PARTICIPANTS

Corporate Participants

Leigh Chalmers – Senior Vice President, Head of 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.
Claude A. Accum – President-Sun Life Financial Asia, Sun Life Financial, Inc.
Michael W. Roberge – Chief Executive Officer and President, MFS Investment Management, Sun Life Financial, Inc.
Daniel Richard Fishbein – President-Sun Life Financial U.S., Sun Life Financial, Inc.
Kevin Morrissey – Senior Vice President & Chief Actuary, Sun Life Financial, Inc.
Jacques Goulet – President-Sun Life Financial Canada, Sun Life Financial, Inc.

Other Participants

Meny Grauman – Analyst, Cormark Securities
Steve Theriault – Analyst, Eight Capital
Gabriel Dechaine – Analyst, National Bank Financial, Inc.
Doug Young – Analyst, Desjardins Capital Markets
Sumit Malhotra – Analyst, Scotiabank Global Banking and Markets
David Motemaden – Analyst, Evercore Group LLC
Paul Holden – Analyst, CIBC World Markets, Inc.
Tom MacKinnon – Analyst, BMO Capital Markets (Canada)

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. My name is Scott, and I will be your conference operator today. At this time, I would like to welcome everyone to the Sun Life Financial Q2 2019 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 is Leigh Chalmers, Senior Vice President, Head of Investor Relations & Capital Management. Please go ahead, Ms. Chalmers.

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

Thank you, Scott, and good morning, everyone. Welcome to Sun Life Financial's earnings conference call for the second quarter of 2019. 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 second 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 question 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 will turn things over to Dean.

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

Thanks, Leigh, good morning, everyone. Turning to slide 4, the company reported underlying earnings of CAD 739 million or CAD 1.24 of earnings per share, up 3% from the prior year. We generated an underlying ROE of 13.7% for the quarter, which remains at the top end of our medium-term objective of 12% to 14%. With a strong capital ratio of 144% at SLF Inc. and a financial leverage ratio of 20.4%, we can support good organic growth, deliver a strong ROE, return excess capital to our shareholders through buybacks, and maintain the flexibility to support acquisition opportunities across our four pillars. This quarter, we saw interest rates decline again while equity markets rose, and so we thought it was worth spending a minute on how our four-pillar strategy and balance and diversified mix of businesses support growth in a world of low-for-long interest rates.

About 60% of our business is from insurance and 40% is from asset management and wealth. The majority of our insurance business is either from group businesses or from Asia, which are less impacted by the decline in North American and European interest rates. Lower interest rates this quarter did have a negative impact resulting in lower pricing gains and market impacts from interest experience also reduced reported net income.

On the other hand, higher equity returns this quarter had a positive impact on our fee income at MFS, at Sun Life Global Investments and Group Retirement Services in Canada. Interest rates and equity markets often move, not always, but often move in opposite directions which can provide some additional diversification benefit. This balanced approach by business mix and geography underpins the ability to achieve our medium-term objectives even in a sustained low-interest rate environment.

Shifting to the quarter and starting with Asset Management, we had a strong quarter with sales up 22% on a constant currency basis, including record high retail sales at MFS of $16.6 billion. Overall net outflows of $6.1 billion at MFS reflected positive net retail flows of $2 billion, offset by continued rebalancing and de-risking in institutional.

MFS AUM increased over the quarter to $489 billion, reflecting continued strong investment results that outperformed equity market growth. 93%, 92% and 84% MFS' U.S. retail fund assets were in the top half of their Lipper categories based on 10-, 5- and 3-year performance, respectively.

As Mike Roberge said at Investor Day, MFS continues to build out institutional fixed income and non-U.S. retail capabilities. For example, in Italy, MFS has added resources to provide local wholesaling support, which is in turn expanding our distribution with banks and driving up sales, and this in part contributed to positive net flows in non-U.S. retail in the second quarter.

In our alternatives asset management business, the rebranding of Sun Life Investment Management to SLC Management and the closing of the BentallGreenOak transaction build on a strong foundation and expand what we can deliver to clients.

Turning to Asia and under the heading of Distribution Excellence, we grew the number of agents in the Philippines and Hong Kong by 37% and 9%, respectively. Our bank insurance relationship with HDFC contributed to a 30% increase in insurance sales in India and we launched a new broker channel in Vietnam. Individual insurance sales in our seven local Asian markets grew by 20%. International sales were down from prior year but increased sequentially from Q1.

In Canada, the insurance sales were down 27% and wealth sales were up 7% compared to the prior year. Sun Life Global Investments generated strong mutual fund net flows of CAD 555 million in the quarter and AUM grew 16% over prior year to reach CAD 26 billion. Canada's operating expenses were flat year-over-year and down 2% from the first quarter and this was achieved while we continue to invest in our digital platforms, such as Lumino Health, where we're helping Canadians access a comprehensive range of health resources.

This quarter, we reached a milestone with over 10 million cumulative user ratings of health care providers and usage increased to approximately 10,000 searches per day across our digital platforms. In the U.S., our after-tax profit margin in Group Benefits remained strong at 7.3% on a trailing 12-month basis. Sales momentum continued with employee benefits and stop-loss sales up 40% year-over-year with stop-loss business in-force increasing 22% over the second quarter of 2018.

We are placing clients squarely at the center of everything we do. And in the U.S., that means helping to close the coverage gap for our members. During the quarter, we launched a new program to help employers auto-enroll employees in disability coverage, providing an extra layer of income protection and financial security. We also launched a full suite of Sun Life products on the Maxwell Health digital platform that we acquired last year, and the early returns are encouraging. We're seeing clients on the platform offering more lines of Sun Life benefits to their employees and generating higher average premiums.

For the company overall, we grew insurance sales by 4% and wealth sales by 20% in the quarter. That said, the value of new business was down 12% from prior year on volume and business mix that was less favorable, given the impact of lower sales in International and in Group Benefits in Canada.

So, standing back after six months, we've grown underlying EPS by 7% and that adjusts for last year's par seed capital income and delivered a 13.5% ROE in the top half of our 12% to 14% medium-term objective range. We continue to deliver on our strategy with the whole organization rallying behind our purpose of helping clients achieve lifetime financial security and live healthier lives.

