



i-Watch rating system:

Date 5/31/2024

Fund manager Jarislowsky Fraser

i-Watch status ● **Increased Scrutiny**

- 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(s) affected

Manulife Jarislowsky Fraser Canadian Equity Fund (7241/ 7242)
Manulife Jarislowsky Fraser Balanced Fund (5241/ 5242)
Manulife Multi-Manager Canadian Large Cap Growth Fund (7012)

Summary

- 1 Portfolio management change: Co-portfolio manager (PM) Bernard Gauthier is retiring effective May 31, 2024.
- 2 No immediate impact on day-to-day management of the funds is expected, however Gauthier's departure represents a significant loss of experience for the team.
- 3 The Jarislowsky Fraser (JF) funds are downgraded from In Good Standing to Increased Scrutiny. The Multi-Manager Canadian Large Cap Growth Fund maintains its Increased Scrutiny rating, having been downgraded already earlier this year.

Commentary

On March 20, 2024, JF announced that Bernard Gauthier, a long-tenured Co-PM for the JF Canadian Equity strategy (the Fund), is retiring from the firm, effective May 31, 2024. Mr. Gauthier has co-managed the Fund with Co-PM Charles Nadim since 2013, and he is also a member of JF's Investment Strategy Committee (ISC).

Following Mr. Gauthier's retirement, his Co-PM role for the Fund and seat on the ISC will not be replaced. Going forward, Mr. Nadim will be the sole PM for the Fund, and the ISC will be comprised of five members and continue to act as the central governance body to ensure all investment strategies adhere to JF's investment criteria.

Impact

The JF Canadian Equities Team (the Team) had historically been stable but there were several changes over the past few years. Following the departure of a long-tenured senior analyst in 2021 due to illness, the Team added senior analyst Colin McPherson and analyst Jenny Yan and promoted senior analyst Drew Callander to an Associate PM role in 2022. In 2023, senior analyst Derrick Gut was transferred to the Global Equities Team to assume more responsibilities while retaining research coverage for selected Canadian names.

Amid the team changes, there are clear indications that the Team has been preparing for Mr. Gauthier's succession, particularly with the addition of Mr. McPherson, who brought 17 years of investment experiences including both fundamental research and portfolio management. Over the past year, Mr. McPherson has gradually assumed more research responsibilities, including the Financials sector which had been Mr. Gauthier's primary research coverage during his 15-year tenure within JF.

Concurrent to Mr. Gauthier's retirement announcement, JF also appointed Mr. McPherson to an Associate PM role, and together with Mr. Callander, they will provide support to Mr. Nadim in his day-to-day portfolio management activities for the Fund.

Following Mr. Gauthier's retirement, the Team will be comprised of five dedicated members averaging 16 years of investment experience, and they will continue to work within the broader Equity Investment Team that is comprised of 30+ members.

Closing remarks

Given the multiple team changes, Global Manager Research (GMR) has closely monitored the Team's overall resources over the past two years. Despite the short notice, we do not expect Mr. Gauthier's retirement to have an immediate impact on the day-to-day management of the Fund, primarily due to Mr. Nadim's long PM tenure and JF's team-based decision-making process.

However, Mr. Gauthier's retirement represents a significant loss of experience and expertise for both the Team and the firm, and as a result, closely monitoring is required to ensure JF maintains sufficient depth at both the Team and the ISC levels that allows them to continue to manage the Fund with a consistent investment process and to conduct their governance process with a robust team approach.

The rating of the affected funds was downgraded to Increased Scrutiny, and they were added to GMR's Closely Monitored List (CML).



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