

Tactical Update

FEBRUARY 2024 | Opinions as of March 14, 2024

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.

Major equity markets globally continued to trade at record-high levels as of early March. The S&P 500 Index in the U.S., Canada’s S&P TSX Composite Index and Europe’s STOXX 600, all traded at lifetime highs during the month. The S&P 500 Index posted standout performance in the past six months: rising for 16 of the past 19 weeks, one of the longest such stretches. Another indicator of its strength - the index has not lost more than 2% in any of the past 266 trading days (as of mid-March). Also volatility has been extremely low.

Diverse factors have driven markets up. The main one is expectations that major central banks across the developed world are closer to cutting benchmark policy interest rates. Also

contributing is the fact that aggressive interest rate hikes over the past two years has not caused a recession or widespread job losses. This is despite inflation falling from multi-year highs. Lastly, tech themes such as artificial intelligence, which may boost corporate earnings, has fueled equity market gains.

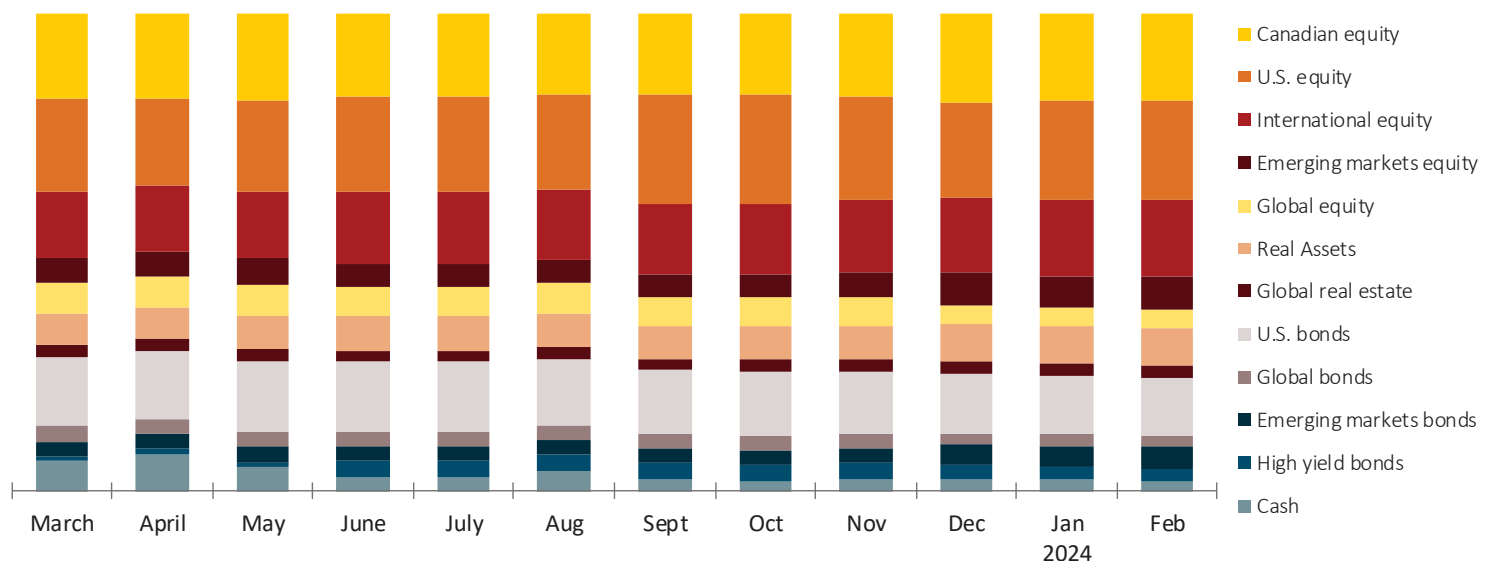
While we think stock markets are a bit too enthusiastic about the prospects of interest rate cuts, we see some merits in the current upswing. For one, we see a broad recovery in manufacturing activity across the world. Secondly, we also see earning revisions bottoming out across major regions and we expect this to contribute to market resilience.

Continued on next page ▶

TACTICAL HIGHLIGHTS

CHANGE	RATIONALE
A modest overweight to emerging markets equities	➤ We expect peak negative sentiment to give way to more upside in emerging markets, especially in China
Overweight to U.S. and Canadian Investment Grade bonds	➤ We expect these two asset classes to provide resilience should systemic risk concerns flare up
Underweight global high-yield bonds	➤ Tight spreads and a strong U.S. dollar make them vulnerable to drawdowns

TACTICAL ALLOCATIONS | SUN LIFE GRANITE BALANCED PORTFOLIO



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

► *Continued from previous*

Despite a recent uptick in inflation in the U.S., we think major contributors such as shelter inflation may moderate in the coming months. While markets may not get the magnitude of interest rate cuts they expect or as quickly as they anticipate, we believe the next move by central banks is likely an interest rate cut. As a result, we are cautiously optimistic about equities.

Our tactical overweight in equities is mostly a result of our positive view on emerging markets. While the U.S. economy has moved from strength-to-strength, we see U.S. stocks richly valued. We see more value in emerging markets, especially in China. Over the past many quarters, China's stock markets had suffered a multi-year downturn as both domestic and international investors exited markets. Policy makers are finally acting to stem this capital outflow. We expect more policy support for Chinese shares, and we forecast better risk-reward for the asset class. In most other markets, we have largely maintained a neutral stance to equities.

We are currently neutral towards bonds. We trimmed our

overweight position in Canadian and U.S. investment grade bonds to conserve cash. However, we still expect these two asset classes to provide resilience to overall portfolios should fears of any financial crisis flare up. We are underweight global high-yield bonds and emerging market bonds given their tight spreads. This along with a strong U.S. dollar could make them vulnerable.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Investors should read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or other optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any mutual funds managed by SLGI Asset Management Inc. These views are subject to change and are not to be considered as investment advice nor should they be considered a recommendation to buy or sell. This commentary is provided for information purposes only and is not intended to provide specific individual financial, investment, tax or legal advice. Information contained in this commentary has been compiled from sources believed to be reliable, but no representation or warranty, express or implied, is made with respect to its timeliness or accuracy.

This commentary may contain forward-looking statements about the economy and markets, their future performance, strategies or prospects or events and are subject to uncertainties that could cause actual results to differ materially from those expressed or implied in such statements. Forward-looking statements are not guarantees of future performance and are speculative in nature and cannot be relied upon.

SLGI Asset Management Inc. is the investment manager of the Sun Life family of mutual funds.

Sun Life Global Investments is a trade name of SLGI Asset Management Inc., Sun Life Assurance Company of Canada and Sun Life Financial Trust Inc. all of which are members of the Sun Life group of companies.

© SLGI Asset Management Inc. and its licensors, 2024. SLGI Asset Management Inc. is a member of the Sun Life group of companies. All rights reserved.



Sun Life Global Investments

1 York Street, Toronto, Ontario M5J 0B6

T: 1.877.344.1434 | E: info@sunlifeglobalinvestments.com
sunlifeglobalinvestments.com/Commentary