

**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**

In the last quarter, US inflation and rate hike had moved the market. US consumer price index has reached another peak of 8.6% in May and it prompted U.S. Federal Reserve ("FED") to speed up the FED fund rate ("the Rate") hike by 75bps in June, after lifting the Rate by 50bps in prior month. US Treasury yield curve has shifted upward and become very flat, where the 5-10 years part remained inverted at June-end. The rise in US Treasury yield for 3-years and 5-years was slower, with 50bps and 58bps higher respectively during the quarter. JACI Investment grade credit spreads has less widening by 16 bps (Q1: +24bps, YTD: +40bps), while JACI high yield credit spreads continue to widen significantly by 155bps amid credit concerns over high yield PRC real estate companies since Q3 2021. (Q1: +138bps, YTD: +293bps) J.P. Morgan Asia Credit Index ("JACI") investment grade bonds has delivered recurring interest income of +0.95% during the quarter. There was negative mark-to-market impact on bond prices under expectation for further rate hikes in the near future, while it is not the concerns for high quality investment grade bonds as they can be repaid in full at maturity. On the flip side, the opportunities for long term investors to lock in higher yielding bonds arise.

**MARKET OUTLOOK**

US FED officials expect inflation remains elevated as there is upward pressure on energy and commodity prices under extended period of Russia-Ukraine conflicts. They also revised down their projections for US real GDP growth this year, based on ongoing supply chain disruptions and tighter financial conditions. According to the FOMC minutes, it is likely to have another increase in the Rate by 50 or 75bps in July. The officials' median interest rate projections imply additional 175bps of rate hikes before the year end.

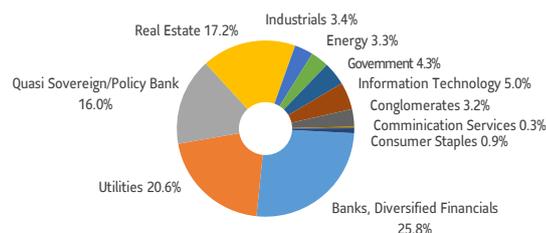
Broadly speaking, credit risk among Asian names outside the PRC property sector remains low. The number of potential fallen angels identified by S&P stayed unchanged at 5, as of 31s May, accounted for a fraction of the global (29 issuers). It is expected that flight to high quality investment grade bonds would continue under weak investor sentiment stemming from the potential aggressive rate hikes by the US FED. Primary investment grade bond issuance in Asia will stay at a lower level compared to last year throughout 2022.

**DECLARED RATE OF RETURN**

	Interim Declared Rate of Return
01 Oct, 2021 – 31 Dec, 2021	1.50%
01 Jan, 2022 – 30 Sep, 2022	1.00%
Annual Declared Rate of Return (From 1 Oct to 30 Sep)	
2020 / 2021	1.50%
2019 / 2020	2.20%
2018 / 2019	2.20%
2017 / 2018	2.20%
2016 / 2017	2.40%
2015 / 2016	2.20%
2014 / 2015	2.20%
2013 / 2014	3.10%
2012 / 2013	3.05%
2011 / 2012	3.15%

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 30 June 2022)****FIXED INCOME INDUSTRY ALLOCATION (as at 30 June 2022)****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.