



Managing the managers

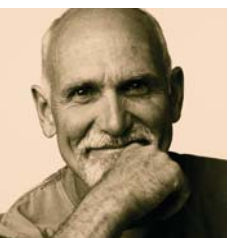
The benefits of a fund manager selection and monitoring process

If you've ever flipped through the newspaper pages that list mutual fund prices, you have a sense of the bewildering number of investment choices available to Canadians. In fact, there are more than 3,000 mutual funds on the market in this country today – and that begs the question: how can you select, monitor and ensure the quality of the funds and fund managers with whom you invest? Fortunately, Manulife has developed an Investment Watch program (i-Watch™), a fund manager selection and monitoring process that provides you with comfort in knowing unbiased professionals are indeed managing the managers.

THE EVOLVING MUTUAL FUND INDUSTRY

In order to understand i-Watch, let's look at why it's necessary. The 1980s were characterized by a few large money management firms, each offering retail investors a small number of investment funds managed by an in-house team. This model made it easy to select investments, but limited the range of available choices.

As the industry grew, mutual fund companies began to offer more investment options. This trend accelerated rapidly through the 1990s as the bull market attracted large inflows of new capital. Fund companies began turning to external managers and asset management firms from around the globe to acquire additional expertise. As the markets continued to grow, investors became even more enthusiastic about mutual fund investing, which in turn fueled the demand for more funds.





As the 1990s drew to a close, stock markets started to flutter and people became disillusioned about the investment environment. This had some implications for mutual fund investors. First, investors experienced losses – something new given the technology boom of the late 1990s. This, coupled with the stress of corporate governance scandals, as well as political and economic uncertainty, changed the way investors viewed the markets.

Today, the demand for well-run funds that stick to their investment mandates is high, as are the number of investment options. So how do you cut through the clutter and choose an investment option that is right for you?

That's where i-Watch comes in. i-Watch was designed to be comparable to programs used by Canada's top investment consulting firms for large institutional investors, and is applied to every investment fund that Manulife Investments provides. Basically, i-Watch helps our investors by providing the best possible investment choices and ensures they stay that way.

THE I-WATCH METHOD

i-Watch enlists the expertise of an unbiased team of analysts and industry professionals whose credentials mirror those found within the industry's most respected investment consulting firms. These experts look at both quantitative factors (the hard numbers) and qualitative factors (more subjective qualities) to evaluate a prospective manager.

Quantitative characteristics account for one-third of the i-Watch selection process and include a fund's performance relative to its benchmark, as well as its annual returns. The fund's volatility is also an important consideration, as it is critical to uncover the amount of risk the manager has taken to achieve past returns. Since Manulife believes that qualitative characteristics are a better indicator of the long-term viability of an investment fund than past performance, the i-Watch process allocates two-thirds of its decision-making process to factors such as the stability of the organization, the depth of experience of the managers, and the consistency of the investment process.

Examining both quantitative and qualitative criteria enables the i-Watch analysts to identify style-consistent managers who have produced returns in excess of their benchmarks while maintaining attractive risk profiles. In the objective opinion of the i-Watch experts, these are the very best managers in each asset class. This is the i-Watch advantage.

Once the i-Watch process identifies an investment manager, and they are selected for a particular fund, the second component of i-Watch begins, the monitoring of funds for Manulife Financial. Reviews consist of meeting with each of the fund managers in person and conducting a comprehensive analysis of the evolving characteristics of the fund over time. If a fund does not live up to its mandate, the i-Watch team works with the fund manager to address specific concerns. If these additional steps fail to match





expectations, the fund manager is replaced, or the fund is closed to new investments – whichever action is in the best interest of the investor.

BENEFITS TO INVESTORS

For investment fund unit holders, there are some obvious benefits to having a systematic process like i-Watch overseeing their investments. When you choose a fund that has been selected by i-Watch, you can feel confident that you are picking the cream of the crop, and that your investment choice will be monitored over time to make sure it remains appropriate.

Secondly, i-Watch is an important part of your advisor's due diligence process. Through an exclusive Web site, your advisor can track your investments online to make sure the managers overseeing your funds continue to perform the way they should.

In the end, you benefit from two levels of fund supervision – from i-Watch to make sure your managers stay on track, and from your advisor to make sure every fund you choose takes you one step closer to meeting your specific financial objectives.

EXCLUSIVE TO MANULIFE INVESTMENTS

Services like i-Watch are not generally available to the average Canadian retail investor. However, investors can access this service through Manulife Investments. In fact, every fund made available through Manulife Financial is backed by the i-Watch process – which makes it that much easier to decide where to invest your hard-earned savings this RRSP season.

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