

# Tactical Update

MARCH 2025 | Opinions as of Mar 13, 2025

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](https://sunlifeglobalinvestments.com).

U.S. equities experienced a tumultuous few weeks beginning in late February as U.S. President Donald Trump's trade and immigration policies ignited economic and market uncertainty. This along with souring consumer sentiment in the U.S. and geopolitical tensions hit richly-valued corners of equity markets. After scaling an all-time high in mid-February, the benchmark S&P 500 Index lost almost 10% in early March - a "correction" in equity markets. The enthusiasm around artificial intelligence that had boosted U.S. technology stocks for over two years suffered even more in this period and the tech-heavy Nasdaq Composite fell over 13% from its peak.

While President Trump's trade policy initially focused on levying significant tariffs on Canada and Mexico, more expansive tariffs targeting China and Europe have kept markets guessing. Equity

markets, which had forecasted a "soft landing" for the U.S. economy - a scenario of bringing down inflation to 2% without large scale job losses - now question that assumption. Statements about "short-term pain" for the economy from the Trump administration hasn't helped. As a result, despite a recent slowdown in consumer price inflation, markets seem nervous.

Previously, we stated that markets could suffer if Trump's policies favouring stricter trade and immigration precede the administration's pro-growth policies of tax cuts and deregulation. That seems to be playing out as we expected. Markets have given up their euphoria of early 2025 but are also second-guessing the path for future inflation as tariff uncertainty continues.

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## TACTICAL HIGHLIGHTS

### CHANGE

Trimmed our overweight position to U.S. equities to neutral



Neutral bonds



Overweight gold



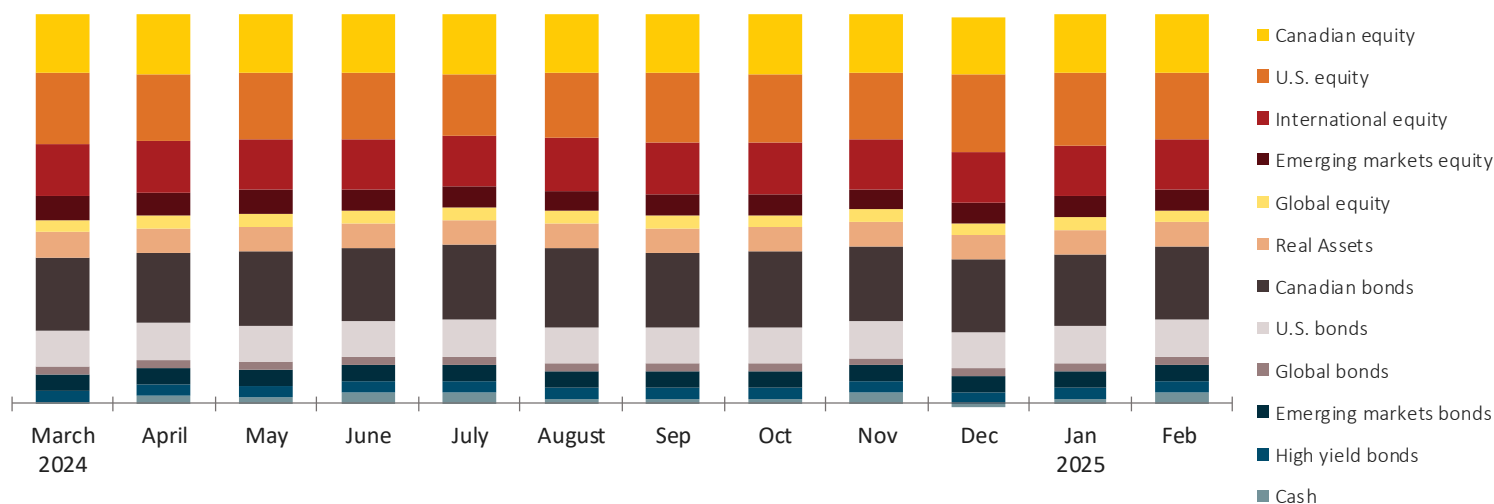
### RATIONALE

Tariff and immigration uncertainty have preceded Trump administration's pro-growth policy such as tax cuts and deregulation. This along with slowing U.S. consumer spending have increased the risks to economic growth.

Despite slowing inflation, tariffs are sending confusing signals about inflation expectations. This also clouds the path of the U.S. Federal Reserve's interest rate policy.

Our tactical allocation favours gold within commodities to provide further risk mitigation against the current geopolitical tensions and help protect against inflation flare ups.

## TACTICAL ALLOCATIONS | SUN LIFE GRANITE BALANCED PORTFOLIO



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

► *Continued from previous*

We were slightly skeptical of the equity market's enthusiasm for "American exceptionalism," or the view that U.S. equities are the only game in town. Trump administration's wavering in its defense and security commitment to the world at large and Europe in particular, seems to have alarmed some of Europe's large economies. This has led to more spending initiatives even in countries like Germany, traditionally considered fiscally conservative. We think such large shifts could help international equities going forward.

Tactically, we are neutral toward equities across geographies.

While international and emerging market equities have outperformed U.S. equities so far this year, our outlook remains cautious about stocks in general as trade uncertainty and geopolitical tensions continue. We are also neutral to fixed income across geographies and the risk spectrum, as the path for interest rates remain volatile amid an uncertain inflation outlook. Our tactical allocation favours gold within commodities to provide further risk mitigation against the current geopolitical tensions and help protect against inflation flare ups.

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