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

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

Thanks, Dean, and good morning, everyone. Turning to slide 6, we take a look at the financial results from the second quarter of 2019. We delivered growth in underlying net income, strong top line growth in most of our wealth businesses and maintained our strong capital position. Reported net income of CAD 595 million was down from CAD 706 million in the prior year, primarily reflecting unfavorable market-related impacts driven by declining interest rates and a flattening of the yield curve.

Underlying earnings were CAD 739 million, up from CAD 729 million in the prior year translating the earnings per share growth of 3%. Excluding the interest on par seed capital from the first quarter of 2018, year-to-date underlying earnings were up 5% or 7% on an EPS basis. Compared to the prior year, underlying earnings included a 7% increase in expected profit as well as favorable experience items including expense experience, credit, and lapse and other policyholder behavior, while investing activity was relatively flat.

This was primarily offset by unfavorable morbidity experience in Canada Group Benefits and the U.S. Stop-Loss business and new business strain in International high net worth business in Asia.

Our underlying return on equity or ROE of 13.7% was at the top end of the target range for our medium-term objective of 12% to 14%.

We've maintained a strong capital position with a LICAT ratio of 144% for Sun Life Financial Inc. or SLF, and 133% for Sun Life Assurance Company of Canada. A higher ratio at the SLF level reflects the excess cash and other liquid assets of CAD 2.2 billion held by SLF. Our cash position is slightly down from the prior quarter as a result of the redemption of CAD 250 million of subordinated debentures in the second quarter.

The redemption also had an impact on our financial leverage ratio, which lowered by 70 basis points to 20.4% at the end of the second quarter, which is well below our target – our long-term target of 25%. This will drive the company with another potential source of cash for capital deployment. We saw growth in our book value per share this quarter, up 5% over the prior year reflecting income growth over the past 12 months and the impact of accumulated other comprehensive income, partially offset by the payment of common share dividends.

As Dean mentioned, at the start of the third quarter, we closed on the BentallGreenOak transaction on July 1. As a result of the acquisition, in Q3, we will have a reduction of retained earnings of approximately CAD 850 million driven by the recognition of our liability to account for the anticipated increase of our future ownership in BentallGreenOak. This is higher than the CAD 730 million approximation we provided in December of last year, mostly due to a lower discount rate as interest rates have come down since that time.

In the second quarter of 2019, we repurchased approximately 3.7 million common shares for CAD 200 million and year-to-date we repurchased 7.8 million common shares for a total of CAD 400 million. Yesterday, we announced our new Normal Course Issuer Bid, which will allow for the repurchase of up to 15 million common shares, subject to regulatory approval.

Turning to slide 7, we provide details of underlying reported net income by the business group for the quarter. In Canada, underlying net income of CAD 243 million was slightly down from the prior quarter, given by unfavorable morbidity and credit experience. This was mostly offset by continued business growth across all business units, translating to strong expected profit growth as well as favorable expense experience compared to the prior year. In the U.S., underlying net income was down CAD 50 million from the second quarter of 2018, reflecting less favorable morbidity experience and lower gains from available-for-sale assets. This is partially offset by improved lapse and other policyholder behavior experienced in our IFM business and continued business growth in stop-loss where business in-force increased 22% in constant currency over the prior year.

The after-tax profit margin for Group Benefits was 7.3% on a trailing 12-month basis in the quarter compared to 6.5% in the prior year. Asset Management underlying net income was CAD 245 million, up 13% over the prior year. The increase was driven by higher investment income, including returns on seed capital and strong expense management. The pre-tax net operating profit margin for MFS was 37%, slightly higher than the prior year.

SLC Management generated underlying net income of CAD 9 million. In Asia, underlying net income was in line with last year with 19% earnings growth in our seven local markets, offset by International results reflecting higher new business strain and unfavorable mortality experience, partially offset by favorable credit and expense experience and continued business growth.

Turning next to slide 8, we provide details on our sources of earnings presentation. Expected profit of CAD 784 million was up CAD 52 million or 7% from the same period last year with business growth across all our pillars. Showing particular strength over prior year are the U.S. with 10% expected profit growth, Canada with 9% growth and Asset Management with 8% growth. When excluding the impact of currency and the result of Asset Management, expected profit grew 5% over the prior year.

We had new business strain this quarter of CAD 5 million, reflecting higher strain in Asia as a result of lower sales in our International business. Experience losses of CAD 128 million pre-tax for the quarter reflect net unfavorable market impact of CAD 144 million from interest rate movements in the quarter and lower mark-to-market gain on investment properties, partially offset by equity market increases. Positive experience from investing in activity gains, credit and expense experience was partially offset by negative morbidity, policyholder behavior and other experience. Assumption changes and management actions were negative CAD 27 million pre-tax in the quarter.

Other, in our source of earnings, which amounted to a loss of CAD 42 million, includes the fair value adjustment of MFS share-based payment awards, acquisition, integration and other restructuring costs and the impact of certain hedges in Canada that do not qualify for hedge accounting.

Earnings on surplus of CAD 123 million were CAD 30 million lower than the second quarter last year reflecting lower AFS gains and lower mark-to-market gains on our investment properties. Our effective tax rates on reported net income for the quarter was 11.9% driven by market movements on investments with lower tax rates. On an underlying basis, our effective tax rate for the quarter was 15.6% and in-line with our expected range of 15% to 20%.

Slide 9 show sales results across our insurance and wealth businesses. Total insurance sales of CAD 657 million were up 4%, or 2% on a constant currency basis compared to the second quarter of 2018. Insurance sales in Canada were down 27% mostly driven by lower sales in Group Benefits. You'll recall that last quarter we noted that we had some large case sales across Group Benefits. On a year-to-date basis, Canada Group Benefits sales were slightly up from the prior year.

For the U.S., sales were up 40% in U.S. dollar mostly on higher sales on stop-loss and a 7% increase in Employee Benefits sales. Asia individual insurance sales, excluding International, were up 20% with double-digit growth in five of our seven local markets. Sales in Asia's International business unit were down from the prior year, but we saw improvement compared to Q1 of this year as a result of the new par product launch and some recovery in universal life sales.

Total wealth sales of CAD 37 billion were up 20% from the prior year, or 16% on a constant currency basis. In Canada, wealth sales were up 7% driven by our Group Retirement Services business. Between MFS and SLC Management, our Asset Management sales increased 22% on a constant currency basis, mostly reflecting record-high sales at MFS and almost 40% growth in SLC sales. In Asia, we had lower mutual fund sales in our India business primarily driven by the weaker market sentiments.

