

# WEALTH SERIES



# SÉRIE GESTION

DE PATRIMOINE

# Sun Life Global Investments

Sub-advisor model

## Our philosophy

**No single company can  
be the best in every single  
investment category**



That's why we offer a broad lineup of mutual funds, sub-advised by *carefully-chosen* domestic and international investment managers.



This enables us to provide a *cost-effective, well-curated* list of investment options to you.

# World-class asset managers

At Sun Life Global Investments,  
we select our investment  
managers from **around the  
globe to offer world-class  
investment solutions**



J.P.Morgan  
Asset Management



BLACKROCK®

Schroders



WELLINGTON  
MANAGEMENT®

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# Growth Investing in 2021

## Potential Opportunities and Risks in the US Growth Asset Class

**Scott Edgcomb, CFA**  
Investment Product Specialist  
MFS Growth Equity Team

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# Growth Investing in 2021

While the question has changed, the narrative remains the same

## Where do I want to be positioned through the next cycle?

Be forward looking and focus your time on what could drive asset prices.

Things to consider:

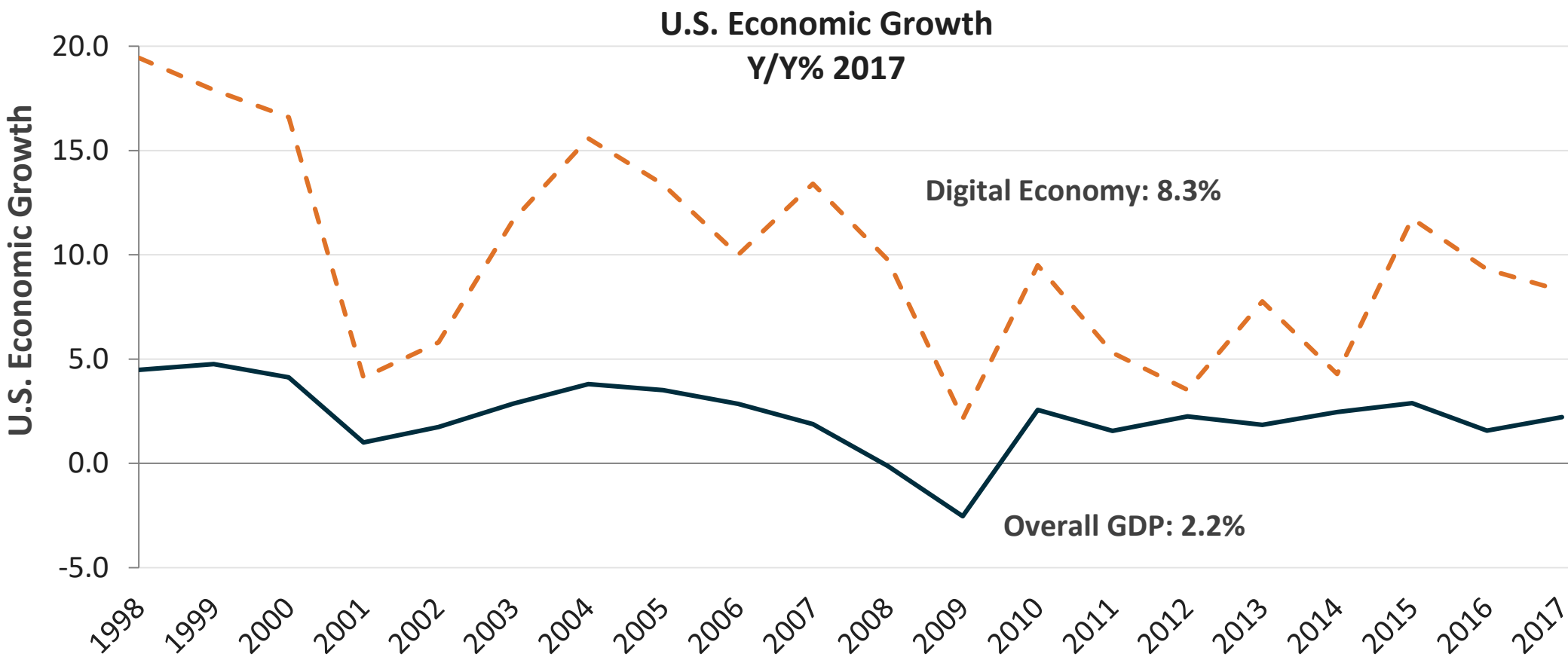
- What a company or asset class may **earn**
- The absolute **rate of that earnings** growth
- The duration of growth (i.e. **durability of earnings**)
- Paying an **appropriate multiple** for the business

**Price of an Asset = What investors are willing to pay for the future cash flows of business or an asset class**



# Technology Spend

Where the world was already moving



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Source: Cornerstone Macro, Tech Will Drive The Investment-Led Recovery, May 18, 2020.

# Demand has been pulled forward

The pandemic has seen an enforced shift in working, consumption, and leisure activities

## Potential Beneficiaries



### Work from Home

- Data Centers & Processing
- Cybersecurity
- WiFi
- Apps & Software
- Compute & Networking
- Crisis Communications & Notifications

### Ecommerce & Logistics

- Online Retail
- Food Delivery
- Logistics
- Automation
- Payment

### Stay at Home Economy

- Streaming
- Video Gaming & eSports
- Exercise
- Telemedicine
- Home Improvements
- Social Media

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Source: BofA Global Research, Covid-19 Investment Implications Series: The World After Covid Primer, May 3, 2020



