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PRESENTATION

Kevin Strain - *Sun Life - President & CEO*

Welcome everyone. I'm Kevin Strain and I would like to acknowledge that we are on the traditional territory of the Huron-Wendat, Anishnaabeg, Haudenosaunee Confederacy and the Mississauga of the Credit First Nations. Today, Toronto is still the home of many Indigenous First Nations, Inuit, and Metis peoples from all across Turtle Island. My ancestors came from Scotland and like many settlers, they benefited from living on this land. I'm grateful for the opportunity to live, work and raise my family in this community. I recognize this privilege and offer this acknowledgment to honor the original occupants of this land and a commitment to supporting Indigenous communities including those within Sun Life.

Unidentified Company Representative

Please welcome to the stage, David Garg, Senior Vice President, Capital Management and Investor Relations.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

Good morning everyone, welcome to Sun Life's 2024 Investor Day. My name is David Garg, and I am your host for the day. We're so excited to see everyone in person in the room. Behind me you'll see our agenda and as you can see, we have a packed line-up featuring senior executives from across Sun Life and all of our various Business Groups. It is a very tight agenda so we're going to do our best to stay on time. Before we start, I do need to turn your attention to the next slide, which is our usual disclaimer regarding the use of Forward-Looking Statements and Non-IFRS Financial Measures which form part of today's remarks. As you all know Forward-Looking Statements may be rendered inaccurate by subsequent events. I will also note that the slides for today's event are available on the investor relations section of our website at sunlife.com. And with that, we're going to kick off the day with a short video followed by our first presentation by Kevin Strain, our CEO. Thank you. Please welcome to the stage, Kevin Strain, President and Chief Executive Officer.

(video playing)

Kevin Strain - *Sun Life - President & CEO*

Well, good morning, everybody. This is our first full investor day since 2019. And it's really great to see so many of our shareholders and I use the word shareholders rather than just investors because some of you are long, long term shareholders, our analysts and we have OSFI here. We have some media here. We have some of our rating agencies and also some of the investment bankers.

So it's great to see everybody here in person that gives us a different energy, a chance to hear about us playing to win. So this is the theme of our investor day and I think that you'll like what you're going to see. So the agenda for today is quite broad. You're going to hear us talk about our strategy and we're going to go into more detail by our business groups. And so you're going to hear from our business group leaders, as we talk about strategy, we're going to talk about our business mix and how we've driven a superior business mix and how that business mix has really created a resiliency.

And you saw that through COVID and the pandemic, you saw that post COVID through the changes as we continue to post good results. We're going to talk about our asset management capabilities and our insurance capabilities. And earlier today, somebody had said they, I won't say who because they may want to claim this themselves, but they said they never thought they'd see an insurance company that had a 20% ROE goal.

And I said, we're not an insurance company, we're an Asset Management and Insurance company. And so you're going to hear from our asset management team, you're going to hear from our insurance team. We're going to talk about the synergies between those two platforms. We're going to talk about four key strategic imperatives that are going to drive our growth. We're going to talk about our new Medium-Term Objectives and Tim will go into that in more detail as well I but you saw there's a press release this morning talking about our new MediumTerm Objectives.

Most importantly, you're going to get a chance to meet the leadership team who's going to be executing on the strategy. And I wanted to talk about that a little bit. You're going to meet some new leaders that you haven't seen before. Ted Maloney is going to be the new CEO of MFS coming up shortly and Ted will be on stage with Mike Roberge, who's going to be the Executive Chair. You're going to see Sonny Kalsi come up and talk about our SLC ambitions and our ambitions in the alternative space.

You're going to hear from Jessica Tan, who's our new leader of Canada. You're going to hear from Cliff Corso and Chris Wright, who are part of the SLC alternatives team. So we're going to meet some new faces. You're going to see some faces that you've seen before in new roles, Executive

Chair roles for Jacque and for Mike coming up and for Steve, we think these Executive Chair roles are really important to help with the transition. MFS did this in the past when they transitioned from Rob Manning to Mike Roberge.

We think that this is a great practice for the asset management business where clients are watching closely. They're watching to see what happens all of you in the asset management industry, you know how this works. So, having these executive chair roles, having Mike Roberge there alongside of Ted, having Steve, alongside of Sonny and then Jacques helping to introduce Jessica to Canada. She's only been here for six weeks and you'll hear from Jessica as well and you'll hear from Dan and Laura -- Linda Dougherty, who's our strategy head and myself in terms of and Tim, of course, in terms of our existing roles and then Ted who's also new.

So Ted will be -- Tim will be talking about the CFO and those types of things, sorry about that. So anyways, you're going to hear from some new people and it's really these people and them playing to win that creates the differentiation. It's all about people. People are how you get things done. People are, how things move. And so introducing you to our people, understanding their passion, understanding how they're playing to win and where they're going. Sun Life is also unique because we are a purpose driven company. Our Purpose is helping Clients achieve lifetime financial security and live healthier lives.

And we talk about being Purpose driven, not because it's some airy fairy thing, because it actually drives who we are. It drives what our strategy is, it drives how we recruit people. It drives the type of people who come to Sun Life. Jessica will probably talk about this. One of the reasons she joined Sun Life was because of our Purpose. It sets our culture, it sets our strategy, it sets the businesses we're in. It defines where we're going for the businesses.

When we added live healthier lives to our strategy, that's when we started to extend our health strategies to add things like Pinnaclecare and Dialogue and going deeper into health care. So our Purpose in being Purpose driven is really important. I almost forgot one really important person. You're going to see Manjit in his new role as the head of Asia. Most of you know, Manjit, I think he's off to a great start there. And so I think that again, seeing our people is going to be really important.

If you look at our, our strategy, the top of the strategy slide is our Purpose and our Purpose, as I said, defined the strategy, and I'll talk a little bit about that. It defines our Values because those Values are important to how you deliver on your purpose.

Our strategy though has some things that you've seen before. So if you look at the left-hand side of this chart, you can see our four pillars. We established our four pillars back in 2011/2012. This was a deliberate set of us stepping back and looking at what's our Purpose, what are the trends we see? And we identified the trends of growing need for health. We also wanted to focus on capital light businesses. We saw trends in Asia, the middle class growing high-net-worth growing in Asia.

And shortly after that, we started to see the trend of alternatives. So this concept of our four pillars has been consistent since 2012. And it's something that we believe strongly in that these are the right businesses, they create that resiliency, they create a strong business mix. We're not planning on making changes here. We're planning on evolving aligned to our purpose. And so you're going to hear from the leaders of all four of the business groups and two, of course, in Asset Management, both MFS and SLC.

If you look at the center of our strategy, the client impact strategy, you've seen this wheel before and again, we created this wheel in mostly this format back in 2015. And we put the Client at the center at that time and the Client being at the center is aligned to us delivering on our Purpose. And we circled that center with having a strong brand.

And having a strong brand is important in all of our markets, but in particular important for our retail market and in particular important in Asia and so we deliver long term promises to our Clients and having a trusted brand is really important. We circle that with digital leadership. So creating digital capabilities that are important for our Clients, important for our distribution and having a digital leadership position.

We've had a strong technology leadership position for many, many years. Laura is going to go into more detail on our digital strategies. We circle that with distribution excellence, having quality distribution that understands Clients that delivers the right product to help them with their financial security, to help them live healthier lives was really, really important. And then of course, our people, our culture and the fact that we want to be sustainably driven, you know, we think long term and that's also aligned to our Purpose. If you think about our Purpose of lifetime, it forces us to think long term about our Clients.

And we're highlighting four strategic imperatives that are going to help us over the next few years as we continue to grow and focus on growth. The first is leveraging our asset management capabilities and that asset management platform that we've put out there to create cash flows from our insurance business into asset management and to create performance from our asset management for our insurance business and finding synergies between those two and growing those businesses.

We've identified accelerating our momentum in Asia and putting Manjit in Asia was part of creating that acceleration and you'll hear, Manjit's goals for both earnings and for ROE. We've identified the deepening our impact for our Clients in their health journey. And you've seen us enacting and executing on those strategies, adding things like I mentioned earlier, Pinnaclecare, Dialogue, Health 360 apps in the U.S. to help with our Client journeys there on the health side and then finally operating like a digital company. So these four strategic themes, we'll go into more detail today in our discussions from our leaders.

You're also going to hear about our ambition. Our ambition is bold. It's to be the best asset management and insurance company in the world. And I'm going to talk about how we're going to do that. But if you look at our at our business mix to start off with, I think that this is a great chart to show you the diversity of our business and how we think about the diversity of business.

The first chart is around our underlying income and you can see in the underlying income that we get this great balance from Asset Management, Canada, U.S. and Asia, we are also going to see that U.S. and Asia and SLC are the fastest growing pieces of this. So that balance is only going to get more even over time. But we think again, these are the right businesses, they create the right balance.

Our underlying net income by type of business is also very balanced. Group - Health and Protection very low capital business is 32%. Wealth & Asset Management very low capital business is 41% and Individual - Protection where we do have more capital is 27%. But over half of that Individual - Protection business comes from Asia, which is fast growth. And if you look at the geographies, we have this strong foundation in Canada and the U.S. and this growing business in Asia and in other parts of the world. And that business mix has provided that resiliency to our growth, to our ROE and to our cash flow.

We've had this focus for a long time on capital light businesses and you've got three quarters of our business is capital light. It aligns to the underlying net income by business type with only about a quarter being higher capital usage. And again, that quarter is in fast growing areas like Asia where you'll get the majority of that. That lower capital intensive businesses that mix of businesses is actually what allows us to drive that 20% ROE.

So back to my comment earlier that our high ROE comes from our business mix. It comes from the growth in our business and it comes from that low capital amount in Asset Management and in Group Benefits in particular, also from the growing ROE in Asia and in the U.S. We've had a great track record of execution since 2014, we've had a 10 year CAGR of 9% right in the middle of our 8% to 10% MTO, our Medium-Term Objective, that's again a great indication of the resiliency in the business and our ability to deliver.

For ROE we had a MediumTerm Objective of 18%. We grew that 620 basis points since 2014, just below our Medium-Term Objective and that's what allowed us to increase that objective to 20%. The earnings growth CAGR of 9% was slightly negatively impacted by IFRS 17. So that would have been a little bit higher than 9%. And the adoption of IFRS 17 and the ROE was slightly helped.

So we got a bit of a lift to the ROE after IFRS 17. And cash flow has been solid, in 2014, we're 50% inside of the payout ratio for our dividend in 2023 we're 47%. So we've grown the dividend consistently with our earnings and I think all of you have seen that as well. In total, we've returned more than $14 billion in capital to our shareholders through dividends and buyback. And we've invested $11 billion over that period of time into M&A and we did $1 billion of businesses we sold so a net $10 billion into M&A. So if you step back, you would say strong earnings growth, strong ROE, strong cash flow back to shareholders both in the dividend and in buybacks.

So as I keep saying, and you're going to hear this a lot. We're not just an insurance company, we're an Asset Management and an Insurance company. We are a top 25 asset management company by AUM around the world at $1.5 trillion in assets under management, $1.3 trillion of that is in third party assets. That's very unique for an insurance company.

MFS is a top 10 U.S. retail asset manager, one of the largest mutual fund companies in the world. BGO is the fourth largest global private equity real estate company. And SLC goes from we see between MFS and SLC, we go from public equity and public fixed income as a strong player right through the alternatives, real estate infrastructure, high yield credit, private fixed income and largely third party. On top of that, on the wealth side, we have Canada's largest group retirement and savings business. We have the third largest MPF business. We actually have a mutual fund company, the second largest one in the Philippines. We have a large asset management business in India. We have a solid asset management platform.

One of the things that asset management, our competitors here are all the companies, you know, Apollo, KKR, Blackstone, all big companies, Brookfield, all buying insurance. Why are they buying insurance? To provide cash flow for these asset management firms. We don't have to buy insurance. We have one of the best insurance franchises in the world.

We've been building it for 160 years. We know it, we understand it, we know the risks. We understand the risks. We are the 11th largest insurance company by market cap. We are the number one individual insurance player in Canada. The number one group benefits player in Canada, we have the number one independent stop loss business in the U.S. We're the largest dental provider in the U.S. and we're top five for life insurance in Asia. Number one in the Philippines and number one in the high-net-worth space. We have an incredible insurance franchise that provides cash flow back into the asset management side.

A lot of our insurance competitors are doing the opposite thing. They're trying to build asset management platforms to give better performance to their clients. We've already done this, building out our asset management platform, with MFS and with SLC. This is providing stronger returns, and so one of the things and it's one of those strategic priorities we're looking to do is find the synergies between asset management and insurance and find ways to create lift in our performance of both of those businesses and lift in what we give our Clients on both sides.

So I'm going to go into more detail on these four strategic priorities, Asset Management & wealth, Asia, health and digital. And these are critically important to us and our growth story and meeting our Medium-Term Objectives.

So if you step back, I won't go into too much detail because this is going to be covered by each of the groups. But we have incredible investment capabilities in MFS and SLC, they have access to capital through both our general account and through partnerships that we have. Setting up the Scotia partnership is an example where we use relationships we had to drive flows to them.

They have global distribution strength and they have scale, $1.5 trillion, we have scale. So our path to winning here is growing SLC. SLC is our newest part of our asset management platform and building that out, expanding our wealth distribution, we capture wealth distribution into MFS and into SLC. But we think we can do more to do that and drive margin. Maintaining the leadership position of MFS and MFS is building out their public, fixed income capabilities and performance. They're building out their DC pension, they've announced their active ETS, they're building out their SMA business.

So lots happening at MFS that Mike and Ted will talk more about and then finding those synergies. So you're going to hear from Mike and Ted, Steve, Sonny as well as Chris Wright and Cliff Corso more on this. Our path to win in Asia is also pretty clear to me. The first is that we are in the right eight markets. We have established leadership in those markets and many of those markets and Manjit will talk about at scale businesses and driving scale businesses.

We have high quality distribution and digital is going to be an important piece of how we win here. So that growth in Asia, distribution is really important. We have bank assurance in all of our markets and we have really good bank assurance partners. We have agency in every market. We have brokerage. We're one of the largest brokerage players across Asia and we have digital -- we have digital capabilities there.

Expanding into wealth, we think there's opportunities to leverage MFS and SLC to do more on the wealth side. Accelerating our digital and just driving execution and Manjit just going to talk about his structure, the people he's added and how he's thinking about executing. On the health side, we are already a market leader in group benefits and in Canada and in the U.S. And a lot of what we're doing on health where the profit streams come is through our benefits business and both selling more, earning more, keeping more of that group benefits business.

We have great health partners. We have all the ingredients for innovative health solutions and creating health experiences. And I mentioned earlier, we're expanding our health services, we added Pinnaclecare in the U.S. On top of our stop loss business, which helps people navigate the U.S. health care system. We think that's really important.

We're creating signature solutions like solutions for diabetes which help our Clients, which help us sell more and give our Clients a better experience. We're empowering Clients through digital approaches and adding digital capabilities and we want to win in dental. We are the largest dental provider in the United States and in Canada. If you think about Canada, we've added the Canadian Dental Care Plan, 2.7 million Canadians have signed up. We've paid 2 million claims and we have 35 million Americans who do dental with us. Dan will talk a little bit more about the path to higher profitability in the dental business as well.

And then finally if you're looking at digital and Laura will talk more about our digital journey. Digital is going to be about how do we deliver for our Clients, how do we continue to build those leading digital capabilities and invest in digital, accelerating the use of data and analytics, but also working in agile manners. And we've trained 4,000, 5,000 people in working in agile manner so that we can be quicker and quicker with delivering solutions.

So part of that path to win is creating a digital mindset thinking and acting like a digital company thinking about our Clients and their digital experience, harnessing Client insights, listening more to Clients, getting closer to Clients, making changes quicker, modernizing our tech stack. And we've taken great steps towards that and Laura will talk about that and then leading in generative AI, we think that generative AI is an area that's going to change a lot of how we do things making us more effective and more efficient.

And finally, you know, really, it's all about people and I talked about that earlier and we've been a talent magnet. We've attracted really good people, coming to us for our Purpose, coming to us for the resiliency of our business.

We're noticed as a great place to work because of our culture and how we treat people. We have leading employee engagement scores and we think that these employee engagement scores also drive strong execution and we have a diverse leadership team. A leadership team that is global in nature, that thinks globally, and wants to play to win.

So our new Medium-Term Objectives and Tim will go into this in more detail, underlying EPS growth. We've moved from 8% to 10% or 10%, underlying ROE from 18% plus to 20%, and underlying dividend ratio, we've kept at 40% to 50%. We think that the business provides this sort of growth in earnings, this sort of growth in ROE and the cash flow. And you've seen our execution the past five years against each of these measures. And we've been solidly inside of those Medium-Term Objectives.

So just taking a step back, this will be a great agenda for you. I think understanding our strategy more deeply, understanding both the asset management and the insurance side, getting a little bit more focused on these big initiatives that will be executing and changing the company, new Medium-Term Objectives and that commitment to our Purpose.

And we'll talk more as you hear through this. But again, that Purpose of helping our Clients achieve lifetime financial security and live healthier lives is really core to what we do and it shapes our strategy. It shapes who we are. It shapes how we execute. It shapes who we attract to the company. It's really important to defining us and you'll hear more about that from the business group, but we'll also be ending with a video that talks about our Purpose and how we see it being enacted.

So with that, I'm going to turn it over to Tim.

Unidentified Company Representative

Please welcome to the stage, Tim Deacon, Executive Vice President and Chief Financial Officer.

Tim Deacon *- Sun Life - Executive Vice President and Chief Financial Officer*

Good morning and welcome to our Investor Day 2024, my first since joining Sun Life. And I couldn't have joined at a more exciting time as we get to share with you our unparalleled next trajectory of growth.

We have a long track record here at Sun Life of setting ambitious targets and delivering on them while contributing significant value to shareholders. Our prior Medium-Term Objectives were ambitious yet we met every single one of them, in the fourth quarter of last year, we hit 18% ROE for the first time, we've been delivering EPS growth of over 8% to 10% and we've been maintaining a dividend payout ratio between 40% and 50%.

Over a decade ago, Sun Life made the strategic decision to reposition into high growth, capital light businesses. This business mix has generated consistent strong earnings growth and capital generation and has allowed us to return over $14 billion to shareholders over the last 10 years. Our industry leading LICAT ratio of 152% and a low leverage ratio of 20%, provides us not only resilience but the flexibility to pursue new opportunities that will meet our financial and strategic goals.

Our continued growth in Wealth & asset management in health and in digital will also help us unlock a new trajectory of growth, all of which gives us confidence in updating our Medium-Term Objectives to levels that our industry has not yet seen.

So over the past 10 years, we've experienced exceptional growth and returns. We've more than doubled our underlying EPS growth with a 9% CAGR over the last 10 years. We've added over 600 basis points increase in ROE as we shifted away from long tailed businesses to capital light and back in 2014, an ROE of 18% was unheard of.

And then during that time, we've also been able to grow our dividend at 8% CAGR more than doubling that over the period and every six months or so contributing to an increase. And so all of that to say, has significantly outperformed our peers in the insurance and asset management areas as well as banks across our underlying EPS and growth in underlying ROE.

Over the last five years, we've had the lowest earnings volatility of our peers with a standard deviation of about 6%. And that compares to a life insurance company average here in Canada of about 7.3% or in the case of the banks 12.1%. And our U.S. life insurance peers have had over 3 times the earnings volatility. So all of that demonstrates the strength and stability that we have from our diversified businesses and that proven track record of setting challenging Medium-Term Objectives, achieving them but, while outperforming our peers. We also have a high quality of earnings and it really supports the use of our underlying net income as a measure of our earnings power.

Since the underlying net income was introduced in 2014, the average difference has been just 9%, of that 4% has been related to markets and that's mostly been interest rates and we've taken actions over the recent years to narrow that gap. We also have actuarial changes and other, which comprise 1%. And collectively, we expect those to be neutral over the long term.

We also have a category of acquisition integration and restructuring which we feel are more transitory but our long-term value accretive. So the biggest example of that would have been our Dentaquest acquisition and our SLC acquisitions, which we expect to stabilize as we complete the remaining buy ups of our SLC affiliates. And finally, the fair value increase of MFS shares that we don't own are an expense for accounting purposes, but this ultimately represents an increase in the value of that franchise, which is not reflected in our earnings.

Since the adoption of IFRS 17 in 2023, we've seen an 8% growth in our Contractual Service Margin which is a key measure of future profits in our insurance business. We've had exceptional growth in our new business CSM of 64% since '21 compared to a peer average of 0% during that time. For the first three quarters of 2024 alone, we grew new business CSM by 34% compared to a peer average of 24%.

Our previous expectations for organic CSM growth had been in the mid-single-digits but having exceeded that, we are updating our direction to 7% to 9%. We've also refined our new business CSM growth targets of around 10% to 15% and that's really dependent on product mix. And then finally, our annual CSM amortization of 8% to 10% remains unchanged.

Our capital position is a key strength for us at Sun Life and our financial flexibility remains strong. We continue to maintain industry leading LICAT of 152% compared to a peer average of 136%, and a low leverage ratio of 20.4% compared to a peer average of 25.3%, both of which support our industry leading debt ratings, something that we're very proud of. We've been able to maintain these while completing over $6 billion of acquisitions over the last five years.

This strong capital position provides ample flexibility for future organic and inorganic deployments. As Kevin mentioned, 75% of our earnings come from Wealth & Asset Management and health, both which are capital light, high growth and higher ROE sectors. 27% of earnings coming from individual insurance, of which 14% comes from our high growth areas in the Asia region. These capital light businesses drive significant organic capital generation which we define as the excess amount of capital that we generate as part of our normal course of business that is available for strategic redeployment.

And so for us, this starts with underlying net income of which we invest 15% to 25% back into our business to drive business growth. So these would be things into new products which we typically target IRRs in the mid-teens. It would be also investments in our health and Wealth & Asset Management businesses as well as digital. From there we seek to maintain a dividend payout ratio between 40% to 50%. And so for 45% is the mid-point of that range and over the last 10 years, we've averaged 43%. So this leaves a remaining 30% to 40% which really reflects our organic capital generation, which in turn converts into Hold-co cash.

So when we look at all of this, we have updated our overall organic capital generation guidance and targets given our strong underlying net income, as well as our dividend payout ratio stabilizes in that 40% to 50% range. So over the last five years alone, we've generated over $12 billion in cash net of reinvesting $4 billion of that back into the business and over $8 billion in common share dividends and share buybacks.

Our capital priorities at Sun Life remain unchanged. So our first priority has always been to fund organic growth. And so over the last five years, we've invested that $4 billion into new products, into our Wealth & Asset Management into our digital. And that's been able to help fuel our future growth going forward. Our second priority remains our common share dividend increases and this has been aligned with our underlying net income growth of about 9%.

And since 2019, we've been able to maintain our payout ratio within that range. And then finally, our third priority is in inorganic deployment, both M&A where we've deployed over $6.2 billion in high growth and high return areas and share buybacks where in recent years our programs have helped increase our ROE by 50 basis points. And in the first three quarters of 2024 we've executed $600 million in share buybacks and then we have 13 million shares more remaining available under our current program.

So there are three outsized macro tailwinds that we expect will continue to drive considerable growth for Sun Life. The first is being growth in our private assets and private markets business where we see a near tripling of capital flows into this sector over the next six years from around $11 trillion to over $30 trillion. We've added significant scale in this area and capabilities across the spectrum from real estate infrastructure, high yield credit and private fixed income, which would be very difficult to replicate in today's markets.

We're now at over $230 billion of third party assets under management and are well positioned to capture this outsized flows. In the health in the U.S. sector alone it's an almost $5 trillion market. We've added capabilities to acquire adjacent health service offerings both in Canada and the U.S. that not only help our Client purposes in terms of helping our Clients lead healthier lives but also generate material fee income streams for us in time.

In Asia, we see a gap of almost $85 trillion in savings and retirement gap and as well as an insurance gap across the region. And we're incredibly well positioned in the growth markets across Asia to capture an outsized portion of this. We've been investing in distribution to help build scale across the market.

And so, while all of these acquisitions are recent, we've only just begun to realize the potential these platforms will bring over the long term. We will remain disciplined in our capital deployment going forward. Our immediate priorities are in completing the SLC buy ups of the affiliates having just recently completed the purchase of Infrared, which is our infrastructure platform earlier this year. We have the remaining purchases of BGO and Crescent coming up by mid-2026.

From there, we will continue to focus on future opportunities that both add to our strategic capabilities and complement our existing businesses, but they must meet three criteria. First that they have a strong cultural and values and strategic fit that add to our existing capabilities. Second, that there's a clear path to be accretive to our Medium-Term Financial Objectives. And third that we have the capacity to execute not only both on the integration but also ensuring full value realization from these transactions.

