

TACTICAL UPDATE

AUGUST 2017 - Opinions as of September 7, 2017

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.

The Bank of Canada raised interest rates by a quarter of a percent to 1% on Sept. 6 – its second increase in two months, with another possible by year-end. The bank’s hawkish stance is surprising to us, given the country’s sizable trade deficit, cracks in the housing market and record-high consumer debt levels.

We don’t believe the Canadian economy will be helped by a sharp increase in oil prices, which will likely remain range-bound at close to US\$50 a barrel. As a result, we replaced our exposure to energy equities with options to maintain a more defensive approach to the sector.

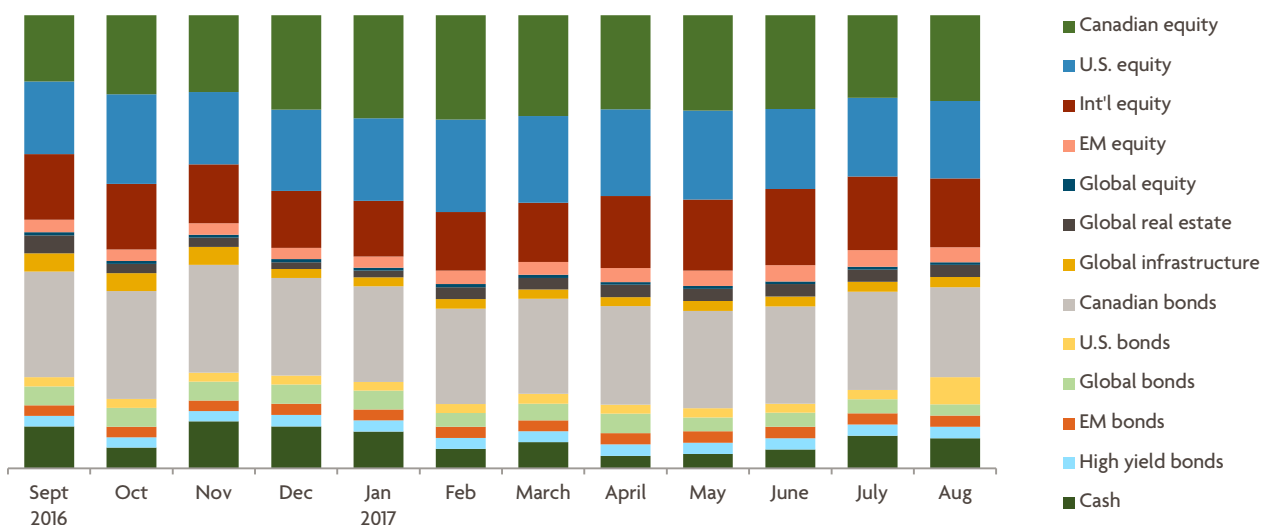
And with the U.S. Federal Reserve less likely to raise interest rates, we reduced our exposure to Canadian bonds and added U.S. bonds.

We are still mildly bullish on U.S. equities, given ongoing economic strength and the possibility that we may yet see an agreement on tax reform., which could help extend the S&P 500’s record rally. However, we have grown more cautious and have reduced our overall exposure to equities, partly through options strategies.

TACTICAL HIGHLIGHTS

CHANGE	RATIONALE
Replaced energy equities with options	Do not see a sustained increase in oil prices
Slightly reduced exposure to U.S. equities	Stretched valuations and rising political risk
Reduced exposure to Canadian bonds	Favour higher-yielding U.S. bonds
Hedged international and emerging market equity exposure	Tighter monetary policy and rising geopolitical risk

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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