# Potential Growth Opportunities

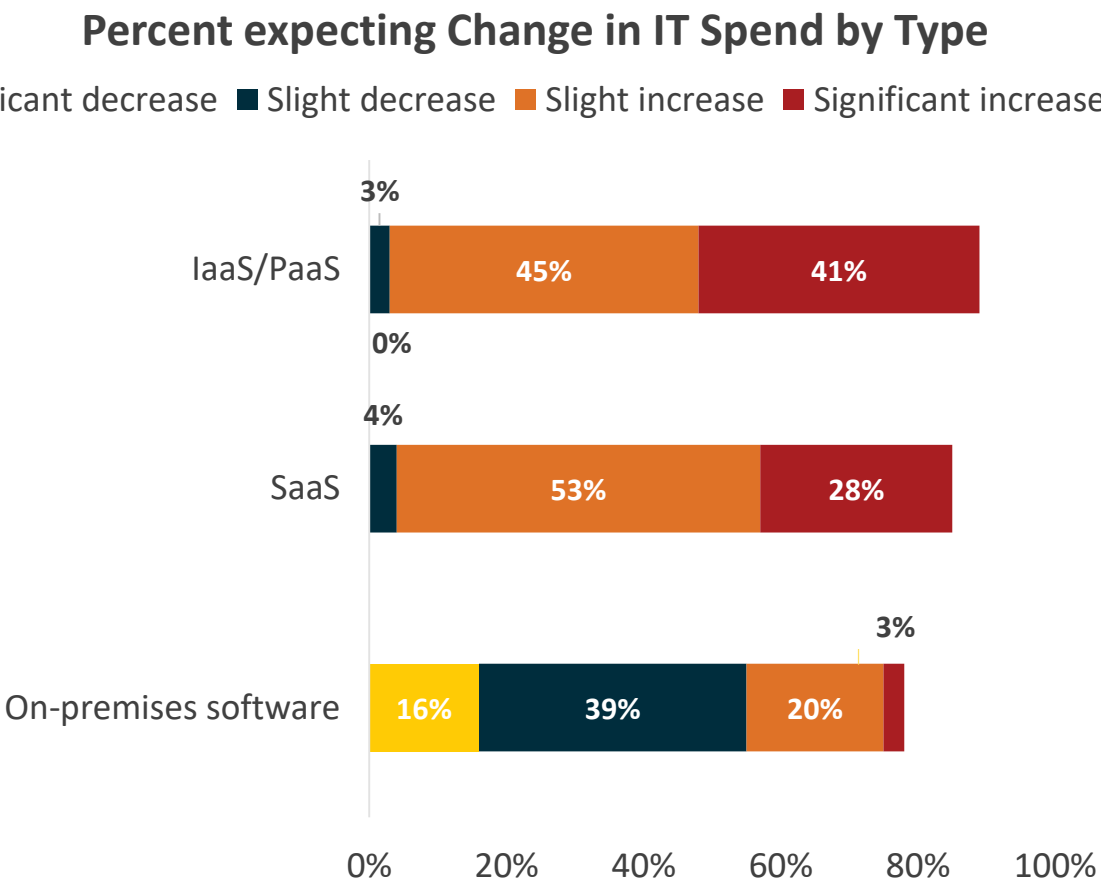
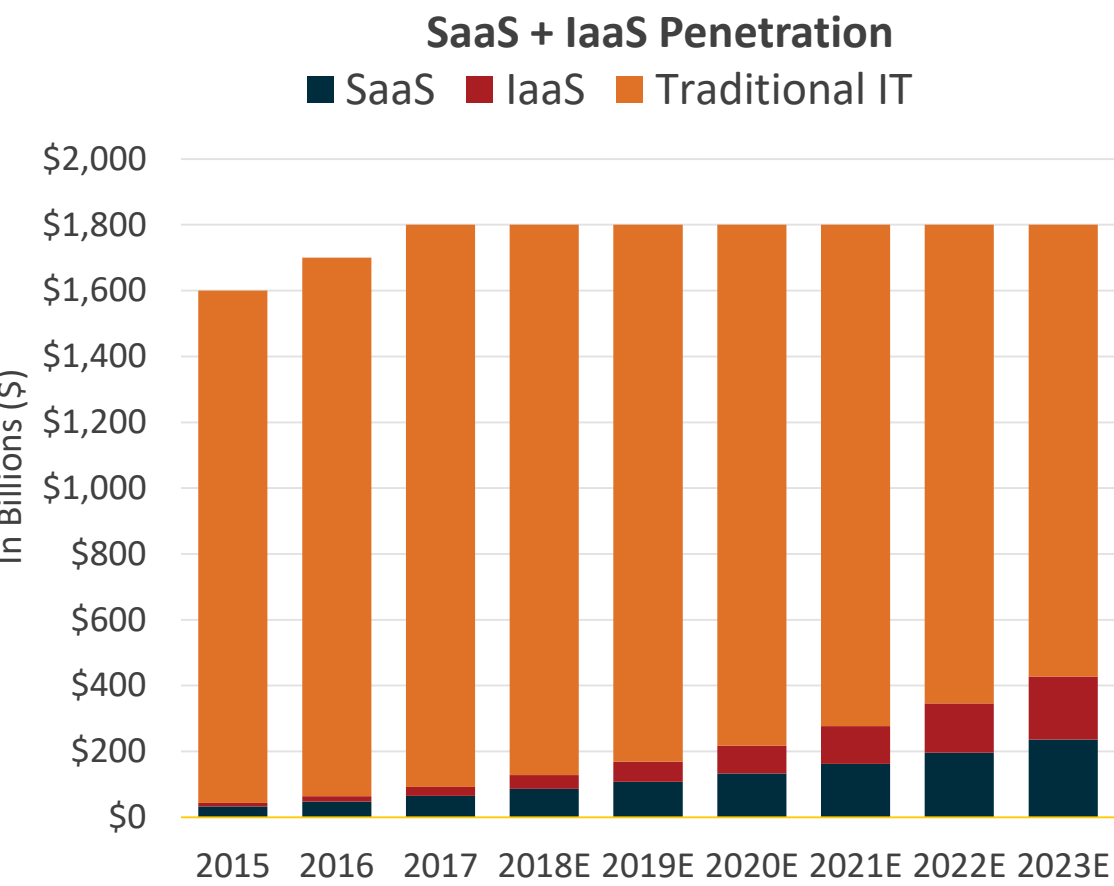
Areas of SECULAR GROWTH (underpenetrated / large Total Addressable Markets – “TAMs”)

Areas of secular growth – Underpenetrated / Large Total Addressable Markets (TAM)

- Cloud
- eCommerce
- Digital payments
- OTT Media and Online advertising
- eSports/Gaming
- Health Care

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# Cloud Computing



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Sources: (LHS) - Keybank Capital Markets Jan 2019, Company reports, Thomson Reuters, KeyBank Capital Markets Inc estimates

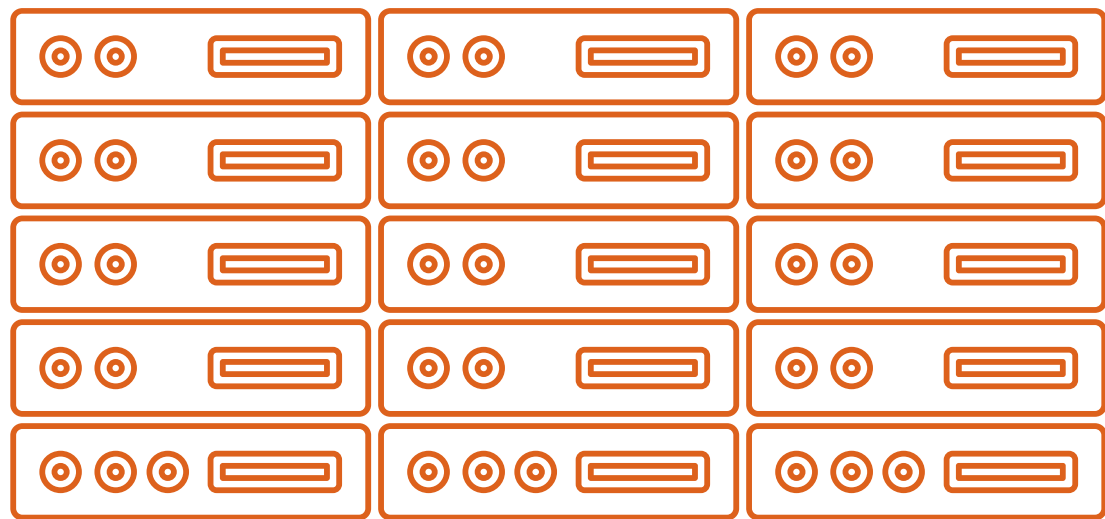
(RHS) - BofA Global Research, Covid-19 Investment Implications Series: The World After Covid Primer, May 3, 2020

SaaS: Software as a Service. IaaS: Infrastructure as a Service.

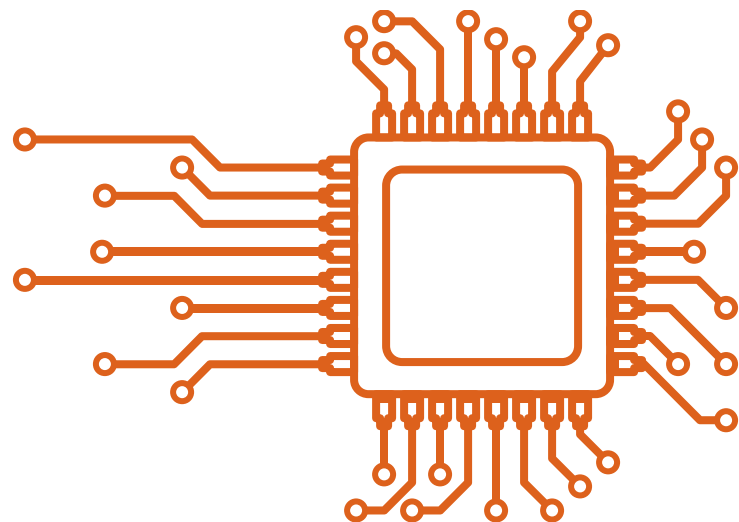
# Cloud Computing – secondary beneficiaries

