

SOLVING THE KNOW YOUR PRODUCT (KYP) PUZZLE

Providing value to your Clients



► *Putting it all together*



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KNOW YOUR PRODUCT AT SUN LIFE GLOBAL INVESTMENTS

A Message from our President

Our industry has an important role to play in the financial future of Canadian investors and you are the key to helping them get there. With increasing regulation aimed at protecting investors, our industry is working hard to build trust in the investments you recommend.

The Canadian Securities Regulators are implementing “know your product” (KYP) regulations on December 31, 2021, yet another step aimed at helping to ensure product suitability. As an advisor, you need to understand Client reform regulations and how these new rules affect your practice. Understanding how these changes fit into your business model is crucial.

Sun Life Global Investments wants to be your partner of choice. We want to help with tools and considerations as you implement KYP into your business. Our goal is to offer transparency when you need it most, be that through our education, KYP packages, commentaries, fund reports, and tax planning services. We want to ensure we are providing you the same value and disclosure you are for your Clients. We welcome you to use the following toolkit. It has been designed to help you understand these regulatory requirements and provide helpful tips.

Your responsibilities are enormous and growing. We would be happy to continue the conversation if you have further questions or concerns. We look forward to our continued partnership.

Thank you,

Oricia Smith

President, SLGI Asset Management Inc. & SVP, Investment Solutions, Sun Life Financial Canada





What are the new KYP requirements?

New KYP regulations require you to be able to convey complete knowledge and a deep understanding about every investment product you recommend. This entails:

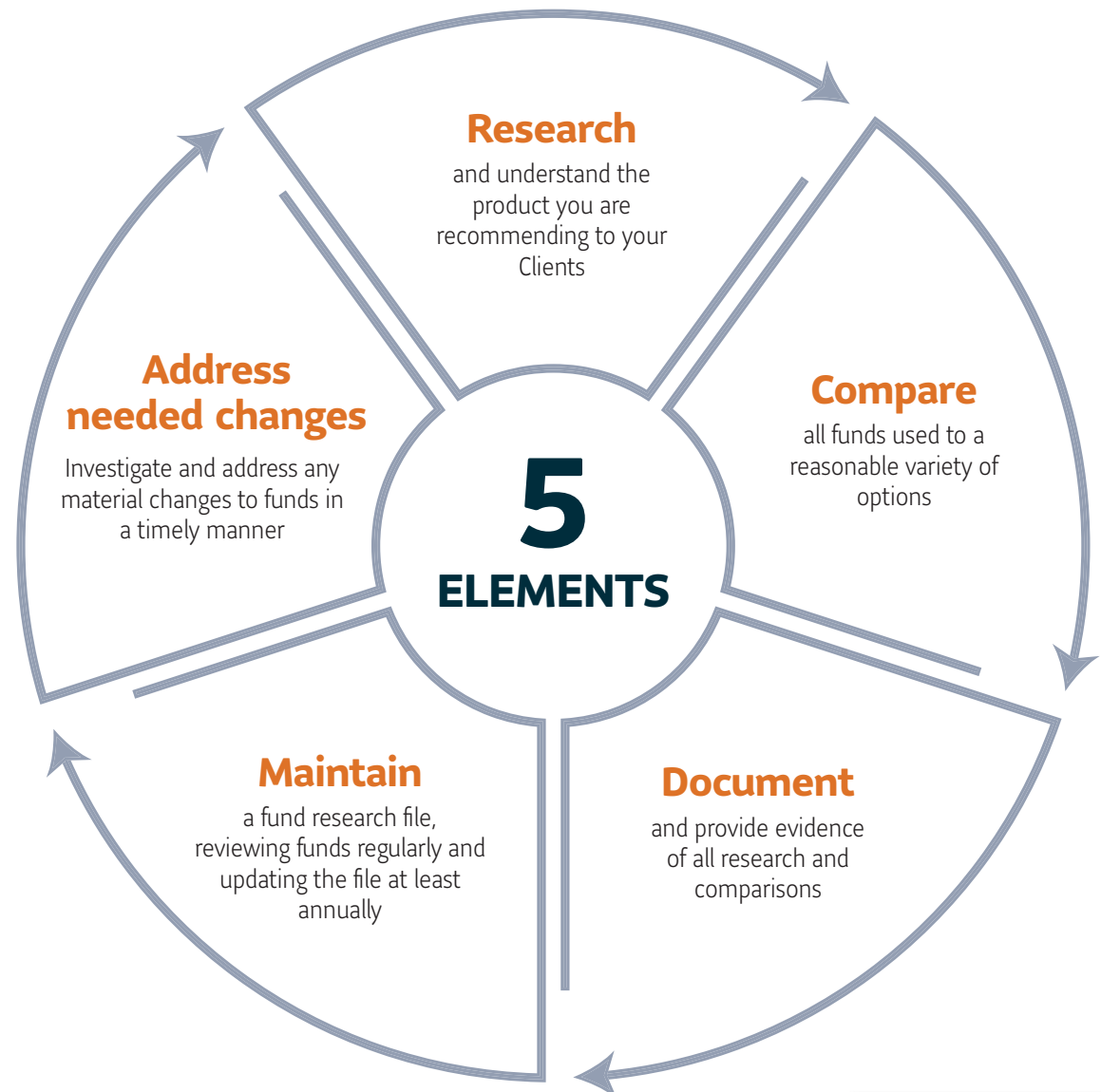
- **Enhanced Product Knowledge:** assessing the securities offered to your Clients, including the structure, features, initial and ongoing costs, and the financial impact of those costs and a comparable solutions analysis
- **Formally approving all securities** made available to your Clients
- **Constantly assessing recommended securities** for significant changes and demonstrated awareness of material changes that may affect suitability and more

