26-Mar-2019

Sun Life Financial, Inc. (SLF)

Investor Day

CORPORATE PARTICIPANTS

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

Jacques Goulet
President-Sun Life Financial Canada, Sun Life Financial, Inc.

Daniel Richard Fishbein
President-Sun Life Financial U.S., Sun Life Financial, Inc.

Claude A. Accum
President-Sun Life Financial Asia, Sun Life Financial Asia Services Ltd.

Stephen Clarkson Peacher
President, Sun Life Investment Management

Michael W. Roberge
CEO & Director, MFS Investment Management

OTHER PARTICIPANTS

Gabriel Dechaine
Analyst, National Bank Financial

Sumit Malhotra
Analyst, Scotia Capital

Meny Grauman
Analyst, Cormark Securities, Inc.

Humphrey Hung Fai Lee
Analyst, Dowling & Partners Securities LLC

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Mario Mendonca
Analyst, TD Securities, Inc.

Steve Theriault
Analyst, Eight Capital

Scott Chan
Analyst, Canaccord Genuity Corp.

Paul Holden
Analyst, CIBC World Markets, Inc.

John Henry Goldsmith
Head of Canadian Equities, Montrusco Bolton Investments, Inc.

MANAGEMENT DISCUSSION SECTION

Gregory A. Dilworth

Vice President-Investor Relations, Sun Life Financial, Inc.

Good morning, everyone. Welcome to Sun Life Financial's 2019 Investor Day. My name is Greg Dilworth, Vice President-Investor Relations here at Sun Life. Thank you, all, for joining us here in the room and on the webcast. For those in the room, you should have copies of the presentation materials in front of you. For those who attending via the webcast, you can see the slides as presenters walk through the presentations. And all the materials for today's event are available on our website.

Turning to the first slide, I draw your attention to the cautionary language comparing these to non-IFRS financial metrics and forward-looking information [indiscernible] (00:40-00:50).

On the next slide you'll see our agenda for today. We split today's event into three sections [indiscernible] (00:56-01:04) President and Chief Executive Officer of Sun Life Financial; followed by Kevin Strain, our Chief Financial Officer.

In our second set of presentation you'll hear from Jacques Goulet, Dan Fishbein, Claude Accum who head our Canadian, U.S., and Asia businesses, respectively.

In the final set of presentations you'll hear about our asset management pillar. You will hear from Steve Peacher of Sun Life Investment Management; and Mike Roberge, MFS Investment Management.

There will be an opportunity for Q&A following each group of presentations with a small break following the Q&A sessions. If you'd like to ask a question please raise your hand and wait for a microphone for the benefit of those listening in via the webcast.

And with that, I'll turn things over to Dean to get things started.

Dean A. Connor

President & Chief Executive Officer & Director, Sun Life Financial, Inc.

Well, thanks, Greg, and good morning, everyone. Thanks for joining us today. It's a delight to have you here on a bright sunny day at our global headquarters here at One York, and welcome to everybody joining us on the Web as well. We've got a great lineup this morning. We're very excited to talk about the Sun Life story with you.

The key messages we want to leave us today are as follows. First, Sun Life has a diversified and balanced business model with four strong pillars, each with leadership positions in their respective markets, each with strong drivers of demand for future growth in the pillar with a strong financial position that gives us the ability to play both a strong offense and a strong defense.

The second key message is that we are delivering on our strategic priorities including client obsession. And you've heard us talked about this before. One of the things we want you to take away this morning is a sense of how deep and pervasive this obsession around clients is and how it is translating into outcomes for the business. And you'll hear that from me, you'll hear that from Kevin Strain, you'll hear that from all of our business leaders.

The third key message is around digital transformation, and this is again deeply embedded across the firm. It's kind of intrinsic in everything we do. It's enabling this client transformation, this client obsession. It's a big investment and we're making great progress on that.

And lastly, the kind of execution you've seen from Sun Life is really all about people and culture. And today, we want to talk about the people, the culture, the alignment of people around the purpose of the company and around our medium-term objectives that's driving forward on profitable growth.

So we do have a history of strong execution. I won't spend a lot of time on these numbers. You've seen these before over the past four years. We've grown EPS by 13% CAGR. We've bumped the ROE up by 260 basis points, just north of 14.2% last year, and we've driven the dividend up 7% CAGR over that timeframe. We've grown insurance sales double-digit for the past four years, 11% a year, wealth sales up 5% a year. And the measure that really matters to us is VNB, the Value of New Business, the present value of future profits on a year's worth of insurance and wealth sales. And we've driven VNB up 16% CAGR, as you can see, higher than the insurance and wealth sales, higher because we've been able to do that through product mix, changing product mix towards more profitable products, changing pricing of products, changing expense gap and so on. So we feel very good about that. That sets us up strongly for future growth.

This history of strong execution has translated into total shareholder return. And as you can see, we generated a TSR of 7.7% per year for the past five years, and including 2018 which as you know is a particularly weak year for the industry globally. This compares favorably to our key competitor groups around the world as you can see on this slide, and if you click down a step further and looked at the top 20 publicly traded life insurance companies globally, it puts us firmly in the top quartile over that five-year period. And if you look just at the 11 North American publicly traded life companies, it puts us as number one. So we feel good about how we've been able to translate this strong execution into total shareholder return.

Our approach to M&A has been one of focus, one of determination, and one of consistency. And consistency around these four criteria, any transaction we look at has to fit strategically it has to fit within one of our four pillars. It has to add new scale, new capabilities things we don't have in the toolkit today. It has to deliver an expected lifetime ROE that's in-line with our overall medium-term objectives and has to be accretive earnings over a reasonable period of time. And as you can see over the last three years, we've deployed over $2 billion of capital to M&A across all four pillars, and all of these transactions ticked those boxes. As we look ahead, we continue to focus on all four pillars and looking for M&A opportunities.

I talked about the long-term drivers of demand for what we do and you've seen these before but they're worth repeating. The first is demographic shifts, and it's really the aging of the baby boomers in North America in particular they're looking for lifetime income solutions, healthcare coverage, financial planning the kinds of things that Jacques Goulet and his team here in Canada to deliver to clients every day. Employers who've got defined benefit pension plans with maturing aging workforces are looking to derisk those plans. So we're stepping up with pension risk transfer solutions here in Canada. Again, Jacques will talk about that. And we're stepping up with LDI solutions and Steve Peacher will talk about that.

Aging populations, older people consuming less, downward pressure on inflation, all of that driving a seek for yield in a low yield world. And we think MFS active management net of adding alpha net of fees will continue to play an important role in that world in a low return world and Mike will talk about that as well. So that's the first category.

Second category is this persistent downloading of responsibility from employers and governments to individuals. And you see that through the shift to defined contribution plans, you see that in employers cutting back on healthcare plans, employers eliminating retiree medical coverage, you see that all over the place. And so Jacques and Dan Fishbein are stepping up with voluntary benefits worksite solutions that fill those gaps for plan members as those things are being removed.

In Asia, just a tremendous opportunity. There's a great article in The FT this morning about this is the Asia generation, the Asia century. It's worth a read. And the numbers are absolutely staggering. Of the next billion people who enter the middle class around the world, almost 90% of them will be in Asia. And it's estimated that by 2030, two-thirds of the world's middle class will be living in Asia. So we have a front row seat on that. You've seen tremendous growth in our Asia pillar, and we expect that to continue to happen going forward.

And lastly digital transformation is absolutely changing the way people think about insurance, think about wealth, think about how they engage with a financial institution, and is creating new opportunities for us to grow the business faster and we'll talk about that in a minute.

At Investor Day two years ago, we announced our client for life strategy putting the client right in the bull's eye of everything we do, and we signal this as a step change in how we are running the business not just client-centric, not just client-focused because every company talks in those terms, but client-obsessed. And it's difficult to express just in words like that how big and pervasive a change this is across Sun Life, but we've made great progress on this over the last two years and we'll talk more about that this morning.

And after two years, I'd say of intensive effort we are more convinced than ever that this is a winning strategy that this is a differentiated strategy and we'll have a big impact. This focus on clients is supported by distribution excellence, it's supported by digital data and analytics around financial discipline and talent, and all of those things come together to drive growth.

So what does it mean to be obsessed about clients? Well, first of all it means driving a better client experience in three ways: number one, being more personal, proactive, predictive; number two, being easier to do business with; and number three, resolving client problems faster better.

And we believe that as we do those things these things at the bottom of the slide will happen we'll get clients to do more business with us. They'll stay with us longer and they'll refer more family and friends and indeed you'll see a number of examples this morning where all of the work we're doing on the top of the slide to be more personal, proactive, easier to do business, resolve problems is indeed translating into outcomes for clients and outcomes for the business. We're doing that through digital nudges, and you've heard us talk about Ella, our Digital Benefits Assistant here in Canada, who nudges, looks at data, nudges our plan members to act in their best interest to get the kind of coverage they need.

We see that your 21-year-old is about to drop off your coverage at work. We nudge you to get them covered for healthcare on a country healthcare if you want to do that. And our clients tell us that is cool they like that, they like those nudges, they appreciate them and they're acting on them. And when they act on them, the client scores go up and their appreciation of Sun Life goes up. It turns out that of all these three things to work on, the thing that our data shows us will move the dial the most is the personal, proactive dial. The others are kind of table stakes. We've got to be really good at them. But getting more personalized, more proactive, more predictive with our clients has the biggest potential to lift client scores, and business results.

We made it a lot easier to do business with us, so more mobile touch points, click-to-chat, call center, in person, so omni-channel approach to serving clients and dealing with clients. Digital end-to-end solutions, I'll come back to that in a minute, that's been a huge area of change. And simplifying all of our communication in the kind of plain language frankly that the insurance industry is not known for, but the kind of plain language you'd use to describe something to your brother or your sister, your mom or your dad. So a lot of work on that front and a lot of work around next best offer and to support the predictive.

So how are we doing on this? Well, we benchmark ourselves against our key competitors in 11 of our key markets around the world. And I'm happy to say that we're in the top quartile in 7 of those 11 key markets around the world. What we're measuring here is clients' response, the percentage that say they're very favorable in terms of proactive, easy to do business with, and problem resolution. And we benchmark that score against the same score for our key competitors. We're in top quartile, 7 out of 11. And, of course, for the other four markets, we're working like heck to get into that top quartile, and we know what we need to do to get there.

The middle part of this slide gives you a sense, just one of the dimensions around proactiveness, and you can see, for example, in the Philippines, 58% of our clients, say, give a very favorable response to us being proactive with them, and that's up 9 points over the past year. And on the right-hand side of the slide, you can see some of the levers we're pulling to drive those results.

And the main message on this slide, I'm not going to go through all the points, the main message on this slide is it's not one thing, it's everything. It's everything in terms of the technology we put in front of people, the data we track, the rewards systems we've got, so 25% of our annual incentive plan now depends on improvements in this client index score. So that's a big message to the organization. We've changed what we measure, what we talk about around the campfire when we're with our colleagues and our employees and our board of directors which we change what we talk about, we change how we talk to clients, we change what's important and what we track. It's not one thing, it's everything.

And this is a journey. This is a multi-year journey. This is why it's so hard to make a huge change, a step change like this because we have to change across 26 markets around the world that we have to change across so many different levers to do it. But we're convinced. I mean, it's tough to do, so there's a – to the extent we put more daylight between us and our competitors, we see this as a distinct tough and sustaining competitive advantage.

I mentioned digital transformation as underpinning and pivotal central to everything we're doing, and that shows up in four ways, and we're investing that in four ways. The first is just digitizing everything we do across the organization, all of our interactions with clients. So, for example, if you think about Hong Kong now and all of our Asian markets we've rolled out digital technology at the point of sale to do the financial needs analysis with the client to do the applications – illustration of different policies to do the application online and the fulfillment of the policy all end to end all in a digital format, tools as well for the advisors so the advisor can manage their practice and see how they're doing and tools for the client so the client can go look up information, they can file claims online digitally. That investment has been made right across Asia. A lot of investment in Web and mobile functionality here in Canada and the U.S., and Jacques and Dan will talk about that as well.

The second area is using digital and data to be more personal, predictive and proactive. So, for example, we've rolled out a model in Asia around advisor recruiting. Advisor turnover is a challenge in the industry. And if we can do a better job faring out at the front end who's going to succeed as an advisor, it's going to mean all the training work we do, all the recruiting work we do and the whole client experience is going to be that much better. And we're seeing real progress, real success with that model as we've been rolling that out in markets across Asia.

Talk about the Digital Benefits Assistant now, and again Jacques will talk more about that, and Dan will talk about how we're leveraging our acquisition of Maxwell Health which is an insurtech platform that we initially made an investment in and then subsequently acquired in the U.S. to enroll people in employee benefits in a much easier way and in a way that allows us to have an ongoing relationship with those planned members where we can be proactive and nudge them. The Maxwell acquisition has been central to realizing that dream of doing that in the U.S. market and Dan will talk more about that.

The third area is brand-new business models that are enabled and made possible through digital means. So in Asia, we are piloting with the number of telco companies, the direct sale of simple insurance products. So think of an accident insurance product that has a dengue fever attachment that we're selling in Malaysia that you can buy on your mobile device cheap product, easily bought, and we have one bill we send the invoice to the telco. And because they just roll it all up across all the clients, simple products, easily bought.

At this time we've added about 25,000 clients across these telco platforms, small premium, so it's not moving the dial yet in terms of the bottom line or top line, but experiments that are giving us new insights on how this all works.

Jacques will talk about Digital Health Solutions in Canada, very exciting development, taking all the data we have on plan members, their medical costs providers. So 180,000 dentists and physiotherapists and psychologists across the Canadian marketplace and making that available to plan members digitally on a two-sided platform. And we've now made that – we've rolled that out to all Canadians under the banner of Luminal Health, and again Jacque will talk more about that.

And new model that takes the Maxwell platform and integrates the Sun Life benefits program into the Maxwell platform kind of a once and done deal for small clients in the U.S. market that we're ruling out. So a lot of work under way to transform the business digitally.

The last element is just how Sun Life is participating in the broader digital ecosystem. We've invested around $100 million in start-ups in fintech businesses where we take a minority position and we support them. We get them into our flow. We get their technology into our business. In some cases, they're like the FinTech Innovation Lab and Plug and Play and Silicon Valley, they're labs, they're incubators that we're participating in. But nonetheless what we're finding is that these – the involvement in the broader ecosystem is giving us insights, ideas. And in some cases, and Maxwell's an example of this, these insurtechs will find at some point they want to sell their business to somebody. And to the extent we've got our front row seat and we're participating in that, certainly that's worked out to our benefit in the case of Maxwell.

So when we move from digital and transformation and talk about talent and culture for a second, together with our joint venture partners, we employ something like 37,000 people around the world and over 100,000 Sun Life advisors. And these folks are absolutely aligned around our purpose of helping our clients achieve lifetime financial security and live healthier lives. And this has been central to our success. I'm pleased to say that that our engagement surveys, 85% of our employees are engaged, which is a very strong number that puts us above the norm for financial services businesses globally, it puts us among top performing companies globally.

We've added over 2,500 jobs in the past few years around the whole client experience, digital, data analytics, technology, AI-driven roles around the world. And part of creating that engaged workforce is investing in their training and development. So boot camps surround digital data and analytics, boot camps around the client experience, lots of training, lots of it delivered digitally as well, and that's leading to some of the awards and recognition that you see on the bottom right-hand part of the slide.

While having top talent isn't enough, we have to wrap them in a fantastic culture. And one of the biggest parts of the Sun Life story, frankly we don't get a chance to talk about on quarterly earnings calls, is the change in the culture of this company, and it's actually the hardest thing to do is to change the culture of a large organization, but I'm really pleased with the progress we've made on this front. We've got a collaborative workplace that encourages innovation, diversity, and inclusion, and that's super important.

How do you build something like total rewards? You have to get people from group pensions and group benefits, these silo businesses, these P&Ls to work together for a common purpose. How do you create something like the Digital Benefits Assistant where we create a separate team of – an agile team that goes to the guys who are running pensions and benefits and says, good news, we're going to start pinging your clients. I hope you're okay with that.

Like in many organizations, that whole thing grinds to a halt. And I would say to you that our progress in building these things out quickly and creating more daylight between us and our competitors is a direct result. What I think is our secret sauce is this collaboration in the firm.

We set goals that are ambitious but achievable. We've pushed personal accountability. And this is – the language of performance is really, really important. We use this language around hits and misses as opposed to successes and failures. And the premise here is that even the best batters in the Major Leagues only bat 350. So we can talk about hits and misses. It's way easier for people to talk about the kind of year they had or for us to talk about the company and how the company is performing. People are much quicker to talk about the misses. It's not a failure. It was a miss, swing and a miss and let's figure out from a coaching perspective how do we get your batting average up, how do we get the company's batting average up? The language of performance really matters, and this is used right across the firm.

Sun Life has always been a polite company, and I would say a change in the last number of years has been to add this direct part, polite but direct. And again that's about speed. So we're not having the meeting after the meeting. We're saying that's a very interesting point, but I disagree and here's why I disagree. You can object without being objectionable, and that's the goal in polite but direct, so that's been a change.

Playing to win. People want to be part of a winning team. And I think they feel that at Sun Life, they're part of a winning team. We've come from somewhere, we've achieved a lot, and we got a heck of a lot to achieve going forward.

And then the last piece of this is that the competition is external, the competition is outside the company, not inside the company, and I think we've done a good job on that by and large.

Now, none of these are perfect, just to be clear, and there's all elements we're working on, but I would say to you that this is one of the biggest changes in the company in the past number of years. It's been building out these elements of our culture. Distribution excellence, I talked about that earlier, it's a big part of our client for life strategy. Jacques' going to talk about how in Canada we've put more daylight between Sun Life and our competitors in group benefits, we've increased our share in group benefits. We've increased our share in group pensions and we've increased our share in individual retail life insurance sales.

Dan's going to talk about how our sales in the U.S. and stop-loss sales have just gone from strength to strength and how the sales productivity of our group benefits business has improved, and Claude's going to show you how Sun Life has been one of the fastest growing insurance companies among the multinationals in Asia over the past five years in terms of topline sales, in terms of VNB, and VFAST is growing in terms of net income. And that, I would say to you, is all about distribution excellence.

It's all about getting the right advisors on the team, giving them the right tools, training them creating high-quality sales environment. It's all about new technology and partnerships that build sales including the way we manage bancassurance sales in Asia, and all of the technology investments, as I said, that require an innovative mindset.

Underpinning the strategy is a very strong commitment to environmental, social, and governance leadership, and we bucket that into three categories, one is sustainable investing. For example, MFS was one of the first U.S.-based asset managers of its size and scope to sign up for the UN PRI. And we've got around $15 billion of investments in sustainable infrastructure.

The second category is financial security especially around literacy and promoting financial literacy in our markets around the world. And then lastly, and completely aligned with our purpose as a company, is helping to build healthier lives in our communities headlined by all of the work we're doing on diabetes. All of that is putting us on the list of Global 100 Most Sustainable Corporations.

What's interesting is we've been on that list 10 years in a row. And if you look at the number of companies on that list, 10 out of 10, it's a very, very short list, and we're proud to be on that list. So our commitment to financial discipline is reflected in our medium-term objectives. Today we are reiterating our goal of driving earnings per share growth at 8% to 10% per annum over the medium term, 12% to 14% ROE, and a dividend payout ratio of 40% to 50%. You'll hear more from Kevin in a minute on the stepping stones to get to 8% to 10% EPS growth, but one very important element is expenses and productivity.

As you know, we've used the brighter way, our Lean Six Sigma program, to drive productivity gains throughout the organization over the past number of years, and we've used that to fund a lot of organic growth. So think of the start-ups like Sun Life Global Investments; Sun Life Investment Management; Vietnam, all of these greenfields. Think of the investments we've made in Digital Benefits Assistant; Digital Health Solutions, and so on. Lots of investment.

And what we're seeing as some of these start-ups mature, for example SLGI moves from loss-making to profit-making, we are able to dial back on the rate of expense growth, and you saw an inflection point in 2018. You saw that, and Kevin will talk more about that, and our Business Group President would talk more about that, you saw an inflection point at expense growth. We're still investing for growth in the future, but more of it can be carried through all of our productivity work. So we view these objectives as ambitious, but achievable over the three- to five-year medium term. And we think that this combination of 8% to 10% EPS growth and our dividend yield, which today sits around 4%, we think that will put us in top quartile total shareholder return.

At our last Investor Day in 2017, we announced our ambition to be one of the best insurance and asset management companies in the world. And we said we would measure ourselves along these four dimensions. And the first is around each pillar viewed as a leader. I think we've made great progress on that front over the past couple of years. Canada is clearly viewed as a leader. MFS is viewed as a leader in this industry. Bentall Kennedy, including GreenOak, viewed as one of the leaders in the real estate world and Stop-Loss in the U.S. viewed as a leader and great progress in our other businesses. So group benefits, an emerging leader in the States. Sun Life Investment Management Asia viewed as an emerging leader.

