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CORPORATE PARTICIPANTS

- **Natalie Brady** *Sun Life Financial Inc - Senior Vice President of Capital Management & Investor Relations*
- **Kevin Strain** *Sun Life Financial Inc - President, Chief Executive Officer*
- **Tim Deacon** *Sun Life Financial Inc - Chief Financial Officer, Executive Vice President*
- **Dan Fishbein** *Sun Life Financial Inc - President - Sun Life U.S.*
- **Manjit Singh** *Sun Life Financial Inc - President - Sun Life Asia*
- **Steve Peacher** *Sun Life Financial Inc - Executive Chair - SLC Management*
- **Ted Maloney** *Sun Life Financial Inc - Chief Executive Officer, MFS*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Doug Young** *Desjardins Securities Inc. - Analyst*
- **Paul Holden** *CIBC World Markets Inc - Analyst*
- **John Aiken** *Jefferies - Equity Analyst*
- **Gabriel Dechaine** *National Bank Financial Research - Analyst*
- **Alex Scott** *Barclays - Equity Analyst*
- **Thomas Gallagher** *Evercore ISI - Analyst*
- **Tom MacKinnon** *BMO Capital Markets - Equity Analyst*
- **Lemar Persaud** *Cormark Securities Inc. - Equity Analyst*
- **Mario Mendonca** *TD Cowen - Analyst*
- **Darko Mihelic** *RBC Capital Markets - Analyst*

PRESENTATION

Operator

Good morning, and welcome to the Sun Life Financial Q2 2025 conference call. My name is Gaylene, and I will be your conference operator today. (Operator Instructions) And the conference is being recorded. (Operator Instructions)

The host of the call today is Natalie Brady, Senior Vice President, Capital Management and Investor Relations. Please go ahead, Ms. Brady.

Natalie Brady *Sun Life Financial Inc - Senior Vice President of Capital Management & Investor Relations*

Thank you, and good morning, everyone. Welcome to Sun Life's earnings call for the second quarter of 2025. Our earnings release and the slides for today's call are available on the Investor Relations section of our website at sunlife.com.

We will begin today's call with opening remarks from Kevin Strain, President and Chief Executive Officer. Following Kevin, Tim Deacon, Executive Vice President and Chief Financial Officer, will present the financial results for the quarter. After the prepared remarks, we will move to the question-and-answer portion of the call. Other members of management are also available to answer your questions this morning.

Turning to slide 2. I draw your attention to the cautionary language regarding the use of forward-looking statements and non-IFRS financial measures, which form part of today's remarks. As noted in the slides, forward-looking statements may be rendered inaccurate by subsequent events. And with that, I'll now turn things over to Kevin.

Kevin Strain *Sun Life Financial Inc - President, Chief Executive Officer*

Well, thanks, Natalie, and good morning to everybody on the call this morning. Turning to slide 4. Our results this quarter once again highlight the strength and the resilience of our balanced and diversified business model. Our underlying EPS was $1.79, up 4% year -over-year. Underlying net income was strong at just over $1 billion. Underlying ROE was 17.6%. These results were solid across all of our businesses with Asia, Canada and SLC Management having strong quarters. The U.S. Employee Benefits business hit record earnings this quarter, and our stop-loss business in the U.S. performed well at a time when the industry is seeing challenges. This reflects our leadership position in the stop-loss market.

We continue to take a long-term view on our U.S. dental business, which has recently been affected by impacts to the U.S. health care environment. Tim will go through this in more detail. MFS continues to have solid earnings. While we experienced outflows this quarter, we continue to see strong signals of Clients' confidence and interest in our offerings, evidenced by our strong total gross sales.

Reported earnings were up over last year. The difference between underlying and reported earnings was primarily driven by real estate and market-related impacts. These impacts were timing-based, not structural, and are expected to be neutral over the medium-term. There was also a write-down of an intangible asset related to a U.S. dental contract. Our capital position continues to remain strong, reflecting our focus on financial discipline and capital-light businesses. Our LICAT ratio at SLF was 151%, and we bought back close to $400 million of Sun Life shares through our share buyback program this quarter.

Turning to slide 5. We highlight our progress against our strategic imperatives Asset Management, Asia, Health, Digital and People. We saw good momentum and resilience across our asset management and wealth platforms this quarter.

At SLC Management, our performance continues to track well for the year. We had a strong quarter for capital raising with $6 billion of assets being raised doubling over last year. Some notable highlights include the continued strength in Crescent's U.S. Direct Lending and Crescent's Solutions funds. MFS continues to experience outflows this quarter, reflecting the volatility in equity markets. Despite this, we're encouraged by MFS' total gross sales, which are up year-over-year and demonstrate Client commitment to MFS.

Our active ETF business continues to build momentum, and our Fixed Income business saw good net inflows this quarter at MFS. This quarter, MFS was named best new ETF issuer at the 2025 etf.com awards. MFS continues to play a strategic role in Sun Life's overall financial strength, delivering solid margins and cash flow to the organization. We continue to manage this business with a focus to achieve strong performance over the long-term.

In Canada, our Asset management and wealth businesses, driven by GRS, saw continued strength with assets exceeding $200 billion this quarter. In Asia, our Asset management and wealth businesses delivered a record quarter. In our India asset management joint venture, strong inflows to newly launched equity funds contributed to a nearly doubling of net wealth sales this quarter, while favourable markets helped drive wealth assets up 21% year-over-year. Individual - Protection also contributed significantly to Asia this quarter, with sales up 22% year-over-year.

Our bancassurance distribution is delivering good results overall, with sales up 14% year-over-year. We are pleased with the sustained growth in Asia CSM, which was up 23% since last year, ending the quarter at $6.2 billion. In Hong Kong, our diversified channel strategy continues to yield strong results. We achieved protection sales growth of 35%, supported by robust performances across our agency, bancassurance and broker channels.

We also launched an indexed universal life insurance product for professional investors, becoming the first insurer in the market to bring this innovative solution to Clients. This product addresses the growing market demand for high-end wealth management solutions and shows our ongoing dedication to supporting our Clients' evolving needs.

Shortly after the close of the quarter, we announced a further investment in Bowtie. We've been on the ground with Bowtie since the beginning of their journey, and it's incredible to see their growth. They were recently recognized as the fastest-growing company in Hong Kong by the Financial Times in their ranking of high-growth companies in Asia-Pacific. We're excited to continue our partnership with them and to advance our shared goal of making health insurance simple, accessible, and affordable for Clients.

In Canada, we saw strong sales performance for Sun Life Health, up 41% year-over-year, primarily driven by large case wins. In the U.S., our Employee Benefits business achieved record earnings and margins this quarter. In stop-loss, our industry-leading capabilities, expertise and scale have served us well in this competitive market, and stop-loss continues to be a foundational part of our U.S. business and strategy.

