


WEALTH SERIES

STRATEGIES FOR INVESTING IN A POST-PANDEMIC WORLD 

Solving for risk and fixed income needs

Sun GIF Solutions Income Series

April 8, 2021

Agenda

Host – Kirk McMillan, Regional Vice President, Central Canada:
Introduction & welcome

Loredana Cappellano, Wealth Sales Director

- **How Sun GIF Solutions Income Series:**
 - Solves for key risks retirees face
 - Fits into a broader financial plan
- **Taxation** of non-registered income
- **Build a better RRIF** to help manage risk

Featured speakers’ on the management of **Sun Strategic Income**

- **Eugene Lundrigan**, President SLC Management Canada
- **Randall Malcolm**, Senior Managing Director & Portfolio Manager, Canadian Total Return

How Sun GIF Solutions Income Series:

- Solves for key risks retirees face
- Fits into a broader financial plan

Sun GIF Solutions Income Series

Solves for key retirement risks



Longevity risk



Market risk



Performance risk

47%
of Canadians

see a serious risk of
outliving their savings.

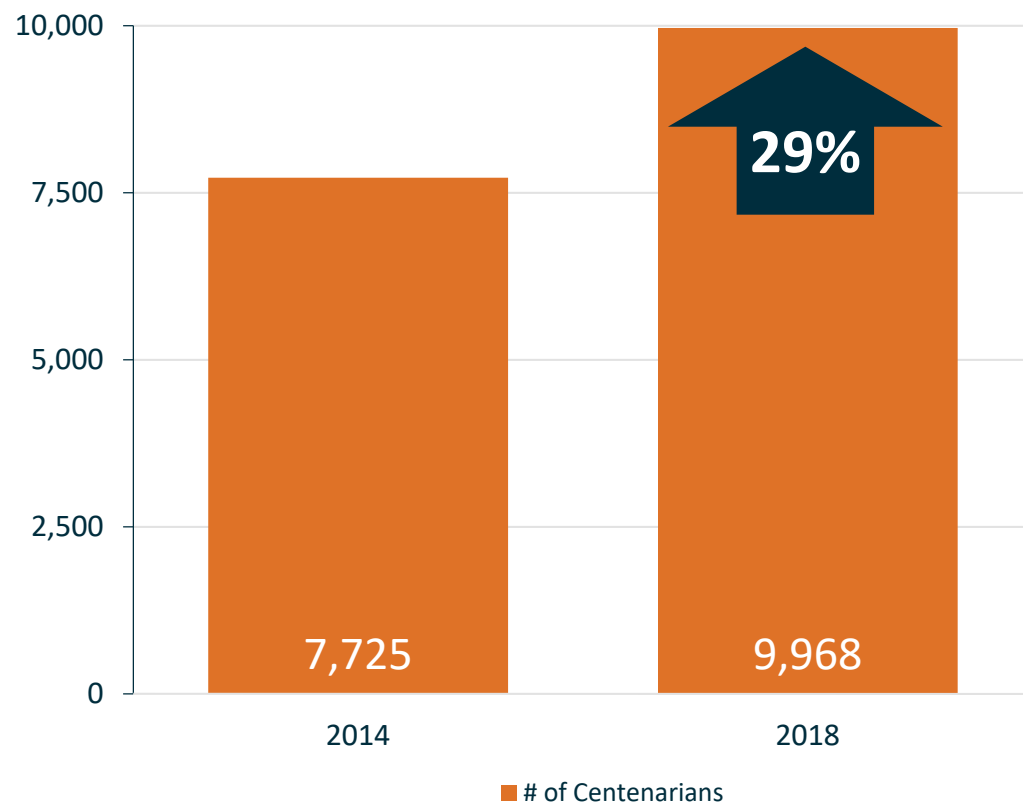
Source: BNN Bloomberg, November, 2019.

72%
of Canadians

aren't living the
retirement they
expected.

Source: BNN Bloomberg, November, 2019.

Longevity risk – is age 100 the new age 85?



Male

Female

65
yrs. old

87
yrs. old

90
yrs. old

Sources: Population estimates, Statistics Canada, 2018 and Canadian Institute of Actuaries (CIA), 2017.

