around the near-term underperformance and the portfolios' elevated risk exposures to various macro factors such as the the Brexit referendum. Our downgrade also reflected our concern that the previously articulated fundamental bottom-up process was not being followed. The ratings downgrade in Q3 reflected these concerns.

However, with Stephen Weeple's sudden departure, our concerns with the Global Equity Unconstrained and International Equity Fund have been elevated. Concerns now exist regarding the Global Equity team's stability and more significantly, the team's ability to apply a consistent investment process that can add value and effectively control risks at both the portfolio and security level. IMS has recommended the ratings of both funds be downgraded to on-Watch.

In addition, IMS has downgraded the rating of the Global Dividend Fund to Increased Scrutiny due to the prevailing concerns with the team and the process. The concerns with this Fund are somewhat mitigated as the Fund's dividend-focused strategy leads the portfolio to being constructed with a differing risk profile resulting in a positioning base that has not significantly detracted from Fund performance to the same degree. In addition, lead manager Kevin Troup, remains at the head of the mandate, although overall team stability is still being closely monitored.

IMS will be closely monitoring all mandates managed by SLI's Global Equity Team and will communicate should further concerns arise.

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