I talked about our top quartile client experience, so we're on track to achieve that. I talked about disproportionate share of top talent. We feel good about our progress there. And I talked about our total shareholder return, which is ticking that box around being top quartile over the past five years.

So to wrap up, we've got a diversified business model, a strong balance sheet, financial discipline allows us to play both a strong offense and a strong defense. We're delivering on our growth and this focus on client obsession is taking hold across the company. It's being permeated and infused into the DNA of the company. We've made great progress on that over the past few years and it is starting to show up in our financial results. Digital transformation is a huge part of that. It, again, is embedded deeply across the organization. And this business in the end is all about talent and culture and we've got an incredibly talented executive team. You'll see this morning and the rest of the team is with us as well. And below them an incredibly talented group of Sun Life employees and advisors, completely aligned around our mission, our purpose what we're trying to achieve.

So with that, I'm going to turn it over to Kevin Strain and then Kevin and I will be back up together for Q&A.

Kevin D. Strain

Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

Well, thanks, Dean, and good morning everybody. It's always great to have so many of our shareholders and investors in one room. And this year it's particularly great because the last few years I've been like Claude and I've been jet lagged when I've come to do this meeting. So now it feels like 9:00 A.M., not 9:00 P.M. So Claude, you have my sympathy for how it's – how you'll feel today with the jet lag. So it won't surprise you that one of the key messages from the CFO is our proven track record on execution of our medium-term objectives. Dean talked a lot about our four pillar strategy. And if you think about the four pillar strategy we rolled out in 2011, that's been a significant component of us executing on our medium-term objectives. Building on our leadership position in Canada, building out Asia was really important to that, adding SLIM to our asset management business and seeing MFS growth alongside of that. And focusing the U.S. on Group Benefits was an important piece of delivering on our medium-term financial objectives.

And Dean talked a lot about client obsession and looking towards the future, this clear, concise, strategy that we're all executing on, that we're all aligned with is really important to delivering on the medium-term objectives. And I think our focus on client, our focus on digital, our leadership position on technology in Canada that we're leveraging across the organization will be really, really important to delivering out those medium-term objectives. If you look at our client strategy, one of the things that I really like is in the wheel, it specifically outlines financial discipline. And financial discipline leads to high quality earnings.

And as CFO having financial discipline listed right out in our client strategies has really helped us to drive change. Improving our business mix, the growth in Asia and the focus on VNB growth in Asia, the strong balance sheet, managing our risk, those types of things are important pieces of financial discipline. Part of that is finding the most profitable elements to focus on when we're selling. And you'll see that in one of my future slides that our sales growth has been strong. But as Dean mentioned earlier, our VNB growth has been ever stronger. And that's because we're focused on finding ways to sell our most profitable product and re-pricing our products that are less profitable. And investing in future growth, so while we're really focused on managing our expenses, we are at the same time investing in future growth, investing in digital, investing in client changes, investing in data analytics.

And I think this is also important. And what we're trying to do is find ways to invest in that, finding other savings so we can manage alongside of it. And of course our capital strength has been really important to us. The capital strength has been a foundation of this organization for a long time. It's continued to grow and we have one of the highest LICAT ratios in the industry. And our sensitivity to changes in LICAT, to the movements of equity markets or interest rates or credit spreads is well defined and is – you'll see it in some of my slides coming up, that our sensitivity has really declined since the financial crisis.

Dean discussed this a little bit but maybe to go a bit deeper on our track record around our medium-term objectives. And I can tell you that our medium-term objectives are something that we talk about and think about and look at almost every day, right. How are we doing, how are we positioned, how are we going to deliver on these, we see these as very key messages to our shareholder base. You can see from these three charts that against the 8% to 10% underlying earnings per share growth over the past – since 2014, we've grown at a CAGR of 13%. That included the par transfer – seed capital transfer this year. So if you looked at the 2018, there's $110 million in that number from the par transfer. If you excluded that, the growth still would have been 12%, so ahead of our 8% to 10% objective.

Our underlying ROE, we're at 14.2%, which is outside of the range of our 12% to 14%, and I'd like to see us over performing on our objectives and I think that's been great to see and obviously that's been supported by the strong earnings growth and effective capital management. And our dividend per share, Dean mentioned earlier, our dividend per share yield is 4%. Our dividend per share growth has been substantial over this period of time and we've been solidly in the range of our 40% to 50% on average at 43%. So progress against all three of our medium term objectives, I think really strong progress on all three of those.

So part of our earnings story and part of our story is the high quality of our earnings and the high quality for me starts with this middle chart which is the diverse mix of business. And as you see, we have a really good mix of businesses across geographies and across lines of business, across product types with almost a third of our business coming from Canada, U.S. at 16%, Asia 17%, UK 5% and asset management which is a business which is a global business, MFS is a global business and SLIM is also a global business. So there's global aspects at each of those. We get a good mix across geographies. And if you look at the lines of business, asset management at 29%, individual insurance at 29% which includes big chunks of Asia, wealth management at 12%, the group insurance at 19%, and we have four runoff businesses, two large ones that provide 12% of the earnings. And this mixture of earnings really provides a strong platform for us so when things are going well in one of our markets and maybe not as well in the others, you get a balanced approach here. We get a balanced approach between very established businesses like Canada and MFS. And more developing businesses like Asia which are growing more rapidly, and I'll talk more about that and Claude will certainly touch on the Asian pieces. But the diverse mix of our business, the balance of our business, the four pillar strategy, I think is really important to the quality of our earnings.

If you look at the quality of earnings that the chart on the left hand side here, which is really looking at our underlying earnings, and we see that as one of our key measures, versus reported earnings. One of the things I like is that our underlying earnings and our reported earnings, there's not a bias there. They run fairly tightly together over the five years here. You're at 94%. Underlying earnings is 94% of the reported earnings and that included a charge in 2017 from the U.S. tax reform which was $251 million and that $251 million comes back to us fairly quickly in earnings and those earnings are both reported and underlying earnings.

If you excluded that $251 million, our underlying earnings are 96% of our overall reported earnings. So, you get a nice kind of relationship and you can see some years reported earnings is higher than underlying and some years underlying is higher than reported earnings. And the growth has been driven by sustainable sources of growth. Our expected profit, our reductions in our new business strain or growth in our new business gains and our earnings on surplus. And those three measures which I know a lot of you look at from a quality perspective, have grown at a rate of 8% CAGR and this is the insurance side. So, those are very focused on the insurance side. But we've had 8% growth in each. When you aggregate those three, been driven largely by our disciplined management of the mix of business, our growth in Asia as we gain scale and gain through acquisition and growth there.

Our balance sheet is also a strength. And if you look at our balance sheet here, you can see that we have a well-diversified asset management general account of $152 billion that has a mixture of debt securities, commercial mortgages and loans make up close to 80%. You've got a very small amount now of equities and of investment properties. We continue to build skills around managing all of these. We have a great team that's managing the investments area. We continue to build on that team. Through our acquisition of Bentall Kennedy and now of GreenOak, we add skills into our investment portfolio around real estate, around commercial mortgages. That continues to develop capabilities for the investments team.

Some of you have noted our BBB percentage. We do have – so 98% of our commercial mortgages, loans and debt securities are investment grade. But we do have 31% that are BBB. But over half of those BBBs are in private fixed income. And we have a private fixed income team – we've had a private fixed income team for a long, long time in Canada. We're one of the largest private fixed income shops in the country. We've got a great track record. The private fixed income are secured. They have collateral against them. So they provide a different sort of level of security even through they're BBB. And so, over half of the BBB portfolio is made up of private fixed income.

There's also about 5% of the debt securities, commercial mortgages and loan ratings in the BBB that are for countries in Asia. So we're the largest insurance company in the Philippines. The Philippines has a BBB rating as a country. So it's impossible to have security that's higher than a BBB. So I'm just trying to define some of the reasons that the BBB turns out at 31%. I think we feel that this is in a very good spot for the organization. We feel like we have all the right capabilities to measure that and even with where we're at in the cycle, we have a lot of confidence around those structures.

And we had a great track record of managing credit and our credit profile. If you look at the past five years on average, we've had a $65 million earnings contribution from our credit performance versus our actuarial best estimate assumptions. So we've had great experience on credit over the five-year period. It's been a – since the financial crisis, it's been a tailwind for our performance. And if you think about that, it's – we think it's structural right. It's to do with the team we have in place. It's to do with the approach. We have a collaborative investment approach which looks broadly at what's happening throughout the organization. We have an independent credit risk function that looks at our credit portfolio. We use income and regulatory capital sensitivities that monitor against some pre-established limits. So we understand sort of the risk we're taking. And we have defined investment limits across geographies, sectors and industries. So credit has been a good tailwind for us and we think it's an area that we have great management skills.

If you and we mentioned this earlier and Dean sort of talked about this, part of financial discipline is driving the new sales towards profitability and finding ways to drive the mix and to do re-pricing. So we've had strong growth and double-digit growth in individual insurance sales, up 11% over the last four year period. We've had a good strong CAGR on wealth sales. Now this is wealth sales excluding asset management which have grown 7% over that period. And our premiums and deposits have grown 7% to $160 billion. But our VNB growth has been even stronger than our growth in sales. And if you look at where that's coming from, it's coming across all of our businesses. So Canada VNB is the bottom part of this chart, it grew 10%. U.S. VNB has grown nearly 80% over this period. And Asia, excluding high net worth, has grown 30% and if you include high net worth, it's grown 19%. And this is all to do with really looking at how we price our products, how we drive the distribution. In Asia, it's partially due to obtaining scale as we built out our distribution – built out our distribution platform, the higher scale meant lower expense caps as part of the VNB process. And that growth is significant and it's not by accident, it's determined strategies to manage, growing the sales – growing the sales rapidly, but in a way that's profitable.

And on the expense side, we've also had a great track record on expenses. Expenses are something we look at very closely, that we manage very closely. Our underlying net income has grown at 1.5 times the growth rate of our operating expenses You can see in this chart that between 2014 and 2017, operating expenses grew at a CAGR of 12%. That growth rate, there was a lot of acquisitions inside of that growth. We were also building out SLGI, we were building out Defined Benefit Solutions, we were building out Lumino that Jacques is going to talk about a little bit later on, and we were investing in new technologies and we were investing in Asia which is obviously growing much more rapidly than that.

In the last year 2017 to 2018, we can see we bent our cost curve. We announced a restructuring at the end of 2017. We put a keen focus led by Dean and myself and the entire executive team on controlling expenses. And one of our objectives is to manage the investments inside of new technologies and new businesses inside of savings that we can drive in other parts of the expense curve. That 0.3% is on a reported basis. If you took out some of the – if you looked at that expense growth on an underlying basis, it's about 3%, but still you can see that sort of bend in the cost curve between 2017 and 2018. And going forward, and Dean talked about this a little bit, we're going to use automation. Digitization are currently in management processes, data analytics to look for additional expense savings. The use of robotics and artificial intelligence, you're seeing it start to really evolve. We've got over 100 bots that we're using inside of the organization. We've had a lean management we call The Brighter Way approach for the last six or seven years that drives significant savings, so the organization is used to that approach. And we're finding new ways to add digitization which saves paper costs and those types of things, and also using data analytics to drive down costs.

So there's a number of things that we can do. I can assure you we have a keen focus on expense management and controlling those expenses. And sort of the – risk management is also a keen piece of financial discipline. And if you look at risk management, the first thing goes right back to our strategy and it says, we didn't enter the long-term care business in the U.S. and that was not – that was on purpose, that wasn't by accident. So we stayed out of the long term care business. 2011-2012, we sold our U.S. variable annuity business and we closed the U.S. individual life business which we call our In-Force Management business, IFM.

So the combination of those three things had a significant impact on our risk positioning. We also have been managing our exposure to equities and interest rates and credit spreads. And you can see on these charts that our sensitivity between 2007 on both the earnings side and the capital side is much different than it was. So on net income sensitivity to a 50 basis point decline in interest rates has gone from negative 7% hit to income to a negative 4% hit to income and the sensitivity to an equity drop of 10% has gone from a negative six in 2007 to a negative four in 2018.

On the capital side, it's even more dramatic and that's partially due to our risk management and it's also the new LICAT model and how the LICAT model works versus MCCSR and you can see our sensitivity to a 50 basis points decline in interest rates has gone from a negative 3% in 2007 to in 2018 actually a positive 2%. So if interest rates drop, it's a positive to our capital position. That's a little counterintuitive, but we can talk more about that.

And then, if you look at the sensitivity to a 10% decline in equity markets, in 2007 that was a negative 2.9% and in 2018, now it's a negative 0.5%. So significant declines from our risk management from the strategic decisions we've made to our sensitivities for both income and capital. That put us – our risk management culture, our strong capital position, our sensitivity has put us among the highest rated global life insurance companies in terms of our major credit rating agency ratings and you would have seen that we had an upgrade from both Standard and Poor's and Fitch in the last month or so.

How we use and deploy our capital is really important and really strategic for us. You can see on this slide that we've deployed $12.1 billion of capital since 2014 over the past five years. $3.3 billion of that into organic growth inside of our businesses, $5 billion in dividends back to our common shareholders, $2.7 billion into M&A and strategic investments and $1.1 billion on our share buybacks. If we look at our – across this portfolio, Dean talked about sort of the hurdle rate for M&A. From a CFO's perspective, we're very disciplined around our M&A, making sure that it's going to hit our financial hurdles, looking for accretion, looking for M&A that's going to support our long-term – our medium-term objectives for ROE and looking at M&A that will, over the long-term, provide cash flow to us.

And cash flow is really important to supporting the dividend. If you think about cash flow, we get regular cash flow back to the holding company from Canada, from MFS, from our U.S. business. And in fact we get dividends out of 6 out of our 8 Asia businesses back into the Holdco that help support our cash position. So, a good strong portfolio of deployment of capital across a number of measures here. And if you look at the capital strength, the most important measure and easiest one to sort of tap on to is LICAT. Our LICAT is 144%, the LICAT ratio higher than the industry average of 134%.

And this is with a financial leverage ratio of 21.2% which is below our target of 25%. And all of that leaves us with $2.5 billion of cash at SLF at the Holdco that we can deploy into strategic things or into organic growth, into M&A, into buybacks and those types of things. We expect to maintain a $500 million buffer, so you'll see in the next slide that I talk about a $2 billion sort of positioning in terms of that. But the overall, we sit at the Holdco at SLF with $2 billion in cash capital deployment potential. If we were to move to a 25% leverage ratio, that would add another $1.4 billion. And if we were to move right up to a 30%, which we could do in an M&A situation, that would move us – give us an additional $2.2 billion. So, $5.6 billion in capital overall to deploy against organic investments, mergers and acquisitions, to use for our share buyback program, and to use in reinsurance transactions.

We have – I mentioned earlier our closed blocks. We do have four closed blocks but the two big ones are Sun Life UK and our Sun Life U.S. In-Force Management business. These two closed blocks on average over the past five years provided us $320 million in income. And you can think about these, obviously a closed block means you're not adding new business into it and lapse means that the expected profit will decline slowly over time. We've shown you assets under management for the UK and we've shown account value for the U.S. because these are one of the key indicators of sort of profitability of these closed blocks and it gives you a sense in terms of the, how quickly the assets are running off and there is a link to the assets to the profitability. So you can think of about these closed blocks as providing an income stream that will be fairly steady but steadily – steady and declining over the period. So, on average $320 million over the over the past five years. But there are also ways to leverage these and we're very focused on that. We've done a lot in the UK on leveraging the closed block and finding ways to drive profit and drive cash back to Sun Life Financial Holdco, and we're beginning programs in the U.S. that also do this, to really leverage those closed blocks and add income. In our path to our medium-term objective, it starts with the earnings and the earnings growth by each of the pillars. We expect Canada to grow at 6%-plus and Jacques will talk about how we're going to do that in Canada, how we're going to achieve it. The U.S. Group Benefits business to grow at 10%-plus and Dan is going to talk about what we're doing in the U.S. Group Benefits business and our margins and that will drive that.

In Asia, we expect to grow at 15%-plus. And Asia now includes the high net worth business, our international high net worth business inside of that number as well. And in asset management, we expect to grow at 5%-plus – 5%

you'll see from Mike Roberge's presentation is what the growth rate has been for MFS over the – since 2014 and we've added Sun Life Investment Management to the mix here which will also grow on side of that.

On top of that, we will be deploying that $2 billion in capital. We're not in a hurry to do that. We're patient around that $2 billion in capital. We're going to look for the right opportunity to deploy it. And that's partly because we can meet our medium term objectives with that $2 billion of cash at the Holdco. So we're going to make sure that we deploy it in ways that Dean talked about that support earnings accretion, that support the ROE, that support our positions inside of our pillars and that add capabilities to the organization, so how we deploy that capital is really important in finding ways to deploy it.

And at this point in time, we generate roughly $800 million in capital out of our business each and every year. And we've got a share buyback program that repurchases approximately $800 million in capital. So the excess capital of the Holdco of $2 billion, you can think about that as being a sustainable level in terms of how we're doing the generation of capital and we're doing the buyback and until we deploy it into other M&A opportunities and activities, so very well-positioned there. So I think going back to the key messages, we do have a proven track record of meeting or exceeding our medium term objectives, financial discipline, quality of earnings is an important tenet of what we're doing as an organization. And our capital strength gives us flexibility to build the business in strategic ways whether it's through organic growth or M&A or into things like buying back the shares to enhance EPS and ROE. So we have a very balanced approach and lots of opportunity to continue to grow.

So with that, I think we're at Q&A with Dean.

Gregory A. Dilworth

Vice President-Investor Relations, Sun Life Financial, Inc.

Great. Thanks, Kevin. So we're going to have Dean and Kevin both come up and join us here on the stage. There are a couple of microphones that will be circulating throughout the room here, so please if you have a question, just put your hand up, wait for the microphone to come for the benefit of those on the web. And if you can just please state your name and the firm you represent as you ask your question as well. So first back of the room, Gabe.

QUESTION AND ANSWER SECTION

Gabriel Dechaine
Analyst, National Bank Financial

Q

Thanks. Gabriel Dechaine, National Bank. First question on the capital position here. Is there any reason you want to maintain such a high LICAT ratio at the Opco and as opposed to just dividending some of that extra capital up to the holding company as you've done in the past?

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

Sorry, at the Opco you mean?

Gabriel Dechaine
Analyst, National Bank Financial

Q

Yeah, you've got the 144%?

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

The 144% is at the Holdco.

Gabriel Dechaine
Analyst, National Bank Financial

Q

Sorry, sorry.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

Right, right.

Gabriel Dechaine
Analyst, National Bank Financial

Q

So your Opco...

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

Opco is at 130%, 131%, something like that.

Gabriel Dechaine
Analyst, National Bank Financial

Q

No plans to dividend any up.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

We do dividend up – capital up into the – to the Holdco and the kind of approach is – I think the way to think about it is, the number we've given you for cash that $2.5 billion, the sort of $2 billion deployable is where we're comfortable in terms of deploying it for strategic initiatives whether those strategic things be M&A or be buybacks, that's the number I'm looking at as the deployable amount.

Gabriel Dechaine
Analyst, National Bank Financial

Q

Okay. Then on the targets, nice to see you reiterate the growth objectives and the ROE target. On the 8% to 10% appreciating that it's a medium-term target, does this year feel like you would fall within that range or below it? And then on the ROE, you did just end up slightly above the 14% this past year, obviously with the help of the U.S. tax rate – tax reform. Why wouldn't you have considered maybe moving that target range higher?

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

So the 8% to 10% as you noted, Gabe, is a medium-term objective so I'm not going to give you guidance on this year. But you can see – you can look back and see what's happened and I think there's a huge impact of equity markets on us because of our investment in MFS, in asset management. They were down at the start of the year and they're back up again but I think watching those closely is important. Watching interest rates is important for understanding where we're heading. We continue to be focused on growing the four pillars, and on the profitability, the VNB piece of it. So I can't give you guidance on what we're looking at this year, but I can say that we look really, really, we – when we're building our strategies, when we're building our plans, we look really, really closely at what our expectation is for growth over the medium-term and that's what gives us confidence in the 8% to 10%. What happens in any given year has a lot to do with market conditions and other things.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

A

And on the ROE question, Gabriel, the – you're right to note that last year we finished at 14.2%. A piece of that related to the par seed income – income on par seed capital repatriation. If you adjusted for that, it'd be around 13.6% something like that in terms of the ROE.

And we think about this as a through the cycle ROE as a medium-term objective. Obviously, we'd love to punch through that 14% number but we've said 12%, 14% is a strong ROE for our business. You're right in the last short while we've been traveling at the upper end of that. And similar to Kevin's comment on the earnings, how the ROE progresses will also be a function of how we deploy the excess capital. So, for now we said, let's leave it at 12% to 14% through the cycle number. We think it's a good target. We hope to beat it, but that's how we thought about it.