And when you look at how the market values the businesses where we've added, there is a clear path for continued shareholder value creation. At November 8th, at the end of last week, we were trading at around 11.3x, ahead of our U.S. lifeco peers but below the average of the 10 largest Canadian Financial institutions and well below the peer leading valuation at 16.5x. As we continue to scale in our private assets, delivering on the returns, AUM, and margin growth we expect, continue to expand in health and in digital - we will start to have features that look more like the companies in the sector on the right. Which have a clearly have a differentiated return profile than pure play financial services companies. And with almost 75% of our earnings in Wealth & Asset Management and group life and health, we're making great progress. Cost management remains an important driver of our financial discipline. Earlier this year, we announced a modest enterprise restructuring program that had actions to help us deliver growth at the higher end of our Medium-Term Objective for EPS. Under this program, we're optimizing our structure and global footprint, we're eliminating duplicative and redundant capabilities, we're optimizing our third-party spend and our real estate footprint, and we're making continued progress on automation of our processes. Overall, we expect to deliver $200 million of cost efficiencies by 2026, 40% of which will have been realized by the end of this year. And when we evaluate expense efficiency, we're looking at the growth of expenses relative to revenues and earnings growth. We're getting good operating leverage from our at-scale businesses, while continuing to invest in our higher growth businesses. Looking forward, we are seeking opportunities to further enhance our operating leverage through increased digitization and straight through processing, as well as the accelerated deployment of our artificial intelligence. All of this culminates in our winning objectives. We expect to see earnings growth of 20% and more in SLC as we seek to recognize the full potential of our platform. We see opportunities in the expansion of our retail high-net-worth channel, leveraging our leading wealth distribution platforms in Canada and Asia and opportunities to pursue new products and new markets and alternative sources of capital. You'll be hearing from Steve, Sonny, Chris and Cliff, who will share more details. In MFS, you'll hear from Mike and Ted about our strategic growth opportunities in non-U.S. retail, the defined contribution channel and fixed income, given our strong performance where we expect meaningful inflows. And so, while this is a mature business, we expect earnings growth of 5% or more proportionate to markets. While generating over $1 billion in cash annually.

In Asia, you can expect a growth rate of 15% plus and Manjit will be sharing how we will continue to seek momentum in our at-scale businesses while continuing to grow in our scaling businesses, expand our wealth offering and realize the full value of our bancassurance partnerships. In the U.S., you can expect a 12% plus earnings growth rate. And you'll hear about Dan about our growth in our Dental business as well as sales in our Medicaid, Medicare and commercial areas as well as continued growth in health services.

And then finally, in Canada, while we have a 6%-plus growth target, we've been experiencing in recent periods, a double-digit growth which is significantly ahead of the market and you'll be hearing more from Jacques and from Jessica about how we continue to grow in the wealth and health areas in Canada.

So these significant earnings growth opportunities coupled with our exceptional track record of delivering consistent results, gives us significant confidence to grow our ROE to a new industry leading 20%, clearly putting us in a league of our own. We see strong ROE contribution across all of our four pillars, Asset Management, which has an ROE of currently 23% will add about 70 basis points of growth as we leverage the scale of our SLC platform.

In the U.S., we have a target of 18% plus growth contributing 60 basis points over the long term as we see continued growth in Dental and from our Health Solutions. In Canada, with a 23% ROE it is significantly higher than our Canadian lifeco peers. Yet we still expect the opportunity to grow 40 basis points as we expand further into wealth and in health.

And in Asia, our target of 15% plus reflects the opportunity we see in our scaling markets, the benefit of our bancassurance arrangements and as we continue to invest in the region in wealth and in health, collectively we expect will contribute 30 basis points increase. We see further opportunities as we drive further efficiencies and digitization of our business and through AI as well as the opportunity through accelerated share buy backs and further capital deployment that will further underpin this target. All of this serves to underpin the confidence that we have in continuing to set industry leading objectives.

So we couldn't be more excited to share with you and lead the industry yet again, with our updated Medium-Term Financial Objectives which we refer to as our 10, 20, 40 ambition. The deliberate decisions that we made over a decade ago to position our businesses into capital light, low volatility, higher quality earnings along with our unparalleled track record of consistently delivering on our results puts us in a league of our own.

Our industry leading capital position, our low leverage ratio, positions us exceptionally well to be able to not only achieve these targets but provides us the flexibility to capture future opportunities in high growth, Wealth & Asset Management, health and digital opportunities which we all expect to experience continued headwinds in the future.

And so with that, I will now pass the stage over to Laura Money.

Unidentified Company Representative

Please welcome to the stage, Laura Money, Executive Vice President, Chief Information and Technology Innovation Officer.

Laura Money *- Sun Life - Executive Vice President, Chief Information and Technology Innovation Officer*

Thank you all so much for being here and I'm excited to share with you our digital journey and how we've been leveraging technology to drive meaningful Client outcomes and business value.

So we've been working for a while now to operate more like a digital company. And this always starts with putting the Client at the center of everything we do. From there we look at what kind of capabilities we need, whether they're technical, digital or people capabilities. And we work together across multifunctional teams in an agile way. And of course, this has to be underpinned with strong and stable, secure foundations.

Some of the things that you may or may not know is that my technology team incorporates about 6,000 people globally, approximately 40% of those are actually in our global capability centers that are fully owned by us in India and the Philippines. And so we have a team that we can leverage across the world, and it's our team. 90% of the folks who work in technology for us are Sun Life employees, which is a little bit different than many of our competitors.

But let's move on to talk about what it means to be a digital leader. Taking another look at the slide that Kevin presented earlier. Our digital leadership is built on the strong foundations and starts with Client journeys. So we're using those to enable our Purpose to help our Clients with healthier lives and have life time financial security. We're shifting our mindsets too, across the organization thinking deeply about our Client needs and how to meet those seamlessly with a combination of digital and human. Ensuring we have people supporting our Clients in those right moments.

And our path to win involves driving impact at scale with leading digital capabilities, advanced data and analytics, of course, working agile so we can get to market quicker and leveraging modern technology to really optimize that impact on our Clients.

As a result over the last few years, we've built this muscle and we feel we're really well positioned to take advantage of emerging technologies in general, but particularly GenAI where we're actively innovating every day. Embedding a digital mindset is maybe one of the hardest parts, but we're making good progress. Our employees are really embracing this digital mindset. We have over 4,000 now who are delivering digital capabilities working across over 500 agile squads. And we've also made some significant progress, embedding agile behaviors more broadly in the organization.

So we have an 85% five year increase in employees who are comfortable making decisions needed for their jobs, which means we've successfully empowered our employees. And we also have four out of five employees believing that Sun Life creates a safe space to experiment with new ways of working, which means they have that open mindset to test and learn. This is really important as we start to work more like a digital company.

Here are a couple of examples how we're embedding that digital thinking through our Client journeys and making sure that our leads are very personalized and relevant for our Clients. So let's take this approach in Canada, we've taken a data driven mindset thinking about what's really important for our Clients. We've iterated through rapid test and learn and we're improving the quality and conversion of those leads, giving them to agents, and we're delivering that personalized sales funnel. And it's contributing to significant sales results.

And as you'll hear from Manjit later, we're doing something very, very similar in Asia using that same know how across the organization. We're using technology, generating leads when someone goes on to the website, they say, can somebody call me and we're actually able to now get back to them in Vietnam in three minutes. That was from a place of hours or sometimes days when we did that previously. It's very impactful and we're rolling that out to Philippines as well.

That means we have a good lead for those agents to talk to in a really speedy and timely way. And as they talk to the Clients, we realized we had this insight that Clients keep clicking on our digital assets, they were often really just shopping. And so they were trying to understand the different organizations and the different products in the market. So what we did is we used GenAI to create a market comparison tool that compares Sun Life products to other products in the market.

And that helps our advisors address the pain point for the potential Client to understand what are the options when they're really just shopping. And while we're clearly highlighting why Sun Life's product may be the best choice for them. So this has been a great tool and it just shows some of the way we're really thinking differently about how to support our Clients and our sales people with a digital mindset.

These examples, they also demonstrate the importance of data and how it's so important to our future success and having good data is crucial to having good Client impact. So we're supporting our employees and advisers with better data driven decisions and enabling our Client journeys. And we're investing in data judiciously where it's going to make the most impact.

The reason a tech stack is important is not because it's fun. I find it fun but most people don't. It really helps us with that speed to market and creating unique capabilities and experiences for our Clients. As far as tech modernization goes, we're making great progress we're on track to have 77% of our apps in the cloud by the end of 2026. We have over 700 APIs in our global marketplace which are ways to integrate with other organizations. And we can -- they're available for anyone in the organization to use as we need them.

We also have strong and stable foundations which is indicated by the availability of our Client and advisor facing applications, and that stability is really important because it means that our teams are not spending a lot of time having to fix things. Therefore, we're cost effective and productive, which allows us to focus more on those strategic and transformational capabilities that we're building.

Here's a couple more examples on how we've leveraged technology, to make better solutions for Clients. In the U.S., we had this insight, we knew we wanted to make things easier for our sponsors in the U.S. and a natural place to go might have been, let's give them an app, but rather than giving them yet another app to manage. We thought, why don't we integrate directly into their HR systems? And for one of our largest U.S. clients, this translated into 12 FTE worth of work that we were able to save for them.

That's been very impactful for the U.S. team as you can imagine, when you've saved your client 12 FTE worth of work, it means they're very sticky. And we believe that due to these API capabilities, there are approximately $300 million Canadian in premiums and additional 100,000 members that we've connected via API with partner platforms in the U.S. So these are the work days the ADPS the HR systems that large organizations use.

And because we've been very purposeful about where we've made these upgrades and updates to our technology and focused on this kind of connectivity that's allowed us to build capabilities that we can leverage in other parts of the world. So now when we invest in tech companies like Dialogue or we partner on banca with CIMB Niaga, those are organizations where we've really leveraged APIs to create great Client experiences with those partners because we've leveraged the capabilities of the APIs to integrate with them in a really seamless way.

And we've been able to do that quickly. To create solutions that are personalized and relevant to our Clients, of course, we have to be able to identify their pain points as they evolve. And so Sun Life, listening to our Clients is really foundational. We currently have 52 listening posts across the organization to understand the overall experience of our Clients and how they're experiencing Sun Life from a journey point of view and all their interactions. In addition to this, we have six insight communities where Clients, sponsors, advisors and brokers, we get regular feedback on the product and services that we share with them.

And let me talk a little bit about how we've used some of these insights. There's two really great examples in Canada and you'll hear more about this from Jacques and Jessica later on. But these are examples of things we've developed as a result of those great Client insights. The first is that 80% of Canadians feel more confident if they have a financial plan.

So we decided to invest in One Sun financial planning, it's powered by Conquest and this cutting edge planning incorporates AI machine learning to provide Clients with best in class financial planning capabilities, enabling Clients to scenario plan with their adviser.

Since that's been created, there's been over 160,000 financial plans developed with our Clients. In fact, we were the first Canadian organization to partner with Conquest across all our wealth and insurance service platforms. Digitally engaged plan members have significantly higher account balances. And we know that if they're not digitally engaged, they have those lower account balances and 80% of Canadians feel more confident in their retirement if they have that plan. So we've really helped our Clients get that peace of mind.

Another example is MyRetirement Income. The insight here is that 40% of Canadians are worried they'll run out of money in retirement. So we created MyRetirement Income which launched this past September to great fanfare. And it allows us to combine income flexibility and the opportunity to define exactly what you want your income to be over a period of time.

Let's talk about GenAI, can't go anywhere and not talk about GenAI these days. So it really represents, I think the most recent pinnacle of tech innovation and it's become an undeniable opportunity for organizations to create quicker and more seamless end to end Client experiences, improve employee productivity and actually solve problems that we couldn't solve or maybe they just weren't affordable to solve in the past.

So through our use of GenAI Sun Life, we've now developed a template for innovation, not just with GenAI, but any other emerging technology that's setting us up well for the future. And we continue to be most excited about the impact that GenAI is going to have for our Clients in terms of their health and wealth. And we really think about it in three horizons.

There's the short term, which is a lot about productivity, it's freeing up time for our employees. In the middle term we really see that we can build capabilities that are going to help service our Clients better, whether that's medical record summarization or contact center summarization those kinds of things. And then in the long term, and we can't predict this yet. We really believe it has the potential to be very impactful for the health outcomes and the wealth outcomes of Clients.

We don't know what that will look like, but we do know that by working through these other two areas, we're going to get capability and insights on how we might leverage that in a much more transformational way in the future.

I want to bring you now through a few examples of the ways we're using GenAI to lock value. And these are just a few examples, we are very active in this space and have a huge backlog that we're working on. In the contact center, we're already in the process of rolling out GenAI globally for call summarization, sentiment analysis, real time knowledge assistance. And this is going to drive significant productivity savings as well as Client experience improvements.

In addition, if any of you have heard about a Gen-tech AI, we're actually experimenting in our own IT service desk internally with virtual agents. So these agents will allow us to do simple requests like how to questions, but also order equipment and reset passwords, those sorts of things. And that really allows our agents and the service desks to spend more time educating our employees and dealing with more difficult problems.

If you took that to a Client facing center, you could see how maybe in the disability space, if you could help those agents summarize all the medical records, if you could help them, assist them with the prompts in terms of things to talk to the Client to, they could spend more time educating the Clients on actions that will help them get better faster than they could just administering and trying to find all the relevant documents when they're talking to a Client.

Medical record summarization is another great example and I've touched on it, in the U.S. at PinnacleCare and in Canada too, we have tests happening they're in beta right now. Summarizing those hundreds of pages of long differently format medical records. We've always kept a human in the loop, but it really will help us understand more quickly what we know about the patient and help formulate patient treatment plans and ultimately improve the experience and health outcomes. Testing shows that summarization of hundreds of pages could move for many hours to really just minutes.

We also have a new advisor sales buddy in the Philippines that is going to roll out this week. It's basically we have 5,000 new advisors every year in the Philippines and it's going to help accelerate onboarding, training and the readiness to work with Clients. It's really taking the best knowledge from our best advisors and creating a coach for our new employees. So you can see how that would make them much more productive, much more quickly.

I want to just touch on how important it is that we keep the human side of this in our thoughts at all times. You know, humans and AI are different and if you, the more you read about it and the more you experience it, you know, that AI has a lot of strengths, it also has some weaknesses. Humans have a lot of strengths, they also have some weaknesses. And so we really feel that together, we can get the most impact for our Clients and really provide the best experiences.

So we're really focused on that combination of, when do you include the GenAI, when do you know that it's time to switch to human? And when should the human just be assisted by AI? And we think really deeply about that. We have built, as I mentioned before, a really strategic and repeatable pattern for innovation through our experience with GenAI. And it's really helping us carefully and thoughtfully democratize GenAI for the organization.

We've provided access to the technology in a safe internal way for all our employees through our award winning chatbot, Sun Life asks. And we've provided training for all our employees of which 5,000 have taken the GenAI training so far. We've developed guardrails and we've partnered with our control partners as well as several third party organizations in order to get the best thinking around how to work with GenAI today.

And we also found that getting that balance right. I talked about it before between human and human in the loop. And GenAI has brought us a lot of learnings. We've also taken the time to leverage all our knowledge and test things internally, really work out the kinks before we would ever put it directly in front of Clients or even assist our employees who are working directly with Clients.

We're learning internally working out the issues and actually democratizing the use of the technology. So everybody understand its potential. So we're operating like a digital company embracing a digital mindset and through that, we have winning objectives which include Client impact, efficiency and innovation and growth.

We have an ambition and we're on a path to be number one in client satisfaction scores in Canada and the Philippines and top three in Hong Kong by 2028, while always improving in the US and our emerging markets. We're focusing on advancing Client impact across our businesses and geographies using Client data and insights and understanding our Client's needs.

We have many efficiency ambitions 95% STP in Canada by 2028, scaling that to other markets. We're on a path to having over 1 million group benefits Clients reaching us by APIs in the US by 2028. And in 95% of Clients with a digital relationship in Asia. Digital leadership is playing such an important part in generating business value and delivering on our Client impact strategy. And you'll hear more about that with our BG leaders later on.

In terms of innovation and growth. We want to have 50 new GenAI capabilities in our organization in 2025 and a 5% productivity boost for our employees. We're going to scale the potential of new technologies and continue to leverage our proven reusable patterns of innovation that involve testing and learning internally, ironing out our issues and flipping the switch to create external and Client facing really differentiated and frictionless experiences.

Thank you so much for listening and I think we're going to bring David back on board.

QUESTIONS AND ANSWERS

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

(Event Instructions)

John?

John Aiken - *Jefferies - Analyst*

John Aiken with Jeffries. Laura, thank you very much for the presentation. Very, very informative, but one of the things on the, the last slide you're talking about in terms of efficiency, you're telling us where you wanted to get to, where are you now, in terms of the markers that you set out for us, like how much improvement are we looking at? Is this just on the margins or are we doubling things like that?

Laura Money - *Sun Life - Executive Vice President, Chief Information and Technology Innovation Officer*

So I think it depends which metric you're talking about. I don't know if you were thinking on the productivity side. We can see, we didn't come up with a target out of the blue, we can see a path to that target. So and we think GenAI is a big part of that. This year as Tim mentioned, we had the $200 million roughly productivity savings, which if you look at that as a percentage of our employee cost is about a 3% to 4%. So we think 5% is very much in the realms of reality, especially leveraging GenAI.

Kevin Strain - *Sun Life - President & CEO*

Yeah, if you look at straight through processing, for example, in Canada, all the dental claims, most of the claims experience, we've had our app out for many, many years, a lot of that already comes through digitally, but this is building towards that more efficient sort of frontier. And in Asia, it's less so straight through processing. So there is more growth to be had. But we're sort of learning through that and driving towards that. So I think it's, as Laura said, it's sort of on that continuum.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

Tom?

Tom Mackinnon - *BMO Capital Markets - Analyst*

Yeah. Tom Mackinnon, BMO Capital. Two quick questions, I guess the first is the 10% underlying EPS growth, Medium-Term Objective. I just try to do some quick arithmetic by the growth rates times the mix and it, I couldn't quite get 10%, but maybe you're thinking about growing the, the higher ones faster, but is there any buyback in that 10% objective?

Tim Deacon - *Sun Life - Executive Vice President and Chief Financial Officer*

Sure, I'll take that Tom. So thanks for the question. On the last part of your question, there is a modest amount of incremental buybacks. Our existing program has been in force as I said, we have about 13 million remaining in that. And so we intend to pursue the use of that program. But our additional excess capital gives us additional flexibility to underpin that.

So it's not baked in beyond that. But we, I would just add that we have additional flexibility and I think you're right, the high growth areas there's a reason there's a plus beside those numbers because that gives a range. And certainly we're really excited about the growth that we see in our alternatives platform in SLC as well as in Asia, in particular, but all across all of our regions. So when you extract that out over a five-year period that gives us the confidence to hit that 10%.

Tom Mackinnon - *BMO Capital Markets - Analyst*

Right, so no buyback in that medium term objective then, correct.

Tim Deacon - *Sun Life - Executive Vice President and Chief Financial Officer*

Not beyond our current program. And I think in later years, as I said, our main capital deployment priorities are those SLC buy ups in '26. So there's room for further buy ups beyond that as well.

Tom Mackinnon - *BMO Capital Markets - Analyst*

And then just a question with respect to your ROE, the big drivers of your ROE would be your Asset Management businesses and they're kind of not valued on ROE and they're probably not compensated on ROE. So if you're returning 90% of MFS earnings back to the Hold-co, it has like an infinite ROE. So help us understand, why do you look at an ROE target when the biggest contributors to it aren't valued on that basis or measured on that basis?

Kevin Strain - *Sun Life - President & CEO*

It's still an important measure Tom that a lot of investors are using for insurance companies and we still have 60% of our business is coming through insurance, but you're absolutely right. If you look at the lift in our current 18%, Asset Management is making up a good chunk of that. And so I would recommend that we do think about that measure a little bit differently because it does not really apply to the asset management side.

I would say you could apply it to the group side. And other insurance companies are using those capital light group businesses to lift their ROE as well. But it doesn't align as well to the Asset Management business as you know, but it is still used by a lot of our investors and we still think that return on investments we're making. It's one of the measures we look at when we do M&A is still an important measure.

Tim Deacon - *Sun Life - Executive Vice President and Chief Financial Officer*

Yeah, just to supplement that. It's really the only normalizing metric we had. I mean, I made the comment that we feel we're in a league of our own because with 75% of business of earnings really not coming from ROE type measures. It's the only metric we have to be able to at least compare across traditional financial services play. But I think it's fee related earnings, the margin, the growth rates and the trajectory. And then on our health businesses increasingly you'll see in the fee income line in our drivers of earnings, that'll become important part coupled with the margin that we get out of that fee business. So I think you'll hear us talking a lot more about those metrics going forward too.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

Paul?

Paul Holden - *CIBC World Markets - Analyst*

Paul Holden, CIBC. So thanks for providing the slide on the organic capital generation. I think it's a really important metric for Sun Life and all the insurance companies. I guess my question is if you think about the higher growth businesses, they also tend to be the capital light businesses. Would you assume sort of over time that proportion of organic capital generation can actually grow over the next 5, 10 years?

Tim Deacon - *Sun Life - Executive Vice President and Chief Financial Officer*

Sure, I'll start and see if others want to supplement. We do see upside potential. As I said, we estimate roughly 15% to 25% of our underlying net income gets reinvested back into the business. But as you said, as our higher growth, lower capital light businesses grow, that need to reinvest in that same way, will dissipate. In fact, we've been higher than that range as was discussed actually in our third quarter earnings call, of that 30% to 40% of organic capital generation in large part because we've had such high growth. So I think we expressed that target as a way to give a future indication of the type of organic capital generation. But in the near term and likely the future term, we have lots of chances to exceed that range.

Meny Grauman - *Scotiabank - Analyst*

Meny Grauman, Scotiabank. Two questions. One just maybe following up a little bit on, on Paul, 74% of your earnings coming from capital light businesses now. How much farther can that go over the next few years as you execute on this plan?

Kevin Strain - *Sun Life - President & CEO*

I think Meny, that's the direction of travel, right? And it's been the direction of travel for quite a while. As you see, the Group Benefits business is growing and us adding health capabilities. And Tim talked about that in his presentation, the Asset Management business is growing and that's going to shift that percentage up. You know, the high capital businesses are the individual business in Canada, which I used to run, which has significant capital requirements.

A little bit the high-net-worth business in Asia. Even the other businesses in Asia are typically less guarantee, shorter duration, less capital than those, than the two, the Canadian individual insurance and the high-net-worth business. And then the closed block, which Dan will talk a little bit more about in his session also uses significant capital.

That's a close block, so you're going to see earnings slowly decline over time. So I think you're right, you're the direction of travel is that that's going to become a smaller and smaller piece of our overall earnings. And we've seen that for a long time. I think when I ran individual was, already a more significant percentage of our business earnings than that. So it's been where we've been heading.

Meny Grauman - *Scotiabank - Analyst*

And is there an optimal number there or the higher, the better in terms of capital light?

Kevin Strain - *Sun Life - President & CEO*

Well, you know, we still want to see our insurance business grow and our life insurance business grow and we think that's an important part of delivering on our purpose. So I wouldn't want to see that dip below a, I don't know, 20% or something like that. But I do think that just as we become more of an Asset Management company, you're going to see that shift down anyways almost naturally, but I don't want to deemphasize that. I think it's important that we meet people's life insurance needs. I think it's an important part of a financial plan. I think it's an important part of estate planning. We have great momentum in Canada and in Asia on that. So I still think that will be an important piece of our overall mix just driven by our Purpose even.

Meny Grauman - *Scotiabank - Analyst*

Then I just wanted to ask a question on the waterfall that Tom talked about focusing on Asia. If I look there, the contribution to getting to 20% from Asia, is the smallest of the four pillars. When I looked at that, it looked a little strange. I would have thought that the contribution there would have been much bigger, given higher growth, building more scale.

Kevin Strain - *Sun Life - President & CEO*

It's a capital user right, back to that high-net-worth is included in Asia. And some of the Asia business does attract more capital than say group benefits because Asia has a small Wealth & Asset Management business has a small Group Benefits business, but it's primarily individual which is the higher capital.

Tim Deacon - *Sun Life - Executive Vice President and Chief Financial Officer*

And I think you'll be hearing more from Manjit on that. But a part of that is, is our scaling markets where we continue to invest in those areas. We're continuing to invest in, into the wealth platforms across those regions so that gives some buffer so that we continue to grow, but also continue to invest for future growth.

Kevin Strain - *Sun Life - President & CEO*

Asia's what 12% today, right. And growing to roughly 15% in ROE. So you can imagine it's still kind of less than the 20% target, right. It's improving, but it's still less than the 20% target.

Meny Grauman - *Scotiabank - Analyst*

Thank you.

Kevin Strain - *Sun Life - President & CEO*

Alex has one too.

Gabriel Dechaine - *National Bank - Analyst*

Gabriel Dechaine, National Bank. Good morning, three to five years is the definition of medium term. And this is a fully organic kind of outline. Just the dumb questions out of the way.

Tim Deacon - *Sun Life - Executive Vice President and Chief Financial Officer*

Yes and yes.

Gabriel Dechaine - *National Bank - Analyst*

And then if I've done the math unlike Tom, but you have what, 30% to 40% of your underlying earnings are organic capital generation every year, if nothing else happens and this trajectory just goes as it goes, could we see in Sun Life with lower leverage and a higher LICAT ratio three, four years from now and still hit that 20% target. Because how should I contemplate the headwind of the denominator increasing against your 20% target.

