PARTICIPANTS

Corporate Participants

Leigh Chalmers – Senior Vice President, Head-Investor Relations & Capital Management, 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.
Michael W. Roberge – Chief Executive Officer & President-MFS Investment Management, Sun Life Financial, Inc.
Kevin Morrissey – Senior Vice President & Chief Actuary, Sun Life Financial, Inc.
Randolph Brill Brown – Chief Investment Officer & Head-Insurance Asset Management, SLC Management, 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.
Léo M. Grépin – President-Sun Life Asia, Sun Life Financial, Inc.

Other Participants

Scott Chan – Analyst, Canaccord Genuity
Gabriel Dechaine – Analyst, National Bank Financial, Inc.
Meny Grauman – Analyst, Scotiabank
Darko Mihelic – Analyst, RBC Dominion Securities, Inc.
Doug Young – Analyst, Desjardins Securities, Inc.
David Motemaden – Analyst, Evercore ISI
Paul Holden – Analyst, CIBC World Markets, Inc.
Nigel D'Souza – Analyst, Veritas Investment Research Corp.
Tom MacKinnon – Analyst, BMO Capital Markets Corp. (Canada)
Mario Mendonca – Analyst, TD Securities, Inc.
Humphrey Hung Fai Lee – Analyst, Dowling & Partners Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. My name is Stephanie, and I will be your conference operator today. At this time, I would like to welcome everyone to the Sun Life Financial Q3 2020 financial results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session.

The host of the call will be Leigh Chalmers, Senior Vice President, Head of Investor Relations and Capital Management. Please go ahead, Ms. Chalmers.

Leigh Chalmers, Senior Vice President, Head-Investor Relations & Capital Management, Sun Life Financial, Inc.

Thank you, Stephanie, and good morning, everyone. Welcome to Sun Life Financial's earnings conference call for the third quarter of 2020. 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 presentation with an overview of our third quarter results by Dean Connor, President and Chief Executive Officer of Sun Life Financial. Following Dean's remarks, Kevin Strain, 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 will also be available to answer your questions on today's call.

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 Dean.

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

Thanks, Leigh, and good morning, everyone. As the world continues to navigate through the challenges of this pandemic, I wanted to express my deepest gratitude to our employees and advisers who are there for each other and are there for our clients. So far this year we have delivered more than CAD 140 million in claims paid to the families of clients who have succumbed to COVID-19, and paid millions more in pandemic-related health claims. We've delivered strong relative investment performance for clients and our client experience survey scores have increased again for the fourth consecutive year in part due to our outreach and response on COVID-19. It's times like these that remind us why we are in business and underscore the importance of what we do for clients.

Turning to slide 4. Q3 was a strong quarter. Reported net income was CAD 750 million, up 10% over the prior year, primarily from more favorable market related impacts, partially offset by reserve strengthening from assumption changes and management actions. Underlying net income of CAD 842 million grew 4% over the third quarter of last year and underlying earnings per share grew 5% over the same period. Assets under management grew 12% to just under CAD 1.2 trillion. We generated a strong underlying return on equity of 15.1% for the quarter. The LICAT ratio at SLF is 144%, a level well in excess of the supervisory minimum. Our capital and cash positions remain healthy, and along with a low leverage ratio of 21.5% provide flexibility and opportunities for capital deployment.

On October 21, we announced our intention to acquire a majority stake in Crescent Capital Group, a global alternative credit investment manager, primarily focused on below investment grade credit. Crescent is headquartered in Los Angeles with offices in New York, Boston, and London. The team has a long and impressive track record with approximately CAD 38 billion in AUM. We look forward to welcoming Crescent to SLC and to the broader Sun Life family when the transaction closes in the coming months.

Insurance sales for the quarter were CAD 681 million, broadly in-line with prior year, demonstrating the benefit of our investments in digital capabilities. Well before the pandemic, we made it a priority to invest in digital, data and analytics with the goal of enhancing the client experience and putting our clients at the center of everything we do, and that has accelerated over the past year. For example, in the US, 100% of workplace benefits enrollments we manage on behalf of our group clients were done virtually since mid-March of this year, and that's up from only 19% virtual during the same period last year.

We also partnered with Human Resources and Benefits Admin providers to connect directly to their digital platforms, simplifying benefits for our clients and providing real-time insurance decisions. In Canada, 91% of our retail insurance applications were processed digitally in the quarter. This was helped by the introduction of the Sun Life eApp tool we rolled out to brokers in our third-party channel at the end of the second quarter. In the Philippines, we rolled out a tool called Remote Online Medical Exams, ROME, where accredited health professionals perform online medical exams for prospective clients which is a first in this market. In Vietnam, we were one of the first insurers to introduce non-face-to-face sales, launching our new digital solution, SunFast. This digital platform enables advisors to meet their clients virtually and conduct the needs analysis, illustration, sale, and fulfillment processes digitally, resulting in a great experience for clients.

We also delivered another strong quarter in wealth and asset management, growing sales 28% over the prior year, and that includes two major wins in our Group Retirement Services in Canada, underscoring our position as the leading provider in this space. In Defined Benefit Solutions, our pension risk transfer business, we completed a CAD 1.1 billion payout annuity sale, which was the largest single day annuity transaction by an insurer in Canada.

We also assumed responsibility for the administration of one of the country's largest defined contribution plans, McGill University with CAD 1.7 billion of assets. Sun Life Global Investments, our Canadian wealth management firm, delivered 20% growth in retail net flows over the prior year. A few weeks ago, we celebrated SLGI's 10th anniversary. It's a business we started shortly after the global financial crisis to help Canadians build lifetime financial security. And at the end of Q3, SLGI had grown to nearly CAD 31 billion in assets under management and it represents a growing source of earnings for Sun Life Canada.

The value of new business, which covers our insurance and wealth businesses excluding asset management, was up 4%, driven mainly by higher sales volumes aided by Canadian Group Retirement Services. At MFS, we once again ended the quarter with net inflows, which totaled USD 4.5 billion, driven by positive flows from US retail and non-US retail distribution channels. MFS continues to deliver strong investment performance with 86%, 89% and 84% of US retail assets ranked in the top half of their Lipper categories over 10, 5 and 3 year periods, respectively.

At SLC Management, we completed the acquisition of the majority stake in InfraRed Capital Partners in the quarter, a global infrastructure and real estate investment manager. Net sales in SLC Management were CAD 851 million, an improvement from net outflows last quarter.

With the expected close of Crescent Capital, we will have a compelling mix of solutions for clients including real estate, infrastructure equity, investment grade fixed income, and now alternative credit. We started SLC Management six years ago and have grown the business at a relatively fast clip to CAD 106 billion of AUM today, CAD 145 billion pro forma Crescent, and a growing contributor to SLC and to Sun Life.

So to conclude, we delivered a strong third quarter on many fronts with notable achievements across all four pillars. Looking ahead, the course and duration of the pandemic is, of course, uncertain, but what's not uncertain is that we are well-positioned to manage risks and grow the business. We will use this time to continue to accelerate everything digital and continue to obsess about looking after our clients. It's equally important that we look after each other. As we've said before, mental health has been a growing problem in society and the pandemic has only made it more challenging. So as employers, we all need to help our people on this front. And as a financial institution, we need to do our very best to help our clients.

And with that, I will now turn the call over to Kevin Strain who will take us through the results.