How firms are dealing with longevity risk



Source: <file:///C:/users/mn72/downloads/group-annuity-market-pulse-2019-annual-review-en.pdf>

Market risk – accumulation years

- \$100,000 and leave invested
- Regardless of the return, resulting capital the same

SCENARIO	1	2	3	4	5	6	7	8	9	10	RETURN	BALANCE
1	5	5	5	5	5	5	5	5	5	5	5%	\$162,887
2	11	7	16	19	-8	10	-1	15	-6	-8	5%	\$162,887
3	-8	-6	15	-1	10	-8	19	16	7	11	5%	\$162,887

Sequence of returns risk – a subset of market risk

De-accumulation with fixed income

- Withdrawals at 5% per year
- Scenario 3 has lost significant capital

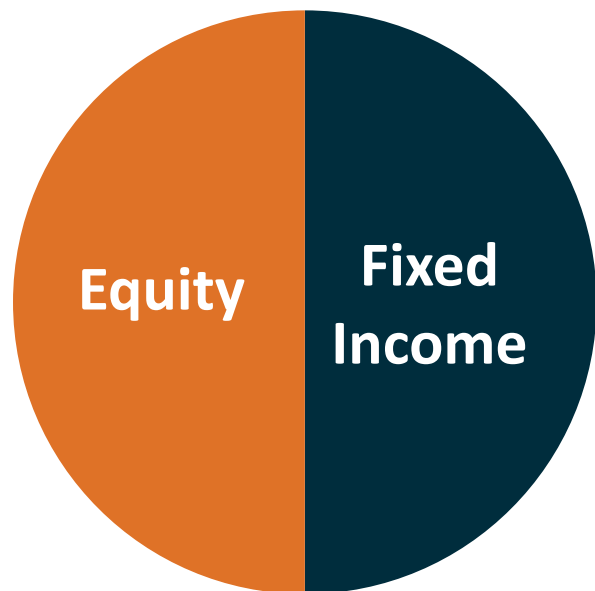
SCENARIO	1	2	3	4	5	6	7	8	9	10	RETURN	BALANCE
1	5	5	5	5	5	5	5	5	5	5	5%	\$100,000
2	11	7	16	19	-8	10	-1	15	-6	-8	5%	\$108,507
3	-8	-6	15	-1	10	-8	19	16	7	11	5%	\$89,138



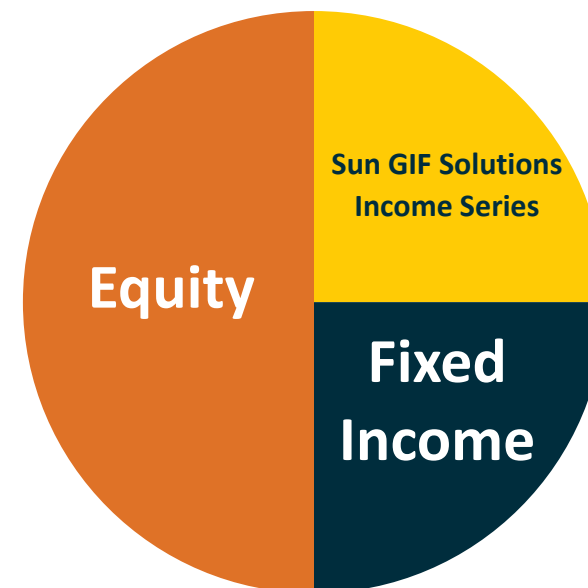
Yearly withdrawals are based on the initial investment of \$100,000.