Tim Deacon - *Sun Life - Executive Vice President and Chief Financial Officer*

There's a number of pieces in there. So maybe I'll start and see if others want to add in. So, we see that growth being organic capital generation, as you described, 30% to 40% and that's based on our current business mix. So as we grow in both our individual protection businesses, but also increasing growth in the capital light. The three components to get to that is how much we have to reinvest from capital and then how much we're going to pay out in dividend.

So we expect that to be pretty stable. And as I said, in the recent period and in the near term, we'd expect higher organic capital generation. So that gives us flexibility, we can allow our LICAT ratio to continue to increase, we could give more back to shareholders through accelerated increases in our common share dividend and our accelerated share buybacks and or future inorganic deployment. And I talked about the criteria that we need to meet to do that. So all else being equal, we would expect that to grow, but we're not also going to be sitting on that cash. We want to put that to good use across the three priorities that I spoke about.

Gabriel Dechaine - *National Bank - Analyst*

So what, what are the, you know, I don't know, strategic gaps that you might have across the footprint? Because years ago, the U.S. Group business was on subscale. You had dental was a gap in your service offering, whatever you want to call it. What other platform? And then the other side of that question is there any I don't know, reluctance at all on the M&A front because DentaQuest has, there's been some you know, trip up, I guess in the assessment of the pandemic stuff. So just wondering how you're re-evaluating your M&A strategy.

Kevin Strain - *Sun Life - President & CEO*

Let me take that one first and then maybe build on some of Tim's slide stands, right. First there's no reluctance in M&A and I think if we look at DentaQuest and Dan is going to go into more detail, we think we're probably a year behind, maybe a little tiny bit more than a year behind where we expect it to be because of the Public Health Emergency, but we believe it's adding significant capabilities in a very big space and Dan will talk about that and that we'll be driving back towards the 5% margin we expected.

So we're not happy with what happened post the Public Health Emergency, but it's not different than what the industry saw and we still think that's a great space for us to be. So we've even gone back. We do this on a regular basis and we look at our M&A across pillars, I mentioned earlier, we've done $11 billion of M&A and we, we still think that there we're getting the value we expected out of that M&A, we think it's added capabilities and scale in places that we needed it and we're getting the right value out.

And that's so we're not afraid to do M&A but we only do M&A when we think we need to do M&A. So the priority is organic growth, funding the dividend, then M&A where we think we need scaling capabilities. And Tim highlighted the three areas, right. Like we've been investing in SLC and there's the buy ups that come next year. But you know, there may be opportunities we see there, are the big competitors that we want to be like, are larger than us for AUM.

So I think that's an area that we would think about and we'll look at if it meets our objectives, Asia, we Manjit will walk through four businesses that are at scale and four that need some scale. And so if we see the right opportunities, we'll be active there. And you've seen what we've done on the health side. Now we've built out a lot and we are focused on execution right now and we're pretty pleased with where we're at.

But if those opportunities come up and we think that we can add to our strategy, we can meet our Medium-Term Objectives and we can execute well, we'll do those things. And so you'll hear more from Dan and I think you'll see why we have confidence in the DentaQuest acquisition being a good acquisition financially, but also strategically and us executing on it over the medium term.

Gabriel Dechaine - *National Bank - Analyst*

Just to, can you remind me the ticket size for next year's buyouts?

Tim Deacon - *Sun Life - Executive Vice President and Chief Financial Officer*

So in 2026 it will be a little over $2 billion based on our current estimates, and that'll be all done in the first half of 2026. And just to repeat our targets, our strategy is not dependent on future M&A, this would be all opportunistic where we feel we can meet those criteria.

Kevin Strain - *Sun Life - President & CEO*

And we have a very strong capital ratio both at SLF and SLA.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

So we're going to go to Alex and then Darko and then we're going to try to take a quick break.

Alex Scott - *Barclays - Analyst*

Hi, it's Alex Scott, Barclays. Question I had was on the mature markets. Can you talk about how some of the efficiencies and adoption of things like generative AI and so forth are contributing to the expected growth in earnings there. You know, just thinking through MFS and maybe the U.S., it looks like you're expecting more earnings growth and maybe I'd expect in top line. So I just want to understand like the kind of margin improvement you expect?

Tim Deacon - *Sun Life - Executive Vice President and Chief Financial Officer*

Sure. So I think Laura, you talked about some of the efficiency targets and opportunity. I think maybe I'll start if you want to give some of the examples. But from a financial perspective, we see those as great efficiency opportunities as Laura talked about initially, it's a great around increasing the productivity of our own team members and employees.

We think there's massive opportunity there, the use cases that of others and other industries have already deployed and experienced that we think there are highly relevant and applicable to our industry. But we're also seeking to reinvest because we need to continue our digitization of our business and our straight through processing.

So we haven't baked in explicit amounts of how much would be going to the bottom line versus reinvestment to provide that flexibility. So why do I say that because that gives us even further confidence in the Medium-Term Objectives that we've set. And I think we'll be paying a lot of attention to the margins in our fee based income, particular or fee based businesses including SLC as well as our health businesses. So you'll be able to see the operating leverage come through in that over time.

Laura Money - *Sun Life - Executive Vice President, Chief Information and Technology Innovation Officer*

And I think there's lots of examples we could talk to. For example, in Vietnam, we launched this year, a new point of sales for our advisors to meet with Clients and that's something that we're going to be able to leverage and roll out throughout the rest of Asia and the emerging markets. I talked about the Philippines rookie advisor that we're going to be launching later this week.

It also could be leveraged across any of our other markets. We have a very strong plan in terms of that to Manjit's credit has been super committed to in terms of increasing our straight through processing. We have a couple of examples in the Philippines where we've gone up in the last couple of months, 50% increase in our straight through processing rate in the Philippines due to some initiatives that we've done again, we really try to do things so that it can be leveraged across the different Asia markets. So those are just some examples of some of the things we're doing that will help with the productivity and efficiency and scalability of those businesses.

Kevin Strain - *Sun Life - President & CEO*

And those efficiencies we see Alex, they are in the 10% that we've put forward. So I don't want people to think that's something else we're seeing, in addition. We've sort of mapped that out over the five year period and those are part of that 10%.

Alex Scott - *Barclays - Analyst*

Thank you.

Darko Mihelic - *RBC Capital Markets - Analyst*

Good morning, Darko Mihelic, RBC. Kevin, when I first met you in 05, you had a competitor that was pushing for a very high, ROE actually peaked out at 17% in 2007. And then the crisis came around, we saw all the risks that it was taking. I just watched a Canadian Bank completely make a knucklehead move in the U.S. and really harm themselves. So the question is, as you push for these new targets, what are your two biggest risks? And how are you managing them?

Kevin Strain - *Sun Life - President & CEO*

It's a great question, Darko. I think that, one thing that we do is we have stress tested our, our plan and we go through a broad stress test of our plan that looks at economic conditions, interest rate, real estate equity markets. It, but it also looks at geopolitical risk, operational risk, cyber risk, those types of risk. We don't put targets out that we're not confident in. So you can know that we've modeled those types of things.

I think that on the ROE target and I'll come back to your risk question on the ROE target point. We don't feel like we're particularly stretching ourselves on this one because a lot of it is coming through improvements in the U.S. that are taking it, coming out of the DentaQuest, improving earnings, but improvements in the US.. Improvements in Asia that are taking us to more industry levels of ROE and then the this the growing Asset Management side.

The most significant risk that we face, one from an earnings perspective is obviously equity markets, right. MFS is a big asset management company. If equity markets go down, that's what happens to their earnings. I would say that's probably one of the bigger pieces of risk. We don't typically take a lot of interest rate risk the way we've structured, how we do our casual matching, how we think about interest rates.

We try not to take bets on interest rates. Maybe real estate you would look at as we become a bigger real estate player, be the same sort of thing as there's pressure on real estate. What happens to fee related income and those types of things. But the gearing of our business across different types of businesses and different geographies has largely seen us manage that risk actually quite well.

I always go back to COVID and you think about COVID being something that from the time I joined this industry, we were most worried about a pandemic, Tom. You would remember this, right? You as actuaries, you were most worried about a pandemic and a pandemic almost end up being a tailwind for a bunch of our businesses. And you think about that mix of business, that sort of drives that diversity and that making it so that we're not solely dependent on one of those things.

So how we do risk management, how we think about those, how we stress test those is all really important to us. So it's not like there's not risk, but I would say so to say the biggest one is equity markets. It's MFS is a big chunk of our income, Group Retirement Services in Canada, a big part of our income. We do wealth business in Asia, Mutual Fund business in India, and in the Philippines and MPF in Hong Kong. If equity markets go down, you're going to see that we move with equity markets. I think that's the biggest one. I don't know if you'd, either one of you guys would add to that.

Tim Deacon - *Sun Life - Executive Vice President and Chief Financial Officer*

I think we'll, well described, the diversification of our businesses and then the continued growth that we've seen, this all part of the continued trajectory of the path that we've been on.

Kevin Strain - *Sun Life - President & CEO*

It's actually really not feeling to us like we're pushing on ROE, it's not like I've been going back and saying we want more, ROE. This is actually the math that's coming out of the mix of the business and the growth we see in those businesses. So it's not squeezing any of the businesses from an ROE perspective. We do push them on earnings and we should, but we're not specifically pushing on ROE. This is the math that comes out that gets us to the 20%. I think you have to look at how much of a lift even in our current 17.9% is coming from asset management. And it's quite significant.

Right. It's quite significant. So that's where it's the insurance businesses that are really that ROE sort of capital intensive focus. And for those, we actually have a lower target than the 20%, even lower than the 18% in terms of new business. So we're not really stretching ourselves on that.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

Okay. Well, that's great, Darko. Is that good for you?

Okay. So, thank you very much for the great questions. And thank you, Laura, Kevin, Tim. We're going to head into our first break now and I really want to give everyone a good 10 minute break. But we are a little bit behind schedule. So why don't we try to stretch your legs, bio breaks and try to get back for 9:40 for our asset management portion and then we'll continue the day. Thank you.

(break)

Unidentified Company Representative

Please. Welcome back to the stage, Kevin Strain.

Kevin Strain - *Sun Life - President & CEO*

Okay. Well, welcome back. And actually I was at the break, I was thinking about my answer to Darko's question a little bit and I was thinking, I answered it like the leader of an asset management company because my answer was fee income related and I should have added one piece to my answer. And it's implicit in the answer, right.

That we got out of a lot of what was guaranteed. So if you think about where these businesses blew up around, some of the economics was variable annuities in the United States, long term care. Some of the interest rate guarantees that were put inside of insurance. We closed our U.S. life block. We sold our variable annuity block.

We pivoted in Canada from a lot of level cost of insurance, universal life into par and different things and so implicit in my answer was we don't have a lot of these guarantees that cause problems for some of these other companies that had caused problems in the past. So I just wanted to make that clear that I was thinking like an asset management CEO and not an insurance CEO and I should have rounded that answer out.

I'm really pleased to be up here to introduce Asset Management. And part of the reason I wanted to do that is I want all of you to think about our Asset Management as a whole platform and to think about it being from public equities and public fixed income under MFS and SLC does a little bit of public fixed income in LDI and also then reaching through the alternatives and understanding that we have this continuum of capabilities that provide resilience and provide growth and give us almost unprecedented in the insurance industry access across all of those categories with really strong people.

MFS has been doing this for 100 years. They're really good at it. SLC we've added some incredible capabilities and so, and the strength of the people is really the key in the asset management business. And so the way we transition people, the culture that we have, how we deliver on those things is really important. So I'm really pleased to be able to introduce the Asset Management leadership team.

You're going to see Linda Dougherty, who's our Head of Strategy. She's going to be interviewing Mike and Ted to start with, then Steve and Sonny will be presenting and we'll have a little panel with Chris Wright who runs Crescent our high yield credit business. And with Cliff Corso, who's the Head of a AAM, which is Advisor Asset Management, which is bringing our alternatives to the high net worth retail market.

So with that, I'm going to turn it over to Linda, Mike and Ted.

PRESENTATION

Unidentified Company Representative

Please welcome to the stage, Linda Dougherty, Executive Vice President, Chief Strategy and Enablement Officer. Mike Roberge, Chief Executive Officer and Chair MFS & Ted Maloney, incoming Chief Executive Chair MFS.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

To get us started, Mike. I'm going to start with you and I'm wondering if you could as we get going here, tell us just a handful of things that you really like everyone here to take away from this discussion.

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

Sure and good morning, everyone, appreciate the time. You know, I think what we've built over the last number of decades is a world class investment platform globally with investment people in eight locations around the world, which would be very hard to replicate today. World class distribution platform where we are basically, we can touch any Client, any market around the world and bring breadth of capabilities into those relationships.

A long term orientation in terms of how we think about managing the assets for our Clients. And we think about managing the business particularly which we'll get to in what has been a more challenging time for the active business. But one in which we continue to feel confident in our ability to drive value for Clients.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

Terrific. Let's just pick up on that for those of us who know MFS well, and who followed it over the years, there's a high level of familiarity with it. And one of those things is that you have an extremely long and successful history and track record of managing assets for Clients and building value for the long term. And in fact, now you have been in business for more than 100 years doing just that, which is incredible. Over that time, and I would say in particular over the last 10 years or so, the industry has grown but also evolved a great deal. I'd love to hear how you describe that evolution. And then where do you see the role of active asset management today?

And Mike, let's start with you.

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

Yeah, I think what's changed over the last couple of decades in the business is one, is a move to cheap beta, so passive management where Clients are looking to lower their overall investment costs. And we've seen a pretty big change in the industry associated with that. And then on the other side of that, particularly after the financial crisis, when yields went to zero, in some cases below zero, a need for yield and return and a move to alternative and private investments.

So we've seen those trends in our industry and that squeezed active long, only active management in the middle and we've all been impacted by that. I think there are a couple of things. One is we don't think that the industry will all go passive. So there's some limit to that. Additionally, as there is now yield back in the marketplace, I think there'll continue to be growth there and SLC will talk about this, but I don't think we'll see the unabated growth there just because there is yield in the market.

You buy an investment grade corporate, not a 5% yield, which I think ultimately helps our business and clients building balanced portfolios and being able to do it in liquid public markets. What I would say on the active side is, there's well over $100 trillion of investable assets around the world. They're not all going passive, they're not all going ALTS. There's plenty of opportunity for us as we compound returns over time for our clients.

And if you look at the revenue pool, so if you think about passive and the revenue, the fees associated with that, the revenue pool is actually pretty small. Won by a few players and obviously the revenue pool or fees are larger on the ALT side, but the asset pool is smaller. So the biggest revenue pool in the industry continues to be active. And so if you can stay relevant, drive returns for clients be differentiated for, for your client bring depth of the product offering. There's plenty of opportunity in active space.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

And that's, I mean, that's a fantastic perspective, just the share size, but also the share size of the revenue and the income that's represented by active. Ted, anything you'd like to add to that.

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

Well, just, we also need to deliver for Clients to address that pool. And that's something that we're relentlessly focused on every day is making sure that if we deliver for our Clients, we'll get our share of that large revenue pool as a number of our competitors invariably fail to do just that.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

So I let's talk about that a bit more and you talk, you both talk to Clients all the time, every day. Why do Clients choose MFS? What are you hearing from them? Why us.

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

Ultimately, we're in the business of earning and delivering on our Clients' trust every day. And so, how do we build the trust of our Clients? They care deeply as we do about our culture that is grounded in a global collaborative approach to investing over the long term. And those are the real pillars that we work as a global platform with a long-term view to manage risk for our Clients to deliver outcomes over that time horizon. That's increasingly rare. It's increasingly difficult to deliver on, and our Clients for the most part increasingly appreciate it despite a number of the realities in the near term in the marketplace that I'm sure we'll get to at some point today.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

Mike. Would you add anything?

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

Yeah, I think to Ted's point, it's all about their confidence in your ability to drive consistent returns for them. Meet the expectation that they had up front. And that isn't to mean that you're going to outperform all the time, but you're going to perform in line with our expectations because we're part of a portfolio, but they got many pieces to their portfolio. And so we serve a role in their portfolio which isn't just out perform the benchmark all the time. Right. And so I think that's the key to trust. Its you perform in line with what they would expect you'll perform given the market backdrop. And what sort of, what's going on around the periphery.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

And so I'd like to talk about that a bit more. So you've talked about trust and building value for the long term and being more to the Client than just sort of beating the benchmark of the returns really deep conversation. And that has allowed us to be top tier over a really long period of time and to take share and to have real scale. What's the benefit of scale? How important is that, how important is top tier?

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

It's pretty much everything now in the business and that if you look at every one of our Clients and every channel and every market around the world is consolidating the players that they want to work with. And so they think about it much more on the strategic partner side. You know, we used to plug in to their portfolio, we used to show up quarterly and talk about performance.

That's changed dramatically in the industry now. They're looking to us to have to help them with their broader mandate, to have views around asset allocation, to have views on macro trends, to have views on micro trends. So our analyst covering tech is engaging with our clients on AI, in terms of how we're thinking about it, how we're thinking about it, investing in the theme, where the opportunities are.

So we're much more of an advisor to our Clients than we are just an asset manager today. And so what scale allows us to do is to invest in those capabilities. If I go back 10 years ago, we had a couple people whose job was to understand to work with our sales facing teams, to understand what Clients were doing and figure out how we could deliver intellectual capital into those relationships.

That team today now is 25 to 30 people. We have an actuary on our staff. We do no asset liability matching, but he can talk to our clients about asset liability in ways in which they should be thinking broadly about their plan. We don't get paid for that. We don't think about getting paid for that. But if you're bringing value to that relationship, they're going to find a way to do business with you.

And so if you look the best example, the U.S. retail market, biggest market in the world today, 70% of sales go to the top 10 players. It continues to consolidate, it will continue to consolidate. If you don't have scale, you're a niche player and it's going to be very hard to compete on those platforms going forward.

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

I think it's worth underlying something Mike said, we don't get paid for a lot of that. And that's exactly why you need the scale because we're happy to invest in delivering whatever our Clients need from us. And as Mike said, historically, that was about just give us a portfolio, we'll manage it, we'll outperform over the long term. We still need to do that and we need to provide all these other services that we're willing and able to provide in part, in large part because of our scale.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

And that, I mean, that's a really interesting and fantastic answer. We are playing a role that is so much more than it used to be and talking to Clients and bringing value to that distribution conversation, what we would traditionally think of as distribution is so important and as far distribution excellence is on the wheel that everyone saw before. Can you talk a bit more about the role that distribution is playing these days and keeping us in top tier and also making sure that we understand what we need to do in terms of evolution, innovation to serve our Clients.

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

Sure. I mean, at its core, it's an understanding that we have that our Clients have a very difficult job and they're trying to manage multiple different dimensions. They've got their end Clients who have very long-term retirement investment horizons for the most part, as well as various stakeholders throughout their ecosystem. And it comes back to this that we need to provide value across that we need to help them with asset allocation, which is in some ways, the most important thing that a Client is going to do.

If they get that wrong, no matter how well we do with whatever component of that we're managing, it's going to overwhelm it. We work with the advisory market place around the world. So advisor, sold product. One of the things that we've looked at is that let's say, in an equity strategy, we compounded 300 basis points plus a year over the benchmark over time. That's obviously, you know, unbelievable performance on our part. That'll be completely overwhelmed if that end Client sells, sells low and buys high. And so the role that the advisor plays on that is critical and our role in helping them help their Clients is a really important part of what we do.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

And building that value over the long term, right? In our case, 100 years, hopefully we've been doing that for Clients. So I have a question for both of you about playing to win, as we face the future here and MFS is part of that. Talk a little bit about the path for MFS to win and to grow. What is it that we're doing now that's adding to our capability, adding to our products, adding to our distribution and Ted, why don't we start with you?

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

Sure. Well, the most critical step is always going to be to take care of our existing Clients. That's very hard work that we spent most of the time so far talking about. To grow and to get step function growth that we believe we can achieve. We think the biggest opportunity for us today is fixed income. So we've been in the fixed income business for over 50 years.

We believe we have world class capabilities now across the spectrum. If you go back about 15 years ago, we began to invest in our global institutional capabilities in fixed income on par with what we do on the equity side in service of delivering for Clients who came to us and said, we love you in global equities. We need your help in global fixed income.

We're beholden to a very number of very small number of providers in that space and we need your help. So that's exactly what we think we have an advantage in doing is thinking long term building businesses to help our Clients and understanding how that will take care of our business over the long term as we stand today and you look at the marketplace in front of us, long term capital market expectations.

If you look at equity and fixed income from our starting point today, equity is probably not going to repeat what it's done over the last 10 years in terms of compounding over the long term, it will be a good, obviously a good asset class for Clients to be in. But for some of the reasons Mike referenced earlier and others, we think Clients are going to be allocating more to fixed income. So we think that marketplace will grow. But really importantly, we can take meaningful market share across the spectrum of the markets that we don't currently have, what we would consider to be our fair share. So as we look over the next five to 10 years, that is the real growth opportunity for us.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

And we've been building that, as you said, we've been building that for 10, 15 years, right towards that opportunity. So again, theme emerging here value for the long-term building for the long-term, Mike, anything you'd add in terms of what MFS is planning to do.

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

I think it's, as I mentioned earlier that strategic partnership nature of our business, it's just continuing to invest in those Client relationships in ways in which we can bring differentiated value into those relationships that creates so much more stickiness around the Client. And so listen, we get terminated for performance and sometimes it's inconsistent time horizon, sometimes it's we've underperformed their expectations and it happens.

But the reality is when we talk about this is we think of every one of our Clients as Clients for life because if we serve those Clients well, they will hire us again, they will hire us in another space. We're seeing that real time now, where one of the largest pension funds in the world terminated us a year ago for something mag related in strategy. We're competing for two strategies with that particular Client now.

And so they haven't lost trust in the firm. They'll cycle in and out of that relationship at times, they'll have multiple mandates, they might have a couple of mandates. And so it's all about investing in those Client relationships and bringing so much depth to that. And that's why when we talk about everyone wants to talk about performance, what that means for flows, performance helps flows. It doesn't always drive flows.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

So let's pick up on the topic of flows. And you mentioned both flows and the mag seven. So, I mean, based on what we've talked about already, we have a great track record. We've been in business for a really long time with a real focus on taking care of our Clients and building value for them for the long term. And we have some tools to grow and fixed income is a great and huge potential opportunity. But given all that, what will it take for us to get back to positive flows?

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

Well, I'll start with the flow environment and let Ted talk again about how we're going to the pathway back. The first has been the biggest headwind for our industry. And by the way, we've picked up share in this challenging environment when we look at our retail business. But the industry has been challenged and the biggest challenge has been post-pandemic with inflation and central banks tightening policy, is cash yields around the world, being a competitive alternative for Clients and being very comfortable sitting on cash in the U.S. earning 5% outside the world earning 4% plus in that. Now, notwithstanding the fact that equities have gone up 25% in the last year. But they felt very comfortable with cash at five coming off of zero.

The reality is if you go back historically and you can regress this and the regression is almost perfect, is when central banks lower rates, people's expectations for cash come down, they move to investment products, fixed income balance and equity products. And if you look at industry flows, now you're starting to see some of that. And when we talk to our partners, they're starting to see some of this.

And so as central banks continue to lower rates, we're going to see cash come off the sidelines. Pre-pandemic in the U.S. $3 trillion in money market funds $6.5 trillion today. So that money is coming back to the marketplace. And our view is if we do a good job for our Clients, we're going to get our fair share of those flows. So that's the biggest flow environment.

The second has been, we've seen some large institutional flows is directly related to indices with heavy mag seven concentration. And at an extreme in the U.S. where top seven stocks represent well over 40% of the benchmark. We don't think that's a diversified portfolio for Clients right. Now, some Clients are pressured by performance and they go passive or they find a manager that is undiversified, that will manage those stocks.

That's where we've seen the institutional flows. We think those that will work our way through those particular flows. Away from that, when you think about any strategy or strategies that we have running to diversified benchmarks, fixed income, we don't have mag seven, fixed income non-U.S. are blended research which are enhanced index products which compete directly with passive, very strong performance.

And so the issue for us and for many players in the industry now is index concentration. We will work our way through that. It is not going to go on forever. There is another side to this. I've been doing this a long time and ultimately, we think we're well prepared for that.

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

Mike talked earlier about the balance between passive and alternatives having squeezed some of the industry for a long time. It's also the same thing we talk about competing with cash and competing with the mag seven, right? So you've got Clients who are trying to get their end Clients off the sidelines from cash. But then when they do get them into risk assets, want to compare it to 25% compounded return driven by seven stocks.

And we understand that and we have a lot of sympathy and empathy for our Clients across the spectrum on that. But the work of helping them understand, markets are not going to compound a 20% plus a year. And cash is not going to be a viable alternative relative to inflation over a long time in those transition points that can add up to outflows. In the next transition points, it'll add up to inflows. And our job is to do the very difficult jobs of managing within the mandates that we're given and advising our Clients on how to be thoughtful for the long term.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

And being ready and having exactly what our Clients need when things change, when things revert. And we have that opening in the market. That's what I'm hearing and we're going to keep building long term value and then being ready.