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

Thanks, Dean, and good morning, everyone. Turning to slide 6, Sun Life continued to perform well during COVID-19 which is a testament to our strategy to derisk the business and to invest in technology coupled with our track record of strong execution, with strong financial results for the quarter including for earnings, ROE, top line growth and capital. Our reported EPS for Q3 was CAD 1.28, up 11% over last year, and our reported net income for Q3 was CAD 750 million. Reported earnings were driven by strong underlying net income and favorable market-related impacts partially offset by unfavorable assumption changes and management actions.

Market-related impacts were predominantly driven by interest rates and equity market growth, partially offset by the narrowing of credit spreads and changes in the fair value of investment properties mostly from office and retail property valuations.

Underlying EPS of CAD 1.44 increased 5% over a strong Q3 in 2019 and underlying net income in the third quarter was CAD 842 million driven by strong results across all four business groups. Growth in expected profit and new business gains, positive claims experience, and positive investment experience were partially offset by lower earnings on surplus income and Corporate results as the prior-year results also benefited by CAD 78 million from the tax resolution of tax matters that did not reoccur this year, including CAD 58 million in Corporate and CAD 20 million in Canada.

We had net positive claims-related experience in the quarter. After-tax morbidity was a favorable CAD 65 million, driven by favorable results in our Canadian and US Group Benefits businesses. Mortality after-tax was a negative CAD 19 million, predominantly from our US Group business related to COVID-19 claims. We had positive investment-related experience. Investing activity gains were CAD 28 million after-tax. Credit experience in the quarter was a negative CAD 2 million, primarily driven by downgrades, offset by the release of our best estimate reserve. Reported ROE for the quarter was 13.5% while underlying ROE was 15.1%, above our medium term objective of 12% to 14%.

Assets under management increased by CAD 123 billion to almost CAD 1.2 trillion, driven by favorable market movements, net inflows, the impacts of currency, and an increase of CAD 16 billion in AUM following the closing of the InfraRed acquisition on July 1.

We continue to have a strong capital position, with LICAT ratios of 127% at SLA and 144% at SLF. Sun Life ended the quarter with CAD 2.4 billion of cash at the holding company and a financial leverage ratio of 21.5%. Our strong capital position continues to provide us with good financial flexibility.

On October 1, we issued CAD 750 million of subordinated debt, which brings our pro forma leverage ratio to 23.5% and pro forma cash at the holding company to CAD 3.2 billion. Book value per share increased by 7% over the prior year to CAD 38.17, reflecting reported net income, foreign currency translation in accumulated other comprehensive income, and net unrealized AFS gain, partially offset by dividends on common shares.

Slide 7 shows business group performance on both a reported and underlying net income basis. For the quarter, Canada's reported net income of CAD 387 million increased 74% compared to the third quarter of 2019, driven by underlying net income, market-related impacts, and favorable ACMA in the quarter.

Underlying net income was CAD 293 million, an increase of 9% from improvements in Group Benefits and strong expected profit growth. The favorable results in Group Benefits were driven by lower disability claim volumes as well as pricing actions we have taken to address increases in long-term disability claims.

The US had a net loss for the quarter for reported net income of CAD 113 million, which was an improvement over the same period last year, reflecting less unfavorable assumption changes and improved market-related impacts.

Underlying net income in the US was in line with the prior year as favorable morbidity experience in stop-loss, business growth and higher investing activity were offset by unfavorable mortality in the Group Benefits business and unfavorable expense experience and less favorable credit experience.

Reported net income in our Asset Management business increased by 14% to CAD 251 million, reflecting lower acquisition and integration costs offset by unfavorable fair value adjustments on MFS share-based payment awards, reflecting MFS's growth in AUM.

Underlying net income increased by 17% to CAD 294 million, driven by higher average net assets at MFS and higher income at SLC Management, partially offset by changes in returns on seed investments as MFS had seed gains in the prior year which did not repeat this year and SLC had seed losses in the third quarter related to certain real estate investments.

In Asia, we saw our highest underlying net income ever in the third quarter. Reported net income increased by CAD 66 million to CAD 236 million compared to the same period in 2019, mostly driven by favorable ACMA. Underlying net income increased to CAD 164 million on lower new business strain primarily in International Hubs, favorable expense experience and business growth, partially offset by less favorable credit experience.

Our Corporate segment, which includes the UK business, reported a net loss of CAD 11 million for the quarter, down from reported net income of CAD 253 million in Q3 2019. 2019 reported net income benefited from favorable ACMA in the UK. On an underlying basis, the Corporate segment had a net loss of CAD 45 million in the quarter compared to underlying net income of CAD 17 million in the same period in 2019.

The prior year included the favorable impact from the resolution of tax matters, which was not repeated this year. Other drivers of the year-over-year change included favorable credit experience in the UK, partially offset by improved expense experience in corporate support.

Slide 8 provides an overview of the sources of earnings. Against a challenging environment, expected profit grew by 13% year-over-year, with 13% growth in Canada, 15% in the US, and 17% in Asset Management. Excluding Asset Management and the impact of currency, expected profit grew by 8%.

In Asia, expected profit grew by 4% as growth in the business of 10% was partially offset by higher planned regional office expenses. We had new business gains of CAD 8 million during the quarter compared to strain of CAD 22 million in the prior period. These gains were driven by re-pricing actions in Canada and higher sales and re-pricing in our International Hubs business in Asia. Experience losses in the quarter were CAD 13 million, largely driven by unfavorable net market-related impacts from the impact of narrowing credit spreads and lower appraisals of investment properties, with partial offsets from higher equity markets and interest rates.

Other experience items in the quarter included favorable morbidity experience and investing activity gains, partially offset by unfavorable mortality experience in US Group Benefits, predominantly from COVID-19-related claims and unfavorable expense and other experience. During the quarter, we undertook our annual review of assumption changes and management actions or ACMA, which amounted to a pre-tax loss of CAD 91 million or CAD 53 million after-tax.

ACMA in Q3 included negative updates to mortality assumptions and lapse and other policyholder behavior reserve strengthening, predominantly in the US in In-Force Management. This was partially offset by favorable morbidity updates in Canada and the UK as well as favorable investment-related assumption updates and other model enhancements.

Other, in our sources of earnings, which amounted to a loss of CAD 60 million, includes a fair value adjustment of MFS share-based payment awards, acquisition and integration costs, and the impact of hedges in SLF Canada that do not qualify for hedge accounting.

Earnings on surplus declined year-over-year due to lower investment income and lower AFS gains. With the addition of new investment capabilities at SLC, we expect there will be opportunities to enhance yield over time in surplus.

Our effective tax rate on reported net income was 10.3%, reflecting tax exempt investment income. On an underlying basis – on an underlying net income basis, the effective tax rate was 17.5%, in line with our expected range of 15% to 20%.

Slide 9 shows the sales results by business group, which continue to show resilience despite restrictions related to COVID-19. The quarter saw a continued push towards digital, sales which Dean discussed earlier, and the reopening in some markets of more traditional face-to-face sales, for example, in Hong Kong, China, Vietnam, and Malaysia.

Total company insurance sales were broadly in line with the third quarter of 2019. Canada insurance sales decreased by 28% as a result of lower sales in Group Benefit from lower cases coming to market.

On a constant currency basis, US insurance sales increased by 24%, driven by higher sales in all lines of business as our technology solutions are gaining traction with employers.

Asia insurance sales were in line on a constant currency basis, with the largest increases being in International Hubs, offset by decreases in the Philippines compared to the prior year. While the Philippines remained in lockdown for much of the quarter, sales more than doubled compared to Q2 as advisors pivoted to digital tools.