Value of new business was down 12% year-over-year to CAD 235 million largely as a result of lower sales in International and lower Group Benefits sales in Canada, partly offset by higher Group Benefits volumes in the U.S.

Turning to slide 10, we showed strong expense management while continuing to invest in the business and drive growth. Operating expenses are up 1% on a year-to-date basis driven by expense discipline and productivity gains. In our experience-related items, we had an expense gain of CAD 13 million after tax.

To conclude, our second quarter results have continued momentum across our medium-term objectives. Year-to-date, underlying EPS growth was 7% excluding the impact of interest on par seed capital in the prior year.

The second quarter's underlying ROE year-to-date was strong at 13.5% and our dividend payout ratio was within our target range. We are focused on good expense management, holding expense growth year-to-date at 1% on a constant currency basis. We also grew our top line measures, including strong wealth sales in Asset Management. And, finally, our capital generation and LICAT ratios remain strong, allowing for the renewal of our share buyback program which we see as a tool to return capital to our shareholders while maintaining flexibility for other potential capital deployment.

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

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

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Meny Grauman with Cormark Securities. Your line is open.

<Q – Meny Grauman – Cormark Securities>: Hi. Good morning. I'm wondering how your current economic outlook is impacting your M&A strategy. In other words, are you waiting for a market downturn to transact? Is that part of the explanation for the low leverage ratio and cash balances? Is it a defensive position?

<A – Dean Connor – Sun Life Financial, Inc.>: Meny, it's Dean Connor. I would say – I'd say no to that question. Our acquisition efforts, which we've talked about before, and all four pillars, and it's difficult to time acquisitions. What we're more focused on are strategic alignment opportunities that bring us new capabilities, opportunities that can help us grow faster, opportunities where not only do they bring something to Sun Life, Sun Life brings something to the business beyond just a checkbook, and of course, which clears our economic hurdles over the lifetime of the deal, which is a long-term perspective. So, we don't try to time these around economic cycles. And I would just say, we continue to be very active and looking for opportunities that tick all those boxes I just mentioned.

<Q – Meny Grauman – Cormark Securities>: Thanks for that. And maybe just as a follow-up. Just more broadly you have a lot of businesses in a lot of different areas. How do you see the economic outlook right now? Are we closer to the end than to the beginning in terms of credit? Curious on your thoughts.

<A – Dean Connor – Sun Life Financial, Inc.>: Well, clearly, economic growth is slowing, it has been slowing, witness the central bank's easing including yesterday's Fed announcements and slowing for a number of reasons, including a trade war between China and the U.S. and uncertainty around Brexit and so on. What's interesting about that is that, notwithstanding that, we see continued strong growth in ASEAN markets. So, as even as China slows down, it has had some impact on ASEAN growth. But one way to think about that is, last year, ASEAN GDP grew at 5.2%, 5.3%, and this year the expectation is just a shade under 5%. By any measure, that kind of GDP growth is attractive.

So, yeah, we see some slowdown in global economic growth. Back to the balance of diversified business model, that's an advantage. One thing that we're interested to watch is how India might benefit from that. India, there's an argument that India could actually be a beneficiary of trade wars and perhaps finding an opportunity to bring more manufacturing to India. And, of course, that would ultimately in the long-term affect our business.

As for the credit cycle, it's very difficult to call. And I know a number of market participants have felt like we're in the later innings. But that conversation has been going on for several years. So, I would say that we're appropriately cautious. We've been bringing our credit quality up over time. We've got lots of dry powder on the balance sheet to take advantage of dislocations.

Back to Investor Day, we talked about a strong defense and a strong offense and one element of strong offense, in addition to M&A, is also investments of dry powder. So, not a very specific answer to your question Meny, but that's how some of the things that we're thinking about.

<Q – Meny Grauman – Cormark Securities>: Thank you.

Operator: Your next question comes from the line of Steve Theriault with Eight Capital. Your line is open.

<Q – Steve Theriault – Eight Capital>: Thanks very much. A couple of questions for me. First, on Asia and Asia International, Claude, it was nice to see a rebuild – the beginning of rebuild of the sales momentum. Can you talk a bit about where you're at in terms of the rollout of the indexed UL of the new par products? And anything else that's in the harbor for replacing that traditional UL product.

And also last quarter you talked about these products being less capital intensive. So, now that you're starting to roll them out, I'm wondering if there's any outlook or view on, you know if these are less capital intensive, could we see a shift in the strain line of Asia over time as momentum builds?

<A – Claude Accum – Sun Life Financial, Inc.>: Yeah. Steve, thank you very much for that. We did see a really nice rebound in Q2 on International. Sales were CAD 14 million. That's about three times to four times what we saw in the low point in Q1. A couple of factors that are helping that rebound. We did launch a new par product called Sentinel. It was only launched in the middle of the quarter, mid-May. So, we got about 1.5 months of sales out of that and already it's contributed to about 30% of the sales in Q2.

The other two factors we're seeing that are helping is there is a return to UL sales, so our traditional core UL – classic core UL sales product has rebounded and come back. And the factor that's helping there is the dropping of short rates across the globe. When short rates drop, a lot of these products are high net worth products with premium finance and makes the premium financing more favorable. And so with that, that's helped the UL sales and premium financing.

And those two factors will continue to build and continue into Q3 and Q4. And so, interest rates look it's come down further so that could help. And in Q3, Q4, our par product will be out there for a full three months each of sales so that could – that could help build sales. And then we do have a large number of campaigns to work with our brokers on promoting and understanding and illustrating these products that's also helping to build momentum. So, we feel quite good about that.

You commented on strain. The International product is very strongly priced when it sells. It actually does not have a strain. And when it sells in a normal course, it actually generates new business gains. We're not quite back to that level yet but when we see a slightly more growth in sales in International, the product actually will generate new business gains.

<Q – Steve Theriault – Eight Capital>: Okay. That's helpful. And then thanks for that. Second one for me. Dean in your opening remarks, you brought up the recent decline in rates and the defensiveness of your earnings mix. I guess a follow-up to that. I'm wondering if despite your mix, do you think that the recent decline in rates could make it tough to get to the low-end of your medium-term EPS growth rate target for this year?

