

SUN LIFE GRANITE MANAGED PORTFOLIOS

Tactical Update

NOVEMBER 2018 | Opinions as of December 6, 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.

Fear was the dominant mood in global equity markets in November. Among the threats sending investors to the sidelines: U.S. President Donald Trump declared himself “tariff man,” raising the spectre of a prolonged trade war, and rising interest rates weighed on the market.

We also grew more cautious, reducing our overall equity exposure. At the same time we increased our cash position, which will allow us to take advantage of new investment opportunities, including outside of the U.S. where valuations are more attractive.

That said, while we have cut back our U.S. holdings, we remain slightly overweight. We believe U.S. economic fundamentals remain healthy, with no apparent sign of a recession. We are also closely watching the U.S. Federal Reserve, which may slow the number of planned interest rate hikes in 2019.

While we have reduced our U.S. holdings, we added to our existing overweight position in emerging markets to take advantage of lower valuations. We believe most of the bad news has been priced into the market, potentially removing much of the downside risk and setting up a possible move to the upside.

Although we are positive on emerging markets, we are now neutral on international equities. Valuations are attractive, but we see political risk from the contentious Brexit negotiations and Italy’s fragile banking system and budget dispute with the European Union.

Economic problems in Canada appeared to be receding following the signing of the new NAFTA agreement. But the collapse of domestic oil prices could have a negative effect on the broader economy. As a result, we remain neutral on Canadian equities.

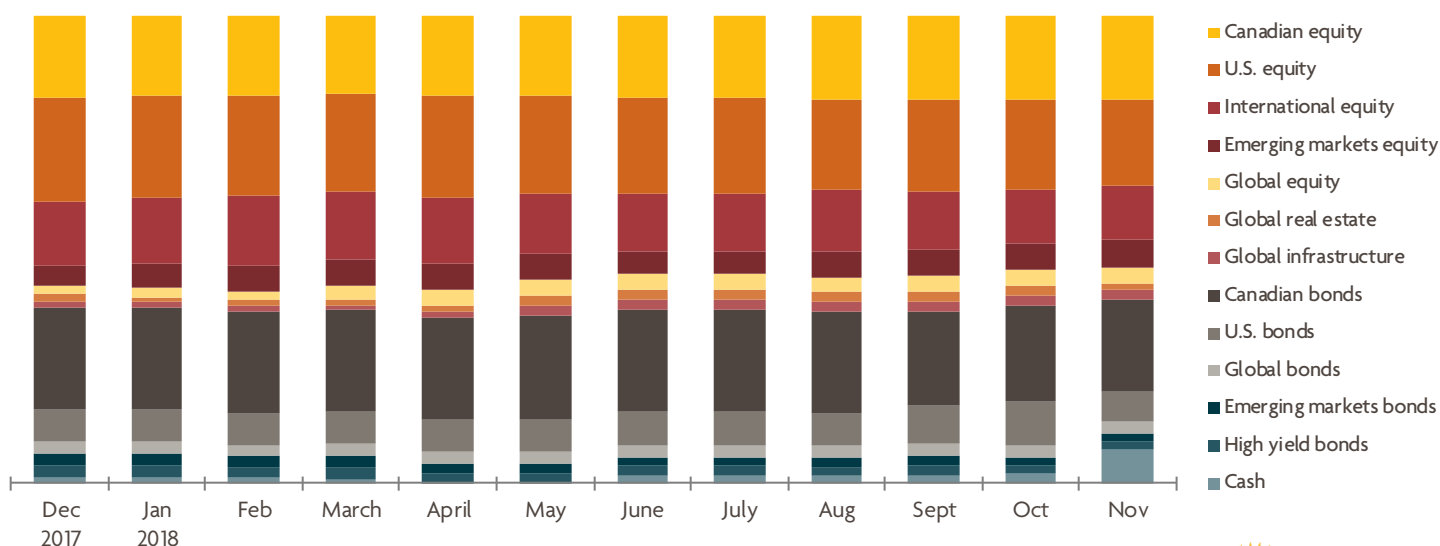
TACTICAL HIGHLIGHTS

CHANGE

RATIONALE

Reduced exposure to U.S. equities but remain overweight	➤	Valuations remain high against increasingly uncertain backdrop
Lowered weighting in international equities	➤	Uncertainty from Brexit, Italy’s fiscal program and fragile banks
Added to overweight exposure in emerging markets	➤	Perceive lower downside risk; may benefit from Chinese stimulus
Increased cash holdings	➤	Expect markets to be increasingly volatile

TACTICAL ALLOCATIONS | SUN LIFE GRANITE BALANCED PORTFOLIO



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

Sun Life Granite Managed Portfolios invest in mutual funds and/or exchange traded funds (ETFs). Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Investors should read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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Sun Life Global Investments (Canada) Inc.
1 York Street, Toronto, Ontario M5J 0B6
Telephone: 1-877-344-1434 | Facsimile: 416-979-2859
info@sunlifeglobalinvestments.com | www.sunlifeglobalinvestments.com