Total company wealth sales increased by CAD 11.5 billion or 28%. Wealth sales in Canada increased by 65%, driven by higher large case sales in both Defined Benefit and Defined Contribution plans. Asia wealth sales increased by 7% on a constant currency basis, driven by fixed income sales in India, partially offset by lower wealth sales in the Philippines.

Gross sales in our Asset Management businesses increased by 24% on a constant currency basis, largely from higher mutual and managed funds sales in MFS, partially offset by lower sales in SLC Management. MFS saw positive flows of USD 4.5 billion this quarter, driven by the seventh consecutive quarter of positive retail flows. Institutional flows were negative in the quarter, driven by Client rebalancing. Value of new business in the quarter was CAD 261 million, an increase of 4% compared to the same period in 2019, mainly driven by volumes in particular from the Canada Group Retirement sales.

Turning to slide 10, year-to-date expenses were up 3% on a constant currency basis while controllable expenses increased by a modest 1% as we continue to drive expense discipline across our businesses. We also benefited from lower discretionary spend like travel and conference-related costs due to COVID-19 while continuing to make investments in digital initiatives across the company.

As Dean mentioned, on October 21, we announced our intention to acquire a majority stake in Crescent Capital Group, which we expect to close by the end of the year. With the addition of Crescent, SLC Management now has a full suite of alternative investment offerings for our Clients across fixed income, real estate, infrastructure equity, and alternative credit.

To that end, we're pleased to announce that we'll be holding a virtual SLC Management Investor Day on March 18, 2021 where Steve Peacher and his leadership team will walk through our investment capabilities, our strategy in the alternative space, and our aspirations for this business.

In summary, we had a strong quarter with solid results across each of our businesses. We continue to focus on making investments in our businesses to strengthen digital capabilities, helping us connect with Clients and advisors globally. We're also focused on our M&A pipeline, all the while maintaining a strong capital position.

With that, I'll turn the call back to Leigh for the Q&A portion of the call.

Leigh Chalmers, Senior Vice President, Head-Investor Relations & Capital Management, Sun Life Financial, Inc.

Thank you, Kevin. To help ensure that all participants have an opportunity to ask questions on today's call, I ask each of you to please limit yourself to one or two questions and then to re-queue with any additional questions.

And with that, I will now ask Stephanie to please poll the participants for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And our first question will come from the line of Scott Chan of Canaccord Genuity.

<Q – Scott Chan – Canaccord Genuity>: Good morning. My question is on MFS, really strong quarter, nice pre-tax operating margin of 40%. But looking out to 2021 outside of market factors, perhaps just an update on industry fee trends and if that is impacting MFS and also on expenses, would seem to be well-controlled in the quarter. Just a bit of an update there in terms of what you're seeing for next year.

<A – Mike Roberge – Sun Life Financial, Inc.>: Hey. Good morning, Scott.

<A – Dean Connor – Sun Life Financial, Inc.>: Hey, Scott.

<A – Mike Roberge – Sun Life Financial, Inc.>: This is Mike Roberge and, yeah, so given that we've guided over – really over the last number of years around a margin in normal environments in the mid to high 30s. This quarter was a little higher than that and some of that due to some cost control that we took earlier in the year given what the market did early. But also things like travel, entertainment are down given COVID so some of that's probably not sustainable through the cycle. So we continue to think that mid-30s to high 30s range for the margin is what's probably sustainable.

In terms of fees, when you look at industry fees, they continue to come down 1%-plus per annum. If you look across the industry, we would expect the industry to continue to see that year-on-year really for some period of time. We've been fortunate that we've run fee erosion less than that and some of that is mix. So our institutional businesses has been in outflows while our retail business has been solidly in inflows. And so we've been outperforming the industry from a fee perspective, but we would stay with the guidance of anywhere from mid to high 30s through cycle.

<Q – Scott Chan – Canaccord Genuity>: Okay. Thank you very much.

Operator: Your next question is from the line of Gabriel Dechaine with National Bank Financial.

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Good morning. Just want to ask you about the real estate evaluation losses. That's the sixth quarter in a row we've seen those. Just wondering if you can tell me what impact that has on your reserve assumptions. Is there a charge that might ensue and maybe some sensitivity? If you were to reduce your real estate return assumption by 100 basis points or something, is that a big number or not?

<A – Kevin Strain – Sun Life Financial, Inc.>: Thanks, Gabe. I'll turn the question to Kevin Morrissey on the actuarial assessment and the real estate assumption and then maybe if Randy wants to add any detail on the performance of the real estate class, he can do that.

<A – Kevin Morrissey – Sun Life Financial, Inc.>: Yeah. Thanks for the question, Gabriel. It's Kevin Morrissey. So, yes, we have had a recent trend that has been unfavorable in the real state returns. The longer term experience has been quite positive and remember, for the valuation assumptions, this is a very long-term assumption. So far this year, we've certainly seen some impacts from the pandemic that are being observed in the real estate portfolio and we're monitoring it longer term.

I think it's a little too early to conclude for the longer term assumption, Gabriel, where that's going to go. Well, we still continue to view real estate very favorably from a relative value perspective, especially in this low interest rate environment. So, in terms of the size, we have disclosed the relative sensitivity of our assumptions for real estate. I don't want to speculate on the size of a potential change. As I said, our long-term experiences continue to be favorable and we continue to have confidence in our current assumption.

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Okay.

<A – Randy Brown – Sun Life Financial, Inc.>: And Gabriel...

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Yeah?

<A – Randy Brown – Sun Life Financial, Inc.>: Yeah, it's Randy Brown. I'll comment on the real estate valuation for the quarter.

The valuations in the portfolio were actually okay. They came out slightly positive, actual total rate of return but as Kevin said, they did underperform longer term assumptions. The portfolio is highly diversified. We're very comfortable with it and as Kevin mentioned, we're actually quite favorable on real estate as an asset class in the very low rate environment. We think the real rate of return available in real estate and other real assets in this environment will be quite attractive, both for us and for others.

<Q – Gabe Dechaine – National Bank Financial, Inc.>: All right. Well, thanks. My next question's on the Group business and another quarter here where claims experience has been positive. I'm wondering to what extent the recent results have benefited from the government support programs and if maybe looked at a different way, does this type of trend – the positive claims trend, would that compel you to bake in that performance into your expected profits next year? That gives, I guess, a comment on sustainability.

<A – Dean Connor – Sun Life Financial, Inc.>: Gabe, it's Dean. I'll ask Jacques and then Dan to comment on the first part of your question and then Kevin Morrissey to comment on the second part on expected profit.

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Thanks.

<A – Jacques Goulet – Sun Life Financial, Inc.>: Thanks, Dean, and Gabriel, thank you for the question. As you say, there is indeed a lot of uncertainty out there. What we saw with claims is a gradual ramp-up through the quarter. I would say as we were ending the quarter, the level of activity was pretty well back to the normal levels. The fact that it gradually increased during the quarter, of course, benefited for us.

I would say looking ahead, it's tough to predict, Gabriel. The second wave could be stronger than we think and it could impact. I would also point out that this lower claims is favorable when we look at experience. At the same time, you know that we have administrative service only business, or ASO, as we call it. And one of the things that means is it actually generates lower fees for us because the fees are off the volume of claims.

So it's a bit of a mixed picture. There remains a fair bit of doubt in terms of where we're going, but that's obviously something we're watching closely, Gabriel. I'll turn it to Dan.