So while we're on the tough questions and another question, I'm sure you get, MFS has been built organically, you've achieved all of this growth. You have innovated, you've diversified, you've added teams to add value and you've done that organically, and as everyone here knows we've been pretty active in the M&A space, and we've been very intentional about where to put that M&A. And it's not been a tool that MFS has used. Talk a bit about that, why not?

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

Everything we just said. We believe very strongly in our strategy and we believe that the best thing we could do is invest in that platform that we have to deliver, first and foremost results for our Clients, which will lead to business results for us. So we think we have so many opportunities to continue to invest in that space that it would be a poor use of our capital to try to do something different. Obviously, through Sun Life Capital, we'll hear from those folks next. You know, there's, we talked about the alternative space is a growth space. It's a great place to allocate capital.

We look at it and say we're not sure we have a right to win in that space and not only do we not necessarily have a right to win, we could put everything we built over 100 years at pretty extreme risk if we try to do that. So I was an equity investor for most of my career. Very familiar with the fact that you can build a spreadsheet that looks really cool for just about anything you're trying to do.

That includes M&A in our business. You can throw in a bunch of assets, cut a bunch of costs, ride to glory on profits. The reality is when you do that, you do two things. Your Clients are not benefiting from the consolidation that you're doing. And in fact, they're going to ask questions about what you're doing. Are you taking the eye off the ball for the assets you already managed for me.

And two, the culture is going to be significantly challenged by that. So importing a culture from another firm after we've spent 100 years very carefully person by person cultivating ours, those two risk dimensions, we just think are too high and we don't really even need to contemplate them because we have so much opportunity organically.

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

And I would add, when I'm asked by Clients about how we think about M&A I say our M&A and strategy, let other people do it and then go take their Clients away. And we've done that and because if you think about it, take it from the Client lens, a Client of MFS today doesn't want us to go buy another firm to help our profitability, they want us to manage their money, right?

And we're then going to go through a multiyear integration, that's painful. You lose people. And if you look at the public asset managers, go look at the ones that are most acquisitive, their stocks are the worst performers. So you could argue they've destroyed value by doing those acquisitions. And so they're very difficult to do multi boutique model works, but integrating firms together in our business, it hasn't worked historically.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

And you touched on culture as part of that question and MFS culture from my observation, it's unique, it's very durable. You have many people including the two of you that have been at the firm for decades, literally grew up at MFS. What's been the secret sauce in attracting that top talent and then retaining that top talent? And what value does it add to the firm?

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

So, in my 29th year, Ted's a newbie. He's only in 19th year. And you know what I'm proudest of over that period of time is our ability as we've grown, the firm, particularly globally to maintain the strength of the culture that we have. And I think it starts with, it's all about team and creating a sense of the organization. You're only as good as your team is. And there are a number of things that we do directly to incent that behavior.

So we evaluate and pay people on that at the firm. And so you're going to get paid more, if you're a good teammate, if you're mentoring younger people at the organization, those things accrue to your benefit because ultimately, they accrue to the Client. We can go hire a bunch of people that could sit in their office by their themselves, that's not going to benefit our Clients and about your ability to get people to work together to make each other better, to challenge each other's views, to drive outcomes for our Clients.

And we've been able to do that for a very long period of time. I think the fact that we are very focused and people know what we're committed to, which is our Clients and serving them over the long term means that we're not just chasing stuff all the time. We're not pivoting strategy and people know exactly what we're committed to doing. And I think that creates stability at the organization as well.

And so when you look at turnover rates, we run well below half the industry across the organization, our investment turnover is exceptionally low when you look at voluntary turnover. We almost never lose someone to a competitor. It's been years since we've lost someone to a competitor. If they leave, they leave to do something different.

And so we're pretty proud of that and we don't, we keep talking about capital. This is a capital light business. The risk that we run is human capital - is our ability to manage human capital. And we take it extremely seriously. One of the reasons Ted's going to be the next CEO is I think we're very aligned around human capital, the importance of it and why it will drive future success.

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

Yeah, I mean, clarity and commitment starting from before someone actually joins the firm, we self-select around what Mike talked about. If you don't want to come in and be a part of our culture, we totally get it. See you later have fun somewhere else. We're looking for people that are looking to contribute to that culture and know that it will serve the Client and know that will serve them both financially and from an enjoyment perspective over the long term, which is why we have people stay around for so long.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

It really is exceptional, right? Just and the how smooth it is in transitions that clarity, commitment to Client. And I think you could probably stop anyone in the hallway and ask them what MFS is all about. They give you the same answer, right? Everyone is focused on that long term value. And you mentioned that we have a transition happening sort of live here on stage between the two of you. And it can be for many firms, a difficult thing. We've seen one already happened so smoothly between Rob and you, Mike, Mike and you Ted, tell us a bit about that.

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

Yes, we go, you know, we can't remember exactly how long ago, but it was probably about eight years ago. I took Ted up for a beer and said, listen, here's as I think about the firm over the long term, I think you, you've got the background, the skill set and alignment with what's important to run the firm that, you're someone that could run this firm over time. And we weren't talking about timeline so much as putting Ted on a path to move in that direction.

And so named him, CIO, I was CIO at the time in addition to being CEO and he took that role on built a new leadership team on the investment side that will manage well into the future for the organization and continued to build out our fixed income platform and growth as part of that. And then obviously became more involved across the organization over a number of years.

So we're like eight years into this transition. And so from my perspective, as CEO, I think one of the obligations of CEO is not to stay in the seat that long is to stay in too long. There are lots of examples of CEOs that I think do stay too long and I'm 58 I could stay for seven more years or yeah, seven more years in the role if I chose to, I don't think it's the right thing for the firm.

And so because what new people bring is new ideas, new energy, you build a new team around that person and it creates opportunity for lots of people across the organization and the energy that creates is impressive. And I'm watching it happen now at MFS. So I think it's the right thing for the business. I think it's the right time. I think Ted and leadership team are ready to take the firm to the next level. And, but this is something we've been working through for years.

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

So massive change of foot. But I mean, I think the real point is that we've got, we think we've built a brand in succession planning and that goes, that includes the CEO succession planning down through investment and distribution leadership and through all of the portfolios that we manage. And so we do have this brand in the marketplace. When we go to Clients, they know that when they invest in MFS, they're invest and something that will actually outlive the career horizon of the people managing their money and the people leading those people managing their money.

And it's something that we actually talk about a lot because it requires a lot of forethought. It requires Mike and I started to talk about this eight plus years ago, it requires working through the investment team and thinking, well, we've got two portfolio managers on this strategy. They're going to be here for a long, for a very long time, but they'll leave eventually. Who's next?

How do we get -- how do we make sure that we've got a roster that's ready to, to step into those roles? A subtle important part of all that is also making sure that people really enjoy the jobs that they're doing. You know so when Mike and I started talking about this and actually every change that I've had at the organization, my instinct was to say, like I'm good, I'm thrilled doing what I'm doing.

I'm adding tons of value to Clients. I'm working with colleagues to do that and I'm having a blast. That's a subtle important part of all this because Mike also mentioned, you mentioned CEO sitting in the seats too long. There's also this thing that happens in at other firms where there's a CEO opening and there's like a battle to the death and the losers need to leave.

That seems crazy to us. We want to make sure that everyone we have, they're here, they're in important positions because they're incredibly valuable and we want to make sure we keep them in their roles for the very long term, which is, maybe sometimes under discussed but really important part of our succession planning.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

Absolutely. It rings so true, right. And maybe that's because of the 100 years, maybe the time horizons get really long. And so eight year transitions in the context of 100 years makes a lot of sense. But the ability that you've had to get everyone involved in building for the future and get everyone involved in making sure that the firm, its values, its culture, its focus on delivering for Clients endures past any individual, whether they're portfolio manager, CEO or anyone else is really exceptional it's noticeable.

So I know we've only got a couple of minutes left. I'm sure we could go on, but I'll have to bring it to a close. So Ted, let's close with you. Let's look out over the, the medium terms, let's say three to five years. And you've already talked about lots of good things on the go. But what does success look like too you're taking the steering wheel. What would you like to see MFS achieve over that period of time? And how does that look in terms of numerical?

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

So, and I will get to those, but you know, that we need to rattle on about culture and Client. So that is the most important and that's going to deliver all of our financial goals is to make sure that we maintain the culture of the platform that we have to deliver for our Clients over the long term. Part of how that starts to translate into numbers is the breadth of our platform allows for stability and constant growth.

So Mike talked about that large pension Client that moved on from us in the global equity space, right, in a space that's been dominated by U.S. tech, a little bit more detail with them and a large section of our Client base is that they're recognizing that U.S. tech and markets that have been driven by them have over earned. And so they're reallocating to international, what we would call international equities, non-U.S. equities.

And we have an amazing franchise in that space like we do in all of our space, with great performance over any time horizon because they haven't been competing with the mag seven. So continuing to deliver on those, the markets are going to compound. We're going to get some operating leverage that should offset fee compression. We do understand that fee compression is a reality of our business on a like for like basis.

So just if you add all that up, you get a pretty nice long-term growth with it was mentioned earlier. Negative incremental capital required. So that put that all together, that's a pretty nice growth rate that we think, you know, is at least the number that this 5% plus that you have on the screen. So much of that is out of our control. So much of that, Kevin referenced, this is markets.

And so we get very uncomfortable giving medium term targets because we are relentlessly focused on what we can control and in the near term, the most important factors are completely out of our control. We think trying to control those causes issues, but we'll get to that plus for a number of ways. We actually didn't even mention ETFs, right? So ETFs aren't going to be a growth initiative, but they're going to allow us to continue on that basic work of delivering for our Clients, delivering them our capabilities in the packaging that they demand ETFs as an example of that. And then on the fixed income side, as we mentioned, we've got step march and growth there that when added to the base of our platform is going to get us to the plus side of that range.

Linda Dougherty - *Sun Life - Executive Vice-President, Chief Strategy and Enablement Officer*

So I'm hearing growth, high margin, high operating leverage. Some new things delivering for Clients, new food forms like ETFs and a continuation of the high dividend you're returning to Sun Life. So that sounds pretty good.

Okay. Terrific. Well, thank you so much for your time and it's been a great conversation.

Unidentified Company Representative

Please welcome to the stage, Steve Peacher, Executive Chair SLC Management.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

Well, thanks. As I was listening to Ted and Mike. I always talk about retention and their low turnover. I was thinking for 15 years, I worked at a direct competitor in Boston at Putnam actually during the heyday in the '90s for Putnam, which didn't change direction, but we repeatedly try to hire people from MFS and we could never do it.

And I seriously, and I think it speaks to the fact that they've had a great culture and people want to be there for a long time. I don't know if we ever tried to hire Mike or Ted, but we weren't able to do it. But it says a lot about MFS as a company. I'm really excited to talk to you guys today about SLC because we're at an important inflection point in terms of our development and the reason that is because the last 10 years and I'll talk about this, of course, we've built up a platform organically and through acquisition. And we're at the point now where and those entities, those assets have really been very separate.

We've done very little to generate synergies. We certainly haven't combined them. And that's been very intentional and we're now at the point where we're going to transition to what I'll call a more coordinated platform, not a big integration, but a more coordinated platform. And I think that will put us into a great position to accelerate, to take full advantage of the platform and accelerate growth.

And Kevin talked about this to take full advantage of being owned by an insurance company and being owned by Sun Life. We're at that inflection point now. So it's an important time to be talking about that. As part of that. You know, you're -- I'm going to give a bit of a talk, you're going to hear from Sonny Kalsi, we're going to have Chris Wright up from Crescent and Cliff Corso.

So that's very important because we're now set up similar to actually to the comments that Mike and Ted just made about succession. We're now putting in place the leadership which comes out of these businesses that are going to drive growth for the next period for the next five, seven, 10 years. And it's all about a smooth transition in asset management because it's all about retention and no surprises and we're at that point. So I think it's a really important time to be talking about SLC.

I wanted to give everybody here a quick background on how we got here because we've had an extraordinary amount of activity over the last 10 years. So I wanted to run through this quickly just to kind of level set.

We launched this in 2014. We had no Clients, we had no assets. So it was really done from scratch. We started by launching three institutional funds in Canada, which was the obvious place for us to start given Sun Life's reputation. We ceded those funds, I think $650 million of assets from Sun Life's balance sheet. And we started to market those funds to pension funds in Canada.

And we started to get some traction. We knew that to build out what we wanted to build out. We'd have to make acquisitions. We knew that was the case. In 2015, we made three, we bought two small, fixed income managers in the U.S. one was a core fixed income manager that had a particular expertise and liability driven investing.

Those are customized portfolios for pension funds. We bought another manager that basically did the same thing for insurance companies, customized bond portfolios for insurance companies. And of course, we bought Bentall Kennedy, that most of you in Canada would know because they're so prominent as a real estate investor and manager in Canada.

Our priority after making those acquisitions was don't screw them up, let them run their business. Don't lose people, don't lose Clients. I think we did a good job of that over the following three years. And then we really kicked in to start to adding the big capabilities that we had set out to from the beginning. So in the summer of 2019, we acquired GreenOak, which Sonny was a co-founder of along with John Carafiell, merged that with Bentall Kennedy became BentallGreenOak.

Now shortened to BGO, a year later in the summer of 2020, we acquired an 80% interest in Infrared Capital Partners, London based infrastructure manager. Very intentionally that was one of the asset classes we wanted to acquire when we set out for this. And then in January '21, we acquired a 51% interest in Crescent capital. You'll hear more from Chris today about Crescent, one of the longest standing private credit firms in the marketplace.

And then in February '23, we acquired a 51% interest in Advisors Asset Management. You'll hear more from Cliff, that's all about being able to access the retail markets in the U.S. with our ALT strategies. And then this year, we've started to announce, as I mentioned, the leadership that's going to be taking over and driving growth for the foreseeable future and which is a very important part of the transition. You can see on the graph how AUM has been built, this has been both organic growth and of course acquisition, today we manage $230 billion for clients -- for third party clients, excluding what we manage for Sun Life's balance sheet.

It's important to look at the colors in these bars because every color is a different asset class. We have a very diversified platform now, that's very important because we've been able to grow through different market environments, different interest rate environments and that diversity is very important. I'm very biased about this. I don't think you could build this platform today.

And the reason is that there's been so many acquisitions in the space. The number of good companies out there to be acquired has shrunk dramatically. And the number of companies that are our potential acquires has grown and I don't think you could build what we have today. So I'm very proud of it. A quick snapshot of the platform today and, we'll talk more about it. I think everybody in this audience knows it.

If you got left to right, SLC fixed income is our fixed income business. It's an, you might say this is an ALTs platform. Why do you have a fixed income business? What's the point? We have hundreds of fixed income Clients in the investment grade space. We know how to manage customized portfolios for pension funds, for insurance companies. We have what I considered the best investment grade private credit team in the business. I think we are pioneering the space, all of those Clients, all those fixed income Clients, invest in real estate, invest in private credit, invest in infrastructure.

And so this is a great way to mine a Client base to see what more we can do for them. I mean, a good example, we have a Bermuda based Client. We started out a few years ago running private fixed income for them. They gave us their -- Canadian fixed income portfolio to manage. They're now talking to Crescent about two strategies and they've also been talking to BGO and they'll be looking at Infrareds next fund seven. The CFO of that client went to a competing insurer. They've now hired us in private fixed income and they're looking at Crescent strategy. That's why you have this asset class in the mix.

Crescent capital is our private credit firm, of course, very broad platform. So they're in Europe, they're in the U.S., they're in midmarket lending, unitranche across the private credit spectrum. They also have capabilities in high yield leverage loan, CLOs and they were founded in 1991.

Almost every private credit manager you'll come across these days was founded after the financial crisis. So they've been through every cycle since the early '90s and done well through each cycle. BGO is now a global real estate platform. You'll hear more about it from Sonny. Europe, North America, Asia, core, core plus, value add. And they've got a big real estate debt platform. So this is a premier franchise.

Infrared is not as big but as a global infrastructure investor they have a particular expertise in renewable energy, which is important, of course, in today's environment, both on the part of investors, but also in terms of needs from the energy transition that we're part of. And then of course, Advisors Asset Management, why do we buy it? There's a huge trend in terms of retail investors adopting alternatives and you've got to have distribution. You've got to have a way into the financial advisors' office and at the home office of those firms, that's why we bought AAM and we structured a partnership with Scotiabank. Kevin mentioned it in Canada because that's how we're going to access the market in Canada.

So we've made seven acquisitions over 10 years. That's a lot of activity. We've been able to grow right through it so you can see a few metrics. Our fundraising has increased their annual fundraising. This actually understates it $13 billion in 2023, that was a low point. We've raised more than that in the first nine months of this year, than all of last year and we'll raise more next year. That was really related to the impact of an inverted yield curve on the real estate markets.

AUMs gone up to $230 billion now it was $223 billion at the end of last year. In total, we manage $385 billion when you include Sun Life General accounts. So we're an asset manager of scale and if you look at fee related earnings, it's almost $300 million. We think that's the right measure. This is how you should look at an alternatives manager, fee related earnings.

Some of this growth has been acquired, but a lot of it's been organic. In the 10 years since we started this, we've had one quarter of negative net flows, one quarter. And it was the second quarter of 2020 when you had in COVID, when you had a lot of people take money out of fixed income and put it in equities. So one quarter in 10 years of negative net flows. I'm really proud of that.

And I want to just comment on something Ted says because I completely agree with it. Acquisitions and asset management are very difficult and most of them don't work and they don't work because especially if an institutional business, it's change, Clients and consultants hate change, employees, hate change. You often see turnover, you see growth go down and sometimes the firms can be destroyed. The reason we've been successful.

And the reason I think that Sun Life has been successful since it bought MFS in 1982 is it understands that if you're going to partner with good asset managers to make an acquisition, you have to let them run their business. And that's exactly what we've done. All we've really done is provide seed capital.

But we feel like we partnered with great management teams. They had great investment records and we just wanted to keep doing it. And so we didn't have those distractions, we didn't lose people, we didn't lose Clients. And that's why every business is bigger. That's why we've been able to grow through seven acquisitions over 10 years.

The other thing and I mentioned seed capital, it seems easy to provide seed capital as an insurance company. You got a big balance sheet. It's not easy because an insurance company balance sheet isn't one big pool of money. It's lots of small pools of money, each with their own set of restrictions. We brought over $2 billion of seed capital to SLC. It's a win, win, win because it's higher returns and more diversification for Sun Life General account, it puts our money right next to our institutional Clients. So it's the best alignment we can have and it allows us to launch new products. You can't launch new products in today's market without serious seed capital. So it's been a huge advantage.

You never have everything working in your favor, but we've got a lot working in our favor right now. As I mentioned, I think because of the diversity of the platform, we can be successful no matter what the interest rate environment, inverted yield curves can be tough, especially in the real estate markets. Big business for us, the the central banks are now cutting rates. That's it's nice to be in an environment where central banks are cutting rates.

We think real estate valuations are bottoming, maybe not in office but elsewhere, we see real estate investors coming back in. So what was a headwind in that part of the business has become a tailwind. Private credit. I think those of you who follow alternatives know that the everybody's talking about private credit, there's a massive transformation going on in terms of financing for companies, assets, et cetera, going from public markets and banks to the private credit markets and we're squarely in the middle of that. So we're, I'm glad about that.

Infrastructure. The need for infrastructure is huge, the demand to invest in infrastructure is huge. So we think that's a tailwind and this next area that we didn't even talk about five years ago, one part of our strategy. But now it is, which is how do you get into the retail markets? Because that's where the next big leg of growth is. In your packet, it's not, we don't have it on the screen. We've got projections, I think from Bain, but you can find every consulting firm has their current projections. They all say the same thing. I think they show that over the next 10 years, they expect ALTs to triple from $11 trillion to $31 trillion and they expect ALTs in the retail market to go from $4 trillion to $11 trillion. So this is where the growth is.

That leads me to this slide and I'm going to turn it to Sonny. You know, the key question for us is how are we going to get it? We've got ALT strategies but you've got to get them into the retail markets. That means you've got to have a wholesaling platform expensive to build. You can contract with them but that has issues, we started talking to AAM we end up buying 51%, Cliff will talk more about it.

But basically they've got a whole, not basically, they do have a wholesaling platform across the U.S. Their business is distributing product from institutional managers in the retail market. They have deep relationships with the Morgan Stanley's Merrill Lynch's RAs across the country, the independent broker dealers. That's how we're going to get into the U.S. market. In Canada, we didn't think that was the way to go. In Canada, we felt like you had to partner with a big bank. Kevin mentioned how that was initiated, but we've struck a year ago, a relationship with a partnership with Scotiabank.

Our alternative strategies will be marketed on their wealth platform, second biggest wealth platform in Canada. We couldn't be happier about that. So I think, we've been able to establish the distribution channels to go after this next leg of growth.

I want to turn it to Sonny Kalsi, quick word of introduction. So Sonny, I think as people here know was a co-founder, spent a lot of years at Morgan Stanley, cofounder with John Carrafiell of GreenOak, which then became BGO. We've announced last May, this May or June that Sonny is moving into the role of CEO and President of SLC management. I think it says everything that somebody who founded one of these businesses, as he looks at the opportunity, is willing to and wants to take a lead role at the top of the house.

That will be a transition because until the back end of the BGO deal, he'll still the most of his time, the vast majority of his time on BGO. But we want, it was important that we signal this to investors. Same with Chris Wright becoming President because they look at our deals and they say, okay, what's going to happen when you complete these buy ups is everybody going to stick around. So to be able to send signals to the employees and to the Clients that this is who's going to lead the company and it's coming from within, I think is an extraordinary message and we've gotten great, not just positive, great feedback from that.

So Sonny, I'll hand it to you.

Unidentified Company Representative

Please welcome to the stage. Sonny Kalsi, Co-Chief Executive Officer BentallGreenOak, President and Chief Executive Officer SLC Management.

Sonny Kalsi - *Sun Life - Co-Chief Executive Officer BentallGreenOak, President and Chief Executive Officer SLC Management*

Thank you. That's quite dramatic. Morning, everyone. Good to see you all. So I'm going to go through three slides. And my three slides really cover three topics. It's ingredients plus execution, hopefully equal great outcomes, right? So that's how we kind of think about the business.

So Steve's done a lot of hard work in the last 10 years. He's put together an awesome set of ingredients, capabilities. Kevin and the board have been super supportive of that. And so what I think we've got here today is we've got an assembled set of ingredients which compare very favorably to the other kind of top publicly traded platforms out there.

You all know all these names across the top of this page. There's some amazing companies. We compete against many of them every day and we compete favorably. There are two on this page in particular, Ares and Blue Owl, who I am personally a little bit extra focused on partly because of their scale. And if you look at us at getting close, these are all US dollars, by the way, getting close to US$300 billion or comparable scale to those two.

And I think by the way, I think Mike and Ted mentioned this in MFS, scale is so critical in this business, scale is everything. What we are seeing is Clients want to do more with fewer managers, they just want to, they're overwhelmed, they have, they're trying to do a lot with smaller teams. So this is a big competitive advantage for us and everyone else in the industry. So that scale is beneficial. But areas in Blue Owl, have similar scale, they've grown a lot in the last 10 years, like we've grown a lot in the last 10 years.

So I think they're, for those of you that cover asset management, I'm sure you know them well. Do we have everything we need to be successful? I think we do but look, it's been discussed. We've grown through acquisition. Acquisition is hard. I'll tell you that the single biggest reason acquisition is hard is people think asset management is about assets. It's actually about people and people are hard. People are a lot harder to manage than assets.

So creating the right culture, creating the right environment, it's creating the right incentives, it's not easy and you got to constantly do that every day. If you take that mindset into growth through acquisition. And as Steve said, you kind of set people up the right way, you set them up to succeed, but then you also let them do their job. I think it can work and I think we've been proved positive that it's worked. So we might consider some additional selective acquisitions here and there, there'll probably be more tuck in, probably support the existing affiliates we have. But we don't need to, the two highest growth areas in alternatives are insurance and retail wealth.

You may have noticed we're affiliated with an insurance company. And so that partnership has been awesome. Everyone else on this page is trying to get there and trying to do it. We have the huge advantage there and a huge benefit of where we are.

And then on the retail wealth side, we talked about it. Look, I think the partnership with Scotia, I think what we've got with a AAM which Cliff will be up here to talk about a little later, Sun Life's other wealth channels. I think again, it's a big competitive advantage we have and now we just have to go to the next page and execute on it.

So I wish this page was as easy as just what this page shows, right? Execution is hard. You know, the I would actually argue the easiest part is putting everything together. Sorry, Steve, not to oversimplify what you've done, but executing on it is really hard. But I think we have real opportunity here to harness the power of this platform and bring these strategies together and do it in a way where it's additive, right? So we're not doing the things that break franchises where you're trying to jam people together and do things which are not natural.

So to do that, the first step was we had to kind of get the key leaders aligned across the top. So thanks to Kevin, thanks to the board of Sun Life, we've been able to create an equity class at SLC. The key leadership of the different affiliates will have ownership at SLC. I will be transferring my ownership at BGO 100% to SLC because that's how much there's no better way to tell an investor. I'm an investor for 34 years. You want to know how an investor really feels about something ask them where they're invested.

