

# McLean Budden and MFS look forward

## TWO STRONG LEGACIES JOIN FORCES

We are pleased to announce that on November 8, 2011, McLean Budden became a subsidiary of MFS Investment Management® when the transaction closed between the two companies.

- McLean Budden and MFS are part of the Sun Life Financial family of companies, which proudly serves clients across Canada and around the world.
- The organization gives clients access to MFS' global research platform with its team of analysts and portfolio managers stationed in Boston, London, Mexico City, Singapore, Sydney, Tokyo, and now Toronto, with the integrated MFS and McLean Budden teams.
- The number of investment solutions will increase for all clients with the new organization.

**Committed to clients since 1947.** We want to reaffirm our commitment to all of the clients who have worked with us through the years — retirement plans, foundations and endowments, and private wealth clients.

- We remain focused on these areas, and it is our goal to continue providing the investment solutions, service, and support all clients have come to expect.
- Our headquarters will remain in Toronto. We will continue to have offices in Montreal and Vancouver, where current leadership is the same.

**Firm leadership.** Our new name will be **MFS McLean Budden**, incorporating the proud legacy of McLean Budden in Canada alongside MFS. Over time clients will begin to see the new name in client information and in the marketplace.

- The new Chairman and CEO of MFS McLean Budden is 21-year MFS veteran Martin E. Beaulieu, who is based in Toronto. Roger J. Beauchemin, who previously led McLean Budden, has left the firm for other opportunities. We thank him for his many contributions and wish him the best.

**Retaining talent.** Since the transaction was announced in late September, teams from MFS and McLean Budden have been working together to ensure a smooth transition for clients.

- The operations, client reporting, and other administrative areas of MFS McLean Budden will continue to run as before, with no changes to staff. A retention plan has been implemented to help ensure continuity of the talented individuals who support these areas.
- Key McLean Budden investment personnel and other senior leaders will participate in the normal course of MFS equity offerings starting in 2012.
  - Under the MFS Equity Plan, approximately 22% of MFS' common stock is available for investment professionals, senior management, and other key employees' ownership, with the remaining portion owned by MFS' parent company, Sun Life Financial.
- Due to the consolidation of our investment platforms, some analysts and portfolio managers will be leaving to pursue other opportunities. We appreciate their contributions and wish them well.

## MFS: A GLOBAL ASSET MANAGER WITH A RICH HISTORY

MFS Investment Management has been managing investor assets since 1924, when the firm established the first mutual fund in the United States, Massachusetts Investors Trust. Today the firm manages \$208 billion worth of assets (as of September 30, 2011) for individuals and institutions around the world.

## A GLOBAL INVESTMENT TEAM CONDUCTING BOTTOM-UP SECURITIES ANALYSIS

MFS' investment process encompasses four key principles: bottom-up, global, collaborative, and risk managed.

### MFS' investment team (159 total investment professionals)

Portfolio managers	Equity analysts	Fixed-income analysts	Quantitative analysts	Traders
50	52	25	10	22

**Bottom up.** Our ideas begin with detailed, fundamental analysis of individual companies because we believe the earnings of companies and the performance of individual securities, not top-down macroeconomic trends, are what drive market returns over the long term.

- In assessing companies, fundamental analysts evaluate a broad range of factors that include financial strength, quality of the management team, competitive positioning, market share, and growth prospects. The fundamental analysts assign a “buy,” “sell,” or “hold” rating to every company they follow.
- At the security level, our quantitative analysts also take a bottom-up approach, evaluating more than 5,000 global securities daily. They assess companies according to 27 customized factors such as a company's valuation, price momentum, and earnings quality.

**Global.** Our analysts are stationed in seven major financial centers around the world — working as one integrated team.

- Each analyst works on global sector teams, so they can compare ideas and insights with analysts who cover companies in similar industries around the world.

**Collaborative.** We believe ideas get better when they are carefully vetted and challenged by teams with both similar and different insights and perspectives.

- Each global sector team meets weekly so the analysts can discuss their insights on companies.
- There is a monetary incentive to be effective team players, and every member of the investment team is evaluated for how much they contribute to the team.

**Risk managed.** Risk management is intrinsic to our entire investment process and is the responsibility of every member of the investment team.

- With every security recommendation and decision, our analysts and portfolio managers weigh whether the amount of risk being undertaken is appropriate for the return that can potentially be generated.
- For every portfolio, the quantitative team generates a comparative risk report and quarterly risk change report. Any significant changes in a portfolio's risk are reviewed jointly by the Investment Management Committee and the portfolio management team.
- On a semiannual basis, each portfolio management team meets with the Investment Management Committee to conduct an in-depth review and discuss any significant risk exposures in the portfolio.

## INTEGRATION OF MCLEAN BUDDEN INVESTMENT STAFF

- McLean Budden analysts who cover the financial services, basic materials, energy, retail, and consumer sectors will remain at MFS McLean Budden.
- MFS already covers approximately one-third of the Toronto Stock Exchange (TSX) index companies, and the two organizations combined will have extensive coverage of the market.