<A – Dan Fishbein – Sun Life Financial, Inc.>: Thanks, Jacques. For the morbidity in the US Group business, there's a few different factors at play here. The primary driver of favorable disability – of favorable morbidity experience for us in the quarter was in our stop-loss business. And a fair amount of that was actually the emergence of experience from prior periods. So we can't really relate that to economic factors or COVID at this point.

Our disability experience was generally in line with expectations. So there certainly may be some impact so far of the very strong supports that have been provided to businesses in the US. But as Jacques said, it's a little difficult to predict how that will emerge going forward. Kevin?

<A – Kevin Morrissey – Sun Life Financial, Inc.>: Gabriel, it's Kevin Morrissey. Could you just clarify your question on the expected profit impact, please?

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Well, I guess Jacques and Dan's question sort of answered it like whenever you see positive experience over an extended period in group and especially in the following year, you kind of bake that into your expected profits to reflect some stuff that you view as more sustainable but maybe not from the sounds of it?

<A – Kevin Morrissey – Sun Life Financial, Inc.>: Yes. I think that's right. I think that's the right way to think about it, Gabriel, that the expected profit does align with the pricing assumption. So to the extent that we do make updates and changes as part of those assumptions, they would be reflected in the expected profit in the next year, but it really does align with pricing and pricing changes.

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Okay. Thank you.

Operator: Your next question is from the line of Meny Grauman with Scotiabank.

<Q – Meny Grauman – Scotiabank>: Yeah. Hi. Good morning. Following up on the comment, you talked about the risk of a second wave that's in front of us. I'm wondering if there's any actions you could take sort of proactively to take risk off the table given that uncertainty and I'm thinking about building reserves in particular. We heard from one of your peers yesterday about sort of a little bit more caution, look more cautious stance as they look forward. So I'm just wondering if that's something that's on the table and why or why not would you consider them.

<A – Kevin Strain – Sun Life Financial, Inc.>: Meny, I'll take the first shot about it. If Randy wants to add some things or others can on the call. If you look at COVID-19 and what's happening, I think one of the most important things we're doing is we – as we talked about earlier is our pivot to everything digital and building out digital capabilities and we're seeing really good traction on that.

On the risk side, we're well aware of the risks on mortality and morbidity and you've seen the impacts they've had on the results, and we continue to look at that and manage that and as we think about pricing actions and mix of business and those types of things.

And on the invested assets side, you're seeing lower and lower yields and as I mentioned earlier, one of the things that we can do is with the addition of some really effective asset managers in a low yield environment, we can leverage SLC to drive yield up. And we think that if you look at SLC, the timing for adding these capabilities is perfect given the environment that we're in right now and you heard Randy talk a little bit about that.

So we continue to run scenarios. We continue to stress test the capital but overall, the business is performing well and you can see that in the results so far this year. So I don't think there's anything special we're doing outside of continuing to be good risk managers, thinking about investments and how investments can perform in different scenarios and then building digital capabilities.

<A – Dean Connor – Sun Life Financial, Inc.>: And Meny, it's Dean. I would just add to Kevin's comments just to build on that that in some ways, the most important things we did, we did several years ago, which was to de-risk the asset portfolio. Randy talked about that before. That set us up nicely coming into this pandemic. Obviously, we didn't know it was going to be a pandemic but we were looking ahead thinking at some point, this credit cycle had to turn for some reason. And in hindsight, I'm glad we took those de-risking actions we did. That was the right time to do it.

<A – Kevin Strain – Sun Life Financial, Inc.>: The only other thing I would – it's Kevin again. I'd add one more thing. The fact that we're geographically diverse means that COVID's having different impacts in different markets at different rates and that also benefits us.

<Q – Meny Grauman – Scotiabank>: Thank you.

Operator: Your next question is from the line of Darko Mihelic with RBC Capital Markets.

<Q – Darko Mihelic – RBC Dominion Securities, Inc.>: Thank you. Good morning. First question is for Kevin Strain. You mentioned in Asia that expected profit was impacted by some planned expenditures. Can you maybe highlight how much that was and if that is expected to continue next quarter and into next year?

<A – Kevin Strain – Sun Life Financial, Inc.>: So the way that we do our – Darko, it's Kevin, and Léo can add to this, but the way that we do our expected profit for corporate costs like the retail office is we put our planned expenses into the expected profit and the difference between the 10% return and the 4% for the VNB 10% growth versus the 4% relates back to that.

In fact, those planned expenses, because of a lot of different things, good management but COVID reducing expenses and those types of things actually didn't happen and we saw a small positive. But the number is, it's less than 10 and you see it. It comes through the – the expense results is a positive and a negative this quarter. So I don't see this necessarily reoccurring next year. We set the plan for expenses.

The growth in VNB in Asia from the businesses is largely consistent with the growth that we'd expect to drive a 15% earnings growth from Asia. In fact, there was a headwind – a small headwind in the 10% related to equity markets coming down. So overall, I'd say it's – that kind of gives you the perspective of where that lies, Darko.

<Q – Darko Mihelic – RBC Dominion Securities, Inc.>: And I just want to flesh out Asia a little more in terms of we all know that the Philippines has had a bit of a difficult run with COVID. You've done some work there on digital. So are we to expect that that should bounce back and perhaps have better than 10% EBIT growth for the whole segment into 2021?

<A – Kevin Strain – Sun Life Financial, Inc.>: I'll turn that to Léo.

<A – Léo Grépin – Sun Life Financial, Inc.>: Yeah. Good morning, Darko. It's Léo here. So in the Philippines, what we've seen as you can see from the numbers is that sales were, in fact, down about 25% from last year this quarter. But if you look at sales this quarter compared to prior, we basically doubled sales compared to Q2.

The context, as you've mentioned, is a very severe situation from a COVID-19 standpoint with probably one of the worst health crisis in Asia and also one of the strictest movement restriction environments in Asia as well. And so that's had a material impact on sales, especially in a market where if you look at our agency model and the culture, it's very much based on relationships and human interactions.

So what you've seen over the course of the last quarter, the bounce back that we've had is very much driven by a lot of actions we've taken because the broad environment is pretty much the same. We've driven a lot of digital rollout. Dean mentioned a few of them. So, for example, we've got a digital point of sales capability across the market. We've also rolled out virtual capabilities on top of digital point of sale, so that means you can basically do things remotely with digital signatures and so on.

We've also raised our medical limits through capabilities like ROME, the remote medical exams that Dean was talking about. And then we've also really dialed up our reach out to Clients with things like webinars, which one of the positive by-products of this whole thing is with webinars, we're actually reaching an order of magnitude more Clients in things like education events. So there's been a lot of activity to overcome these movement restrictions. That's creating some of this momentum.

More tangibly at an underlying activity level, what we're seeing is that the activity ratio of our advisors is almost back to pre-crisis level, but we are seeing lower policy size. And in my mind, that's reflecting the economic challenges of the market. You've got significant unemployment. You've got a lot of people across the Philippines who have lost their jobs or have reduced discretionary spend capabilities.

And so while we expect to see a continued rebound of our activities in the Philippines, we do expect significant headwind from the economic situation and then also just the uncertainty with regards to future waves of COVID-19. The situation hasn't really improved and different parts of the Philippines keep going back and forth between severe lockdown and slightly less severe lockdown. We don't anticipate that to get much better over the next couple of quarters. So, we're optimistic about our own business momentum, but at the same time, we're just realistic about the significant headwinds there in terms of the continued economic volatility and COVID-19 waves.

<Q – Darko Mihelic – RBC Dominion Securities, Inc.>: And just a point of clarification, the Philippines, when you make sales there, are they predominantly new business gains?