We made substantial progress this quarter in advancing our digital leadership, including the deployment of new generative AI capabilities, making it easier for Clients and advisors to do business with us as well as helping us enhance our productivity and operations. In Canada, we're excited about the launch of our reimagined mobile application. This new app features an enhanced health, wealth and protection experience facilitating easier access to health services and simplifying key tasks. We also launched Advisor Notes Assistant in Canada, a generative AI tool designed to enhance Client experience and streamline workflows.

In Malaysia, we enhanced operations with real-time underwriting capabilities to speed up the sales cycle. And in Hong Kong, we piloted Advisor Buddy, an AI chatbot to support advisors across the entire sales journey. In the U.S., we implemented straight-through processing for our Supplemental Health Accident insurance to improve productivity and Client experience. These are just a few examples of the work we are doing to drive digital leadership across our businesses.

Sun Life's people and culture remains central to our success. This quarter, we were named one of the Best Workplaces in Financial Services and Insurance in Canada as well as one of the Best Workplaces for Health and Well-Being in Ireland.

Before I pass the call over to Tim, I want to acknowledge some leadership changes. Last night, we announced that Dan Fishbein, President of Sun Life U.S., plans to retire in March 2026. Over the past 11 years, under Dan's leadership, our U.S. business has transformed into a leader in health-related benefits and services, connecting the broader healthcare ecosystem and helping people access the care and coverage they need. Dan brought Sun Life further into the health space, with services like care navigation, digital health programs and clinical interventions that complement core health coverage.

I've been a teammate of Dan's on the executive team since he joined in 2014. I've been impressed by the impact he has had and how he has helped Sun Life evolve into a leader in the Group Benefits space in the U.S. He has truly made a difference. And I want to congratulate David Healy. David will become President of Sun Life U.S. on September 1, at time which Dan will assume the role of Executive Chair of Sun Life U.S. until his retirement to ensure a smooth leadership transition.

David is a seasoned executive at Sun Life with over 20 years of experience and is currently the President of Sun Life's U.S. Dental business. Throughout his tenure, he has led and grown the Employee Benefits business, headed operations and technology teams and manage the integration of key acquisitions, including Assurant Employee Benefits and Maxwell Health. His experience and leadership have contributed significantly to Sun Life's growth and success in the U.S. market.

David's combination of technology and operations experience and his Employee Benefits background are perfectly aligned to our ambitions for the U.S. business. You will get to meet David and know him more in the coming months.

I also want to recognize Kevin Morrissey, our Chief Actuary, whose voice has been a familiar presence on these earnings calls for nearly a decade. This will be Kevin's last earnings call as he prepares to retire this fall after an impactful 37-year career with Sun Life. Kevin and I have worked closely together throughout my entire 28 years at Sun Life, and I personally have watched him develop into a strong leader for us. His remarkable journey with Sun Life companies has left an indelible mark on our organization, and he has helped train and develop many of our actuaries and has been an important voice in the industry.

I'd also like to take this opportunity to welcome our incoming Chief Actuary, Brennan Kennedy. Brennan is currently our Senior Vice President of Global Asset Liability Management and brings over 25 years of experience with Sun Life to this new role. Both Kevin Morrissey and I have worked closely with Brennan over his entire career at Sun Life, and we are really pleased to see him take this next step. His deep expertise spans Actuarial, Risk Management, Finance and of course, ALM. Brennan will be a valuable addition to our global leadership team.

I want to congratulate both David and Brennan on joining the global leadership team. Dan and Kevin, on behalf of all Sun Life employees, thank you for your leadership and all of your many contributions over the years. We wish you both the very best in the future as you begin the next well-deserved phase of your lives.

And with that, I'll turn the call over to Tim, who will walk us through the second quarter financial results in more detail.

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

Thank you, Kevin. Good morning, everyone. Turning to slide 7. Overall, we are pleased with our second quarter 2025 results, which demonstrated the resilience of our business in the current environment. We reported underlying net income of $1.015 billion, up 2% year-over-year, while underlying earnings per share of $1.79 was up 4% over the same period. Asset management and wealth underlying earnings were flat compared to the prior year on higher fee income at SLC Management and Asia, offset by lower fee income at MFS and lower investment spread income in Canada.

Group - Health & Protection underlying earnings were up 7% year-over-year from higher U.S. Dental results and favourable mortality experience in Canada. Individual - Protection underlying net income was down 10% over the prior year from unfavourable mortality experience in Canada and the U.S.

Underlying return on equity was 17.6%, down from the prior year from higher average equity from earnings growth and changes to other comprehensive income from foreign exchange and interest rates. Reported net income for the quarter was $716 million. The variance between reported and underlying net income was driven by market-related impacts and an impairment charge on a customer relationship intangible related to the early termination of a U.S .group Dental contract.

Market-related impacts reflected unfavourable interest rate impacts and real estate experience. Interest experience includes the impact of risk-free rates, swap and credit spreads and other timing-related items arising from the market volatility experienced during the quarter. Real estate returns were flat for the quarter, below our long-term expected returns.

Total contractual service margin, or CSM, which reflects future profits, increased 9% year-over-year to $13.7 billion, driven by strong organic CSM growth. New business CSM of $435 million was flat compared to the prior year.

Organic capital generation, net of dividends, was strong at $673 million, above our target range of 30% to 40% of underlying net income. Our balance sheet and capital positions remain robust with a SLF LICAT ratio of 151%, up 2 points from the prior quarter as organic capital generation more than offset the impact of dividends, share buybacks and markets.

Holdco cash remained solid at $1.1 billion after returning almost $1 billion to shareholders during the quarter, and our leverage ratio remains low at 20.4%. Finally, book value per share increased 5% over the prior year, demonstrating our ability to generate strong growth while returning value to our shareholders with 4.8 million shares repurchased this quarter under our share buyback program.

Turning to our business group performance on slide 9. MFS's underlying net income of USD184 million was down 5% year-over-year, primarily reflecting lower fee income from lower average net assets. Pre-tax operating net margin of 35.1% decreased by 1.4 percentage points from the prior year on lower fee income from a decline in average net assets and interest income.

Assets under management of USD635 billion were up 3% over the prior year and up 5% over the prior quarter. The sequential movement in AUM was driven by market appreciation, particularly in the latter half of the quarter, partially offset by net outflows. Outflows of USD14.3 billion included retail outflows of $5.9 billion and institutional outflows of $8.4 billion. Retail outflows continued from market uncertainty and institutional outflows primarily reflected Client rebalancing activity.

Overall long-term investment performance for MFS remains strong with 90% of fund assets ranked in the top half of their respective Morningstar categories for 10-year performance. Fixed income performance was also strong with 98% of fund assets ranked in the top half of Morningstar on a 10-year basis.

Turning to slide 10. SLC Management generated underlying net income of $45 million, up 7% year-over-year, but down from a record result last quarter. The sequential decline is attributable to catch-up fees and seed investment gains recorded in the prior quarter. This quarter's results included a modest seed investment loss, which contributed to the below trend result.

Fee-related earnings of $89 million were up 37% year-over-year, driven by strong capital raising and lower expenses. Reported net income was nil this quarter, driven by acquisition expenses and market-related impacts. SLC Management continues to demonstrate strength across the platform with capital raising of $6 billion this quarter, reflecting strong activity in SLC Fixed Income, Crescent and BGO.