<A – Dean Connor – Sun Life Financial, Inc.>: I think, first of all, Steve, those medium-term objectives are medium-term. So, we don't sort of attach them to any one specific year. We think about them over three-, four-, or five-year period. I think, as I said, notwithstanding lower interest rates, we have a balanced and diversified mix of businesses. And you can see that coming through in, as Kevin mentioned, good expected profit growth as we're working hard on improving the disability experience in Canada.

We had stop-loss morbidity experience in the second quarter that kind of offset the first quarter, and hopefully as we look ahead the stop-loss experience will kind of carry back to the mean, and the improvement in U.S. disability experience, hopefully that will continue. The team's done a really good job on that.

And if you think about continued growth in Asset Management from market growth and some improvement in retail flows at MFS, good SLC flows, addition of earnings from GreenOak that are coming on stream this quarter. Claude talked about International insurance sales and the goal of getting those sales back on track and starting to push pricing strain into a pricing gain at some point. And Kevin talked about expense management, the continued share buybacks and hopefully further deployment of excess capital. Put all of those things together, and I think – we think we've got a good growth story that supports our medium-term objectives of growing EPS by 8% to 10%, as well as the ROE and the dividend payout ratio.

<Q – Steve Theriault – Eight Capital>: So I guess for getting the targets, I guess what I – another way to think about it we think about the second derivative impact from lower rates and I think that's sort of what you were addressing in your opening remarks. It doesn't sound like that you think that's going to be a major theme for the back half of the year that the lower rates of the last few months shouldn't weigh too much in the near-term. Is that fair?

<A – Dean Connor – Sun Life Financial, Inc.>: I think that's a fair comment. Just to be clear, lower rates are net-net negative but we think we've got relative to other insurance companies and asset management businesses around the world, we think we've got a business mix that puts us in a preferred position.

<Q – Steve Theriault – Eight Capital>: Thank you.

<A – Kevin Strain – Sun Life Financial, Inc.>: Steve, maybe – it's Kevin Strain. Maybe just to add to that, we've seen lower rates and the flattening of the yield curve over seven of the last nine quarters and you can see the impact that had in the reported results. But that gets entirely reflected each quarter. So if there's additional movements down, then that'll come through as you've seen. But what's happened up to the end of this quarter is reflected in sort of the results at that point in time and I think that sort of helps to address it. And maybe sort of offsetting that, we've seen positive equity market experience in seven of the last nine quarters. They don't exactly line up, but you get the sense of how our Asset Management businesses can interact with our protection businesses.

<Q – Steve Theriault – Eight Capital>: Thanks, Kevin.

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

<Q – Gabriel Dechaine – National Bank Financial, Inc.>: Good morning. Something I've observed with MFS here and you guys have been doing a really good job of tightening up on expenses there. But I'm just wondering about the – what's going on with the commissions line which seems to be flat to down. That's in the back of your supplement there. You're seeing a good ramp up in gross sales but the commissions are actually heading in the opposite direction or not rising and in sync. Is that because you're docking the commissions and we're going to maybe see that commission line perk up in the next little while as some of the – we move further away from the period of low sales or is it something else?

<A – Mike Roberge – Sun Life Financial, Inc.>: Hey. Good morning, Gabriel. It's Mike Roberge. With the change in GAAP, we used to show revenues that would come in from dealer commissions and we'd show – we'd net that relative, so you wouldn't see that line. We now have to gross that up. So, we show the revenue coming in. We show the expenses going out on the other hand. One of the things that's happening in the industry is you go from brokerage to advisory. We're not selling as many A shares that have a dealer trail associated with them. And so, you're seeing the revenue associated with that come down. And so, it's just a function of the mix of our business and that portion of our business that has trails and that portion that no longer has trails, so that's just a wash relative. So, that doesn't give you any sense of the underlying strength of the business.

<Q – Gabriel Dechaine – National Bank Financial, Inc.>: Sorry. Can you walk me through that phenomenon again?

<A – Mike Roberge – Sun Life Financial, Inc.>: Yes. So, historically, with GAAP, the trail commissions that would come in. So, we would sell, say, an A share that has a 25-basis-point trail, that revenue comes in, that revenue goes out as we pay it out to the brokerage firm and that would be netted because it's just a wash through the financial statements. GAAP now requires us to gross that up so we've got to show the revenue and we've got to show the corresponding expenses associated with that. So, what you'll see on the revenue line is you're going to see revenues declining as we're doing fewer of those share classes, given the move to advisory. And you'll see that same thing in the expense line where that number is lower on the expense line. It's just a wash of the revenues that come through the P&L.

<Q – Gabriel Dechaine – National Bank Financial, Inc.>: Okay. Perfect. That explains it. Then my next question is on the negative morbidity experience in stop-loss. It seems to me like a one-quarter issue. I haven't come across that yet. I'm just wondering how you see it, especially in light of the big ramp-up in sales we've seen from stop-loss like 40% in 2017, 15% last year, and 65% this year. I mean, on one end, that's great. But sometimes when you sell group insurance products too fast or aggressively, you run into some margin issues and be up there like going to one of these re-pricing cycles that can take some time.

<A – Dan Fishbein – Sun Life Financial, Inc.>: Thanks, Gabriel. This is Dan Fishbein. First, on the experience in the quarter, as you recall the first quarter, we really had outsized favorable results in the stop-loss business, very favorable morbidity. And, not surprisingly, we saw some reversion to the mean in the second quarter. On a year-to-date basis, we still have significantly favorable morbidity in the stop-loss business. So, we look at what happened in the second quarter there as not at all surprising. Also, stop-loss does tend to have some volatility associated with it. You're dealing with a relatively small number of large events. So, by nature, quarter-to-quarter, there just will likely be some volatility there.

One other thing I would point out is, last year, the second quarter was the outsized quarter for stop-loss. That was the best quarter of the year. This year, obviously the first quarter was exceptional. So, we also have an issue of comparable quarters there which quarter happens to be the best.

As far as your question about pricing, we obviously watch that very closely. You can see though our VNB is improving. We also track closely other metrics like our sold to formula, our close ratios, and all of those point towards our pricing being strong and sufficient. We do watch those things very, very carefully but we believe that the growth that we're achieving and the increase in the sales are due more to fundamental delivery around the business than they are to any sort of price discounting.

So, the other metrics support – our being in the right place going forward.

<Q – Gabriel Dechaine – National Bank Financial, Inc.>: So, this is a one-off, how I'm interpreting?

