

Sun Life Excel High Income Fund

FUND REVIEW | Q2 2018

INVESTMENT PROFESSIONAL USE ONLY.

Unless otherwise indicated: currency references are in C\$; data sources are Sun Life Global Investments and RBC; opinions and data as of June 30, 2018.

CATEGORY¹

Emerging markets fixed income

INVESTMENT OBJECTIVE

To seek to achieve total return comprised of a combination of interest income and capital growth by investing primarily in debt securities issued by governmental and corporate issuers located in emerging market countries throughout the world.

MANAGEMENT COMPANY

Sun Life Global Investments (Canada) Inc.

SUB-ADVISOR

Amundi Canada Inc.,
Montreal, Canada

INCEPTION DATE

Series A: October 22, 2010
Series F: November 4, 2010

TOTAL ASSETS

\$187,716,241

BENCHMARK

50% JP Morgan GBI-EM Global Diversified
Composite Unhedged Index
50% JP Morgan EMBI Global Diversified
Composite Index

PERFORMANCE SUMMARY

Sun Life Excel High Income Fund (Series A) returned -7.1% in the second quarter, underperforming its benchmark by roughly 2.0 percentage points.

Country allocation detracted from performance over the quarter. Overweight positions in Latin America negatively impacted performance, particularly in Brazil and Argentina where economic performance suffered under sustained currency depreciation. Underweight positions in Chile and Peru also detracted from performance, as these economies gained traction and grew during the quarter.

The fund's overweight position in emerging markets currency also negatively impacted performance, particularly in Turkey, Argentina, Brazil and South Africa, all of which experienced currency depreciation. Many emerging markets economics were negatively impacted by the rising U.S. dollar and interest rates, leading to a risk off environment, which was reflected in the poor performance of many markets. Some of this poor performance was offset by underweight positions in currency for Canada (CAD), Korea (KRW), Czech Republic (CZK) and Israel (ILS).

Emerging market debt has underperformed other asset classes in the first half of 2018. The portfolio manager believes the decline is fueled primarily by a stronger U.S. dollar and changes in global trade policies. Rising U.S. interest rates along with a growing risk-off environment has caused the U.S. dollar to rally significantly against most emerging market currencies, contributing to the decline of the asset class as a whole.

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

PERFORMANCE

SERIES A

ANNUAL COMPOUND RETURNS % ²							
	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	7 YEAR	SINCE INCEPTION
Fund	-7.05	-2.97	-3.46	3.32	5.32	5.86	5.69
Benchmark	-5.13	-1.08	-0.63	5.19	6.49	6.72	6.30
+ / -	-1.92	-1.89	-2.83	-1.86	-1.17	-0.86	-0.61

CALENDAR YEAR %								
	YTD	2017	2016	2015	2014	2013	2012	2011
Fund	-2.97	3.27	6.62	8.01	11.02	-1.61	18.39	3.63
Benchmark	-1.08	5.33	6.35	11.37	9.78	-0.87	14.61	5.33
+ / -	-1.89	-2.06	0.27	-3.36	1.23	-0.74	3.78	-1.71

RISK ANALYSIS ³						
	SHARPE	BETA	STANDARD DEVIATION	SORTINO	UP CAPTURE	DOWN CAPTURE
Fund	0.55	1.06	8.88	0.93	100.81	115.43
Benchmark	0.72	1.00	8.15	1.32	100.00	100.00

SERIES F

ANNUAL COMPOUND RETURNS % ²							
	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	7 YEAR	SINCE INCEPTION
Fund	-6.82	-2.43	-2.37	4.48	6.50	7.04	6.86
Benchmark	-5.13	-1.08	-0.63	5.19	6.49	6.72	6.30
+ / -	-1.69	-1.35	-1.75	-0.71	0.01	0.32	0.56

