

Sun Life Excel Emerging Markets Fund

FUND COMMENTARY | Q3 2020

Opinions and commentary provided by Schroder Investment Management.

Emerging markets (EMs) delivered positive returns overall in Q3, with the fund outperforming its benchmark. Country allocation was negative and stock selection was positive.

In country allocation, overweight positions to Russia and Brazil, both of which underperformed, contributed negatively to relative returns. Russian equities fell amid weakness in crude oil prices and concerns over U.S. foreign policy changes after the upcoming election. Brazilian equities and currency both depreciated as concern mounted over the government's commitment to a spending cap created in 2016, despite a need for stimulus spending to boost the economy.

An underweight to India, which outperformed, also weighed on relative returns. India posted a strong gain, despite further acceleration in new COVID-19 cases and tensions on its border with China. The government made reform progress with the passing of agricultural and labour reforms, while monsoon rains were also favourable. Cash held in a rising market was also a headwind. This was somewhat offset by underweight positions in Thailand and Indonesia, both of which underperformed. In Thailand, a lack of improvement in tourism dragged on economic recovery. In Indonesia, daily new cases of COVID-19 accelerated, leading to new lockdowns in the Greater Jakarta region.

Stock selection was positive overall. In China, an overweight to Alibaba bolstered returns as its core e-commerce business continued to perform strongly. Investors also responded positively to news of the upcoming IPO of Alibaba's affiliate and 33%-owned, Ant Financial, on the Shanghai and Hong Kong stock exchanges. A zero weight to China Construction Bank also benefitted returns, as it underperformed along with other banks, seeing pressure to lend to support the economy.

Stock selection was also positive in Taiwan, Russia and South Korea. In Taiwan, an overweight to TSMC (Taiwan Semiconductor Manufacturing Company), benefitted returns as company rallied on market share gains and the potential for increased foundry outsourcing from Intel. In Russia, an overweight to gold mining company, Polyus,

and internet-based product and service company, Yandex, also contributed to returns. Polyus benefitted from higher gold prices and investor recognition of expansion projects. Yandex came to an agreement with Sberbank to split up its shared e-commerce and payment joint ventures. Finally, in South Korea, a zero weight to Celltrion supported returns after the biopharmaceutical company's valuation became extended.

Fund performance

COMPOUND RETURNS % ¹	SINCE INCEPTION ²	7 YEAR	5 YEAR	3 YEAR	1 YEAR	Q3
Sun Life Excel Emerging Markets Fund - Series A	1.9	6.6	8.4	4.5	11.5	9.1
Sun Life Excel Emerging Markets Fund - Series F	3.0	7.8	9.6	5.6	12.7	9.4
MSCI Emerging Markets Index	8.1	7.7	8.9	4.7	11.5	7.4

¹Returns for periods longer than one year are annualized. Data as of September 30, 2020.

²Partial calendar year. Returns are for the period from the fund's inception date of September 1, 2011 to December 31, 2011.

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