

SUN LIFE PARTICIPATING ACCOUNT

Total account

All values as at June 30, 2019

Participating account details

Total participating account invested assets: \$11,567.60 million

Investment objectives

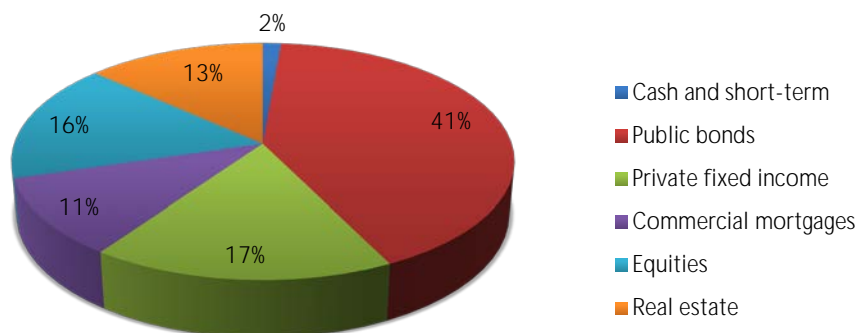
The primary objective of the Sun Life Participating Account is to provide superior performance with low volatility.

Investment summary

Sun Life Financial's in-house investment teams manage the Sun Life Participating Account. This provides enhanced quality control and cost-effectiveness along with the opportunity to better customize the portfolio to meet the long-term needs of our participating policyholders. We use a total rate of return investment approach to manage a variety of asset classes through the progression of business cycles.

In general, we seek excess yield in the private markets such as private fixed income, commercial mortgages and real estate, while looking to the public markets for liquidity and steady income. We invest in high quality investments both in the private markets and public markets while capturing market opportunities to the extent risk-return opportunities arise. The operating guidelines for Sun Life investments contain maximum weightings by asset type, sector and geographic exposure. We follow these guidelines and target allocations to help maintain a well-diversified portfolio with superior risk adjusted returns in the long term.

Account composition



SUN LIFE PARTICIPATING ACCOUNT

Total account

All values as at June 30, 2019

Investment guidelines

We set the investment guidelines for each asset category within the Sun Life Participating Account to help ensure the long-term objectives, liabilities, liquidity requirements and interest rate risks are being met. The guidelines are reviewed every year by Sun Life's Asset Liability Committee.

The portfolio management team, part of the investment team, monitors the overall asset mix of the participating account to ensure the assets are managed in the most efficient manner, thereby maximizing both investable assets and investment flexibility. Value-added strategies may be implemented through tactical asset allocation, duration positioning and credit yield enhancement relative to the benchmark asset mix while adhering to risk and liquidity constraints. Value-added management assists with favourable experience for participating policyholders and helps to enhance the overall yield of the Sun Life Participating Account.

Sun Life Participating Account asset mix and investment guidelines – June 30, 2019

| | \$ millions | Percentage | Guideline |
|----------------------------|-------------|------------|---------------|
| Short-term assets | | | |
| Cash and short-term | \$157.47 | 1.36% | 0% to 4% |
| Fixed income | | | |
| Public bonds | \$4,779.91 | 41.32% | 33% to 49% |
| Private fixed income | \$1,969.87 | 17.03% | 5% to 20% |
| Commercial mortgages | \$1,232.58 | 10.66% | 4% to 20% |
| Non-fixed income | | | |
| Equities | \$1,887.87 | 16.32% | 9.5% to 25.5% |
| Real estate | \$1,539.91 | 13.31% | 12% to 22% |
| Total invested assets | \$11,567.60 | 100.0% | |
| Policy loans | \$970.00 | | |
| Other assets | \$70.80 | | |
| Total participating assets | \$12,608.40 | | |

All values are current market values as at June 30, 2019 and do not include accrued interest.

SUN LIFE PARTICIPATING ACCOUNT

Public bond holdings

All values as at June 30, 2019

Participating account details

Total public bond assets: \$4,779.91 million

Proportion of total invested assets of the Sun Life Participating Account: 41.3%

Investment mix at June 30, 2019

| | \$ millions | Percentage |
|---------------------------|-------------------|---------------|
| Government bonds | \$3,029.57 | 63.38% |
| Corporate bonds | \$1,750.34 | 36.62% |
| Total public bonds | \$4,779.91 | 100.0% |