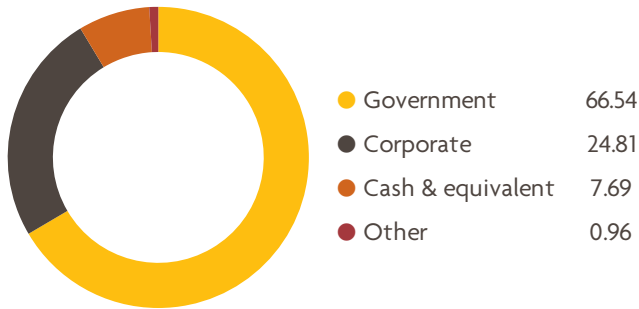
CALENDAR YEAR %								
	YTD	2017	2016	2015	2014	2013	2012	2011
Fund	-2.43	4.44	7.80	9.25	12.21	-0.45	19.79	4.70
Benchmark	-1.08	5.33	6.35	11.37	9.78	-0.87	14.61	5.33
+ / -	-1.35	-0.89	1.45	-2.12	2.43	0.42	5.18	-0.63

RISK ANALYSIS ³						
	SHARPE	BETA	STANDARD DEVIATION	SORTINO	UP CAPTURE	DOWN CAPTURE
Fund	0.67	1.06	8.90	1.18	106.02	110.48
Benchmark	0.72	1.00	8.15	1.32	100.00	100.00

²Returns for periods longer than one year are annualized. Series A securities of the fund are available for purchase to all investors, while Series F securities are only available to investors in an eligible fee-based or wrap program with their registered dealer. While Series A and Series F securities have the same reference portfolio, any difference in performance between these series is due primarily to differences in management fees and operating fees. The management fee for Series A securities includes the trailing commission, while Series F securities does not. Investors in Series F securities may pay a separate fee-based account fee that is negotiated with and payable to their registered dealer. ³Data based on 5-year period ending June 30, 2018.

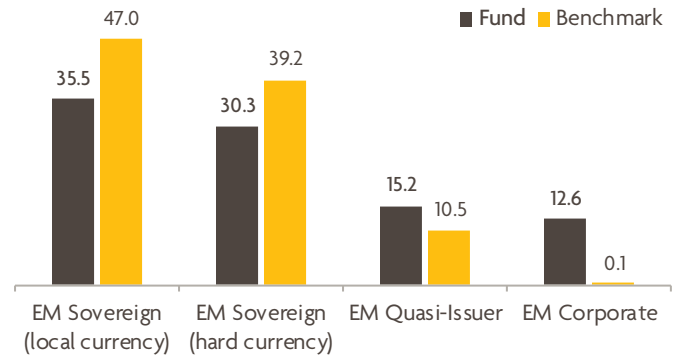
FUND DETAILS

BREAKDOWN BY SECURITY TYPE %



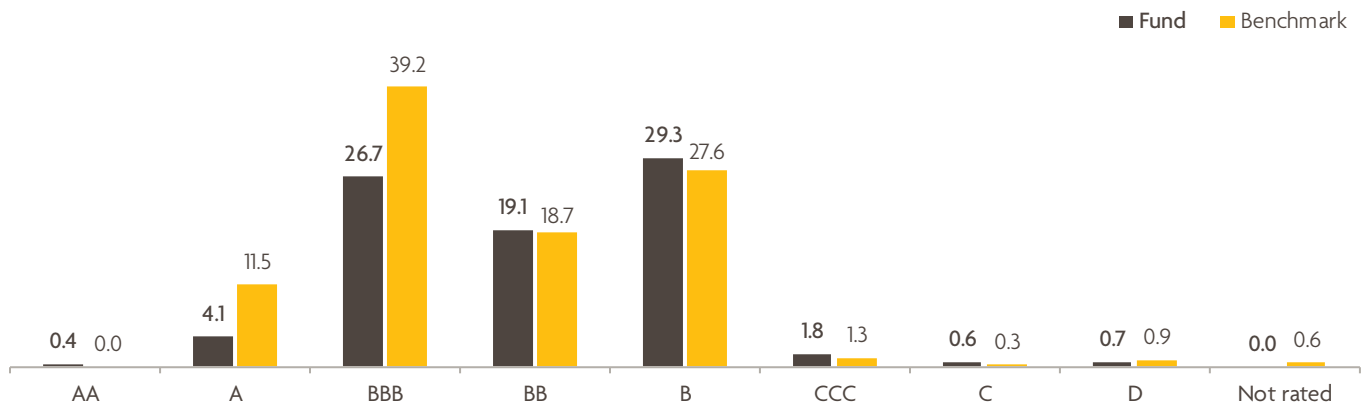
Source: Amundi Canada Inc.