Second derivative exposure

Data Centers



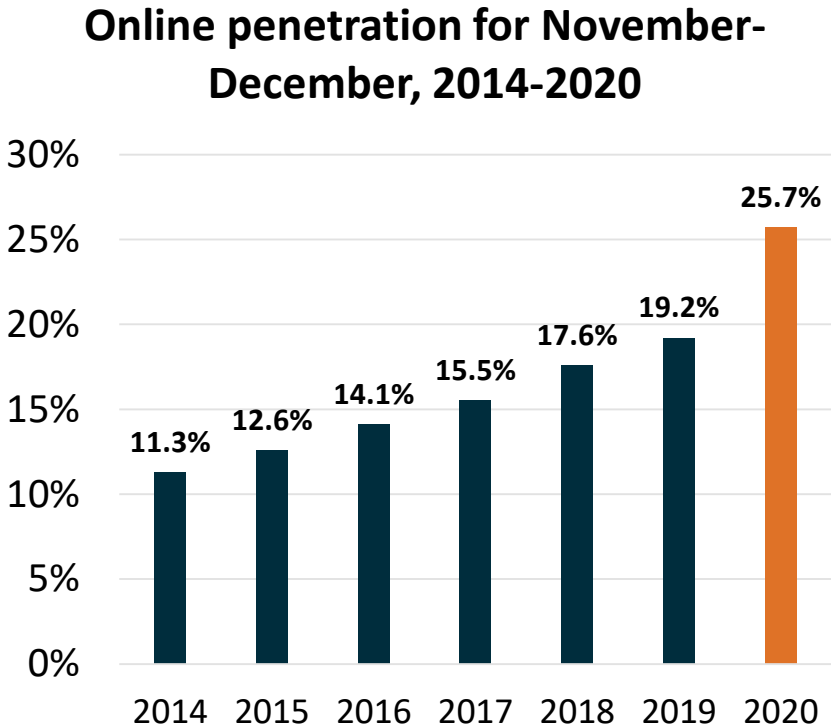
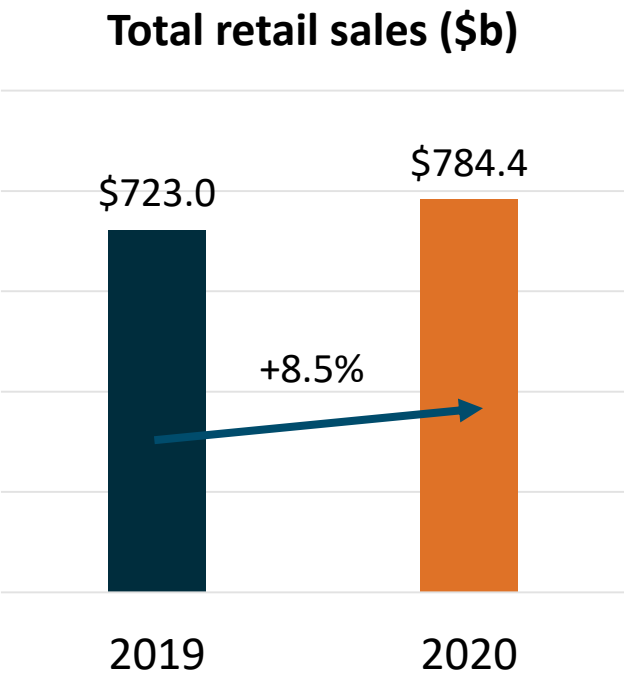
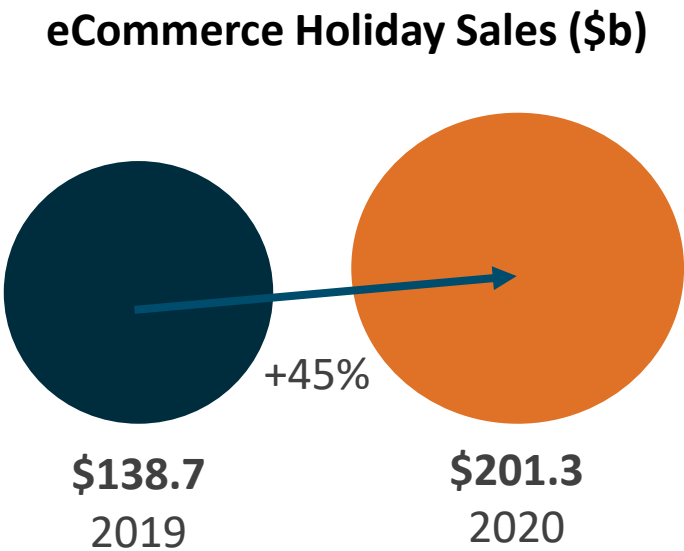
Semiconductors



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Source: (RHS) Gigital Realty Investor Presentation, March 2020, (LHS) Tatjana Glasauer/ Shutterstock

# eCommerce makes a giant leap

US holiday sales, in \$billions of USD



## eCommerce's share of total holiday sales spikes during COVID-19

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Source: Digital Commerce 360, U.S. Department of Commerce retail data; reflects November and December seasonal sales; January 2021

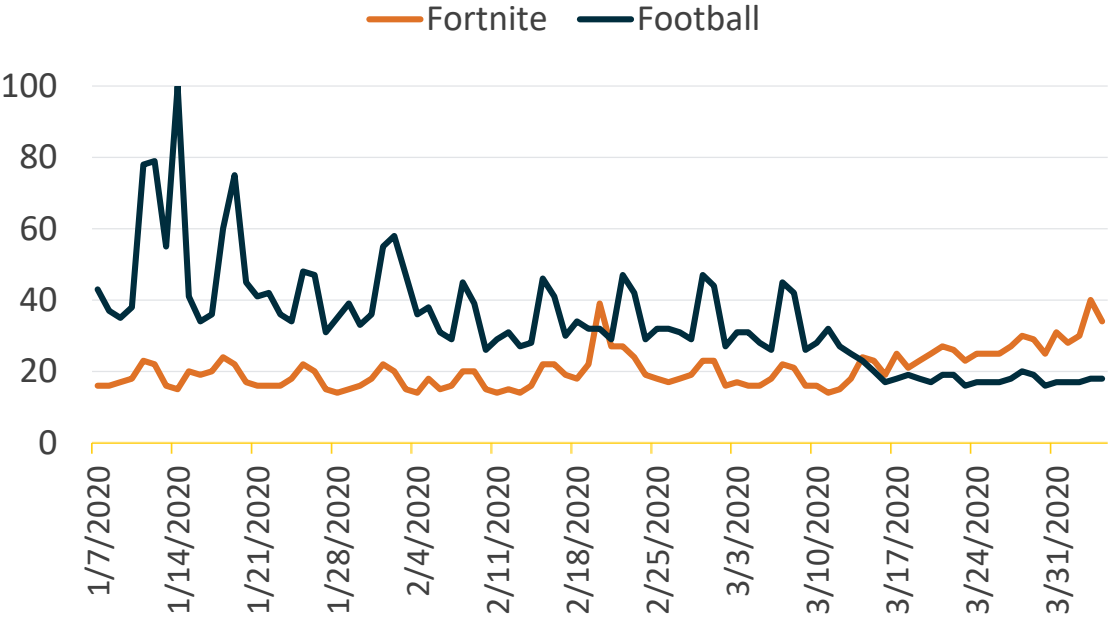
Source: Digital Commerce 360, U.S. Department of Commerce; excludes categories not typically purchased online: restaurants, bars, automobile dealers, gas stations and fuel dealers; January 2021

