

Sun Life Multi-Strategy Bond Fund

FUND REVIEW Q1, 2018 | Opinions as of April 5, 2018

CATEGORY¹

Canadian Fixed Income

MANAGEMENT COMPANY

Sun Life Global Investments (Canada) Inc.

INCEPTION DATE

September 1, 2011

PORTFOLIO MANAGERS

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HIGHLIGHTS

- Sun Life Multi-Strategy Bond Fund rose 0.3% in Q1
- Extreme volatility hindered markets
- Yields fell early in the quarter and then climbed

¹ Mutual fund categories are maintained by the Canadian Investment Funds Standards Committee (CIFSC).

OUTLOOK

Similar to markets globally, strengthening growth and inflation expectations early in the first quarter put upward pressure on Canadian bond yields across maturities, leading to lower bond prices and overall negative returns. Over this period, returns on provincial and corporate bonds were slightly less negative, supported by continuing demand for higher-yielding assets.

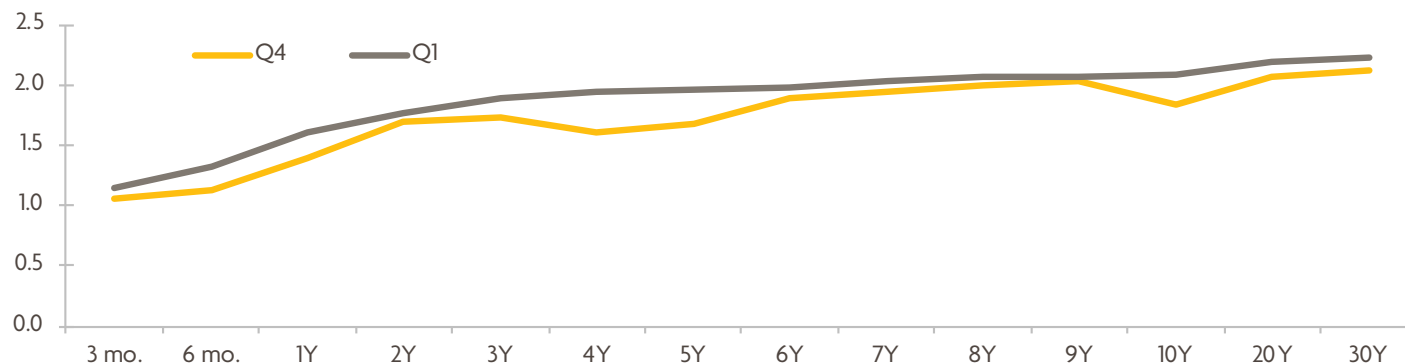
Markets turned sharply lower in February as higher interest rates and inflation expectations challenged the overall appetite for risk and triggered a surge in volatility. In turn, Canadian bonds generated positive returns over February and March, supported by high-quality Government of Canada issues.

Over the quarter as a whole, Canadian bonds managed to post a positive return of just 0.1%. The yield on Canadian 10-year bonds remained essentially unchanged at 2.09%.

On the shorter end, yields moved up marginally as the Bank of Canada raised its overnight lending rate by 25 basis points to 1.25% in January. Long-term rates moved down, held back by muted expectations for Canadian growth. This may now give the BoC pause, after raising interest rates three times since the summer of 2017.

In contrast, the trend in rising yields in the U.S. that began mid-2016 appears to be continuing with the yield on 10-year U.S. Treasuries ending the quarter at 2.74%, up 28 basis points. The market expects the U.S. Federal Reserve to go ahead with 2 to 3 rate increases before the end of the year, reflecting tight labour markets along with rising upward pressure on wages and inflation.

YIELD CURVE



Source: Bloomberg. Data as of March 31, 2018.

FUND REVIEW

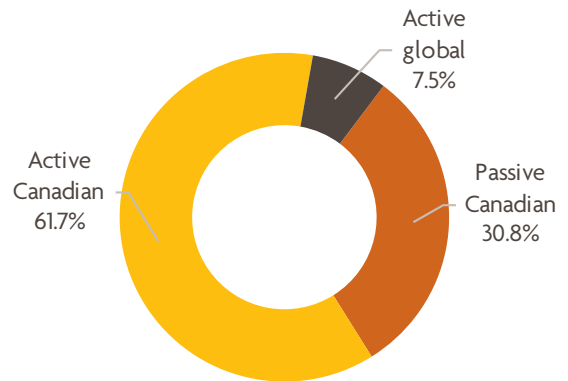
Sun Life Multi-Strategy Bond Fund rose 0.3% in the first quarter, benefitting primarily from its allocation to global bonds.

