

The Sun Life Diversified Account

Backed by a history of financial strength:



The Sun Life Diversified Account (SLDA) is backed by an existing insurance portfolio account with assets of over \$2.9 billion.



We are a strong, well-capitalized enterprise and we empower Clients with the ability to achieve lifetime financial security and live healthier lives. We have an established record of financial strength and a long-standing tradition of honouring our financial commitments.



Sun Life Assurance Company of Canada continues to receive strong ratings from the major rating agencies. Our capital strength, diversified business model and strong risk management practices combine to form a solid foundation. It's from this foundation that we fulfill our promises to Clients.

The strength and stability of the SLDA are based on the following commitments:

Investment management approach

The diversified account uses a total-rate-of-return investment approach by managing a variety of asset classes throughout economic and business cycles. We use methods to enhance or improve the overall return. This includes tactical asset allocation strategies that take advantage of shorter-term market opportunities. Additional strategies are used to look for ways of improving the risk and return relationship of fixed income assets within the portfolio.

Professional management and diversification

The diversified account is managed by the same group of professionals that are responsible for the Sun Life participating account. Our approach to balancing risk and return is rooted in our corporate risk management philosophy of taking appropriate risks for solid returns. This is core to our corporate vision, mission and Client value proposition, as effective risk taking and risk management are critical to our overall profitability, competitive market position and long-term financial viability.

The diversified account is unique in that it offers Clients the investment philosophy and design of a participating account, but with the flexibility and transparency only offered by universal life insurance.

The account invests in a variety of assets helping to contribute to more stable, long-term returns. As the assets within the diversified account are only available by purchasing a SunUniversalLife II policy, you have access to an even broader range of diversification opportunities. The target weightings for each asset class category are reviewed regularly to help ensure the long-term objectives, liabilities, liquidity requirements and interest rate risks are being met.

Understanding the SLDA

What are the benefits of investing in the SLDA?

The diversified account is an investment account option only available with SunUniversalLife II that helps you manage volatility within your universal life portfolio. This account earns an interest rate based on the average smoothed yield of a variety of investments including real estate, private fixed income, bonds, mortgages and equities.

Interest for the SLDA is calculated and credited daily. The interest rate is subject to change at any time, but Sun Life guarantees that the interest rate credited to your policy for the SLDA will never be negative.

With the SLDA, what is meant by “smoothing”?

To help minimize the volatility of returns, we use a smoothed portfolio asset yield to set the interest rate. The process of smoothing involves amortizing gains and losses on assets within the portfolio over time.

Will I be charged a fee to invest in the SLDA?

No, there is no Management Expense Ratio associated with the SLDA.

Current asset mix

Government & corporate bonds – 48.8%

We manage the public bond portfolio to help generate consistent and stable returns while providing liquidity. This is achieved by maintaining a high-quality portfolio while adding value through security selection. The portfolio is a mix of government and corporate issues diversified across geography, sector, investment quality and term to maturity.

Private fixed income – 15.2%

Relative to publicly issued bonds, private fixed income provides favourable spreads, better terms and diversification opportunities. Our private fixed income team is recognized as a leader and one of the most active players in the private fixed income market. Private fixed income includes: lease financing, project financing, and private debt consisting of high-quality investments that are well-diversified by sector. The highly negotiated and customized nature of these investments allows us to achieve yields in excess of comparably-rated public securities.

Mortgages – 13.0%

Our mortgage team is recognized as a reliable lender with the ability to fund large transactions and the flexibility to create a customized loan structure. The mortgage portfolio is high quality and is diversified across property type including: retail, multi-family, and office/industrial. Holdings are diversified across Canada's major urban centres.

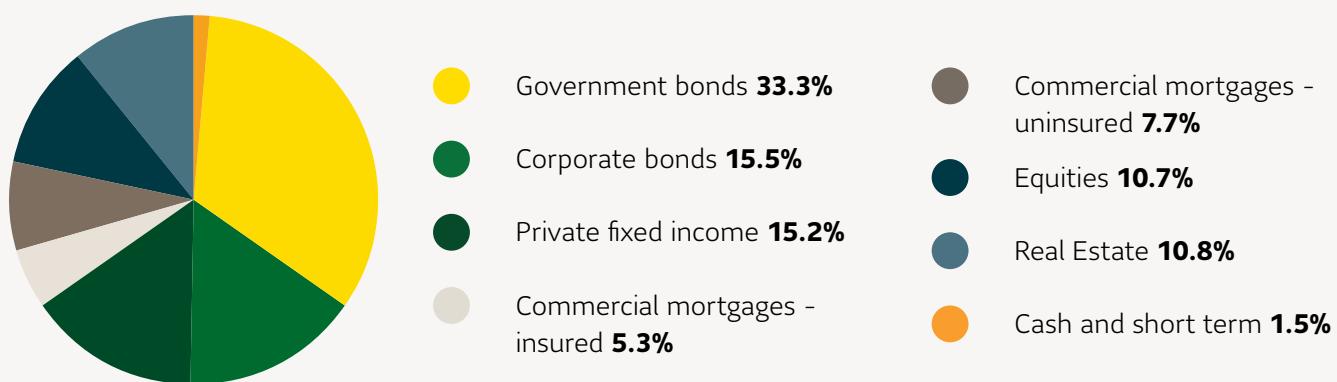
Real estate – 10.8%

The Canadian real estate portfolio is a well-diversified collection of office, industrial, retail and multi-unit residential properties with holdings in all the major markets across Canada. The majority of the portfolio is comprised of high-quality, income-producing properties with virtually no leverage.