# Eyeballs drive activity

eSports/Gaming

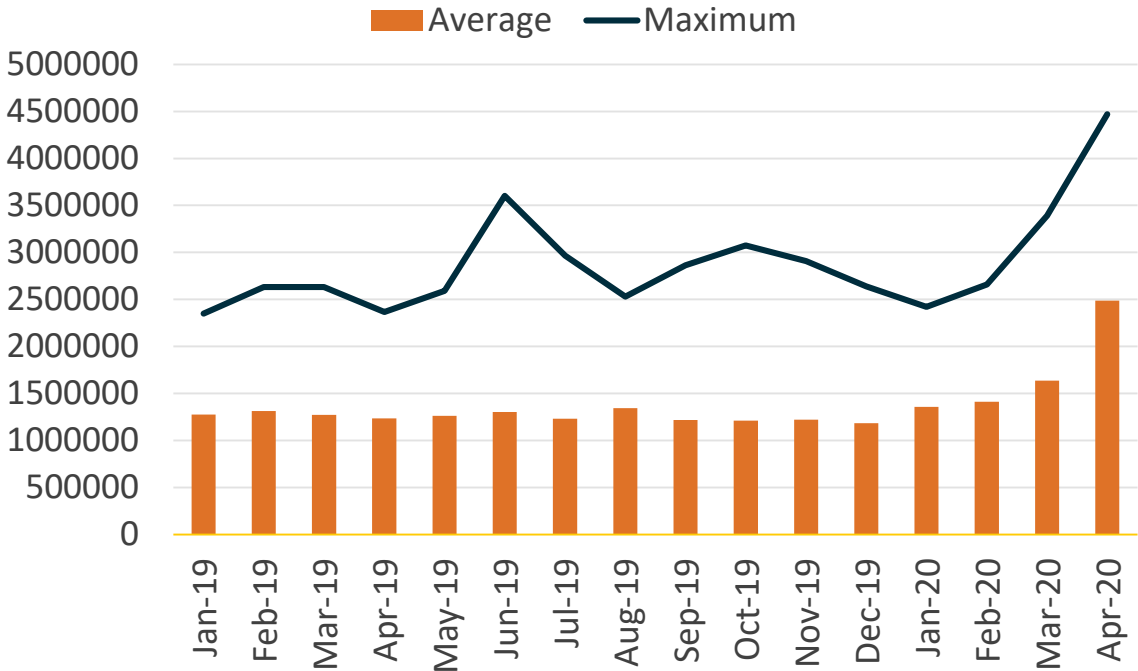
Fortnite is now more popular than football

Google trend popularity of search queries, January 7, 2020 – April 4, 2020



Number of concurrent viewers for Amazon's Twitch gaming platform doubles in 4 months.

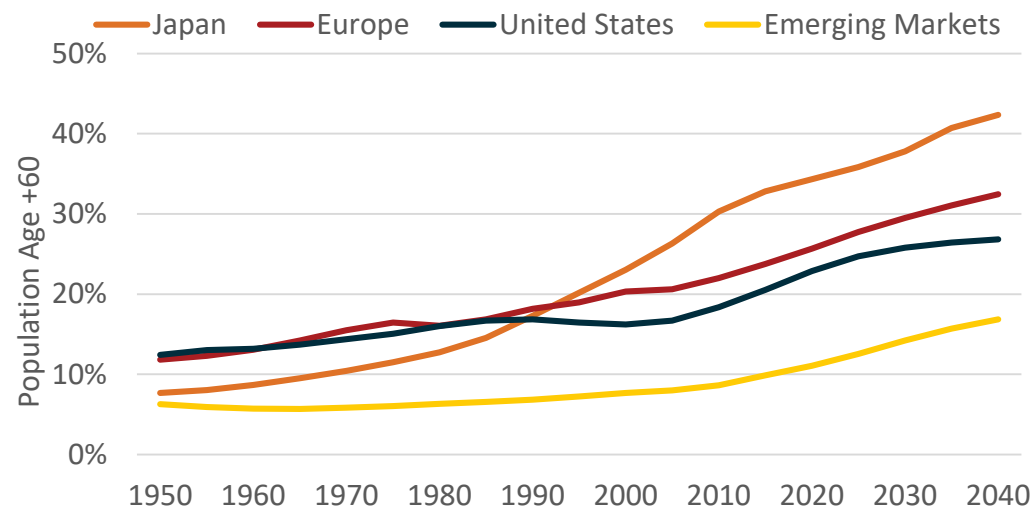
Concurrent viewers in Twitch aggregated by month



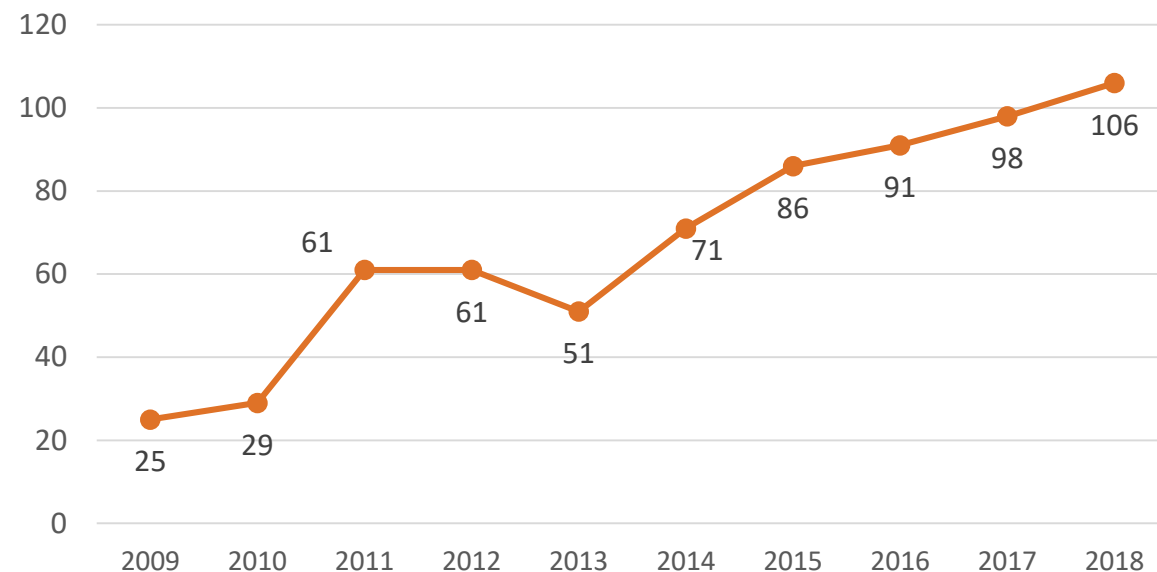
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Source: BofA Global Research, Covid-19 Investment Implications Series: The World After Covid Primer, Google Trends, Twitch, May 3, 2020

# Health Care: Medical Devices and Equipment

Percent of Population Age 60+



FDA novel device approvals

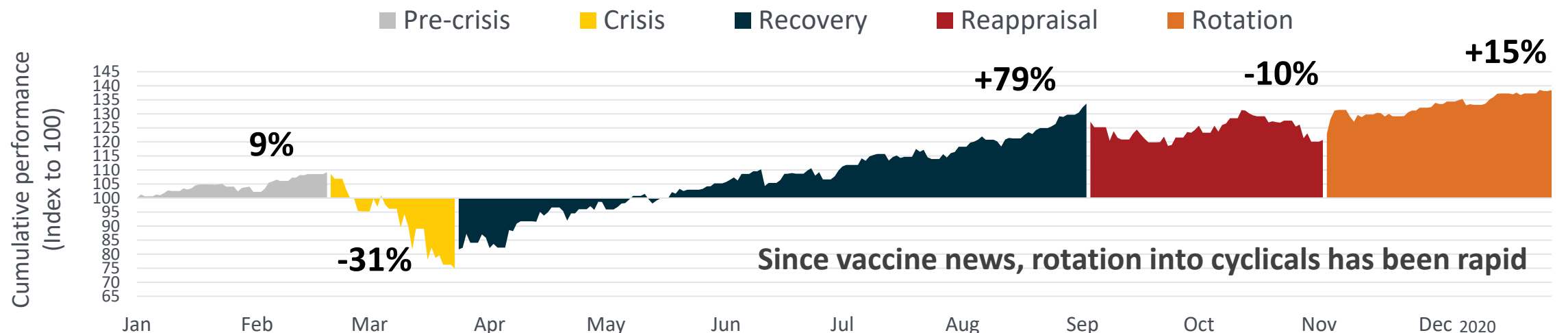


- Attractive industry – good growth, IP-driven high margins and rational players, supplying a diverse array of products across a number of geographies
- Long-term growth driven by demographic trends, emerging market penetration and innovation; offset by pricing pressure from ongoing buyer consolidation and spending budgets
- Despite some ESG concerns (low tax rates, product quality/recalls) the industry is recognized as part of a solution to lower healthcare costs and improved quality of life
- Relative valuation has appreciated reflecting the higher organic growth rates