<A – Dan Fishbein – Sun Life Financial, Inc.>: Yeah. As I've said, you would expect to see some volatility, especially after the exceptional first quarter we had. It's not at all surprising. You'd see a reversion to the mean in the second quarter on claims.

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

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

<Q – Doug Young – Desjardins Capital Markets>: Good morning. Dan, maybe just sticking with the stop-loss and what I'm trying to get a sense of, because you don't provide your underlying earnings for this division on which the margins are based. But I'm just curious. I do rough calculations and I still get the margin for the quarter. I know the LTM is down a bit but the margin in about mid-6%. And so, I'm just trying to get a sense of whether I'm way off. I still get a sense that the year-to-date underlying profit is up nicely. And I want a little more detail because I know you've talked in the past about stop-loss morbidity margins being much higher probably reverting down a little bit and then the group employee benefit margin being below your target but reverting back up towards what you're targeted. Just trying to get a sense of that. Thank you.

<A – Dan Fishbein – Sun Life Financial, Inc.>: Yeah. Thanks, Doug. Just in terms of the margin, obviously the reason we decided to do a trailing 12 months is that the quarter-by-quarter does have some volatility in it. So, as you noted, we were at 7.9% after the first quarter on a trailing 12-month basis and 7.3% this quarter, so you can infer that the margin in the standalone quarter was lower. But if we think about our year-to-date margin as well as that trailing 12 months, we're still above the 7% target that we said at Investor Day. And I – we tend to look a little bit more at the two quarters together than one quarter by itself.

As far as the interplay between the Group Benefits or the Employee Benefits, meaning group life, disability, dental and where we are with stop-loss in the quarter, we did, as it's been noted, see the claims revert to the mean in stop-loss in the quarter, but we also had good results in our life and disability business in the quarter, and in particular in our long-term disability business, which has been an area of great focus. So, we are pleased to see the improvement there. So, that's a business within the whole of this that got better in the second quarter and that did counteract some of the reversion to the mean in the stop-loss business in the quarter.

<Q – Doug Young – Desjardins Capital Markets>: Okay. Perfect. Is it fair to assume the stop-loss probably still has a little room to just revert down a bit? And the group employee benefit still has room to kind of move higher? Is that still the way that you see this unfolding over the next few years?

<A – Dan Fishbein – Sun Life Financial, Inc.>: Well, I think it – first of all, on stop-loss, what's more than anything, what – we can't really count on experience that's favorable to our pricing targets long-term. But what we are seeing is the size of the business is growing. The business is up 22% over the same quarter last year. We've been seeing growth in that business for the last three years in that general neighborhood. So, that should continue to give us confidence that the contribution of stop-loss from an earnings perspective is going to continue to go up.

But, we really should think of it more on that basis than sort of some unusual claim experience on a long-term basis. As far as the group life and disability business, there is still room for improvement there. We've been working on that as you know, and it continues. We're very pleased in the second quarter that we had some improvement there. And there's still room for us to improve that business further.

<Q – Doug Young – Desjardins Capital Markets>: Okay. And just second for Claude or for Kevin, just the Asia proper business again kind of similar. It's within the Asia results. So, we don't have the underlying earnings. I know Kevin last quarter you gave what the underlying earnings for the Asia proper business were being up 16%. I don't know if you've got a similar number you could kind of quote today.

And then just maybe, Claude, just a bit of an update on India, it seems like the insurance market is starting to turn around in terms of the economics of the business pressure on the Asset Management side, just wondering if you can give a little bit of an update there. Thanks.

<A – Claude Accum – Sun Life Financial, Inc.>: Yeah. So, thank you, Doug. I think you're asking us to separate the underlying and reported earnings on International versus the seven onshore businesses. We do disclose that on a reported basis but we don't on underlying. But you can triangulate there. And so, the way to do it, you can see that the International reported earnings year-over-year went from CAD 47 million down to CAD 17 million, a reduction of minus CAD 30 million. A good part of that was due to market and other factors, so underlying actually didn't decline by that much, underlying stronger than that.

And so, you can – if you look at the source of earnings year-over-year, we talked with Gabriel that a lot of the impact of International is showing up on the new business gain line as a shift in strain. And so, you'll see the shift in new business gain is down by CAD 17 million year-over-year. So that's – a large part of that is the change in underlying income from International. So, you can triangulate in that fashion.

And then on India, we are seeing a reduction in mutual fund sales in India. It's reflective of the market. The industry is down roughly 50%. We're roughly in line with that. If you look at the market indexes, the small cap stocks are down 14% year-over-year and mid-cap is down 3%. So, the flows were seeing a reflective of market sentiment in those conditions.

If you actually looked at what's happened in the economic environment, there are some very strong positive indications. So, there's a re-election. The incumbent government re-elected, new stronger majority, taking strong action on recapitalizing the MBFC banks, two of which have been bailed out. And you can see that there is already a lift in the large cap Nifty Index. So, as those adjustments in economy play out, we think that will be positive for the mutual fund business. And our life business is doing very strong. We've got a new partnership distribution agreement banker with HDFC, generating very strong sales, 30% growth year-over-year. And that is partly reflective of in these economic conditions when customers are risk averse. They actually do turn to our life products, which sell. And so, the combination of the two is a great combo to have in these conditions, so we're quite happy with that.

<Q – Doug Young – Desjardins Capital Markets>: Got it.

<A – Kevin Strain – Sun Life Financial, Inc.>: Doug, it's Kevin. And maybe just to answer the first question a little bit. The age of seven local markets are ahead of Claude's thesis of 15% growth and they're closer to 20% but not quite 20%, so just to give you a sense of the range that they're in.

<Q – Doug Young – Desjardins Capital Markets>: Okay. Good. Thank you very much.

Operator: Your next question comes from the line of Sumit Malhotra with Scotiabank. Your line is open.

<Q – Sumit Malhotra – Scotiabank Global Banking and Markets>: Thanks and good morning. First question is for Kevin Strain. Kevin, there's a couple of references in both the call this morning and then in the remarks to the negative morbidity experience that the company experienced in Canada and the U.S. this quarter. But when I look at your slide 13 in which you give us some detail on the experience-related items, it doesn't look like it's a particularly sizable amount. So, was there an offset in Asia relative to what happened in Canada and the U.S. or is the commentary more just reflective on where things trended this quarter relative to a year ago?

