Sun Life Global Tactical Yield Private Pool

FUND COMMENTARY | Q3 2020

Opinions and commentary by Sun Life Global Investments.

Global equities continued to rally in nearly uninterrupted fashion in the third quarter, with the MCSCI World Index surpassing the pre-COVID-19 highs and setting a new record in early September. Investors then paused the buying spree over the course of September to consider the still troubled market backdrop: the pandemic was accelerating, the U.S. Congress failed to deliver additional stimulus and with the threat of a prolonged downturn, the outlook for corporate profits clouded. The MSCI World held on to an 8% total return for the quarter, despite losing 3.4% in September.

With so much economic and political uncertainty, was the stock market's tumble just a short-lived pullback? Or was it the start of a bigger downturn? That remains to be seen. But since the start of the COVID-19-driven selloff in March, we've consistently downplayed the idea of a quick V-shaped recovery. Instead, given the depth of the economic carnage, there could be another down leg in what may be a W-shaped recovery. Perhaps that is the start of what we saw as Q3 came to a close.

Where the markets go from here though, clearly depends on the answer to a number of key questions. As the second wave of COVID-19 grows, can it be contained without shutting down the economy again? Will the U.S. deliver another round of stimulus? When could we see an effective vaccine? And, if we don't get a rapid recovery, can corporate profits keep pace with expanding equity valuations.

Given the deep economic hole carved by COVID-19, we started Q3 being slightly underweight equities. However, with the initial-wave of COVID-19 partially contained and with monetary and fiscal stimulus kicking in, we saw positive signs emerge major economies began to reopen, vaccine trials were advancing and corporate profits were holding up.

Over the course of the third quarter, we continued to position the Sun Life Global Tactical Yield Private Pool for an environment of roughly balanced risks. To the downside, the resurgence of COVID-19 and expected second wave of the virus was a key concern. To the upside, policy was still broadly accommodative, vaccine trials advanced and a truly sustained cyclical recovery in the economy had yet to be reflected in markets. The Fund entered the third quarter with a neutral setting in equities with a 50% weight, which was maintained over the quarter.

Within the bond component of the Pool, we continued to maximize our allocation to alternative fixed income - looking to take advantage of ongoing opportunities within global credit markets. Over the quarter we opportunistically reallocated cash towards core bonds at points where we felt higher yields made bonds a more attractive diversifier against the equity risk in the portfolio.

SUN LIFE GLOBAL TACTICAL YIELD PRIVATE POOL MONTHLY SNAPSHOT: **SERIES A** | **SERIES F**

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