



Craig Senyk

Director & Portfolio Manager

Mawer Investment Management Ltd.

Derek Saliba: Tell us about the Manulife Diversified Investment Fund.

Craig Senyk: Well, Derek, the roots of Mawer Investment Management go back 37 years managing private client money and our private clients have been telling us over the last 37 years two things: Don't lose any money and don't pay too much in taxes. So the purpose of this fund is preserve capital tax effectively. We do this by investing in each of the other Moore asset classes, in the individual securities in Canadian equities, US equities, international and small cap, and in fixed income along with cash. And at the end, we apply a tax overlay strategy that helps to preserve our pre-tax return on an after-tax basis.

DS: So which geographies and sectors have contributed most to your strong risk-adjusted performance?

CS: Yeah, I really wouldn't say it's any particular sector or geography. I'd really say it's a function of our investment process which is investing in wealth-grading companies and buying those wealth-grading at a discount to their intrinsic value. Those two concepts fundamentally preserve capital. First, when you invest in wealth-grading companies, those are ultimately companies that are making money so ultimately they're not going to go bankrupt during difficult markets, and we look to buy these companies at a discount to their intrinsic value, which gives us a margin of safety, which also means that they're likely to lose less value during those difficult markets as well.



DS: How is the portfolio currently allocated?

CS: We have about 59 per cent in equity, 14 per cent is in both Canadian and U.S. equities, another 16 per cent is in international equities and about 15 per cent in small cap, half of which is in Canada and the other half is global. And we have about 41 per cent in fixed income right now, of which 7 per cent is in cash, which is giving us lots of flexibility to take advantage of market opportunities going forward.

DS: So, for your global holdings, what's your approach to currency?

CS: Well, Derek, we aren't hedged and the reason is it is a global balanced fund which means we have a basket of currencies in there so we don't really have any particular exposure to one currency significantly, and we find that the effective currencies wash each other out over the course of time?

DS: Now, a few moments ago you had mentioned the idea of tax effectiveness. Would you mind elaborating a bit on the tax-effective strategy you use with this fund?

CS: Yeah. There's three things that go into the strategy. The first is really a function of our investment process which is low turnover. So our turnover is about 10 to 20 per cent, which compares to the market of anywhere between 80 to 100 per cent. So you can imagine if you have 80 to 100 per cent turnover, you're inevitably passing through huge capital gains to the end client, whereas we're preserving that and keeping that into the fund for our clients to grow at a faster rate.

Second of all is if we do have any capital gains, we look to harvest losses by only switching into a security that's highly correlated to the one that we're trying to harvest the loss in, such as an exchange-traded fund. And if the security that we own is a large part of that exchange-traded fund, then that's a trade we're comfortable making because it doesn't impact the overall structure of the portfolio.

And then the final thing is there's a tax credit available to Canadian mutual funds called the Capital Gains Refund Mechanism and we take full advantage of that tax credit by crystallizing some capital gains at the end of the year to help increase the cost base of the securities within the mutual fund.



DS: Craig, thanks for being with us.

CS: Thanks, Derek. Thanks for having me.

DS: I'm Derek Saliba. Thank you for watching Manulife Mutual Funds *3 Minutes with Craig Senyk*.

FOR MORE INFORMATION, PLEASE CONTACT YOUR ADVISOR OR VISIT MANULIFEMUTUALFUNDS.CA

This commentary reflects the views of the sub-advisor(s) of Manulife Mutual Funds. These views are subject to change as market and other conditions warrant. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Manulife Funds, Manulife Corporate Classes and Manulife Leaders Portfolios are managed by Manulife Mutual Funds. Manulife, Manulife Mutual Funds, the Manulife Mutual Funds For Your Future logo, the Block Design, Strong Reliable Trustworthy Forward-thinking and Manulife Leaders Portfolios are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.