<A – Kevin Strain – Sun Life Financial, Inc.>: Sumit, the way that we write the MD&A and the ENR is that that's the delta year-over-year, so the actual morbidity experience as you point out was a relatively small negative for the quarter and it's more how it reacted versus the prior year Q2 2018.

<Q – Sumit Malhotra – Scotiabank Global Banking and Markets>: That's the way I was looking at it because, obviously, this isn't a big number. And maybe this time of the year as we're getting ready for the actuarial assumptions review you take any experience commentary with a little bit more importance. And maybe to that point, for Kevin Morrissey, I know the standard write-up is too soon to tell in terms of some of the factors being reviewed or is there any impact of the factors being reviewed. I will say, I think last year some of us were caught off guard by the size of the lapse adjustment that was undertaken. Whether it's morbidity or anything else, can you give us a little bit of flavor on what you'll be – what other parameters are under review for this year's process and maybe any early indications you might have?

<A – Kevin Morrissey – Sun Life Financial, Inc.>: Sure. This is Kevin. Yeah. Thanks for the questions, Sumit. So, you're right, so as you know, the majority of our assumptions are happening in Q3. I can't tell you a lot about that. I can say that we are doing a complete review. Sure, you can appreciate at this point we're deep into the process, but we do still have quite a long way to go before we complete our reviews. And we are seeing both positive and negative items at this point. So, it really is too early to have a clear outlook on the overall net income impact. So, we're not providing any guidance there. I will note that in our disclosures we do include URR change, so the long-term URR is moving down 15 basis points from 3.2% to 3.05%. And as we've disclosed that, it will cost us about CAD 100 million. We do expect our final numbers to come in close to that estimate.

You did mention the lapse in particular, and that was one of the items that was the biggest strengthening that we did last year. And you may recall that was related predominantly to the U.S. in-force business and we've been very pleased with the experience since that point. Subsequent to the strengthening in Q3 last year over the last three quarters, we've seen very small gains and losses. In fact, this quarter it was bang on zero and the cumulative gain and loss has been about zero as well. So, we're very comfortable with the outcome of that review.

<Q – Sumit Malhotra – Scotiabank Global Banking and Markets>: Yeah. And again, to go back to the first part, the morbidity commentary this quarter, it's more – it seems like again, it's more year-over-year than you guys telling us that things aren't trending well and this might be one of the issues that get strengthened next quarter at this review.

<A – Kevin Morrissey – Sun Life Financial, Inc.>: So, morbidity will certainly be part of our review. As Dan noted, when we look at the morbidity in the U.S., we did see – we have seen quite a bit of volatility. And I will emphasize it into two points. First, the morbidity in the quarter is positive in total for the U.S. And when we look year-to-date, it's positive for both the group business and the stop-loss business in the U.S. So, not a significant concern there.

We do highlight in our commentary about morbidity in Canada and that was off a bit in the quarter. We see – we've seen some worsening in our LTD incidence experience. From an ACMA perspective, the group business is fairly short-term. So, I think probably the more pertinent question is related to pricing and the pricing actions, and maybe I'll invite Jacques to comment on that point.

<A – Jacques Goulet – Sun Life Financial, Inc.>: Yeah. Thank you, Kevin and Sumit. Indeed, it's unfavorable this quarter on morbidity. And as you have picked up, Q2 last year was a favorable one. So, you have a compounding impact here. What I'll say is that it bounces around a bit quarter-to-quarter. So, as you can imagine, it's something that we watch very closely. The data we're looking at right now is showing that what is happening is an increase in the volume of disability cases in the group business as Kevin has said. And we're seeing that, by the way, both in our own data as well as data that is provided by reinsurers on the industry-wide basis. So, as Kevin was alluding through the feature, one feature of the group business, as you know, is you get to re-price it over relatively short periods of time and what I can tell you is that we've already taken action in some parts of the portfolio where we thought that this would be appropriate. So, well, that's the story on morbidity in Canada.

<A – Kevin Strain – Sun Life Financial, Inc.>: And Sumit, it's Kevin Strain again. Just to reiterate the point we've been making and the same page you were looking at, 2018 had positive morbidity of CAD 43 million and you heard Dan talked about the really good results in stop-loss last quarter and you heard Jacques now talk about the Group Benefits and then it was minus 3%. So, that's a delta CAD 46 million between the two quarters and as we explain the earnings, that's the approach we take to explain the earnings.

<Q – Sumit Malhotra – Scotiabank Global Banking and Markets>: Appreciate the thoroughness there, guys. I'm going to try one more. Kevin Strain, I'll just try to keep it to you. Interesting to have Dean talked about interest rates at the beginning of the call because compared to some of your peers we don't always view you as the most macro-sensitive company or at least, I don't. One of the things I have noticed is that there's been a larger interest rate impact on a reported basis. I know we all play ball with the underlying for the most part, but there has been a larger delta between your reported and underlying numbers over the last little while including this quarter.

I see your interest rate exposure up modestly on the way you disclose it. Is there anything in your view, Kevin, that's changed about the aggregate sensitivity of Sun Life to whether it's treasuries or credit spreads swaps that has made that differential wider of late? Because it is something I've observed.

<A – Kevin Strain – Sun Life Financial, Inc.>: I don't think anything's changed in the mix of our business or in our approach for the asset liability management. It's really to do with the flattening of the yield curve, right? And you've seen – you've seen the declining at the low end, but even declining more at sort of the longer end, and where we have the most sensitivity is at the longer end and it relates back to our longer-term businesses with guarantees like individual insurance in Canada.

But really what you're seeing is just that the shift in the interest rates and particularly at the long end on the flattening of the curve.

<A – Kevin Morrissey – Sun Life Financial, Inc.>: And Sumit, it's Kevin Morrissey. So maybe just to add to that we have been kind of tracking what the analyst expectations have been versus our internal estimates and we've estimated probably going back about the last nine or ten quarters, probably three quarters of the variance has been relate to that yield curve flattening. And we really are focused in terms of our – majority of our exposure in Canada.

So, if you look at that yield curve flattening in Canada, it's been almost every quarter for the last 10 quarters. I think you're seeing that – that's really the phenomenon that you're seeing repeated.

<Q – Sumit Malhotra – Scotiabank Global Banking and Markets>: Well, we'll build that in, Kevin. Thanks for your time.