Source: LHS-UN. Data published August 2019 showing percentage of total population by broad age groups that are over 60 years old. Projections are for every five years beginning in the year 1950 and ending in the year 2040. Regions and their country codes represented are “Emerging Markets” (Less developed regions, #902), Japan (#392), Europe (#908) and the United States (#840). RHS – FDA article “Statement from FDA Commissioner Scott Gottlieb, M.D., and Jeff Shuren, M.D., Director of the Center for Devices and Radiological Health, on a record year for device innovation” released on 28 January 2019. Examples of “Novel Devices” are original PMAs, panel track supplement PMAs, de novos, HDEs and breakthrough 510(k)s. Companies, securities, industries or market sectors named should not be considered an indication of trading intent of any mutual funds managed by SLGI Asset Management Inc. and sub-advised by MFS. These views are not to be considered as investment advice nor should they be considered a recommendation to buy or sell.

# Phases of the Crisis

Five phases of global equity performance during the pandemic



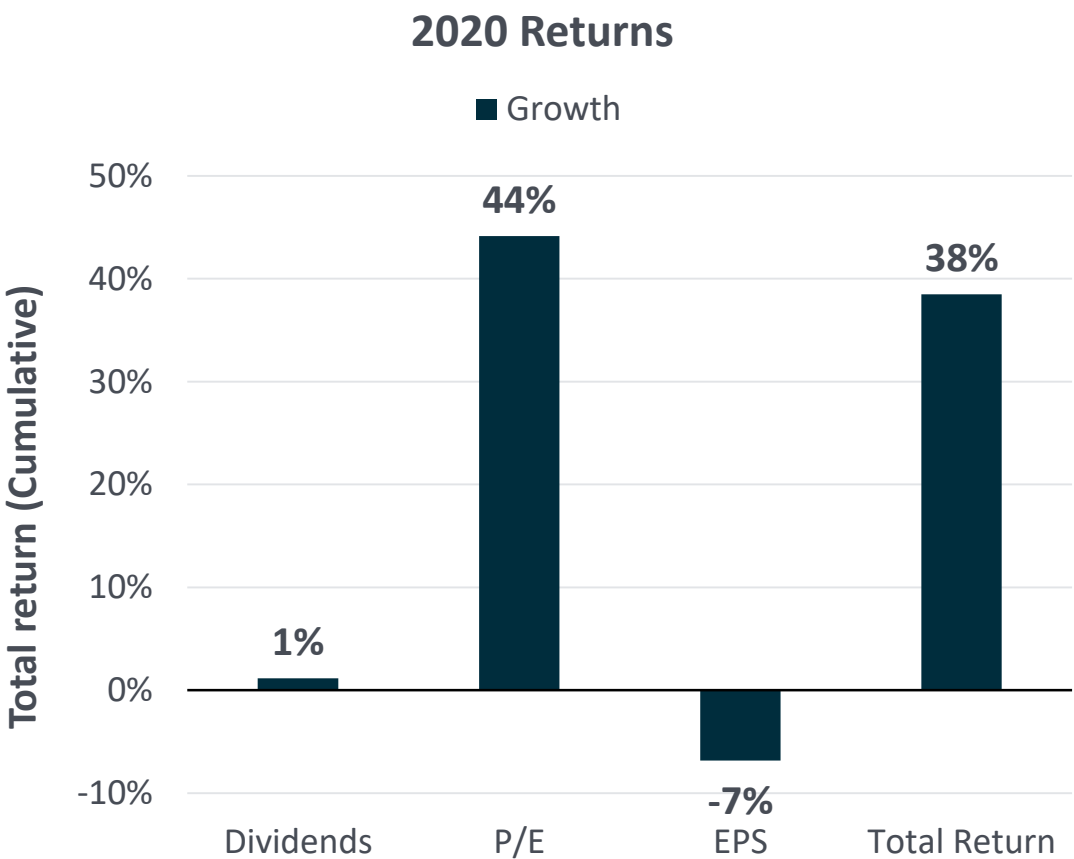
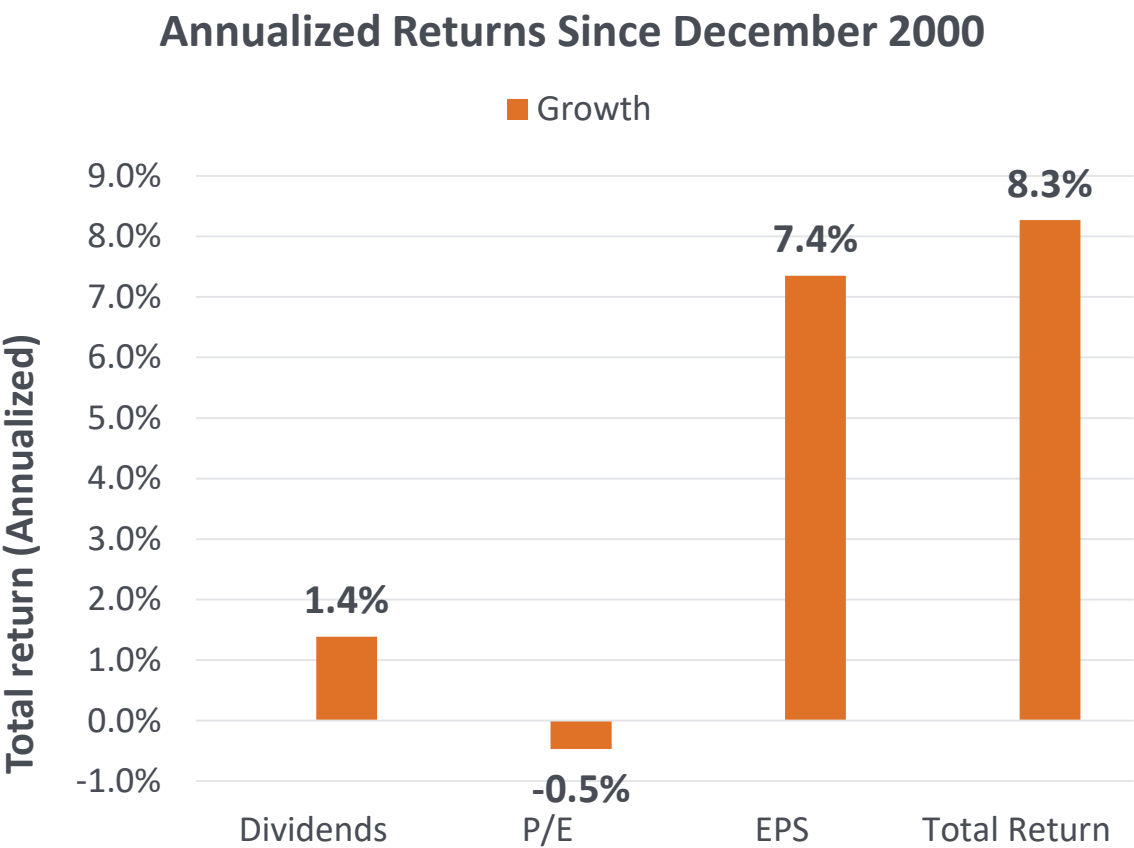
PRE-CRISIS 1 Jan 2020 – 19 Feb 2020	CRISIS 19 Feb 2020– 23 Mar 2020	RECOVERY 23 Mar 2020 – 2 Sep 2020	REAPPRAISAL 2 Sep 2020– 2 Nov 2020	ROTATION Since 2 Nov 2020
<ul style="list-style-type: none"> <li>• COVID-19 just a China problem</li> <li>• Continuation of 2019 rally</li> <li>• Stock-specific news</li> </ul>	<ul style="list-style-type: none"> <li>• Global pandemic and lockdowns</li> <li>• Broad market sell-off</li> <li>• Cyclicals trashed</li> </ul>	<ul style="list-style-type: none"> <li>• Unprecedented stimulus and partial reopening</li> <li>• Narrow market</li> <li>• Technology rally</li> </ul>	<ul style="list-style-type: none"> <li>• Uncertainty – 2<sup>nd</sup> wave concerns, hope of vaccine, US election</li> <li>• Broadening market</li> <li>• Pullback in technology</li> </ul>	<ul style="list-style-type: none"> <li>• Positive news on vaccines, US election outcome more certain</li> <li>• Strong equity rally</li> <li>• Rotation into cyclicals and from growth to value</li> </ul>