Gabriel Dechaine
Analyst, National Bank Financial

Q

So deployment is...

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

A

Deployment is a key part of that. Yeah.

Gabriel Dechaine
Analyst, National Bank Financial Q

Got you. Thanks.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc. A

Okay.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc. A

I think we had next question was Sumit at the back.

Sumit Malhotra
Analyst, Scotia Capital Q

Sumit Malhotra, Scotia Capital. So a couple of – a couple points that came up in the presentation from you, Dean. One was – or I think it's actually more from Kevin, but it's going to tie in. The point on expenses and the fact that expense growth had been higher as you were building out certain parts of the business, I think you mentioned Asia, and then the non-MFS Investment Management piece. I didn't necessarily think that the investments that were required to fuel the growth of those businesses had changed appreciably yet. Is this more a comment on where you are from scale that leads you to talk about those controllable expenses stepping back? Or are there factors that could push those higher as we move forward in the cycle? That's the first one. I got another one after that.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc. A

Well, I'll start with that. You can save your tough question for Kevin. It's not just Asia, it's not just Sun Life Investment Management. So, they – I talked about and Kevin talked about the buildup of Sun Life Global Investments here in Canada, which we've invested a lot to build that up. It was loss-making for the first number of years, turned the corner, started making a profit, and now we're trying to grow the profits.

And to the extent, as you do that, it takes pressure off of that expense line. Same with Sun Life Investment Management, it's getting closer. We're up to nearly CAD 5 billion, I think, of AUM in the greenfield portion of that that we started here in Canada in private fixed income and commercial mortgages. And that – at CAD 5 billion in an institutional space, we're getting to a place where we're going to be breakeven soon in – just in that portion of SLIM. So, what you see in a lot of these start-up investments we – and some of them we started as long ago as 2010. We are finding they're starting to mature, and we can actually keep growing and investing in growth.

We're still investing in growth in Asia, and that's going to – and Claude will talk about that, his expense growth will be higher than the rest of the company, and we're still investing in growth in all of our businesses. It's just that we have fewer of these absolute greenfields that were standing out and really driving our expense growth over the last number of years. So that's probably the differentiator.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc. A

I just might add just one thing to that, we're very focused on ensuring we also find savings to fund the growth, and there's new tools, right, that I talked about, some of the robotics and using the lean management tools, and then in some ways, I might be the least popular guy in the executive team, really focusing hard to say, yeah, if we're going to spend this on growth, where is it coming from in your other expenses.

Sumit Malhotra
Analyst, Scotia Capital

Q

Okay. And the second one, maybe a little bit more granular. This was an interesting slide that you had on the net credit experience gains. So, in your underlying earnings measure, you've pretty consistently booked gains as an income stream, and when we think about this, this basically comes down to policyholder experience investment and expense, since you're taking the macro factors out.

So, do we look at this and basically say, you've assumed a certain loss rate in terms of your investment book and you've consistently exceeded that in terms of performance? And I guess to go the other way, is this a possible headwind for Sun Life's earnings growth as the credit cycle ages? How does that experience gained here from credit change as your experience continues to be positive?

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

So as you're reading it, Sumit, that's the way to read it. We've assumed a certain impact to earnings from credit events and from – on the credit side, and we've consistently outperformed that since the financial crisis. And you can see on my slide sort of the average of that. If you think about what we've done since the crisis in terms of building out that team, looking at different ways of managing credit, the increased private fixed income, skills, and team, we've, in fact, we've been so successful in the private fixed income side; that is one of the things we're taking to institutional investors through Sun Life Investment Management, so we have a really core set of skills there.

It's impossible to say, a credit cycle is obviously going to have an impact, but we're starting from a position of strength. And I think that's what we're trying to say, if we're starting from a position of strength in terms of our capabilities and the positioning of our balance sheet, would it be worse in a crisis? Of course, there's going to be impacts across a portfolio as large as ours, but the skills that we put in place, we feel confident about.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

Just [ph] work at (01:05:27) different parts of the room here. Meny?

Meny Grauman
Analyst, Cormark Securities, Inc.

Q

Hey, it's Meny Grauman from Cormark Securities. The rate outlook, you talked about some of the sensitivities, but if you just look at the rate outlook, it's definitely gone a lot more confusing over the last few weeks in particular. So just wondering, what is embedded in your medium-term targets in terms of the outlook for rates globally and in Canada and the U.S. specifically?

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

Yeah. So the medium-term target sort of started with where the rates were at the end of the year. So shifts between now and then would have an impact. We've been living low for long – for a long time, and we've done a lot of work to duration-match our assets and liabilities. We've spent a lot of time thinking about low interest rates and positioning our business. Part of our strategic decision around the businesses we're in reflect that.

The interest rates are obviously different in different markets. So if you went to Asia, you see different sort of positioning. It is a headwind for any insurance company, if interest rates were on the decline, and especially a sort of a flattening yield curve also has as an impact to it as well, so the shape of the yield curve also impacts you. But I think it's not new for us to be managing in a low interest rate environment, and it's not new for us to be managing in a flat interest rate environment either.

Meny Grauman
Analyst, Cormark Securities, Inc.

Q

Thank you.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

Okay. Yeah, Humphrey?

Humphrey Hung Fai Lee
Analyst, Dowling & Partners Securities LLC

Q

Humphrey Lee from Dowling & Partners. Just to follow on the ROE question from earlier, and based on Dean's comment, you've talked about a lot of these greenfield operations have turned from loss generation to income generation. So, factoring the expense saves that you have done and then the new investments that you are making are largely offset by controllable expenses, plus a lot of these greenfield operations turning positive, like why wouldn't the ROE to trend higher even in a full cycle and even with the excess capital that is weighing down on the balance sheet?

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

A

Yeah. I think if you do the math, that's what you would see over time. You would see the ROE trending higher, and it's flattered by the fact that we have MFS, which has got such a lot of R and relatively little E. And so when you do – some of the parts ROE valuation for the company, we should have and we deserve to have an ROE that is higher than the average life insurance company would see around the world.

So – but I think we're still investing in growth, and none of this stuff is for sure. We're investing in growth in Asia. I think the 12% to 14% we continue to view, we are thinking about this through the cycle. So we continue to view that as ambitious but achievable. If we can punch through the top end of that, that will be great. I guess what we're saying to you is that there's – none of that is certain, and we're trying our hard to – our best to grow the business. We're optimistic about that, but we've decided to leave it 12% to 14% where it is.

Humphrey Hung Fai Lee
Analyst, Dowling & Partners Securities LLC

Q

Okay. And then on the Run-off business, you show that there seems to be a pretty – on average a pretty good income stream for Sun Life. But at the same time, how much would those, I mean, the Run-off operations contributed to the market sensitivity, [indiscernible] (01:09:13) interest rate or equity market, so how do you balance between that kind of steady income stream versus the added kind of volatility to what is your earnings or capital?

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

I might start, I would add one thing, Humphrey, there. It's they're providing income, strong ROE in aggregate [ph] it has to do with (01:09:33), but also a lot of cash flow. And I think that the cash flow is an important assessment as well if you're looking at what the closed blocks are doing for us. And I think the – over time, finding ways to manage those to deliver even more profit, more cash flow, will be quite important.

Both of those portfolios have longer-term liabilities in them and would have longer-term sort of assets managed beside them. So there is some good duration management matching inside of there. I don't know the exact percentage of the piece that's driving that out, we could get that for you, but you can think of them as being both longer-term liabilities and longer-term assets.

Humphrey Hung Fai Lee
Analyst, Dowling & Partners Securities LLC

Q

You mentioned about the cash flow, like what was the cash flow contribution from those Run-off business?

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

The cash flow over the past five years from those businesses has been significant and a significant piece of the earnings.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

Okay, we'll go right next over to Tom.

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

Yeah, thanks. Tom MacKinnon, BMO Capital. Two questions, one on expense and one on capital deployment, Kevin, you mentioned a bend in the curve, and if we're looking for 8% to 10% medium-term growth in underlying earnings or underlying EPS, what should we be thinking about operating expenses growing at in the medium term?

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

So again it's really – because we're in so many different businesses and so many different countries, you get issues like currency and those types of things. If we do M&A, that'll also see impacts, how fast Asia grow will impact the expenses. What I can tell you is, what we're looking to do is really manage any increase to expenses very closely.

The program we put in place at the end of 2017 has seen, and Jacques will talk more about this in Canada, has seen a real impact on expense growth in Canada. And I think that that whole philosophy sort of permeates through. Dan will talk a little bit about expense in the U.S. Dan's had a very strong expense philosophy and view. So I think you almost have to look at it across each of the pillars, because they'll have different sort of growth rates depending on what happens on M&A, depending what happens on currency, and depending on what happens on growth.

Because if you got a market like Asia, where it's growing rapidly, if you're able to grow your top line at 15% plus and your bottom line at 15% plus, we're going to be more open to higher expense growth out of Asia than we would out of businesses that are growing more slowly. I think Mike will even talk a little bit about expenses at MFS.

Tom MacKinnon Q
Analyst, BMO Capital Markets (Canada)

How do you measure expenses internally here?

Kevin D. Strain A
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

Yeah, I use expense gap, and we've talked about that quite a bit, and it's one of the goals is to continue to drive down the expense gap in the organization. Getting to zero isn't really ever in the cards for businesses that are growing, because when you invest into a new business, it almost by definition ends up with an expense gap at the start. But for our more mature businesses, what I'm holding the – what we hold the team to each of the pillars when they – when we look at budgets and we look at plans and we look at sort of quarterly results is the expense gap.

Tom MacKinnon Q
Analyst, BMO Capital Markets (Canada)

Right.

Kevin D. Strain A
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

And that helps you to measure, as you say, the growth rates of the different businesses.

Tom MacKinnon Q
Analyst, BMO Capital Markets (Canada)

Right. Can you just define expense gap?

Kevin D. Strain A
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

Yeah, so expense gap, we have two different expense gaps. We have expense gap on our in-force business, and we have expense gaps related to our new business. And what we do is we set an allowable level of expenses for the size of the in-force and for the size of the sales we're seeing. And the sales is often sort of a per dollar of sale. The in-force might be per client. It might be per asset size, it can be different things for different businesses, and we assess on that sort of goal for expenses, that allowable for expenses, what's our actual expense rate on a per unit basis. And that gap is what we try to bring to zero.

Tom MacKinnon Q
Analyst, BMO Capital Markets (Canada)

But surely you have expenses going beyond that, that you use for investment purposes, like the...

Kevin D. Strain A
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

Yeah. There's...

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

...special projects and all that...

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

Right.

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

...that's part of the ongoing operations...

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

So there is some pieces.

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

...too.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

Right. Right. But all of that – all of this factors into sort of my thinking around expenses, Tom.

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

And...

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

So maybe we can just move to some other questions, I think.

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

So, can I just follow up on this capital deployment one, because I said I was going to have – and I think, Dean, you said capital deployment is, as part of the equation, what pillars would you be looking to invest in, because if – surely you'd want to invest in something that's going to grow more than 8% to 10% of your overall objective, and that kind of then rules out Asset Management and rules out Canada. Am I thinking with that along the right lines?

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

A

No, I think the...

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

5% and 6% per year, what you're looking at.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

A

Yeah. Those are correct for our existing businesses, but imagine if we can acquire something in the Sun Life Investment Management space that helps that grow faster than the growth rate that's there today. Part of the criteria for an acquisition is to – by adding new capabilities and expanding the footprint of a business, it should allow us to not just make it bigger, but to actually grow it faster. And because if it's just bigger, that's not enough in our view, that has to be able to do something more to that business, be able to grow it, to be able to compete better, to be able to get more scale, which in turn drives net income faster.

So, things we've done in Asia in the past have allowed us to grow Asia faster than we otherwise would have on our own. Sun Life Investment Management acquisitions and I think the GreenOak acquisition is squarely in this category, will allow us to grow earnings in that category faster than we otherwise would have. And so I think that, as Kevin said earlier, the 8% to 10% is our starting point. And if we can deploy capital effectively, and we're working extremely hard on that, that should be additive to that 8% to 10%.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

Okay. Maybe we'll go far end of the room. Mario, far end of the room.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

Thanks. Mario Mendonca, TD Securities. First, Kevin, you referred to CAD 800 million in organic capital generation...

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

Yeah.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

...each year, and I think I may have misheard you, but I thought you said, and you've used that through share repurchases every year.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

So, yeah, so I think maybe I should clarify that. So the business is generating, after you take out organic growth and the dividend, around CAD 800 million in excess capital. What we've been doing is – the past year, year and a half is deploying approximately CAD 800 million into share buybacks, and that's maintaining our sort of excess capital cash position for strategic flexibility.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

But over the last four or five years, that's not be the case.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

No, that's not the case.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

That's a recent trend.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

That's not – that's a recent trend.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

I got it. I got it.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

Yeah. The share buyback started a year ago, August, I think.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

Right, okay. So that makes sense to me then. The next one might be better in a later session, but you talked about your asset mix, your invested asset mix. Is there anything in the near term, whether it's IFRS 17 or any other reason why that might have to change, say, in the next three to five years?

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

IFRS 17 is going to certainly change the way that the invested assets are reported and seen, right? There's going to be a lot more detail on the invested assets. It's going to be sort of a – a lot clear as its own sort of almost P&L.

I think as we – one of the things that I'm thinking about as we head into IFRS 17 is that the current column, the current IFRS 4 Canadian GAAP has done a great job of matching the economics of the assets and the liabilities of making sure that the industry makes good decisions around those things. One of my goals is to continue to make sure we have that philosophy as we head into IFRS 17, right, because this has served the industry well in terms of decisions that's made.

And so, I believe that if we can keep that sort of economic view of the business, that we're well-positioned economically in the balance sheet that we hold today, and that's one of the things that we're – continue to talk to the different regulatory boards about in terms of the movement to IFRS 17. So, the mix we have today is really important in terms of the risk management aspects of it, and so I don't see that changing at this time with IFRS 17, because we see ways to find our way to that sort of economic view of the organization.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

So it'll just require a lot more explanation?

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

It will require a lot more explanation.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

Thank you.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

Time for just one or two more questions. Steve, you had your hand up?

Steve Theriault
Analyst, Eight Capital

Q

Thanks. Steve Theriault from Eight Capital. The last couple of – you had the slide on the payout ratio. At the last couple of years, the payout ratio has been more towards the bottom end of the range, and now with the LICAT conversion and the reasonable sensitivities, the low leverage, how much consideration is there to moving towards the midpoint? Or many of your large cap financial services peers operate at the top end of that sort of a range. So how much internal discussion has there been around that?

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

A

Well, I'll start, and Kevin will probably add. I mean, I think we look around the insurance industry globally and we think 40% to 50% actually is distinctive. Some are at that level, but most are – have a dividend payout ratio that's somewhat below that. We think that makes sense given our four pillars, including the asset management pillar and the generation of cash from the asset management pillar.

You're right, Steve, to point out that at least last year, and I'll come back to the par seed capital, which added CAD 110 million to our underlying net income, so added to the denominator of that payout ratio kind of on a one-year basis and pulled that down a little bit. But I think through the cycles, Kevin noted we're traveling at – in the low 40s of that ratio. There's room to do more as you pointed out. I mean, I think we've got the capacity to do that. But I think we look at it, we look at the balance of how we return capital to shareholders through the dividend, through buybacks, and we think we've got a pretty good balance right now.

And certainly, the dividend yield at 4% would suggest we've got a pretty healthy dividend. It also suggests the denominator is low relative to what it could be or should be. But I mean that will work itself out over time as we grow the business.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

Maybe just to Dean's point, between the buyback and the dividend last year, we gave back over 60% of the earnings to shareholders.

Steve Theriault
Analyst, Eight Capital

Q

And if I could, one quick other one, there's some good detail around the Client Index scores and 7 out of the 11 businesses in top quartile. Maybe you could just talk to us a little bit about one or two businesses that are not top quartile, where they're at, what you're doing and how quickly. We hear a lot about within the context of the insurance industry Client Index scores being challenged, maybe one or two examples of areas where you might see some improvement.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

A

Sure. Yeah, one of the four is Vietnam. So we've been in Vietnam for five years, and we're building, it's a greenfield. We've made great progress there. We've got 400 employees and, I think, 3,000 or 4,000 Sun Life Advisors in the country. But we're starting from scratch and it takes a lot of work to build an insurance company from scratch, even with all the leverage from other parts of Sun Life in Asia and the rest of the company.

But I'm confident we'll get there in Vietnam, and in that case, it's about building out a client experience with the Advisor. It's about maturing the Advisor sales force, having continuity in the Advisors, about building out all the technology, and it's just going to take time to get there. And other – our competitors, our local competitors have been at it much longer than we have in Vietnam. So that's one of the four.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

Okay. Can I add one thing?

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

A

That's an example.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

A

I think that having these examples in Canada and maybe in Asia, the Philippines, and where you're seeing really top performance, really helps the other Asian businesses have sort of bogeys in mind of – in terms of where they're trying to get to. And I think those ones that are underperforming, when you're – so Dean had 7 out of 11 that are sort of at the top part, the 4 know who they are, and they can see what the other 7 had to do. And that's really helpful actually.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

A

And I think, of the other four, one of them is in the second quartile.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.
A

Yeah.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.
A

Two of them are in the third. One's in the fourth.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.
A

Right.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.
A

The guy who's in the second quartile thinks he's above median, but we've said, hey, top quartile is the bogey here.

Kevin D. Strain
Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.
A

Yeah.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.
A

So – and that's what we're working on.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

Great. Thanks. So I think we'll take a break now, 10-minute break, and then we'll come back with our second set of presentations.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

Good.

MD&A

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

Good morning, everyone. We're going to get started now with the second set of presentations. In this set of presentations, we're going to hear from our Canadian, our U.S., and our Asian businesses, and we'll kick things off with Jacques Goulet, President of Sun Life Canada.

Jacques Goulet
President-Sun Life Financial Canada, Sun Life Financial, Inc.

Thank you, Greg. Good morning, all. I'm very excited to have the opportunity this morning to talk to you about the Sun Life Canada story. And if there was one thing we would like you to remember about this story when you leave today is that Canada is a growth market for Sun Life. As I said, Canada is a growth market for Sun Life.

Now, why do we say that? First, we have a proven track record of growth, and we have done that while at the same time advancing our leadership position in our core businesses, and we'll talk some more about that. Second, the macro trends in the country, particularly around health and financial well-being, are such that there are significant opportunities in the market, and those opportunities are actually growing, and we think and we'll demonstrate that Sun Life is very well-positioned to capitalize on these.

Third, and Dean has talked about that, this sort of client obsession, we describe our sales at Sun Life Canada as leaders in the market, but leaders that have a disruptive mindset rather than, say for example, a complacent mindset. And if you combine that with the strength that we have in core businesses and our leadership position, it means that we can actually shape the market beyond the traditional areas in new capabilities. And finally, we're going to do all of this under an overall umbrella of financial discipline focused on prioritization to drive strong earnings growth.

So let's start with the track record. As you can see, we're showing three metrics here: underlying net income, our ROE, and value of new business, and we've had over the last four years good progress on all of these metrics. And what is interesting, and that was alluded to in prior presentations, is during that period of time, we were making significant investments in what we call growth engines, and I will have a slide later on about that.

When we talk about this disruptive mindset as leaders, there's no better example to illustrate that than what's on the next slide. Let me focus on the left-hand side. If you look at GRS, our Group Retirement Services business, we have been number one in the market for 16 years in a row. 16 years in a row. Complacent leaders don't achieve these kinds of results. Furthermore, if you look at the last four years, we took in 2014 what was already frankly a pretty healthy market share at 34%, and increased it to 36% in 2018, similarly good results across GB, as well as in the individual insurance. So our strong leadership, if you like, and the strong position that we have in these core businesses, the size of them, the scale of them allows us to then use that, leverage it to reach new areas and also to develop what I would call brand-new businesses, and we'll come to that later.

If you look at what matters for Canadians, in my view, there are two things that stand out as major preoccupations. Canadians are concerned about their health and that of their loved ones, and they're concerned about their financial well-being. Those are big issues today, and they will be even bigger issues tomorrow. Why do we say that? Well, first, people live longer, and we have an aging population. And second, Canadians will have to rely more and more on themselves, when it comes to achieving good outcomes for their health and for their financial well-being.

So if you line up those needs that Canadians have, those growing needs that they have, together with Sun Life Canada's capabilities, solutions, what you find is a very strong alignment between both, which means that we are able to address those current needs that are growing in the market. Not only that, we would say that not only can we address those needs, we can actually shape the industry response to those needs.