Our industry is no stranger to regulations and compliance, which help to serve and protect you and your Clients.

Know your product	Fee compression
State of the markets	CRM2
ETFs	Fee disclosure
Job titles	Suitability
Tax rule changes	Point of sale
Robo-advisors	



KYP investment review considerations:



For illustrative purposes only.



4 things to keep in mind:

As you meet with your Clients to discuss product recommendations, it's important to consider how you:

- 1 | Articulate your value
- 2 | Understand the solution you are recommending
- 3 | Ensure suitability for your Client
- 4 | Explain the product



1 | Articulating your value is now more important than ever:

Advised investors have greater net worth over time¹

Over various time frames investors with an advisor have been shown to have several times the assets.



1.8x¹
4-6 YEARS



2.1x¹
7-14 YEARS



2.3x¹
15+ YEARS



55-60%

Advised investors have more retirement savings²

Working with a financial advisor leads to an increase of 55-60% in retirement savings.

82% ESTABLISH BETTER HABITS³



Advised investors have better investing habits

An advisor is a financial partner, answering questions and helping their Clients understand how investing may help them achieve their goals. Your professional advice may play a key role in giving your Clients confidence in their plan and a positive sense of well-being with respect to their finances.



¹Source: More on the value of financial advisors. Claude Montmarquette and Alexandre Prud Homme, Cirano 2020. The average household with a financial advisor for 15 years or more has asset values 2.3x higher than an average comparable household who did not have a financial advisor.

²Source: Conference Board of Canada August 2019 - Saving for the Future: Impacts of Financial Advice on the Canadian Economy.

³Source: Pollara Research Strategic Insights 2020.





**You bring
advice to
your Clients**



**More than just investment solutions,
a reminder never hurts.**

- Recommend suitable solutions to meet your Client goals
- Portfolio optimization and monitoring
- Educate and provide confidence in your Client's plan
- Financial planning
- Tax planning
- Managing costs and fees
- Retirement income planning
- Asset allocation
- Product allocation
- Estate planning



2 | Understanding the solution you are recommending

Three considerations to keep in mind:

- 1 Acquire in depth knowledge on the product you are recommending through the Fund Facts, prospectus, reports, commentaries, analysis, and diagrams.
- 2 Use in-house and third-party tools to help you better understand the solution you are recommending.
- 3 Keep notes and records of discussions and documentation you read.