The core Canadian bond component of the fund performed in line with the broader Canadian bond market. This portion of the fund remains defensively positioned, favouring active management, higher-quality bonds and liquidity in light of heightened interest rate volatility and continued low additional return for taking on credit risk.

The fund maintains some exposure to global bonds to balance risk and broaden sources of return. This exposure was the key driver of performance over the quarter, generating strong absolute and benchmark relative returns.

We further maintained some implicit exposure to the U.S. dollar within this component for defensive purposes, which further added to returns as the U.S. dollar strengthened versus the Canadian dollar.

TARGET ALLOCATIONS

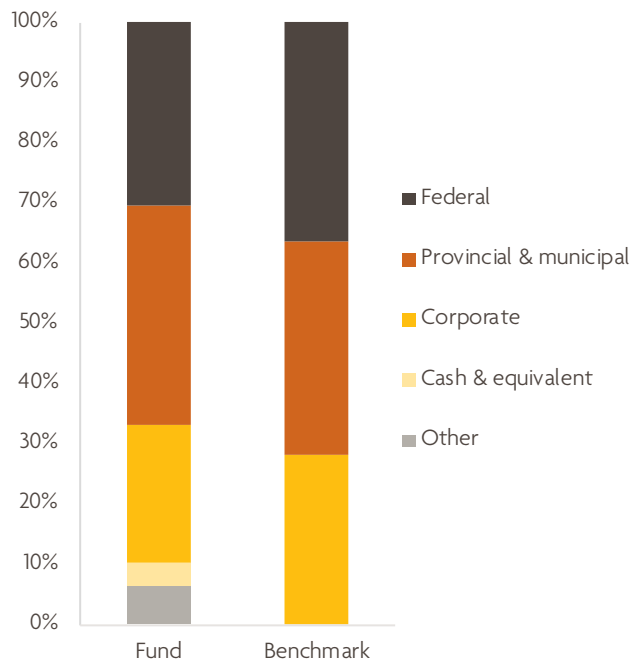


	FUND	BENCHMARK*
Duration (years)	6.9	7.4
Yield to maturity (%)	2.8	2.6

Source: Bloomberg. Data as of March 31, 2018.

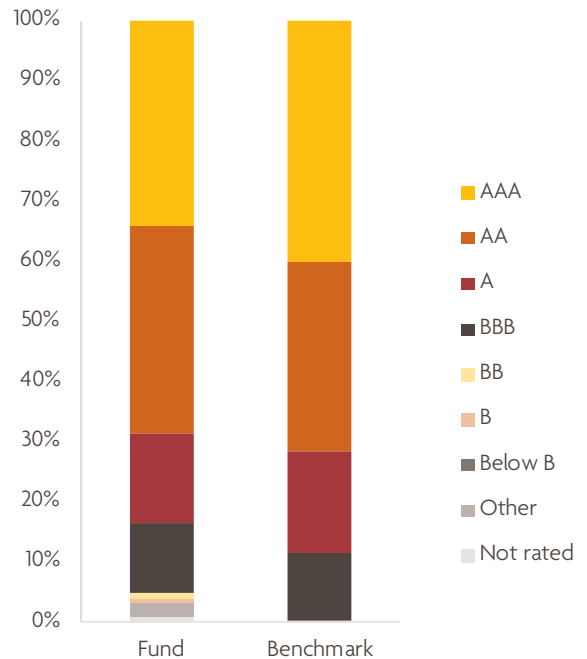
*Throughout this document, "Benchmark" refers to the FTSE TMX Canada Universe Bond Index.

BREAKDOWN BY SECURITY TYPE



Source: Bloomberg. Data as of March 31, 2018.

BREAKDOWN BY CREDIT QUALITY



FUND RETURNS % SERIES A					
Q1	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION	INCEPTION DATE
0.3	0.2	-0.2	0.8	1.2	September 01, 2011

Returns for periods longer than one year are annualized. Data as of March 31, 2018.

Effective May 2, 2016, Sun Life Beutel Goodman Canadian Bond Fund moved to a multi-strategy approach, was renamed Sun Life Multi-Strategy Bond Fund, and Beutel Goodman and Company Ltd. was removed as sub-advisor. The Fund's assets are allocated among four underlying managers: BlackRock Asset Management; Connor, Clark & Lunn Investment Management Ltd. (as sub-advisor), Franklin Templeton Investments and Phillips, Hager & North Investment Management.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Investors should read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or other optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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