Source: Benchmark performance from SPAR, FactSet Research Systems Inc. Daily data as of 31 December 2019 to 31 December 2020 for the Russell 1000® Growth Index. Percentages show returns from start to end of each phase. Chart rebased to 100 at the start of the analysis. It is not possible to invest directly in an index. Past performance is no guarantee of future results.



# Over the Long Term, Earnings could be an Important Driver of Stocks

Cumulative and annualized returns for Russell 1000 Growth

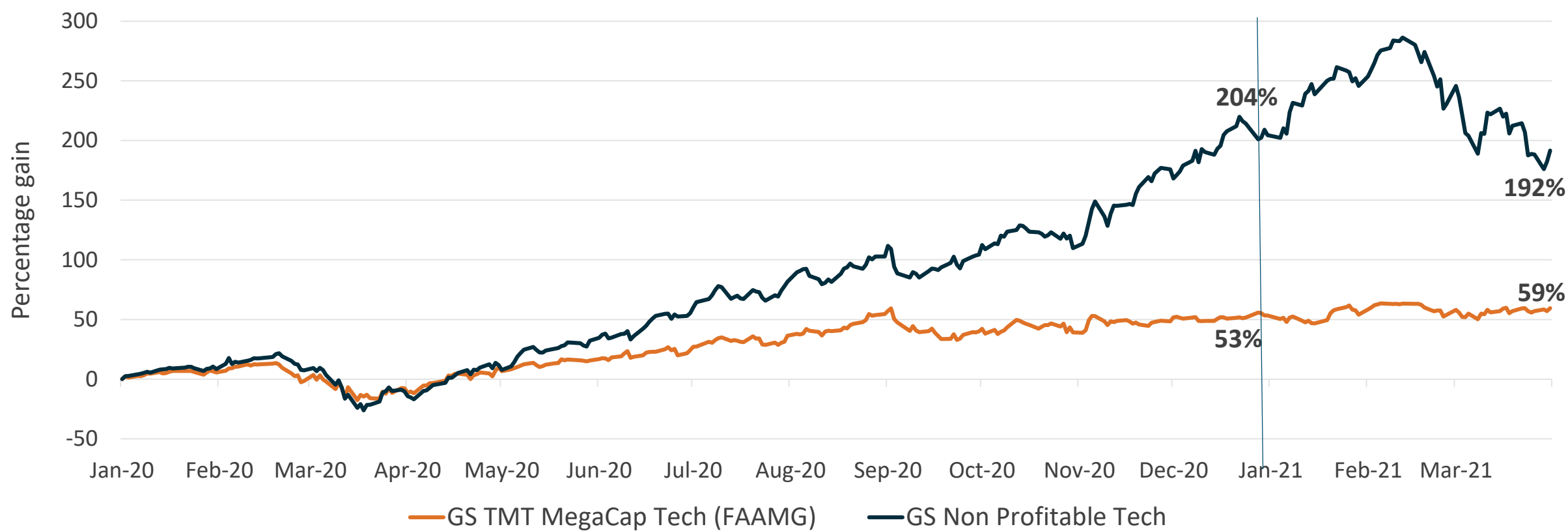


Earnings can be especially important for growth stocks

Source: FactSet Market Aggregates. Monthly data as of 31 December 2000 to 31 December 2020. Growth = Russell 1000 Growth Index. Price-to-earnings (P/E) and earnings-per-share (EPS) are trailing-twelve-month figures.

# 2020: A speculative/low quality rally in tech

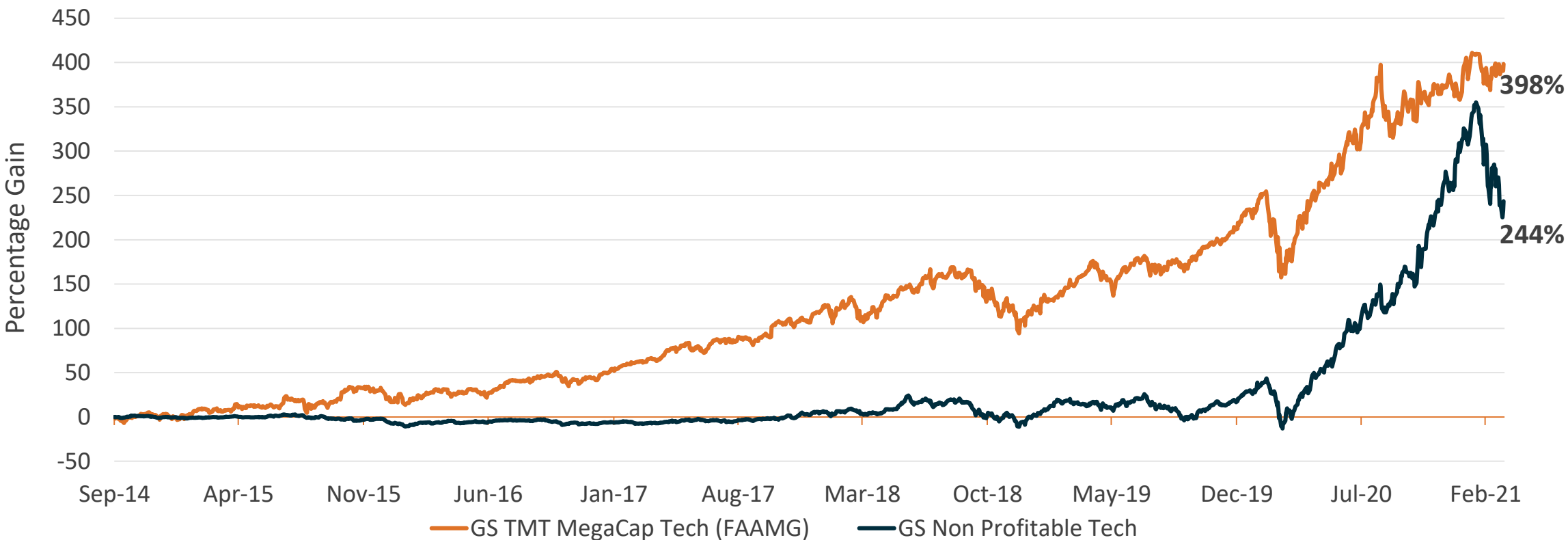
In 2020, non-profitable technology companies significantly outperformed



Source: Goldman Sachs, 9/30/2014-3/31/2021. The GS TMT MegaCap Tech basket is a liquidity weighted basket of the 5 largest US Tech companies: Facebook, Apple, Amazon, Microsoft, Alphabet/Google. The GS Non-Profitable Tech basket consists of non-profitable US listed companies in innovative industries. Tech is defined quite broadly to include new economy companies across GICS industry groupings. The basket is optimized for liquidity with no name initially weighted greater than 3.1%. Companies, securities, industries or market sectors named should not be considered an indication of trading intent of any mutual funds managed by SLGI Asset Management Inc. and sub-advised by MFS. These views are not to be considered as investment advice nor should they be considered a recommendation to buy or sell.

