Sun Life Financial was founded in 1865.

Voted “Most Trusted Life Insurance Company” in Canada for seven years.
Global governance and global presence

Bringing the best ideas & opportunities to Canadians from around the world.
INVESTING WITH CONFIDENCE

PART 2: A CLOSER LOOK

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CHECKLIST
4 STEPS TO INVESTING WITH CONFIDENCE

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- Learn about the markets at:
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  - blackrock.com/investing/insights
  - bloomberg.com/markets

Handy tip:
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What are the risks?
What are the risks?

- Economic/Political
- Inflation
- Sector
- Currency
- Interest rate
What is inflation and why is it important?

As calculated by Statistics Canada

Cost of 600 goods and services

Affects value of investments and government benefits
John made a $100,000 investment in 2005. How much does it have to be worth today, just to keep in line with inflation?

a. $130,000  
b. $102,000  
c. $117,000
That’s right. $117,000

Your investment would have had to grow by 17% over the last 10 years just to keep its real value or its purchasing power.
Who’s feeling active…passive?
Index/passive fund

- Tracks an index
- Generally lower fees
- US equity index: S&P 500
- Canadian equity index: S&P/TSX
- World index: MSCI World Index
Actively managed fund

- Aims to outperform market
- Active buy/sell decisions
- Generally higher fees
Made in Canada. Eh.
The Toronto Stock Exchange was founded in 1861.
In the Canadian equity market, which sector has the highest representation?

a. Health Care
b. Financials
c. Energy
How do we compare?

**S&P 500**
Biggest sectors:
1. Information Technology
2. Financials
3. Health Care

**TSX**
Biggest sectors:
1. Financials
2. Energy
3. Materials

- **S&P 500**
  - US$19 trillion
- **TSX**
  - CAD$1.8 trillion – 1/10th of the S&P500

*INVESTING WITH CONFIDENCE*
*PART 2: A CLOSER LOOK*
Which equity market performed better in 2015?

a. S&P/TSX Composite
b. S&P 500
2015

TSX
-8.3%

S&P
+1.3%

(not taking into account currency differences)
Canada versus U.S. - by sector

**TSX**
- Financials 38.2%
- Energy 18.8%
- Materials 9.4%
- Industrials 8.1%
- Consumer Discretionary 6.6%
- Telecommunication Services 5.7%
- Consumer Staples 4.6%
- Information Technology 3.1%
- Health Care 2.9%
- Utilities 2.5%

**S&P 500**
- Information Technology 20.7%
- Financials 15.9%
- Health Care 14.7%
- Consumer Discretionary 12.9%
- Consumer Staples 10.6%
- Industrials 10%
- Energy 6.6%
- Utilities 3.3%
- Telecommunication Services 2.7%
- Materials 2.6%

Based on GICS® sectors
The weightings for each sector of the index are rounded to the nearest tenth of a percent; therefore, the aggregate weights for the index may not equal 100%.
As Of Jan 29, 2016
Around the world

Global equity fund:
Around the world

International equity fund:
Europe, Australasia and Far East (EAFE)
Spot the difference, anyone?

Global equity fund

<table>
<thead>
<tr>
<th>Composition</th>
<th>% Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1.5</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>0.0</td>
</tr>
<tr>
<td>Canadian Equity</td>
<td>1.7</td>
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<tr>
<td>US Equity</td>
<td>52.7</td>
</tr>
<tr>
<td>International Equity</td>
<td>43.5</td>
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<tr>
<td>Other</td>
<td>0.6</td>
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</tbody>
</table>

Top 5 Countries (Equity)  % Equity
<table>
<thead>
<tr>
<th>Country</th>
<th>% Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>53.8</td>
</tr>
<tr>
<td>Japan</td>
<td>11.8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>8.7</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7.8</td>
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<tr>
<td>Germany</td>
<td>4.2</td>
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</table>

International equity fund

<table>
<thead>
<tr>
<th>Composition</th>
<th>% Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>3.6</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>0.0</td>
</tr>
<tr>
<td>Canadian Equity</td>
<td>1.4</td>
</tr>
<tr>
<td>US Equity</td>
<td>7.7</td>
</tr>
<tr>
<td>International Equity</td>
<td>86.5</td>
</tr>
<tr>
<td>Other</td>
<td>0.8</td>
</tr>
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<td>12.4</td>
</tr>
<tr>
<td>Germany</td>
<td>10.6</td>
</tr>
<tr>
<td>United States</td>
<td>8.1</td>
</tr>
</tbody>
</table>
Morningstar
Let’s break it down
What size would you like your equities?

- Large: >$10B
- Large: 2-10B
- Small: <$2B
- Medium: $2-10B
Currency – the hidden difference

S&P 500 (per year) 14.9% 28.2% (per year) (3 year annualized return as at Dec 31, 2015)
What affects bond values?
Bond risk

2 main risks

- Credit risk (default)
- Interest rate risk (rate fluctuations)
Credit risk

The ability of the issuer of the bond to repay the debt.
When interest rates rise, what typically happens to bond values?

a. Stay the same
b. Rise
c. Fall
Interest rate risk

Fund managers reduce risk by diversifying (investing in private and public debt, with different maturities)

... and vice versa

Interest rates | Bond value

Shorter term | Less risk

... and vice versa
Market insight
12 month market performance* (%)

CPI: 1.36%
Canadian T-Bills: 0.63%
Canadian Bond: 3.52%
Canadian Equity: -8.32%
U.S. Equity (Cdn$): 21.59%
Int'l Equity (Cdn$): 18.96%

* One year return as at Dec 31, 2015
A closer look

Your action plan

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We want to hear from you!
Life’s brighter under the sun
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