How Sun GIF Solutions Income Series fits into a broader financial plan

Retirement portfolio

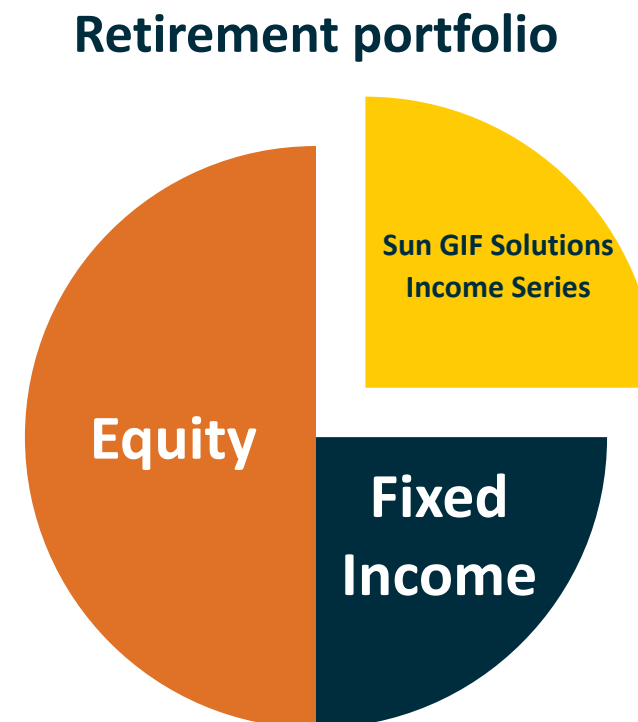


Retirement portfolio



How Sun GIF Solutions Income Series fits into a broader financial plan

- Minimizes market risk
- Lifetime guaranteed income for a 65-year-old male = **4.10%** vs. traditional bonds/fixed income
- IIROC – pay income into nominee cash account



Rate as of March 23, 2021.

Sun GIF Solutions Income Series

Build a better RRIF to help manage risk

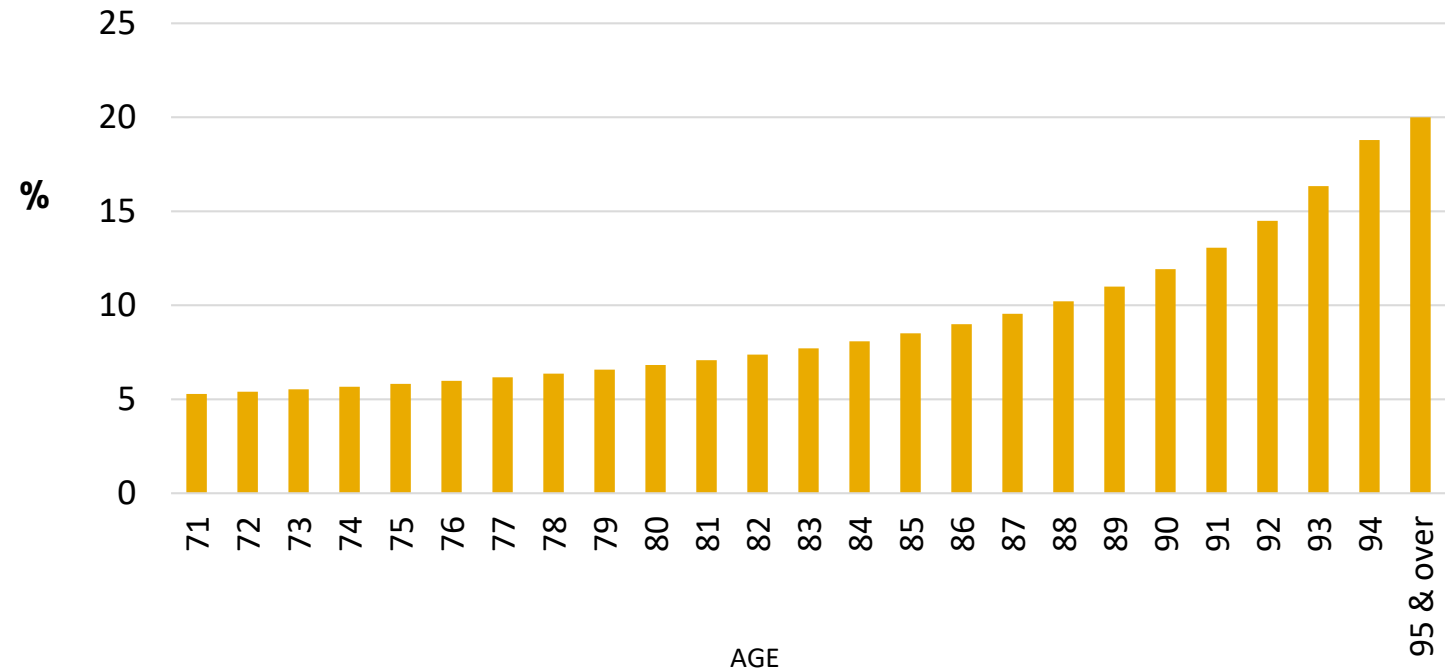
Sun GIF Solutions Income Series

Build a RRIF to help manage risk

The risk with RRIFs:

- Must withdraw increasing minimum per year
- RRIFs at risk for early depletion
- Must convert RRSP to RRIF in year age 71
- Increasing RRIF minimums challenging to manage

RRIF minimum withdrawal factor



Sun GIF Solutions Income Series

Build a RRIF to help manage risk

- Lifetime guaranteed income that will never decrease¹
- 75% maturity^{2,3} / 75% death benefit guarantee³
- Single or joint life income
- Receive the greater of RRIF minimum or lifetime guaranteed income amount
- Supplements income from other sources (CPP, OAS)
- Even if market value at zero income continues
- Addresses the risk of later-stage depletion

¹As long as the adjusted guaranteed income amount is not exceeded.