- Given MFS' extensive coverage of other regions of the world, Toronto-based analysts will now dedicate 100% of their time to covering Canadian companies.
  - They will participate in the MFS global sector teams as key contributors to the global investment process.
- Analysts will see a significant increase in the resources available to them from the MFS fixed-income research and quantitative research teams as well as the current McLean Budden fixed-income team. The additional perspective of credit analysts provides a comprehensive view of companies across their capital structures. The quantitative analysts deliver additional data on various investment and risk metrics.
  - Our analysts will have access to MFS' information technology tools and its online investment research notes system, improving their efficiency and allowing them to cover the Canadian market with more depth and breadth.
  - We will be able to move beyond the large-capitalization companies and delve deeper into small- and mid-capitalization Canadian stocks, thereby broadening the opportunity set for investors.
- Analysts' performance, in terms of their recommendations, will be measured over a rolling three-year period, consistent with MFS' system. They will receive a semiannual scorecard containing objective information on performance attribution across all client portfolios.
  - They will also participate in a 360-degree peer review that will evaluate their processes, teamwork, and communication, as do all analysts at MFS.

We expect to have our McLean Budden equity analyst team fully integrated into the MFS global research platform by the end of the second quarter of 2012. The fixed-income teams, both in Boston and Toronto, will be fully integrated into the global research platform. The fixed-income portfolios will continue to be managed using an active, diversified strategy with a disciplined risk-controlled regimen.

## **A GLOBAL PORTFOLIO MANAGEMENT PROCESS**

We will focus on the wishes of clients, on developing portfolio management teams, and on enhancing Canadian research.

- MFS expects to apply its global philosophy on portfolio construction and risk management to the Canadian and non-Canadian portfolios.
  - The process will be evolutionary and done in consultation with clients.
  - The overarching goal will be for each portfolio to consistently outperform its benchmark and peer group on a rolling three-year basis.
- The equity research process will be driven by bottom-up fundamental analysis with input from the quantitative and fixed-income teams.
  - The primary driver of performance will be security selection, with less emphasis on sector and geographic weightings. Portfolios generally will be well diversified and will target tracking errors relative to their benchmarks between 2% to 6%, although that may vary based on specific client requests.

## **CANADIAN EQUITY PORTFOLIOS**

### **Canadian Growth**

- Bruce Murray will continue managing the portfolio with the addition of Nicole Zatlyn. Nicole is a portfolio manager of Massachusetts Investors Trust and has been with MFS since 2001. We believe a two-person portfolio management team is a very effective model, allowing for different viewpoints on each decision, as well as allowing for more contacts with the analysts and enabling the portfolio managers to cover more ground in meeting companies in the local market.
- Jean-Philippe Bry will enhance his role by being added to the team as an institutional portfolio manager, working with the investment team and representing the portfolio to clients.

- The Canadian Growth product will continue to use the TSX as its benchmark. In addition, MFS will source or develop a more-growth-leaning benchmark that will be used to ensure style discipline and proper risk budgeting in portfolio construction. The portfolio will remain relatively concentrated, with a range of 35 to 50 securities. The portfolio also will likely have a relatively high tracking error versus the TSX (4%–10%) and a slightly lower tracking error versus a customized growth benchmark (3%–8%).
- Going forward, a larger proportion of the portfolio performance will be driven by stock selection, which will be accomplished by reorganizing the research team so that dedicated Canadian analysts in Toronto can expand the universe of Canadian stocks they cover. They will have additional support from analysts in Boston who will also cover Canadian stocks. Combined, the number of Canadian stocks covered will more than double. This change will produce more investment ideas in the small- and mid-cap range and will also result in more ideas with conviction in the large-cap range.
- Benchmark overweights and underweights will be monitored to ensure they are not the primary driver of tracking error in the portfolio. Our objective will be to provide more predictable and consistent investment performance.

#### Canadian Value

- Susan Shuter will continue managing the portfolio, and Jeffrey Morrison will be added to the team, relocating to Toronto. Jeffrey is an Institutional Portfolio Manager and has been with MFS since 2006. A secondary benchmark will be developed for Canadian Value to ensure style discipline. The Canadian Value portfolio will likely have characteristics similar to Canadian Growth in terms of concentration, tracking error, and active share. We will use a similar strategy to ensure stock selection is the primary driver of performance. The Canadian Value team will source ideas from the global research platform in the same way the growth team will.

#### Canadian Core

- The Canadian Core portfolio will continue to be a 50/50 blend of the Canadian Value and Growth portfolios. There will be no change to the current portfolio construction process.
- The managers of Canadian Growth (Bruce Murray, Nicole Zatlyn, and Jean-Philippe Bry) and Canadian Value (Susan Shuter and Jeffrey Morrison) will work together to manage this portfolio.

### CONSOLIDATION OF MCLEAN BUDDEN NON-CANADIAN PORTFOLIOS

Based on MFS' extensive global experience, we believe the McLean Budden portfolios listed in the left column below most closely align with the MFS counterparts listed in the right column. Portfolio models will be transitioned to the global, international, and U.S. platforms in an efficient manner.

McLean Budden	MFS	Portfolio managers
Global Growth	Global Growth	David Antonelli, Jeffrey Constantino
Global Value	Global Value	Barnaby Wiener, Benjamin Stone, Steven Gorham, Nevin Chitkara
Global Equity	Global Research or Global Growth (depending on characteristics of mandate)	MFS Global analyst team (for Global Research) Antonelli/Constantino (for Global Growth)
U.S. Equity	Core Equity	Kevin Beatty, Nicole Zatlyn
International Equity	International Equity	Marcus Smith, Daniel Ling

**We look forward to bringing to clients the strength of our global research platform, along with a broader array of investment solutions. We wish to thank you for your business and your continued confidence in MFS McLean Budden. To learn more, visit [mfs.com](http://mfs.com) and [mcleanbudden.com](http://mcleanbudden.com).**