Let's start with the fact that we are one of the most trusted brands in Canada. And what that means is that our clients, they value, they welcome our support. In fact, they welcome us being proactive, reaching out to them with personal, timely, and relevant advice and solutions. And so we see that, and Dean alluded to that earlier, we see that in the Client Index scores, which for us have increased from 40 to 46 since 2016. Our leadership position in our core businesses helps us to bring what we would call the full power of the organization to the benefit of our clients, what we call a One Sun Life experience.

Take for example our leadership in GB and GRS, that allows us to bring to clients what we call total benefits and integrated seamless solutions across benefits and pensions. And by the way, this is not easy to replicate, because if you are strong in one of these but not in the other, it's not as easy to deliver that kind of solution. And we can do that, and we're doing that with a number of clients, but we actually have quite a bit of runway across the client portfolio.

Our client experience office uses, for example, data and analytics to serve information in the form of nudges to clients to help them improve their situation. So as an example, we might say to a client, hey, you are leaving money on the table. If you were to contribute $100 more to your pension plan, your employer would match that with $50. So again, the strength that we have in our core businesses allows us to serve clients in a way that is seamless and can serve them across a full suite of their needs.

Our approach is actually well aligned with client expectations. Why do we say that? Clients nowadays want things on demand, right? The right information at the right time, through the right channel. And our investment in data and analytics and digital and predictive capabilities allows us to do exactly just that, as is illustrated on this slide. The results are there. If you look on the right-hand side, in 2018, we had over 17 million Web – mobile sessions with our clients, which represented an increase of 74% over the prior year.

Our investments in digital capabilities, we would describe as deep and broad, and what we mean by that is they touch every part of our organization, or example, it means developing brand new businesses according to brand new business models, as we are doing in digital health solutions, and we will show you a video a bit later on on that.

It also takes the form of strategic collaborations with other digital providers in the market, and we've shown you examples there of things we are doing with Planswell, as well as with Rise, which is Canada's first and only fully integrated digital HR provider. We are also using digital to enhance existing capabilities. So for example, our advisors are interacting more efficiently with their clients.

And finally, we are deploying artificial intelligence and machine learning into our operations or in our back office, and actually, ultimately, that improves and makes the client experience even richer. As an example, if you apply for insurance through our career advisor network, 31% of this application go straight through on an automated basis through processing and underwriting, no human intervention. So in a way, you could say that we are aiming to be a digital-first company.

One of the neat ways in which our clients experience day-to-day all these investments that we are making in digital is through Ella, our Digital Benefit Assistant. Ella was born in the fall of 2017, and in a short time, she has had a big impact. She interacts with clients in many ways. She sends them emails, she pops up on their mobile devices, she pops up on the Web when they're dealing with us through the Web. Clients can talk to her through Alexa and Google Home. You could actually say that Ella is almost everywhere. It's pretty impressive for somebody who's not even 2 years old.

And she's making a difference. If you look at some of the numbers, she has helped clients save over $400 million towards their retirement. She has helped clients increase their insurance coverage by $375 million. So, it's all part of this mindset of having the client at the center of everything that we are doing. And that's in the overall framework of making it easier for our clients to do business with us.

So if you consider the complexity of the world these days, clients have different preferences in which – in how they want to engage with us, and that might actually vary depending on the particular need that they have at the moment. So, a client may want to sit down with an advisor face-to-face to discuss complex issues like estate and financial planning. In fact, they may want to have their spouse present for that.

At the same time, that same client, when it comes time to, for example, validating or querying their dental coverage or something, may want a digital solution where they are engaging on what we call a self-serve basis. So, we think that our approach is what we would call fit for purpose, reflecting the fact that nowadays, achieving financial security and living healthier lives is actually a pretty complex proposition.

One of the things that we're particularly excited and proud about is Lumino Health, which we launched in 2018, and is actually an extension to all Canadians of a service that we already offer to our client plan members. So, let me show you a brief video.

[Video Presentation] (01:35:38-01:36:45)

Okay. So, we know that health is a major preoccupation for Canadians. And with Lumino, we're bringing to them solutions that they have told us matter to them, things like fitness and lifestyle, mental health, diet and nutrition. And what's particularly compelling about Lumino is that we can deliver on these solutions through lower cost, lower cost for the individual and lower cost for the employer as well.

Why do we say that, essentially for two reasons. One, a lot of what we bring on Lumino is focus on prevention, and we know that staying healthy is a lot less expensive than having to regain a healthy state. The other reason is just the sheer scale of the platform. We have over 150,000 providers and millions of users. That means that we're able to bring things like volume discounts, and we can also help users become what we call smarter shoppers or smarter health shoppers, and that is because we can steer them to using, for example, lower cost providers or lower cost solutions. So we actually believe that over time, Lumino is probably going to be a key resource through which Canadians engage with their health.

Now, we've talked a number – about a number of strategic areas of focus where we want to grow our business but we know that in business strategy is important but execution is what is really, really key, and execution is all about people. And we're quite pleased in Canada because Sun Life is a top employer and it's an employer of choice or top talent and for diverse talent, and not only that but that talent is highly engaged with the organization. If you look at our Engagement Index score at 84%, that is a world-class result. Not only that, if you drill down underneath that, you would see that one of the components is that our employees, 95% of them tell us that they are highly motivated and highly inspired by the purpose of our company, which is to help Canadians achieve lifetime financial security and live healthier lives. Achieving these kinds of results is no small feat. It's a lot of hard work. And because talent drives execution and execution drives business success, we strongly believe that these results are a strong competitive differentiator for us.

Now, let us focus on a few engines of growth, as we call them. We've picked three of them here because they represent 45% of the value of new business that we generated in 2018. The first one is what we call the worksite advantage. When an employer hires Sun Life as it's provider for GB, GRS or ideally both, what that means is we get to establish a direct relationship with all of their employees as plan members. So, that is what we call the work site advantage. And because we are the market leader in both GB and GRS, that means that we are able to access a larger and larger number of Canadians. And if you combine that with all the things that we've shown so far around data and analytics and digital engagement, we are able to develop richer relationships with all of these plan members through proactive, personal and relevant nudges, and we can help them save more for retirement, as we illustrated earlier in our examples, what we call in-plan deposits, showing as asset gathering here.

Similarly, when an employee leaves its employer and going to another employer, we are able to retain through what we call rollover solutions, that client into Sun Life solutions for life. So ultimately, what this means is more assets under administration, which is obviously good for our results.

If you are a company in Canada sponsoring a defined benefit plan, you're facing a number of pension risks that are quite tricky to manage. One of them is longevity risk, for example. Now, a key solution available to these companies to manage those risks is to actually transfer them to an insurance company through a group annuity contract. This is a market, by the way, that is very well-developed in both the U.S. and in the UK. And although it is relatively nascent here in Canada, we think it's poised for significant growth.

And Sun Life Canada is the market leader, clear market leader in that space. We have assembled the best team of actuaries and they're bringing to market the most innovative solutions. For example, you can see in 2018 alone, we had sales of $1.7 billion, which gave us a 37% market share across the total market. So if you're looking ahead and you see as this Canadian market develop and grows, we're very well-positioned to capture a good share of that growth.

Dean and Kevin have referred to Sun Life Global Investments earlier in their presentation. SLGI is another engine of growth for us. Only eight years ago, we were starting with zero. Today, we have over $23 billion of assets under management. And we've done this through our innovative solutions where we bring the best in class asset managers for our clients and we've also been able to deliver strong investment performance. And as you know, for example, 2018 was a pretty challenging year here in Canada on mutual funds, and we're quite pleased that we were able to be in positive net sales and that actually ranked us in the top 3 in the country. So again, well-positioned for capturing growth opportunities in the future.

Kevin has mentioned that we've talked about areas of growth, but the expense line is very important in order to achieve our earnings growth objectives. And as you can see on this slide, 2018 was a pivot year for Sun Life Canada. And what's particularly compelling here is that in 2018, we were, at the same time, able to accelerate some of the investments we're making in key strategic areas. Lumino is a good example of that. We've actually accelerated our investment there in 2018. And the way we've done that is through more focused prioritization and strong expense discipline.

So when you put it all together, if you look at market growth, combined with what we are doing on financial discipline to the optimization of our businesses, the focus and prioritization that we have on accelerating our growth engines and building new businesses like Lumino, according to new business models, we feel that we are well-positioned to deliver the medium-term objectives that Kevin Strain has outlined.

So to recap, we have a proven track record of strong growth while advancing our leadership position in these solid core businesses where we are the leader. The macro trends in the country, particularly around health and wealth, create opportunities today and those opportunities are actually growing, and we think that Sun Life Canada is very well-positioned to capture them. Our disruptive leader mindset, that passion for new solutions, that client obsession that Dean has talked about, means that we are actually able to leverage this leadership position in our core businesses and use it to shape the market in new directions. And finally, we're doing all of this under that overall umbrella of financial discipline and focused prioritization to deliver strong earnings growth. So I'll end where I started, which is to say to you that Canada is a growth market for Sun Life. Thank you.

On that note, let me pass it on to my dear colleague, from the U.S., Dan Fishbein. By the way, he's a very strong Boston Bruins fan but we don't hold that against him. Not yet, anyways.

Daniel Richard Fishbein

President-Sun Life Financial U.S., Sun Life Financial, Inc.

I will acknowledge that the least one last night in the Bruins loss, and that's interesting. Thanks, Jacques. I'm delighted to be with you here today at our One York headquarters and have the chance to share with you the Sun Life U.S. story. And that story is, in summary, a recent history of performance improvements made and significant growth to come, and that's what I'll talk about today, a little bit about the recent history and a lot about the growth initiatives that we have that should drive growth, both in the topline and in our earnings going forward.

Over the past four years, we've made significant improvements in the performance of the U.S. business by managing our expenses, by executing on our integration of the Assurant Employee Benefits business, by improving our claims management capabilities, and by improving our loss ratios through pricing and underwriting. Our future growth will be delivered by continued execution on our core business initiatives and also through four strategic initiatives, that I'm going to share some information with you about today, notably, our investments in the National Accounts segment are helping clients to fill coverage gaps leveraged by technology and our Maxwell Health investment, which we'll talk more about, and expanding our leading stop-loss business and our newer FullscopeRMS business. Growth, strategic initiatives, our improved performance and margins will drive continued improvement both in our margins and our earnings growth above market rates.

So, let's just talk a little bit for a couple of minutes about what's happened over the past four years. Our underlying net income, and this is now adjusted, you know that we moved the International business to Asia at the beginning of the year, so all of these statistics, even looking back, adjust for that, but the Sun Life U.S. business has had significant earnings growth over the past four years, as you see there on the slide, from $135 million to $396 million, a combined annual growth rate of 31%.

Another significant measure we introduced at this meeting two years ago was our after-tax Group Benefits margin. At the time, if you go back to 2014, that margin was actually slightly negative. That has grown for 2018, and we measure this on a trailing 12 months basis, to 6.7% or a 780-basis point improvement in margin over the past four years. You may remember two years ago, the target we set for group margins was a range of 5% to 6%. We've certainly gotten some assist from U.S. tax reform, but even with that, the margin is now at the high end of that target range and that was achieved two years earlier than the goal that we set out for this.

Our sales have also grown significantly, as you can see, to just shy of $1 billion dollars last year. We couldn't quite find that last $1 million, but if we use one decimal point, it rounds to $1 billion, by the way. That's grown at a combined annual rate of 14%. You heard Dean earlier mentioned sales force productivity. This is also with a sales force that is smaller than the sales force that we had in 2014, still a significant sales force but we've driven some real improvements in efficiency and productivity there.

The Assurant Employee Benefits integration, we're now three years post that integration. Many of the integration milestones have been achieved, all essentially on time based on the schedule that we had originally laid out. In our Group Benefits business, life, disability, dental and others, most of that business is sold and renewed on three-year contracts. So, one of the things that we set out to do at the beginning of this process was not to disrupt our client relationship. So, we are converting clients to a combined product systems and benefits platform on their next natural renewal date.

So, the first 18 months or so after the transaction, we integrated our organizations. That was completed in the first 6 months. And then, we had to file a combined product set in all 50 states in the U.S. We have the privilege of working with 50 state regulators and OSFI as a regulator at the same time. So, we have a lot of regulatory relationships. And we filed in the 50 states over 300 product filings that we had to submit and get approved. That was all completed. We also integrated the system suites, and they are suites of systems into one set, and we now have completed that and are actually retiring systems, which is a pretty unusual thing in our industry but we're actually shutting systems down.

And then, at the beginning of 2018, really in the late fall of 2017, we began converting clients to the joint platform. By the end of 2018, we had moved more than half of the Assurant clients through that process, and we will have our estimate is – it's a fairly precise number, 96% of our employer clients move through that process by the end of 2019.

Our retention rate of clients is higher than what we modeled in our transaction modeling. We also, at the end of 2018, had already achieved over 95% of the targeted expense saves, and we'll be to 100% or perhaps even a little over 100% sometime this year. So, that integration is going well. It's also going very well from a talent perspective. We added 1,700 really experienced group benefits professionals to our organization and we've had very low turnover with that group.

Now, for the four strategic growth initiatives that I mentioned, the first one I'll highlight is our further push into the National Accounts segment in our group business. National Accounts, we define as employers with 2,000 people or more. Now, we've always been a player in that market but we never really had a dedicated presence. So in late 2017, we established a dedicated team, sales people, account managers, underwriters, case installations staff, others aligned with that business, to specifically focus on this very unique constituency. We like this market. It's less crowded than some of the other segments in the U.S. In the middle market, we compete with more than 30 major competitors. In the National Accounts space, it's less than 10, and there's been some consolidation over the past couple of years. It's also more concentrated in the distributors. The top 10 national brokers and consulting firms represent more than 50% of the clients that are available in this market.

So, we've had some notable achievements already as we've built this team both from internal resources and added some great talent that we acquired from some key competitors. In 2018, for example, our client index score increased by 5 points. We had a 24% increase in sales growth in this segment. We added 140,000 new members that we cover, and we tripled our sales with those top 10 firms that I mentioned. We now have over $700 million of business in force. This represents more than a third of our group life, disability and dental business. So, we think this will be an engine for further growth going forward.

The second strategic initiative I wanted to highlight, and we'll spend a few minutes on this, is the opportunity to get people the coverage they need, to fill the coverage gaps. So some quick background on the U.S. employee benefits system, employees are becoming responsible for more and more of their health benefits cost, and one very important point is all employee benefits in the U.S. are really built around the healthcare system, because in the U.S., of course, people get their health benefits as a benefit at work. That's where most people get their healthcare from. And the size of that market is staggering, and we'll talk a little bit more about that in a minute when we talk about stop-loss.

Just a small piece of that market is the employee responsibility for their portion of the cost, deductibles, co-pays, co-insurance. That has grown to more than $350 billion a year. So, that creates both a major need and opportunity to help people fund those gaps in coverage.

On the life insurance side, as another key example, the U.S. has an enormous and growing life insurance coverage gap. We commissioned a study with an outside consultant who estimated that even taking affordability into account, Americans are underinsured currently by $12 trillion, and that number is growing. In 2017, for the first time ever, more people bought life insurance in the workplace than through the individual market, and that's a balanced shift that we think is going to continue, and yet, the life insurance coverage gap is growing.

People spend an average – this is from a study – of 23 minutes a year enrolling for all of their benefits at work, which is typically done through one process. They spend the first 18 minutes of that 23 minutes making their decision about their health plan, then they spend the last 5 minutes considering and enrolling for all the other benefits. And in most cases, other than filing claims, that's the only interaction people have with those benefits and decisions around those benefits for the year. That's a tremendous missed opportunity. And that rushed process leaves a lot of people without the coverage that they should have. They're making quick decisions, their financial wherewithal to – that they feel comfortable with to buy additional benefits is, to some degree, being crowded out by how much they have to spend on their health benefits. And they might make a quick rash decision, as they see the total accumulating bigger and bigger on the screen. So, we want to set out to change that because the opportunity for more coverage and to get people the coverage they need is enormous.

So our investment, through an acquisition last year of Maxwell Health, a very innovative insuretech in Boston, is designed to get at that opportunity. Maxwell provides an intuitive digital client experience, and we'll show you an example of it in a moment. Maxwell delivers seamless integration of all benefit plans, focusing on smaller and mid-sized employers, especially those under 1,000 lives. Many of those employers today do not have a benefits enrollment platform. So, this is territory that is still wide open for us and others.

Maxwell also has EDI connections today with virtually every one of the hundreds of health plans in the U.S. So, an employer can use the Maxwell platform to enroll their people in all of their benefits. And what we're doing in April is introducing an integrated version of the Maxwell platform featuring Sun Life products on the platform, and we think this will be a key factor in driving more products per employer client, more enrolment – levels of enrolment and number of products enrolled in by members as they consider their choices.

So, let me show you a quick video that'll explain a little bit more about what Maxwell can do for us.

[Video Presentation] (01:58:27-2:01:10)

We estimate that if employers enrolled for all the products that Sun Life offers and if employees who generally enroll at less than 40% in the non-health coverages they are offered enrolled for those coverages, and if they enrolled at the levels recommended that is needed to protect their families, our business, without adding a single additional employer Client, would be 10 times the size that it is today.

Now, we're not going to get to that point, but it gives you an idea of the opportunity that is out there through tools like Maxwell, through tools like our teams have enrollers who, this fall, met with almost 100,000 people in person and other techniques that can enable us to change that dynamic and have people spend more than just a portion of 5 minutes a year considering these critically important benefits.

I also want to mention that Vinay Gidwaney, the President of Maxwell Health, is in the – on the left-hand side in the corner over there and would be happy to chat with people at the breaks. Vinay is a Canadian who has started successful businesses both in Canada and now, Maxwell in Boston and we're really excited to have Vinay and his team of more than 100 engineers and product experts as part of the Sun Life family.

The next initiative I wanted to talk about is the opportunity to expand our stop-loss business and this would take more than all of the time I have remaining but in order to give context to this, we need to talk a little bit about the U.S. healthcare system.

The U.S. healthcare system is currently a $3.3 trillion system. That's what is now being spent annually. And coincidentally, just to give a sense of the size of that, that is double the entire GDP of Canada, just the U.S. healthcare system. And that is the part of the business that we are really a part of when we talk about Group Benefits in the U.S. and we're a part of that in many ways.

We're adjacent to the healthcare system through things like the enrollment process and the dollars that people have to spend, but we're also directly involved in the health benefit system in the U.S. through our stop-loss business. What stop-loss is, is the high cost claims coverage that employers who decide to self-insure their employee health plans will purchase. So because large employers tend to self-insure, 61% of all U.S. employees who get their benefits at work are in a self-insured plan. Many of them probably don't realize it because their employer hires a well-known insurance company to be the administrator of their plan yet they're not purchasing insurance from that company.

Typically, the employer will buy stop-loss coverage for those large or very large claims either from an independent provider of stop-loss like us or from their health plan. And we are the largest independent provider of stop-loss in the United States and as you'll see in a moment, that business is growing rapidly.

Just the self-funded space that we're a part of represents more than $1 trillion a year in expenditures. It's an attractive space in its market dynamics in that it's growing. Medical costs grow at 6% to 8% a year so the self-funded space, the stop-loss business, grows at that rate just inherently in addition to any growth in the adoption rate of self-funding, which is growing, and our own growth in market share.

Our business in stop-loss has been performing very well. As you see, we've added over $600 million in business in-force to that business in the last four years and our sales have grown dramatically at a 14% annual growth rate. We're also delivering very strong earnings in that business. Our margins currently in that business are the strongest that we have and in fact, are even above the pricing targets that we set.

We have significant size and scale that gives us some advantages. As I said, we're the number one provider and since all of that business, unlike the Group business that I mentioned earlier, goes out to business – it goes out to bid every year, we have, in our databases, 90% of the stop-loss business in the U.S.

So we have extensive data that we can rely on for pricing, underwriting and especially for insights to our Clients and potential Clients. And we leverage that by providing things like the Sun Life Benchmark Tool which when employers ask for that, we see a double the close ratio on those potential Clients. We also have the largest stop-loss sales organization in the U.S., with 45 full-time stop-loss representatives and we partner with over 180 third-party administrators.

This is a business that's growing in its current state but also can grow laterally. When an employer sets up a self-funded health plan, there are many ways they can do this and many capabilities they need. Stop-loss is just one of them but there are other capabilities you see in the blue circles that we're already providing and more that we can provide to those employers. And they would rightfully see us as a potential source for some of those capabilities. So over the next few years, you'll likely see us introduce additional business capabilities related to the self-funded market which can help us to capture more share in what I just described as a more than $1 trillion business.

The final initiative that I'd like to mention of the four is our Fullscope RMS business and this is something you probably haven't heard much about. When we acquired the Assurant business, a business that was part of that was DRMS or Disability RMS. DRMS has a 25-year history of serving as their Clients other insurance companies by providing for them all of the services and capabilities to run disability and in some cases, group life businesses as well. Think of these as insurance companies that for various reasons didn't want to invest in creating a long-term disability, a short-term disability business themselves. It creates – it requires a lot of expense and the expertise in claim management and getting people back to work in building systems.

