

IMPORTANT

- Sun Life Capital Guarantee Plan (the "Plan") is a pooled retirement fund scheme.
- The Plan is an insurance policy issued by Sun Life Hong Kong Limited ("Sun Life"). The guarantee is also given by Sun Life. Your investments in the Plan are therefore subject to the credit risks of Sun Life. The guarantee is subject to qualifying conditions. Please refer to Appendix 1 of the Explanatory Memorandum for details of the guarantee features and conditions.
- You should consider your own risk tolerance level and financial circumstances before making any investment choices. If you are in doubt as to whether the Plan is suitable for you (including whether it is consistent with your investment objectives), you should seek financial and/or professional advice.
- Investment involves risk and past performance information presented is not indicative of future performance. The Plan may not be suitable for everyone. There is no assurance on investment returns and your investments/accrued benefits may suffer significant losses.
- You should not invest based on this document alone. You should read the Explanatory Memorandum for details.

INVESTMENT OBJECTIVE

Sun Life Capital Guarantee Fund's ("the Fund") investment objective is to preserve the capital of the assets and to seek a stable return to the fund investors so as to enable Sun Life to provide guarantee specified at the "Guarantee Feature" below. The Fund will invest not less than two-thirds of the sums in high quality worldwide fixed-income securities (quoted or unquoted) with credit ratings issued by Standard and Poor's or Moody's or any other equivalent reputable rating agency of "A" or above. The balance of the sums held in the Fund may be invested in worldwide blue-chip securities and other assets either through direct investment or through collective investment schemes which may or may not be authorized by the Securities and Futures Commission of Hong Kong ("SFC").

GUARANTEE FEATURE

The Fund is a notional account maintained by Sun Life for the purposes of determining the benefits to be provided to members of the Plan pursuant to the Plan, whereby, subject to the guarantee further detailed below, the rate of return will be determined entirely at Sun Life's discretion. The Plan is an insurance policy issued by Sun Life that guarantees the declared rate of return and the interim declared rate of return every year during the period of ten years from the commencement date of the Plan shall not be less than 0% per annum on the total contributions made to the Fund, less any withdrawals and other applicable charges and fees. After ten years from the commencement date of the Plan, unless Sun Life decides otherwise, the guarantee will lapse. The annual declared rate will be announced on or around 31 December each year. The employer and employee contributions must be retained in the Fund until the end of the immediate preceding fiscal year ended on 30 September to be entitled to the annual declared rate of return on the entitlement subject to the applicable rules of the Plan; otherwise, the interim declared rate of return shall be applied for determining investment return on the entitlement and credited to the member's capital guarantee account. Such guarantee shall remain unchanged until the expiry of such period of ten years from the commencement date or the termination of the Plan, whichever is the earlier. The guarantee is provided by Sun Life. In case there is any shortfall, Sun Life will make up the difference for a period of ten years from the commencement date of the Plan. The guarantee is subject to qualifying conditions. Please refer to Appendix 1 of the Explanatory Memorandum for details of the guarantee features and conditions.

The annual declared rate of return of the Fund is based on the yield earned as at the end of its fiscal year ending on September 30 each year, net of all relevant taxes but including realized and unrealized gains and adjustments to smooth market fluctuations and to provide for the investment guarantee.

Investment involves risk. There is no assurance on investment returns and your investments may suffer significant losses.

MARKET REVIEW

Asian investment grade USD bonds continued to recoup some of the previous mark-to-market losses in June 2021. Monthly total return of J.P. Morgan Asia Credit Index ("JACI") investment grade bonds was at +0.95% (June-YTD: -0.54%), where monthly treasury return at +0.65% (YTD: -1.72%) and spread return at 0.30% (June-YTD: 1.18%).

US Treasury yield curve has turned into a flattening trend after Federal Open Market Committee ("FOMC") meeting in June, with the long-end (10-year) treasury yield down by 13bps in the month. JACI high yield credit spreads also widened, mostly dragged by the high yield PRC real estate names, on the back of worrying about the credit concern on China Evergrande Group, one of the high yield PRC property companies. On the contrary, JACI investment grade outperformed, with credit spreads tightened by 5bps. The short end (5-7years) bonds even tightened by 9-13bps, where the longer end credit spreads only widened by 1bps on average during the month. Some PRC names that are not in the new sanction list announced by US Department of Defense in June also outperformed on credit spreads.

