

# SUN LIFE GRANITE MANAGED PORTFOLIOS

## Tactical update

JANUARY 2018 | Opinions as of February 12, 2018

The views expressed in this tactical update apply broadly to all Sun Life Granite Managed Portfolios, whereas the tactical highlights and allocation data in the chart below are specific to Sun Life Granite Balanced Portfolio. For the latest information about other Sun Life Granite Managed Portfolios, including Sun Life Granite Managed Income Portfolios, please refer to our quarterly fund reviews published at [sunlifeglobalinvestments.com](http://sunlifeglobalinvestments.com).

After months of steady gains, investors were jolted on February 2 when a strong U.S. jobs report caused a sudden spike in U.S. bond yields, triggering a steep, ongoing selloff with the Dow down more than 10% at one point

With all of the year's gains erased, where do we go from here? We think investors should stay confident but brace for more volatility as this correction plays out. And as deep as it was, we see this as a normal selloff in an ongoing bull market.

We felt the market had been overheating in the weeks leading up to the correction. To reduce risk, we used an options strategy to hedge our overweight position in U.S. equities and took profits when the market plunged on February 5. While we remain overweight equities in general, at some point in the wake of this selloff, we may add to our equity exposure.

In short, we remain confident for a number of reasons. For one, the positive effects of the U.S. tax cuts may not have been fully priced into the market. With global growth increasing, we remain bullish on emerging market equities. And European equities should continue to benefit as the eurozone economy improves, and the European Central Bank remains dovish.

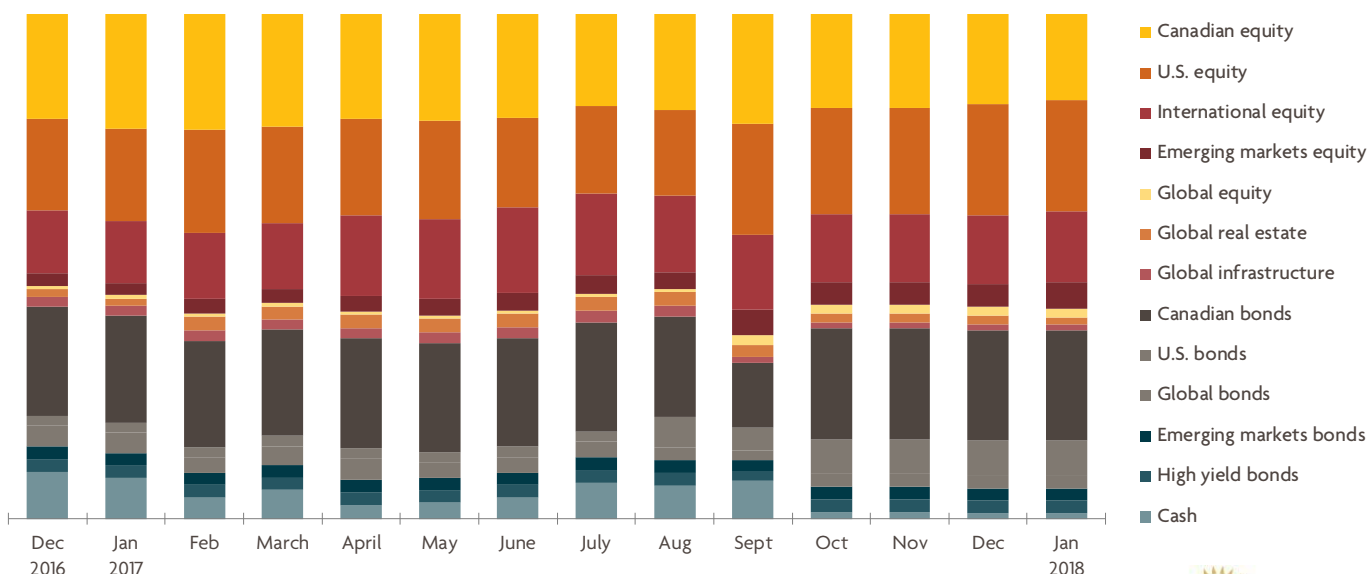
Furthermore, we do not expect a sharp burst of inflation to trigger a rapid rise in interest rates, leaving the relatively low interest rate environment that has supported equities intact.

However, we have reduced our exposure to Canadian equities given the number of issues weighing on the economy, including the possible termination of NAFTA.

### TACTICAL HIGHLIGHTS

CHANGE		RATIONALE
Opened and closed hedge on U.S. equity exposure	➤	Took profits when markets fell
Increased exposure to European equities	➤	Improved valuations and economic growth
Used options to increase exposure to EM equities	➤	Bullish outlook for synchronized global growth
Reduced exposure to Canadian equities	➤	On economic concerns

### TACTICAL ALLOCATIONS | Sun Life Granite Balanced Portfolio



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

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Investors should read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or other optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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