Investment term at June 30, 2019

| | \$ millions | Percentage |
|---------------------------|-------------------|---------------|
| 0 to 5 years | \$570.71 | 11.94% |
| Over 5 years | \$4,209.20 | 88.06% |
| Total public bonds | \$4,779.91 | 100.0% |

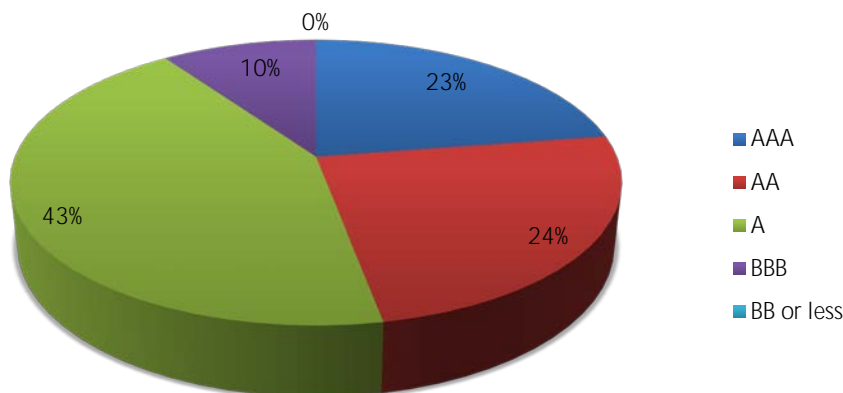
Major holdings at June 30, 2019

| | Percentage of public bond holdings | Percentage of total participating assets |
|-----------------------------|---------------------------------------|---|
| Gov. of Canada | 17.14% | 7.08% |
| Province of Ontario | 14.23% | 5.88% |
| Province of Quebec | 6.28% | 2.59% |
| Province of B.C. | 5.10% | 2.11% |
| Province of Saskatchewan | 4.00% | 1.65% |
| Province of New Brunswick | 3.14% | 1.30% |
| Province of Newfoundland | 2.87% | 1.19% |
| Province of Nova Scotia | 2.73% | 1.13% |
| Bank of Montreal | 2.12% | 0.88% |
| Province of Manitoba | 2.04% | 0.84% |
| Total major holdings | 59.65% | 24.65% |

Investment guidelines

Sun Life Financial's in-house public bond team manages the public bond portfolio to generate consistent returns, provide liquidity and stable income. We achieve this by maintaining a high quality portfolio while adding value through security selection based on detailed analysis and sector rotation that focuses on market trends. The portfolio is a mix of government and corporate issues diversified across geography, sector, investment quality and term to maturity. The quality of the portfolio is high, with 100% of new purchases classified as investment grade.

Investment by Quality



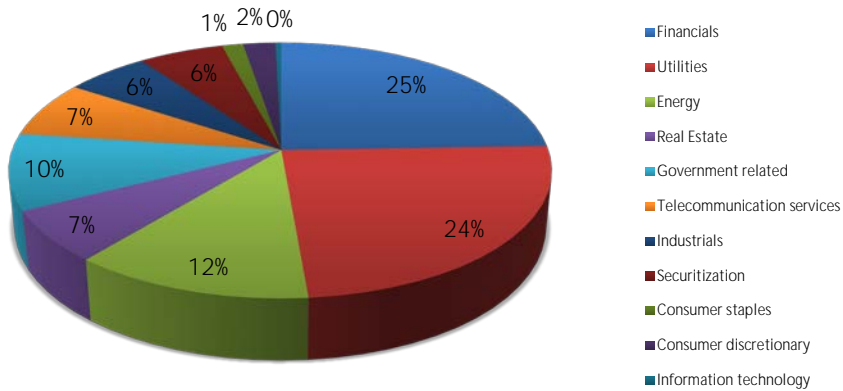
SUN LIFE PARTICIPATING ACCOUNT

Public bond holdings

All values as at June 30, 2019

The public bond portfolio is also diversified across a broad range of economic sectors.