Deployments remained strong also at $6 billion for the quarter, reflecting continued attractive investment opportunities for private assets. SLC's fee earning AUM of $194 billion was up 9% year-over-year, driven by deployments and market appreciation. Sequentially, fee earning AUM was down 4%, driven mostly by currency impacts.

Turning to slide 11. Canada's underlying net income of $379 million was down 6% year-over-year as strong business growth was more than offset by lower investment results and less favourable insurance experience. Reported net income of $330 million was up 13% year-over-year on more favourable market-related impacts. Asset management and wealth underlying earnings were down 4% year-over-year from lower investment spread income driven by lower yields on investment contracts.

Wealth AUM of $203 billion was up 12% year-over-year on market appreciation and net inflows. Group - Health & Protection underlying earnings were up 1% year-over-year, reflecting more favourable mortality experience and business growth, partially offset by less favourable morbidity experience due to higher cost disability claims in the quarter.

Group sales were up 41% year-over-year, driven by large case sales. Individual - Protection earnings were down 16% year-over-year due to unfavourable mortality experience, which mostly offset the corresponding gain in the CSM. Individual - Protection sales were down 19% year-over-year, driven by third-party sales.

Turning to slide 12. Sun Life U.S. underlying net income was USD143 million, down 4% from the prior year. In Group - Health & Protection, underlying earnings were higher by 10% year-over-year, driven by business growth in Employee Benefits and Dental, partially offset by unfavourable experience. U.S. Group - Health & Protection sales of USD226 million were down 7% year-over-year, reflecting the impact of pricing discipline in a competitive market for medical stop-loss, partially offset by higher government and commercial dental sales.

In medical stop-loss, results this quarter were in line with recent expectations. Morbidity results reflected the expected reserve accumulation on January 1, 2025, business, including the previously indicated 2% pricing shortfall. In Dental, this quarter's results reflected higher Medicaid claims from higher per member utilization and severity. In addition, the uncertainty around Medicaid funding in the U.S. has slowed repricing actions with both states and health insurers and is contributing to elevated Dental loss ratios in the near term.

As a result, we no longer expect the business to achieve USD100 million in earnings this year. Given the near-term challenges, we are reforecasting our expected earnings trajectory for the business. We are confident in the long-term outlook for Dental and remain committed to the 12% plus medium-term underlying earnings growth objective we set out for the overall U.S. business segment. Going forward, we expect Dental to contribute at least one-third of the overall U.S. earnings growth.

Individual - Protection underlying earnings were down 46% year-over-year, driven by unfavourable mortality experience and credit impairments. Reported net income of USD74 million was down 19% year-over-year and included an impairment charge, which more than offset improved market experience.

Turning to slide 13. Asia posted record underlying net income of $206 million, up 13% year-over-year. Individual - Protection earnings were up 7% year-over-year on business growth and higher investment contributions, partially offset by higher expenses from investments in the business.

Asset management & wealth earnings grew 67% over the prior year on higher fee income from strong AUM growth. Reported net income of $98 million was lower year-over-year from unfavourable market-related impacts. We continue to see strong sales in Individual - Protection, up 22% year-over-year, driven primarily by momentum in Hong Kong across all channels, solid contributions from our bancassurance deal in Indonesia and sales growth in India.

Asia's total CSM of $6.2 billion grew 23% year-over-year, driven by strong organic CSM growth. New business CSM of $299 million was up 34% from strong sales and margins in Hong Kong.

We're pleased with the overall results we've delivered this quarter despite the challenges in the macroeconomic and geopolitical environment. We remain confident that our strong fundamentals, diversified business mix and geographies and robust capital levels will continue to support our ability to achieve our medium-term objectives and deliver on our purpose.

In closing, my executive team colleagues and I would like to extend our congratulations to Kevin Strain, who has been named the 2025 International Business Leader of the Year by the Canadian Chamber of Commerce. This award celebrates Kevin's leadership and strategic pursuit of global opportunities which have significantly elevated Canada's international presence. On behalf of all Sun Life employees, Kevin, congratulations on this outstanding achievement.

With that, I will pass it back to Natalie for the questions and answers.

Natalie Brady *Sun Life Financial Inc - Senior Vice President of Capital Management & Investor Relations*

Thank you, Tim. (Event Instructions) I will now ask the operator to poll the participants.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Doug Young, Desjardin Capital Markets.

Doug Young *Desjardins Securities Inc. - Analyst*

Just maybe starting out on the U.S. Group on the Dental side. You no longer think you can hit USD100 million of earnings in 2025. I don't think that will be a shock to most people. But you also put out a target of $250 million by 2029, no mention of that. Just wondering how we should think of the evolution of the U.S. Dental business over, call it, the next five years. And if you can weave in, I think you said you think one-third of U.S. earnings growth is going to come from the dental business.

Maybe if you can kind of wrap that all together. And then there's obviously a lot of goodwill and intangibles related to this business. You spent $3.1 billion on it. The questions I'm getting is that does that need to get written off? At what point in time do you look at that as a potential write-off? And can you talk about the size of the goodwill and the intangibles related to DentaQuest.

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

This is Tim. Maybe I'll kick this off. So in light of the near-term uncertainties that I referenced in my opening remarks, particularly around Medicaid and the repricing, we're having to reforecast our earnings outlook for the business. And rather than provide a single point estimate on earnings number for a number of years out, I would really refer you back to our medium-term earnings growth objective for the U.S. segment overall.

As I said, we're committed to the 12% plus objective that we shared at Investor Day. And as mentioned, expect that Dental will be at least a third of that overall earnings growth for the segment. And then looking ahead, we're confident in the long-term outlook for the business. We're the largest dental benefits provider in the U.S. by membership and have a strong brand presence in the market.

And we see a lot of growth opportunities in the commercial space, which has higher margins. The opportunity for synergies with our Employee Benefits business, the opportunities we have to reduce expenses and invest in the business to make it more efficient. And then ultimately, the repricing actions to get back to the pricing target levels over time is really what's giving us confidence in the business in the long term.

And then on your second part of the question related to intangibles. At the time of the acquisition, we set up customer relationship and system intangibles of about $1.2 billion, and we had goodwill on the books of about $2 billion. And when I look ahead for the business, the customer relationship intangibles, those are tied to specific contracts. And so in the case of this quarter, there was one contract that terminated early. But overall, because of the outlook that I referenced over the long-term, we still remain confident in our goodwill.

We test that for impairment regularly. We have ample cushion of fair value above that at this point. So nothing further to indicate at this time.

Doug Young *Desjardins Securities Inc. - Analyst*

And then just to maybe follow up on this. Just like why did the -- there was an ASO group dental contract that terminated. Can you talk a bit about why that that happened. And then on the repricing side, I think a lot of this hinges on repricing, it seems like it's going slower. Can you talk a bit about what you're seeing on that front?