SECTOR ALLOCATION %



Source: Amundi Canada Inc.

BREAKDOWN BY CREDIT QUALITY



Source: Amundi Canada Inc.

FUND STATISTICS

	FUND	BENCHMARK	+/-
Yield to maturity	7.15%	6.47%	0.68%
Modified duration (bps)	5.50	5.78	-0.28
Portfolio holdings (total #)	144	-	-
Holdings issuers (total #)	84	-	-
Average rating	BBB-	BBB-	-

Source: Amundi Canada Inc.

Yield to maturity is the total expected return of a bond investment, assuming the bond is held to maturity, expressed as an annualized percentage rate.

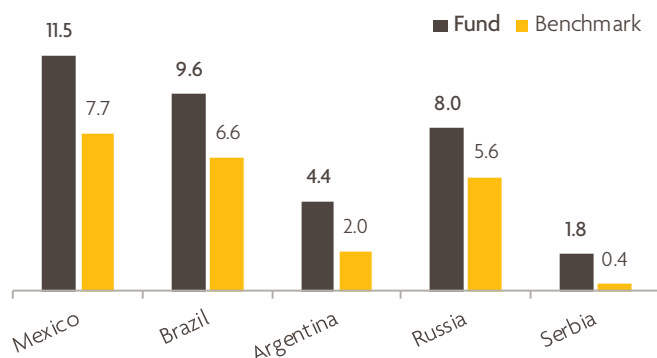
Modified duration is a measure of a bond's sensitivity to interest rates, expressed in years. The higher the duration, the more sensitive a bond is expected to be to changes in interest rates (and vice versa).

Average rating is the weighted average of the credit quality of the total holdings within the portfolio.⁴

⁴Average rating based on cash bonds and CDS but excludes other types of derivatives.

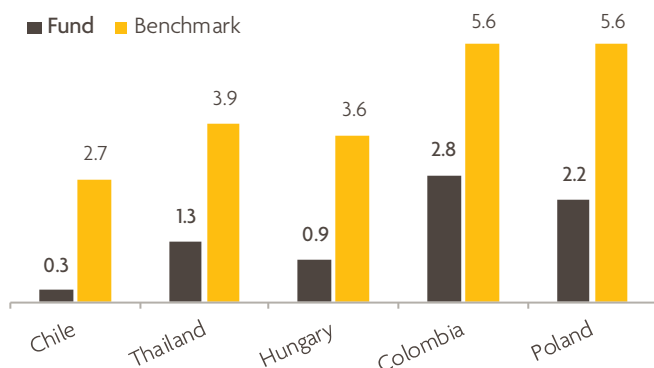
GEOGRAPHIC ANALYSIS

TOP 5 OVERWEIGHT HOLDINGS



COUNTRY	COUNTRY WEIGHT		
	FUND %	BENCHMARK %	+/-
Mexico	11.53	7.72	3.81
Brazil	9.63	6.55	3.08
Argentina	4.39	1.95	2.44
Russia	7.96	5.61	2.35
Serbia	1.82	0.35	1.47

TOP 5 UNDERWEIGHT HOLDINGS



COUNTRY	COUNTRY WEIGHT		
	FUND %	BENCHMARK %	+/-
Chile	0.26	2.66	-2.40
Thailand	1.30	3.86	-2.56
Hungary	0.91	3.61	-2.70
Colombia	2.75	5.56	-2.81
Poland	2.22	5.56	-3.34

Source: Amundi Canada Inc.

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 security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P") and is licensed for use by Sun Life Global Investments (Canada) Inc. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

This quarterly review is published by Sun Life Global Investments (Canada) Inc. and contains information in summary form. Although information has been obtained from sources believed to be reliable, Sun Life Global Investments (Canada) Inc. cannot guarantee its accuracy or completeness. Information is subject to change. The quarterly review should not be construed as providing specific individual financial, investment, tax, or legal advice. Investors should speak with their professional advisors before acting on any information contained in this document. Please note, any future or forward looking statements contained in this quarterly review are speculative in nature and cannot be relied upon. There is no guarantee that these events will occur or in the manner speculated.

© 2018 Morningstar Research Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.