Public investments by sector



SUN LIFE PARTICIPATING ACCOUNT

Private fixed income

All values as at June 30, 2019

Participating account details

Total private fixed income assets: \$1,969.87 million

Proportion of total invested assets of the Sun Life Participating Account: 17.0%

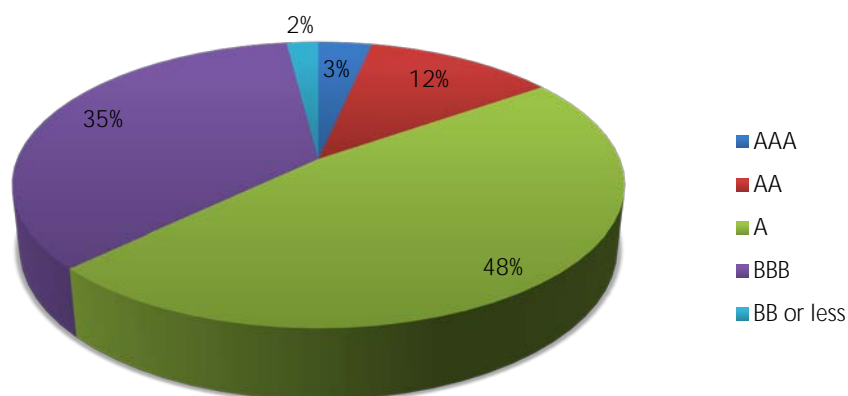
Private fixed income holdings Investment term at June 30, 2019

| | \$ millions | Percentage |
|----------------------------|-------------|------------|
| 0 to 5 years | \$469.55 | 23.84% |
| Over 5 years | \$1,500.32 | 76.16% |
| Total private fixed income | \$1,969.87 | 100.0% |

Investment guidelines

Sun Life Financial's in-house private fixed income team manages the private fixed income holdings. This team is recognized as a leader and one of the most active players in the Canadian 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 Sun Life to achieve yields well in excess of comparably rated public securities. Relative to publicly issued bonds, private fixed income provides favourable spreads, better terms and diversification opportunities. This gives the Sun Life Participating Account a meaningful competitive advantage.

Investment by Quality

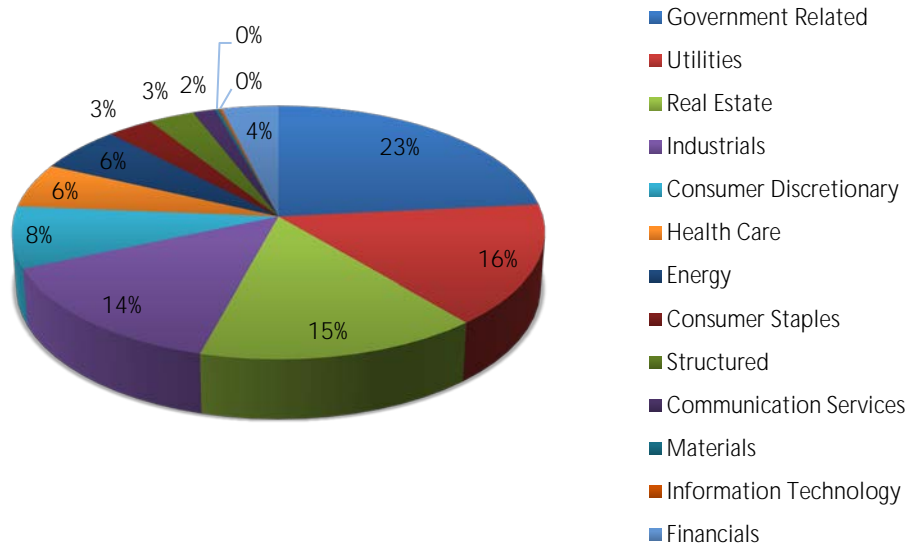


SUN LIFE PARTICIPATING ACCOUNT

Private fixed income

All values as at June 30, 2019

Investments by Quality



All values are current market values as at June 30, 2019 and do not include accrued interest.

SUN LIFE PARTICIPATING ACCOUNT

Mortgage holdings

All values as at June 30, 2019

Participating account details

Total mortgage assets: \$1,232.58 million

Proportion of total invested assets of the Sun Life Participating Account: 10.7%

Investment mix at June 30, 2019

| | \$ millions | Percentage |
|-----------------------|-------------|------------|
| Insured | \$510.99 | 41.46% |
| Uninsured | \$721.59 | 58.54% |
| Total mortgage assets | \$1,232.58 | 100.0% |