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

Yes. It's Dan Fishbein. Just on both of those items. First of all, the Client that terminated was a commercial ASO arrangement that was a related party to the seller. So we had established a separate intangible for that reason for that contract. There is a natural ebb and flow of existing business. There will always be some Clients that will leave and, of course, new Clients that come on.

Without going into all the details on this particular Client, our assessment is they were -- they're a non-profit Client, and they felt more comfortable working in the future with another related party from their non-profit world. And perhaps were not completely comfortable being with a public company relationship. Overall, the relationship has been good with that Client, and they will remain with us until August 2026.

And we're currently working closely with them on transition. So this is a rather unique situation. We don't think it's necessarily indicative of broader issues. And then I'm sorry, remind me your second question?

Doug Young *Desjardins Securities Inc. - Analyst*

Repricing.

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

The repricing, thank you. There's no question that the reconciliation bill that moved through Congress and was signed recently by the President, has created a chilling effect on negotiations for appropriate pricing with states and also with the health plans that we work with.

Now long-term, we don't expect significant impact on the business we serve from the bill because we -- 80% of our Medicaid membership is kids and the changes in the bill largely affect adult coverage. However, it is the uncertainty around future Medicaid funding has caused States and health plans to slow down on bringing rates back to where they need to be, correcting them after the mix shift that we've talked about before that resulted from the end of the Public Health Emergency.

We are continuing to make progress on pricing, but unfortunately, it will take longer than we had anticipated.

Kevin Strain *Sun Life Financial Inc - President, Chief Executive Officer*

Doug, it's Kevin. I just wanted to reinforce a couple of messages around the Dental business because it is an important part of the U.S. group space. And it is a part that is re-priceable and has low capital usage. And the acquisition of DentaQuest, we weren't really a player in the dental business. It added scale and new capabilities for us. We weren't in the Medicare/Medicaid business at all, and that's an important part of the U.S. health care system.

It's definitely going through a lot of impacts right now, not that different than what we're seeing our competitors go through. And those impacts are higher usage by members, higher usage by providers, which you tend to see when people think their benefits may be going away. So that's not unusual to see, and that's partially Public Health Emergency, but also the funding that Dan discussed.

And you're seeing a rational approach by the States, which is saying we're uncertain about funding, so they're not changing pricing as aggressively as we would have sort of anticipated. But longer-term, we see the opportunity, Tim mentioned this, to go more into the commercial space, and to optimize the Medicaid/Medicare space, which are going to be important parts of the U.S. health care system and Dental is an important part of the group benefits system.

So it's a difficult, challenging time, not just for us, for everybody who's in that space, and we're going to work our way through it, and we're doing the right things to do that. So I think that, that it's important to keep that context.

Doug Young *Desjardins Securities Inc. - Analyst*

No, I do appreciate that. And just one follow-up, Manjit, eMPF, I know you're a big player, Manulife obviously kind of quantified what the impact that has on underlying earnings. Can you quantify what the impact is for your MPF business earnings?

Manjit Singh *Sun Life Financial Inc - President - Sun Life Asia*

Doug, it's Manjit. Yes, so you're right. As you heard yesterday, the monetary provident fund scheme authority will take on the administrative capabilities or responsibilities for the MPF assets. So the fees that we earn on administering those will no longer be there. The impact for us will be around CAD10 million a quarter. Overall, this is a very good business for us. We've seen good growth in this business over the years. It generates a good ROE, and we expect that to continue.

Kevin Strain *Sun Life Financial Inc - President, Chief Executive Officer*

I might also mention that we are pivoting to do more asset management in that space, and Manjit and the team have been working on that. And that will be an important part of that, the eMPF business model going forward.

Operator

Paul Holden, CIBC.

Paul Holden *CIBC World Markets Inc - Analyst*

I want to ask a question on the U.S. medical stop-loss business. So just trying to -- looking at the group benefits, underlying earnings of $121 million for the quarter versus $124 million a year ago in the same quarter. So trying to get a sense of what proportion of that might be stop-loss versus employee plans and then also sort of any need to accelerate repricing actions in stop-loss given claims loss trends across the industry.

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

Thanks. We were actually pleased with the stop-loss results in the second quarter. As you may recall, in the fourth quarter, we and everyone else saw a significant spike in medical expenses in our stop-loss business. We headed into this year, obviously, with some concern about where that would go. But the experience has largely stabilized and has been in-line with the expectations that we set at that time.

Our earnings for stop-loss in the quarter, we don't break it down between stop-loss and employee benefits. It was down a little bit compared to last year, but very much in-line with the expectations that we laid out. We've actually also seen some improvement in the loss ratio for the January 1, 2024 cohort, which is now almost entirely complete. Certainly, not back to where it was prior to the fourth quarter, but there has been improvement since then, which is quite reassuring.

We also are now starting to get some experience on the January 1, 2025 cohort. But we're still very early in that process with only about 12% of the claims in. But what we've seen so far is similarly reassuring about the experience. As we mentioned at that time, we thought that our pricing for 2025 was about 2% less than it probably needed to be. We have certainly put through those price increases. We put them through during the first quarter, largely for effective date 7/1 and beyond, and we have been able to get those increases. So we feel that the business going forward is properly priced to reflect the experience that we're seeing.

Paul Holden *CIBC World Markets Inc - Analyst*

Right. Okay. That's a good update. Second question then would be with respect to SLC, so fairly big difference between the year-over-year growth in fee earnings, up 37% and then the underlying up 7%. And I guess there's some accounting differences and don't need explanation from that viewpoint. But just more like which one do you think is more of an indication of true run rate earnings growth in that business or maybe the answer somewhere in between, but just trying to get a better understanding of what really is indicative of how this business is going from an earnings perspective.

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

Yeah, thanks. It's Steve. I think the things to look at, and you can see -- you can track this in the supplement are to look at the things that -- our core business is actually very stable, and we'll track with AUM over time. So if you look at management fees, fundamental management fees, if you look at distribution fees, property management fees, those are going to tie very directly with AUM.

One variable component of management fees are catch-up fees, which can vary a lot quarter-to-quarter because they're all dependent upon when funds close and certain funds when they close, result in catch-up fees, they're never negative. They're only positive, but they're very lumpy.

And I think fee-related earnings is really the best view of kind of the core earnings power of the business because that is before any marks on seed investments. And so while fee-related earnings will be impacted by quarterly fluctuations and things like catch-up fees, it's a pretty stable number, and will track with AUM.

Below that line between there and underlying net income you get some noise around marks on seed assets. We had some noise this quarter that I think is -- will probably reverse at some point on our investment in a very strong industrial portfolio that was seeded to be potentially sold in the wealth channel. That is under -- that is below the fee-related earnings line, but does impact underlying net income. So I would track management fees and fee-related earnings.

And also, of course, what is our fundraising experience and what are our net flows? And those are clearly trending up. Our fundraising for the quarter was $6 billion, up double over last year, up from $4.4 billion from last quarter, and we had positive net flows again of about between $4 billion and $5 billion this quarter.