²Payable on Dec. 31, age 100 of the annuitant, reduced proportionately by withdrawals.

³Reduced proportionately by withdrawals.

Current income rates

Inquiry date:

April 6, 2021

Product:

Sun GIF Solutions
Income Series

Income option:

Male

Birth year:

1956

Deposit amount:

\$325,000

Based on the inputs, the deposit income rates are as follows:

INCOME AGE	MINIMUM INCOME RATE %	MINIMUM INCOME AMOUNT \$
65	4.10	13,325
66	4.29	13,943
67	4.47	14,528
68	4.65	15,113
69	4.85	15,763
70	5.07	16,478
71	5.30	17,225
72	5.54	18,005
73	5.81	18,883
74	6.09	19,793
75	6.39	20,768
76	6.72	21,840
77	7.08	23,010
78	7.47	24,278
79	7.89	25,643
80	8.36	27,170
81	8.87	28,828
82	9.42	30,615

Sun GIF Solutions Income Series

Taxation of non-registered income

Impact on “net income” from a \$10,000 receipt - 2020

Type of Income	Amount
\$10,000 Fully Taxable	\$ 10,000
\$10,000 Interest	\$ 10,000
\$10,000 Eligible Dividend	\$ 13,800
\$10,000 Non-Eligible Dividend	\$ 11,500
\$10,000 Foreign Dividend	\$ 10,000
\$10,000 Taxable Capital Gain	\$ 5,000
\$10,000 Return of Capital	\$ 0
\$10,000 TFSA withdrawal	\$ 0

Sun GIF Solutions Income Series

Taxation of non-registered income

- Income tax efficiency a significant value add when retirement planning
- Only a portion of income is taxable as a capital gain
- Balance is non-taxable return of capital
 - Not reported on Line 234
 - Can reduce or eliminate clawback of government income tested benefits
- Must consider:
 - Scheduled payments
 - Year-end allocations
 - Unscheduled withdrawals
 - Fund switches

Withdrawal for an additional \$1.00 after tax - 2020

Bracket	Rate	Fully Taxable	Eligible Dividends	Non-Eligible Dividends	Capital Gains	TFSA ROC
12,298	25.9%	\$1.35	\$1.00	\$1.12	\$1.15	\$1.00
33,383	28.0%	\$1.39	\$1.07	\$1.23	\$1.16	\$1.00
48,535	35.0%	\$1.54	\$1.19	\$1.34	\$1.21	\$1.00
72,164	39.4%	\$1.65	\$1.29	\$1.45	\$1.24	\$1.00
97,069	43.4%	\$1.76	\$1.39	\$1.60	\$1.28	\$1.00
150,473	46.4%	\$1.86	\$1.47	\$1.69	\$1.30	\$1.00
214,368	50.4%	\$2.01	\$1.59	\$1.84	\$1.34	\$1.00

Sun GIF Solutions Income Series: **Sun Strategic Income**

Managed by SLC Management (Canada) Inc.

Income Series is powered by **Sun Strategic Income**

Global credit research platform with deep, specialized industry knowledge	Active portfolio management , long- standing expertise in customized total return and LDI mandates	Exposure to investment grade private and public assets through experienced investment teams
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How Sun GIF Solutions Income Series fits into a broader financial plan

- Income Series' **Sun Strategic Income** key to fixed income
- Investment focus = secure fixed income investments
 - Private fixed income
 - Liability driven investment strategy
- Performance >> F Class, 3-year = **3.76%**

Sun Strategic Income asset mix profile

3-year Morningstar™ rating ★ ★ ★ ★ ★

Sun Life Core Fixed Income Fund

Sun Life Private Fixed Income Plus Fund **and/or**
Sun Life Canadian Commercial Mortgages Fund