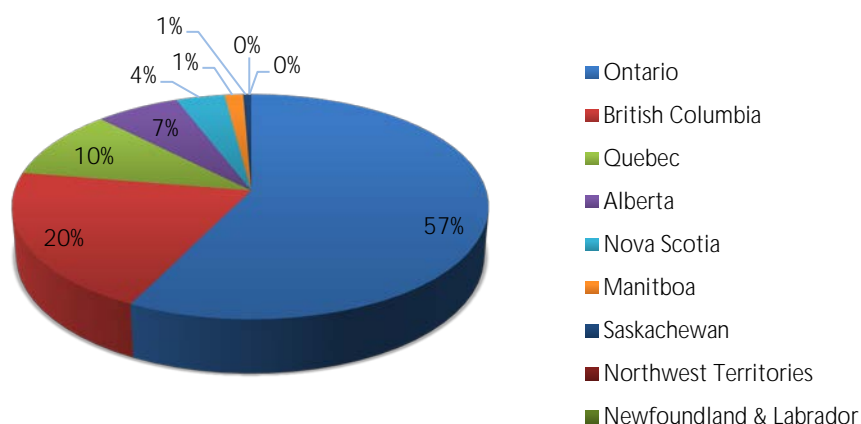
Investment term at June 30, 2019

| | \$ millions | Percentage |
|-----------------------|-------------|------------|
| 0 to 5 years | \$302.55 | 24.55% |
| Over 5 years | \$930.03 | 75.45% |
| Total mortgage assets | \$1,232.58 | 100.0% |

Investment guidelines

Sun Life Financial's in-house mortgage team manages the mortgage holdings in partnership with branch offices located in most provinces across the country. The Sun Life 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 quality of the portfolio is high, with only minimum losses in the last decade. The mortgage portfolio is highly diversified across property type including retail, multi-family and office/industrial. Mortgage holdings are further diversified across Canada's major urban centers.

Mortgages by location

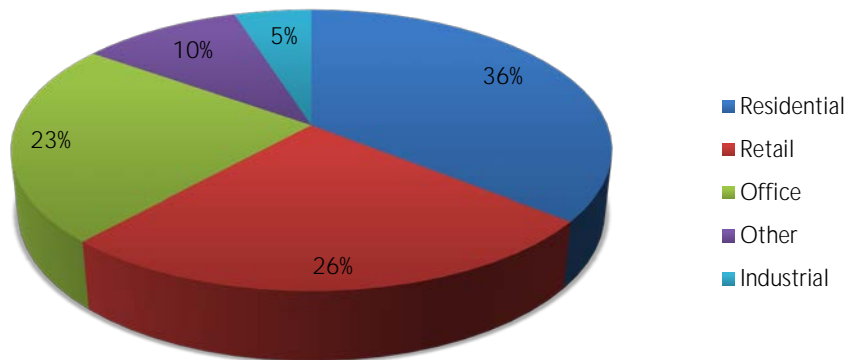


SUN LIFE PARTICIPATING ACCOUNT

Mortgage holdings

All values as at June 30, 2019

Mortgages by property type



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SUN LIFE PARTICIPATING ACCOUNT

Real estate holdings

All values as at June 30, 2019

Participating account details

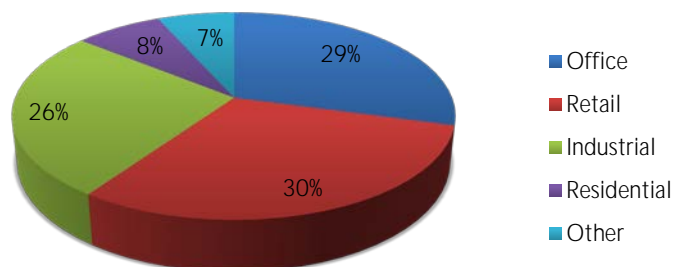
Total real estate assets: \$1,539.91 million

Proportion of total assets of the Sun Life Participating Account: 13.3%

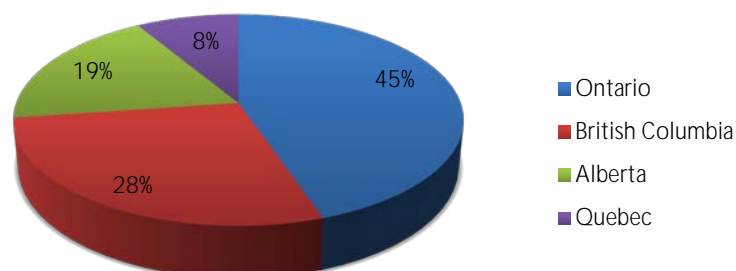
Investment guidelines

Sun Life Financial's in-house real estate team manages the real estate holdings, together with our property management and leasing partners. 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. The overall real estate portfolio continues to outperform other asset classes, helping to enhance the overall yield of the Sun Life Participating Account.

Real Estate by Property type



Real Estate by Location



All values are current market values as at June 30, 2019.