Kevin Strain *Sun Life Financial Inc - President, Chief Executive Officer*

Paul, it's Kevin. I'm just going to add, we're on track to achieve the $235 that we gave at Investor Day. So if you're looking at the next two quarters, that $235 gives you a sense that what we're expecting. As Steve mentioned, we had higher seed gains and catch -up fees in the first quarter. And the catch-up fees this quarter were actually 0 and the seed investment was a loss. And so you're seeing a little bit of volatility, but I would think of it as targeting the $235.

And then at our Investor Day, we gave you numbers around 20% growth in underlying earnings and 20% FRE growth over the medium-term. And that's the way to think about that. We feel like we're on track on SLC and we're seeing flows that are consistent with that. And the big piece we needed to do, and we talked about this last quarter was getting ready for the buy-ups and the leadership team, and we've made some really significant announcements there, which we think are really positive under Steve's leadership.

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

If I could just inject one other quick comment. The underlying net income this quarter of $45 million, I would say, was -- is below the run rate that I've mentioned, but marginally below. It was a fairly normal quarter. We had kind of two negatives. One was a markdown on our iREIT portfolio, which I think was kind of noise. And the other was that we had 0 catch-up fees this quarter. Usually, we have some, and that was partially offset by some adjustments to some expenses. And so I would say that impacted us. The net impact of that on UNI was probably, I don't know, mid- to high single digits versus what I would consider our normal run rate at this point.

Paul Holden *CIBC World Markets Inc - Analyst*

Okay. I'll respect the two-question limit and let someone else fire away. Thank you.

Operator

John Aiken, Jefferies.

John Aiken *Jefferies - Equity Analyst*

Manjit, in terms of the growth that you've been experiencing in Asia, obviously, quite a positive. But moving forward, as we're expecting to continue to grow the business. Do you think that margins are defensible? And what are you seeing as a competitive response?

Manjit Singh *Sun Life Financial Inc - President - Sun Life Asia*

John, it's Manjit. Obviously, as you know, we're in 8 different markets. There's different dynamics in different markets. But overall, we feel good about the growth that we've seen over the last little while. We feel we're in the right markets. We're making investments into our business. We're focusing on the Client, and we're doubling down on execution. And I expect that to continue for the foreseeable future to kind of continue to deliver good results.

John Aiken *Jefferies - Equity Analyst*

And, Manjit, would you mind give us a little more detail in terms of the investment of Bowtie, what does it bring to Manulife -- Sun Life, my apologies. And what does Sun Life brings to Bowtie other than capital?

Manjit Singh *Sun Life Financial Inc - President - Sun Life Asia*

As Kevin mentioned, we've been in partnership with Bowtie for quite a number of years. They are a digital company that helps with insurance for our Clients in Hong Kong. And they are a direct-to-consumer model that complements our distribution force. So I think it's a good partnership, has been and we expect that to continue.

Operator

Gabriel Dechaine, National Bank Financial.

Gabriel Dechaine *National Bank Financial Research - Analyst*

Just the driver of that severity and frequency trend. I think Kevin touched upon one factor there. People are worried about losing the coverage. I guess, is there more of that to come? Because it sounds like it but could get worse even because Q3 is the seasonal uptick in dental claims, back-to-school stuff. And then beyond that, I'm just trying to get a sense of what the pipeline for these -- this claims activity looks like?

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

Yeah. Thanks. You're absolutely right that the third quarter is the most adverse in terms of seasonality. We fully expect that. So that's something to look ahead to. And of course, that's because we mostly cover kids and back-to-school toward the end of the summer, parents take their kids to the dentist. So the third quarter usually has the least favourable experience of the year.

Conversely, the fourth quarter has the best during the holidays, et cetera, there's less utilization. So we would expect that pattern this year to see some challenge in the third quarter and then very good results comparatively in the fourth quarter.

In terms of what's driving the increase in utilization and severity, first, even the second quarter for us, there were some unique aspects there in that we did have some claims backlog that we were working down. We also had one plan that asked us to go back and reprocess some claims that they had submitted incorrectly up to a year ago. So there is some one-time effect in our experience. Some of that led to some increased severity. And we would not expect that to recur.

But as far as the longer-term trend, we are seeing and of course, all of the health insurers are seeing as well, it's not just in dental, a meaningful increase in severity as well as some in utilization. We do think that billing practices by providers aided by AI is driving some of the change in severity. So we're certainly both upping our game on how we handle that. But also, we're going to need to make sure that, that's fully reflected in pricing going forward because that does seem to be a dynamic that's happening across segments and across the entire landscape.

Gabriel Dechaine *National Bank Financial Research - Analyst*

Okay. Great. And then the pricing issue. I mean, that's a lever that's frequently been identified to help address margin issues. In normal course, what kind of -- what's the current situation compared to your normal timing? And then I guess a more silly question, what's your pricing power? If you say, Oh, we need to raise our prices by 5%, can't the State just say no. I mean I don't know what the mechanisms are?

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

Sure. Let me go through that a little bit and particularly with the focus on Medicaid, which I think is your question. In Medicaid, the rates are reset annually. So that's good. That's a very good aspect of this. But they are reset by the State Medicaid authorities, either directly to us, where we have those direct relationships, or through health plans where we're subcontracting with those health plans. So we can have influence over the rates, and we've dramatically increased our actuarial staff and our capabilities in that area over the past couple of years.

And we provide a lot of data, insight, and opinion to the states, which they do take into account. But to your point, ultimately, they set the rates. Now they are required under the law to set actuarially sound rates, which typically means they look at the last three years of experience and then set the rates based on that experience plus whatever trend in dental expense, they apply to that.

Part of the challenge here, of course, has been that in the wake of the Public Health Emergency ending, the business mix shifted rather suddenly and is not completely yet reflected in the past three years of experience that emerges over a three-year time frame.

Obviously, all our work with the States had been to get them to accelerate recognition of that effect. And in some cases, that was effective. And in some cases, that's been less effective. And now with the overhang of uncertainty about funding in Medicaid, that has certainly slowed that process down. We do believe that the rates will get to the right place once we get through that full three-year cycle, that's what the law requires and certainly has been the history, but it is taking longer than we had originally hoped for sure.

Gabriel Dechaine *National Bank Financial Research - Analyst*

That was part of my question. Like how much longer, what was your expectation? And now given the dynamics what's the new expectation?

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

Yeah, I can give you a little bit of perspective on that. Last year, we were able to achieve about $140 million in rate increases. We expect to achieve additional rate increases this year, but not as much as last year. And we anticipate that it likely will take through 2026 to get the rates back to full expected margins.

Gabriel Dechaine *National Bank Financial Research - Analyst*

Okay. All right. I appreciate that. And congrats on the retirement, if you are not on the next call. That's it. Thanks.

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

All right. Thank you.

Operator

Alex Scott, Barclays.