So 25 of our competitors have hired us to run those businesses for them. They pay us by paying our administrative costs and then we share risk with the selling company. The selling company writes the business on their paper but we insure a substantial portion of that through a reinsurance arrangement. And we have $270 million of business in-force currently through that business.

We like that model a lot. It gives us an alternative distribution system in a highly fragmented market and additional scale. So we're expanding that business into new venues where we can bring similar valuable expertise to partners.

We're adding and have added a stop-loss RMS business under the new brand, Fullscope, because this is more than disability and our primary target for the stop-loss business are regional health plans, many of whom don't have their own stop-loss products but who would have a natural reason to offer that in combination with their self-insured administration.

We're also planning on adding voluntary capabilities and in our building out in absence management capability as additional product capabilities in the Fullscope business and we think this can be another significant driver of growth beyond market rates.

We also are very proud of our talent and our people. That is fundamentally our business. What we offer to our Clients is our people. There's nothing that shows up in a box on their porch after we take an order. So what we are offering is what our people do.

Our people are engaged at an 82% engagement rate. Many of our new hires come from personal referrals. We have long-tenured employees and very significantly, we have voluntary turnover that is below industry rates and while you're doing an integration of two companies, that's even more notable.

So how do we bring this all together into growth rates that are above market levels? Let me talk first about earnings growth and you saw on Kevin's slide the commitment that the U.S. is making to 10-plus percent earnings growth in the U.S. Group Benefits business. We hear a lot, oh, Group Benefits are only growing as a market 3% to 4% a year. While that is true of some of our products such as group life and disability, which generally the – for which the market grows at the rate of employment and wage growth, a big part of our business is in healthcare, stop-loss, dental. And those are businesses that grow at a much faster pace because of the underlying growth in medical expense also called medical trend. And that actually drives a market growth rate in those businesses, especially stop-loss, of 7% to 8%. So when you aggregate those two together, we start with a market growth rate that's well above that 3% to 4% that you sometimes hear people talking about.

While we've improved our margins and we've gotten there sooner than expected, we still have room to grow and we expect to continue to improve those margins and as we do that, that will contribute some more to our earnings growth rate.

And finally, the four strategic growth initiatives that I mentioned will enable us to grow beyond the market rate of growth in addition to excellent distribution, execution on the core business. So when you add all of those pieces together, you can readily see how we can get to a 10% or higher earnings growth rate for the U.S. business.

And then finally, a comment about margins. I mentioned that at the last Investor Day, we committed to a 5% to 6% margin most recent quarter. The trailing 12 months measure is at 6.7%. Today, we're committing that our long-term margin will be at 7% or above. That would be a top quartile industry margin and we're confident that we can achieve that.

So, in summary, our key points. We've made significant improvements to the performance of the business. We will be delivering significant growth in the future by continued execution on our core businesses and execution on the four strategic growth initiatives that I've described, especially through our digital platform, Maxwell, and that should lead to earnings growth and margins above market rates.

And with that, I'll conclude and turn it over to my colleague from Asia, the President of Sun Life Asia who hopefully is now wide awake, Claude Accum.

Claude A. Accum

President-Sun Life Financial Asia, Sun Life Financial Asia Services Ltd.

Thank you, Dan. I'm the only person that came to the stage with a coffee. How are you guys feeling? I was in Hong Kong, Sunday, Kevin. And Kevin did run Asia before me and it really is a 12-hour time difference and he forgot to tell me one thing, okay? He forgot to tell me that Dean has these video conferences by FaceTime regularly with the leader in Asia and because of the 12-hour time difference, one of us is going to bed and one of us is getting out of bed. Can you imagine doing that video conference by phone, okay? I've developed a new skill. I go to bed now wearing a tie.

So, it's my pleasure to be back in Toronto to talk about Sun Life's amazing progress in Asia and you've heard Dean and Kevin talk about our growth, and we're really proud of what's happened there. But importantly, I'd like to share with you on how we will continue to capture future growth in Asia in the largest and fastest-growing markets that we see there.

Here are some key messages we'd like you to take away. Our markets in Asia have very attractive fundamentals and that will continue to drive the growing demand for insurance and wealth solutions across the region. Putting on your retrospective lenses and looking back, what you'll see is Sun Life has a proven ability to execute in Asia and this you can see as evident in our strong financial results.

Now, if you put on your prospective lenses, you will see we are well-positioned to capture the growth in Asia and believe we can continue to grow at double digits and that will be organically by focusing on Client and business outcomes. Let's look at some of the fundamentals.

Sun Life operates in some of the largest and fastest-growing markets in the world. As you're aware, the biggest underlying driver of global growth is insurance penetration and wealth creation in the growing middle-class of Asia. According to Brookings, and Dean talked about this, 90% of the next 1 billion entrants into the global middle-class will importantly be in Asia. By 2025, Asia will make up more than half of global spending by the middle-class.

Our seven markets make up the vast majority of GDP and life premiums. Importantly, this is in the higher growth countries in Asia. We're not talking about the mature countries. Our fast-growing business in India is one example where we are fantastically positioned to capture the growth in one of the world's most underpenetrated mutual fund markets. I'm going to talk more on India later.

Here is an amazing slide. Today, we serve more than 20 million Clients in Asia. Just think about that, okay? 20 million is large compared to the size of Canada. How is this possible? The 20 million Clients in Asia that we serve are going to double in five years. So, we're talking we're going to 40 million. How is that possible?

In order to make that happen, you need to be fantastic at distribution, you need to be fantastic at operations, okay, and Digital is an important part of scale on putting that many Clients on the books. A big learning for me, when you grow at that pace and you're adding 4 million new Clients a year, think about it, half of those 4 million have never bought a policy before. And so an important part of what we do is financial literacy in these markets and we educate people.

We have key leadership positions in many markets. In the Philippines, we are the leading life insurer for seven years now in a row. In Hong Kong, we are the second largest pension provider on net inflows; the second fastest-growing. In India, the key growth market in Asia, we have the fourth largest mutual fund operation and we are number eight in individual insurance in the private sector. In Malaysia, we remain a top three player in Bancassurance and importantly, we have established a new position in Agency.

Since last year, we have also added International to the business in Asia and this will allow us to capture growth in the high net worth and ultra-high net worth markets that are growing really fast globally. Our presence and market leadership makes us well-positioned to capture future growth in these markets.

Let's look at the track record of execution. So looking back, you can see here that we continue to demonstrate our ability to execute across Asia through consistent top and bottom line growth. Over the last four years, we doubled or nearly doubled all key metrics. We've added over 10 million more Clients in four years. VNB's grown at an annual rate of 19%, income at 16%. If you look at sales, they've grown 13% in individual insurance and 16% in wealth. And we've grown AUM at 18%. These are fantastic outcomes.

Let's see how does this compare to competitors? Here's a picture where we've looked at seven key Pan Asia competitors that play in our markets in our space. Some of these companies are international and very large and very capable. You can see on the left we have the second fastest growth in top line. You look at the middle, we have the fastest growth in VNB. And on the right, you can see we have the fastest growth in earnings. This is amazing.

We are able to achieve superior outcomes because of four things. I mentioned this before. We are focused on the faster developing markets in Asia, not the mature markets. Our distribution, okay, is focused on quality above growth and so you can see on the left chart there, we want to be near the top but we don't need to be the top, okay? We're focused on quality above growth.

That middle chart, in order to make that happen, our focus is on Client centricity and what that does is it aligns our interest to the Client and results in durable value creation for the Client and for our business, okay? We're selling long-term protection for our Clients. We want them to stay with us a long time. That drives strong VNB results and that's what you see in the middle there. And our culture attracts amazing people in Asia who choose to stay with us.

Let's take a look at distribution. We are focused on achieving distribution excellence across multi-channels and this is one of the main drivers of our future growth. For Agency, we focus on developing a quality Agency force in every market using our Most Respected Advisor program. For Bancassurance, we have amazing, amazing quality partners and our obligation to those partners is to bring them certain things. We bring them fantastic products and services and innovative solutions. Our Broker channel allows us to serve high net worth Clients; importantly, both offshore and today, onshore. And our innovative e-Distribution partnerships on the right that Dean's talked about allows us to reach millions of new Clients in new segments, a huge growth opportunity.

Let's focus on outcomes. If you take a closer look at two of our biggest channels, Agency on the left and Bancassurance on the right, you can see we have delivered strong double-digit growth over the last four years. Take a look at Agency. With over 100,000 advisors across Asia, our Most Respected Advisor program has generated sales growth 17% per annum since 2014 and we now have over 1,300 Million Dollar Round Table qualifiers. That's a very strong result on a global scale. In Malaysia, in 2018, we established an Agency force in partnership with CIMB-Principal Asset Management. You know what that means? With this addition, we now have Agency in all our markets in Asia.

You look at Bancassurance. With strong bank partners in five markets, we have grown Bancassurance sales at a CAGR, and you can see that on the right, of 25% since 2014. And I should highlight that in India, the achievement in 2018 was outstanding. We quadrupled sales after a new deepened relationship with a new Bancassurance partner, HDFC Bank.

Let's look at how we are balancing the product suite. We are continuously building a balanced product suite that fits the needs of our Client and importantly, this is for the focus on Client centricity. In the past year, we've introduced innovative products across the region.

Let's take a look at Generations in Hong Kong. This is an innovative product for high net worth Clients that leverages premium financing. In the Philippines, we launched SUN Senior Care. This is a whole life critical illness product that caters to the illness concerns of our older Clients.

As our business model matures, remember in Asia, we sell to young people, many of who have never bought before. And as we grow with them and expand our business dealings with them, we've seen an expansion in demand for health and accident coverage for more Clients and we've seen health and accident sales grow at a 35% percent CAGR over the past four years. We also provide wellness offerings to help our Clients live healthier lives. For example, we have an innovative app. It's got a great name, SunActiv. It's launched in Malaysia and it rewards Clients for healthy behavior. So we're talking behavioral economics.

Let's look at some of the digital advancements and we've been working hard at these to create a seamless experience that Clients in the modern world have come to expect. We have Sun Life apps and portals for Clients in four markets. We have Advisor platforms in five markets and three of those markets already 100% of our advisors are using these apps to manage the Clients and track business performance.

In the middle, you can see we've launched SunSMART in four markets. This is a digital point of sales tool that enables advisors to quickly and professionally understand Client needs and it can help you apply for a policy anytime.

Pause there for a second. A policy application can be completed in 15 minutes, 15 minutes. This is one of the fastest turnaround times in the industry, okay? We can do that in Hong Kong, Malaysia, and Indonesia because we run these programs. We create these applications across the region, scale across the region.

We've taken steps to become fantastic at operations as well that we can best serve our 20 million Clients. Automation is key. We're up to 127 bots deployed across Asia. We have a virtual assistant in the Philippines for simple queries and this allows our call center to focus on more complex matters.

I'd next like to share with you a demo and for our digital demonstration, let's take a look at our Client Mobile app in Hong Kong. And here, you can see what happens after the Client logs in. Remember, we're selling to young people in Asia and they thinking hard about the family, the spouse, the children, and so when the Client logs in, they can view their own policy details but importantly, you can see they can view the entire coverage of the family: protection for the children, hospital coverage for the spouse.

Looking at the next feature. You can see here to keep Clients protected and we don't want them to lose their coverage, we have push notifications which provide you an alert when a premium payment is due.

Let's look at another feature. Here, you can see a feature that allows Clients to stay up-to-date on fund prices and change investment options or the premium allocations right from the mobile app. I think that's pretty amazing in Asia.

The feature I like the best is actually the next feature and you can see it scrolling through something on the left. I'll tell you what this is. So this is a new eClaims feature. It leverages the Hong Kong [ph] fast-paced (02:27:58) system. It allows you to reimburse claims within 24 hours. This new eClaims feature, it's actually a market first in Hong Kong. And it's an example of straight through processing applied to these 20 million Clients across Asia. It's going to give these people the capability to take a picture, the photo of a hospital claim and go straight through to claim submission and reimbursement. I think that's pretty amazing.

Let's look at data and analytics. So we have many initiatives to harness the power of data and Dean talked about this. Our focus on using this new science and capability is to be – to help our Clients and we believe we can use this new capability to be more personal, proactive and predictive for our Clients.

And so one of the amazing examples of this is something we did in the Philippines. It's called the Next Best Offer. It's a program where we can use data and this is to help our 13,000 advisors in Asia, in the Philippines. And we can help them recommend the right product to the right Client at the right time. And when we rolled that program out in the Philippines, our advisors saw a 35% uplift in take-up from their Clients and this is because the application allows us to make a more personal offering to the Client.

Another example, in Malaysia, we've got SunPredict and here, we're using Client data and we're doing segmentation. And so what we do is we create six different Client personas and we're talking about tailored communication. And so when we take that personalization and communicate with our clients in that fashion, what we've seen is there's actually improved persistency in Malaysia by 15 points and we've seen an increase in the customer satisfaction scores, which Dean shared with you.

Next, we'd like to turn to a very important differentiator for the Sun Life story in Asia, and this is India, our India joint venture with Aditya Birla, and here you can see some aspects about our mutual fund business. So, in context, a 12% penetration you can see on the left, India is one of the most underpenetrated mutual fund markets in the world. There's 1.3 billion people in the country, nearly half the population does not have a bank account and only 20 million people hold mutual funds.

Look at our position on the right. So our asset management joint venture in India, we're the fourth largest mutual fund provider in the market. Today, we have a 10% market share. This is a fantastic position to hold in a country expected to be the third largest economy in the world, okay? And so this is the differentiating part of Sun Life story, our anchor position in some of the developing parts of Asia.

Let's look at the insurance piece. We also have an established presence in the India life insurance market. We ranked number 8 amongst private players. As you are aware, Asia will be the main contributor of the growth in middle class globally. We talked about that before. And India will be the largest single contributor to the growing middle class in Asia. With more than 70,000 advisors and 2 million clients, we are well-positioned to capture the growing life insurance market opportunity in India.

Let's take a look at International. As you've seen, we've realigned Sun Life International under Sun Life Asia in 2018. Why did we do that, okay? We believe this will strengthen our high net worth strategy globally. Asia's high net worth strategy is the fastest growing globally and is expected to double by 2025. Our International business already has a significant footprint in Asia, more than 80% of their client base already comes from Asia, and by bringing that business together with our Asia business, we see large untapped onshore high net worth opportunities in Asia. We believe we can leverage Internationals more than 20 years of high net worth distribution and underwriting expertise to enable us to capture this untapped onshore opportunity.

Let's talk about people and culture. At Sun Life, we know that to deliver on our purpose, we must have engaged and committed employees. We have been fortunate to create an ecosystem with higher than industry engagement, better than industry retention, while promoting gender balance and diversity of our workforce. We are particularly proud that many of our CEOs and leaders in Asia are home-grown locals.

There's a difference in how Sun Life is doing that in Asia and some of our competitors. There's a number on this chart that I'd like to focus your eye on and that's on the bottom left. How do I prove to you that I have, that Sun Life has amazing culture? If we have amazing culture, it's defined by the people, the people would stay with us, our employees would stay with us. If you look at our turnover on the bottom left chart there, for Asia, it's typically a 17% turnover; for the industry, the financial industry average, we're six points better than that, okay? We create amazing culture and ecosystems in Asia, where the best in the industry choose to come to Sun Life and plant their career there.

Scale. We have four businesses in which we have significant scale, you can see them on the left here. Philippines, Hong Kong, International and already the India AMC business. And on the right, you can see the smaller businesses that are growing quite strongly. And for each of these, we have a clear path to scale for each business. So let's call out two of them. On the right, in the India life business, for example, our focus is on distribution quality and widening the business with bancassurance and digital. And in 2018, that business led the industry with a 45% growth from the expansion of our bancassurance partners. And so that's an example of how we can take some of those smaller businesses and bring them to scale.

Let's turn to Malaysia. In Malaysia, our focus is on deepening our strong number three bancassurance position while adding new channels. And so we added a new channel in 2018 by adding agency to Malaysia.

So let's turn to the 15% growth thesis. So our thesis for Asia is that, over the medium-term, Asia will grow earnings at a CAGR of over 15%. You could see on the left here, the biggest contributor is the first bar, accounting for over just half the growth. And so that's a combination of GDP in Asia which runs at 6%, 7%. And on top of that you can add some factor for increased penetration in each of those markets. The rest of the growth will come from a combination of the middle bar, is capturing the expense efficiency and improve margin from larger scale. And we talked about how we're improving scale in each of these businesses. And the third bar is showing the contribution from organic expansion and horizontal growth of the business which is – which allows us to move into adjacencies and outgrow the market. And I shared a couple of those with you on how we're doing that.

So, in closing, I'd like to reiterate our three key messages. With unprecedented growth in Asia's middle class, we believe we are in the right markets at the right time. We have proven our ability to execute, and you have seen in our strong consistent and financial results evidence of this. And finally, Sun Life is well-positioned to capture the growth in Asia and continue to grow organically into double digits by putting the client at the center of everything we do.

Thank you very much. That concludes my presentation. And next up, we'll ask Greg to come to the stage to set up the question-and-answer.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

Excellent. Thanks, Claude. At this point, I'll invite Jacques and Dan to come join as well, join us up on stage. Just a reminder, for those who have questions, put your hand up, wait for the microphone to reach you so the folks on the webcast get the benefit of your questions as well, and state your name and firm. Humphrey?

QUESTION AND ANSWER SECTION

Humphrey Hung Fai Lee
Analyst, Dowling & Partners Securities LLC

Q

Humphrey Lee from Dowling & Partners. Question for Dan. Looking at the updated guidance for your group benefits margin, kind of 7-plus percent, like, I think when you look at across the industry, the overall claims experience has been good in the U.S. But at the same time, there is always concern about competition that may erode to your margin. I was just wondering if you can provide some color in terms of the – I guess, the stepping stones from kind of the 5% to 6% to the 7%-plus? And do you anticipate any kind of competing – again, competition that may erode the margins?

Daniel Richard Fishbein
President-Sun Life Financial U.S., Sun Life Financial, Inc.

A

Well, the U.S. Benefits market is always highly competitive. It's a crowded market. There's 30-plus group players, over 100 stop-loss players, over 100 dental plans. So we'll always be competitive. Right now, we see a reasonably rational pricing environment across the different businesses, so we're not seeing any hyper competition right now. In terms of the stepping stones from the 5% to 6% to the 7%-plus, certainly U.S. tax reform was helpful, we've disclosed before that that was a tailwind of about 75 basis points. And then from where we are now to where we hope to be on a sustainable basis, we may see some re-shifting of the components. Right now, our stop-loss margins are even higher than what we target. That will normalize over time. It has to. And at the same time, we're still working to bring the Group Life and Disability margins to where we ultimately want them to be. We've made good progress there, but we have more progress to make. So, as those two components shift a bit, that's how we eventually get in the aggregate to the 7% or 7%-plus.

Humphrey Hung Fai Lee
Analyst, Dowling & Partners Securities LLC

Q

Yeah. And then maybe shifting gear. A question for Claude. You show that the Million Dollar Round Table at 1,300 out of 100,000 advisors, so that's roughly 1.3%. Like, how does that compare to some of your competitors in terms of the percentage of MDRT qualifiers?

Claude A. Accum
President-Sun Life Financial Asia, Sun Life Financial Asia Services Ltd.

A

Yeah. So you really need to divide it by country because it is a dollar-based metric and some of the sales in some of these countries are smaller. The largest number of advisors actually come from India, and that's our joint venture partner when you get to the 100,000, and so they tend not to compete in the Million Dollar Round Table. But in the countries in which they do use this as a metric, such as Hong Kong, they're aiming to get 20% of their agents to qualify, 20%, 25%, and that would be industry best class. And in the Philippines, we – the dollar amounts are smaller. The Philippines produces a similar number of MDRT qualifiers as Hong Kong, so they're in the same class, but a smaller percentage of their agents would qualify because the dollar sales are smaller.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

Scott on the side.

Scott Chan
Analyst, Canaccord Genuity Corp.

Q

Scott Chan from Canaccord Genuity. I'll just switch over to Jacques. Two questions pertaining to SLGI. On the slide, it showed that there's been a 25% CAGR in the AUM growth since 2014. In a difficult retail environment, maybe you can talk about the drivers of SLGI that's particularly drive that outsized growth relative to peers.

Jacques Goulet
President-Sun Life Financial Canada, Sun Life Financial, Inc.

A

Yeah. So, as you saw, we went from essentially a business that was a start-up eight years ago at zero up to CAD 23 billion, as I said. Our model is what we call Managed Solutions, right, and so we're able to engineer solutions for our clients, we bring together best-in-class asset managers. The performance has been there; that always helps, of course, as you saw the metrics on performance were very good in terms of how we're comparing with the median. So the other thing that is helping, I did mention it when we went through the slides, is that if you look at our advisory network, right, we're very strong on holistic advice, bringing financial plan to people, and that also means good stability. So some of the flows that we've seen in 2018, for example, is coming from the advisory network. So those are all good things that help us to drive great results in SLGI.

