

REAL ESTATE

All values as of December 31, 2022

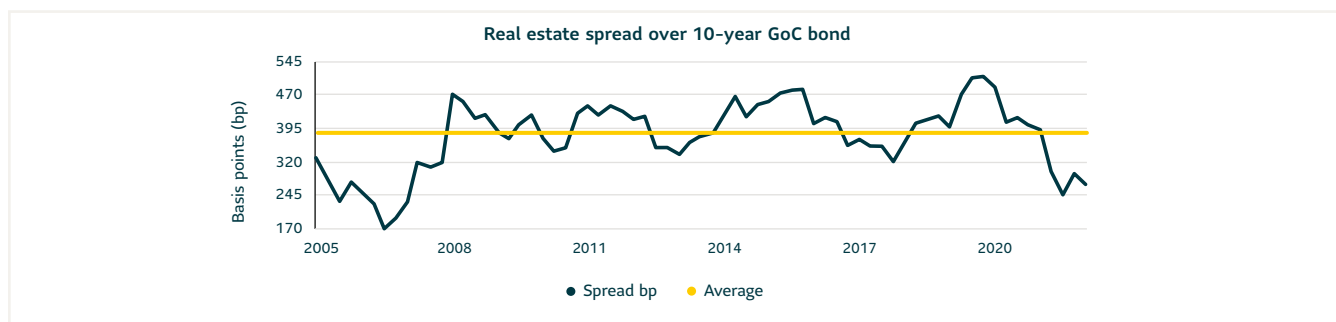
Benefits of our real estate strategy

- Adds diversification to the Sun Life Par Account Portfolio.
- Gives participating policyholders access to opportunities not available to the average investor.
- Achieves higher returns relative to other asset classes and is a good hedge against inflation.

Sun Life acquires and manages high quality real estate properties using limited amounts of leverage. Because we invest in both directly held properties and limited partnerships – not REITs – our dedicated real estate team, BentallGreenOak, is able to locate undervalued properties with return potential. We inject additional investment to some properties to further enhance value growth and increase rental rates. Real estate properties, unlike REITs, are illiquid but they complement to the long-term nature of our liabilities (i.e., insurance claims).

Historical returns

Historically, Sun Life's real estate returns have been comparable to the benchmark index, the Investment Property Databank Canadian All Fund Universe, and have improved the overall yield of the Sun Life Par Account. The returns on these real estate assets have had a generous average spread of 383 basis points over the 10-year Government of Canada (GoC) bond rate since 2005.



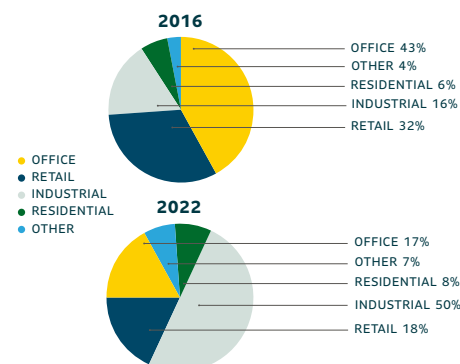
Sun Life's real estate holdings

The Par portfolio's directly held real estate assets amount to \$2.39B (14.9% of the Par account) as of December 31, 2022. In addition, the portfolio is invested in \$0.13B of limited partnerships, which hold pools of real estate with a limited number of large investors. The total Par Account's real estate exposure is 15.6%. The target asset allocation is between 12% and 22%. We tactically allocate our real estate holdings to the types and locations that offer the best risk-adjusted returns given the current environment.

Property type

Sun Life re-positioned Par portfolio to take advantage of long-term secular trends over the past ten years. As a result, the weighting towards industrial and residential has increased, while weightings to non-core office assets and non-grocery anchored retail have been reduced.

The industrial sector continues to outperform. Non-core industrial assets have been further divested, replaced by on-strategy core industrial assets and land parcels with strategic future development opportunity. Strong conviction remains in the residential sector (purpose built rental). Majority of the office exposure is focused on Class A products, a sub-sector that remains relatively resilient.



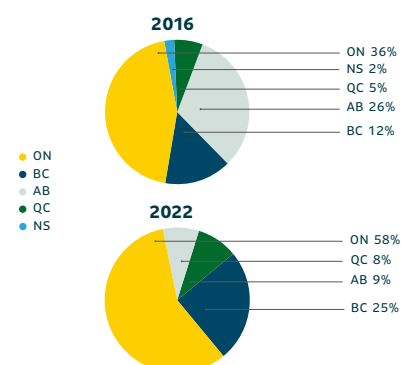
Property location

Our real estate portfolio is primarily composed of properties located in major markets across Canada.

- Focus on the greater metropolitan areas of Montreal, Toronto, Vancouver, and Ottawa
- Selective investment Edmonton and Calgary

Largest weighting in Ontario followed by British Columbia

As of 2022, exposure to Alberta has decreased by 17% from 2016.



For example

3 industrial buildings in Brampton, Ontario: Totalling 630,000 square feet, these well-located properties are in close proximity to two major highways (the 401 and 407 exchange). They were built in the early 2000s and are fully leased to a diversified roster of tenants. The combined market value of the three assets as of Q4 2022 was \$238M. This is an increase of \$183M from their Q4 2015 valuation. This is an annualized return of 23% per year. This can be attributed to strong tailwinds in the broader industrial market, combined with active leasing strategies and strong capital management.

Our dedicated real estate investment manager, BentallGreenOak (BGO), uses their expertise and global reach to capture opportunities that are unobtainable to most investors. Taking a tactical approach, investing primarily in directly held property, BGO secures sound deals that match well against the long-term nature of our liabilities. By injecting further investment to increase property value and raise rental rates, our property investments have been a stable source of increased returns and diversification.

Talk to your Sales Director about Sun Life's participating life insurance solutions today.

We help. You grow.

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