KYP Checklist

Factor	Considerations		Helpful links
Performance	Annualized return, calendar year returns, and rolling returns.	✓	Performance Fund pages & profiles
Fees [Management Expense Ratios (MERs)/Management Fees]	Articulate current and ongoing fees (ensure you are comparing apples to apples, i.e. are you looking at Series F of one fund vs. another? Do you know if the fund pays a performance fee?)	✓	Semi-annual MRFP Fund pages & profiles
Risk measurement	Standard deviation, alpha, beta, drawdown, up capture ratio, down capture ratio, Sharpe ratio (risk and return), and average credit quality.	✓	Fund pages & profiles
Income level & tax consequences	What is the distribution. How much of the distribution is taxable for non-registered investors? Does the portfolio have a high turnover ratio?	✓	Distributions MRFP: including tax factors
Who is the provider?	Reputation of firm.	✓	Who we are
Portfolio manager tenure & experience	How established is the team? Do they have a well-defined process and philosophy?	✓	Investment managers
Asset allocation	What are the country weights, sector weights, market cap breakdown vs. the benchmark, category, and cash holdings?	✓	Fund pages & profiles Quarterly fund reviews
Diversification	Correlation to other holdings.	✓	Granite tactical update Portfolio insights
Fund attributes	Net Asset Value (NAV), underlying holdings, country weights, sector weights, market cap breakdown, benchmark, category, yield and duration.	✓	Quarterly Portfolio disclosure Semiannual financial holdings
Leverage	Does the strategy employ any leverage? What exposure does the portfolio currently have? Are there limitations?	✓	Prospectus

