

Important changes to the Sun Life Granite Target Date Funds

SLGI Asset Management Inc. (“SLGI”) will make some important changes to the Sun Life Granite Target Date series segregated funds (“Granite TDFs”) beginning in August 2023. SLGI will:

- Change the structure of the Granite TDFs;
- Change the asset mix of the Granite TDFs: increase the proportion of equities and add new assets;
- Change date of transfer from the Granite 2020 to Granite Retirement.

We explain each of these changes below.

Structure change for all SLGI Granite Target Date Funds

SLGI will implement a structure change on **August 23, 2023**.

Currently, Granite TDFs invest in multiple individual funds that provide exposure to different asset categories. Sun Life Group Retirement Services (“GRS”) administers Granite TDFs, based on directions from SLGI’s Multi Asset Solutions (“MAS”) team. Under the new structure, each Granite TDF will invest in one underlying SLGI fund, which in turn, will invest in various individual funds and securities. SLGI will directly administer the funds, including managing transactions of underlying funds and securities.

The new Granite TDFs’ structure is expected to result in the following benefits:

- **Broader toolkit to implement investment ideas:** The new structure gives the SLGI MAS team the flexibility to invest in broader types of securities, including exchange traded funds (“ETFs”) and derivatives, as appropriate.
- **Easier and faster execution of trades:** SLGI can execute trades faster, which will enable the SLGI MAS team to implement investment decisions more quickly, as well as make changes to underlying funds as necessary.

With this structure change, SLGI will also be more agile and help deliver on their commitment to the Net Zero Asset Managers (“NZAM”) initiative, through:

- **Improved NZAM roadmap:** The broader flexibility of the structure will make it easier to add funds and other investment instruments that will contribute to SLGI’s NZAM goal.
- **Efficient NZAM tracking:** SLGI will have better transparency in the Granite TDFs underlying holdings, improving their capabilities to track their NZAM progress.

**Group Retirement Services are provided by
Sun Life Assurance Company of Canada,
a member of the Sun Life group of companies.**

There's no change to the Granite TDFs' fees as a result of the structure change.

On **August 23, 2023**, we'll transfer the units of the underlying funds that are held by the GRS segregated funds to SLGI and receive units of the SLGI's pooled funds from SLGI. This transaction will result in taxable dispositions under the Income Tax Act because:

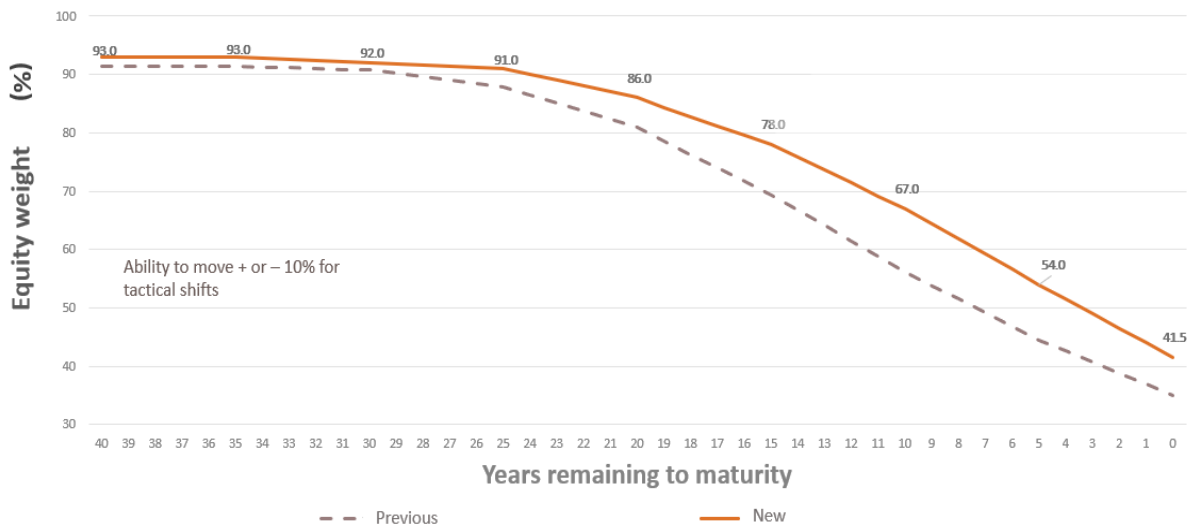
- The Granite TDFs have generated unrealized capital gains or losses over the years.
- This transfer involves the disposition and acquisition of distinct investments by the GRS segregated funds.

Changes in asset mix

SLGI will increase equity allocation across all Granite TDFs.

- The equity allocation at the starting point (for Granite fund with the longest maturity) will increase from 91.5% to 93.0%.
- The equity allocation at maturity (for Granite Retirement fund) will increase from 35.0% to 41.5%.

The current and new asset mixes are shown in the chart below.



The increased allocations to equity reflect a growing emphasis on the need to continue to grow savings in an investor's retirement that may span three decades.

SLGI will also introduce three new asset classes in Granite TDFs: Direct Infrastructure, Direct Real Estate, and Liquid Alternatives. SLGI will introduce Direct Infrastructure and Real Estate for funds closer to maturity with total allocations of up to 3.2%. SLGI will introduce Liquid Alternatives across all Granite TDFs, with higher allocations to funds closer to maturity (up to 3.5%).

SLGI believes that real assets, like Direct Real Estate and Direct Infrastructure, can provide valuable diversification to equities and bonds. They can also provide returns that are positively correlated with inflation.

SLGI will implement the asset mix changes and addition of new asset classes in stages, beginning in late 2023 and ending in late 2024.

Change in date of transfer from Granite 2020 fund to Granite Retirement fund

Due to the fund structure change, we have determined that the best course of action is to transfer the money in the Granite 2020 fund to the Granite Retirement fund earlier than June 2024.

We'll transfer the money in the Granite 2020 fund to the Granite Retirement fund on **September 7, 2023**. By moving the assets transfer to September 2023, we aim to reduce the capital gain or loss impacts for Non-Registered (taxable) members. This is because the asset transfer timing aligns closely to the broader fund structure change timing. Therefore, we can avoid having all members incur a second realization of capital gains in 2024.

The Granite 2020 fund's asset mix has been identical to that of the Granite Retirement fund since the 2020 fund matured in June 2020. Therefore, you still have the same investments when you move to the Granite Retirement fund.

When the transfer happens, you will see a sale of the Granite 2020 fund and the purchase of the Granite Retirement fund in your account(s).

How will this affect you?

Both the fund structure change and the asset transfer to Granite Retirement fund may generate capital gains or losses for members who invest in Granite TDFs through a Non-Registered plan. We'll report the gains or losses on 2023 T3 and T4PS tax slips that will be available in February 2024.

Members in Non-Registered (taxable) plans must report capital gains or losses on their tax return in the year these transactions occur. We recommend you talk with a tax professional for advice specific to your situation.

For the members who invest in a Registered plan, the asset transfer to the Granite Retirement fund and the fund structure change will not result in a taxable capital gain or loss.

It's always a good idea to review your current investment options to ensure that they continue to meet your retirement goals. You can do this by signing into the Plan Member Services website, mysunlife.ca, and selecting **manage plan > my plan > Tools > Asset allocation**.

Through Morningstar® – a leading provider of investment news and analysis – you can track the performance of funds and access an overview of the funds in your plan, including fund objectives, risks, and how funds are invested.

If you're having trouble signing in, choose the appropriate link under **Sign-In Help**.

Questions?

Please contact Sun Life's Customer Care Centre any business day from 8 a.m. to 8 p.m. ET.