Equities – 10.7%

This component of the account invests to benchmark the performance of the S&P/TSX index.

December 31, 2023 asset mix



Asset mix

December 31, 2023 (\$ millions)	Dec. 31, 2023 market value ¹	Percentage	Investment guidelines
Cash and short term	44	1.5%	0%
Public bonds			45.0%
Government bonds	983	33.3%	
Corporate bonds	456	15.5%	
Private fixed income	447	15.2%	15.0%
Commercial mortgages			20.0%
Insured commercial mortgages	158	5.3%	
Uninsured commercial mortgages	228	7.7%	
Equities	314	10.7%	8.0%
Real estate	319	10.8%	12.0%
Total invested assets	2,949		

¹ Market value in \$M, doesn't include accrued income.

Performance history

Prudent investment approach

We have a well-diversified and high-quality asset portfolio that adheres to a research-based process conducted by more than 200 experienced professionals and support staff. Essentially, we buy only what we know. And we make sure our investments are diversified in various industries, companies, asset classes and financial instruments.

Active risk management

We employ a consistent and disciplined approach to identify, measure, monitor and manage risk. Our strong investment and risk management practices place us among the top global life insurance organizations. Our balanced product portfolio and global earnings mix also help minimize downturns in both specific business lines and in geographical markets.

Historical average returns since January 1, 2017

Year	Sun Life Diversified Account (SLDA)	Government of Canada 10-year bonds	S&P/TSX total return	Five-year GIC	Consumer Price Index
2017	4.00%	2.18%	9.10%	1.39%	1.87%
2018	4.00%	2.33%	-8.89%	1.69%	1.99%
2019	4.00%	1.73%	22.88%	2.08%	2.25%
2020	3.50%	1.08%	5.60%	1.29%	0.73%
2021	3.50%	1.80%	25.09%	0.98%	4.80%
2022	3.85%	2.86%	-5.84%	2.78%	6.32%
2023	3.85%	3.31%	11.75%	3.77%	3.40%
2024	4.10%*				

* effective February 29, 2024

Government of Canada bond returns are nominal yields to maturity taken from Statistics Canada. Table 10-10-0122-01.
S&P/TSX composite index returns include the reinvestment of dividends.

Five-year GIC returns are nominal yields to maturity taken from Statistics Canada. Table 10-10-0145-01.

Consumer Price Index is taken from Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted.

Term to maturity

Sun Life's fixed income investments are also diversified by their term to maturity, resulting in balanced exposure to current rates. This provides the potential of increasing rates rather than needing to buy all the bonds now in a single interest rate environment.

Years to maturity by fixed income asset type as of December 31, 2023

Years to maturity	0 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	20+ years	Total
Public bonds	0.1%	0.8%	2.9%	18.4%	77.8%	100.0%
Private fixed income	0.2%	18.4%	1.8%	19.7%	59.9%	100.0%
Mortgages	9.7%	39.9%	27.9%	22.3%	0.2%	100.0%
Total fixed income	1.8%	10.9%	6.9%	19.3%	61.1%	100.0%

Asset quality

Asset quality is also important to long-term performance. The quality of the bond portfolio is high with 98.8% of holdings ranked as investment grade. Using double-A and single-A issues gives us the opportunity for an enhanced risk-adjusted return.

Assets	Canada	AAA	AA	A	BBB	BB or less	Total
Public bonds	1.4%	7.8%	34.1%	51.1%	5.6%	0.0%	100.0%
Private fixed income	0.0%	0.4%	14.4%	40.8%	39.3%	5.1%	100.0%
Total	1.0%	6.1%	29.4%	48.7%	13.6%	1.2%	100.0%

Talk to your advisor about including the Sun Life Diversified Account as part of your universal life insurance solution. For more than 150 years, Sun Life has remained one of the trusted names in financial services, helping millions of Clients worldwide achieve lifetime financial security.

This document is intended to provide general information only. Sun Life Assurance Company of Canada (Sun Life) does not provide legal, accounting or taxation advice to advisors or clients. Before acting on any of the information contained in this document, make sure you seek advice from a qualified professional, including a thorough examination of your specific legal, accounting and tax situation. Unless specifically stated, the values and rates presented are not guaranteed. Percentages shown are rounded.

Life's brighter under the sun

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