

Sun Life MFS Canadian Bond Fund

FUND REVIEW Q4, 2017

All currency references are in C\$ unless otherwise indicated; opinions and data as of December 31, 2017 unless otherwise indicated.

CATEGORY¹

Canadian Fixed Income

INVESTMENT OBJECTIVE

The fund aims to provide investors with high investment returns primarily through income, with reasonable safety of capital.

MANAGEMENT COMPANY

Sun Life Global Investments (Canada) Inc.

SUB-ADVISOR

MFS Investment Canada Limited
Toronto, Ontario
MFS Institutional Advisors, Inc.
(MFS Investment Management)
Boston, Massachusetts

INCEPTION DATE

Series A: April 1, 2009
Series F: March 30, 2012

TOTAL ASSETS

\$133,380,273

BENCHMARK

FTSE TMX Canada Universe Bond Index

PERFORMANCE SUMMARY

Opinions and data for "PERFORMANCE SUMMARY" provided by MFS Institutional Advisors

Sun Life MFS Canadian Bond Fund (series A) returned 1.9% in the fourth quarter, underperforming its benchmark by roughly 0.2 percentage points.

Canadian yields were mixed over the quarter as long term yields moved lower and short term yields rose. The Government of Canada yield curve flattened – resulting in a lower differential between long-term and short-term yields. Canadian corporate and provincial spreads ended the quarter narrower – corporate bonds outperformed in shorter maturities, while provincial bonds were the best performer as investors moved out the maturity spectrum.

Looking forward, the portfolio manager expects moderate, non-recessionary global growth with low inflation. The Canadian economy has continued to exceed expectations and ended the year with some of the strongest full-year employment growth experienced over the past two decades. However, the portfolio manager is cautious of ongoing headwinds that will challenge the Canadian growth story in 2018, namely the low level of inflation, high level of consumer debt, recent softening of housing activity, and the potential negative impact of rising interest rates. The portfolio therefore maintains a duration position of neutral to slightly long as the BoC may be hard pressed to deliver more rate hikes than are already priced in. Currently, the market has three additional rate increases priced in to the end of 2018.

Key contributors

- Sector allocation
 - A preference for corporate bonds bolstered performance as corporate spreads tightened over the course of the quarter.
- Security selection in provincials and financials
 - Strong credit selection in both provincial and financial bonds added value, particularly the portfolio's holdings of long-dated Alberta and Manitoba bonds.

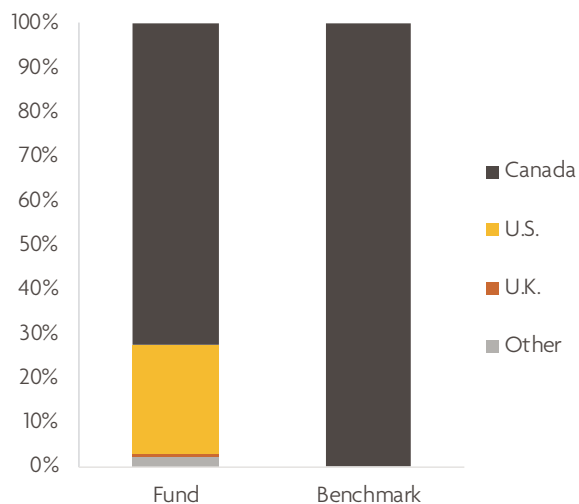
Key detractors

- Security selection in industrials
 - Selection in industrial bonds was hampered by U.S. industrial spreads lagging the tightening of their Canadian counterparts

