

Phillips, Hager & North Investment Management Ltd. organizational changes

October 12, 2010

Plan sponsors may wish to consider whether the following investment update has any implications for the investment options available within their plan.

Phillips, Hager & North Investment Management Ltd. (PH&N) recently announced the retirement of Patricia Croft, Chief Economist for PH&N and more recently, for RBC Global Asset Management (RBC GAM) effective at the end of September 2010.

Of her 30-year investment career, Ms. Croft has spent the most recent seven years at PH&N. She led the firm's Macroeconomic Research Group and participated as a member of the group's Asset Mix Committee. Since 2008, she also served as a member of the RBC Investment Strategy Committee whose 11 members were responsible for global asset mix recommendations for RBC Asset Management's key client groups.

Allan Seychuk has assumed Ms. Croft's day-to-day responsibilities for macroeconomic research within PH&N. Allan worked closely with Patricia for five years including the past year as she prepared for retirement.

The remaining members of PH&N's Asset Mix Committee – Dan Chornous (Chair), Hanif Mamdani, and Dale Harrison – continue to direct PH&N's asset mix decisions with additional input from Allan Seychuk and the RBC Investment Strategy Committee.

Corporate update

Under the terms of the Royal Bank of Canada's acquisition of PH&N in May 2008, a three-year vesting period for their payment was implemented for PH&N shareholders with 25 per cent of the total payment withheld. This 25 per cent payment will vest on the third anniversary of the transaction (May 2011) provided that the shareholders continue in their employment until that date.

In addition, a five-year non-compete agreement was implemented for shareholders. This non-compete agreement will run until May 2013.

These long vesting and lock-in provisions were introduced at the suggestion of PH&N's shareholders to demonstrate their ongoing commitment to the firm and to allow orderly succession planning. PH&N noted that Ms. Croft was not a shareholder of the firm and was not bound by the vesting lock-in. PH&N advised that Ms. Croft's long-term plan had always been to retire at this time.

Of the 48 senior investment professionals, PH&N expects five retirements in 2011, all from the firm's client service and support teams. It does not expect any departures from their investment research and fund management teams.

The following individuals will retire in 2011:

Institutional Client Service Team

- Mark DeCelles (28 years in the investment industry, 25 years with PH&N)
- Peter O'Sullivan (39 years in the investment industry, 20 years with PH&N)
- Jonathan Stewart (31 years in the investment industry, 15 years with PH&N)

Institutional and Investment Support Teams

- Keith Watson, equity trader (22 years in the investment industry, 17 years with PH&N)
- Brent Sutton, special projects (16 years in the investment industry, 11 years with PH&N)

PH&N confirmed that these retirements, other than Brent Sutton, were people who would have likely retired within the last three years. They remained with PH&N until the conclusion of the vesting period to assist in the transition of their responsibilities.

PH&N confirms that as part of their ongoing strategic planning and to support the continued growth of their business, the firm has hired 12 senior investment professionals since the RBC transaction was announced in February 2008. Seven senior professionals from this group have been added to the institutional client service team and five senior investment professionals were added to the research and fund management teams.

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