Alex Scott *Barclays - Equity Analyst*

First thing I had -- I wanted to touch on stop-loss. I think it was mentioned in some of the remarks that there was a little bit of favourable development on 2024. I just wanted to see if you could size that for us, only because a small percentage changes on like full year '24, can have a pretty magnified impact on the current quarter. I just want to make sure I was understanding the impact of that correctly, embedded in the segment reporting you guys gave?

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

Yes. Alex, as you know, there's multiple cohorts that overlap in each quarter. So it does get very complicated, right? Because in the quarter, we had experience from the 1/1/24 from the non 1/1/24 cohort and the 1/1/25 and even some experience, final emergence of experience, from 2023 actually, and those, of course, naturally would go -- don't always all go in the same direction.

We did have -- what I can share is, as you know, we had a significant spike in experience in the 1/1/24 cohort in the fourth quarter. And during the first and second quarters, about a third of that has reversed. Two-third of that adverse experience very much still there. But about a third of it has reversed.

The other cohort that's obviously very important right now is 1/1/25. And as I mentioned earlier, we only have about 12% of the claims that have come in. So that's mostly a reserve pick. So we're still making the assumption that, that that we were off by about 200 basis points on pricing. And that's currently what's in our results. But what we can see from that first 12% is consistent with or maybe even slightly better than that. I don't know if that answers your question, but I hope it's helpful.

Alex Scott *Barclays - Equity Analyst*

Yeah. That is really helpful. Thank you. Second one I had is on MFS. And just wanted to see if you could talk a little bit about what you see in the back half for flows. I mean it sounded like you're optimistic on the inflow piece of things. Do you have any visibility on the outflows? And just what it all may mean going into the back half of the year?

Ted Maloney *Sun Life Financial Inc - Chief Executive Officer, MFS*

This is Ted. It's always very difficult to predict flows on a quarter-to-quarter basis. I think the trends that have been in place are likely to remain in place until they're not. So we've got institutional rebalancing from Equity to Fixed Income where our current balance leads to outflows there.

We also have the retail market at an elevated redemption rate, which again, we would not expect to be sustainable for the long-term, but see no near-term abatement. So I think we wouldn't predict the back half of the year, but the trends in the near-term will probably stay in place and long-term remain optimistic about returning to net flows in the future.

Alex Scott *Barclays - Equity Analyst*

Got it. Thank you.

Operator

Tom Gallagher, Evercore ISI.

Thomas Gallagher *Evercore ISI - Analyst*

Just a couple of questions on the U.S. I guess, Dan, the commentary on Dental. I just want to understand, would you expect to shrink Medicaid dental for a while and grow commercial while you're going through this transition? Or would you still expect to be growing your -- the Medicaid business while you go through this transition? It sounds like it's really just a one year through the end of 2026 issue, not longer than that. That's my first question.

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

Okay. Yeah. I mean the Medicaid business, obviously, since the end of the Public Health Emergency, from the period early '23 to mid-'24, certainly, did shrink. A reminder, if you go back to when the PHE ended, we lost 19.5% of the membership that we had at that point. And that represented about $400 million in premiums and fees. Yet the overall business -- the overall Dental business has grown by $200 million since we acquired DentaQuest.

So what's happening there? Obviously, we're making a lot of sales at the same time. Now that 19.5% loss is obviously in the past. That's already happened and we actually have quite a bit of new business coming on board. Between June 1 of this year and January 1, 2026, we have 6 million new members. Most of it, Medicaid, but also some Medicare Advantage and also commercial business, that is in various stages of being implemented into our business. So the sales pipeline is still very robust.

And in fact, following up on what Kevin said earlier, Medicare, Medicaid government programs now represents more than half of the U.S. health care market. So it's very important that we be in that space, and we are continuing to grow in that space. It's a very important space for us. And as the market leader, we are continuing to grow. And we expect the business to continue to grow at a very healthy pace, not just over the long term, but even during this next one- to two-year period.

Thomas Gallagher *Evercore ISI - Analyst*

Thanks for that.

Kevin Strain *Sun Life Financial Inc - President, Chief Executive Officer*

Sorry, it's Kevin. I just may add that you started with the commercial side, and that is the side that we are emphasizing. Dan and I talk about that a lot. And David and I as we were going through the process have been, and he's leading Dental, have been talking about the commercial space. And how do we leverage the capabilities that we've bought with DentaQuest and they were small in the commercial space or almost not existing, and we were small in the commercial space.

So we think there's a lot of opportunity over the medium-term to continue to build that out as a strength for us. And we like the fact that we could have more aligned mix of business in terms of the U.S. So having Medicare/Medicaid is important, as Dan said, but growing the commercial alongside of it is really important to us strategically.

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

And I think it's worth noting that the commercial has grown at a significantly faster pace over the past three years than even the Medicare and the Medicaid and we would expect that faster pace to continue. Commercial right now represents less than 20% of the total business mix. We'd like to see that be a significantly higher proportion in the future, and that's what we expect.

Thomas Gallagher *Evercore ISI - Analyst*

Thanks for that. My quick follow-up is, Dan, you mentioned that there was also some one-time-ish type charges in the quarter in Dental. Can you quantify that? How relative to the break-even earnings in the quarter, what would it have been if we stripped out that charge?

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

Yeah. I think just to give it a little bit of perspective, particularly looking at first quarter compared to the second quarter because I know those two numbers are -- create a big contrast. You may recall in the first quarter that we had a retroactive premium payment from one of our largest State partners that was in the high single digits. We also had some nonrecurring favourable investment income.

And in this quarter, we did have -- I mentioned, there was one Client that asked us to reprocess claims they had submitted incorrectly going back about a year. If you just take those three items, that accounts for the entire difference between first quarter and the second quarter. So if you took the first two quarters, the first half, and divided it in half, that's probably a better picture of what the results would have been in the first two quarters.

Thomas Gallagher *Evercore ISI - Analyst*

Thanks.

Operator

Tom MacKinnon, BMO.

Tom MacKinnon *BMO Capital Markets - Equity Analyst*

If we look really at the Dental with only $2 million in the quarter, you still actually did better than consensus. And it seemed to be in part due to better other fee income and some better other expense control. So I want to delve into those two things. If I look at other fee income, it was up over $20 million year-over-year and sort of better than expected in each one of your, in Asia and Canada and in the U.S.

So if you can maybe flesh out what is in that other fee income there, maybe Dialogue, some of these other things that you have in Sun Life Health, maybe ASO fees, maybe other things like that? And how we should be thinking about the outlook with respect to this number that came in better than anticipated? And I have a follow-up as well.

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

Hi Tom, it's Tim. I'll kick that off and if Dan wants to supplement on the U.S. You're right. The other fee income line includes a number of items. So we have our health group businesses in Canada and the U.S. That's our administrative services-only businesses. That's what it earns fees. It also includes our wealth businesses across Canada and Asia. And so we had a very favourable quarter this quarter.

It was up year-on-year about $18 million in total, up quarter-over-quarter, about $22 million. And a large part of that was the growth in asset and wealth management that we saw, in particular, in Asia as well as in Canada. And so those businesses have performed very well with higher markets, and that's driving the bulk of the change. In the U.S., it does include care delivery services that we provide. Those are fee income services that were up moderately in the quarter as well.

