

Sun Life KBI Global Dividend Private Pool

FUND COMMENTARY | Q2 2021

Opinions and commentary provided by KBI Global Investors.

Market Review

Q2 2021 was an exceptionally strong quarter for equity markets. The bullish trend that started at the beginning of the year continued into the second quarter. Flows into equities were strong through much of the quarter however a reversal in the final weeks of June benefited tech related companies and stalled the rotation into value. However, within these market flows a significant proportion was targeted towards financial stocks with investors becoming more concerned about inflation. This inflation dynamic was also evident within fixed income markets where there was a significant fall off in demand for treasuries and increased appetite for Treasury Inflation-Protected Securities (TIPS). The market experienced very strong earnings season during the period as fundamentals continued to improve.

Portfolio Review

The Fund underperformed the benchmark during the quarter. The portfolio was impacted by a reversal into growth stocks towards the end of the quarter. Following consistently strong inflation data, at its June meeting, the Fed made public comments recognising the strength of economic growth and the increasing pressure on inflation. This Fed meeting is the key catalyst that triggered a reversal of the market dynamics of the previous months and negatively impacted our strategy's performance. The Fund selects stocks with fundamentals that deserve to be trading at higher share prices regardless of the industry group that they belong to. Similarly, KBI's approach is to find stocks with strong fundamentals that are being underpriced by the market across industry group.

Market Outlook

As economies recover, bond yields pick up and deflation concerns subside, investors will be less willing to pay an excessive premium for growth stocks. As the cycle evolves and investors become more selective, KBI expects there will be more emphasis on quality which is an important feature in the KBI portfolio. Given the backdrop of unwinding of deflationary expectations and return of rising yields, even to a moderate extent, the Sub Advisor sees potential for a sea change in market dynamics in the coming years reversing the decade long trend where equity markets have been mainly driven by multiple expansion – all of which should be supportive for KBI's approach to investing

Effective July 14, 2021 Sun Life Global Dividend Private Pool was renamed Sun Life KBI Global Dividend Private Pool.

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Sun Life Core Advantage Credit Private Pool

FUND COMMENTARY | Q3 2020

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While Series A and Series F securities have the same reference portfolio, any difference in performance between these series is due primarily to differences in management fees and operating fees. The management fee for Series A securities also includes the trailing commission, while Series F securities does not. Series A securities of the fund are available for purchase to all investors, while Series F securities are only available to investors in an eligible fee-based or wrap program with their registered dealer. Investors in Series F securities may pay a separate fee-based account fee that is negotiated with and payable to their registered dealer.

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