So that's, you know, so that we've done that, that's step one. Step two is then looking at how we can tackle some of these other boxes, right? So distribution is the first one. You know, we have no business. We're not, we cannot be an asset manager without capital. We can't be an asset manager without our Clients. We need to present ourselves to the Clients in a way that they want to work with us. And so one way we can, you know, we interact with them all the time is through distribution.

So I think we have an opportunity to start collaborating here more, which we don't do so much of across the SLC platform right now, but we're starting to. So one obvious area is just geographic, Canada, right? Sun Life's been here for a long time, amazing brand, huge pension community, but a huge amount of concentration, the top 25 clients here, you know, have a huge amount of market share. And so our ability to kind of go to them from a top-down perspective and kind of work with them is a big opportunity.

We've already started to monetize it. I'm not going to name names. We have a big Client of ours who's a Canadian fixed income Client. They're also a BGO Client. They just gave us a multi-US billion mandate to do fixed income for them in the U.S. and they're talking across it as well on top of that. So this is going to start happening. It's going to pick up momentum.

And other areas in the Middle East. There's a lot of money there. I think, you know, and I think our view is that capital is going to continue to literally come out of the ground. And it's going to be an opportunity and they're trying to diversify it. We at BGO have raised about a $1billion of capital out of the Middle East alone this year.

And so we're putting some additional resources into the Middle East on the distribution front to kind of sell the platform across the board. I think that's how those sovereign wealth funds want to be sold to, they want to have fewer people calling on them and they want to have a point of contact that can talk to them about everything we do.

We talked about insurance. Again, being partnered with an insurance company is a huge benefit. I'm going to embarrass Randy Brown. Randy Brown is the CIO. Randy, I think recently won an award of the 2023 insurance CIO of the year. I did not know that award existed, but congratulations Randy. All kidding aside. He's over there blushing, by the way. What's great about it is we know what Randy wants as a Client. He's our biggest Client.

And so we market to him regularly and he helps guide us on what we need to do to market to other Clients. And the two simple things are they want to work with other insurance companies. That's number one, we have that big benefit. And number two, they want someone who can speak their language, right? So through insurance solutions and some of the other things we do, we know how to speak their language. And it also helps that Randy is a great salesman and we're not shy about having him pick up the phone and call the people he knows in the industry.

Consultants are also a critical part of this consultants, huge growth in OCIO. Again, that by its definition is you're trying to outsource management, you're not just trying to do that in one vertical, you're trying to do that across the platform. I've talked about retail and wealth. We got to execute there. I think there's a huge opportunity. It's a big growth area. And to this whole point about tailwinds, there's a huge amount of tailwinds there. Two other quick things, strategic partnerships. So what does that mean?

That means going to a big sovereign wealth fund offering them something on a package basis that cuts across strategies, offering them fee breaks because that's what they want. And a one stop solution. We're just getting going on that, we are just getting going on that. It's a big objective of mine. It's going to be a place where I spend a lot of my time. And then other sources of capital.

We'd love to continue to tap Sun Life's general account. It's big, but it can't do. You know, there's obviously, as Steve said, there's going to be limitations of what it can do. But working with other Clients, working with other sources of capital, some of which might get through acquisition, some of which might get through strategic investments or partnerships are going to be growth areas for us. All right, so we can do this. This is what will happen.

So we're highly confident that the platform we put together can deliver strong operating results. The past few years have been tough. You know, if you think about SLC our biggest business with fixed income, aside, our biggest ALTs business is real estate, the business that I helped build and lead. The last four years, I would argue probably in the four hardest, toughest years I've seen in my 34 year career from a real estate cycle perspective, this little pandemic that we had, you know, lasted a year in the US. You guys took a little longer, I think up here. But you know, a couple of years of the pandemic, a couple of years of this unprecedented inflationary environment which led to this rate environment. It's been a huge headwind for real assets.

I'm not sure. I'm at a point where I'll call it a tailwind yet, Steve. But I think we're, I feel like it's less of a headwind. I think we're going the other direction. And just like Mike and Ted said that equity markets are the biggest driver for their performance, that kind of rate environment is a big driver for real estate. And so I am cautiously optimistic about that, and I believe that if we get the benefit of some of that, our growth expectations here of 15% plus, third party AUM growth and ALTs and 20% plus FRE growth will be easily achievable. Am I making myself fit too hard? It's going to be hard, but we're going to pull it off, FRE margin in the middle. We're in the earlier innings on that, meaning that as we bring the platform together, we have some more work to do there.

I hope we have upside to the 35% plus, you guys can look up with some of those other companies on that first page I went through are doing, but I think there's a real opportunity here for there to be upside on our FRE margin. All of this is based on organic growth, right? So this is what I think I believe we believe we can do on our own with the assets we have in place. If we can do some strategic and accretive acquisitions that'll add to this and kind of enhance what we're trying to do across the board.

All right. So with that, I want to welcome Steve and Cliff and Chris up here.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

Okay, great. We're going to do a little Q&A here, the one, there's one person missing from this and that's Jack Paris. Jack is CEO of Infrared. And he's out in Asia raising money. So I don't know why these guys are not raising money but Jack is out raising money. So Jack's not here.

Sonny Kalsi - *Sun Life - Co-Chief Executive Officer BentallGreenOak, President and Chief Executive Officer SLC Management*

I think we're raising money right now.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

Let me start with Chris Wright. So Chris has been, well, he can talk about it but it has been at Crescent. I think most of his career, if not all of it. Was recently named President, so he'll be the leader as the founders step back after we implement the put call. Chris, my question. Really - I described the platform to the group a bit but talk about growth. I mean, everybody's talking about private markets. Where's the growth going to come from?

Chris Wright - *Sun Life - Managing Director at Crescent Capital*

Yeah. I'm actually going to steal Sonny's framework and kind of talk about it in the context of ingredients and execution is going to yield growth. So on the ingredient side, I mean, number one you know, I like to look at what's the market that we're participating in? You know, really with Basel in 2013, it really kicked off a huge opportunity for private credit. And what happened is private lenders gained more scale and we were able to deliver in size, with size came speed, came flexibility and created this demand function with companies as they recognized why they want to work with a private lender.

And so we've seen an incredible scaling of demand from companies. At the same time, investors started to recognize, hey, I can get really nice returns in private credit, I can get outsized returns, better yield and compound MOIC. And so we've seen more capital come into the space. And so we're seeing this flywheel of a secular transformation of delivering capital to companies, capital formation continues to evolve. And I think that is going to continue to be a secular tailwind.

So we've got a good market. Next is sort of the foundation of Crescent. Crescent today is about US$43 billion of AUM about 75% is private credit, 25% is public credit. We have a global platform, a 30 year track record. Why is a track record important in private credit? Number one, we've invested across multiple economic cycles. Most of our competitors were formed after the GFC and so, you know, we have demonstratable returns across those cycles that we can speak to.

Number 2, one of the key things in private credit origination in access to proprietary opportunities. We've developed relationships for 30 years with some of the leading private equity firms, some of the leading companies and so that gives us the access to opportunities that others just don't have access to. And at the same time, because we've invested for so long, we have this incredible database of companies and information that is proprietary nature that we can capitalize on.

So 30 year track record accrued to our benefit. We have a very senior investment team. You know, Steve said I've been with the firm for 23 years and it was interesting hearing Mike and Ted talk about culture and retention and, the importance of having longevity with the team. We pulled our managing directors together a few weeks ago in LA to do our kind of our offsite, roughly 55 managing directors, and when I looked around the room, the average tenure was of 12 years, that's at Crescent.

And so I think that speaks to the culture and you know, the desire for people to work together and be collaborative. And then lastly, what I talked to is investment performance. We're in the business of generating returns and we've had very good returns across those vintages in cycles. So the foundation and then the third leg of that ingredient, the third ingredient is really the SLC relationship.

What does SLC bring with us? They bring global brand recognition and capabilities. We talked a little bit about the Scotia partnership. That's not something that we could have done as a standalone, but a partnership like that is already accruing benefits for us. So that's very strong. Capabilities, you know, I woke up just a couple of months ago and I woke up to an email from an insurance company in Asia and they had this number of questions, they were doing a review of their portfolio and they wanted to do some benchmarking and pure analysis and so forth and they asked us this really detailed question related to insurance companies.

And we were able to access a solutions team of experts here at SLC and within 24 hours, we were able to spin around a report got on the phone with them and they were very, very impressed. It goes to the, what you, what Mike and Ted were talking about as well is you have to offer all these ancillary products to develop a deeper relationship with our investors and so capabilities on a global basis and insurance is about a third of our investor base.

Obviously SLC brings balance sheet, seed capital, M&A capital, that's very powerful, they bring distribution. This is my second time in Toronto and in the last four weeks, the last time I was here, the distribution team for SLC in Canada brought about 55 to 60 investors from Canada into like a little mini conference. It gave me access to investors, we have just not accessed historically. We had really good conversations, we talked to them about our, what we do, about the market and I think that's going to bear a lot of fruit.

And so distribution in Canada and outside the U.S. is going to be very, very strong. And then it obviously brings us you know, set of relationship with our affiliates and opportunities to put products together, expand you know, distribution through wealth. And so that's been very powerful. So those are the ingredients as I see, set up. Now, what's the execution? What do we have to do to execute?

You know, number one, we have to invest in what our priorities are, invest in distribution. You've got a great partner here with Cliff, wealth is a massive tailwind. And so we're working with him and his team and already have products in the marketplace. And so I think that's going to bear a lot of fruit. As I mentioned, the product today, it's no longer bought, it's sold. And so we have to invest in that relationship. And so that's a key priority.

Number two, we have to scale up our scaling businesses and that means investing in things like evergreen vehicles. Permanent capital is the holy grail for private markets. And so we're investing in bringing different structures, bringing different insurance related vehicles to insurance companies that help them solve their problems and all of that capital comes in, we already have all the capability set up to invest it. And so we just have to bring that in so that we can scale.

And then thirdly, we're going to invest in adjacent markets, expanding our capability set. We have to recognize that private credit is not just direct lending. We got to think about this as a $40 trillion market opportunity. We're scratching the surface on it. And so we're investing with both M&A as well as green fielding in capitalizing on the platform that we have.

So with that, that's the execution and, and look, we've got the team and the platform and the market opportunity and super excited about our growth opportunities.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

Thanks. Thanks Chris. I mean, it's a great platform. So I'm so excited that we were able to have Crescent be a part of the SLC team. Let me turn to AAM, Cliff - probably a lot of people here don't know the AAM platform that well but basically it's a platform which multiple ways you access the wealth market in the U.S. and do a lot of things for them, but including distributing products. So talk about the platform, how you interact with the wealth market in the U.S. and how you're going to use that platform to raise money for Chris and BGO and Infrared and SLC in general.

Cliff Corso - *Sun Life - President and Chief Investment Officer of AAM*

As Steve mentioned earlier, the basic platform of AAM is turnkey distribution for top tier institutional asset managers who are looking to access the U.S. wealth market, either for diversity or growth or both. And in essence, what they're leveraging is one of the largest independent distribution platforms here in the U.S., we have about 270 people, about half of those folks, a little more than half are dedicated to the distribution function, whether they're boots on the ground across the United States, interacting with FAs all over the country, or importantly, interacting at the home of offices of these intermediaries, the gatekeepers as it were because you can't sell into the market across the United States unless the gatekeepers allow you to do that.

So you've got a full ecosystem that institutional asset managers are able to access. We're also one of the longest standing independent firms in distribution, having about 40 years of experience. That's really hard to find. So the punchline on that is the company has been able to develop a broad and deep relationships with those FAs and those home offices and really, as mentioned earlier, almost throughout the whole conference here. It's a lot of, it's about trust, you mentioned, these are sold products. You know, you can't really get traction unless that client trust you may be able to sell something once. So lots of repeat clients, lots of longstanding relationships. And that's in essence what they're accessing here. Just give you a little bit of a sense of scale.

Last year, AAM placed about $30 billion of investment solutions into the U.S. market. Ultimately wound up across 16,000 plus FAs books. So it's a scaled business. And part of the reason we're scaled is because we have broad access and penetration across all the subcategories of channels within the U.S. market.

We have deep relationships with the wirehouses that's Merrill Lynch, Morgan Stanley, UBS and Wells Fargo, also all the large independent broker dealers, some of the medium and small actually given the nature of our business platform, our regionals and RIAs. So it's a broad and deep platform and that's what's driving that scale.

We're exceptionally excited about leveraging this platform for the benefit of our affiliate partners and putting alternatives into the U.S. retail market. And we hear a lot about the trend, big numbers trillions of dollars flowing into a client portfolios in the U.S. But really there's a couple of underlying pillars as to why that is, one is adding alternatives to a client's portfolio benefits the outcome of the portfolio looking for diversity, looking for higher enhanced returns, looking for lower correlations. These are all the properties that institutional investors have enjoyed for a couple of decades, at least, right.

So those same benefits can benefit retail portfolios. The challenge historically has been what I would call the pain points in trying to access those alternatives. Typical product long drawdowns, complex tax documents. There's been a democratization. I'm sure many of, you know, in the U.S. market just around evolution of the vehicles that allow those pain points to be eliminated or eased in the market. Things such as Evergreen, non-traded BDCs -- evergreen non-traded, BDCs and REITs. So a lot of innovation, if you talk to FAs as our team does, one of the top of the list of ask is education around ALTs because they want access to these products.

The other side of our ecosystem, which is the top of the house. These are the home office gatekeepers. They're trying to help drive alternative product into Client portfolios. And as Sonny, Chris and I were just at the home office in Merrill Lynch, I think about five, six weeks ago, we were meeting with the head of alternatives there and the head of private markets.

So we're trying to assess what they were thinking about for the coming year. Talking about what we're up to for the coming year and what was interesting, just a couple of data points around their business, they're trying to drive that scale. They noted that over the last three, four years, they've doubled the penetration at Merrill lynch of alternatives into the FA client base. They saw an uptick of 30% last year in allocations across those books into alternatives. They're looking to launch 50 new products in alternatives this year. And if you think about that and you look at what's the AUM number right now for Merrill Lynch is $71 billion.

Put that as a percentage of their overall book of $3.5 trillion and it's less than 2%. So there's a long way to go. We've talked about what inning we're in, more so on the earlier innings of this journey. What they're looking for, not everyone's going to be a winner, what they're looking for. And if you talk to not only Merrill Lynch, you talk to Morgan Stanley, you talked to LPL, you talk to Raymond James, you're going to, in essence, you're going to wind up with four key characteristics that these firms are looking for in alternatives partners.

One and it's table stakes and it's painfully obvious quality alternative products that are differentiated from top tier firms. And I think we're looking at that right here, tremendous firms with long term track records, leaders in their sectors of the market.

They're looking for scalable products that help them drive scale. That's what we're building here across the platform, scalable products. They're looking to a common theme, not only for institutions but retail as well. Do more with less. They're all incredibly busy and they're looking for long term partnerships with firms that can provide multiproduct solutions across their platform.

They're also looking for proven distribution and that's really where AAM comes in with our platform. And, and I would say finally, they're looking for what Merrill Lynch described as a safe pair of hands, meaning a strong and stable counterparty that they're dealing with. And I think obviously we satisfy that criteria. So I think we're really well set up to win within this market against a very long term, very large trend within the market.

So as Chris mentioned, we're now live, I would say 2023 into '24. We're building and investing in the platform at AAM. We've added about a dozen alternative specialists to supplement and help drive the leverage across the full platform that I mentioned earlier. We built products, we're live with

Crescent's Evergreen BDC that's built specifically for the retail market and we're now at the early part of the process where we're looking to get approvals from those key gatekeepers so we can begin to drive scale -- begin to drive that scalability into 2025.

We're also working with Sonny and his team at BGO to launch a scalable real estate product. And then we're also working with Infrared for the same reasons. So we've got a lot of work to do, but I feel like we're in a really good place to win.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

And with two points, I would make one is, and that product the BDC was seeded with $150 million from Sun Life. So we got a full, you know, not everybody can do that. And then also, I think the important point is because I'm sure somebody may ask, well, how quickly we're going to see asset growth here. We're in the first inning. This is going to be a huge game, but it's going to take a while for everyone to ramp up. So we, you know, we just, and we're banging away. We have, well, I see, we have no time left but give me, give me sixty seconds or less on growth for BGO. Where's the growth going to come from?

Sonny Kalsi - *Sun Life - Co-Chief Executive Officer BentallGreenOak, President and Chief Executive Officer SLC Management*

I think it's mostly organic, growing what we're doing. So it's hard to talk about active fundraisers, especially with the SEC. But let's just say we have a fund raiser going on in Asia right now where we will do at least 2 times to 2.5 times what the last fund size was, and the last fund size was about a billion and a half dollars US. So I think we have an opportunity to kind of continue to grow what we do organically in places where we have good performance and where Clients want to be.

Number one, number two, we've grown our credit business by 50% the last few years. For all the reasons Chris talked about. It's very great part cycle for credit, but then look a big part of our business a little bit like MFS as you know, the, we really benefit from good beta. And so when the equity market does well, MFS, you know, it's great. It's good for MFS when there are flows back into real estate. Our two biggest strategies are two big open ended core funds, one in the U.S., one in Canada and they'll get flows and does the market get flows and we have good performance in both of them. So we should outperform. So I think that's where the growth is.

QUESTIONS AND ANSWERS

Steve Peacher - *Sun Life - Executive Chair SLC Management*

Great. All right guys, thanks very much and I think we're now going to a Q&A for asset management. So Sonny and I are going to stay up on stage and I think Mike and Ted are coming back and you guys aren't going to ask any tough questions.

Robert Poole - *Picton Mahoney - Analyst*

Rob Poole from Picton Mahoney. You know, listening to MFS and then SLC, it's kind of like two totally different companies pitching, right? And I feel like you see some of the biggest announcement recently like capital group partnering with KKR on, what could be like the target date product 2.0. When you think of MFS, like, how do you like, you have a competitive advantage with SLC here, SLC, you have a competitive advantage with MFS.

Why are we not hearing more? Like we hear about the Scotia partnership, we hear about a AAM but like you have mass distribution with in the retail and institutional market with MFS and then MFS like to innovate, you want to innovate product, you have mass synergies here with, how you could design a target day product That's not just your, fixed income and equity. So we, why are we not hearing more about the synergies amongst the two platforms? That's my question.

Kevin Strain - *Sun Life - President & CEO*

I mean, maybe start with MFS because they're the bigger of the two platforms and have been doing it for longer. So, Mike, do you want to talk about?

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

I mean, yes, we're obviously talking to our Clients about products like Capital KKR. It's not obvious yet whether, as Cliff was saying earlier, they're going access that inthe structure that way or they're going to access it just by going and buying a private manager and putting in a portfolio. So I think we're early days on that and it's not quite clear whether that's the path to success, but clearly Steve and I are talking and Ted are talking about that as a possibility in ways we could partner if in fact, we see that as an opportunity in the marketplace. But we're early in that process.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

But just to follow, I mean, I think we're meeting with Chris in like three weeks to talk about exactly that product. What are they doing? You know, is there an opportunity for us or not? And we'll see, you know, I think you asked about distribution. You know, one of the things we considered very explicitly when we bought AAM was Jeez, MFS got this big wholesaling platform, should we somehow tap into that? We very explicitly said, no, that that won't work because they're so focused appropriately on MFS managed product, right?

I mean, you guys can talk about this. And in fact, when we were working on the AAM deal, the person I hired as a consultant was Jim Jesse, who ran their distribution arm and was retired for how many decades, you know, forever. So we were very much in sync on that and thought, what the right thing for us was to go partner with AAM but that was an explicit decision. And I think over time we'll see, you know, we'll see where there are opportunities for the two firms to interact.

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

I mean, Sonny can speak to this as well. On the institutional side, the people that he calls on are different than the people we call on. Now we can go talk to the sovereign wealth funds, the leaders of those organizations, they don't make fund selections or they don't decide on managers. So there isn't scale institutionally for MFS to be distributing those products. There just isn't.

Kevin Strain - *Sun Life - President & CEO*

I've heard both of you talk about the fact that it's different wholesalers that are talking about those products even inside of the firms that have them together, right? So I think there's a different thought process, there's a different understanding process that we can leverage under. We can leverage conversations and understanding of it, but you're talking to different people, institutional and different wholesalers in the resale.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

I mean, it's counterintuitive. I know we don't want just dwell on one question, but it's counterintuitive because you would think, you know, you see other traditional managers buying ALTS managers and I would say within the industry I think the view is that the results have been not great right here. We haven't done that very explicitly. We've got, we have a great manager that's been the markets for 100 years. We developed this separately. That was also a very explicit and, and you would think, well, that doesn't make sense because you should be combining these and actually, when you're on the ground and you factor in all these considerations, I actually think we've done it the right way.

Kevin Strain - *Sun Life - President & CEO*

I saw a hand at the back, Alex first and then.

Alex Scott - *Barclays - Analyst*

Hi, Alex Scott, Barclays. So I've got one for MFS and one for SLC, maybe I'll start with MFS. Just thinking through the 5% plus as a medium-term guide. You know, when I look at where we're at today and just sort of the outflows relative to the beginning of the period AUM and so forth and normal market expectation, it would sort of point to more flattish AUM seemingly and then you kind of think through fee compression, like, I guess I'm just trying to understand what should we expect over the near term with some of those headwinds still persisting. Is 5% the right way to think about it now, or is that like where you get to after you execute on some of the fixed income initiatives and so forth?

Mike Roberge - *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

Well, maybe I'll let me start on and then Ted can talk about how he, how he thinks forward. I mean, you know, so I've been doing this, I've been coming, talking to investors for a long time. We used to be the gem and now we're the ugly stepchild. And frankly, it's the same business with the same Clients. Right. And so the reality of it is, the way to think about our business, the way that we think about our business is thinking about over 20 years, right.

And we're a manager at $650 billion under management. Ted said this earlier, the most important thing is to protect the $650 billion assets. It's not to go do a bunch of stuff and try and grow. It's like protect the 650 because it generates a high return. The ROE is unlimited as someone said earlier and don't do no harm to the existing business which I think we're doing a good job of. And then the reality is over 20 years, a balanced portfolio goes up, our revenues grow, they do grow through the cycle, now and I'll let Ted speak to organic growth.

The industry has been challenged by organic growth that's not unique to MFS. But clearly, we can see with the retail business normalizing as cash yields come down, that's going to take care of the biggest part of the outflows. And then we think our institutional business normalizes and then we've got fixed income and others. So maybe I'll let him. So I think about over 15 years, this business generates massive - if we can grow five plus, by the way, the yield that we pay Sun Life is like 8%.

So we think we can generate a mid-teens TSR on zero capital over 15 and 20 years. And so, yeah, the near term flow. But guess what our job is to serve Clients and to show up and serve Clients every day and drive those returns over 15 and 20 years. And I'm not, I kind of feel at times people don't think about the business the right way. But maybe I'll let Ted talk about where we see path back to organic growth.

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

Yeah, I mean, if you start with the near-term outflows and Mike talked about the two dynamics there. One cash on the sidelines, we've been share gainers in that space. So when cash comes back, we expect to be share gainers or maintainers and, and get nice growth there. So that's contemplated. Now, on the institutional side, I mean, it really is in a small handful of very large strategies that have underperformed the mag seven on a three and five year basis.

We're both confident in our ability to deliver for those Clients over the long term, which will lead flows to neutralize and grow again. And we've lost a lot of the assets we're going to lose there. There's more at risk and we contemplate that as we manage the business. But again, most importantly, we're confident we'll deliver for those Clients which will take care of flows and the dynamics feel from the starting point today being a pretty good setup.

And that's before you get into all of the growth opportunities. You mentioned fee compression -I think it's worth noting a couple of things. One, we do think the markets are just, you know, markets take care of more than all the fee compression. And then the other thing that we get asked about that, I actually meant to mention earlier, as we scale fixed income as fixed income grows faster than equity, obviously, that goes at a lower fee rate on total assets under management.

But that platform that we've built is built. So the cost are fixed, the investment is you know, it's always ongoing but the primary investment has been made. So those revenues will flow through at something close enough to our current incremental margin rate that's not going to be an additional headwind, which is something that we get asked about. Fixed income scaling will be tailwind.

Alex Scott - *Barclays - Analyst*

Very helpful. Thank you. On the SLC side, I wanted to ask about some of the comments that were made on evergreen vehicles. It sounded like maybe a little more involvement in insurance. And I ask it in the context when you showed some of those peers up on the slide, one could argue that they're partnered with insurance companies though they are willing to like aggressively lean into asset heavy deals, which is sort of not the strategy of Sun Life. So what like what are ways that you can keep up with the kind of growth that they're seeing, even though your insurance partner doesn't necessarily want to do those kind of deals with that.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

Yeah, maybe I can start, Sonny you can add. I think, the term, the phrase that I've used internally is when you look at the upper those firms, and I consider them the upper tier and we're going to be in that zone. That is our goal and that's where we're going to end up. You've got to have what I think of as multiple sources of flexible capital. That's a term I think, and I think that Sun Life's balance sheet is one of those sources.

