

Sun Life Multi-Strategy Bond Fund

FUND REVIEW Q4, 2017 | Opinions as of January 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 1.3% in the fourth quarter
- U.S. tax reform plan adopted
- Overweight corporate bonds
- Overweight Canadian provincial government bonds

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

OUTLOOK

Canadian shorter-term yields continued to climb in the fourth quarter, reflecting further expected removal of monetary stimulus by the Bank of Canada.

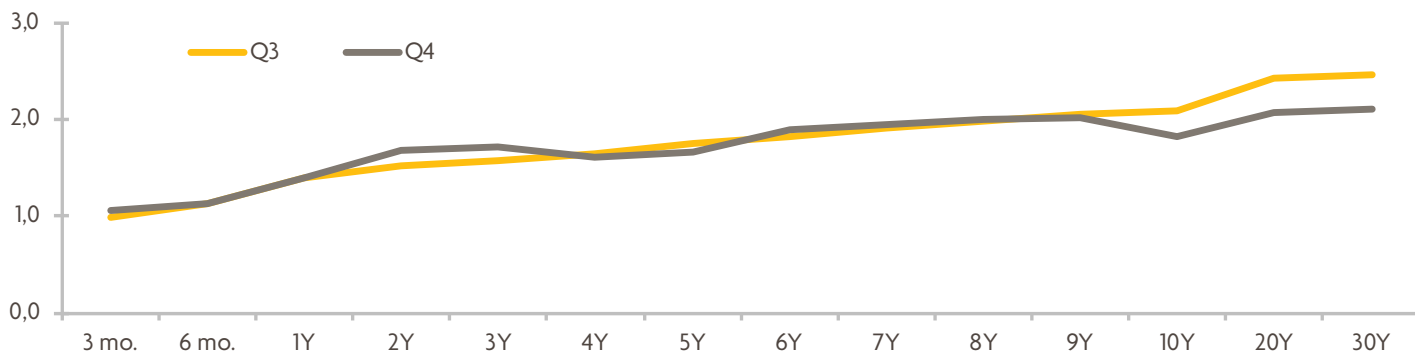
On the other hand, longer-term yields reversed course in the fourth quarter, decreasing notably as the market priced in a number of negative issues facing the Canadian economy, including an overheated real estate market, record household debt and NAFTA's possible termination.

While the Bank of Canada did not raise interest rates in the fourth quarter, the U.S. Federal Reserve moved ahead with a

25 basis point rate hike in December. Barring a slump in growth or decrease in inflation, we expect the Fed to raise rates at least three times in 2018, which may cause the yield on shorter-term U.S. Treasuries to rise.

More broadly, synchronized global economic growth could gain further traction in 2018. In contrast, the inflation outlook appears somewhat uncertain after a period of relatively benign price appreciation. Hence, inflation is worth watching closely this year, given its important implications for not just monetary policy, but also bonds and asset prices more broadly.

YIELD CURVE



Source: Bloomberg. Data as of December 31, 2017.

FUND REVIEW

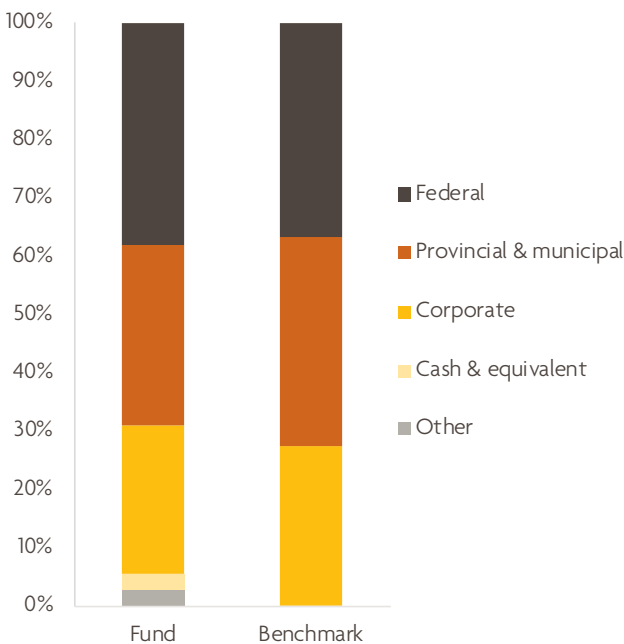
Sun Life Multi-Strategy Bond Fund rose 1.3% in the fourth quarter, benefitting from increased income and price appreciation on longer-dated Canadian bonds.

The core Canadian bond portion of the fund generated a positive return, in part by favouring provincial bonds, which provided higher running yield and some modest price appreciation (Annual income on an investment divided by its current market value.).

Overall, the core Canadian bond 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.

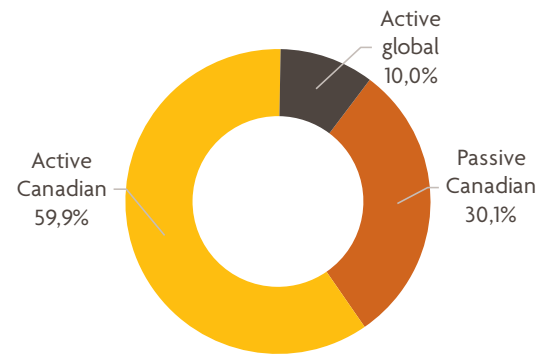
For diversification, the fund also maintains some exposure to global bonds to balance risk and broaden sources of return. While the performance of global bonds was mixed over the quarter, it was favourable over the year and boosted overall fund returns. Within this component, we continue to hold some exposure to the U.S. dollar, which we view as a defensive position, reflecting current political and market risks.

BREAKDOWN BY SECURITY TYPE



Source: Bloomberg. Data as of December 31, 2017.

TARGET ALLOCATIONS

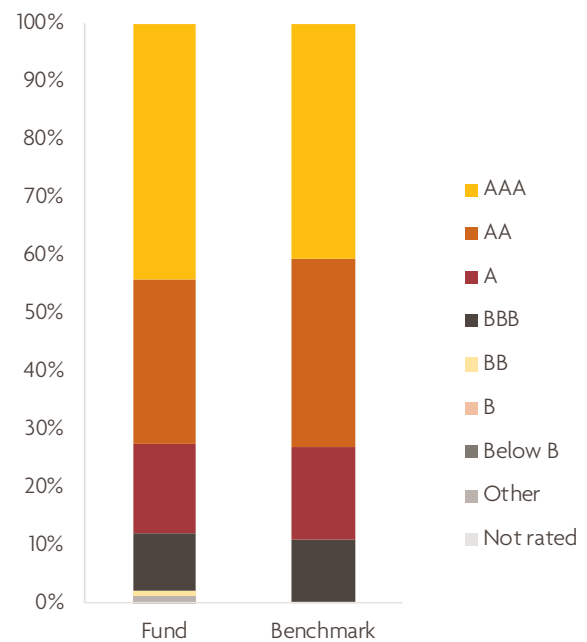


	FUND	BENCHMARK*
Duration (years)	2.4	7.6
Yield to maturity (%)	2.2	2.5

Source: Bloomberg. Data as of December 31, 2017.

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

BREAKDOWN BY CREDIT QUALITY



FUND RETURNS % SERIES A					
Q4	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION	INCEPTION DATE
1.3	1.4	0.7	0.7	1.2	September 01, 2011

Returns for periods longer than one year are annualized. Data as of December 31, 2017.

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 will be 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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