

SUN LIFE GRANITE MANAGED PORTFOLIOS

Tactical Update

OCTOBER 2018 | Opinions as of November 8, 2018

The views expressed in this tactical update apply broadly to all Sun Life Granite Managed Portfolios, whereas the tactical highlights and allocation data in the chart below are specific to Sun Life Granite Balanced Portfolio. For the latest information about other Sun Life Granite Managed Portfolios, including Sun Life Granite Managed Income Portfolios, please refer to our quarterly fund reviews published at sunlifeglobalinvestments.com.

Volatility returned in October with U.S. tech giants, including the so-called FAANG stocks, leading the market lower. This decline came against an increasingly uncertain backdrop, with the U.S. Federal Reserve's on-going tightening policy and the stimulative effect of the U.S. tax cuts starting to dissipate. As well, the U.S./China trade war is continuing, putting pressure on an already slowing global economy.

With increasing uncertainty in the market, we are growing more cautious and have reduced our general view on equities to neutral. That said, the U.S. is still the market that we are most comfortable with, and while remaining slightly overweight via options, we did not add to our position.

While positive on the U.S., we remain neutral on Canada, where we see growing risks. These include record-high consumer debt,

which may become more of a drag on the economy if the Bank of Canada, which raised rates in October, continues its hawkish stance.

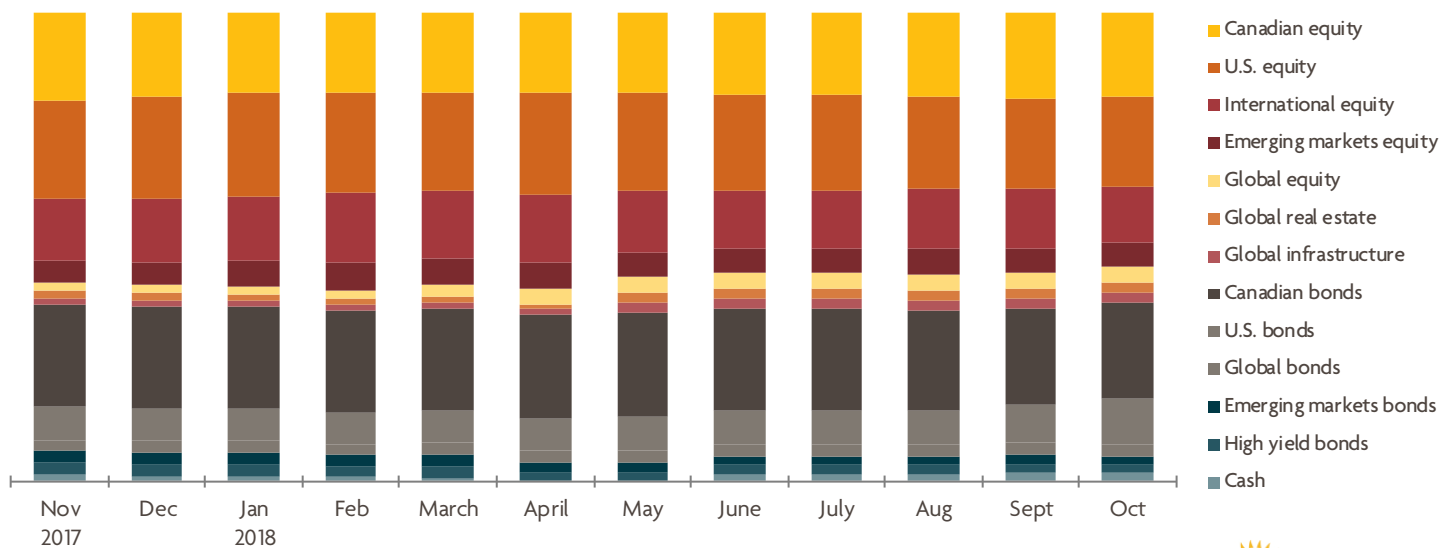
With political uncertainty continuing in Europe, we shifted to a neutral position from a slight overweight in international equities. Nor does there appear to be a positive economic catalyst on the horizon that could move Eurozone markets higher.

Emerging markets have been hurt by a rising U.S. dollar and the ongoing U.S./China trade dispute. Even so, we are maintaining a small overweight position via options, with the potential for a rebound if the U.S. and China resolve their differences.

TACTICAL HIGHLIGHTS

CHANGE	RATIONALE
Reduced overall equity exposure to neutral	➤ Tariff war, rising interest rates, slowing profits may hurt stocks
Added to weighting in U.S. investment grade bonds	➤ Yields may rise at a quicker pace in Canada than U.S.
Reduced exposure to international equities	➤ Growing political risk and clouded economic outlook
Maintained neutral exposure to Canadian equities	➤ Increased risk from rising interest rates, economic concerns
Continued to hold small overweight in emerging markets	➤ Emerging markets may rebound on U.S./China trade deal

TACTICAL ALLOCATIONS | SUN LIFE GRANITE BALANCED PORTFOLIO



Allocations are as of month-end and subject to change without notice.

Sun Life Granite Managed Portfolios invest in mutual funds and/or exchange traded funds (ETFs). Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Investors should read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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