<A – Léo Grépin – Sun Life Financial, Inc.>: Yeah, yeah. There's material new business gains with these sales, correct.

<Q – Darko Mihelic – RBC Dominion Securities, Inc.>: Okay. Great. Thank you very much.

<A – Kevin Strain – Sun Life Financial, Inc.>: Darko, just quickly, Kevin. I think I might have said VNB once by accident there. So it's 10% expected profit growth from the businesses, 4% when you include the regional office, just to make sure it's clear for everybody.

<Q – Darko Mihelic – RBC Dominion Securities, Inc.>: Thank you.

Operator: Your next question is from the line of Doug Young with Desjardins Capital Markets.

<Q – Doug Young – Desjardins Securities, Inc.>: Good morning. Big picture and maybe this is for Kevin. I mean there's a laundry list of things that moved for you and against you, I guess, in the quarter and I'm talking from an underlying earnings perspective, not including ACMA. So I'm just trying to get a sense of was there anything unusual this quarter that really leaned in your favor from investment gains or higher than or higher than normal favorable policyholder behavior, expenses, things like items that may or may not recur? I'm just trying to get a sense of when I look at the quarter is there anything really abnormal leaning one way or another.

<A – Kevin Strain – Sun Life Financial, Inc.>: Yeah. Thanks, Doug. When you look at the notable items, you can see that they were CAD 35 million for the quarter and I think this is a good place to look for those sorts of unusual things. From a notable items basis, that's right on our eight quarter rolling average so I think it's roughly where you expect to be. It's higher from morbidity this quarter, obviously at CAD 65 million and we had the mortality hit. But on average, it's right where we've been the last eight quarters.

And we had a tailwind last year from taxes that didn't reoccur this year. So I think that as I look at it, there is not a lot of noise per se in the results. You've got a very sort of clean thing that there wasn't a lot of one-time items here. The improvement in morbidity, as we've talked about, is there's obviously some uncertainty whether it will continue to be as strong as it was this quarter but overall, was a good quarter.

<Q – Doug Young – Desjardins Securities, Inc.>: Okay. Perfect. And then just onto US In-Force Management, I know, Dean, I've asked you this before. It's another third quarter that's gone by and there's a fairly sizable hit from an ACMA perspective. I looked the last three years and you've lost money on this business from a net perspective and probably happens again this year as well. And so just trying to get a sense of why keep the business and I get you don't need the capital but it's a non-core business, causes a lot of noise. Just wanted to get another sense of your outlook for this business and plans for the business.

<A – Dean Connor – Sun Life Financial, Inc.>: Yeah. Thanks, Doug. I would say that the work that we continue to do with the In-Force Management business in the United States, which includes renewing reinsurance treaties, restructuring the AXXX structure as we did this quarter, strengthening reserves for lapse, et cetera, are things that have to get done whether we own the business or others own it.

So our view has been we need to optimize this business for all the different dimensions, expenses, capital, cash generation, tax, the role of reinsurance and, of course, being there for Clients. And our focus has been how do we – we have to deal with all the issues I just mentioned, but how do we also make it a better business and improve it.

And so there's been a lot of progress. We've talked before about some of the work we've done on stranger-owned life insurance cases, STOLI cases, and we've made some great progress there. We've made good progress on expenses and so on. All the other issues that as you point out have been headwinds are headwinds that we would – somebody would have to have dealt with one way or the other.

So that's how we're thinking about it and we'll continue to optimize it. And in that sense, that's the way we are thinking about our UK business as well, which is also closed, but lots of – continue to see opportunity to optimize it.

<Q – Doug Young – Desjardins Securities, Inc.>: And are you done? Like is most of the big heavy lifting done? Are you halfway through or in the fifth inning, sixth inning? Just trying to get a sense.

<A – Dean Connor – Sun Life Financial, Inc.>: Doug, we're never done. We're never done. I would just say as we look ahead, we continue to see opportunities to optimize these closed block businesses.

<Q – Doug Young – Desjardins Securities, Inc.>: Okay. Thank you.

Operator: Your next question is from the line of David Motemaden with Evercore.

<Q – David Motemaden – Evercore ISI>: Hi. Good morning. I just have a question for Dan on the stop-loss business in the US and the competitive environment there. There have been a number of new entrants or planned new entrants in the market including a Swiss Re and Google partnership, and Zurich has also said they want to enter that business. I guess you guys have been at it for a while. People come and go in the market but what's your view on the competitive nature of the market in the stop-loss business specifically given these new entrants and how does that impact your view of your margin goals?

<A – Dan Fishbein – Sun Life Financial, Inc.>: Sure. It's always been a highly competitive business and as you noted, competitors do come and go, including go. We've seen some leave the market. It's obviously a very attractive business so it's attracting interest at all times.

What I would say about the way we think about it is it's a business that is highly dependent on the skills of the people, the expertise. And that's really what the brokers, consultants, and employers are looking for is a really excellent partner with people who really understand the business and can help them manage through it. So, we believe we've got the best team. We have the largest team in the industry. We're the largest independent player and we back that up with the best talent and that will continue to be our differentiation.

At the same time, it is our intent to continue to expand the business to differentiate beyond core stop-loss by helping our employer clients manage claims and care more effectively. So, look for more from us on that in the future. We already have good clinical capabilities in place but we hope to grow that over time.

And then just as far as the current environment, it's remaining competitive but reasonably rational, and as far as the new entrants, those are planned entrants. We haven't really seen them in the market yet at this point.

<Q – David Motemaden – Evercore ISI>: Okay. Great. That's helpful and then if I could just shift to Asia and just a question for Léo on the International Hubs sales. So, another strong result this quarter and that contributed to a smaller new business drag and helped total Asia sales stay flat. I know last quarter, there was some of the existing pipeline coming through converting to sales. So I'm just wondering if you could talk about the dynamics of this quarter and specifically if you've been able to start replenishing that pipeline so we don't see a big drop-off in sales at some point once the pipeline's exhausted.

<A – Léo Grépin – Sun Life Financial, Inc.>: Thanks, David. Good morning. So with international sales and International Hubs in general, you'll recall that we made it a strategic priority for us in Asia. In general, we see strong demand in Asia for high net worth, ultra high net worth estate planning and tax planning type of solutions and as a result, we've made a number of big investments in this business. We did the restructuring creating International Hubs. We've been investing in the technology. We launched a new platform with a new Client portal, a new broker portal. We've been innovating the products and so on. So we think all of that is helping with the momentum of our business in a market that's quite competitive and in our view, that's explaining some of the continued success of that business.

At the same time, obviously we've got COVID-19 and I mentioned last quarter, we typically have a sales cycle of about 6 to 12 months in this business. And so as of Q2, I was describing the strong results and saying that those were probably sales that started somewhere in 2019 or early 2020. That's still the pattern for us and so if you think about our sales in Q3, a lot of these would have started maybe late 2019 or sometime in the start of the COVID waves this year.

And as a result, if you think about our sales this quarter, they are still strong compared to last year but they're down compared to Q2. And that and online reflects some of the headwinds related to COVID-19 and the challenges with travel restrictions and quarantine. And so if you think about sales in this market going forward, we do feel very good about our competitive position vis-à-vis other insurance companies given all of the investments we've made and the capabilities we've built that I've described.

But if you think about the pipeline at the level of brokers, we do think that that is shrinking and that as we think about the next couple of quarters, you're basically going to see pipeline that started after the start of COVID-19 in Asia in the February, March timeframe. So we've got these two offsetting aspects that we're expecting strong competitive capabilities on our side but smaller pipeline with brokers as a result of travel restrictions and quarantines.

