

Tactical Update

FEBRUARY 2019 | Opinions as of March 6, 2019

The views expressed in this tactical update apply broadly to all Sun Life Granite Target Risk Funds, whereas the tactical highlights and allocation data in the chart below are specific to Sun Life Granite Balanced Fund. For the latest information about other Sun Life Granite Target Risk Funds, including Sun Life Granite Target Date Funds, please refer to our quarterly fund reviews published at sunlifeglobalinvestments.com/institutional.

The S&P 500 has been trending higher, buoyed by the U.S. Federal Reserve's shift from an aggressive stance on interest rates to a decidedly dovish tone.

Overall, the U.S. economy continues to perform well, and we have slightly increased our overweight position in U.S. equities. However, to help reduce risk, we have reduced exposure to global high yield bonds, which could deteriorate if the market corrects. At the same time, we've increased our weighting in Canadian investment grade bonds.

Whether the U.S. market continues to move higher (the current bull run turned 10 on March 9) may depend on the depth of the slowdown in global growth and whether the U.S. economy loses steam. Certainly, if the Fed renews its aggressive posture, or we fail to get a U.S./China trade deal, we could see increased volatility.

Outside of the U.S., many economies are struggling, with growth in the European Union expected to slow to 1% over the next 12 months. Britain's destabilizing struggle to leave the EU also continues. Hence, we are neutral on EAFE equities, but overweight Japan on improving fundamentals.

China's economy, facing sluggish domestic demand and bruising U.S. tariffs, continues to slow. Nevertheless, we are overweight emerging markets, which could benefit if the Fed remains on the sidelines, reducing upward pressure on the greenback. As well, China is taking steps to stimulate its economy. If successful, improving growth in China could spill over into other emerging markets and the broader global economy.

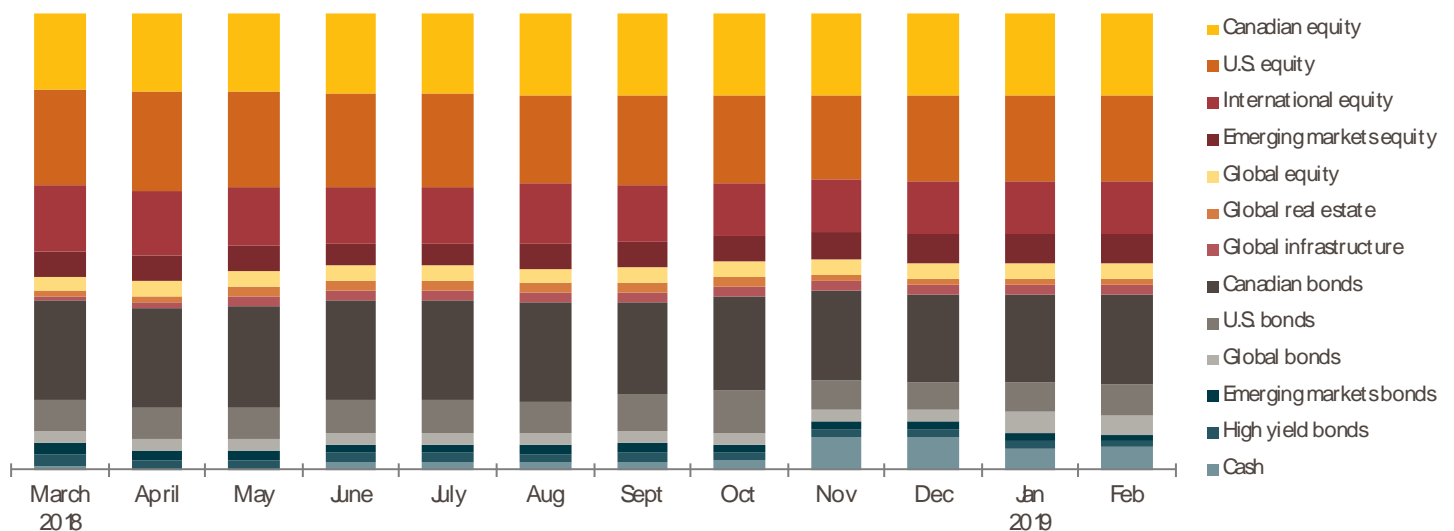
We are underweight Canada where we are getting mixed signals. On one side, we've had strong job creation. On the other, we've had markedly slower economic growth as debt-saddled consumers continue to reduce spending, the housing market slows and oil prices remain low.

Until there is increased clarity, we expect the Bank of Canada to moderate its view on interest rate increases in the months ahead.

TACTICAL HIGHLIGHTS

CHANGE	RATIONALE
Decreased exposure to global high yield bonds; added Canadian investment grade bonds.	➤ To de-risk the bond portfolio
Increased defensive hedges on the S&P 500	➤ To mitigate risk if the market corrects
Maintained cash weighting	➤ To allocate when investment opportunities arise

TACTICAL ALLOCATIONS | SUN LIFE GRANITE BALANCED FUND



Allocations are as of month-end and subject to change without notice.

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Sun Life Granite Target Risk Funds invest in mutual funds and/or exchange traded funds (ETFs). Investors should read the fund's offering documents and consult with their financial advisor prior to investing. Segregated funds and mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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