Scott Chan
Analyst, Canaccord Genuity Corp.

Q

Just a follow-up question on that. Like, CAD 23 billion is still not big scale. You just started it just four, five years ago. When you look at inorganic opportunities, what priorities do you look at? Is it like scale manufacturing or, as you alluded to, lastly distribution?

Jacques Goulet
President-Sun Life Financial Canada, Sun Life Financial, Inc.

A

Yeah. So, as you say, in the overall Canadian market we're still relatively small. That's a fair comment. I would go back to some of the things that Dean has said; when you're looking at acquisitions, they have to make sense in terms of strategy, they have to make sense in terms of cultural fit and economics, of course. We have done things. If you look back, late 2017, early 2018, we made the acquisition of Excel, which was adding a capability to the emerging market. So, as any management team would do, we would look at what's out there, what are the opportunities, but again evaluate it against the typical criteria that we – Sun Life look at.

Gregory A. Dilworth — A
Vice President-Investor Relations, Sun Life Financial, Inc.

Paul, front row.

Paul Holden — Q
Analyst, CIBC World Markets, Inc.

Thanks. Paul Holden, CIBC. So two questions. The first one I'll ask to Claude. So you stacked up a number of your growth measures versus comps in Asia and you showed quite well. I think if you did the same for ROE, I guess you'd probably come in a little bit at the lower end of the scale. I probably think about Asia ROEs being more of a high teen potential business versus a low double-digit. So, correct me if I'm wrong, but maybe where do you think about the ROE going over time for Asia and how do you get there?

Claude A. Accum — A
President-Sun Life Financial Asia, Sun Life Financial Asia Services Ltd.

Yeah. So a lot of our businesses are subscale for them and for them are scale. As a composite, we're in the 10% to 11% ROE range for the business. Over the medium-term, the strategic horizon, that number does grow, it does grow quite strongly. And so I'm thinking it's picking up between half a point and a point per year going forward. We do have – amongst the scale businesses, we do have some that are in the high teens. So I think, over time, it will present a nice ROE picture.

Paul Holden — Q
Analyst, CIBC World Markets, Inc.

Okay, good. Second question is for Jacques. So one of the key themes we've heard today is digital, and I'm a user of a number of these digital initiatives myself so I get the value inherit of them. But it's a similar message we hear from your competitors as well, everyone's working on digital innovation. So, how do we – or how do you benchmark what you've done at Sun Life versus peers? How do we understand who the winners might be out of digital initiatives?

Jacques Goulet — A
President-Sun Life Financial Canada, Sun Life Financial, Inc.

Yeah, that's a great question. Thanks. So, first of all, our clients are an important audience for this. So, give you an example, when we are bidding on business, whether it's GB for example, clients tell us that our technology is ahead of others. And so that's a good – it's a good piece of feedback in a way. The other thing I would say is that we have, in what we have done, demonstrated a inability to bend the cost curve, as I said, right, both for individuals and for employers.

And it's interesting because if you look at a client that's looking to hire us, right, GB I'll take that example again, there's what they're going to pay Sun Life, but there's also what their healthcare costs are going to be. And roughly speaking, you might say that I'm taking the wrong numbers here, but it's 5% that goes to Sun Life and 95% are actually what the healthcare costs are. And one of the things that we've demonstrated and clients are telling us is that we are ones that is the most – that's having the best ability to influence the 95%. So we might be a 5%, somebody else is a 4%, but if we can take their 95% to 90%, that's very compelling, and that's what we are seeing in the market, and I gave you some other examples there around [ph] weather (02:47:40) and so on.

Now, having said that, it's a constant race, right? We can't – and that's why I talked about this. For the disruptive mindset that exists here at Sun Life versus what you might see in other places, and I've only been here, by the way, a little bit more than a year. So I still have that sort of fresh pair of eyes. And there is that passion here, that client obsession that Dean talks about, to always push the envelope, and Lumino is a great example of that, right? We had DHS, which we offer for our clients, help you find providers, the lower cost providers, book appointments, et cetera. And then we decided to open that up to the rest of Canadians. So we have that sort of mindset knowing that it's always a race, others can catch up. But we're pushing very hard.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

Tom.

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

Tom MacKinnon, BMO Capital. Just a couple of questions for Dan and then one quick one for Claude. Dan, with respect to Maxwell, do you have to make the Employee Benefit client adopt Maxwell as their enrollment platform in order for you to get the benefits of it? Is that the way that system has to work?

Daniel Richard Fishbein
President-Sun Life Financial U.S., Sun Life Financial, Inc.

A

So our objective is to cross-sell the Maxwell platform into our client base, both new clients and existing clients. Our longer term objective is to get about a third of our small and middle market clients using the platform. So we don't ever expect that it will become the only way that we distribute, but we think there's a lot of opportunity particularly in that space where a lot of employers don't yet have a platform like that for our platform to become the one they use. And then when that happens, obviously, we do get those benefits that I described, as well as potentially longer term relationships. There's a certain stickiness that comes along with using a platform like that.

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

And is your relationship with Maxwell such that they can have that enrollment platform and have another insurer use it?

Daniel Richard Fishbein
President-Sun Life Financial U.S., Sun Life Financial, Inc.

A

Yes. The Maxwell platform today was built, was engineered to be agnostic as to what insurance products are offered on it. And in fact, they built a successful business, a sizable business of doing exactly that. So, Maxwell is set up to facilitate and support almost any insurance benefits product that an employer brings to the table. We hope that, over time, and we'll certainly be providing some reasons for that to occur, that the employers will choose to use more and more Sun Life products on the platform, but they have the ability to use other products including products we don't offer, most notably fully insured health insurance plans.

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

Is your relationship such that you have – they can use your product more than anybody else's? Like, what's the in that you have with Maxwell?

Daniel Richard Fishbein
President-Sun Life Financial U.S., Sun Life Financial, Inc.

A

Well, we own Maxwell, obviously, so that's part of the relationship.

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

Okay.

Daniel Richard Fishbein
President-Sun Life Financial U.S., Sun Life Financial, Inc.

A

But in terms of the way we're designing and engineering this, yes, there will be advantages to the employer to utilize Sun Life products versus using outside products.

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

Okay. And you talked about National Accounts. What are the margins like in that? I would have thought the National Accounts business would have lower margins than – as you move into that?

Daniel Richard Fishbein
President-Sun Life Financial U.S., Sun Life Financial, Inc.

A

From a market perspective, this is segmented. We actually think about four segments in the U.S. Employee Benefits market; small, which we defined as under 50; middle market, 50 to 2,000; national accounts or large case, 2,000 to 10,000; and jumbo. And it's an interesting sign wave curve in terms of the available margins from an overall market perspective. Under 50 lives, the margins tend to be a little healthier because the employer is really looking for convenience. They buy a packaged product. They're not necessarily beating out each of the component parts. In the middle market, there tends to be the most competition, the most players, and a lot of bidding out of component pieces. So that actually pressures the margins somewhat in that segment.

As you get to that national accounts or large case base, the 2,000 to 10,000, the buyer is more interested in the value, the service delivery, return to work, stay at work, those kinds of capabilities. And while there's always pricing pressure, they're more likely to pay for those capabilities. Then as you get into the very large, you get into the whale hunting phenomena, people are after those cases just to say they have those, so the margins start to get squeezed again.

So we've deliberately made a choice. We largely don't play in the jumbo space. We have a couple of cases, but our push is into both the small and the national accounts to have that be a bigger portion of our balance because there are somewhat better margins available in those two segments.

Tom MacKinnon
Analyst, BMO Capital Markets (Canada)

Q

Okay. Thanks. And the last one for Claude. You talked about in the International Business offshore and onshore. Can you describe what that means and how are you going to – is there any difference in terms of the product set as you try to bring in offshore thing onshore? So maybe just educate us in that regard.

Claude A. Accum
President-Sun Life Financial Asia, Sun Life Financial Asia Services Ltd.

A

Yeah. So the current product, that International sales is issued from Bermuda legal entity, and so our clients come from China, Hong Kong, Taiwan, Indonesia, Malaysia, and so they're buying an offshore product through intermediary distribution, and that's currently a business in which we're first class in it. It contributes about 10% of our sales. It's got high income, one of our highest ROE businesses, and they got fantastic underwriting and distribution skills. And that market's quite large. There's a version of that market that's equally as big, we believe, and that's onshore. And sometimes those high net worth individuals would just like to stay in Singapore and buy the onshore version, or they'd like to stay in Hong Kong and buy the onshore version. And so we'd like to take those capabilities of our International business and create legal structures and processes to sell onshore.

So, to sell onshore, we'd have to create new legal structures, new legal entities, and get regulatory approvals from the local regulators; and we have projects underway to do that in 2019 for that business, and we think that's going to significantly widen the opportunity set for International.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

Okay. I know we've got a couple here, but just – I don't want to ignore the far end of the room, so maybe just Mario, and then we'll come back on this side here.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

Mario Mendonca, TD Securities. First, for Jacques first. Budget 2019 was relevant. There was something in there on pharmacare. Could you help us understand what's at stake here both in terms of the contribution pharma makes to the CAD 300 million or so that Group Benefits generates over a year, and then what you see as the possible outcomes?

Jacques Goulet
President-Sun Life Financial Canada, Sun Life Financial, Inc.

A

Yeah, thanks. Great question. Pharmacare is an important topic for the country. It's a good discussion to have, and we have been an active participant in that discussion. We've been actually pretty public in outlining what our view is, which is generally for private and public to work together. To your specific question, you have to remember that GB is actually a pretty broad business. We have life, we have health, we have dental, we have disability, and, yes, we have pharma. So, Mario, you can think of all these non-pharma components adding up to about 85% of the net income of that business. So pharma is material, but it's also dependent on what exactly is pharmacare going to be. Is it going to be a single public payer that doesn't leave any room for private? And we don't have a good sense of that, although frankly from what we're seeing so far, it seems to be heading more in the direction of that partnership.

The other thing I would point out is that there's a bit of an ecosystem here because if you're taking medication, it's related to probably some kind of a condition that the person has, it might be a chronic condition. So we see opportunities for ourselves, think about Lumino, even if our role was diminished in pharma, the ability to be part of the ecosystem for a patient, if you put yourself in the shoes of the patient, and help that patient manage their condition. We know one of the problems in Canada is people don't necessarily take all their medications properly, right? So about 85% is non-pharma, as I said, but we don't see the whole 15% disappearing; and even if it were to shrink, we see an important role for ourselves.

Mario Mendonca
Analyst, TD Securities, Inc. — Q

Okay, that's helpful. And just, Dan, the U.S. healthcare system seems to always be in flux, there's always something changing. Is there anything on the regulatory front that you would highlight or point out for us that we should be thinking about going into 2019 and 2020?

Daniel Richard Fishbein
President-Sun Life Financial U.S., Sun Life Financial, Inc. — A

Yeah. Well, two minutes wouldn't be enough to cover all of that, but a favorite quote of mine is, nobody would ever design the U.S. healthcare system the way it is currently designed, but it's the best system we've got. So there's a lot of political talk right now about fundamental change in the system. This is just personal opinion, I think that will be very slow to happen. There likely are to be some changes, but not a fundamental change to the overall structure of the system. We're actually positioned well as a supplemental carrier. If we did hit more in the direction of more government involvement in the system, that actually might open up more supplemental opportunities for us, much like the kind of position that we play in the Canadian system where supplemental becomes a very important component.

One very specific thing at the other end of the spectrum that we're watching very carefully is there's a major push in the U.S. right now, particularly in the States, to mandate paid family and medical leave. We've had unpaid mandated leave on a federal level. Nothing is likely to move on a federal level now, because nothing can move. So we're seeing a lot of activity in the state, and we're taking a very active role working with the different advocacy groups in the state – in the different states to ensure that as these laws are passed, they allow for a private option. In other words, for the employer to meet those mandates through their private disability benefits, in some cases by upgrading those benefits to include some additional things. But we obviously think it's a great thing if government wants to require everybody to have the products that we offer, it's why we come to work every day. So if everybody gets that protection, that's a good thing. So we're generally in favor of those kinds of initiatives, but working closely to ensure that they allow us to participate.

Mario Mendonca
Analyst, TD Securities, Inc. — Q

Okay.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc. — A

I think we've got time for two last questions, so Sumit.

Sumit Malhotra
Analyst, Scotia Capital — Q

Okay. Thanks. I'll start with Dan. You said of the open versus where we were two years ago, a lot of things have gone right for the U.S. Insurance business at Sun Life. One of the things we were discussing when we met at the last session was the pricing increases that were, as I recall, quite substantial that you were able to put through in both the Group business and stop-loss. Post tax reform, has all of the margin benefit or pricing benefit accrued to the bottom line or are you starting to see more pricing pressure emerge across your platform?

Daniel Richard Fishbein
President-Sun Life Financial U.S., Sun Life Financial, Inc.
A

In general, the way we think about that is that most of the industry was not at its target margins. So tax reform has been utilized by the industry to get closer to target margins. So we've not seen any material change in pricing pressure related to or since the introduction of tax reform. So, as I mentioned earlier, we continue to see what we would call a competitive, but largely rational pricing environment, both in the group business and in the stop-loss business.

Sumit Malhotra
Analyst, Scotia Capital
Q

That repricing that was going on that's now in your margins today.

Daniel Richard Fishbein
President-Sun Life Financial U.S., Sun Life Financial, Inc.
A

So there's different cycles. In the stop-loss business, we can reprice every year. That's in our margins for stop-loss and then some. On the group business, it's an every three-year phenomenon. You have to go through an entire book of business over a three-year timeframe. I would say we're not a 100% done with that just because of the nature of that three-year cycle, but we're – a lot of that or most of that is in our – in the rearview mirror at this point but not all of it.

Sumit Malhotra
Analyst, Scotia Capital
Q

And lastly for Claude, you gave us a nice table here that talks about the markets here at scale and the ones that you have a clear path to. I want to tie in the conversation earlier with Dean and Kevin in terms of capital deployment into your business. The moves that Sun Life has made in Asia have largely been increasing your ownership in joint ventures that you have whether it was India, I think Philippines and Indonesia as well. So what's on your wish list in terms of capital deployment in the areas you don't have scale? What are the areas we should think about some of that excess being deployed?

Claude A. Accum
President-Sun Life Financial Asia, Sun Life Financial Asia Services Ltd.
A

Yeah. We think we have a great opportunity to grow organically in the businesses that we're in in the eight countries, some of that will be a horizontal expansion into adjacencies like in Malaysia where we owned up agencies and so that does require more capital. In Hong Kong, we launched the first digital only Bowtie insurance business. And so that's investing new capital more in a venture capital-like basis with the new digital only company. We do have opportunities to do further buy ups and so if we at the right point in the discussion with a partner, the partner will bring that discussion to us and we'd love to do more buy ups. And then we do have the opportunity to do acquisitions and bolt-ons in the countries we're in. We're very comfortable with the countries we're in. And if there was a great opportunity to do an acquisition in one of those countries, I'd certainly pick up the phone and give Dean and Kevin a phone call.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

Okay. I think that's all the questions we have. So we'll take a 10 minute break and then come back with our asset management and close the day off.

Great. Thanks, everyone. We're here. We've got our last two presentations for the day, so both on our asset management; however, I'll invite Steve Peacher to kick things off about – talk a little about Sun Life Investment Management. Steve?

Stephen Clarkson Peacher

President, Sun Life Investment Management

Great. Thank you, Greg. Good afternoon, everybody. Yeah. It's afternoon now, it's 12:01. When we set out to build Sun Life Investment Management in 2014, the idea was really very simple. The idea was to build an institutional asset manager that would offer the institutional clients such as defined benefit pension plans or other insurance companies, the same strategies that we use in our own general account.

And strategically of course, the idea – the intent was to leverage our internal capabilities to grow and diversify our asset management pillar, and do that in a way that was complementary to MFS. And five years since then, we've built an asset manager that is sizable. Pro forma for the GreenOak transaction, we've got $80 billion of assets under management, third party assets. We've got over 1,000 clients. And we're very optimistic about our ability to build on that foundation to turn Sun Life Investment Management into a true driver of profitability at the Sun Life level.

If you think about the trends that we were – that we saw back in 2014, they're still very much firmly in place and that is that we're seeing institutions move toward fixed income, move toward liability-driven investment strategies, move toward alternative asset classes. We think we're exceptionally well-positioned for those trends.

Based on our capabilities today, we offer fixed income strategies. We can customize those strategies for pension funds and insurance companies to meet their liabilities. We have private credit offerings. We have real estate offerings both on the equity and debt side. And we think there's still plenty of opportunity to expand those capabilities both organically and through acquisition. Most importantly, if you look at investment performance across the platform, it's very strong. And when you're serving institutional clients, it is about investment performance, first and foremost, because they all have many choices. So you've got to have strong performance across the platform and we do.

The other thing I would say is that it's been a huge advantage to build this business inside of Sun Life because it's given us the size and strength to make acquisitions. It's allowed us – and this is very important, it's allowed us to co-invest with our client. So we've been able to bring seed capital to bear, to launch new products, to co-invest next to clients, that creates an alignment that you don't normally get and it's something that most asset managers can't do. The other thing I would say is that when we've bought these businesses, when you buy an institutional asset manager like Ryan Labs or Prime Advisors, we think it's the greatest thing in the world, but a lot of the clients aren't sure. They're going to wait, they're going to see if the firm they hired, the firm you're buying changes. And so the attitude is really from the clients is, well that sounds good, we'll see.

And I think – so you have to prove that, you have to earn those clients' trust over time after you buy those managers. But I think they've also taken – they took assurance from the – they took reassurance from the fact that Sun Life is known to have been a very good and supportive manager of MFS for many decades and MFS flourished under Sun Life. So we could tell and I – this came through in many client conversations when we made the acquisitions that that they took comfort from that. So that was – it was a great aspect of being part of Sun Life.

As I mentioned, if you look at the trends that are in place today, I should have labeled this slide back to the future because to some extent if you look at especially defined benefit pension plans and you look at the trends in their asset allocation, they're actually going to where life insurance companies like Sun Life had been for decades and decades. Almost every pension fund out there is on a glide path which means they're slowly de-risking as the values go up maybe toward annuitization which we of course do in Canada through our DB solutions platform. But they're all on a glide path and that glide path means that they're increasing their fixed income allocations. They're increasing those – within those fixed income allocations, they're customizing those to the liability streams, so they're liability-driven investment strategies. And that trend not only has been in place for a number of years, we think it's going to continue for the foreseeable future.

The other thing that we're seeing, and you can see in the third graph, the second graph to the – from the right, is that the demand for alternatives continues to grow. That's true for defined benefit pension plans. It's true for insurance companies. It's true for endowments and foundations. Why is that? It's because institutions are looking for new sources of return, uncorrelated sources of yield and return. Also, for our pension plan or insurance company, many of these alternative asset classes, private credit, real estate debt, even real estate fit nicely in a liability-driven context. So they provide new sources of return and they fit well in an overall asset allocation construct. The other thing I would say is that most institutional investors have too much liquidity.

Your pension plan or you're an insurance company, you don't need 95% of your assets to be liquid so you can garner extra return by giving away liquidity going into alternative assets that may be less liquid to find new sources of return.

The final thing I'd say is one of our key target markets at Sun Life Investment Management or other insurance companies and there's been a very clear trend for insurance companies to outsource increasing amounts of their asset management. Why do they do that? They do it because in some cases it becomes more efficient for them, if they're not big enough to have very low costs with an in-house team. They also do it because they want to access asset classes that they can't necessarily manage in-house. We also think that that trend is going to continue. So, the key point of this slide is that the big – we're well-positioned for trends that are growing in the marketplace and they're also exactly aligned with the way we manage our own money on our own general account. I think of Sun Life Investment Management as entering our third phase. I think the first phase I think of it is getting a team on the field and that really happened in 2014 and 2015.

2014, we started Sun Life Investment – Institutional Investments in Canada. We launched institutional funds. We started to market those funds to DB plans in Canada. We've built a great book of business there, and we made three acquisitions in 2015. We bought Ryan Labs. We bought Prime Advisors and we bought Bentall Kennedy. So by the end of 2015, we had a manager with not quite $50 billion of AUM. We had a team on the field. We were in the game. The next three years, we're about making sure that those were successful out of the gate. As I mentioned earlier, clients – institutional clients take a wait and see attitude. So, they're going to wait and see, do all the people stay. Does the performance deteriorate, does client service deteriorate. And they take a while to determine whether that's going to be the case or not and I think it takes three years.

And so the next period for us was that three-year period after those acquisitions. I'm very proud of, when looking back, we've kept all key people. Investment performance is great. Client retention has been great. Each business has grown. And importantly, Sun Life has been able to bring meaningful amounts, billions of dollars of seed capital and co-investment to invest right next to client. So when I look back three years from the end of 2015, I'm like okay, we settled into these acquisitions, client experience is still good. The teams are still in place. I now think we're entering our next phase.