Sun Life Long Term Core Fixed
Income Fund



SUN STRATEGIC INCOME FUND

Presented by: Sun Life Capital Management (Canada) Inc.
Thursday, April 8, 2021

Today's agenda

SLC Management presentation team

Firm overview

Sun GIF Solutions Strategic Income Fund and its underlying strategies



Eugene Lundrigan

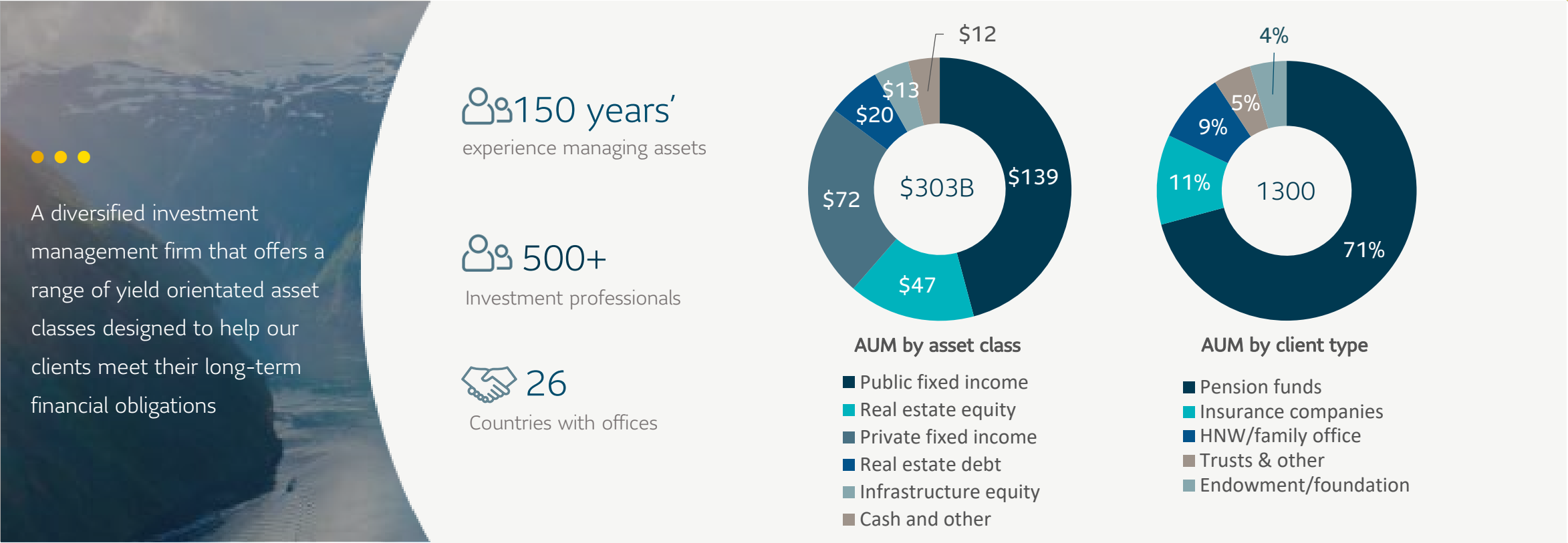
President, Sun Life Capital Management (Canada) Inc.



Randall Malcolm

Senior Managing Director & Portfolio Manager, Canadian Total Return

Institutional asset manager focused on fixed income and real assets



Sun Life Capital Management (Canada) Inc. which operates under the brand name SLC Management is the Canadian arm of the global institutional asset management business of Sun Life Financial Inc. Data in \$CAD as of 12/31/2020 and represents combined assets of Sun Life Capital Management (Canada) Inc., Sun Life Capital Management (U.S.) LLC, InfraRed and Crescent Capital Group (InfraRed portion of AUM as of 9/30/2020). More information is available upon request. Cash and other includes approx.. \$3 billion of InfraRed real estate AUM.