<Q – David Motemaden – Evercore ISI>: Okay. Great. That's helpful and if I could just follow-up. So is this business – I would think it's kind of hard to do on a virtual basis. But is that something that you guys are exploring? Because I know that low interest rates helps this business just from a premium financing standpoint, which I understand is a bigger component in some of the high net worth sales. But are you guys exploring maybe more virtual sales or are there certain regulations that would prevent you from completing a virtual sale?

<A – Léo Grépin – Sun Life Financial, Inc.>: So I think there's a couple of aspects to this. One is these are heavy planning-oriented sales. And given the nature of the transactions, they are very advice-intensive. They tend to be face-to-face type of interactions. So that's one aspect of just sort of how the business is transacted. That said, we are evolving to reflect the current environment and we can conduct some of these transactions remotely. And so we have rolled out capabilities including eSignature and DocuSign to enable remote sales of this business. But just given the nature of the transactions, we still find that most clients, most brokers wants to conduct this business face-to-face. That could evolve if the pressures of travel restrictions just continue, but it's mostly the nature of it today.

<Q – David Motemaden – Evercore ISI>: Got it. Thank you. That makes sense.

Operator: Your next question is from the line of Paul Holden with CIBC.

<Q – Paul Holden – CIBC World Markets, Inc.>: Thank you. Good morning. Two questions. Want to go back to the discussion on experience and Canada Group Benefits, I guess, disability in particular. So it is positive this quarter, but was a source of negative experience last quarter. So, I want to better understand what's creating that volatility and what that might mean for future results if we can make any inferences.

<A – Kevin Strain – Sun Life Financial, Inc.>: Jacques, we'll turn that question to you.

<A – Jacques Goulet – Sun Life Financial, Inc.>: Thank you, Kevin. And, Paul, thank you for your question. So indeed if you look at Q3 this year versus Q3 last year, we have a very good improvement in our experience. It is driven predominantly by disability and group benefits. So, I'll take you back perhaps quickly, Paul. There are three key levers here that are important in this business.

Number one is what we call incidence but it's really just the volume of cases that we get. The second one is recoveries or is how quickly how many people we get back to work from disability. And last is pricing. And you've heard me talk about that before, we recognize early on last year actually that this business needed to be re-priced and we did that.

So if you compare Q3 this year to Q3 last year, the main driver of that growth or the largest driver of it is the volume. It's the incidence. And we're not quite sure about frankly whether it's one data point or the start of a new trend that's kind of a tough one to call. As you know, we have had over the last few years a growing incidence level and mental health and Dean referred to that in his remarks as being a very important driver. So we have positive experience or a favorable experience on incidence. We're watching that closely as you can imagine to see whether it continues or not, but that's really what is the main driver for the delta versus last year.

<Q – Paul Holden – CIBC World Markets, Inc.>: Got it. That's helpful. Thank you. And continuing with the group business and this question applies to both Canada and the US, Q4 tends to be the peak quarter for sales. Just -that's a piece of the business that's been impacted by COVID, it seems like there's less transaction activity taking place in group across the industry. So it would be helpful to get a view on what you're thinking what the pipeline looks like for Q4 sales given the historical importance of that quarter for gaining new business?

<A – Dean Connor – Sun Life Financial, Inc.>: It's Dean. I'll just jump in here and say we, as you know, we tend not to give forecasts looking forward for sales numbers. I think Dan described some pretty good sales momentum in the third quarter. You saw that in the numbers. But I would prefer that we not get into the business of projecting sales forward. That's not typically how we've done it. So...

<Q – Paul Holden – CIBC World Markets, Inc.>: Maybe you can talk a little bit about the dynamics going into the quarter again with COVID being somewhat disruptive to that market?

<A – Dean Connor – Sun Life Financial, Inc.>: Dan, do you want to just make some overall comments on how clients are thinking about this? Because obviously any actions that we saw in the third quarter were instigated. Any sales activity were driven by client needs first and foremost.

<A – Dan Fishbein – Sun Life Financial, Inc.>: Yeah. I think our sales organization has really done a great job at adapting to this environment. We went 100% virtual literally overnight. And as you saw, our third quarter results were quite strong. Overall up 24% and up 40% in our group businesses, up also in our stop-loss business. So that's reflective of their ability to react very well to this environment and to do this – conduct the sales process. And maybe more importantly the entire case installation and enrollment process 100% virtually and very effectively. And that's what clients are looking for right now. It is true that there are fewer clients so far during this pandemic in the marketplace that proposal activity is down across the industry. But our close ratios have been excellent because clients are coming to us for those digital and virtual capabilities and our ability to serve their needs in this unique way at this time. So, again as Dean said, we wouldn't give forward-looking information but we would certainly think that those capabilities will continue to be attractive in this environment.

<Q – Paul Holden – CIBC World Markets, Inc.>: Got it. That's helpful. Thank you.

Operator: Your next question is from the line of Nigel D'Souza with Veritas Investment Research.

<Q – Nigel D'Souza – Veritas Investment Research Corp.>: Thank you. Good morning. I had a two-part question on how to think through the impact – the potential impact from a low-rate environment. So the first part is when I look at earnings on surplus, that was negatively impacted this quarter from lower investment income. So, is that mainly just quarterly noise that comes from market volatility or is that reflective of being in a low-yield environment. In other words, should we think of that as a one-off or do you expect going forward that a lower-for-longer-yield environment will put some pressure on investment income and earnings on surplus.

<A – Kevin Strain – Sun Life Financial, Inc.>: It's Kevin, Nigel. You're absolutely right. We had lower earnings on surplus just under CAD 100 million and it did reflect the lower yield. The AFS gains we had were CAD 26 million and so there is some volatility that comes through in AFS, but we are definitely seeing as we've realigned the portfolio in the last few years that we're getting lower investment income. It's one of the reasons I talked about the potential of leveraging SLC which operates really well in a low-yield environment and could potentially add some yield to the surplus. But the big chunk of what you saw this quarter was the lower yield on our current invested assets. We were lower on AFS compared to Q3 last year, but I think that the biggest pieces that that sort of lower yield were getting on our invested assets.

<Q – Nigel D'Souza – Veritas Investment Research Corp.>: Okay. That's helpful. And if I could pivot off of that and think about the product side and annuities business, so in Canada, annuity premiums were strong this quarter. But if we look ahead, can you speak to the challenges you're potentially seeing for annuities as positioning it as an attractive product in a low yield environment. And you've already talked a bit on how you're looking to pick up yield on the asset side. Are those kind of hand-in-hand there where you're trying to generate yield when the assets have and also kind of support the annuity returns to make them attractive?

<A – Kevin Strain – Sun Life Financial, Inc.>: Jacques, why don't you take that?

<A – Jacques Goulet – Sun Life Financial, Inc.>: Yeah. So are you focusing, Nigel, on the group side of the business or the retail side of the business?

<Q – Nigel D'Souza – Veritas Investment Research Corp.>: If it's possible if that you could comment on both would be helpful I think.

<A – Jacques Goulet – Sun Life Financial, Inc.>: Sure. Okay. Well, let me start. Dean and Kevin both highlighted in their opening remarks. The largest annuity transaction that we had, CAD 1.1 billion in the quarter as you can imagine we're quite pleased with that. This is a business although that can be lumpy and there's seasonality to it. But what I would say it's a little bit similar to what Dan said on stop-loss is we are the market leader in that business. We've been for a number of years. We have a very, very strong team in place. We've done some of the most complex and innovative transactions.