<A – Kevin Strain – Sun Life Financial, Inc.>: I might add that we've been preparing for lower interest rates and low for long for a long time and we've certainly seen a long run of lower interest rates. And so, the de-risking we did back in 2011 and 2012 and the work we've done in terms of positioning ourselves for that, but the interest rates are at – it's been a long time shift downwards in terms of interest rates. And who knows where they're going to end up and we try not to sort of try to predict that and position ourselves for that, but the lower interest rates definitely have an impact on our new business strain and on the sort of reinvestment of assets.

<Q – Sumit Malhotra – Scotiabank Global Banking and Markets>: Thanks again.

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

<Q – Dave Motemaden – Evercore Group LLC>: Hi. Thank you. I just have a question on MFS. Obviously, very good flows there on the retail side, offset by institutional. Just wondering if I can get a bit more color on what was driving the outflows in institutional and what the outlook is there going forward.

<A – Mike Roberge – Sun Life Financial, Inc.>: Yeah, David, it's Mike. Maybe I'll start on the retail side. We've certainly seen significant improvement year-on-year both in U.S. retail and non-U.S. retail. On the retail side, the industry continues to see outflows in equity products and mutual funds gross sales year-to-date. U.S. retail for us are 75% equities, 25% fixed and yet we're in positive flows. So, clearly, we're gaining share in equities in the U.S. and I think the underlying trends continue to be favorable there. On the non-U.S. side, Dean mentioned what we're doing in Italy, which is clearly having an impact on sales. So, we're seeing improvement year-on-year in non-U.S. retail as well.

On the institutional side, we had one large outflow at the end of the quarter. It was a sub-advised relationship where the sponsor was acquired. They internalized the management. We had run the asset for a very long period of time with really good performance, so it was something that caught us off guard in the corridor. But the underlying trends we're seeing institutionally are better year-over-year as well. We are seeing some traction in fixed income and some wins on the fixed income side.

So, I would say, overall, the trends that we're seeing year-on-year are better and we're hopeful that we'll continue to see that on a go-forward basis.

<Q – Dave Motemaden – Evercore Group LLC>: Thanks. And just in terms of the size of that sub-advisory relationship that you guys lost, any numbers you can put around that?

<A – Mike Roberge – Sun Life Financial, Inc.>: Yeah. We don't talk about either individual clients or particular size of those clients. But hopefully, you'll see something in Q3 that looks better than what we saw on the quarter.

<Q – Dave Motemaden – Evercore Group LLC>: Got it. Okay. Great. And then just a follow-up question for Dan on the margins in Group Benefits, just wanted to get a sense for where you are on re-pricing the Employee Benefits business, what the margin of that business is today and where you think that's going to go going forward? What's the target that you have there? Thank you.

<A – Dan Fishbein – Sun Life Financial, Inc.>: Yeah, David. This is Dan. We don't disclose the margins in that granular way. What I can say is we've had some re-pricing going on in the group life and disability business over the past few years. That's largely complete at this point. So, we'll see the impact of that as starting to phase into the business and you'll see that more over the next year or so.

What I would say is when we set the overall margin target at 7% or more, we did have a view to what the margin could be for the life and disability business. We're not there yet. And we think with all the actions that we've been taking on claims management, expense management and pricing that we're well on our way to getting there, but we still have a little bit of opportunity there to get those margins up further.

<Q – Dave Motemaden – Evercore Group LLC>: Okay. Great. Thanks. And then if I could just sneak one more in. Just for Dean, just in terms of M&A and specifically in Asia. Just curious if you guys would be partial to doing a bancassurance deal or are you more interested in buying an entire business in that region?

<A – Dean Connor – Sun Life Financial, Inc.>: Well, David, I think if you look historically at what we've done, you can bucket our M&A activity in Asia into three buckets. First is we bought businesses out right like the business in Malaysia. Second, we've invested in banca distribution relationships in different markets. And thirdly, we've acquired larger shares of JV's that we already know and love. So, we're still thinking about all three of those categories.

<Q – Dave Motemaden – Evercore Group LLC>: Okay. Thank you.

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

<Q – Paul Holden – CIBC World Markets, Inc.>: Thanks. Good morning. So, continuing with the theme of low rates and the success you've had in group business both in U.S. and Canada. Wondering if there is any opportunities to build a group business outside of North America, whether that's in Asia, in which you obviously have some experience, a very long experience operating in different lines of business in. So, I guess particularly, is there a Group Benefits business case in Asia?

<A – Claude Accum – Sun Life Financial, Inc.>: Hi Paul, it's Claude here. We actually do have a group as a component in many of our business. It's a big factor in India, in the Philippines, and we have quite a big group business in Hong Kong. The group markets are not as large and as developed as what you see in North America.

And so, it's still a small part of overall what we do. But as all those markets develop, you will see those group businesses grow to be something bigger and there are opportunities where we could look at the other group businesses that are available in the marketplace. So, that would be another way that we could grow those.

<Q – Paul Holden – CIBC World Markets, Inc.>: Okay. Good. And then second question is with respect to expense experience. So, it has been positive in each of the last two quarters but was negative in each of the prior eight quarters. So, I appreciate your comments on filing it up on looking at expense efficiencies. But clearly, something has changed I think more recently. So, what is it that in your view has changed? Is it just expenses towards IT, maybe have plateaued or it really is truly just you're working harder to get the expense efficiencies out of various business lines?

<A – Kevin Strain – Sun Life Financial, Inc.>: Paul, it's Kevin Strain. I'll start and then I'll let Kevin Morrissey sort of add to it. Expense management has been a big theme in the company and we've had initiatives to – you've heard Jacques talk about the owner's mindset and you've heard Dan talked about expenses. Claude is in a little bit of growth mode, so our expenses are important there but he's really looking at growing his expenses slower than he's growing his top line. And if you look at the corporate office, we've been really managing expenses very closely as well.

So, that's where you're seeing – the momentum and expense growth has definitely slowed in the organization and that's part of what's coming through these numbers.

<A – Kevin Morrissey – Sun Life Financial, Inc.>: And Paul, it's Kevin Morrissey. Maybe I'll just add to that, that in addition to the expense discipline, we are seeing that growth in the business, right, and especially in Canada in the group businesses, both GRS and Group Benefits are adding capacity. And so, when you put those two together, we are seeing strong performance in the last couple of quarters.