Fund structure

A well-diversified, core, investment-grade fixed income portfolio



Core bonds



Private assets through private fixed income and commercial mortgages



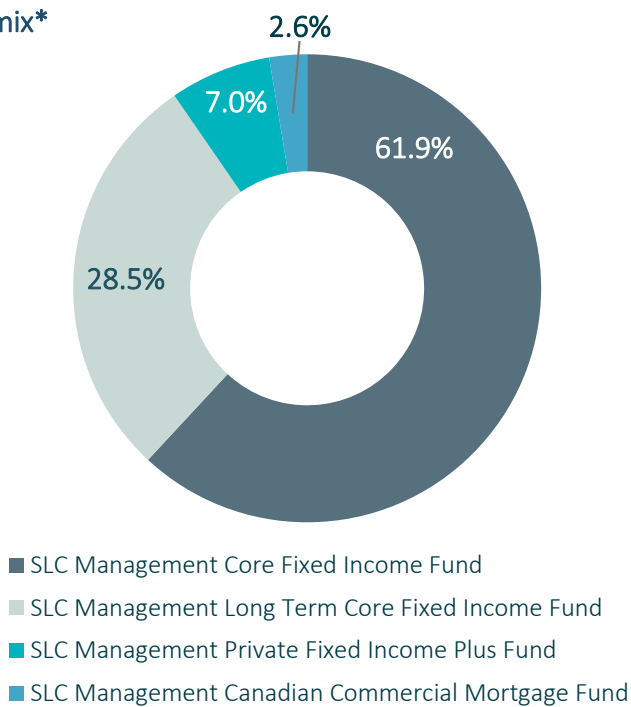
Global bond and credit research platform

Downside protection while seeking higher total returns than traditional bond funds

The Sun Enhanced Balanced Fund is a segregated fund, offered by Sun Life Assurance Company of Canada and sub-advised by Sun Life Capital Management (Canada) Inc.

Profile as at December 31, 2020

Asset mix*



Characteristics

	Yield (%)	Effective duration (yrs)	Average credit quality
SLC Management Core Fixed Income Fund	1.56	8.95	AA
SLC Management Long Term Core Fixed Income Fund	2.06	16.61	AA
SLC Management Canadian Commercial Mortgage Fund	2.16	4.17	A**
SLC Management Private Fixed Income Plus Fund	2.82	6.96	A**
Sun GIF Solutions Strategic Income Fund	1.81	10.87	AA
Blended Benchmark***	1.49	11.08	AA

The SLC Management Core Fixed Income Fund, SLC Management Long Term Core Fixed Income Fund, SLC Management Private Fixed Income Plus Fund, and the SLC Management Canadian Commercial Mortgage Fund are managed by Sun Life Capital Management (Canada) Inc. * Asset mix based on committed assets (Fund assets committed but not funded). **Private fixed income based on internal credit rating methodology – as described in the Fund’s Offering Memorandum. Includes credit ratings one tier above and one below alphabetical classification. Mortgages based on internal credit rating methodology – as described in the Fund’s Offering Memorandum. Investment-grade credit ratings of our private placements portfolio assets are based on a proprietary, internal credit rating methodology that was developed using both externally-purchased and internally developed models. This methodology is reviewed regularly. More details can be shared upon request. There is no guarantee that the same rating(s) would be assigned to portfolio asset(s) if they were independently rated by a major credit ratings organization.***Blended Benchmark: 65% FTSE Canada Universe Bond Index + 35% FTSE Canada Long-Term Overall Bond Index.

Note: Sun GIF Solutions Strategic Income Fund’s yield, effective duration and average credit quality represented is a dollar weighted average.

Performance as at December 31, 2020

	Q4 2020	YTD	1 Year	3 Year	Since Inception
Total Fund	1.89%	10.98%	10.98%	7.53%	7.69%
Benchmark*	0.70%	9.84%	9.84%	6.52%	6.70%
Relative Performance	1.19%	1.14%	1.14%	1.01%	0.99%

Note:

- Performance inception date: July 31, 2017.
- Returns shown are net of Fund’s expenses and gross of management fees. Management fees are paid directly to Sun Life Assurance Company of Canada and should be considered when assessing net performance.
- Returns greater than 1 year are annualized.

*Blended Benchmark: 65% FTSE Canada Universe Bond Index + 35% FTSE Canada Long-Term Overall Bond Index.