The overall US economic data released in June looks good, where the employment data, growth in producer price index and consumer price index exceeded the market expectation. The retail sales growth is slowing down, while the service spending has picked up, as social distancing restrictions eased and health concerns declined. On the monetary policy side, the Fed has indicated potential 2 rate hikes in 2023, compared to no rate hike until the end of 2023 as mentioned in the March FOMC meeting.

Gross supply of the new Asian USD bonds went up to US\$36b in June. On a year-to-date basis, net new issuances reached US\$96.5b. The book building for primary issuances stays strong with large oversubscriptions and low new issuance concessions.

MARKET OUTLOOK

The US treasury yield curve continues to flatten after June month-end, with market expectation on a lower long-term inflation. The 10-year US treasury yield went down from 1.46% to 1.20% and once touched 1.13%. The sharp drop in the long-end treasury is also linked to the concerns on the slowing down in global economic growth and the delay on reopening due to the recent rise of COVID-19 cases. The treasury yields should remain volatile, we would expect the high-quality defensive credits continue to attract investors with credit spreads outperformed.

In Asia, the economic growth in China has slowed down but still strong. People's Bank of China ("PBOC") cut the reserve requirement ratio for PRC banks in July to support local small & medium sized enterprises.

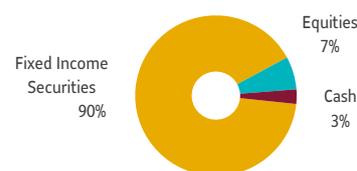
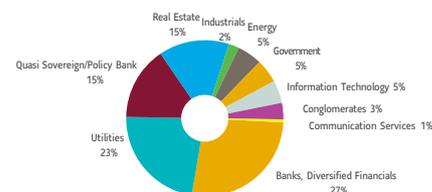
Broadly speaking, credit risk among Asian names remains low. As of the end of May, there were 39 Asian issuers on negative outlook/watch by S&P, compared to 309 global issuers. Within that, only 8 of them has potential fallen angel risk by S&P, which only accounted for a fraction of the global (64 issuers).

DECLARED RATE OF RETURN

	Interim Declared Rate of Return
01 Oct, 2020 – 31 Dec, 2020	1.50%
01 Jan, 2021 – 30 Sep, 2021	1.50%
Annual Declared Rate of Return (From 1 Oct to 30 Sep)	
2019 / 2020	2.20%
2018 / 2019	2.20%
2017 / 2018	2.20%
2016 / 2017	2.40%
2015 / 2016	2.20%
2011 / 2012	3.15%
2010 / 2011	3.60%

Source: FWD Life Insurance Company (Bermuda) Limited (before 1 Feb, 2021). Sun Life Hong Kong Limited (on or after 1 Feb, 2021).

The above are historical rates declared in respect of the Fund for the past years. Please note that the declared rate is the actual rate at which interest has been credited to the Fund and that no deductions are made from such interest. Please also note that the figures are for indication only and that past performance is not necessarily a guide to future performance. Investment return may fluctuate. The relevant interest amount or the declared return will be credited to the member's capital guarantee account on each review date or the date of termination of the Plan, whichever is earlier. Subject to the guarantee feature as described under the "Guarantee Feature" sector above, the declared rate of return and the interim declared rate of return will be determined entirely at Sun Life's discretion. Moreover, Sun Life, at its sole discretion, has the right to retain the investment income of the Fund in excess of that required to be set aside to meet the guaranteed benefits under the Fund. The annual declared rate will be announced on or around 31 December each year.

ASSET ALLOCATION (as at as at 30 June 2021)**FIXED INCOME INDUSTRY ALLOCATION (as at 30 June 2021)****Important Notes:**

- The Plan has been authorised by the SFC. SFC authorization is not a recommendation or endorsement of the Plan nor does it guarantee the commercial merits of the Plan or its performance. It does not mean the Plan is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.
- For further details including features, the investment objectives and risks involved of the Plan, please refer to the details in the Explanatory Memorandum. If you are in doubt about the meaning or effect of the contents of the Explanatory Memorandum, you should seek professional advice.