I wouldn't expect that necessarily that trend line to repeat, but it was favourable for this particular quarter. And then in Canada, we have our CDCP program, our Dialogue business, et cetera, and that's performing very well. So that's where you're seeing the growth in the fee income.

Tom MacKinnon *BMO Capital Markets - Equity Analyst*

Is this a run -- so you'd be thinking about this as a run rate here -- or sorry, I'll let you go, Dan. And then maybe the two of you can let me know if you think this is more of a run rate, what we see in this quarter for this line?

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

It's elevated. There is a couple of one-times that I alluded to. But as long as funds continue to perform in the wealth businesses, you'd expect a continued growth in that line item.

Dan Fishbein ***Sun Life Financial Inc - President - Sun Life U.S.***

And I was going to make a different but related point because part of your question was the results were even -- despite the Dental results, the results were still pretty close to first quarter. The biggest positive there and one that I think is worth highlighting was really exceptional performance from our Employee Benefits business. That's the business with group life, disability, and voluntary products. That business had the best results it's ever had that was driven both by growth and by margins.

Tom MacKinnon ***BMO Capital Markets - Equity Analyst***

Okay. And then also, if we look at other expenses, that number is down $50 million quarter-over-quarter, kind of down $10 million from the second quarter of 2024 at $440 million. Is this a trend that we should be thinking about with respect to this? Were there any one-timers there? Or is it lower incentive comp, better expense control? How should we be thinking about that number and how it should go going forward?

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

Tom, it's Tim again. So as you're right, we did have favourable results in our other expenses, the numbers you referenced quarter-over-quarter and year-over-year are correct. Most of that is coming from our Corporate segment. And you can see the favourable result we had there. This is driven mostly by timing of initiative spend that we have and as well as incentive compensation, as you highlighted.

We do expect that initiative spend will ramp up a bit in the second half of the year. So we will give back some of this favourability but we haven't revised our overall expectation of roughly $100 million a quarter for the Corporate segment. So you can use that as a better indicator. We are seeing great traction from our overall expense efficiency program. We had $25 million of savings in the quarter.

We're still well on track for the $200 million in total cost efficiencies by the end of 2026. We have delivered about 66% of that to date. So we are taking action and have been very disciplined on expenses, but there was some timing of favourability in that particularly in the Corporate segment.

Tom MacKinnon ***BMO Capital Markets - Equity Analyst***

In the Corporate segment, it was $110 million. And are you saying that it should be $100 million going forward per quarter, so it was actually a little bit higher?

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

Yes. We get some volatility in that line. As I said, there's a number of things that go through that. We have the incentive comp, as I referenced earlier. We also had lower -- interest income on debt, we had a repayment of the loan that we had that was financing the bancassurance agreement we had in Indonesia. So I think the $100 million is a more realistic number. We haven't tipped over that actually in recent quarters. And so that's generally the range that we expect to be in going forward.

Tom MacKinnon ***BMO Capital Markets - Equity Analyst***

Thanks.

Operator

Lemar Persaud, Cormark Securities.

Lemar Persaud *Cormark Securities Inc. - Equity Analyst*

I just want to turn back to the Dental business here and a comment that was made earlier. So just to be clear, you have $1.2 billion of these customer-related intangibles on the balance sheet in this quarter. $61 million write-off was one Client. So presumably, if other Clients continue to leave Sun Life here that are attached to these intangibles, there could be further write-downs of these intangibles. Is that correct?

Dan Fishbein *Sun Life Financial Inc - President - Sun Life U.S.*

Go head, Tim.

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

I was just going to say, the intangible that we had for this quarter related to a very specific customer. So that was set up as a stand-alone contract. It was unique in the -- for the reasons that Dan mentioned earlier. It was with the seller. So that's pretty unique. And just given the size of that contract. All the other contracts are bundled together and we look at that in aggregate as part of the administrative services Clients or in the case of the risk type Clients.

So those are aggregated. So we can expect some volatility in customer relationships, but there's also growth opportunity there. So we're comfortable with the carrying values that we have on those intangibles.

Lemar Persaud *Cormark Securities Inc. - Equity Analyst*

Okay. And then just moving on to MFS. And then the question is on margins. I wonder if you could talk about the outlook for margins on this business. I know there is seasonality here, it's quite well understood. So I'm talking about the 1.4% year-over-year drop in margins here. It's a bit steeper than I had expected. And if I have it right, there's been year-over-year drops in three of the past four quarters. So I'm just wondering, is there an emerging trend here where margins are starting to move structurally lower at MFS? Or am I just kind of reading too much into it?

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

Sure. This is Tim. I'll start and see if Ted wants to supplement. So the decline year-on-year that we saw in margin was really driven by lower average net assets. We had average net assets last year in the second quarter of $620 billion, and for Q2 of this year, it was $608 billion. Now we saw a large spike in the AUM at the end of the quarter. The funds really rallied, but it was lower during the period given all the market uncertainty. So that is the single biggest driver to the margin change, is the average net asset. And so the 140 basis points that you referenced year on year is driven by that.

The other dynamic is MFS earns interest income on cash and short-term balances and not dissimilar to Sun Life overall. Those balances have come down. In the case of MFS, it's because of some of the short-term investments have been used to seed funds like the ETF launches and other products. So those balances are down, and that coupled with lower short-term rates has declined that. But the biggest driver is going to be that average net assets, and as you said, there is seasonality.

So the first two quarters we have incentive comp that goes through, that's when the awards mature. And then in the third and fourth quarters, we typically get much stronger results. So you'll see that margin improvement. When you look back, it hit 40% in Q3 and Q4 in the past. And so as average net assets improve, you'll see that margin come back.

Ted Maloney *Sun Life Financial Inc - Chief Executive Officer, MFS*

So this is Ted. So just to be clear, to summarize, no change to how we think about margins structurally through a cycle and over time, as Tim just outlined, nothing that Tim outlined talked about fundamental cost structure items. We manage costs extremely tightly through all points of the cycle so that at times when net assets are down, we've got the other items that Tim talked about. We don't need to think about cutting into things that will harm long-term results. So again, to wrap up, no change to long-term views on margins.

Operator

Mario Mendonca, TD Securities.

Mario Mendonca *TD Cowen - Analyst*

I have a sort of a related question about MFS margins. clearly, the flows as well as what happened inter-quarter hurt the AUM. But one could sort of easily come up with a period where markets are not accommodating, markets are down 10%,that's certainly something we've all seen, and outflows remain at this level. We could clearly see a day or an environment where AUM is down somewhat materially. The question is, what is your capacity to manage expenses down abruptly in a period where AUM is under pressure.

Ted Maloney *Sun Life Financial Inc - Chief Executive Officer, MFS*

So the vast majority of our expenses are actually completely variable with assets. So passively, our expenses come down as assets and revenues come down. The remainder that is not completely variable. As I mentioned before, we manage pretty tightly, and we probably wouldn't pull those levers. So in a strong market correction downward, you would see some hit to margins, but very much buffered by the variable nature of our cost structure.