The next phase to me is about three things. One, it's about continuing to expand our capability set. We've got a great range of capabilities, asset class, expertise we can offer to clients, we can expand that. And I think a great example was the GreenOak acquisition we made in December. We think there are more opportunities like that out there so that's the first thing in this phase.

The second thing is that now that we've got this broad platform, we've got to make sure that our distribution is organized in a way that we can bring all those capabilities to clients. We've got over 1,000 clients; and for the most part, we do one thing for each client. We run a real estate portfolio for them or we run a public fixed income portfolio. We might – they might be in our private credit funds, but what we know for sure is all those clients are – each client is invested in public fixed income, each client is invested in private credit, each client is invested in real estate and maybe real estate debt. So we have a lot of capabilities that we can bring to those clients. We have to make sure we're organized in a way that we can do that.

And the third thing is that we've got scale now and we have to operate to take advantage of the efficiencies that come with scale as a larger asset manager.

I want to comment a bit on the acquisition of GreenOak. We announced it at the end of December. I could not be more excited about a deal than I have about GreenOak. It is a wonderful fit with Bentall Kennedy. Of course, GreenOak, as we announced, is a well-known manager of core plus and value add real estate portfolios for institutional investors. It was launched in 2010 by a team out of Morgan Stanley. They've got – they've had outstanding investment performance. They run real estate funds in Europe, U.S. and Asia. They've got a who's who global client list which speaks to their returns and their reputation. It's a wonderful fit with Bentall Kennedy because there's almost no overlap of investment teams which means the integration should be quite smooth. It also means that the investment personnel aren't concerned and the clients aren't concerned.

And it really when you combine these two entities it gives us a world-class real estate investment platform. We have core real estate, core plus, value add globally, real estate debt in the UK and Europe, real estate debt capabilities we've built out in Canada and we're going to be building them out in the US. So it's a fantastic, world-class, global platform. I also really like the deal structure. When you buy an asset manager like this, the clients are concerned about are my – are the people I hired, the key leaders of those companies are going to be there. This has a seven year – there's a put-call structure so that – that has effectively a seven-year life to that put-call structure. So client reaction has been fantastic. I think one of the reasons is they know this is – this deal structure aligns with client interest. Everyone will be around for many, many years to make this a success. So it's really a fantastic fit within the Sun Life Investment Management platform.

This slide is a profile of Sun Life Investment Management today and these numbers are pro forma for the GreenOak acquisition. That deal should close in the second quarter. Today, we've got $80 billion of third party assets under management. If you look at the left – the pie chart on the left hand side, you'll see that those assets for the most – the biggest portions of those that third party AUM is public fixed income portfolios that we're managing for clients. Many of those are on a bespoke, liability-driven strategy basis where we're customizing the portfolio to liability streams for both pension plans and insurance companies. The other big area is real estate because of Bentall Kennedy and GreenOak.

An area we've had great success is in the private credit market especially in Canada. That is a slice that if we meet in two years I would – two years from now I would expect that to be a much bigger slice. We can definitely grow the capabilities that we have and it's certainly an area where there's opportunity to acquire a business that would fit nicely.

By geography, most of our assets are in the U.S. and Canada. GreenOak brings assets and clients in Europe and Asia that we aspire for this to be a global business. So, not only do we want to expand our breadth of capabilities, we want to expand them by geography, and this is a global business we wanted to be even more of a global business over time.

You can see that we have almost 1,100 institutional clients today, mainly pension funds and insurance companies, but also endowments, foundations, some other types of institutions. As I said before, our biggest opportunity is to do more for this client base. If we can go from doing one thing for each of these clients to doing more, it's going to be great for the business. And one clear trend we see is that large institutions want to reduce the number of managers that they hire. We hear it every day, we see it every day, and we want to be one of those managers. And the way you become one of those managers is by listening to your clients, understanding their needs and having a suite of capabilities that you can bring to bear to match up with the needs they have as they try to meet their obligations. So we think we're in a good position to do that.

The other comment I'll make is that if you look at the general account, Kevin mentioned this as $152 billion, and many of those general account teams also are now managing third party assets, consistent with the idea that we're bringing the capabilities that we use in our own account to clients. An important point is that if you take our general account of $150 billion, and you take our third party assets of $80 billion, that's $230 billion of assets. That's a sizable asset manager. So there are efficiencies, there are scale benefits that we should get as an asset manager with $230 billion. And I don't think we've scratched the surface yet of realizing those benefit.

This graph demonstrates the growth since we've started Sun Life Investment Management. At the end of 2015, after we've made the acquisitions, we had just under $50 billion. We ended 2018 with $65 billion of AUM, so about 33% growth over those three years. If you tack on GreenOak, it takes us to $80 billion. And as – I say this all-time internally, I'm very superstitious so I don't like to mention this but I – but it is important to point out that that growth is mainly from net inflows. We've had positive net inflows every quarter since we started the business. And I think that speaks to the quality investment personnel and performance. I also think it speaks to the underlying trends that give us a bit of a tailwind.

I should comment on the target operating margin. We are nowhere near scale. We've had to add resources to make sure we're set up to grow the way we think we can. Our operating income margin, pre-tax operating income is below 20% today, but it won't be in a few years. I think we can get to a 25%, 30% target operating margin overtime. Investment performance is everything in asset management, especially true in institutional asset management. This is a intensely competitive business as everybody in this room knows. And we've got strong investment performance across the platform and that has been maintained over the last few years.

So there's a lot of numbers on this slide, but if you start on the upper left, our SLIIC funds. These are our institutional funds in Canada. We launched these four years ago and we set client expectations about the amount of excess return we could generate over our benchmarks. And I would say again I'm reluctant to mention this because of superstitious nature, but we've hit those target excess returns in every instance. So we're generating 100-plus or even some cases 200-plus basis points of excess return. And it's important to keep in mind that these are investment grade products. It's a lot of excess return for a product with an investment grade rating. If you look at Prime Advisors, that's a company that manages bespoke, fixed income portfolios to each client's liability profile. Every benchmark is unique. Over 3, 5 and 10 years, over 90% of their clients have outperformed their benchmarks. So they've done the job for clients which is why their client retention is quite high.

Ryan Labs is an LDI manager that also manages core fixed income mandates and long duration mandates versus third-party benchmarks. Investment grade managers in the U.S. are judged by their core fixed income track record. By and large, if you look at Ryan Labs 3-year, 5-year, 10-year track record in one of the most intensely competitive space in the institutional markets, it's top quartile every period. And if you risk adjust the numbers with some clients and consultants like to do, you look at things like information ratio, they in some cases would be the number one fund over those time periods. So great invest performance.

And Bentall Kennedy, what we show here is they're U.S. open-end institutional fund, the Canadian open-end institutional fund above benchmark in all-time periods.

This slide characterizes what I think is the formula for success in this business and it's easy to lay out, it's very hard to do. The first, of course, is performance. It's everything. It's the value-added to client. We've got strong performance, we have to maintain it. It's the most important thing. And you've got to wrap that in course in great client service. It's not enough just to deliver the numbers. You've got to deliver client service. You have to listen to your clients. You have to meet their needs beyond just delivering investment performance.

The second thing is having a suite of capabilities. This goes back to – one it – becoming a provider of choice, becoming one of those smaller number of investment managers that institutions want to have. I think that take – in order to do that, you have to have a broad suite of capabilities, you have to be good at each one and have to have coherence to them. And ours do. They're yield-oriented. They can either be used separately by institutions or they can be put together in combined portfolios, which is how we do it on our own balance sheet.

The next key is to be able to distribute, to be able to bring all of those capabilities to clients. That's easier said than done because it means you have to have a very sophisticated sales force that can ask the right questions, understand the client need and determine whether we have something in our toolkit which could help them with their challenge. And you have to get the benefits of scale. I mean, Mike will talk about it when he talks about MFS, and they're lucky to have – definitely have the benefits of scale. You need that in this business because we're up against big competitors, they have that. We have to realize those as well. If we put those four components together, we're going to do the right job for clients. That will lead to AUM growth and then the resulting financial growth in net income and sales.

So I'll end where I began which is I think we've got our underlying target markets are definitely growing, fixed income, liability-driven investment strategies, private credit, real estate debt, real estate equity. We're well-positioned in those asset classes today, and we can add to those capabilities to broaden the platform over time. We've got great investment performance. We've got the distribution capabilities to bring those to clients. And again, I think operating under Sun Life gives us advantages because it allows us to consider acquisitions, and it allows us to bring co-investment to bear.

So with that, I'll turn it over to Mike Roberge who of course is the CEO of MFS investment Marketing.

Michael W. Roberge

CEO & Director, MFS Investment Management

Good afternoon. I'll start with some good news and that is the death of the active business is greatly over-exaggerated. And the reason for that is a couple of fold. First is our view of returns in the next 10 years as clients globally are going to be lucky to earn 3% to 5% in their portfolios over the next 10 years. And that's a function of starting yield levels around the world if you look where yields are, as well as where we expect future equity returns given where starting valuations are. And so clients are going to need to do a lot of things in their portfolios to meet their needs. We think active at a reasonable price will be one of those. And the second is and I'll talk about this, there are a number of things we do for clients today in addition to managing their assets for performance, that's going to be important to how they maximize their performance over time as well.

Let me start with the key messages. The first is we do have a proven track record of providing pretty consistent revenue and income to Sun Life shareholders over time. We have built something that we think is truly differentiated in terms of our ability to add alpha in a risk adjusted way for clients over time which is clearly important to them. We are making solid progress to get the firm back to organic growth and I'll walk through what those are. And then finally, to Steve's earlier point, we are an at-scale manager with top quartile margins in the industry and can't over stress the importance of that. We think in the next 10 years the winners are going to be big winners, there's going to be a lot of people in the middle that don't exist anymore, and they'll be small niche players. And we're at scale. It allows us to take on research cost associated with MiFID II. It allows us to pay the increasing cost of regulation around the world for a global manager like ourselves, and it allows us to continue to invest even in a more difficult environment that we've been through when we see others retrenching in the marketplace.

So let's start here on execution. The one thing in this industry that's not really well-understood is this, and very few industries have this, markets go up over time. All else being equal, our revenue line goes up over time. Very few think about that as pricing, very few industries have natural pricing, and we have that. And that's a huge benefit through cycle. And you can see even with the tough environment the active business has been in, we've been able to grow net income, ANA, as well as dividends over that time what's been a pretty challenging environment. And I don't think that's as well-understood as it needs to be. And you've got to think about this business over a 5 or 10-year period of time, you can't think about it quarterly. These clients aren't thinking about their asset allocation quarterly.

To talk about some of the trends and Steve touched on some of these, but I'll talk on some of the equity trends as well is clearly what we've seen and this is all flows to fixed income and equities in U.S. passive and active products. And it's pretty clear at the top are the passive flows at the bottom are the active flows. And what isn't well-understood is most people believe that this has occurred because they believe the average active manager hasn't outperformed and so they want to move the book passive. And that's not at all what's driven this, because in our institutional book of business, we're not seeing increased passive penetration. They've been buying passive management for decades. They understand how to use – how to utilize it in their portfolio. It's not being driven or a non-U.S. retail channel like we're seeing in the U.S.

What's happened in the U.S. and you can look at that bar in 2015 into 2016, the DOL Fiduciary Rule accelerated the move out of brokerage into advisory programs in the U.S. And because you couldn't have brokerage within a qualified retirement plan and what we saw advisor firms do is significantly move the book from traditional commission-based into an advisory program. What that did for the client who used to buy a share class from us that had our management fee and a distribution fee to the advisor, client didn't know what they were paying for, it became very clear that they were paying an advisory fee, let's call that at 75 basis points to 100 basis points. And then they had these other costs which were their investment costs.

And the client said to the advisor, I'd like to see you lower my costs. What the advisor did as a way to protect their own economics, they moved the investment costs, a big piece of them from active to passive to lower the fee for the client. Not always in the benefit of the client from a net return perspective, but that's the trend that we've seen happen in the marketplace.

We believe there is some limit to how high penetration can get in those advisory programs because we don't believe clients are going to pay 75 basis points to 100 basis points to have someone buy me ETFs. And advisors are going to commoditize their business at an extreme. And clients are going to go to some robo experience. And so, we do think there's a limit. We don't know where it is. We don't know when it is, but we do think if you take the long view that not that that passive money is going back active, but the significant growth we've seen, we think, is going to moderate over time.

And I should go back and the other thing is the revenue opportunity. Everyone thinks that passive business is a phenomenal business to be in. But look at the revenue opportunity there is the vast majority of the opportunity in the business continues to be an active space. And so, if you're one of those managers that [ph] can't add offer (03:27:39), can provide benefits to clients, there is going to be revenue opportunity for you. And all of the firms in the business are not going out of business and you can see what it means on the passive side.

Fees, one of the biggest benefits to clients around the world for the big move to passive over the last few years has been lower fees in all products and that's been a benefit to every client around the world. But what isn't understood is passive fees have declined at 2 times the rate of active fees. And so, again, everybody thinks it's a great business to be in, but it's an oligopoly. Three players today go into two in a pretty big way, which is Vanguard and BlackRock. Scale matters in that business. And Fidelity recently launched a product with a zero fee. And so, there's effectively no revenue against some of this today particularly for brokerage firms that can package that with other solutions and products they can charge for.

And so we still believe that even though fees have come down, we expect them to continue to come down and we're planning that in our business over the next 5 to 10 years. We do think there's some limit to how low fees can go because at some point, you can't invest back in the platform in terms of alpha for clients. So eventually, passive's going to be available next to nothing. Active's going to settle in some fee, and clients are going to decide how they want that exposure. And the winners are going to be, as I said, strong winners.

Steve touched on these. There's also the trends in fixed income relative to equities. We see money coming out of equities in the fixed income. It's de-risking by pension plans. It's less passive penetration and fixed relative to equities, it's the demographic shifts around the world. And on the right hand side of the page, you'll see the trend out of public markets into private markets as a way because clients know they're going to be challenged for returns trying to identify ways to get additional return through illiquidity and other uncorrelated ways to do that.

So what are managers doing in the industry? We see them doing lots of things, cutting costs, launching products that's not core to what it is that they do, and then ultimately engaging in M&A. And there's sort of three buckets that we'd put M&A in. And the first would be broadening horizons. And so this would be what Sun Life is doing today by buying a real estate manager a public fix, so bringing capabilities together that don't have significant overlap. Janus Henderson sort of straddles the first two. You had a domestic U.S. manager with a global European manager, you bring them together, you get some benefits of broader product. They also though were looking for scale, and to be able to drive a financial contribution.

The second bucket would be pure integration, and that would be Invesco-Oppenheimer, bringing in a big asset manager, partnering it, or putting together and integrating it with their active manager as a way to drive financial results for the sponsor.

The challenge in the first two buckets is twofold, and again Steve touched on these. The first is this people, is you're putting two cultures together, and can you retain the key people at the organization. And we've seen some leakage of people out of some of these transactions.

And the second is his clients, is the question that a client should ask is why is this beneficial to me? Because if it's all about financial returns to the owner of the business and having to live through an integration, what we've seen with these deals is assets leaving at a rate higher than expectations, some people leaving. And ultimately if you look at the stock prices of many of the deals that have been announced over the last couple of years, they've underperformed the asset management space. People are skeptical that these deals actually work over the long term.

The third bucket would be strategic partnerships. So TCW selling an interest to Nippon Life in Japan. So selling an interest in the firm as a way to get distribution within that channel. Our strategy and our partnerships is to actually partner with firms around the world, bring product, bring alignment with those firms, and I'll talk about how we think about doing that.

So what is our strategy? It's been the same for the last 5 to 10 years, and it's one of focus. And it's focusing first on the top right side on our ability drive alpha after fees for clients. And there are four things that we've built that we think are differentiated. The first is the platform that we've built around the world. So we've got 280 investment professionals around the world. Be very hard to replicate the platform that we've built over the last three to four decades on a global basis. The second is, is the team orientation that we drive into that platform? Is equities working across geographies globally, fixed income working with equity, quantitative working with fundamental analysts, bringing that all together to the benefit of all of our clients irregardless of what portfolio that we manage for them. We incent the behavior. We do a 360 peer review each year and a significant component of the evaluation and compensation is the result of that because we believe that teamwork drives better results for clients.

The bottom right would be clients, is focusing on clients, focusing on those things that we can do to align with clients. I'll talk about this in detail. We think firms that figure out how to align with our clients more fully over the long term are going to be the survivors in this industry. Firms that can't figure that out are likely to go by the wayside over the next few years.

Bottom left, growth. We believe that a firm like us can grow through the cycle. We do believe that some of the trends I mentioned are going to normalize and those firms that survive will be able to grow.

And then finally top left would be people. This is a people business and we believe that our ability to retain and attract the best people in this industry, if we're able to execute against that, will allow us to drive good client outcomes.

So let's start on the distribution side first, and this gets to I talked earlier about strategic partnerships, we partner strategically with clients around the world today. So we've got almost all of the largest sovereign wealth funds around the world. The largest DB pension funds around the world including the largest one in the world in Japan. We are on all 20 of the top 20 platforms in the U.S., the retail platforms in the U.S. We've got a top 10 brand in the U.S., so the U.S. market is the biggest most, most opportunity around the world, we're in that market in a big way and we're well-positioned.

And then finally we're on 17 of the top 20 in Europe as well. We're well-positioned in Europe on the platforms. So we are where we need to be around the world in all geographies with almost all clients that we need to be positioned with around the world. What we need to do over time is convince them that we can solve broader product solutions for them.

Client alignment, right, so we believe there's a tremendous opportunity at this moment in time to actually identify those touch points we have with clients and fully align with them to their broader benefit to maximize returns and our plans. The first is using technology to better understand clients and help serve those clients. We've organized ourselves in such a way we've set up a separate group that's nothing to do with selling a product to a client, where they're going in, interacting with clients around asset allocation, their LDI, and we're not doing the LDI, but making recommendations to those clients. Our macro views that we drive for those clients, the micro views, all the additional benefits as a firm that we can bring to those clients to help them do their job better and maximize returns. Again, we're not getting paid for that, but that's a service that we think that will differentiate us relative to many others in the marketplace.

And then finally, really operationalizing all touch points we have with clients to answer the why. Most firms can actually tell you what they do and how they do it, but not why they're in business. And why we're in business is not to launch more products to grow the firm, we're in business to help clients. And if we actually do that well, we're going to launch more products and actually grow the firm over time. But it really is turning the paradigm around from inside out, which is it's about us relative the client, more about really understanding the client, how we serve that client, how we align with that client, and how we drive long-term benefit. And I'll start with some of how we're working on aligning with clients.

And the first is we think one of the biggest opportunities in the marketplace is to arbitrage the time horizon disconnect in the marketplace. In an increasingly short-term world, we believe that focusing on those things that drive long-term value provides tremendous benefit when most firms can't build the discipline in the organization. This is an independent study that was done, and by the way we work with our clients and spent a lot of time with them so that they understand this is a way to drive returns within their own plan. This is an external study that was done and what it did is it divided funds into short horizon or I should say portfolios into short horizon and those into longer horizon, and then it looked to the relative difference in horizon of those products, as well as return. And what it showed is short horizon funds own their securities fund or two years, long horizon owned for almost seven years and the performance differential is anywhere from 2.5% to 4% a year. And this is sort of independent work that was done. Now think about that, if we're in a 3% to 5% world where clients are going to pay a reasonable fee if you can and in fact drive those returns for them, we think naturally they're going to do that.

And if you look at both the horizon of our clients and then the horizon of our products and some of the competitor products in the marketplace first at the top is our clients. Our client's biggest asset is time, not the portfolio they manage, it's time. Many of our clients have 40-plus-year time horizons. A sovereign wealth fund is meant to never go away, it's perpetual. An endowment is meant to be perpetual, to never go away. Most young retire or people young in their careers have 40-plus years. DB pension plans, we put 15 years, but we're talking 20, 30 years in many cases. They have time. They don't always act that way.

Their managers of their assets on the other hand, if you go to the bottom of the page, look like those short horizon funds. The average holding period within a mutual fund in the U.S. is under two years. Just like that prior horizon that I showed you, the average retail investor in the U.S. owns a mutual fund for under four years. If you asset weight our holding horizon, we owned stocks for seven years, which is interesting. It looks a lot like that prior slide that I showed you. And I'll come back to what alpha looks like over time, but we align with clients and spend a lot of time with them, showing them how this benefits them.

If you hire us or another manager, give them the time. If you give them the time, they're more likely to allow you to meet your investment goals. So I screenshot this, I did a client presentation a couple of weeks ago, and I even put what the product is, it doesn't matter what the product is what the benchmark is. But this is that and we're beginning to show clients' performance differently as a way to orient them around time horizon.