Private fixed income & commercial mortgage profiles as at December 31, 2020

SLC Management Private Fixed Income Plus Fund

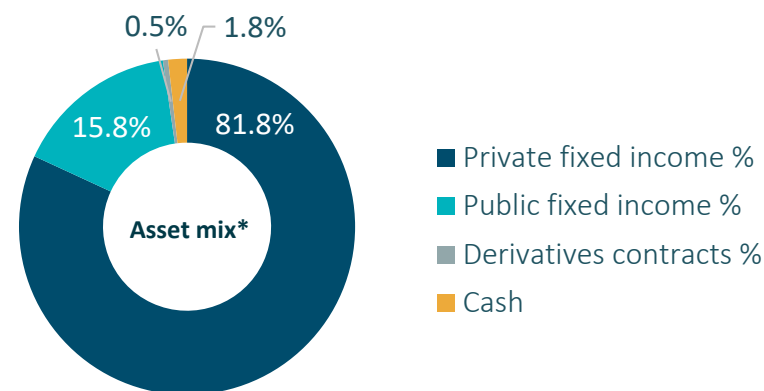
Structure: Pooled; open-ended **Performance inception date:** March 31, 2014

Benchmark: FTSE® Canada All Corporate Bond Index

Base currency: Canadian dollar **Net asset value:** \$2,889.6 M

Fund yield to maturity / benchmark: 2.82% / 1.68%

Fund effective duration / benchmark: 6.96 years / 6.93 years



SLC Management Canadian Commercial Mortgage Fund

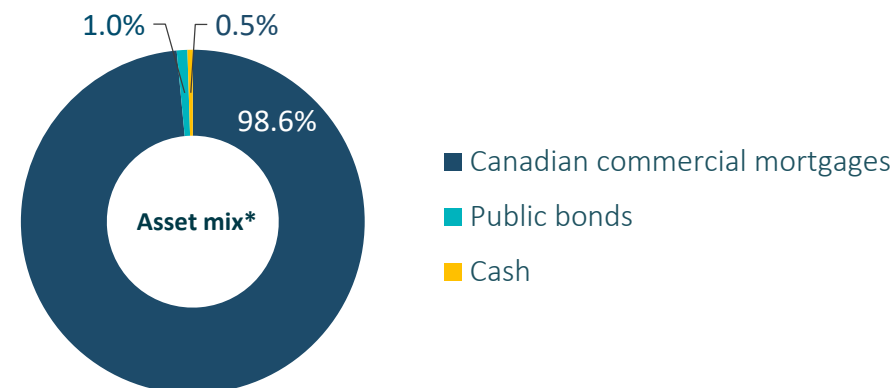
Structure: Pooled; open-ended **Performance inception date:** February 28, 2014

Base currency: Canadian dollar **Net asset value:** \$577.2M

Loan to value: 54.19% **Debt service ratio:** 1.70x

Fund yield to maturity / benchmark: 2.16% / 0.77%

Fund effective duration / benchmark: 4.17 years / 4.45 years



*For the purpose of calculating asset allocations noted above, the net asset value of private assets will be calculated on a total commitment basis inclusive of any committed but undistributed amounts. ** Cash includes other net assets such as payables and receivables. For information purposes only. Please refer to the Fund offering memorandum for details on the features and risks of investing in the Fund. "FTSE®" is a trade mark of FTSE® International Limited and is used under license.

In summary...

Corporate credit

- Overweight position moving lower as credit spreads have compressed significantly
- Moved to higher quality and defensive positioning
- Continue to rely on fundamental insights to take advantage of market dislocations

Foreign credit versus Canadian credit

- US Corporates have performed strongly and may be more selective given current levels
- US Credit is not as attractive versus Canadian corporate, European credit is more expensive than US or Canada
- Generally better credit opportunities in Canada but still opportunities outside Canada as well

Inflation exposure

- Central banks quantitative easing gears down
- A return to fundamentals now?

Disclosures

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Sun Life Capital Management (Canada) Inc. is a Canadian registered portfolio manager, investment fund manager, exempt market dealer and in Ontario, a commodity trading manager. Sun Life Capital Management (U.S.) LLC is registered with the U.S. Securities and Exchange Commission as an investment adviser and is also a Commodity Trading Advisor and Commodity Pool Operator registered with the Commodity Futures Trading Commission under the Commodity Exchange Act and Members of the National Futures Association.

BentallGreenOak, InfraRed Capital Partners (InfraRed) are also part of SLC Management and Crescent Capital Group (Crescent) are also part of SLC Management.

Bentall Green Oak is a global real estate investment management advisor and a provider of real estate services. In the U.S., real estate mandates are offered by BentallGreenOak (U.S.) Limited Partnership, who is registered with the SEC as an investment adviser, or Sun Life Institutional Distributors (U.S.) LLC, an SEC registered broker-dealer and a member of the Financial Industry Regulatory Authority (“FINRA”). In Canada, real estate mandates are offered by BentallGreenOak (Canada) Limited Partnership, BGO Capital (Canada) Inc. or Sun Life Capital Management (Canada) Inc. BGO Capital (Canada) Inc. is a Canadian registered portfolio manager and exempt market dealer and is registered as an investment fund manager in British Columbia, Ontario and Quebec.