It's not the only source and you're right. I mean, there's only, there are some things that others might do with their insurance balance sheet that we won't do because it doesn't fit within our ALM construct, doesn't fit within a LICAT construct. And, but that's okay, we can still provide. We have and will provide billions of dollars because from Randy's point of view, it makes sense for the Sun Life balance Sheet.

Partnerships is another one, I met with a meeting with a firm, actually, the big private equity firm that does some other things. They have no balance sheet, they get all and this is a big firm in the market. They get all their seed capital from partnerships from big sovereign wealth funds. That's also a source for us. And we really have focused on those. We have a great list of sovereign wealth funds, but they haven't been developed holistically, you know, Sonny's gone out and you know, developed some relationships.

Crescent has et cetera. So I wouldn't, don't know, I would maybe one or two. Would you consider a partnership? We start talking about the platform, they do more with us, they can be providers of seed capital. It's also about vehicles in the marketplace. I mean, we have some big-listed funds in the UK and infrastructure. That's another source. You know, so I think we've got, we can't just rely on Sun Life's balance sheet. It's about developing multiple sources.

Kevin Strain - *Sun Life - President & CEO*

I might add, that our wealth balance sheet is also part of what can fund them. So if you think about GRS. It's not in our general account, but it's part of our assets and doing more on the wealth side. We've also just signed a big insurance client in Canada who they know that we collectively understand how to do this for insurance companies. We also know relationships. And so I think part of my role is to make sure I'm introducing the SLC guys in particular, but even MFS sometimes to other relationships and other partnerships and other companies. We know that's how the Scotia started right, we were having a conversation with them. So I think our general account, our wealth business, other partnerships. Those are all going to be sources of capital and.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

And what I'm excited about and when I mentioned, we're in an inflection point, we only now, are we starting to think about how do we start to develop these relationships as a platform, only now.

Kevin Strain - *Sun Life - President & CEO*

Right. And you know, Sonny is meeting with sovereign wealth funds that he talked about earlier, talking about real estate as he's talking to them, you know, they start to hear the other things we're doing. Chris goes and talks to them about high yield credit and we start to build that sort of overall sort of focus on what we're doing. And I think that's quite positive.

Sonny Kalsi - *Sun Life - Co-Chief Executive Officer BentallGreenOak, President and Chief Executive Officer SLC Management*

So it's all upside.

Alex Scott - *Barclays - Analyst*

Thanks very much.

Lemar Persaud - *Cormark - Analyst*

Yeah, thanks Lemar, Cormark. I have two questions as well, one on MFS and then one on SLC. So just starting with MFS here back at your 2019 Investor day, you talked about the importance of growing in fixed income and then 4% annual growth over that time period. So I guess how does that compare to the market? And you guys have made it very clear that, you know, M&A is not on the card. So what are you guys doing to grow fixed income capabilities in a more meaningful manner?

Ted Maloney - *Sun Life - Chief Investment Officer of MFS Investment Management*

I mean, I think you know, fixed income. You know, we think about the investment time horizon that we have, you know, we invest for the long term. It's one of the reasons why we're uncomfortable with medium-term earnings guidance. Not sure we know how to predict those things. Not sure. We know how, you know, when the assets are going to come in, we've been building it, we will continue to build in it.

We get asked internally and externally about our commitment to it. Our commitment to it is absolute and we're starting to inflect now. So to answer your question, absolutely not. Do we need to do, or will we do acquisitions in that space in order to scale that, we'll scale it with the depth and the breadth of our Client relationships and our opportunities and quite frankly the excellent performance that we have. So, I wasn't here talking to you in 2019, but I'm pretty confident in 2029 will be able to tell you about how nicely we've scaled fixed income.

Unidentified Participant

And then maybe an SLC I think you had a slide there showing your capabilities relative to some of your peers and one of the big reds was private equity. But I think you said you were happy with the mix and the capabilities you have. In this lower rate environment, private equity seems like it would be becoming more attractive. So would you be looking to add some capabilities there? Is that, or is it just scaling up what you already have?

Sonny Kalsi - *Sun Life - Co-Chief Executive Officer BentallGreenOak, President and Chief Executive Officer SLC Management*

So, you know, a lot of those firms on that page started as private equity firms. If you just think about their genesis, right. They started as private equity firms and they added credit, they may have added infrastructure, they've added real estate. You know, we started differently, started as a fixed income firm. Right? And then, you know, have added these other capabilities.

You know, look, I would just say nothing is off the table, but it's not part of the main strategy. You know, I would say if I gave you where I could see us maybe getting into private equity, we have a secondaries business in real estate. We think it's a big growth opportunity. We think there's an opportunity to take that into what we're doing in infrastructure, what we're doing in private credit, which are very nascent actually for secondaries, that could be a logical way to get into private equity, you know, Randy and the team do invest into private equity funds at other firms. Maybe some of those on that page fortunately, unfortunately. So we've got a capability in house. But I would say, I said before, I don't think we need to do it in order to compete with the people on the page.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

And I would just supplement, I would reinforce that, we do not, we don't need to fill in that red dot and make it green to be successful. But we are connected with private equity in a couple of different ways. One is we have a secondaries business, we can grow that. We actually have a what they call NAV lending, which is lending to private equity pools and GPs. That's a growth business offered in the private credit space.

So we can develop that. As you mentioned, Randy on the balance sheet, we invest, we have a portfolio of investments in private equity funds. We use those relationships to get lending opportunities. And Chris Wright would say part of their business is having relationships with sponsors for lending opportunities. So we have a lot of connections with that community.

It would be extraordinarily expensive to go out and acquire the kind of firm like we've got with BGO or Crescent in the private equity space. So you never say never. But it, but we it's not a missing piece and it was never something that we planned on back in 2014 when we set out the goal.

Sonny Kalsi - *Sun Life - Co-Chief Executive Officer BentallGreenOak, President and Chief Executive Officer SLC Management*

I will say, look, I think some of the correlations that drive private equity we'll get the benefit of in real assets, we'll get the benefit of in Crescent because Chris and the team are lending to them, et cetera. So I take your point for sure as we're going into a lower rate environment.

Doug Young - *Desjardins Securities - Analyst*

Doug Young, Desjardins.

Would you ever consider selling a stake in SLC to, let's say a sovereign wealth fund, establish a monetary value for it? But also as a way to bring in extra money.

Kevin Strain - *Sun Life - President & CEO*

Let me take that. I think that it's, you know, we've been building out these capabilities and we think they align to what we're trying to do strategically. We'll never say never to a bunch of ideas that may be presented to us, but it's not the focus of what we're doing Doug. I think if you look at the capabilities, we're building, you look at the opportunity, we want to own as much of it as we can. We want management to own as much as is necessary to get the right types of managers. And that is our, that is our focus.

So there's all kinds of possibilities, other distributor companies and those types of things that we would of course, look at. But you have to be hugely value added. And I think not take away from what we're actually trying to do, which we think is on the cusp of delivering some really good results as we've been talking about.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

I mean, would you say it's fair to say that if there was an opportunity at some point, our first consideration probably would be, is that a good strategic?

Can they bring something to the party other than money and valuation.

Kevin Strain - *Sun Life - President & CEO*

But it's not something that's any sort of focus at all.

Doug Young - *Desjardins Securities - Analyst*

And I think in the past, I think each of the divisions within SLC has operated very separately from a distribution perspective as well. It sounds like you're going to bring that together. Can you talk about that? And obviously, as you integrate these businesses, a lot of risk that comes with it being you talked about getting equity ownership into, you know, the senior management team. Can you talk about how you're going to kind of manage that?

Steve Peacher - *Sun Life - Executive Chair SLC Management*

Can I start that? And then you can add in? We do not. It's I want to be as clear as possible. We do not, we have great cultures in these firms and the real estate business is different from private credit business. And we have great - these firms are known in the market for what they are. We don't want to lose that.

So we use the term integrate. I never used the term integrate. We are not doing a big integration. That's not what we're doing, what we have done. And this is we, I've set up an executive team at SLC, who's on that, the leaders of the different businesses. So Sonny, Chris, Cliff, Jack Paris, Randy Brown is actually on it, that's a group that's going to drive the platform. If they decide they want to do something, you know, we're going to do it, right.

And I think that's the right way to do it. We, you know, we've already started and Sonny mentioned this in distribution to say, are there certain areas, Insurance, Canada, where we ought to not have separate distribution but cover it -have one distribution group, cover the platform. We're already putting that in place. Over time, we've pursued, we pursued zero cost synergies.

This is not about cost synergies. Over time, I do think we're going to find some efficiencies. So I really, I chose my words carefully at the outset when I said a coordinated platform. I didn't want to say integrated platform because that implies something that we're not going to do, but we are going to present ourselves to the market. It's amazing how many Clients who say BGO don't even know if they're connected with Infrared.

I mean, that's, that's an opportunity loss. So that is we're going to change that among consultants and Clients. But what we're not going to do is take a step backward because we disrupt the companies to a big integration.

Kevin Strain - *Sun Life - President & CEO*

I think that over time, we've learned how to be a good owner of asset management. I think MFS would say that and their team owns equity. We let them make all the investments decisions. They talk to us but they run their business. SLC we needed to figure out and Steve spent so much time on this, how do we make sure we keep align and create a leadership team that's there for the future.

And you guys know there's been other examples where that didn't happen and when the people leave, the Clients leave. And so Steve's been focused his full time figuring out what is that structure look like. How do I keep the people and how do I make them successful in that new structure? And I think that's what you're seeing at this point in time, we're able to sort of introduce what that's starting to look like.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

I'd like to make one more. This is really important what you asked about. And one of the things and Sonny mentioned it, we're creating equity ownership at the SLC level. So Chris Wright, Sonny, others will have, will have a common ownership interest here. They'll still run their businesses. But I think that's how we're trying to do.

Kevin Strain - *Sun Life - President & CEO*

We have two more questions, I'm going to do really quickly. So Tom and then Marina, so those are the hands I saw. So sorry if I didn't see any.

Tom Mackinnon - *BMO Capital Markets - Analyst*

Tom MacKinnon, BMO Capital. To what extent is SLC able to leverage this high-net-worth segment that Sun Life has in Asia? It seems like there's got to be some good opportunities there that are, are they largely untapped now? And are you working towards.

Steve Peacher - *Sun Life - Executive Chair SLC Management*

I would say largely untapped. It's something I've talked to Manjit about, to Chris Wei about. I'm just going to have it and I haven't had a chance to really talk about it. I think it's a huge opportunity. We haven't really gone after that at all, but I think it's a great opportunity for us. We got to figure out there's so much ultra-high-net-worth wealth there. Family office wealth, we have the products that they would be looking to invest in. We've got to get ourselves and, and we've got Sun Life in Asia with this great, we haven't tapped into it.

Kevin Strain - *Sun Life - President & CEO*

Manjit will talk about this more but we're forming what our Asia Asset Management strategy is in conjunction with Steve, Ted, Mike, Sonny with these guys to, to sort of articulate where that's where that's going, including what we'll do with high-net-worth, but it's not, it's not in there at all yet.

Tom Mackinnon - *BMO Capital Markets - Analyst*

And SLC builds up like public credit and then we hear MFS billing a fixed income, they kind of sound a bit the same. Like why you're both like, why don't you try to leverage some of those capabilities ?

Steve Peacher - *Sun Life - Executive Chair SLC Management*

I actually think they're very, when you look at the coverage, they're actually very different. I mean, much of our thing in credit is private credit, these guys in the public markets. We have investment grade, private credit where you know the MFS to do that. We do have public investment grade fixed income, but a lot of that's around bespoke insurance mandates or bespoke LDI mandates, which I think is, you know, as we don't, for example, a big area for you guys. We don't do that. So I think when you look under the covers, it sounds similar. It's actually not that similar.

Kevin Strain - *Sun Life - President & CEO*

Okay, Marina was for the people online. I think so if we can get. Yeah.

Marina Pomerantz - *Healthcare of Ontario pension - Analyst*

Marina Pomerantz Healthcare of Ontario pension. My question is on the SLC margin targets you've put out. How are you thinking about the balance of co-invest opportunities that would be required by your institutional Clients against the retail expansion that you're running an SLC, which would presumably come at a higher margin and offset some of the co-invest, you know, fee drag in your margin targets. Are we contemplating, you know, faster growth from the retail distribution, perhaps slower co-invest growth or vice versa?

Steve Peacher - *Sun Life - Executive Chair SLC Management*

I mean, I think it's, you laid it out,well, right. I mean, the retail channel is going to have higher fees that's going to take, that's going to a huge growth opportunity, it's going to ramp up over time. You know, we're in the, the alternative businesses are high fee. We think there'll be, I think there's always pressure on fees. You know, from institutional investors, it's constant and it's appropriate, I suppose.

Even though we don't love it, but I think where we can drive margin there as we scale, you know, we've spent a lot of money. One of the reasons we haven't hit that 35% target is we've been investing in people, in areas like distribution for the long term. I think we've, now we're starting to get to the point where we've done that.

And so I think a lot more of the revenues is going to start falling to the bottom line and our incremental variable margins actually going to be very high both in the institutional business and then certainly in the retail businesses as we grow it. But right now the retail business has just been a cost for us. It's been a drain because we haven't yet raised assets, but we've added a lot of resources.

Sonny Kalsi - *Sun Life - Co-Chief Executive Officer BentallGreenOak, President and Chief Executive Officer SLC Management*

Right. Look, the only thing I'd add is I'd say for most of what we do on an organic growth perspective, it doesn't actually require, on the institutional side it doesn't really require material and more capital than what we've been doing today. So, you know, we have, if I think about it, BGO 25% of our AUM comes from two open end vehicles where we have no money invested in them, right? They're open-end perpetual life vehicles. And once we get the benefit of, you know, the market coming back in our favor. We'll outperform on a relative market share basis. It requires no capital.

Kevin Strain - *Sun Life - President & CEO*

Okay. So I'm going to, you're going to come up, David is going to come out good. I don't have to guess what time we're coming back.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

Well, I was just going to say, thank you everyone for your questions and the great answers. We're going to, we are going to break for 10 minutes and so you just listen for the cues to come back. But then we'll kick off with Canada when we come out of the break. Thank you.

Please welcome to the stage, Jacques Goulet, Executive Chair, Sun Life, Canada.

PRESENTATION

Jacques Goulet - *Sun Life - Executive Chair, Sun Life Canada*

Good morning. We've lost some people. Canada is the most interesting part of this presentation. (laughter)

In May -- in March -- was it March or April Investor Day 2019? I stood in front of many of you and I declared, some might say boldly that Canada would become a growth engine for Sun Life globally. I think there were a number of skeptics in the room, but here's why we thought this was the case. Why we believed that we could.

First of all, if you go around and you ask Canadians, what's the most important things in their lives? My experience has been that they're going to talk to you about their health and the health of their loved ones or their financial security and the same for their loved ones.

So where if you think of the needs that Canadians have and you look at Sun Life Canada's capabilities, there's a direct alignment between serving their needs with our solutions and our capabilities and those needs with the aging of the population and in the fact that the healthcare system is under severe strain are only growing.

So we thought that we have tailwinds, and we can grow. Another reason we believed in our thesis is three of our four businesses are leaders in the market in Canada and they're scaled businesses. You've heard from previous presenters of how they have the plans to scale part of their businesses. We're already at scale in Canada and that allows us to do more and to build from there to expand into different adjacencies.

Another reason we believed in our case is that each of our businesses historically has delivered growth in terms of their priorities, but we haven't been as focused on delivering what we call OneSun capabilities. So today you have a person who becomes a Client of Sun life Canada, let's say because their employer has chosen us for GRS, our group retirement business.

We want to bring solutions to them that focus on all their needs. And some of these pension people might have mental health needs that they want to address. And those typically have existed in our health business. So we wouldn't serve them to pension clients. Now, we're looking to wrap our arms around all the needs that our Clients have in creating a cross-business opportunity that we call OneSun.

Another thing we did in 2019, we created what we call our CXO, the Client experience office, because we knew that if you deliver a delightful, seamless, easy-to-use, intuitive Client experience, Clients will do more with us, they will become Clients for life instead of being transactional Clients and they will bring their families and friends to the equation.

And last but not least, I think Sun Life Canada has had a track record of financial discipline and I'll talk some more about that. So in a nutshell, we delivered, in my view, in our growth engine promise and I have full confidence that Jessica who will follow me a bit later will continue that trend.

What's interesting about this slide, is there's a few things I want to point out. First of all, as you can see at 40-30-30 across health, Wealth & Asset Management and protection, from an earnings profile point of view. We have a very well diversified business in Canada.

If you focus on the two circles on the left, 70% of our business in Canada is capital light that is health and Wealth & Asset Management. Interestingly, we serve nowadays by having added Dialogue and the work we're doing with the Federal government on the Canadian Dental Care Plan, we serve over 12 million Canadians. That's almost a third of the population.

So those are key metrics in my view that serves as a good foundation for us to grow even more going forward. And we have that proven track record. So between 2014 and 2023, we've delivered on 6% CAGR for our underlying net income. But if you look at the last five years from 2019 to 2023, the momentum has picked up and where it was mentioned in the previous presentation, we delivered even faster growth.

On the right-hand side of the slide, our ROE in my view is industry leading and not by a small margin but by a wide margin at 21.4% in 2023. So we've delivered on the MTOs and we're going into the next cycle in my view with great momentum.

If you look at that and I've addressed this a little bit, but the system in health in Canada as probably most of you know, is quite under strain. One in five Canadians does not have a primary care physician. People are coming to retirement, sometimes ill prepared, I would say. And on the protection side, we know that many Canadians are either not insured or not insured enough or would we say underinsured. Many Canadians have only insurance through their employer, which would be term insurance, typically one times basic salary. So we know that's not enough.

So as I said earlier, if you look at these against our growth plans, these are actually tailwinds for us to grow our business in Canada. And once again, I remind you, health and wealth are the two most precious things in the lives of Canadians. And that's exactly where we're playing. So we are focused on Client needs and we think that if we earn the trust of our Clients, do more business with them, serve more of their needs, we can grow these relationships and that allows us to grow our business.

Let me go a little bit in health. The vision that we have in health is we want to, obviously, we've been growing our business in health as you know, and we want to continue to grow. We want to help Canadians against these trends that I've mentioned, be able to manage their health and access care even more efficiently.

Some of the things we've done over the years to strengthen our health business - and by the way, this all starts with the strength that we have in Group Benefits. It was mentioned earlier that, this serves as a great platform to then expand. The retention rate, by the way, in our Group Benefits business is 98%. So it's very significant and employers want us to do more with their employees.

So one example is Dialogue, which was the largest virtual care company in Canada is now part of the Sun Life family. As you know, we did that transaction in October 2023. We have a partnership with Pillway, our virtual care pharmacy to help Clients with their medication. We have launched a Diabetes Care Program that is having great success in our health business, helping people manage their condition and get back to good health.

And I want to put a bit of emphasis on the Canadian Dental Care Plan, as I think it was mentioned by Kevin or Tim. But 2.5 million Canadians are now eligible, enrolled. The number of eligible people is actually 9 million people. So the government is rolling out different cohorts over time. It's a great example of Sun Life Canada having very strong execution capabilities. We were hired by the federal government in October 2023. That's when we signed the contract. And on May 1, we started paying claims.

And we've paid -- now, we have over 85% of oral care providers in Canada that have submitted claims to Sun Life for the plan. So a great example of Sun Life's capabilities and executing some very complex and difficult onboarding.

Our wealth, business and asset management, in my view - one thing that's interesting, it's worth pointing out is how diversified it is. If you start on the left, this is actually our DB, the defined benefit solutions business where we do annuity buyouts. We've been the leader in that business every year for the last 16 years. And we have over $17 billion of assets in that business. Then you go into group retirement, group retirement, we've been leaders in the business for over 20 years. We have over $125 billion of assets under management.

When people leave their employer, we are able to continue to work with them through what we call our rollover solutions. We're doing more and more we with our insurance Clients and we're building our retail weealth business. We're building an IROC platform so that our advisors can serve more of their needs. So it's very interesting if you look at the continuum across how we're able to leverage the capabilities of Sun Life globally.

So as one example in our pension risk transfer business, the asset sourcing to back the liabilities we're taking on is done by SLC Management. So great partnership between us and SLC. In SLGI, Sun Life Global Investment as well as in GRS, MFS is our most important sub-advisor. We also have SLC as a sub-advisor. So we're definitely connecting some of the dots across the entire spectrum of capabilities in Sun Life.

A couple of years ago, we made another bold declaration if I can say that, a bit like we have done with the growth market, growth engine. And we declared that we wanted to become the most creative company in the insuarnce industry. And people said, well, insurance companies are not creative.

If you want to see a creative company, go to Cirque Du Soleil or something like that. But we delivered on our promise in a way. And one example I want to give you is actually in the insurance space with our diabetes care program. So this is a good example. Our Purpose, as you've heard is to help Clients achieve lifetime financial security and live healthier lives. If you have diabetes prior to us, coming with that solution and you applied for life insurance at Sun Life, one out of two or 50% would be turned down, considered too risky.

Our view is that this is not in line with our Purpose. And by the way, the other thing is if you look at the various causes we support globally in terms of our philanthropy initiatives, diabetes is the number one cause we support in the world. Since 2012, we've provided over $50 million to the cause.

So it's not in line -- our Purpose is to help Clients achieve lifetime financial security. Securing life insurance is a good tool to achieve financial security to guard against an unforeseen event.

We give $50 million to diabetes globally. And yet in Canada, we reject 50% of the people who apply. Something wasn't right with this equation. And we recognize that, we had to ask a group of people to come up with a better solution, a more creative or more innovative solution. And that led to Diabetes Term Insurance.

So when people apply, we do insure them, but we asked them to join our diabetes care program to help them manage their disease. And in this way, we're able to insure a lot more people. So a good example in my view of being creative in an area of the business, insurance which is seen as I would say, a not so creative or innovative area.

The other thing that I want to point out is that if you look across Sun Life Canada, we have our group businesses, retirement, and benefits, digital health, an example of that is Dialogue or our Pillway. We have the role of our business. We have our career network which we call our Sun Life face to face advisors. Prospr is our hybrid platform which is a more millennials who want to do things digitally but have access if need be to a salaried advisor. And then we work in the space of ultra high-net-worth and high net worth with what we call third party advisors.

The reason I really like this slide is it shows how broad our penetration is when it comes to distribution. We don't ask our Clients to adjust to us. We meet them where they are, if they want to start out with Prosper and build a plan, secure some basic life insurance. But then as their needs grow, they want to graduate, if I can say that to our Sun Life, face to face advisors, we can arrange all that. So we're able to across the broad spectrum to deliver for our Clients to earn their trust. And as I say, serve them where they are as opposed to ask them to adapt our structure.

I've talked about OneSun earlier. So all of our businesses in Canada, we believe our growth engines, they have the opportunities to grow, but there's an additional layer of growth to be picked up when we look across our businesses. And that's what we call our OneSun capabilities. Interestingly enough and by the way at Sun Life, we believe that every Canadian should have a financial plan. A financial plan that evolves with their needs and it changes over time as their life circumstances are changing.

We find by the way that when they do have a financial plan, it becomes a great anchor to building a trustworthy relationship that lasts a lifetime. And so for those that have a financial plan and financial road map with us, they buy 2.3 more solutions with us than those that don't have. So a great example of the power of OneSun. Similarly, when we look at their Client satisfaction scores or CSAT, they are 1.5 times more satisfied with Sun Life than those that don't have a financial plan with us.

So as we continue to roll out, financial plans are available across all the channels, whether it's Prospr, there Sun Life face to face advisors, even we have a simplified financial plan available for our group retirement plan members. So we're building more and more trust with our Clients over time and building more lifetime relationships.

So at this point in time -- one more slide. I want to emphasize a little bit on the things we're doing. I know that Laura talked about that, but just to give you an idea. Dialogue, which is the great acquisition we made last year has 3.2 million members and families that they serve. By the time the day is over today, they would have seen 4,000 people on their platform. That is probably the largest number of people seen in Canada by a health care organization,

Lumino Health Pharmacy is our retail pharmacy where we empower Canadians to manage their medications. Great service. This is with the Pillway is the company with whom we've built our Diabetes Care program, giving access to pharmacists, life coaches, nutrition coaches, and so on.

In disability, we use artificial intelligence. Laura touch on this a little bit, but we make available to our disability case managers, some -- certain amount of data that allows them to predict how a case might develop and what would be the logical next steps in handling a disability case to ensure as quick return as possible to productive work.

And last but not least our Sun Life app, which is considered a leading app in Canada. People who use it digitally save 2.5 times more than those who don't. And once again on CSAT 9 points higher. So lots of good things we're doing in digital in Canada, we are the market leader when it comes to digital.

When we win business, for example, in group benefits, we often go and ask Clients. So what was the decision factor? What made it -- what made you choose Sun Life over someone else? And most of the time they'll say your technology is far ahead of competitors.

So on that note, I would like to introduce Jessica Tan.

So Jessica is as of September 30, the President of Sun Life Canada. She assumed the role from having been a co-CEO of one of Asia's largest insurance company before. She's worked in 13 different countries. She's widely recognized as a top leadership globally in the industry. On that note, please welcome Jessica.

Unidentified Company Representative

Please welcome to the stage, Jessica Tan, President Sun Life Canada.