# Extending the time horizon

Over the long-term, stock prices tend to follow earnings and free cash flow growth



Source: Goldman Sachs, 9/30/2014-3/31/2021. The GS TMT MegaCap Tech basket is a liquidity weighted basket of the 5 largest US Tech companies: Facebook, Apple, Amazon, Microsoft, Alphabet/Google. The GS Non-Profitable Tech basket consists of non-profitable US listed companies in innovative industries. Tech is defined quite broadly to include new economy companies across GICS industry groupings. The basket is optimized for liquidity with no name initially weighted greater than 3.1%. Companies, securities, industries or market sectors named should not be considered an indication of trading intent of any mutual funds managed by SLGI Asset Management Inc. and sub-advised by MFS. These views are not to be considered as investment advice nor should they be considered a recommendation to buy or sell.

# US Growth Benchmark Concentration at Extreme Levels

Index weight of top 5 companies



Source: FactSet Portfolio Analysis. Chart shows the weight of the top 5 companies based on monthly data from 31 January 2000 to 30 September 2020. Weights of different share classes are consolidated as part of the parent company's weight. Top 5 companies as of 30 September 2020 in Russell 1000 Growth: Apple, Microsoft, Amazon, Alphabet, Facebook; S&P 500: Apple, Microsoft, Amazon, Alphabet, Facebook; Russell 1000 Value: Berkshire Hathaway, Johnson & Johnson, JP Morgan Chase & Co, Verizon Communications, Walt Disney Company. **The information included above as well as individual companies and/or securities mentioned should not be construed as investment advice, a recommendation to buy or sell or an indication of trading intent on behalf of any MFS product.** Companies, securities, industries or market sectors named should not be considered an indication of trading intent of any mutual funds managed by SLGI Asset Management Inc. and sub-advised by MFS. These views are not to be considered as investment advice nor should they be considered a recommendation to buy or sell.

# Conclusions

**We continue see risks concentrating in two areas, concept stocks and multiple expansion stories.**

**Highly cyclical stocks are getting bid up on the reopening rally, which may well fall short of expectations 6-12 months from now.**

**We will remain deliberate, patient, and measured. Mindful of risks, particularly concentration risk**

# Sun Life MFS US Growth Fund

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# Sun Life MFS U.S. Growth Fund Team

Portfolio Managers	<b>Eric Fischman, CFA</b> 30 years industry experience	<b>Responsible for:</b> <ul style="list-style-type: none"><li>• Final buy and sell decisions</li><li>• Participates in global research</li><li>• Cash and risk management</li></ul>
	<b>Paul Gordon</b> 20 years industry experience	
Institutional Portfolio Manager	<b>Nicholas J. Paul, CFA</b> 22 years industry experience	<b>Responsible for:</b> <ul style="list-style-type: none"><li>• Communication of strategy and positioning</li><li>• Participates in global research</li><li>• Cash and risk management</li></ul>
Investment Product Specialist	<b>Scott Edgcomb, CFA</b> 9 years industry experience	<b>Responsible for:</b> <ul style="list-style-type: none"><li>• Portfolio analysis and performance attribution</li><li>• Communication of strategy and positioning</li><li>• Competitive analysis and product development</li></ul>



# Disciplined Investment Approach

Active management seeks to exploit market inefficiencies

Goals	Outperform the Russell 1000® Growth Index over full market cycles
Philosophy	<ul style="list-style-type: none"><li>• Fundamentals drive earnings and cash flow</li><li>• Earnings and cash flow growth drives share price performance over the long term</li><li>• Investors often underestimate the rate and/or duration of growth</li></ul>
Approach	<ul style="list-style-type: none"><li>• Source ideas via MFS’ global research platform</li><li>• Fundamentals and valuation drive security weights</li><li>• Actively manages risk aiming to ensure security selection in the alpha source</li></ul>

# MFS® Global Research Platform

We believe a fully integrated global research platform provides competitive advantages



As at March 31, 2021.

# Stock Analysis



## Focus on High-Quality, Long-Duration Growth Franchises

<b>Secular growth</b> <ul style="list-style-type: none"><li>• Revenue growth – units and price</li><li>• Rate and duration of growth</li></ul>	<b>Pricing power</b> <ul style="list-style-type: none"><li>• Sustainable competitive advantage</li><li>• High barriers to entry</li><li>• Intellectual property</li><li>• Differentiated product or service</li></ul>	<b>High quality companies</b> <ul style="list-style-type: none"><li>• Significant free cash flow</li><li>• Low capital employed</li><li>• Leveragable business model</li><li>• Long duration of growth</li><li>• Favorable economics/margins</li><li>• Recurring revenues</li><li>• Strong balance sheet</li></ul>	<b>Strong management team</b> <ul style="list-style-type: none"><li>• Management incentives aligned with shareholders</li><li>• Good stewards of capital</li><li>• Sustainable allocation or resources</li><li>• Consistency</li></ul>
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## Valuations That Do Not Fully Reflect Long Term Growth Potential

<b>Valuations based on duration of growth</b>	<ul style="list-style-type: none"><li>• Underappreciated rate and/or duration of growth</li><li>• Range of outcomes drives position sizes</li></ul>
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# Sector Weights

Relative to Russell 1000® Growth Index

As of Mar 31, 2021	Portfolio (%)	Benchmark (%)	Underweight / Overweight (%)	Largest holdings
Communication Services	19.5	11.9	7.6	Alphabet Inc., Facebook Inc., Charter Communications Inc.
Industrials	7.1	4.7	2.4	Verisk Analytics Inc.
Materials	2.8	0.8	2.0	Sherwin Williams Co The (EQ), Vulcan Materials Co
Financials	2.9	1.9	1.0	MSCI Inc.
Utilities	-	0.0	0.0	
Energy	-	0.1	-0.1	
Real Estate	1.1	1.7	-0.6	American Tower Corp
Consumer Staples	2.4	4.5	-2.1	Estee Lauder COS Inc./The
Health Care	10.5	13.7	-3.2	Thermo Fisher Scientific Inc., Danaher Corp (EQ), Abbott Laboratories
Information Technology	41.0	44.2	-3.2	Microsoft Corp, Adobe Inc., Mastercard Inc. (EQ)
Consumer Discretionary	11.5	16.5	-5.0	Amazon.com Inc. (EQ)

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# Performance (net of fees)

## Sun Life MFS U.S. Growth Fund – Series F (CAD)

Calendar Year Returns	2020	2019	2018	2017	2016	2015	2014	2013
Sun Life MFS U.S. Growth Fund F	27.85	30.12	10.68	21.56	-1.78	26.48	17.10	43.72
Russell 1000 Index	18.84	24.78	3.79	13.69	8.18	21.03	23.44	42.04

Trailing Returns	3 Months	6 Months	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception
Sun Life MFS U.S. Growth Fund F	-1.12	1.62	-1.12	31.02	18.99	18.80	17.63	17.78	18.06
Russell 1000 Index	4.49	13.30	4.49	41.80	16.32	15.99	15.77	16.93	17.33

As of March 31st, 2021

The performance represents the actual performance of the Sun Life MFS US Growth Series F which includes the deduction of fees and expenses as noted in the fund's prospectus. The performance is provided by SLGI Asset Management Inc., and has not been verified by MFS. Commissions and trailing commissions are not payable on Series F units of the Fund but management fees and expenses may be associated with these investments. Please read the prospectus before investing. Investors may pay a fee-based account fee that is negotiated and payable by you to your registered dealer.

