

# Sun Life KBI Global Dividend Private Pool

FUND COMMENTARY | Q3 2021

*Opinions and commentary provided by KBI Global Investors.*

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## Market Review

During the quarter there was a reversal of the reopening, reflation and rotation trend that had prevailed in equity markets since vaccines were first rolled out last November. This was driven by disruption to economic activity, as the Delta variant of COVID-19 spread, and the pandemic resurged in many areas. With cyclical recovery stalled, growth outperformed value over the quarter. Heightened inflation worries near the end of the quarter gave a boost to more rate-sensitive value stocks in September. Overall, global equity markets finished broadly unchanged in U.S. dollar terms during the quarter.

## Portfolio Review

The Fund underperformed the benchmark during the quarter, although it rallied with a strong relative performance in September. Despite the subdued market environment year to date, investors have earned double-digit returns, and the Fund's strategy continues to hold in strong relative performance to the benchmark. The Fund selects stocks with strong fundamentals that deserve to be trading on higher share prices regardless of the industry group that they belong to.

## Market Outlook

With inflation or rising yields being deemed a risk to markets, this environment is expected to suit the Fund's investment approach well. Stocks whose performance is negatively correlated to yields are trading at substantial premiums, while those with performance that is positively correlated are trading on substantial discounts. Given KBI's extensive research on equity performance and dividend-oriented investment strategies during periods of inflation and rising yields the team recommends maximizing exposure to dividend growth and avoiding stocks with high valuation multiples. Stocks with relative performance records that have a positive relationship with rising rates should outperform those that have benefitted from falling rates.

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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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