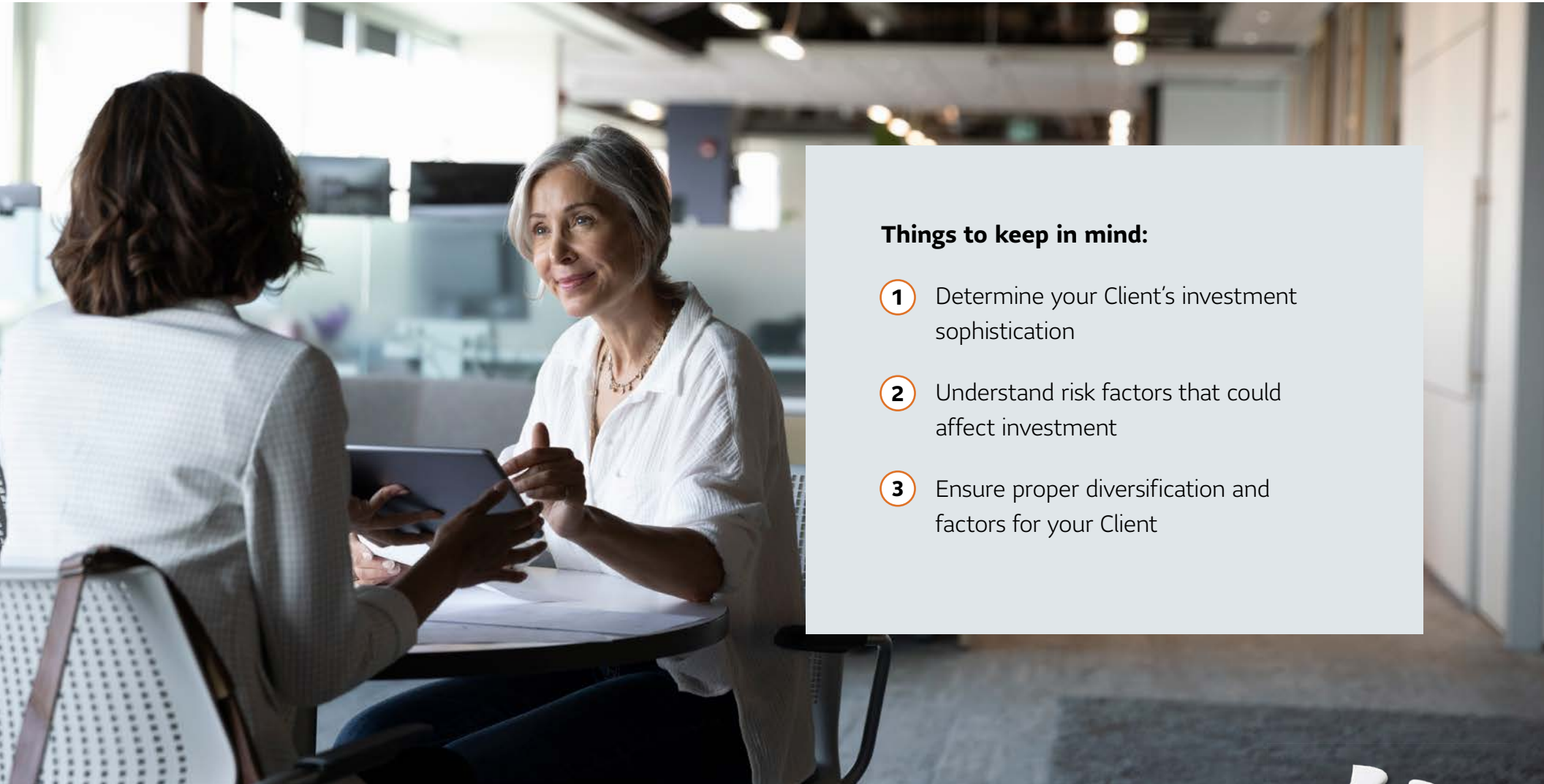


Additional analysis available upon request.

Please contact your Wealth Sales Team: 1-877-837-7844 | cfr.slg@sunlife.com



3 | Ensuring your Client's suitability



Things to keep in mind:

- 1 Determine your Client's investment sophistication
- 2 Understand risk factors that could affect investment
- 3 Ensure proper diversification and factors for your Client



4 | Explaining the product

- 1 Use plain language and speak to the level of sophistication of your Client
- 2 Use charts, materials, visuals, inhouse and third-party analysis tools to verbally articulate features, benefits, fees, and risks of recommended solutions. Do not overemphasize benefits
- 3 Articulate current and ongoing fees and commissions
- 4 Keep notes and records of questionnaires, dealer risk levels, prospectus risk levels, and monitor any changes to these measurements over time
- 5 Keep all email exchanges
- 6 Keep a checklist of discussions



How our investment solutions may help you with KYP and solving for more dimensions of risk

1. We offer a diverse selection of investment options through our:

a) Sub advised funds

No one asset manager does everything right. That is why we offer a broad lineup of mutual funds, sub-advised by carefully chosen domestic and international investment managers. Through Sun Life's relationships with investment companies around the world, established over decades, we have access and awareness that few investment companies can match.

b) Enhanced monitoring with our products

The sub-advisors we choose go through intense scrutiny on multiple factors before a finalist is selected.

Beyond the selection process, we monitor each sub-advisor across a broad range of criteria, including, but not limited to:

- Environmental, Social and Governance (ESG) integration
- Quantitative analysis
- Quarterly sub-advisor due diligence
- In depth annual questionnaires
- Ongoing monthly reporting

Our annual questionnaires also require our sub-advisors to clearly articulate what their ESG approach is. In addition, all sub-advisors are subject to ongoing monitoring from our embedded ESG resources.

We provide full manager research transparency on underlying subadvisors when your Clients need it most – so they know what they own. Are others providing you the same value and disclosure for your Clients?



Our sub-advisors



2. Single ticket Sun Life Managed Solutions

Another way to potentially reduce your compliance workload is to consider using a single-ticket Sun Life Managed Solution, such as Sun Life Granite Managed Solutions or Sun Life Tactical ETF Portfolios.

Five ways Sun Life Managed Solutions may help:

1. Investment suitability is more important than ever
2. A single-ticket solution may reduce KYP complexity
3. Offload the stress and the guesswork that goes with fund selection
4. Benefits of tactical management
5. Select world class investment managers

[See five ways Sun Life Granite Managed Portfolios can help with KYP requirements.](#)



➤ Learn more about our [Sun Life Granite Managed Solutions](#)

➤ Learn more about our [Sun Life Tactical ETF Portfolios](#)



Additional resources for you to consider:

We are committed to supporting you and your practice. Below are additional tools and services that we provide to help you navigate these reforms:

Investor education:

[Understanding investment fund MERs](#)

[Understanding investment fund TERs](#)

[Understanding Fee based investing](#)

TAX AND ESTATE PLANNING SUPPORT:

Investor friendly insights:

[Seven year-end tax tips for Canadians](#)

[Taxes and your retirement income](#)

[Seven legal documents to have ready at retirement](#)

Advisor focused insights:

[How to avoid family feuds over Client legacies](#)

[Helping Clients pass on their legacy their way](#)

[Quick reference tax guide](#)





For more information or analysis, contact your Wealth Sales Team or:

Visit [sunlifeglobalinvestments.com](https://www.sunlifeglobalinvestments.com) | Call **1-877-837-7844** | Email cfr.slgj@sunlife.com

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