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

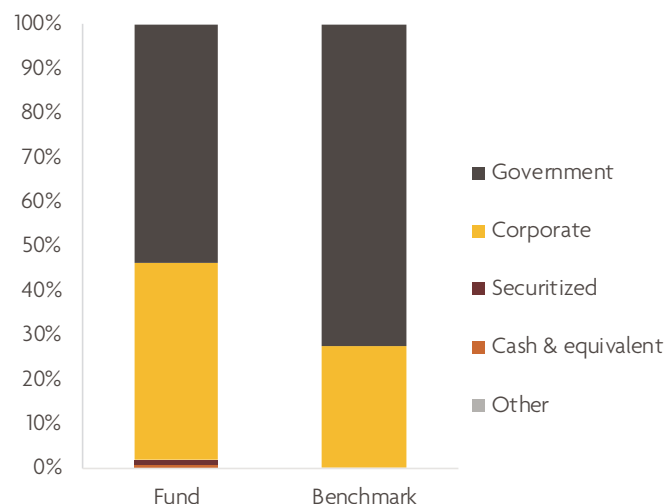
FUND DETAILS

GEOGRAPHIC ALLOCATION



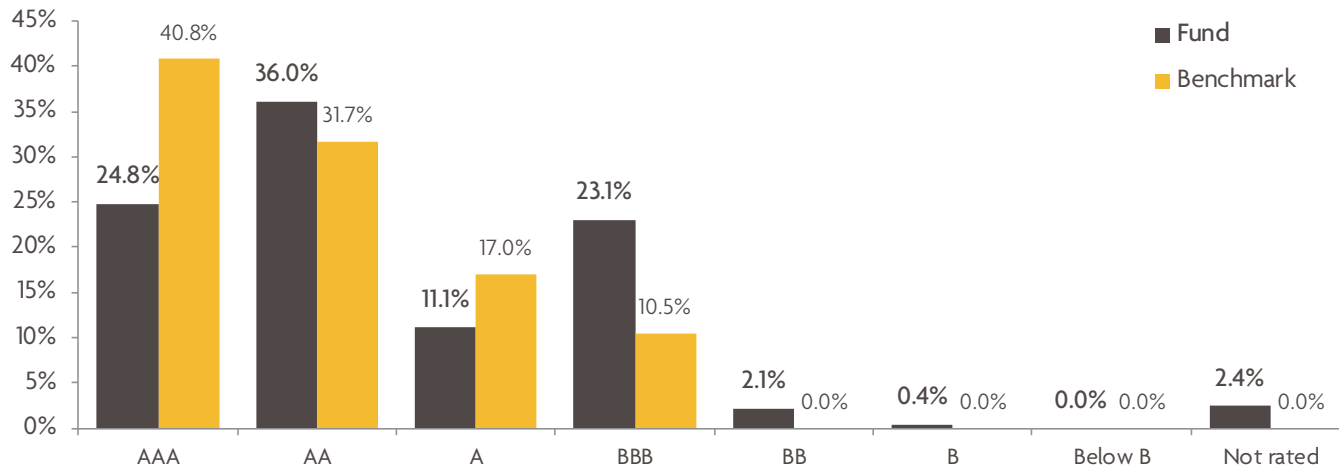
Sources: Morningstar and MFS.

BREAKDOWN BY SECURITY TYPE



Sources: Morningstar and MFS.

BREAKDOWN BY CREDIT QUALITY



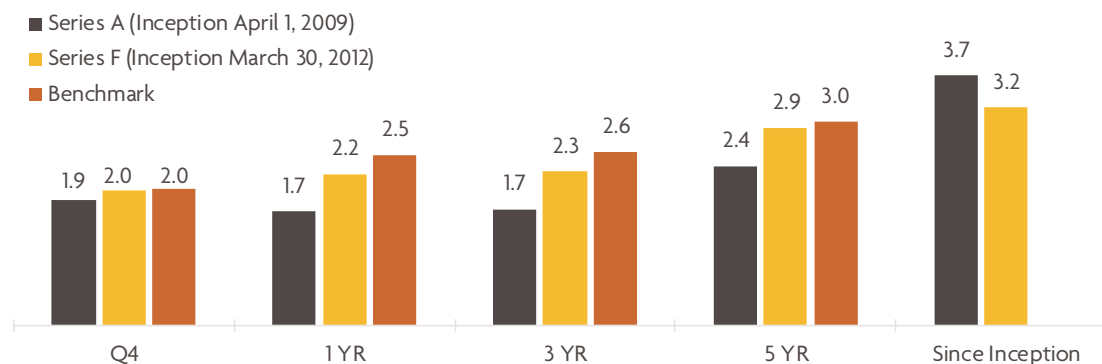
Sources: Morningstar and MFS.

	FUND	BENCHMARK
Duration (years)	7.6	7.6
Yield to maturity (%)	2.8	2.5

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).

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.

PERFORMANCE %



When comparing the fund's performance with its benchmark, note the fund invests outside Canada, whereas the benchmark contains only Canadian fixed income securities. Series A and Series F have the same reference portfolio, but the management fees are different. Performance is expected to differ between series.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Commissions and trailing commissions are not payable on Series F units of the fund but management fees and expenses may be associated with these investments. Investors may pay a fee-based account fee that is negotiated and payable by them to their registered dealer. 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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