



i-Watch Rating System:

Date August 21, 2024

Fund Manager Franklin Templeton

i-Watch Status ● **In Good Standing**

- No concern(s)
- Moderate concern(s) requiring frequent and close monitoring
- Serious concern(s) that require a full review and may lead to removal from the fund platform

Product affected

Manulife Franklin LifeSmart Sustainable Funds

Summary

- 1 The i-Watch rating of the Manulife Franklin LifeSmart™ Sustainable Funds (the Funds) has been upgraded to In Good Standing
- 2 All concerns arising from the changes made to the Funds in March 2022 have been addressed

Commentary

The Funds were originally placed on Global Manager Research's (GMR) Closely Monitored List (CML) in 2019 due to the departure of a portfolio manager. By the beginning of 2022, all concerns arising from this team turnover had been addressed. This timing coincided with significant changes being made to the Funds. At that time, it was decided to keep the Funds on the CML and closely monitor the impact of these changes.

In March 2022, the Funds made substantive changes to the glidepath of the Funds. First, the allocation to equities increased over most of the glidepath (how the allocation to equities changes over time) and second, the equity landing point (the age at which the allocation to equities reaches its final weight) was moved from age 65 to age 71. GMR had no significant concerns about these changes as they were supported by detailed research.

Concurrent to the glidepath changes, the Funds transitioned to a sustainable investment approach and moved to investing primarily in funds that had significant integration of environmental, social and governance factors in their investment process. This transition resulted in a significant turnover in the underlying funds.

Impact

As a result of the transition to a sustainable investment mandate, the Funds experienced a turnover of 75 – 85% in each fund. There was concern that this degree of turnover could negatively impact the risk and return characteristics of the Funds. Performance of the Funds,

pre- and post-changes, has been monitored closely and GMR has met with the investment team regularly. In general, the Funds benefited from the increase in the equity allocations, but the transition to sustainable strategies had a slightly negative impact on returns while reducing volatility. Overall, the impact to the risk and return characteristics of the Funds was not significant and the risk-adjusted returns of the Funds in the two years since the changes were implemented are relatively unchanged compared to if the changes had not been implemented.

Closing Remarks

While GMR had no significant concerns with the changes to the glidepath of the Funds, the transition to a sustainable investment objective required close monitoring. After two years, analysis of the performance has shown relatively little impact on risk-adjusted returns from the new investment mandate. As a result, GMR is comfortable removing the Funds from the CML and upgrading the rating of the Funds to In Good Standing.



The Manufacturers Life Insurance Company (Manulife)

Group Retirement products and services are offered through The Manufacturers Life Insurance Company (Manulife). Manulife, Manulife & Stylized M Design, and Stylized M Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license. The i-Watch® Alert and i-Watch® Notice are Manulife Global Manager Research ('GMR') publications. The information contained herein is neither all-inclusive nor guaranteed by GMR and is subject to change as market and other conditions warrant.

© 2024 The Manufacturers Life Insurance Company. All rights reserved. Accessible formats and communication supports are available upon request. Visit [Manulife.ca/accessibility](https://www.manulife.ca/accessibility) for more information. Manulife, PO Box 396, Waterloo, ON N2J 4A9.