So what that does mean is we tend to pretty well see all the events if I can say that and exercise quite a bit of discipline on and be selective on where we want to take a run at it or not. The pipeline, I mean, you might think that low interest rate is having an impact there. But what tend to happen, Nigel is companies that annuitize liabilities tend to start by being on what I would describe de-risking perhaps for a while. And what they'll do is they'll move assets from what I would call growth assets to matching assets, right? So they tend to be immunized because as rates go down, yes, the liabilities go up, but so does the asset portfolio. And the real driver of what's happening in that market is really the funded ratio. So ratio assets liability. So I'd say that that's one dynamic for those employers by the way or planned sponsors that may have retained growth assets while they ended up being hurt earlier in the year when COVID hit. But as you know, markets have recovered. So there's still some good opportunity.

So if you look year-to-date, that market so far is about the same size as it was in 2019. So we – as I said, we think we're well-positioned. We've got a great team. We've identified this if you remember from Investor Day last year as a growth engine for us. This market certainly, Nigel, if you compare it to US and UK is much less mature. There's a lot of runway. And we think that companies that are interested in de-risking their pension plans will continue to do so.

On the retail side, it's a different dynamic. Of course it's clients are coming up certainly if you think of the accumulation phase and then people going into the accumulation. So there's more and more assets looking for how to de-accumulate. And annuities are an important part of that. They usually see it as part of a broader set of solutions. We're continuing to see good numbers there. It's a business that is quite competitive. It's very rate dependent. So the ability to win or not is very dependent on how competitive are your prices, but it's an important area for us and we continue to focus on it.

<Q – Nigel D'Souza – Veritas Investment Research Corp.>: That is very helpful.

<A – Jacques Goulet – Sun Life Financial, Inc.>: Does that help?

<Q – Nigel D'Souza – Veritas Investment Research Corp.>: Yeah, that's a very helpful color. Thank you.

Operator: Your next question is from the line of Tom MacKinnon with BMO Capital.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: Yeah. Thanks. Good morning. I want to talk a little bit more about the earnings on the surplus and this leveraging of SLC's capabilities. Kevin this is the lowest we've seen earnings on surplus probably for like three years.

This might be the lowest quarter we've seen for earnings on surplus here. So, maybe as you leverage SLC's capabilities how should we be looking at earnings on surplus going forward and how much of the surplus assets does SLC manage now and how much more are they going to manage going forward with this leveraging you're talking about. And if I look at SLC, it's largely real estate and some private debt and infrastructure. Does that mean you'll be bringing more real estate into the surplus portfolio and is there any talk about having SLC manage any of the assets that back liabilities as well?

<A – Kevin Strain – Sun Life Financial, Inc.>: Okay.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: And I have a follow-up after that. Thanks.

<A – Kevin Strain – Sun Life Financial, Inc.>: Okay. Okay. Thanks, Tom. Well, SLC manages a 100% of the assets and the surplus account. But as you know, there's a mixture of assets there. It's more related to some of the new capabilities we're bringing in. We will see opportunities to do seed investments inside of SLC and we've talked about that in the past. But there's also abilities to look at other sort of non-fixed income pieces that we could put into surplus. We'll do that over a number of years right on a fairly steady basis. So you'll see it as emerges. It will create some volatility for surplus earnings because of the difference in those investments as we do it and we'll be kind of mindful of that. As you know, this is lower and it's definitely related to the yields and the ability to do AFS gains than it's been in the past. I do think that if you were thinking about a range, we can continue to grow over 100 bringing in some of these additional assets over time that will build up that income.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: Okay, just...

<A – Kevin Strain – Sun Life Financial, Inc.>: And it will add some volatility.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: Yeah. So following on that, you said you're going to leverage their capabilities but they're already managing 100% of the assets. So when you say leverage...

<A – Kevin Strain – Sun Life Financial, Inc.>: Leverage, yeah. Leverage the capabilities of the new businesses we bought. So InfraRed and Crescent, for example, but also doing some additional things with BGO as BGO expands its capabilities.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: Okay. Is there any talk about having those capabilities work their way into the assets that back your liabilities? Are you going to try to work to bring in some more of those capabilities into those assets?

<A – Kevin Strain – Sun Life Financial, Inc.>: So they do manage some assets already that back liabilities. And so you can think about SLC broadly supporting both the liabilities when it meets the investment objectives of the – and the cash flow needs of the policies but also supporting surplus.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: Okay. So I take it that the real estate that's on the books is largely SLC managed, is that...

<A – Kevin Strain – Sun Life Financial, Inc.>: That's right. That's right. BGO would manage all of the real estate.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: And as you kind of crank up SLC's capabilities and earnings on surplus are you trying to crank up their capabilities for the assets that back liabilities as well?

<A – Kevin Strain – Sun Life Financial, Inc.>: We would be using them for – we'll use the new asset classes when it's appropriate to support liabilities if it matches the needs of the particular segment. And we'll also use it in surplus. So, yeah, Tom, we would use it in both liabilities and in the surplus segment. And in fact, we've got we are already using as you would know real estate backing liabilities as an example.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: Okay. So just to close that it sounds like earnings on surplus could get bigger, but – better, but there could be more volatility associated with this new initiative?

<A – Kevin Strain – Sun Life Financial, Inc.>: Yeah. That's what I would see it and it would happen over time.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: Okay. Thanks. And then the second question is really maybe for Dean. I think that you've sort of filled in what you need now with SLC as far as I can gather with Crescent and then getting InfraRed earlier. So I would say maybe SLC you're finished with building out SLC. What are your next steps now you always generate good access capital, you've got fairly little leverage, you still have ample access capital? What are you looking at, what are your cap – what kind of capabilities do you think you would need to fill, where do you see opportunities?

<A – Dean Connor – Sun Life Financial, Inc.>: Yeah. Thanks, Tom. So you're right as Steve Peacher said when we announced the Crescent acquisition that we've filled in the key pieces to the puzzle and we've got really now a really compelling set of offerings to clients in this low-for-longer – lower-for-longer world within SLC. And so we'll pause on M&A in SLC on sizable M&A. We'll take a pause and do as much as we can to leverage what we've put together and to grow it.

When we look outside of the asset management pillar and by the way, we – I should also say that you're not likely to see us acquire with MFS. MFS is at scale already, got terrific capabilities across equities and fixed income, across retail, institutional, across geographies around the world, and in a world, that's consolidating asset management firms, which as you know tends to put money in motion, when firms combine. One of the things that MFS has been focused on is trying to be a net beneficiary of that money in motion. And in fact, that's in part what's been driving some of the growth in sales in MFS. So you're not likely to see us acquire there.

When we look at Asia, our story continues to be one of looking for opportunities across all of our markets in Asia and across different distribution channels. So we did the banca deal with TPBank at the start of this year in Vietnam. That's gone extremely well. It's actually ahead – running ahead of our plans. They are very well run bank and they've – it's the partnership is off to a great start. So can we find more banca deals across Asia, could we buy larger percentages of the businesses were already in with JV partners, could we buy other insurance companies or asset management businesses in Asia to kind of complement what we already have on the ground. So that's a set of opportunities.

