**Diversified Bond Segregated Fund – investment change**

In May 2017 Western’s Joint Pension Board completed a review of the Diversified Bond Segregated Fund and agreed to make a change to one of the underlying mandates. The objective of the fund remains to provide a steady flow of income and the potential for capital gains by investing in Canadian and non-Canadian fixed income securities and the investment risk of the fund is unchanged at Low-Moderate.

Effective June 19, 2017 the Diversified Bond Segregated Fund’s allocation to the AB Canadian Core Plus Bond Segregated Fund was changed to the AB Canadian Core Plus Advanced Bond Segregated Fund. This component continues to have a target allocation of 38.4% of the Diversified Bond Segregated Fund.

The other components remain unchanged and include a 25.6% target allocation to actively managed global bonds (AB), a 26% target allocation to passive Canadian bonds (BlackRock) and a 10% target allocation to commercial mortgages (Romspen).

Considering the prolonged low interest rate environment and anticipated future rise in interest rates, the Board reviewed strategies that would offer sustained positive returns for the portfolio while minimizing volatility. The change is expected to result in an increase in exposure to higher yielding and more volatile fixed income securities including high yield debt, emerging market debt and non-Canadian bonds. Although the change slightly increases the risk of the portfolio, it is compensated by having higher expected returns, resulting in better risk-adjusted returns. By giving the portfolio manager greater flexibility to invest assets, it increases the opportunities to add value.

Funds affected by this change include the Diversified Bond Segregated Fund, Balanced Income and Balanced Growth. No action is required by Pension Plan members investing in these options, but as always, members are encouraged to regularly review their holdings to ensure they remain appropriate for your goals and risk tolerance.

For a more detailed summary on this or any fund under the plan, please log in to your account at sunlife.ca/western, select Investment performance and click on the name of the fund you wish to learn more about. You can also ask to speak with an Investment Advice Specialist by calling Sun Life at 1-866-733-8612 from 8 am to 8 pm on business days.