Jessica Tan - *Sun Life - President, Sun Life Canada*

Hi, good morning. As you've heard, I'm really new. It's been only six weeks since I came over and Kevin is not kidding. I did move my family halfway across the globe to be here. And I wanted to share, it's very early days. I only have this one slide, but I thought I wanted to share a little bit kind of what -- why am I excited to be here? What are some of the themes that I see -- continuing what Jacques said that you could hopefully see we'll continue the next trajectory.

So first, it is true. I moved here because of the Purpose. I met Kevin in Asia at a panel, we were on the same panel and he told me about our Purpose of helping Clients achieve lifetime financial security and live healthier lives. And as a person who has worked 25 years in financial services, it completely resonated with me, particularly in my last 10 years, I've actually done a lot of health care and digital and I thought that's really meaningful. That's where I would like to spend the next chapter of my life.

In the past six weeks. I'm most excited by our people. I think Jacque has shown an incredibly -- when I saw the numbers, I don't know about you, in the country and market like Canada to have such strong continuous growth engine as Jacques said, as such a high ROE, I mean, I used to manage a big buy side. I mean, I would invest and it is very hard pressed to find that.

I think it's not surprising under Jacque's leadership and those our people. In the past six weeks, just before last night, I went to look at my calendar myself had a -- I've been drinking from a fire hose, getting to know our people, every parts of our business. I must have had over 150 meetings over the past six weeks. In particular, 40% of them have been problem solving, brainstorming discussions with kind of the Top 50 to 60 people in our Canadian leadership.

And I'm just blown away like, just everyone is just really open, nice collaborative. I think it speaks to the OneSun culture and not only that there are -- we have so many ideas about what else we can do for our Clients and their families for life. That is just really exciting.

And then finally, I thought as Jacques said, there are many opportunities that we believe that not only we have been and will continue to be a growth engine, I think there are some themes that emerging that I think you will continue to see more of. I think one theme is around with our Clients and Purpose. We already serve from my last role, it's not about absolute size, sometimes about relative size. I mean, you can add a zero to many of the things that we do here. But I think it's very distinctive when you serve one-third of the Canadians. And actually half of the working population here.

So what do you see is that, we know we will do more for our Clients. It's not about acquiring our customers. It's about serving them more deeply because only less than 30% of them have health and wealth with us. We have an opportunity to deepen and broaden our reach and to them and their families because as Jacques said, this is what they really care about and we're going even more specific segment, we've been talking about actually going into different segments like New Canadians like myself, there's 1 million of us who just, who comes and we need a lot of these services.

There's also pre-retirement segment that we know we've talked a lot about in the industries. There's 5 million people who will retire in the next 10 years with $1.7 trillion of assets. And we actually serve already one-third of them. And they're thinking a lot about different things, not just with their financial assets, but also with their health because we're also in the sandwich generation whereby we also have caregiving and we're also worried about our elderly needs.

So I think one thing you will definitely see is that we'll continue our Clients and Purpose. Not only I think it's about how many we serve, but it's about the depth and the breadth that we serve our Clients in a meaningful way. The second thing that you see more of is also how we will grow our business. As Jacques said, we have a very diversified business of health, wealth, and protection.

I think what you see also is that we will continue to deepen some of the capabilities particularly in health. There's still a lot of opportunities. We're only scratching the surface. If you look at the $344 billion that is spent on healthcare in Canada we are of course a big employer part of it. But if you look at primary care, that's less than 10%. Jacque talked about diabetes program that we've done. We're only beginning. If you can look at all the span by chronic diseases because as we know, chronic diseases have actually caused a lot of complication.

It constitute more than half of the total healthcare spend. And we're only beginning. There are various areas that we will build capabilities in the health area and we want to combine them. We want to combine health, wealth, and protection. We want to be the kind of Chief Finance Officer and Chief Health Officer for our Clients and their families for life. So this is the second thing that you will see more of how we will build each of our businesses and how we will combine that in a holistic OneSun manner to deliver to our Clients.

And the third thing you'll see more of is the way that we use our distribution. You see from Jacques, there's a chart that he said he really liked, which I think we have fantastic strength. We have one-third of the work site relationships. We have been building, you hear from Laura and Jacques, how we are building our digital capabilities.

And then we also have one of the largest network in advisors. I think you'll see what we do for digital is more how we glue all these together for different interaction points so that we can reach different segments of our Clients and deliver that proposition much better. It's still very early days, but I want to share some of our initial thoughts, why I'm excited to be here by our Purpose, by our people, and by the opportunities that we have.

And hopefully you will be convinced, I'm confident and excited that we will continue to be a strong growth of earnings -- it 6%+. So you should look at the plus. I'm Asian. So we, we never, we never just go for a passing mark. So it's definitely a plus. And then not only that, I think what we aspire as the eldest child in the family -- aspire to be a spearhead in the flagship innovating new models that we can better deliver our purpose to our Clients. Thank you.

Unidentified Company Representative

Please welcome to the stage, Dan Fishbein, President Sun Life U.S.

Dan Fishbein - *Sun Life - President Sun Life US*

Well, let me be the first to wish you a good afternoon now, it's 12:01. Thanks for having me here today. I love the chance to talk about the Sun Life U.S. business, but I'll try to stay within the allotted time. I usually don't talk about myself, but I'll start with a quick personal comment. I had a little bit of an unusual start to my career. I started by going to medical school, so I actually am trained as a physician, and you may wonder what I'm doing in the insurance business. But if I could leave you with one takeaway today, it's that the Sun Life U.S. business of today and of the future is a health care business. So hence the connection there.

We are a health care business and that comes with all of the great characteristics that go along with being in that business in the U.S. It's a high growth, low capital, high return market and it's actually a huge market and we'll talk a little bit about that. So the fact that we have transitioned to being primarily a health business has enabled us to make all of the statements that are up here on this slide. We're winning in the market. We're exceeding our medium-term financial targets, the ones that we set some years ago.

We're in businesses. We've chosen to be in businesses where we can differentiate, win and have leadership positions. So we're very, very focused on three particular areas of the U.S. health care space. The businesses, as I said, are capital light, they're fast growing, they attract high multiples, and health is indeed at the core of our strategy. And today we're establishing new Medium-Term Objectives for the Sun life U.S. business.

We were previously at 10%, was our objective for underlying net income growth. Today, we're upping that to 12%+. And as Jessica said -- or the plus, I think we'll focus on the plus and 18%+ from previously 16%. Well, really, we didn't have a target that we talked about before but 18%+ underlying a return on equity for the business.

So let's talk a little bit about first of all, how we got to where we are today. If you go back a little more than a decade to 2012, at that point, Sun Life had been doing business in the United States for a mere 117 years. And up until that point, during those 117 years, Sun Life U.S. had been mostly focused on individual retail financial services businesses, mostly individual life insurance and in the more recent decades, individual annuities as well.

Now, there was also for most of that time, there has also been a Group Benefits business. In fact that business is now 102 years old. But clearly, if you go back to 2012, the group business was the smallest of the three businesses in the U.S. The company made a decision at that time to exit those individual retail businesses by selling the annuities business and putting the individual life business into closed block status.

And that left the Group Benefits business as the primary area of focus in the U.S. going forward. We spent the next four years -- I joined, it was lucky enough to join the company in 2014. But we spent the next four years taking that group business and trying to make it into a much better performing business. And then we started to make some acquisitions to supplement those capabilities. In 2016, we bought the Group Benefits business of Assurant employee benefits that actually increased the size of the group part of our business by about 80%, brought us great new capabilities, and especially a wonderful team of people, most of whom are still with us today based out of the Kansas City office.

We then started to migrate more into the health care side of things. One acquisition we made, which is very important and you'll see a video about that later is PinnacleCare which gives us healthcare navigation, services and that supplements our Stop-Loss business. And then the most recent significant acquisition was about 2.5 years ago, we acquired DentaQuest, which took us from having a relatively small position in dental to now being the largest provider of dental benefits in the U.S. So on this journey, we went from having about US$2 billion in group benefits premium and fees to now over US$8 billion in annual revenue in that business.

Now, here are some of the results that have been generated and this is through a combination of organic growth and the acquisitions I just mentioned. The revenue has grown, if you look at it on a compound annual growth rate by 13% over the last decade. Underlying net income has gone up 19%. So better than the revenue growth. And the return on equity, that's a big part of the story here, has gone from a pretty modest level of 6.8% to last year to 14%. And certainly we're going to get that to the 18%+ over the next few years.

Now, these are the businesses where we've chosen to play in the very, very large U.S. health and benefits ecosystem. So the first business we have up there is dental. We now have over $3 billion in revenue in dental. With 35 million members, based on membership, we're the largest dental benefits provider in the U.S. And we're somewhat uniquely competing in all of the segments including both government and commercial, meaning benefits provided in the workplace. And that's for dental, vision, and also now dental care delivery.

Our Health & Risk Solutions business, which features our industry leading Stop-Loss business now has reached actually as of this time in the year, about $3 billion. We are of course the largest independent provider of Stop-Loss in the U.S. But we now supplement that with other unique capabilities, which I'll talk about in a minute, especially care navigation, which is truly differentiating for us.

And Employee Benefits sometimes referred to as the group business, were a top 10 player in that business in a very crowded field. There's dozens of carriers that compete in that field and those are benefits provided -- as part of a benefits package in the workplace, disability, absence management, supplemental health, sometimes called voluntary products, as well as group life insurance. And we have over $2 billion approaching $2.5 billion in revenue there, not including the dental business.

And then finally, and I'll talk a little bit about this later, we also still do have that legacy individual life insurance business that I mentioned. We serve 200,000 people, none of whom have ever heard the term closed block and never will and we have very important obligations to them and that business continues to make an important contribution to our results.

I'd also like to make a quick comment about our leadership team. We have a great team of leaders. It's a very diverse team in terms of their backgrounds, both from inside the company and from industry leading peers. We also recently moved David Healy, who for several years had been running our group business, the Employee Benefits business, which has had such a great recent trajectory into the leadership position for the dental business; and Joi Tillman, who's had a long history with us, starting with Assurant employee benefits has now taken the helm in the group business.

So let's talk about the landscape that we compete in, the health and benefits market in the U.S. is enormous at US$4.8 trillion. Just to put that into perspective, that's more than twice the size of the entire Canadian economy. So this is a very big business to participate in. And even the very defined areas that we've chosen to compete in are very, very large. So dental benefits is $107 billion business.

Now think about that. I just said on a previous slide that we have about $3 billion in revenue. So we can be --and we're the number one player in terms of membership. So you can be number one and still have only 3% market share. That's quite remarkable. That's how crowded these spaces are. But it also gives you an idea of the opportunity that remains.

In health and risk solutions, the Stop-Loss market is almost $40 billion. We're the largest independent provider, industry leading and we have about $3 billion of business there. And employee benefits, that's a $42 billion business, we have about $2 billion, $2.5 billion there. So lots and lots of opportunity, certainly within these three defined spaces and within the broader health and benefits market. These are a few of the themes that we're really focusing on as we differentiate ourselves in the market.

One of the things that's happening in the U.S., which is a relatively new phenomenon is it's becoming very difficult to access care. That was never really an issue for Americans until really the last four or five years. The primary issue that companies like us were asked to solve for employers was cost, cost management. And we certainly are still asked to do that, and we do that.

But now access is becoming perhaps just as important. During the COVID pandemic, a significant number of providers, doctors, nurses, dentists left the field, decided to retire early. We also have the cohort of providers that is part of the baby boom generation, that is also now very much in of retirement age. Historically, the U.S. has had 17% of its clinical provider community being foreign born.

Over the last eight or nine years, we've had less immigration, that looks like that will continue. It's becoming harder and harder to replenish the numbers that we need to serve our population through immigration. At the same time, the demand for health care is rising rapidly. That's a demographic issue. The baby boom generation is now mostly retired. But first really starting to reach its peak health care consumption years.

People over 65 use about three times as much health care as people under 65. So as that cohort ages, obviously a tremendous increase in the demand for health care. So many of the products and services that we offer are designed to help people get access in an increasingly difficult system to navigate.

Now, let's dig in just a little bit into each of the major businesses that we participate in. The dental market itself, as I mentioned is a very, very large market. Commercial plans, benefits at work. That's 175 million people. We also participate in a very significant way in government programs. Medicaid, which is the U.S. program for low income people and CHIP, the children's health initiative are, which is related to Medicaid serves about 67 million people today for dental benefits, even more for medical.

Medicare, which is our program for people over 65 as well as the long term disabled, currently has about 22 million people enrolled in private dental programs as part of the Medicare advantage product. And then there are other federal programs as well. So the market is vast. We are participating in all of these. Some of our fastest growth is now coming from commercial, our sales in the commercial part of the market have doubled since the DentaQuest acquisition. We continue to grow in Medicaid. We recently were awarded our first three contracts in California, which is the largest Medicaid market in the U.S. Lots more opportunity. We have about $1 billion of Medicaid business that we identify as being in our pipeline.

Medicare advantage, we are a relatively small player today in that, but we've doubled the size of that business since the DentaQuest acquisition. Also since the acquisition and of course, we've all been focused on the Medicaid re-enrollments, which led to a 19%-plus really disenrollment in Medicaid. At the same time, we've, since the acquisition 2.5 years ago, we've sold $760 million of new business, about half in Medicaid, half in the other products. So actually, our revenue is about where it was at the time of the acquisition because the new sales have compensated for the Medicaid disenrollments which have now essentially ended.

So we're the largest dental benefits provider in the U.S., as I said, participating in all of these markets. In Medicaid, we're in 28 states. We have 26 million Medicaid members. In commercial, we're relatively small in that market. The growth there is leveraged by the fact that the average premium per person in commercial is 2.5 times a Medicaid premium.

Medicare advantage, huge opportunity and also our advantage dental plus practices. We operate 20 dental practices largely in underserved communities. We deploy these very strategically. Even though these practices serve a pretty small portion of our total membership, they're hugely important in that they help solidify and create relationships with State Medicaid agencies, because we're solving a very big need for them, which is to serve people who otherwise wouldn't have access to dental care in underserved geographies.

Now, talking -- the next two slides, I'll talk about what is the earnings power of the DentaQuest business? Now, question was asked earlier and I'm sure it'll be asked again, we are still very happy with the fact that we were able to acquire DentaQuest. It was a unique opportunity to be number one in a very big market that we're very interested in. And despite what's happened over the past couple of years with the end of the Public Health Emergency and the impact that it's had, that has not in any way changed the prospects for this business or for this market going forward.

So we believe the after-tax margin opportunity in dental is 5%. Most competitors talk about 4% to 5% after tax. So we're being aspirational hitting the top of that range. You might ask, why is the margin only 4% or 5%? Some of the other businesses you're in, have much bigger margins.

And the reason is the market has adapted to the fact that dental requires very little capital. Dental benefits are generally what's called the limited benefit capped at a few $1000 a year. So based on the actuarial formulas, you don't have to keep a lot of capital around that business. Plus it also re-prices frequently. The Medicaid business re-prices every year in almost all of our contracts, the commercial business depending on the client will re-price every one to three years.

So the denominator is small, a 5% margin will generate a marginal return on equity over 30%. So that's a good result and we're happy with that kind of a margin. Now, realistically, can we get to a 5% margin? Well, the best proof point of that is prior to the re-enrollments of the last year and a half or so. The last four years before that, DentaQuest was achieving a 5% margin. Revenue, we're a little over $3 billion today. If we grow the revenue at 10% a year, we'll get to $5 billion in revenue in about five years.

Now, can we do that? Well, prior to the Public Health Emergency re-enrollments, DentaQuest was generating an 11% annual growth rate in revenue. So 5, 5, 5 over the next five years, give or take that gets us to a 5% margin on $5 billion in revenue. So this is the same earnings power that we built into our business case for the acquisition in the first place. This really is no different than where we were.

Now digging into this just a little bit more. The way we're thinking about this is there's two periods of time here. There's the bridge from this year to next year. And we've talked a lot about in our calls, about $100 million in earnings next year. And then how do you get from there to what I just talked about on the last slide. So getting from where we are today to next year is mostly a story about restoring the margin.

So as of today, where we stand today, 91% of the Medicaid business weighted by premium has had a repricing action taken. Now, that's not necessarily the full re-pricing that's needed, partly because a lot of these contracts were re-priced before the experience impact was fully realized. So what we've calculated is, where we are today, is we have gotten 61% of the premium increases that we would need in order to restore the Medicaid business back to full margins.

As I said, these contracts, almost all of them re-price every year. So over the next year, we expect to get the vast majority of the remainder beyond that 61% to the right place. We're also pursuing claim management and expense and other productivity initiatives to aid in that. But pricing will obviously play a very big part. We're also growing again, as I mentioned. So the way we think about this is 75% comes from margin and 25% from growth.

But once we get to that point and get things restored back close to full margins, what happens after that? Most of the growth to those numbers comes from growth -- from top line growth, from the growth in each of these very attractive segments. That's 75% of where we go from the middle to the bar at the right-hand side and then 25% comes from some further marginal improvement in the margin.

Now let's go to the Health & Risk Solutions business, which of course includes our industry leading Stop-Loss business. Another very attractive market, certainly in size and other characteristics. First of all, a little background, about half of all Americans get their health insurance at work from their employer. Almost two-thirds of those employers adjusted by volume based number of people, two thirds of people are in plans that are self funded.

So what's a self funded plan? That means the employer doesn't actually buy insurance. They hire an insurance company, often the same ones who provide the fully insured plans to administer the plan for them. But the way it's funded is they set up a bank account that the health insurer can reach into, to pay each claim. Now, many of those employers don't want to be completely without any sort of coverage particularly for cash flow management purposes. So they buy a coverage called Stop-Loss which provides reimbursement if the total claims in a year on any one individual exceeds a certain threshold amount.

Generally, those amounts are pretty high $150,000 or $250,000 in a year. And that's what Stop-Loss coverage is. That's what we have the leading franchise in. It's a very big market, as I mentioned, almost $40 billion and it's a market that continues to grow.

One characteristic of being in these health businesses is they --, most of them benefit from medical inflation, often called trend. Medical inflation is now running 8% to 9%. So while that's also a big issue for us to help our Clients solve, it's also a tailwind to the growth of the business. Now the Stop-Loss business historically tends to have what's called an underwriting cycle. The margins get better and better and then competitors decide, gee we like those margins, let's discount the pricing. They discount the prices too much and then the loss ratios deteriorate and then they have to increase the prices.

We've tended to operate at loss ratios below the market. So the blue line is the market since 2013, the yellow line is our loss ratio. So you may ask, in a highly competitive price sensitive market, how are we able to price below the industry? And there's a couple of answers to that. One is the benefits of scale. We have better data, better people, and stronger relationships. We work with the best brokers in the industry. They value our approach and generally our stability.

But the other reason is we've created real differentiated capabilities. Most of our competitors look at Stop-Loss as an after the fact, reimbursement, almost like a reinsurance business. We look at it as a health care business. There are people behind these claims. We seek to identify who they are long before their condition becomes a Stop-Loss claim.

And increasingly we're providing interventions that help them have better outcomes. So that is valued by the marketplace. It's valued by employers and the brokers who represent them. And this kind of assistance with care management and care navigation is truly differentiating us and enabling us to have an industry leading financial result on a sustainable basis.

Now, in our Employee Benefits or group business, we also have differentiation. These are the products that are typically included that I mentioned before, also very large markets. But the way we've chosen to differentiate and Laura mentioned this earlier today, is to recognize that these benefits are part of a much larger, very complex health benefits ecosystem that our employer Clients have to navigate.

In the U.S. It's very common for an employer who offers benefits to their employees to work with a dozen or more vendors, the health insurer, the broker, the human resources information system, the enrolment platform, the benefits admin platform, and then multiple providers of different types of benefits. That is an incredibly complex system to manage.

So we have invested heavily and emphasized our ability to make that easier for employers by creating dozens of APIs and other similar capabilities. So that data moves back and forth seamlessly and employers don't have to do duplicate work, duplicate data entry, et cetera. And we've become known as one of just a very small number that have become easy to work with because of our ability to provide these digital solutions.

So our group business is now growing, especially the last three years at a well above market rate through organic growth. And that is really helping us even though we'retop 10, which is good, but we are actually developing enough growth that it's giving us the scale we need to be highly competitive and successful.

And finally, I'll just very briefly talk about our legacy, individual life business, not a health care business. That's most of the other 15% that I mentioned, but it's still an important business to us. I think we get asked the question quite often, why do you still have that business? Why don't you divest it? And what's on the slide here is the reason for that. The reason others would buy a business like this is because they think they can get a better return from it than we can.

So we asked ourselves the question, what is it that they do in order to get that better return? Why don't we get that better return? And that indeed is what we've done. We've restructured all of our reinsurance contracts. We've put in place very beneficial captive strategies and we're leveraging the capabilities that we have through SLC with alternative investments to replicate the kinds of returns that some of these other entities are getting. So it's an important business to us.

We also have important obligations to the people who are served by this business. Our longest policy in force has been with us for 94 years and our oldest Client insured, is 111 years old today. So we have 200,000 people who are counting on us and their families are counting on us to deliver the promises we made in some cases a very, very long time ago.

So all of this supports our new Medium-Term Objective, the 12%+ in annual growth. And that includes all our businesses previously that didn't include the individual life business. So we're now including that in this number and an underlying return on equity of 18% or more.

And again, we do it through these key components here. We're winning in the marketplace, we're in businesses, we're super focused on the businesses that we're in and not dabbling in lots of other things. And these are all part of the capital light, fast growing U.S. health care economy.

And with that, I'll turn it over to Manjit.

Unidentified Participant

Please welcome to the stage, Manjit Singh, President Sun Life Asia.

Manjit Singh - *Sun Life - President, Sun Life Asia*

Well, good afternoon, I get the coveted spot of being the last presenter of the day, but I know you're going to be energized listening to our Asia story. So as many of you know, I'm closing in on my first year as President of Sun Life Asia. But Sun Life's roots in Asia run deep back to 1892 longer than any other life insurer. And over that time, we developed a strong business across eight markets. And today, I'm excited to share our focus for the next leg of our journey.

And there are five key messages from my presentation today. The first is that over the last 10 years, we've grown the scale and profitability of our business and solidified our position as a Pan-Asian leader. Number two, we're confident about accelerating our growth because we are in the right markets with the right capabilities and we're driving strong execution.

Number three, that we have market leadership in our at-scale businesses in Hong Kong, high-net-worth the Philippines, and India, which provide a solid foundation for our growth. Our scaling businesses include Indonesia, Vietnam, China, and Malaysia. And we're confident that as we execute our plans to grow scale that these businesses will contribute to strong growth. And number five, that we are well positioned to deliver underlying earnings growth of 15%+ and our ROE of 15%+ over the medium-term.

So now let's start with taking a look back. So over the last decade, Sunlife has emerged as a Pan-Asian leader. We've generated double digit sales and earnings growth by strengthening brand awareness across our markets, expanding our distribution, and leveraging new and established partnerships.

Over the past year, our continued investments along with a sharpened focus on executions have led to stronger growth. Insurance sales grew by 35%. New business CSM is up 57%. Underlying earnings are up 15%. And organic CSM, an important indicator of future growth increased 17% nearly double the rate of our peers.

Now let me touch on a few actions that are supporting this growth. We have grown across all key distribution channels, agency, banca, and broker. We strengthened our agency by rolling out new models and new digital tools. And we expanded all of our broker relationships, and we launched a new a Banca partnership in Hong Kong.

We also launched new protection products to meet Client needs and to generate higher margins. A good example of that is our Generations II product in Hong Kong. This provides comprehensive financial protection, legacy planning, and business continuity with added benefits for critical health events. We've also realized operational efficiencies through streamlining our processes and also growing scale driven by higher volumes. And we have added fantastic talent to help drive this growth. I'm proud of the strong experienced leadership we have across our markets.

Now, another area we've made very good progress is on our ROE. Overall, our ROE has grown from 8% to 13% over the past decade or around 50 basis points per year on average. Now, the key drivers of this increase include growing volumes, higher management, as well as disciplined capital management. Across our eight markets, we have an even split in the number of at-scale businesses and scaling businesses. Our at-scale businesses provide a solid base for our overall ROE.

And these are the businesses that I mentioned before in Hong Kong, high-net-worth, Philippines, and India where we have established top tier positions in the market. We are now delivering ROE of 20%-plus in these scale businesses, indicative of our ability to generate strong financial returns. Returns have also improved in our scaling businesses.

We've made significant investments in banca partnerships over the last three years to lay the foundation for future growth. This includes investments in Vietnam and TPBank and ACB; Dah Sing in Hong Kong as I mentioned and our expanded partnership with CIMB Niaga in Indonesia which begins on January 1, 2025.

The other thing to remember is that the payoff from these partnerships emerge in a J-curve. So initially, we make investments to set up operations and integrate with our partners. Sales ramp up over time as collaborations strengthen and insurance becomes embedded in Client journeys. New sales, remember are first reflected in CSM and the contribution to earnings grows over time through CSM amortization.

And the partnerships become more profitable around year five and continue to generate increasing earnings and returns thereafter. Overall, we are confident we can continue to grow our ROE over the medium-term.