One of the things that we're doing, and I'll get to this one, is people read left to right. And if you look at performance books it's always got quarter-to-date, year-to-date one, three, five, 10. We're starting to show performance 10, five, there, one quarter-to-date. So the client orients around what really matters over the long term.

The other thing that we're showing clients is rolling returns is over rolling three, five, seven, 10-year periods of time. How would you have performed if you actually owned us over that period of time. And by the way this client has owned us for over 10 years in this particular plant. Over three years, we've outperformed 93% of the time on a rolling basis; five years 96%; seven years 100%; 10 years 100% over those periods. What's interesting is look at the dots above the line. Over three years, you get a little bit of outperformance. Over 10 years you're well above the line. And so, giving a manager the benefit of time allows them to add value and align properly with the client.

The other way that we think about alignment is how we manage the business for the benefits of the client. One of the things that we've done over the last really 10 years now is we've closed product when we get to an asset size that we don't believe we can continue to drive performance for clients, right? There are a number of strategies particularly in the global international equity side that we've closed over that period of time. That's full alignment with clients. We could raise and we could have raised tens of billions of dollars more, but we were concerned that we wouldn't be able to perform. And then on a 10-year basis, we have less money to manage on behalf of clients. That's full alignment with clients, right?

One of the things that we've done recently is we will reopen product given some of the reductions we've seen. We've reopened our global equity product. So we are now back into the market with that product, positioning that again with consultants and clients in the marketplace. We don't think it will have any impact on inflows in the very near term, but over the medium to long term we think it will provide benefits for us to continue to grow the equity sleeve over time. And so capacity is a big piece of that.

The second piece of how we run the firm to align with clients is succession. And so that succession at a senior management level, that's a succession at a portfolio level. So Rob Manning and I went through a succession over a couple of year period of time. We recently announced Ted Boloney as our new CIO. He's 40. He's going to be the CIO at the firm for the next 15 years. That provides a lot of comfort to clients who are really worried about stability in this industry right now in terms of who their counterparts are and how strong those counterparts are. So, really strong alignment.

On the portfolio side, we've had a number of retirements over the last few years. We've been able to bring people on those portfolios, convince clients, give us the ability of time to show them that it didn't matter overall to the portfolio given our investment process, and we've been able to retain a lot of the clients because of that. And so succession is a piece of that. Another piece of it is when the client pays us an active fee is they're paying us to do a lot of things for them. And increasingly ESG is one of those, right.

The clients focus on environmental, social and governance factors. We don't really like the word – frankly we like to use sustainable if we believe in investing in long term sustainable businesses and by the way we have for the last 100 years at the organization. The market now wants to call it ESG, but it's identifying those long-term factors that allow the business to have a competitive advantage to care about the environment, to focus on governance on behalf of shareholders. We've been doing that a long time.

So this is a Morningstar rating that was done on all funds in the U.S., and what they came out with is MFS had the most ESG-friendly products in the marketplace. What's most interesting about this is we don't run one ESG product.

We don't have any ESG products. It is part of our investment process. It has always been part of our investment process. So, we are incredibly well-positioned in a world where people really care about this because we've driven this into our investment process. And we think this is one of the biggest differentiators for active relative to passive. You buy the benchmark, you've got no ESG component. You're going to buy every company in that benchmark. And what we can say to a client, if you care about these things, this is what you're paying us to do, not only perform but to focus on these things that drive long-term sustainable value.

Dean mentioned earlier, we were signatory one of the earlier, the UN PRI. And if you look on the left-hand side here, those ratings and you can see them over time, but relative to the median, we have top rating in almost all categories and we're rated well above the industry in all these factors. And by the way we're not running any ESG products. This is how we manage products on behalf of clients, focusing on the long term, aligning with what's going to matter for them.

The last piece of alignment then in terms of where we're engaging with clients is diversity, and diversity comes in many dimensions. The first is the way we build teams. There's work that's been done externally that shows that diverse teams make better decisions because you bring different perspectives to problem solving. So, we've built diverse teams, we invest through those teams, and ultimately, it allows us to align with the companies that we invest in, to drive good results for our clients which provide full alignment from a diversity.

Lot of metrics on this page, let's start on left-hand side. From a gender perspective, we're well-ahead of the industry and that's not a good state of the industry, but we're well-ahead of the industry. So as the industry migrates, we want to stay well-ahead of the industry from a gender perspective. But diversity comes in many more forms than just that.

On the right-hand side of the page, 36% of our investment staff is outside of the U.S. We are as culturally diverse as any firm in this business and that provides tremendous, we believe, value to making investment decisions, building portfolios for clients, and driving the long-term returns for clients.

And the ultimate proof statement in that then is this. It is, does that platform that you build, the time horizon with which you built a discipline, risk management framework that we've built ultimately accrue the results on behalf of clients. And if you take the 10-year view, and you think about the 10-year now has the 350% increase in the S&P, the significant increase in the marketplace over that period of time, we've continued to perform well for clients, and our performance during the financial crisis was exceptional as well. And so over all periods, we've been able to perform well for clients across our products set.

As importantly at the bottom of this page is the percentage of products in the bottom quartile. Now, by definition, the bottom quartile is 25%, right? So look at the products in a percentile or the percentage of funds that are in the bottom quartile. Even when don't outperform, we're not in the bottom quartile, right? And that gets to how we think about risk. We say we're going to do with clients. We focus on risk particularly downside risk and ultimately even when we don't perform as well, we're still in the game. If you put up a good year, you're going to end up back above the median.

Another way to show this is Barron's, the Barron's ranking in the U.S., where they look at all mutual funds. And this here it takes the firms that have been in the top 20 for the last five years, every year for the last five years, and it ranks them. Now we change the scale on you. Low is at the top of the page which is good. I mean, you've ranked relatively well. High is at the bottom of the page. For these funds, these are the funds with the most consistent performance over the last five years, we rank at the top of that and pretty significantly so. We've got the most consistent performance in the business as well, some of the best performance and some of the most consistent performance in the business.

And then, do active managers outperform the benchmark? The answer is the average does not after fee, but there are managers that do it, that have persistence of doing it. So here I did not cherry-pick this, this is our largest five institutional products. If you go back over the last 20 years and take 10-year rolling returns after management fee, we've added value in every single product and in almost all of the rolling periods of time.

So guess what, active managers do outperform the benchmark. If we're going to live in a 3% to 5% world in the next 10 years and we provide this alpha to clients, they're going to pay for it. So this business is not going away but you better be good at what you do, you better be able to align with clients.

Some of the things that we're working on to get the firm back to positive flows, talk about our non-U.S. growth diversifying fixed income and then the alignment which I've discussed. The first is, is opportunity around the world – and at the vertical axis what you have is five-year prior growth relative to beginning assets on the horizontal that's the flow opportunity over the next five years, and what you'll see first, and the size of it is the size of the market is the U.S. market which will continue to be the biggest bucket of assets over the next five years. We are very well-positioned in the U.S. And any manager outside of the U.S. is trying hard to get into the U.S. But we're there and we're well-positioned.

Bunch of boxes sort of in the middle and Italy sticks out. Italy is a market where we are investing more people and going down market. We're in the professional buyer market. We're now hiring people to go engage with financial advisors as a way to grow our market share. We think when successful we'll export that model to Germany, Spain, but we think there's opportunity for us to grow. We're well-positioned Asia, ex-Japan, the institutional market. There isn't a mature retail opportunity there today, so it's an institutional-only. And then China, which is over 10 years, is going to be a massive, massive opportunity, but there's no line of sight to go with the retail money today.

We are in the sovereign wealth portion of the marketplace, we hired someone over the last couple of years, we've opened an office in Shanghai, we're there. We're trying to identify partnerships with banks and insurance companies to sub advise non-local product. We don't know when that opens up, but we're going to be there when it happens, and we think that we'll be well-positioned when that happens.

Fixed income, we really do need to diversify the business. We're way subscale in fixed income. We're selling into clients that are buying product solutions today, and we think that we should be providing those for them as well. What you'll see is staff has gone up a lot in the last few years, client meetings up significantly, RFP is up significantly, and it's a big funnel. The more activity you do, you have a win rate, eventually you begin to win more business, and that's the process that we're working through. We're doing a number of things in technology on the analytics side to better understand advisors, identify who are the next best advisors to go see with what products to drive better efficiency given the amount of money we spend in distribution.

And then when you think about the overall business and how that all comes together. The first is we're very well-diversified both by channel and then by asset class, but I'll call it two things. One is in the middle, a fixed income at 14%, we want to make that number significantly bigger in the next 10 years. And then non-U.S. retail at 6%, we think there's big opportunity for us to make that bigger and grow the firm in the next 10 years. And then you can see our A&I on the other side.

And from a cost perspective, there's a natural sort of hedge against the overall business given the variable nature of our costs. And so 60%, almost 60% of our expenses are variable and with compensation, which flexes up and down with profitability, and it's also their asset-based fees, which we pay advisors, which go up and down with the asset as well. And then there are some other things that are over the medium term are discretionary, but we do have a fairly variable component to the cost base.

And on the left-hand side, what you'll see is the personnel costs which are 50%, a significant portion of those variable, which flex up and down with profitability at the firm, and you can see them how that translates into profits, profit margins and dividends paid. And as I said at the bottom of the page, at 38.2%. So the S&P, if you go out in Bloomberg and you pull up with the S&P, operating earnings are going to be this year they estimate they are going to be 10.5% to 11%. And everyone is talking about how bad this industry is and we're printing a 38% pre-tax margin currently.

This is a really good business. And so if the market goes up, if overall assets go up, 3% to 5% over 10 years, you get a little bit of organic, there's operating leverage in the business, you can drive high-single digits earnings growth with dividends paid at TSR in the teens for asset managers if you can execute against that, right? All earnings convert to cash. There's no capital that has to set against the business and revenues go up cross cycle in this business. This is a really good business, but you've got to live through the cycle because parts of the cycle, whether the markets go up, organic growth gets tough, but this is a classic long-cycle business that accrues to the owners of the business.

And again, key message is we have proven to deliver strong earnings and revenue growth over time. We have definitely built something that we think is differentiated, has historically provided alpha, we think will continue to provide alpha. We are making progress to get the firm back to organic growth in terms of what we need to do to move the needle on that, and obviously we've been a strong contributor to Sun Life more broadly over time.

So with that, I'm going to stop, bring up Greg and Steve.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

Thanks very much, Mike. I think we've got about 10 minutes for questions. We want to get everyone out here in about 10 minutes. So with that, have Steve Peacher join us here on the panel here. And any questions? Yeah, way down in the far corner there.

QUESTION AND ANSWER SECTION

John Henry Goldsmith
Head of Canadian Equities, Montrusco Bolton Investments, Inc.

Q

Thanks. John Goldsmith, Montrusco Bolton. I guess the question for MFS, on the institutional side what percentage of that business would be sovereign wealth fund? How has that changed over the last five years and what would you say is the average length of time that those sovereign wealth funds have been with you?

Michael W. Roberge
CEO & Director, MFS Investment Management

A

Yeah. As a percentage of the book it would be well below 10% now. It is changed pretty dramatically in the last five to seven years when oil prices went from 100 to 20. Most sovereign wealth funds particularly in the Middle East were net redemption, so they were redeeming all managers. If you look at the size of those sovereign wealth funds, they've shrunk over that period of time. An average length for those clients would be probably up around 10 years.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

I see another question at the other end. Paul?

Paul Holden
Analyst, CIBC World Markets, Inc.

Q

Thanks. So, Steve, I just want to understand, so – Paul Holden, CIBC – wanted to understand the growth opportunity that fixed income mandates a little bit better? It's actually for Mike. You've laid out the case for your fundamental equity portfolios and why they differentiated the market very well. I guess what I'm trying to understand better is how you're differentiating the fixed income mandates that you're launching?

Michael W. Roberge
CEO & Director, MFS Investment Management

A

Yeah. Good question. It really is a natural extension of how we're managing equities on clients' behalf. It is a credit focus. And so we say to clients we've been investing in the equity part of the capital structure for years and now we're moving up the capital structure. Its high yield debt, it's high grade corporate debt, it's structured finance, it's emerging market debt, emerging market corporates. And so it's the same story that we're telling in terms of our ability to understand in a bottom-up level to securities that we're investing in, focusing on those things that drive long-term return, and then actually executing against that. So that alpha target equities which will be 200-plus. And Steve mentioned this early, if you can provide 100 basis points of alpha products and fixed income, clients are going to pay for that.

Paul Holden
Analyst, CIBC World Markets, Inc.

Q

And then just a quick follow-up question. Are you seeing any difference in the pace of fee compression in institutional versus retail markets?

Michael W. Roberge
CEO & Director, MFS Investment Management

A

They're really happening sort of in tandem with one another. And I think in institutional market went early, went first and went early, bringing fees down, and we're now seeing that the retail market sort of follow that through. We expect again to continue to see some fee compression over time in both channels, and we're modeling the business that way.

Stephen Clarkson Peacher
President, Sun Life Investment Management

A

I would just add to that. When I look across the client base at Sun Life Institutional Investments which is all institutional, I think the fee compression pressure really varies by product. So it doesn't feel as strong. If you're a high performing real estate manager with high excess returns, if you're – take that a unique private credit product, you're insulated to some extent from the pressure, if you have a generic – more generic products, you're going to fill it more. So it really varies by products is what I've seen.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

Meny?

Meny Grauman
Analyst, Cormark Securities, Inc.

Q

Hi. It's Meny Grauman from Cormark. Mike, if I recall the last Investor Day you were arguing that in this fight between passive and active, that big test would come when we saw a big sustained bear market. So I'm wondering if you still have that view as the end of last year a test for you that you can read something out of.

Michael W. Roberge
CEO & Director, MFS Investment Management

A

Yeah. If you look historically during drawdowns in the marketplace active manager, the average active managers is up from the down market, even the average has. And skilled managers add significant value to down markets historically.

The fourth quarter was an anomaly relative to attritional bear market, and the market just went whoosh, everything went down. It was very much a technical correction. The highest PE, highest quality stocks actually did not protect any downside during that period of time. Their true test is going to be a real economic downturn, a real credit cycle, and a real bear market whenever that happens. And again as history would say that our active managers will outperform, the way in which we have managed assets historically focusing on downside does provide better protection in down markets and we're pretty comfortable we'll be able to do that.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

Okay. We'll work our way across the room. Mario over there and then we'll come back over here.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

Question for Roberge. You referred to – you made an important distinction between the active and passive. Do you see a middle ground of the very, very large fund managers that are significantly reducing the fees right now?

Is there a middle slice here that's missing? And how do you stack up against those very large ones that have taken fees down pretty dramatically?

Michael W. Roberge
CEO & Director, MFS Investment Management

A

Yeah. If you take all of our retail products and you look at them relative to competitive fees, we're below average in almost every single category that we run for clients. And there are managers that will cut fees over time because they may have additional scale. To the extent that you can add net return sort of alpha after fees, to Steve's point earlier, if you can do that consistently, clients aren't killing you on fees. And we've talked to clients about fees, like, you've got to be a little careful because if you cut fees – active fees aren't going to 10 basis points because at 10 basis points no one's going to be able to invest in the platform that add alpha on behalf of clients. And what the market's trying to do is work through – we know the passive fee now is zero and the question is where do active fees settle in? We think they're going to kind of get lower, but at some point time a client is going to say, I'm willing to pay zero for this, 25 basis points for this, 40 basis points for a global mandate, and we're working our way toward that. But at some fee you can add alpha because you can't invest in the platform.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

Those very large ones have approach numbers like 35 basis points, 45 basis points. Is that a number that you think everyone settles at some point?

Michael W. Roberge
CEO & Director, MFS Investment Management

A

Yeah. I mean, I think U.S. mandates are going to go in the 30s, global and international are going to go 40 basis points to 50 basis points, and the industry is sort of moving in that direction currently. And scale is going to matter a lot. If you are not at scale, it's going to be really difficult to invest at those fees.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

Thanks.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

A

Just quickly here and maybe Scott over here.

Scott Chan
Analyst, Canaccord Genuity Corp.

Q

Thanks a lot. Scott at Canaccord Genuity. Mike, you talked about or just in general asset management has got a 5% earnings target and MFS is a big portion of that. Over the last several years, it's been about a 5% CAGR on net income. So how do you kind of reach that target going forward with fee compression? You talked about lower net returns and net outflows currently on the MFS platform.

Michael W. Roberge
CEO & Director, MFS Investment Management

A

Yeah. The key is going to be getting the firm back to net organic. And so through the cycle, we think if the top line grows at 5%, you get 1.5% from fee. You can grow 1% to 1.5%, you get 5%. You get some operating leverage in the business, you can grow earnings over that 5%. But that's how we think about it through cycle is we believe that over the longer term, the firms that execute well on the alpha dimension that align well with clients are going to be the survivors. There's a lot of capacity that's going to come out of this business. Martin Flanagan at Invesco said a couple of weeks ago he expects a third of the business to go away the next five years. I think that's a little extreme, but I do believe the capacity is coming out of the industry.

And I'll tell you what we do with M&A. Someone announces a deal, right? You know that those assets are at risk because the fiduciaries on the other side trying to understand, should I stay around for this. We identify, we go through every one of the products that they have relative to our products. We identify where we have better performance, where we have lower fees, and we go engage with those clients. So our approach to M&A is what other people do around us and go get their money, and that's going to continue to be our approach. And we think that firms that don't focus in the alpha dimension are likely to put their core business at risk. And we're not putting our core business at risk. That's what we're focused on every day.

Scott Chan
Analyst, Canaccord Genuity Corp. **Q**

And just quick one for Steve. Just on the SLIM products, you talked about growing with broad investment capability. If you had a wish list right now, what are some of those investment capabilities?

Stephen Clarkson Peacher
President, Sun Life Investment Management **A**

My primary interest now is in the private credit space. We have what I would consider a topnotch investment grade private credit capability because that's what we've always used internally. And we've had great success in Canada raising money in that area when I think we've delivered for clients and we'll be able to build that out in the U.S., I'm very confident, and we're really just focused on that now. But there is a broad range of differentiated private credit products that probably fall below the investment grade line, and that has been our target as much, I'd love to build that out. So if we could find a nice fit in that space.

The other area of interest to me is we're a large lender to infrastructure projects on the lending side. I think if we could find the right fit on the infrastructure equity side, it would fit, it's yield-oriented, it's long-dated, that would be a nice fit, but first and foremost I'd love to have a nice fit on the private credit side below investment grade.

Gregory A. Dilworth
Vice President-Investor Relations, Sun Life Financial, Inc.

Great. Given the time, I think we'll end it there, and I'm going to invite Dean Connor to come up and just say a word or two to close the day out.

Dean A. Connor
President & Chief Executive Officer & Director, Sun Life Financial, Inc.

So just to wrap up, I'll just reiterate a couple of the key messages. A lot of information brought to you this morning, this afternoon. Let me see if I can sort of condense it for you. We are making great progress on executing on our ambition of being one of the best insurance and asset managers globally, and in that sense we're executing well on our diversified business model. And what you saw this morning and heard this morning and this afternoon is a lot of examples of growth, growth opportunities in all four pillars, areas where we're investing in organic growth, new businesses, new products, new ideas, new client segments that we're going after and building that out organically. And as well, you also heard around that an inflection point inventing the cost curve, inventing the expense curve, and you saw examples of that that Kevin shared and our Business Group President shared as well.

The second point is around client obsession, and I didn't add up the number of times the word client was used, but maybe we set a new record in these kinds of Investor Days around focusing on a client, you can hear the passion, the obsession around clients across all of our businesses. And when you spend that much time obsessing about clients, good things happen. And so I'm really pleased with the progress in the last couple of years as we've been really obsessing about clients and building that out, and we're starting to see that show up in terms of growth both in top line and bottom line.

The third main message is a message around digital transformation and taking the lead we've got in a number of markets including Canada, and I think Jacques did a great job describing the leads that we've got, that started in our group businesses, it's why we've been able to grow market share, technology clients are voting with their feet towards us because not just because of technology but it's an important driver. And taking that technology advantage and spreading to other parts of the company whether it's Maxwell Health or some of the tools that Claude shared with Asia. And Mike talked about that in MFS as well. Putting this digital transformation of the whole enterprise, we've made great progress on that.

And then lastly and maybe most important of all is around talent and culture. And I think you've heard that across all of our businesses is intense focus on attracting top talent, a disproportionate share of top talent people who really get their business who really understand their business, they're passionate about it. They're absolutely driven obsessed by clients obsessed by growth and building a culture that attracts and retains a disproportionate share of people. When you do that and you get everybody lined up against our purpose of the company, and lined up against delivering on me in term of objectives, you've got a recipe for success.

So with that, we'll stop. Thank you very much. Thank you for your support for Sun Life. Thank you for your great questions today. And we look forward to continuing the dialogue. Thank you.