InfraRed Capital Partners is an international investment manager focused on infrastructure. Operating worldwide, InfraRed manages equity capital in multiple private and listed funds, primarily for institutional investors across the globe. InfraRed Capital Partners Ltd. is authorized and regulated in the UK by the Financial Conduct Authority.

Crescent Capital Group is a global alternative credit investment manager registered with the U.S. Securities and Exchange Commission as an investment adviser. Crescent is a leading investor in mezzanine debt, middle market direct lending in the U.S. and Europe, high-yield bonds and broadly syndicated loans.

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Disclosures

Unless otherwise stated, all figures and estimates provided have been sourced internally and are as of December 31, 2020. Unless otherwise noted, all references to “\$” are in Canadian dollars.

SLC Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. The Firm has not been independently.

The Sun Enhanced Balanced Fund is a segregated fund, offered by Sun Life Assurance Company of Canada and sub-advised by Sun Life Capital Management (Canada) Inc. Contributions allocated to the Segregated Funds are accumulated under a Group Annuity Policy issued by Sun Life Assurance Company of Canada. The assets within the Segregated Funds are owned by Sun Life Assurance Company of Canada.

The value of holdings in the Segregated Funds can fluctuate depending on market conditions and the degree of risk of the underlying investments that make up the Segregated Funds. Investor contributions allocated to a Segregated Fund are measured in notional units. The value of each unit held will fluctuate with the value of the investments held by the Segregated Fund therefore there is no guarantee that your original investment will be recovered at the time the units are redeemed. The value of any capital appreciation (or depreciation), interest or dividends is included in determining the value of the units held. Unless stated otherwise, all rates of return provided refer to the Segregated Fund. The returns of the Segregated Fund may not exactly match those of the underlying investment fund. Any holdings information provided reflects the composition of the underlying fund. Past performance may not be repeated.

The use of derivatives may expose the portfolio to risks that differ, and may be possibly greater than, the risks that would be generally associated with investing in fixed income assets. These risks include, but are not limited to: i) the lack of availability of a liquid market at the time that the portfolio may want to unwind a derivative contract; ii) the possibility that the portfolio may not be able to realize value from any derivatives contract if the contract counterparty cannot fulfill its obligations under the contract; and iii) the possibility that the portfolio could experience a loss of all or part of any margin, cash or securities, on deposit with that counterparty if that counterparty goes bankrupt. There is the possibility of deterioration in the functioning or liquidity of the market for derivative instruments which may decrease the value of the derivatives instruments, thereby decreasing the value of the portfolio. Under certain circumstances, the portfolio may be unable to close out derivative contracts in a timely manner or realize values that reflect the fair market values of those investments. The posting of derivative collateral and margin could result in liquidity demands for the portfolio. The portfolio will need to hold ample eligible collateral and margin to satisfy collateral requirements. Derivative contracts may include the use of leverage. Derivative collateral may not be sufficient to close out the portfolio's obligations under its derivative contracts.

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Sun Life Assurance Company of Canada is the issuer of guaranteed insurance contracts, including Accumulation Annuities (Insurance GICs), Payout Annuities, and Individual Variable Insurance Contracts (Sun Life GIFs).

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Why Sun GIF Solutions Income Series?

- **Solves for key retirement risks**
 - Longevity
 - Market
 - Performance
- **Tax efficient income for non-registered assets**
- **Enables you to build a better RRIF**

Marketing & reference materials to put it into practice

- **Sun GIF Solutions: A risk management strategy for all of life's stages** (810/820-4492) – advisor facing
- **Retirement income and growth strategy** (810/820-5026) – Client facing
- **Taxation of non-reg. income** (810/820-4694) – advisor facing
- **Build a RRIF to help manage risk** (810/820-5012) – Client facing
- **Sun Strategic Income: sunlifeglobalinvestments.com**

Next event!

- Sun Life Core Advantage Credit Private Pool
- Featuring:
 - Eugene Lundrigan, President, SLC Management Canada
 - Randall Malcolm, Senior Managing Director & Portfolio Manager, Public Fixed Income, SLC Management
- **Thursday, April 22**