

# Sun Life Global Tactical Yield Private Pool

FUND COMMENTARY | Q4 2020

*Opinions and commentary by Sun Life Global Investments.*

Global equities bookended 2020 with record highs at the start and end of the year. In between, COVID-19 swept across the world, triggering the sharpest decline into a bear market in history. Economies shut down; millions of people lost their jobs. If that wasn't enough, markets had to digest a disputed U.S. election, with an angry president sowing chaos. Still, vaccines arrived; President-elect Joe Biden promised a calmer White House and Congress finally delivered a \$900-billion stimulus package. With that, markets ended a very tough year on a roll, with investors looking beyond a slowing economy and COVID-19's deadly second wave.

Over the course of the year, we believed three things had to happen to move the market higher. First, we needed to get the contentious U.S. election behind us. Second, vaccines had to be approved and rolled out. Third, a U.S. stimulus package was required to keep the largest global economy's recovery on course. Overall, with all three now in place we feel more optimistic as we head into 2021.

This is not to say it will be clear sailing. Far from it. The virus is still running rampant in many countries including the U.S. with nearly 20,000 new cases a day. Nor is the economy bouncing back as quickly as many had hoped, and we could see a further slowdown in the first quarter. However, on the positive side, corporate earnings may remain strong. In fact, based on our current market outlook, we could see market returns in the high single or possibly even double digits by year-end.

Still, there is this important caveat: it all depends on a smooth, rapid roll out of the vaccines. As noted, if there are widespread side effects, lack of people taking it or distribution problems, it would certainly change our view. Hopefully, none of this will occur.

The Sun Life Global Tactical Yield Private Pool entered the fourth quarter positioned for an environment of roughly balanced risks. Some cash was available to put to work if and when some of the risks to our outlook subsided. In early November, as we cleared the U.S. election and received strong vaccine trial results from Pfizer, we reallocated this cash to global equities, taking the equity position to an overweight, at 53% of the portfolio. After the multiple announcements of positive results on the development of COVID-19 vaccines, we expected the market would begin to price in a durable economic recovery, which came to fruition in the form of higher equities markets over the last two months of the year. 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.

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