

SUN LIFE MFS CANADIAN BOND FUND

FUND REVIEW Q2, 2017

All currency references are in C\$ unless otherwise indicated; opinions and data as of June 30, 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

\$123,180,121.00

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 0.9% in the second quarter, underperforming its benchmark by roughly 0.2 percentage points.

The Canadian bond market returned 1.1% in the second quarter, continuing to build on the first quarter's positive start to 2017.

The managers continue to expect credit to outperform over the course of the cycle, though many credits are looking fully valued. While there is no anticipation of a recession or a major default cycle, it is difficult to see a material spread narrowing from current levels. As a result, provincials and corporate allocations have been trimmed, mostly in domestic financials given relative valuation, with proceeds deployed into federals. Nevertheless, an overweight on credit remains given still-positive carry, and a focus has been placed on bonds where there is a margin of safety and on issuers with strong cross-cycle fundamentals.

Late in the quarter, the Bank of Canada surprisingly began to communicate a more hawkish stance, and in turn the market has priced in a 50 basis point rate increase in 2017. Given the low level of inflation, high level of consumer debt and recent softening of housing activity, there is concerns about the potential negative impact of rising interest rates on the Canadian economy. This portfolio's duration-neutral position since the beginning of June has limited the negative impact of the rise in yields since mid-June.

Key contributors

- Sector allocation to corporates
 - A preference for corporate bonds, particularly industrial and financial bonds, over federal bonds
- Security selection in industrials and financials
 - Security selection in those two sectors contributed to returns, particularly due to the preference for non-Canadian issues

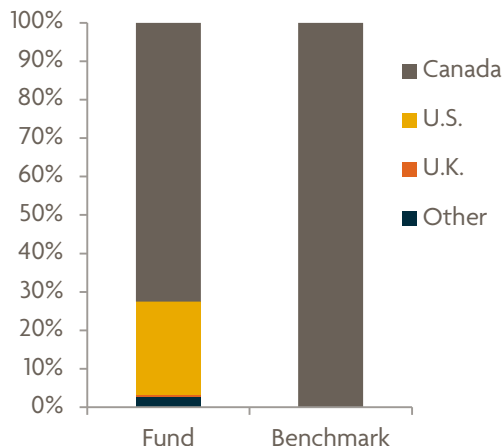
Key detractors

- Yield curve positioning
 - An overweight exposure to the middle of the yield curve, particularly the 5- and 10-year key rate duration, detracted from relative.

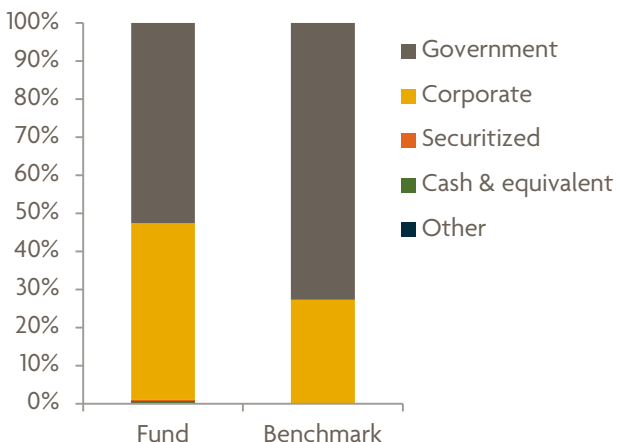
¹ Mutual fund categories are maintained by the Canadian Investment Funds Standards Committee (CIFSC).

FUND DETAILS Source: Morningstar and MFS.

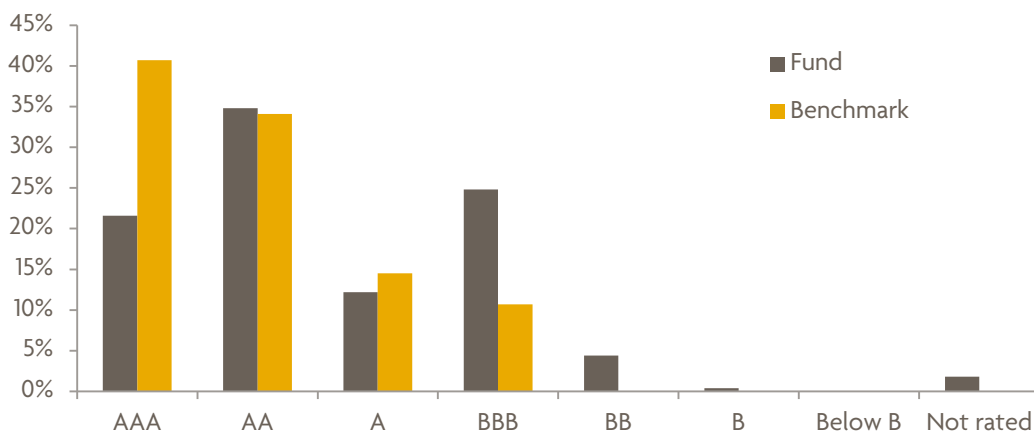
GEOGRAPHIC ALLOCATION



BREAKDOWN BY SECURITY TYPE



BREAKDOWN BY CREDIT QUALITY

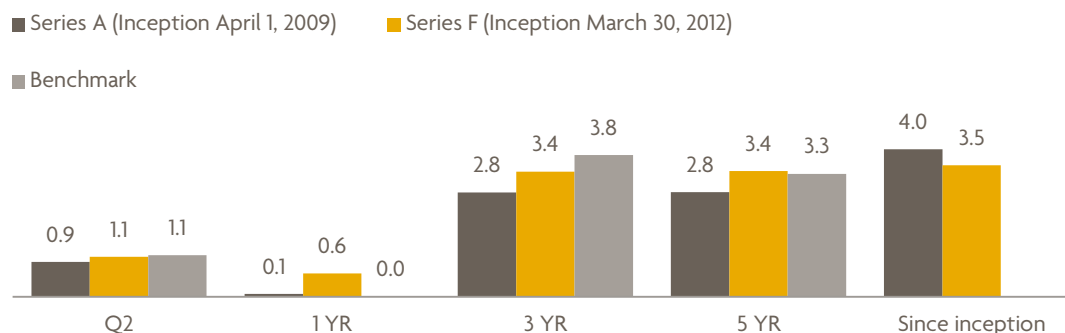


	FUND	BENCHMARK
Duration (years)	7.7	7.6
Yield to maturity (%)	2.4	2.2

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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