And then Dan talked about in the US, looking for opportunities to extend our capabilities in stop-loss to help employers manage health claims to a better extent. And we already have some of those capabilities, but we look for other opportunities there. And in the group business, again, adjacent capabilities, the acquisition of Maxwell Health two years ago has proven in hindsight to be very valuable in this COVID world as we do enrollments virtually. And Dan talked about the impact that's had on our sales. So we'll continue to look for opportunities in the United States to extend what we do both in group benefits and in stop loss.

And then here in Canada you saw us acquire a stake in Dialogue, the leading virtual healthcare provider to integrate that with our Lumino health platform, that's gone extremely well. We've signed up hundreds of thousands of Canadians onto that platform. Just that, again we got lucky on timing because we did it in the middle of the second quarter when COVID was really getting going and that's proven to be very valuable for our clients. So I'll stop there. That kind of takes you around the pillars, gives you a sense of the kinds of things we're looking at.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: Okay. Thanks for the color.

Operator: Your next question is from the line of Mario Mendonca of TD Securities.

<Q – Mario Mendonca – TD Securities, Inc.>: Good morning. I see that we're over so I'll try to be quick. The growth in expected profit in both Canada and the US has been running fairly hot over the last few quarters, in the US it's been the last two quarters, when I look at businesses like this and I see growth like that I'm trying to disaggregate the growth into the two broad points. One is just your organic growth in the business itself, growing the assets, growing the in-force? And then secondarily, all of the management actions that go along with that, things like pricing and expenses can you help me make that disaggregation in the expected profit growth in Canada and US, the more normal business versus all the other stuff you're doing?

<A – Kevin Strain – Sun Life Financial, Inc.>: So, Mario, I'll turn it to Jacques and then Dan and I will add just one thing as I do that the – if you look at the growth there is a component that's related to expense reductions as well and that roughly runs probably about half for both of them. But I'll pass it over to them to add some more color to that.

<A – Jacques Goulet – Sun Life Financial, Inc.>: Thank you, Kevin, and thanks, Mario, and I'll try to be quick. But it's in line with what Kevin just said, so first of all, we're quite pleased at 13%, and if you go back, you'll see that there's quite a number of quarters now, it's pretty well seven quarters in a row that we're growing expected profit quite nicely. But what's happening in Canada, which we're quite pleased about is it's actually happening across all of our businesses. So it's not one business or two pulling the rest.

And it's a lot of things like I talked about Defined Benefit Solutions, SLGI got momentum now and growing earnings nicely and Ella and all the stuff that we're doing in digital. But to come back to your specific question, it's pretty well in line with what Kevin just said, so you can think of it as half of it is coming from the sort of fundamental business growth. And half of it is the real expense discipline that we've been applying for the past couple of years and we've done that of course at the same time as freeing up dollars to continue to invest in our strategic growth areas, but think of it as about half and half scenario. Dan, over to you.

<A – Dan Fishbein – Sun Life Financial, Inc.>: Yes. Thanks, Jacques. In the US, the biggest contributors to expected profit growth right now have been our stop-loss business and Fullscope. So stop-loss is adding to that in every dimension, strong margins, good renewals and of course substantial top line growth. Our Fullscope business is now making a nice contribution as well, particularly as Fullscope has expanded into new product lines. And then in our group business, we should start to see bigger contributions to expected profit in the future as we continue to manage down the expenses and build the scale in that business.

<Q – Mario Mendonca – TD Securities, Inc.>: Yes. Just sort of final point on this. If half is expense, half is business growth, and let's say I start off with the notion that I believe business growth can continue at its current pace, is fair to say that eventually the expense benefits start to taper off over the next few quarters or a year or so?

<A – Kevin Strain – Sun Life Financial, Inc.>: Mario, it's Kevin. I think that's right. I think you'd say that we still have some room on expense discipline and those types of things, but over time, as you work your way through that, that slows down a bit. And I would say it's half in total across the both, the US is a little bit less than half, but if you looked across the both it's about half in total.

<Q – Mario Mendonca – TD Securities, Inc.>: That makes sense. Thank you.

Operator: Your next question is from the line of Humphrey Lee with Dowling & Partners.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: Good morning and thank you for taking my questions. Just a couple of questions to Dan, looking at the top line for group benefits in the US, I understand what you kind of laid out in terms of your kind of virtual capability and how you're able to close transactions. But do you see yourself as – in terms of that offering is somewhat unique in the marketplace because definitely looking across the board, the US group insurance players have seen kind of top-line pressure and much weaker sales than what Sun Life has been able to deliver. Are you seeing kind of something that is unique to Sun Life?

<A – Dan Fishbein – Sun Life Financial, Inc.>: Well, thanks, Humphrey. I think we do. Obviously, not completely unique, but as you pointed out many of our competitors saw significant decreases in sales in the third quarter and we saw a significant increase. So I think our digital capabilities are meaningfully differentiated at this point and they are across a variety of areas. You heard Dean mention Maxwell, that's certainly helping us, the enrollment in Maxwell has grown from 12,000 employee lives to about 30,000 during the year. We've done 500 virtual enrollment meetings which is a 100% of them in the recent months. We've introduced a variety of new capabilities for doing enrollment meetings across different platforms, including one-on-one meetings, as well as group meetings and a number of other digital capabilities. So I think the broker community which represents the employers has come to see us as a good home in this environment, a good place, a company that can deliver those kinds of services. So I think we do – we have developed some differentiation during this period of time on digital and virtual but lots of opportunity to grow that in the future.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: And how is this like in terms of the marketplace kind of given the slowdown in other kind of areas how's your persistency trend kind of over this period?

<A – Dan Fishbein – Sun Life Financial, Inc.>: Yeah. Our persistency has improved, as I think it has for many because some employers have decided to defer on looking for new benefits partners during this period of time. So our persistency is definitely up a bit.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: And then just one follow-up question. I think in Dean's remarks you talked about from an M&A perspective in the US group benefits, you're looking potentially maybe adding some complementary capabilities to stop-loss, like given your book of business is pretty established and a major player in the marketplace what other capabilities would you look to add for the stop-loss?

<A – Dan Fishbein – Sun Life Financial, Inc.>: Yeah. I mean, I can't get overly specific but what I would say is we think of stop-loss really as part of the overall health insurance ecosystem in the US. And we are a partner now to employers representing about 5 million employee lives in the US for their self-insured health plans. And historically, our involvement in those health plans was primarily high claim risk protection. We've been expanding that out into helping them and their employees manage care, navigate difficult situations. And we do have a program called Clinical 360 which already does some really quite effective and helpful things in that space. But we'd like to expand that more. We'd like to step further into the healthcare space, providing care management, navigation type services to the members we work with who are facing serious illnesses because we think there's a real win-win there for everybody. We can help people get better outcomes and we can help employers manage their cost profile at the same time because better outcomes almost always are less expensive.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: So it's more adjacent features as opposed to looking at more scale, correct?

<A – Dan Fishbein – Sun Life Financial, Inc.>: I think that's the right way to think about it because we have a lot of scale. We're the largest independent stop-loss carrier, and our sales are far above anybody else's each year. So we are continuing to build scale organically. What we'd like to do is add capabilities which would further differentiate us in the market.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: That's helpful. Thank you.

Operator: At this time we have no further questions. I will turn things back to Ms. Chalmers for closing remarks.

Leigh Chalmers, Senior Vice President, Head-Investor Relations & Capital Management, Sun Life Financial, Inc.

Thank you, Stephanie. And I would like to thank all of our participants today. And if there are any additional questions, we will be available after the call. Should you wish to listen to the recording of this call it will be available on our website later this afternoon. Thank you. And have a good day.

Operator: This concludes today's call. Thank you for participating. You may now disconnect.