Source: Morningstar, Inc. Data as at March 31st, 2021

Past performance is no guarantee of future results. All Trailing Returns for periods greater than one year are annualized.

Fund Inception Date: October 1, 2010

# Characteristics and top 10 holdings

As of Mar 31, 2021	Portfolio	Russell 1000® Growth Index
<b>Fundamentals – weighted average</b>		
IBES Long-term EPS growth <sup>1</sup>	20.1%	19.2%
Price/earning (12 months forward)	36.7x	30.7x
<b>Market capitalization</b>		
Market capitalization (CAD) <sup>2</sup>	721.2 bn	881.6 bn
<b>Diversification</b>		
Top ten holdings	43%	44%
Number of holdings	76	464
<b>Turnover</b>		
Trailing 1 year turnover <sup>3</sup>	51%	-

Top 10 holdings	Portfolio (%)	Russell 1000® Growth Index (%)
Microsoft Corp	9.2	9.5
Amazon.com Inc. (EQ)	8.3	7.1
Alphabet Inc.	6.8	5.1
Adobe Inc.	3.8	1.2
Facebook Inc.	3.7	3.8
Mastercard Inc. (EQ)	3.6	1.7
Visa Inc.	2.7	1.9
Paypal Holdings Inc.	2.6	1.5
Apple Inc.	2.3	10.4
Thermo Fisher Scientific Inc.	2.0	0.6

<sup>1</sup>Source: Ibbotson <sup>2</sup>Weighted average.

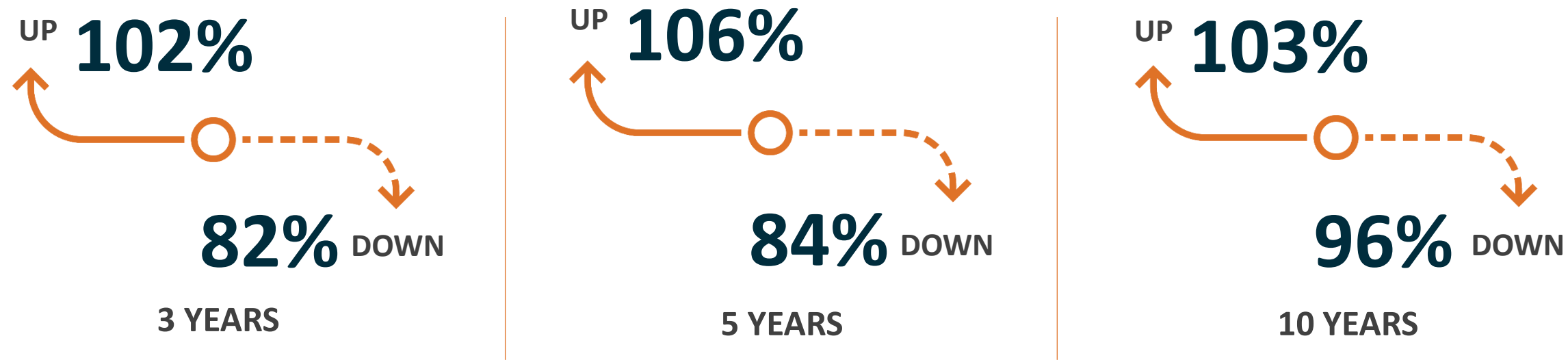
<sup>3</sup>US Turnover Methodology: (Lesser of Purchase or Sales)/Average Month End Market Value

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# Sun Life MFS U.S. Growth Fund

Offence *and* defence for your Clients

## SERIES F: UPSIDE AND DOWNSIDE CAPTURE



**A universal Client truth:** Everyone wants upside...without giving up their gains on the downside.

Source: Morningstar Direct; data as at April 30, 2021.  
The up capture ratio measures investment performance in up-markets. It is compared to an index during periods when that index has risen. A ratio greater than 100% indicates outperformance versus the index during the up-market. A ratio less than 100% indicates underperformance. The down capture ratio is similar although it measures performance when that index has dropped. The calculation benchmark for up/down capture ratio is the Russell 1000 Index (C\$). Index up/down capture is always equal to 100%.



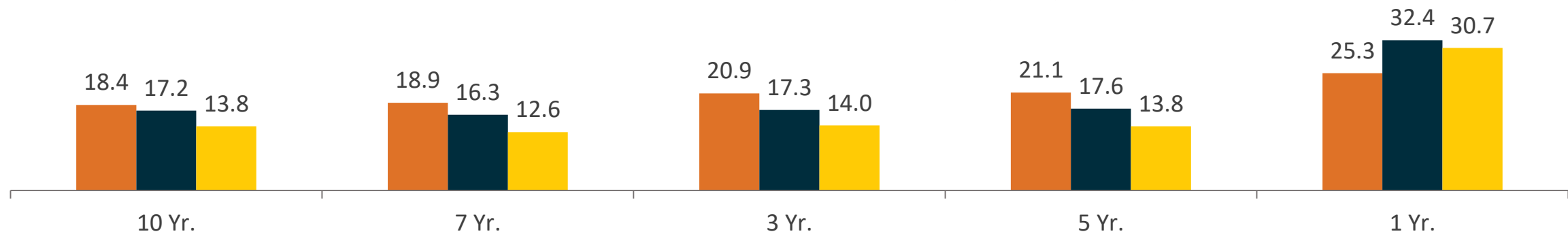
# Sun Life MFS U.S. Growth Fund

Overall Morningstar Rating™ ★★★★★

Need guarantees?  
Also available as a  
segregated fund.\*

## Annualized performance (%)

■ Sun Life MFS U.S. Growth Fund (Series F) ■ Russell 1000 Index (C\$) ■ U.S. Equity Category Avg.



Ratings and Rankings	10 Yr.	7Yr.	5 Yr.	3 Yr.	1 Yr.
Morningstar Rating	★★★★★	—	★★★★★	★★★★★	—
Quartile ranking	1	1	1	1	3
Percentile ranking	8	6	8	8	72
Number of funds ranked	354	669	1,014	1,355	1,687

Source: Morningstar Inc. Data as of April 30, 2021. Returns for periods longer than 1 year are annualized. Morningstar Ratings and Rankings are comparisons of the performance of a fund to other funds in a particular category and are subject to change monthly. Quartiles divide the data into four equal segments expressed in terms of rank (1, 2, 3 or 4), and percentiles divide the data into one hundred equal segments expressed in terms of rank (1, 2, 3 ... 100). For more details on Morningstar ratings, see the “Important information” at the end of this presentation.

\* Note: Performance reflects Series F of the mutual fund; segregated fund performance will differ.

# Appendix

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# Important information - Morningstar

Morningstar is an independent organization that groups investment funds with generally similar investment objectives for comparison purposes and ranks them on a historical basis.

## **Morningstar Rating**

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

For greater detail, see [morningstar.ca](http://morningstar.ca).

## **Morningstar Quartile Ranking**

The quartiles divide the data into four equal regions. Expressed in terms of rank (1, 2, 3 or 4), the quartile measure shows how well a fund has performed compared to all other funds in its peer group. Peer groups are defined such that mutual funds are ranked only versus other mutual funds that are in the same category and segregated funds are ranked compared to other segregated funds in the same category. The top 25% of funds (or quarter) are in the first quartile, the next 25% of funds are in the second, and the next group is in the third quartile. The 25% of funds with the poorest performance are in the fourth quartile. The point at which half the funds had better performance and half had worse performance is the median.

## **Morningstar Percentile Ranking**

This Morningstar Rank is the total return percentile rank within each Morningstar Category. The highest (or most favourable) percentile rank is zero and the lowest (or least favorable) percentile rank is 100. Historical percentile ranks are based on a snapshot of a fund at the time of calculation.

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