Also, while we are not a bear market shop per se, it would be more likely than not that our performance relative to benchmarks would be strong in a down equity market environment -- a sharp down equity market environment, which would obviously be a good setup for future flows.

Mario Mendonca *TD Cowen - Analyst*

Did you see that --

Kevin Strain *Sun Life Financial Inc - President, Chief Executive Officer*

Sorry, Mario, can I just add a piece to is that we look at MFS long-term as a strategic important part of the company. And in a downturn, we would be seeing, as Ted said, likely you'd be seeing inflows because we believe in their active management investment performance and how they do that. And so we'd be careful not to damage the business in a downturn.

That's going to be really important to us that we think about this as long-term important to us. Markets will go up and down. And whatever we did on the expense side, we would make sure we did not do anything to damage MFS. I know that Ted is 100% behind that comment, but he's also got Sun Life 100% behind that comment.

Mario Mendonca *TD Cowen - Analyst*

Did you see that sort of those sort of inflows early in the quarter when things got messy or during 2022 when markets were soft. Did you see that sort of recovery in your net flows then?

Ted Maloney *Sun Life Financial Inc - Chief Executive Officer, MFS*

You wouldn't see flows be that shortly following performance. So we did see the performance that would have led to, we believe, longer-term, flow tailwind. But in an experience where the market is down sharply and we're outperforming that doesn't translate one-on-one to flows. In fact, what it tends to translate to on the retail side, in particular, is redemptions broadly, not specific to MFS, but redemptions broadly as retail Clients sell into weakness that perhaps they should be buying.

Mario Mendonca *TD Cowen - Analyst*

Okay. Second question then is if we go back, Tim, you made -- you expressed some confidence that there was no need for a write-down of goodwill on DentaQuest. And you suggested that the fair value still provided a lot of room. But my question is this, how do you get there? What sort of fair value approaches are you using? Is it a -- I presume it's a discounted cash flow approach or P or some kind of terminal value. But how do you get to that value considering where the profitability is currently?

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

Yeah. Thanks, Mario. So the goodwill testing is a long-term test, right? And so the challenges that we've been describing on this call are the near-term headwinds. But through the fullness of time with the repricing actions that Dan spoke about, we expect that to recover. So I think that's the first main principle. This is a multi-year approach. It is typically a present value of cash flows approach. We use external appraisals to help support that.

And we combined that business with our commercial business in the U.S. already. So we did have some extra business that was combined with that because we've integrated that now within our overall business. So there is other cash flows that help support that. But it's really the long-term outlook that we take on goodwill, and that's what's giving the cushion. Now we'll have that short-term pressure, but when the impact of that won't be as significant versus the long-term expectations.

Mario Mendonca *TD Cowen - Analyst*

Thank you.

Operator

Darko Mihelic, RBC Capital Markets.

Darko Mihelic *RBC Capital Markets - Analyst*

My question is for Kevin Strain. And I just wanted to touch on how you view the quarter and year-to-date results from a slightly different angle. I mean now that we've seen all the lifecos report, investors and analysts sort of live in a relative world. And when I look at things like business drivers, I see some areas that seem to suggest that we won't get stronger EPS growth in the future.

I'm talking about things like CSM growth, where yours is the lowest new business CSM, there was no growth. Your AUM is kind of going in the wrong direction and certainly not as strong as peers. So Kevin, should we think about -- like if we stand back and look at these really important high-level drivers. Am I correct in thinking that it's signaling slower growth? And does this sort of require much more buyback activity?

Kevin Strain *Sun Life Financial Inc - President, Chief Executive Officer*

Well, thanks for the question, Darko. That's not how I would view the quarter. And if I stand back and look at the medium-term objectives that we have for the organization, we're talking about an overall growth rate of 10%. Halfway through the year, we're around 10%, a little bit higher actually on an EPS basis.

If you look at -- I talked about what we expect from the U.S., which is 12% plus, and we're not changing that medium-term objective for the U.S. We're not changing it for Canada or Asia, either. Asia is a fast-growing region for us and 15% plus and Canada, 6% plus, where we're a big brand, a big player in the Canadian market. We have scale across all the businesses.

We're leaders across all the businesses. And you saw the results that Manjit's doing. I talked about SLC driving towards the $235 that we said at Investor Day and our commitment to the growth targets we put out at Investor Day -- last Investor Day for SLC and the momentum we've got in flows and the momentum we have there.

And we like the balance across asset management from the public equity and public fixed income space under MFS into the alt space under SLC and the combination of those things. So if I look at our medium-term objectives, I feel like we're right on plan for ROE and for earnings. I think about the goal of 20% for earnings and the 17.6% in the quarter, and we're exactly where we would expect to be. And for cash flow, we continue to see really good cash flow and the dividend support, which is the other measure that we do.

So I step back and look at it, Darko, and say, we're seeing momentum, strong momentum in Asia, Canada, the U.S. We do have a different mix of business from MFS. And so some of that comes through where the CSM isn't as important to some of the group businesses, and we're a large group player in the U.S. and in Canada. I think it's important to keep that perspective.

And when I look at the asset side, we're performing strongly against competitors in the active asset management space, MFS, and in the alt space. So I step back and look at it and go, we're fully committed to our medium-term objectives. We're fully committed to our plan. We like our mix of business. I talked about that at the start that the model for our mix of business is strong. So I have a different takeaway. And I have a deep understanding of all the businesses, and I think that we're driving towards achievement of those medium-term objectives.

Darko Mihelic *RBC Capital Markets - Analyst*

And I appreciate that. But I guess I'm coming at it from the angle at the margin top line. Do you see that, I mean that's where I see on a relative basis, a bit of a slowdown. And I guess your ability to manage towards your objectives may not necessarily depend on top line, at least not in the shorter term? Or do you view the top line is really not having any challenges here.

Kevin Strain *Sun Life Financial Inc - President, Chief Executive Officer*

If you look at the top line, our gross flows for wealth sales and asset management is up 23% year-to-date over last year. Group - Health & Protection sales were up 9% from last year. Individual - Protection sales were up 15% from last year. New business CSM is up 7%. So I'm looking at that's halfway through the year, that's year-to-date numbers.

And we continue with a really strong capital position that gives us flexibility, as you mentioned, in terms of buybacks, and we are committed to our buybacks, and we have an active buyback program. And we'll be active in that program. But it also gives us flexibility for organic growth and also inorganic growth. And I think that we've got all the levers to continue to meet those medium-term objectives.

Darko Mihelic *RBC Capital Markets - Analyst*

Thank you very much.

Operator

This concludes the question and answer session. I'll turn the call back over to Natalie Brady for closing remarks.

Natalie Brady *Sun Life Financial Inc - Senior Vice President of Capital Management & Investor Relations*

Thank you, operator. This concludes today's call. A replay of the call will be available on the Investor Relations section of our website. Thank you, and have a good day.

Operator

This brings to an end today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

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