<Q – Paul Holden – CIBC World Markets, Inc.>: Okay. I'll leave it there. Thank you.

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

<Q – Tom MacKinnon – BMO Capital Markets (Canada)>: Yeah. Thanks very much. Good morning. Just wondering if – the question for Dean here is I think you've talked about CAD 800 million in excess capital you generate annually. I assume that still holds the case despite all this chatter about a low interest rate environment. Can you just reiterate that?

<A – Dean Connor – Sun Life Financial, Inc.>: Yeah. Tom, that number is still the amount of excess capital that we're generating. And as we've said before, that's roughly how we've sized our NCIB.

<Q – Tom MacKinnon – BMO Capital Markets (Canada)>: And should we – over the last 12 months, it seems you've put that money to work in in terms of – in NCIB and you renewed it again, 2.5%, and quick math would assume that with the CAD 800 million would buy back about that amount again. Is this sort of an ongoing tool now to augment growth? Is that the way we should be looking at the NCIB?

<A – Dean Connor – Sun Life Financial, Inc.>: I think – we said this before that it is important to have the flexibility to allocate capital to buybacks. It's one of the ways, not the only way, but one of the ways that we deploy capital. We've got lots of capital and we're generating lots of capital, which is a fantastic position to be in. And so, it's important to have buybacks as part of the toolkit, but it's just one way. So, we've talked about funding organic growth, we talked about M&A. We talked about potential reinsurance recapture at different points in the cycle. So, it's just one way, but it's an important way and we've shown over the last year our desire or our tendency to use it, ability to use it to good effect.

<Q – Tom MacKinnon – BMO Capital Markets (Canada)>: Okay. And then finally just with respect to Canada here expected profit up nicely 9% year-over-year, we hear all this talk about the digital platform in Canada. But I'm wondering how that all translates into earnings growth. Do you think that it is contributing to this kind of better than expected growth and expected profit we get in Canada? Like how should we be thinking about this good digital platform you have in Canada impacting the bottom line?

<A – Jacques Goulet – Sun Life Financial, Inc.>: Thanks, Tom. I'm glad you say we have a good digital platform. It's great. And the expected profit is up 9% as you point out, and that's largely the growth in the business. We're growing our business in-force, we're growing our assets under management and, as Kevin has pointed out, also what's contributing to that is good discipline on expenses, right. And so, the digital platforms, Lumino and Ella Digital Benefits Assistant are still relatively small.

Lumino is something we launched last year. Really, the value proposition here is what I would say bending the health care cost curve for both employers and employees, our plan members. And we are – when we do that and by the way, we've started demonstrating that and some of it stayed with us where we have fully insured clients or for other clients where it's on an ASO basis. We passed it on to them, but one of the things that's great about that of course is that makes us a more attractive proposition in the market, and we're winning more business.

And we've said at Investor Day, remember that what we hear from clients when we get feedback is that our technology is really ahead and that is contributing to us increasing our market share. So, all-in-all, I think it's a good value proposition. It may take a little while, of course, before it contributes in a material way to our earnings, of course.

<Q – Tom MacKinnon – BMO Capital Markets (Canada)>: Okay. And then while I have the last one is just on the individual insurance sales in Canada. It seems to be down year-over-year. I mean, second quarter last year was a pretty good year, down quite a bit in third party. Anything particular there? How should we be looking at that going forward?

<A – Jacques Goulet – Sun Life Financial, Inc.>: Yeah. So thanks, Tom. So, you're on – the decline this quarter over Q2 2018 is driven entirely by the third party. So, just as a quick reminder, as you know, we have two distribution channels, right? We have our own advisors and the third parties. They're actually operating in different parts of their market, right, so our own advisors are more in mass and in mass affluent, if I can say that. And the third party is in the high net worth and ultra high net worth (01:03:57). So, in the third party, because of the market that we target, you're talking about large face amount policies and that can be lumpy. And as you pointed out, we have very strong growth in Q1. So, it was lumpy positive. And this time, it's lumpy negative, I would say.

We maintain, obviously, very good relationships with advisors in that channel. We continue to get good feedback on our products. They're attractive. They're competitive. We have a strong pipeline there. So, nothing to be concerned about. You've asked me before about the career sales force that you probably saw this quarter. The sales are flat. And our focus the last years have been on raising the quality and enabling our advisors with better tools and better technologies so that they can deliver, ultimately, a better client experience for their clients, but also to be more productive. And with the continued decline a little bit on the advisor account, you can see that we're starting to see early signs there of productivity going up, which is great.

The last thing I'll say, Tom, which people sometimes are a little bit surprised as they don't expect that is the makeup of our career sales force. It's quite diverse. We have 37% of our advisors are women. Also, sometimes, people are surprised to hear that the average age of our advisor is 46 and 40% of them are millennials. So, we think that actually aligns pretty well with what is the Canadian market and the fact that as you know we are a leader. If you go back eight quarters or so, we are the number one or number two in insurance sales – it varies from quarter-to-quarter. So, all-in-all, we feel pretty good of where we are.

<Q – Tom MacKinnon – BMO Capital Markets (Canada)>: Okay. Thanks very much.

<A – Jacques Goulet – Sun Life Financial, Inc.>: Thanks, Tom.

Operator: Your next question comes from the line of – sorry, one moment, is from the line of Scott Chan.

<A – Kevin Strain – Sun Life Financial, Inc.>: Scott, you might be on mute.

Operator: Apologies, just having a technical difficulty.

<A – Kevin Strain – Sun Life Financial, Inc.>: Operator, do you want to move to the next question and then maybe pick up Scott?

Operator: One moment please.

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

Operator, given that we're past our hour on the call, I would suggest that we can take additional calls afterwards. I'll be around and Leigh and we're open to take those calls.

Operator: Okay. We can take the questions now if you prefer to take them afterwards.

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

I think we're okay. I think we're well past the hour so I think that's fine and we can pick those up after the call.

Operator: Okay. Sorry about the technical difficulty. I will turn the call over to Leigh Chalmers for closing remarks.

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

Great. Thank you. I'd like to thank all of our participants today. And as Kevin mentioned, if there are any additional questions, we will be available after the call. Should you wish to listen to the rebroadcast, it will be available on our website later this afternoon. Thank you and have a good day.

Operator: This concludes today's conference call. You may now disconnect.