Now, let's begin to look forward. Asia is one of the fastest growing regions globally. And Sun Life has invested in some of the fastest growing markets within the region. And these markets have strong fundamentals. And that's underpinned by strong real GDP growth, that's outpacing those of more developed markets in the region like Korea and Japan. And that's giving rise to an increasing middle class in Asia which will more than double from 2023 to 2030.

These are also underserved markets with low life protection penetration and a growing need for health, wealth, and retirement solutions. This combination of rising affluence and unmet demand is compelling, and we expect it to drive double digit sales growth across Asia over the medium-term.

In addition to being in the right markets, we have the right capabilities to win in these markets. Sunlife is a well recognized and trusted brand which Clients can rely on to help them live healthier lives and to achieve lifetime financial security. We have comprehensive award winning solutions in life, health, and wealth.

I'll give you two examples. Our Sun Protect product in Hong Kong was recognized as the top three most innovative product at the recent Product Services Awards. This is a whole life par product that includes a lifeline lock-in option to acquire additional death protection benefits, a first in the market.

We also won the most innovative new Takaful Award at the International Finance Awards in Malaysia. This product covers three generations of critical illness protection, targeted at the sandwich generation which must provide support for both parents and children. These are just two of many examples of how we're innovating to meet our Client needs every day.

We've also invested in digital capabilities and I'll talk more about that in a few minutes. And of course, this is all supported by adding top talent and leadership positions to complement our amazing team in Asia. Our talented teams are also energized and you've heard about it today, our Purpose, and to deliver for our Clients.

Turning to distribution capabilities, we've built broad geographic and balanced channel distribution. We have agency and bancassurance across all of our markets and global broker relationships to serve our high-net-worth Clients. As mentioned earlier, we've added significant banca partnerships with leading banks in India, Vietnam, Hong Kong, and Indonesia. And we're selective about partnering and choose to partner with respected, well-run institutions that are aligned with our purpose.

At the same time, we've been growing our agency. Agency annual premiums grew at a 10% CAGR from 2013 to 2023. And we're confident that we can continue to grow that. We currently have about 90,000 agents and we aim to double that by 2028.

We also have deep and diversified global broker relationships and we use our quality broker relationships to serve high-net-worth clients, MCV clients, as well as local market clients. This strong and diversified distribution supports our leadership position in the region.

In addition to the regional and local capabilities in Asia, we're also leveraging Sun Life's enterprise capabilities. So Sun Life's deep experience in life insurance helps in the design of new products and effective risk management. Our global asset management businesses that you've heard about today in MFS and SLC enhance local offerings to help improve Client choice and returns.

Sun Life's strong financial position, empowers Sun Life Asia to invest in attractive strategic opportunities. And we also leverage the global talent of Sun Life to provide best practices and learnings from around the world. So this full suite of capabilities from enterprise, local, and regional will provide a good platform for growth in the future.

So now I've touched on the fact that we're in the right markets and we have the right capabilities. And the third leg of that stool is excellent execution, and our teams are laser focused on it. So let me touch on a few successes over this past year, as well as the areas we're focusing on going forward.

Our aim is to secure a top five brand position across all of our markets by 2027. So this year, we enhanced the digital marketing strategy with new website experiences. We elevated our Hong Kong brand through high impact campaigns, and we achieved steady brand awareness in Malaysia. As noted earlier, we're executing on our distribution priorities to serve more Clients.

In agency, we're streamlining agent onboarding to get agents in front of Clients faster and launching new digital sales tools. In bancassurance, we're leveraging data analytics to identify and fulfil broader Client needs. And in the broker channel, we're integrating our broker systems to improve sales and servicing.

We're also focused on continually improving the Client experience and we're doing that by unifying our digital platforms to provide a seamless and consistent Client experience. We're revamping our online tools to quickly connect Clients to information they need making their shopping experience easier. And we're implementing local Client councils to listen and act on Client feedback and to address any key pain points quickly.

We're also adopting, and you heard Laura talk about this earlier, the agile ways of working to bring solutions to markets faster. And a recent example of that is the implementation of the new underwriting system in the Philippines, which has allowed us to increase the speed of providing our policies by 5 times. I'm confident that Sun Life Asia will generate continued growth because we are in the right markets with the right capabilities, driving strong execution.

Now let's turn -- take a look at our markets across Asia. We have solid momentum across our our at-scale markets and a strong position in these markets serve as a foundation for our growth. So let's begin with Hong Kong. And Hong Kong is an important market, while it's an established insurance market, it also has the upside of a scaling market. Hong Kong contributes roughly 40% of the VNB in the Asia region. And in the last year, the top 5 players in Hong Kong delivered 25% VNB growth from their businesses.

And Sun Life has built strong capabilities in Hong Kong and are making ongoing investments. So let me talk about a few of those capabilities. We have good scale in the market. We enjoy a top 4 position in life sales as well as top 3 in assets under management for the mandatory provident fund Hong Kong's Official Retirement Scheme. We are proud that a quarter of the working population in Hong Kong is a Sun Life Client.

We've also deepened Client relationships who are leveraging our comprehensive health and wealth solutions. Using data analytics, we double the number of Clients who have both a life and wealth product with Sun Life and there is much more room to grow. And we have a diversified and balanced channel mix, which is industry leading.

We form strategic relationships with brokers and we focus on differentiation with service rather than commissions. We've delivered strong agency growth over the past few years and our agent count is up 50% over that time. And mid last year, we've launched a long term partnership with Dah Sing and I'm pleased that our results are far exceeding our expectations. So overall, we continue to see very good growth opportunities in our Hong Kong business.

Next, let's turn to high-net-worth. High-networth serves Clients who require customized solutions to meet multi generational needs. They generally have private banking relationships and need life insurance to provide liquidity for wealth or estate planning. And the high-net -worth opportunity is growing. There are now more than 4 million individuals with over $5 million of assets, an increase of almost 50% since 2018. And the number of millionaires in the APAC is expected to continue to grow.

And Sun Life is well positioned for growth. We are trusted by our high-net-worth Clients who are seeking value added advice and reliable service backed by strong financial stability and we delivered on high-net-worth Client needs for the past 25 years and earned a strong reputation.

We also have the underwriting capacity and retention limits to meet high-net-worth Client needs and our global network and partnerships enable us to deliver tailored solutions. We're going to remain focused on delivering high-net-worth growth as it generates strong margins and ROE. Next, let's turn to the Philippines. So next year, we're going to be celebrating 130 years in the Philippines.

Through its leadership position, strong brand and deep commitment to local communities, Sun Life Philippines is woven into the fabric of the country. This became clear to me when I was on a flight to the Philippines and began speaking with the passenger next to me. When he learned that I worked with Sun Life, he'd been with pride and said that it was one of the best Filipino companies. He was surprised to learn that it was a part of a global Canadian company because it has such a strong local feel and presence.

The Philippines has all the right attributes for us to continue to thrive. A young and growing population, 6% real GDP growth and a growing middle class with low life insurance penetration of just 1.2%. And we have all the capabilities in place to continue thriving. We have been the undisputed leader in the Philippines for more than a decade and this leadership position is supported by a high-quality agency force with the most MDRT qualifiers.

A growing bancassurance business through a JV with the Shanker group of companies, one of the largest conglomerates in Southeast Asia and a strong brand.Sun Life Philippines has earned the most Trusted brand recognition for 15 consecutive years. Looking forward, we're focused on further expanding our agency in banca to serve a growing Client base.

Next, let's turn to India. I'll begin with a brief summary of our business and then I'll outline the value we've created and the opportunities that lie ahead. We have a strong 25 year partnership with the Aditya Birla Group. ABG is a global conglomerate with a market cap of over US$100 billion. It operates in 40 countries across 20 sectors and with over 300 million customers.

This kind of quality partnership is difficult to replicate in India. Together we've built high performing businesses in asset management and life insurance. Both companies are top performers in their market. Our asset management business, ABSLAMC is a listed entity and is number 6 in the market with $63 billion in AUM and it has consistently delivered ROEs of 25%+. In 2021, we had a successful IPO the asset management business and we realized a gain of $450 million.

Our life insurance business ABSLI is number 7 in the market with 5% market share amongst private players. And over the past three years, sales have grown at an impressive 23% CAGR. These two businesses have a combined value of over $5 billion. And Sun Life's share is worth well in excess of $2 billion based upon the trading price of the AMC and a conservative one times embedded value multiple for the life insurance company. And in addition to that, the companies have also generated strong operating performance with earnings up 4 times over the past decades.

We will build on our past success in India to drive future growth. India is poised to become the sixth largest insurance market by 2030. It has a fast growing economy and there is an increasing Client awareness of the need for savings and protection. And this is reflected in the fact that we continue to see flows into the AMC and growing market share at ABSLI. India's projected growth trajectory coupled with the strength of our 25-year partnership position us well to deliver continued growth.

Now let's turn to our scaling markets and the strategy there is to really leverage our partnerships and regional expertise to grow scale. Over the coming years, our volumes will grow and our margins will expand and that's going to contribute to higher CSM and earnings growth. And we recently created a new senior leadership role to oversee these markets. We are pleased that Randy Lianggara joined us in November 1 as our President of emerging markets. He brings deep experience and proven ability to drive growth in these markets. We're establishing good momentum and expect these scaling markets to contribute an additional $150 million in earnings by 2028.

So let's start with Indonesia. Indonesia is poised for double digit growth in life insurance sales and this is underpinned by a few factors. Indonesia is the most populous ASEAN country with over 280 million people. Its middle class is comprised of 50 million people and growing, and it has the lowest insurance penetration amongst all of our markets. Now, Sun Life has been in Indonesia for over 30 years or almost 30 years and we're well positioned to grow across three main parts, three main businesses, our banca partnership, our Sharia business, and agency.

As I mentioned earlier, we're having expanded bancassurance partnership with CIMB Bank Niaga that will go live in January 2025. And this expanded relationship which will include in branch sales will more than double the opportunity we can access with CIMB Niaga which is the second largest private owned bank in the country and provides access to 8 million Clients. We also have a leading position in the Sharia market. And the Sharia market which has grown over 9% since 2018, in fact, is growing faster than the conventional insurance market. And we're focused on tripling the size of the agency over the next few years.

Next, we'll go to Vietnam and Vietnam like our other ASEAN countries has a growing middle class whose insurance needs are also growing. And we believe that Vietnam can deliver good growth. The middle class is expected to double to 26 million by 2026 and there's a large protection and savings gap. And Sun Life has good capabilities to position us to succeed in in Vietnam. And these include bancassurance partnership with the two of the most reputable banks in Vietnam.

ACB has the number one market share in Vietnam and TPBank is one of the fastest growing banks in Vietnam. And our unique digital signature solutions which includes 99% digital business submissions is well ahead of the peer average and that allows us to provide enhanced Client and advisor experiences and also to accelerate auto approvals.

We're also continuing to look at ways that we can strengthen our advisor productivity. And as Laura touched on earlier, we recently launched a new digital lead generation tool which is helping us to generate additional sales. And our brand awareness has also doubled in the past five years, reflecting our focus on the Client and the community.

Next is China. China is a large market, and we all know that. It makes up about 15% of the global life insurance market. Its demographics are changing which is creating a greater need for insurance solutions. Its middle class is expected to grow by 80 million by 2030. And in the next 10 years, China's senior citizen population will grow by 100 million. And Chinese consumers are looking at ways to diversify their financial assets and insurance solutions provide a good option. We have a partnership with the China Everbright Group which provides us with very good growth opportunities.

CEG is a major financial conglomerate with diversified businesses and the partnership gives us access to potentially over 150 million Clients and there's substantial room for expansion due to our low penetration of their Client base. And CEG is also expanding into senior health care which provides also another opportunity for us to offer pension and health solutions to their Clients. We're focused on deepening our collaboration with China Everbright Group to leverage our combined strengths.

And finally, Malaysia. Malaysia has strong underlying economic fundamentals. It has a second highest GDP per capita in ASEAN behind only Singapore. But life insurance protection is only -- penetration is only at 2.3% and the life insurance market is expected to grow to $23 billion by 2027. Sun Life entered Malaysia in 2013 when we partnered with Khazanah Nasional Berhad, which is one of the largest global sovereign funds to acquire CIMB Aviva.

Since then, we've grown our earnings by three times making us the fastest growing insurer in Malaysia. And we've significantly grown our bancassurance business and establish an agency in Takaful. Looking forward, we will continue to deepen the penetration into the CIMB client base and significantly expand our Takaful and conventional agency forces.

So to sum up Sun Life has a deep history in Asia. Over the past decade, we've strengthened our businesses, delivered good growth, and establish ourselves as one of the regional leaders. We are in attractive markets and have strong global, regional, and local capabilities to drive accelerated growth. And we're doubling down on execution to realize on these opportunities. And we've seen good lift from our actions over the past year. Our medium-term goal is to drive 15% underlying earnings growth as well as 15%+ ROE. In Asia, we're playing to win and I'm confident we will.

So with that, I'll turn it over to David for the Q&A session.

QUESTIONS AND ANSWERS

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

And we have Gabe in the back with the first question.

Gabriel Dechaine - *National Bank - Analyst*

All right. First, I got one for each one of the regional heads, I guess. Canadian Dental Care program, the federal program, there, are there any signs yet or do you anticipate any signs as the program has expanded to 9 million covereds that there's some cannibalization. So businesses that provided the coverage, drop it so that their employees can go into the public program.

Then I don't know if this is anything to talk about. But with Trump in the White House, there's an expectation that the M&A cycle might accelerate in the US. Does that present any notable risk to your group business as companies merge? And you might have to be on the wrong side of a merger and lose clients? I don't know what your experience has been historically.

Then for Asia, I hear a lot about scale and ones that have it and ones that don't, how do you define scale? Just -- and is there anything we can track because I've tried to do that and it's a nebulous concept for something that really should be more transparent.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

Well, that's a lot of questions Gabe. So why don't we let Jacques answer first and then we'll go to Dan and then Manjit.

Jacques Goulet - *Sun Life - Executive Chair, Sun Life Canada*

You're right when you mentioned the 9 million Gabe, these are people who are, who don't have coverage, right? So to become eligible, the employer would have to drop coverage. We're not seeing any signs of that at the moment and I don't think that will happen. Dental is one part of a broader employee benefits package.

Most employers now they want to attract and retain top talent. They want to have a competitive package. And the things that would come high in priority would be virtual care, for example, with Dialogue, LTD, Life, and so on. So it may happen if it were to happen, in my view, it would be probably at the lower end of the market, not the big, large, national type of employers, but we're not seeing any signs of that for now.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

Okay. Dan, specifically on M&A in group benefits.

Dan Fishbein - *Sun Life - President Sun Life US*

Yeah, I think your question is exactly why it's so important that we have leading positions in the businesses that we're in. Because that immunizes us to some degree from that kind of M&A activity. Now, we don't necessarily detect anything that says there's going to be this sort of rush of M&A activity. But if there were first of all, we might participate in that. And secondly, I think we're very well positioned with our leading franchises.

Manjit Singh - *Sun Life - President, Sun Life Asia*

In terms of scale, I think the important part is to make sure that we are rounded out in our distribution. So making sure that we have agency and banca in some markets, as broker as well. And if we do that and deliver on the rest of our business, we should generate top 5 market share. So that's how we define scale.

Gabriel Dechaine - *National Bank - Analyst*

Okay. So Vietnam, Indonesia, you're not top 5 markets here in those.

Manjit Singh - *Sun Life - President, Sun Life Asia*

But and the way we're going to do that is we've entered into these bancassurance partnerships that will grow over time, which will lead us to the top 5.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

I saw Paul's hand go up next Paul, then Rob and then Alex.

Paul Holden - *CIBC World Markets - Analyst*

Thanks - question for Dan. In terms of that revenue growth, you project for the U.S. business, the dental business specifically, roughly what proportion would come from commercial accounts versus the Medicaid.

Dan Fishbein - *Sun Life - President Sun Life US*

So very roughly today, in terms of revenue, we're 70% Medicaid, 5% Medicare, 20% commercial, and 5% in our care delivery business. And we don't expect that mix to change much over the next few years. So we would -- we project getting a similar growth rate in each of those businesses and kind of maintaining that current mix.

Paul Holden - *CIBC World Markets - Analyst*

And I'm going to sneak in one for Manjit as well. Kind of surprised to see you number one market share in Hong Kong broker market. So how long have you had that number one market share for? And how did you get there?

Manjit Singh - *Sun Life - President, Sun Life Asia*

So I think we invested a lot on our capabilities during the pandemic, Paul. And then we realized the benefits of that coming out of the pandemic. And I think as we said, we looked at specific capabilities that we had formed deeper partnerships with the brokers and that's allowed us to drive that growth.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

Okay. We're going to go to Rob Pool over here.

Robert Poole - *Picton Mahoney - Analyst*

This question is for Dan, you had that interesting chart showing like Stop -Loss margins for you versus the industry. And like historically, you've been below. It seems like back a couple of years, it was still positively correlated, but you were below, but it seems to have broken down in the last couple of years where when your margins improve, the industries deteriorate, when the industries deteriorate yours improve.

Is there -- is that like an example of adverse selection happening in the market? And we hear peers saying they're going to take almost 100% rate in stop loss next year should we expect you to see margin deterioration but share gains in the years to come. That was my question.

Dan Fishbein - *Sun Life - President Sun Life US*

So, so I don't think we really do have a counter cyclical pattern there. Generally as loss ratios rise for the industry, they have historically risen for us as well, but obviously not to the same degree. We've been able to maintain a nice separation there. I guess the way I think about margin growth versus revenue growth, we sell more Stop-Loss every year than anyone else in the industry. So for example, in 2023 we sold $800 million in new Stop-Loss business. Year-to-date. We're 17% ahead of the pace of last year.

So we're selling a lot. But at the same time, we do take a conservative approach to pricing. We are not a pricer that says, oh, here's a chance to grab a ton of market share, so let's discount our prices. We generally price to what we think the risk is. And the brokers we work with appreciate that because that gives them stability over time. They don't have to move the coverage every year.

If there is an impact from the environment that may be emerging at the moment, it will probably appear more in persistency than in new sales. A lot of that business does turn over every year. It's a pretty significant percentage and even just a 1% or 2% change in persistency can have a big impact on the results. So that's our belief right now is that we may be able to retain a higher percentage of the business this fall than we might typically retain.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

Get Alex. Next.

Alex Scott - *Barclays - Analyst*

Hi, Alex Scott, with Barclays. I just wanted to stay on Stop-Loss for a moment. You mentioned medical loss trend and I think it was like 8-9% over time. I'd just be interested. What's your current view of that? And I guess just observing some of the other players in the industry and just thinking through that the structure of these policies is a little more of like an excess of loss type idea, I mean, is there a higher growth rate to that right now? Do you -- it sounds like you guys don't need to make the kind of adjustments some of your peers may need to, but is there still like a bigger consideration going into this renewal?

Dan Fishbein - *Sun Life - President Sun Life US*

So first of all, on trend in general during COVID and this is why we had such extraordinary results 2, 3, 4 years ago. There was absolutely lower utilization than would typically have been expected because people were staying away from medical care. Now, part of that is unfortunately that there's delayed diagnosis of some more serious things. Of course, Stop-Loss is the coverage that is heavily influenced by more serious conditions.

So we're seeing a bit of a recovery there, both in that overall hospital and medical utilization has recovered back to pre COVID levels. And then there may be even a little on top of that for a spike in more serious conditions where there were delayed diagnoses. The 8% to 9% medical trend. And that's overall, that's not for Stop-Loss specifically is the highest medical trend we've seen in quite a few years. That may be temporary because of this phenomena of delayed diagnosis. Hopefully that will come back down.

That is a bit of a tailwind, ironically at least on premium. But again, the way I would think about this fall and maybe heading into next year, we do expect pricing in the Stop-Loss business to harden. It's been highly competitive, hypercompetitive, quite frankly, over the past couple of years, more rational pricing in the market would be a good thing.

And generally, though we don't play in that up and down dynamic as much as some others do, we don't try to grab market share with very aggressive pricing and then have to reverse that. We try to be more stable in our approach.

Alex Scott - *Barclays - Analyst*

Understood, helpful. Second question I had is just on the scale of the U.S. business. When I think through how fragmented, you kind of described it as, like it's sort of ripe for somebody to be a consolidator in this space seemingly. I think a lot of the U.S. insurance companies aren't all that well positioned to necessarily do that because they have a higher cost of capital frankly than you guys. So I'd just be interested in -- is that an opportunity, like is that something you're focused on in terms of inorganic?

Dan Fishbein - *Sun Life - President Sun Life US*

Well, I think a really important way to think about this is that the group businesses, I think just about universally are businesses within larger companies that are very diverse in what they focus on. So there really aren't other than maybe one company starting with a "U", there's no pure play group companies, everything else is a piece of a bigger company. So a consolidation play would be very, very difficult because of that dynamic.

At the same time we do look at a lot of things and we will continue to do that as things come to market, We always take look, but we're also pretty picky about that. And there have been a couple of transactions recently that have had very frothy multiples. So we're not necessarily going to participate in that. But as the M&A market evolves over the next few years, there could be opportunities for us.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

So we are at time. But Tom I'll let you sneak in your last question and then we'll move on.

Tom Mackinnon - *BMO Capital Markets - Analyst*

Oh, yeah, thanks. Dan, what's unique about the U.S. marketplace in that? You'll have one provider and employee benefits for life. Another one for health, another one for Stop-Loss, another one for dental. Like that seems confusing from an employer and an employee perspective and probably from a provider perspective as well.

Is there ever a -- do you ever see a trend where you're going to have one provider for all of that stuff? And why does it kind of remain fragmented in terms of that perspective? And then I have a follow up.

Dan Fishbein - *Sun Life - President Sun Life US*

So well that's a question people have been asking frankly for 25 years and expecting eventually, there'd be some consolidation but it's actually gone the other way. Many of the big health insurers have divested their so-called ancillary businesses in the past 5 to 10 years. So the market has become more fragmented and in fact, there are new components of the market, the enrollment platforms, the administration platforms, et cetera.

There is an aspect that, one, is that there's a lot of specialization that goes on and employers want the best in class. The other is the impact of brokers, right? If everything could be placed with one provider than maybe you wouldn't need the brokers as much. So the market has a structural component that tends to favor best in class solutions broken up by category versus one comprehensive solution.

Tom Mackinnon - *BMO Capital Markets - Analyst*

Yeah, thanks for that. And then Manjit, just been in Asia for a year and then in the head office for some time prior to that. Just some of your observations as you've moved over there, I mean, you shared the story with respect to the Sun Life brand in the Philippines and, but are what are some of the new things you learned about Sun Life in Asia over the last year as you've been in charge there?

Manjit Singh - *Sun Life - President, Sun Life Asia*

Well, I think it's really what I talked about. We have a great franchise in Asia. It's grown significantly over the last decade and that the markets that we're in are great markets and I've had a chance to visit them multiple times. We have great teams, its a great energy about those markets and that we have all the capabilities now in place to really win in those markets.

And you look at a place like India and how well we've done there and what a differentiated market that is for us and the opportunities that lie ahead. It's been really exciting to see that.

David Garg - *Sun Life - SVP, Capital Management and Investor Relations*

All right. Well, perfect. Thank you very much. I'm going to excuse Manjit, Dan, Jessica, and Jacques, thank you very much for your answers.

Before we end the day, we are going to show a video that really shows our Client Purpose in action. And so please stay tuned for that video. And then afterwards, Kevin Strain is going to close the day with a few words. Thank you.

Kevin Strain - *Sun Life - President & CEO*

So these are great Client stories. Lulu is one of our 85 million Clients around the world. And it's something we're trying to do as a company more often is share the Client stories because we're changing from being a company that has a nice Purpose. And it sounds great to a company that's having Client impact, that's delivering on its Purpose. And so telling these Client stories, motivates our employees, motivates all of us and hopefully motivates you as shareholders.

I do want to thank all of you for your time today. You've invested time in understanding the company better. You've had great questions. You're all important to us as, as shareholders, you're important to us as analysts getting that story out there and understanding what Sun Life's doing. So I do want to thank you immensely for your time. I want to thank the team that put this together, our Investor Relations team under David and the group have been working tirelessly, the communications team. it's great that -- we have all this material now that we'll be sharing with our, with our shareholders and with our investors. I hope you learned a lot.

I always think about strategy, structure, people and culture. That's how -- strategy sets where you're going set by our Purpose. But strategy and you now understand it, better understand it by Business Group better, structurally how we set up to deliver on that. And you've seen that structure of our Business Group leaders and some of our corporate people, like Laura and Linda that came up.

And of course, most importantly, it all happen through our people and our people and our culture are what's going to drive our results. And you saw the last 10 years in terms of delivering on our Medium -Term Financial Objectives because I know that's the heart of what all of you are looking at. We believe we've got the right strategy, the right structure and the right people and culture to deliver on the newMedium-Term Objectives that we've put in front of you.

So again, thank you very much. This won't be the last time we talk to you over the next little while. I'm sure I'm looking forward to questions if there are questions after this. But thanks for investing the time. I hope it's been a great day. It's been certainly great and inspirational for me to see and I hope you found it the same way. Thank you very much and have a good afternoon. There's lunch outside.