

Sun Life MFS Canadian Bond Fund

FUND REVIEW | Q3 2018

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

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

\$117,874,013

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 (Series A) returned -0.8% in the third quarter, underperforming its benchmark by roughly 0.2 percentage points.

Canadian yields have followed U.S. Treasury yields higher and the Bank of Canada has signaled its intention to gradually remove monetary stimulus, but will likely do so with a less prescriptive path than the U.S. Federal Reserve has outlined.

Looking forward, the portfolio manager continues to expect moderate non-recessionary global growth with contained inflation; however, higher financial market volatility will continue to be an important theme. The global economy continues to exhibit solid growth, but appears less broad-based than late 2017 and early 2018. All-in-all, the portfolio manager believes the BoC will be hard pressed to deliver more rate hikes than those already priced into the market given their expectation of moderating Canadian growth for next 6 to 18 months.

The portfolio manager continues to be constructive on credit over the course of the cycle and expect the sector will outperform government bonds. The portfolio continues to maintain a modest overweight in credit, as the incremental yield relative to government bonds remains a source of value add, and security selection helps identify compensated risk across the sector with a preference to improve credit quality and pull lower-quality issuers to short maturities.

Key contributors

- U.S. investment grade and high yield corporate bonds
 - Spreads of U.S. corporate bonds, mainly in the industrial and financial sectors, tightened more than Canadian corporate bonds this quarter, reversing the trend from earlier this year
- Long-dated pipeline bonds
 - Segment benefited from issuer-specific factors, such as regulatory approvals for a new pipeline

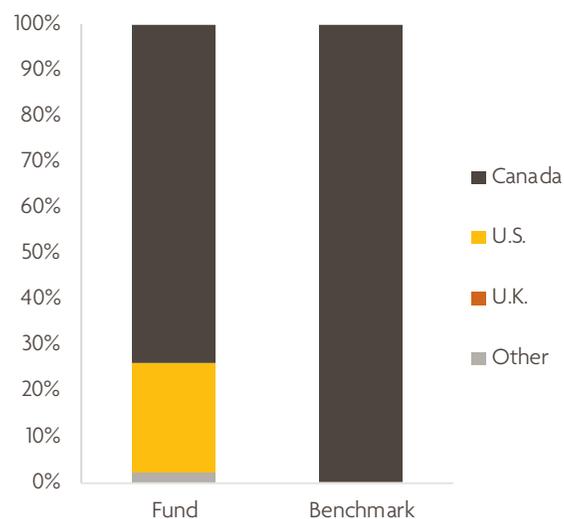
Key detractors

- Yield curve positioning
 - The combination of the portfolio's overweight to the 5-year key rate duration and an underweight to the 30-year key rate duration detracted from results

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

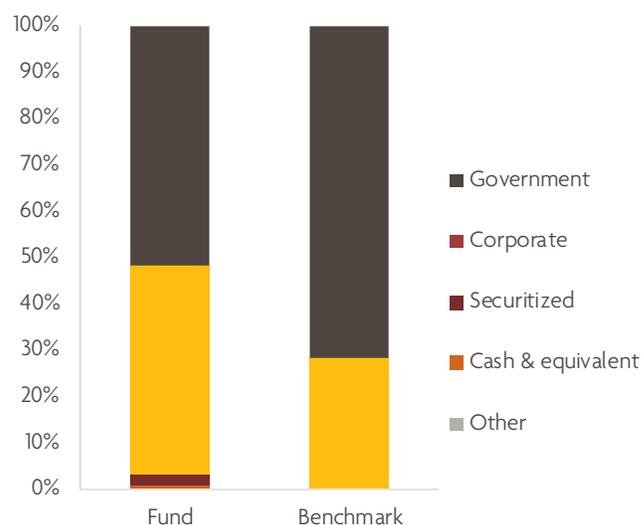
FUND DETAILS

GEOGRAPHIC ALLOCATION



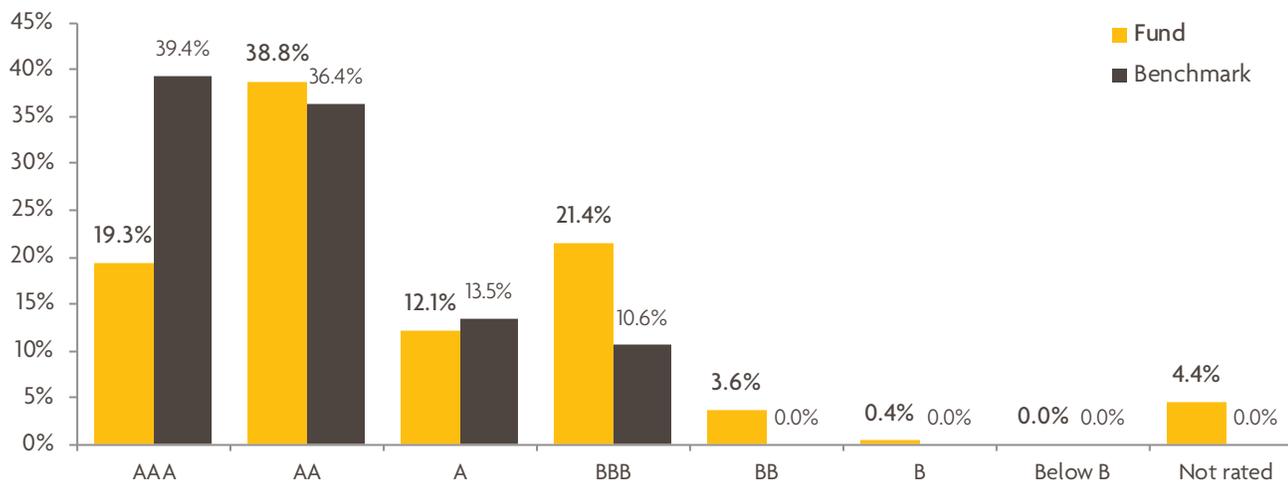
Source: Morningstar & MFS.

BREAKDOWN BY SECURITY TYPE



Source: Morningstar & MFS.

BREAKDOWN BY CREDIT QUALITY



Source: Morningstar & MFS.

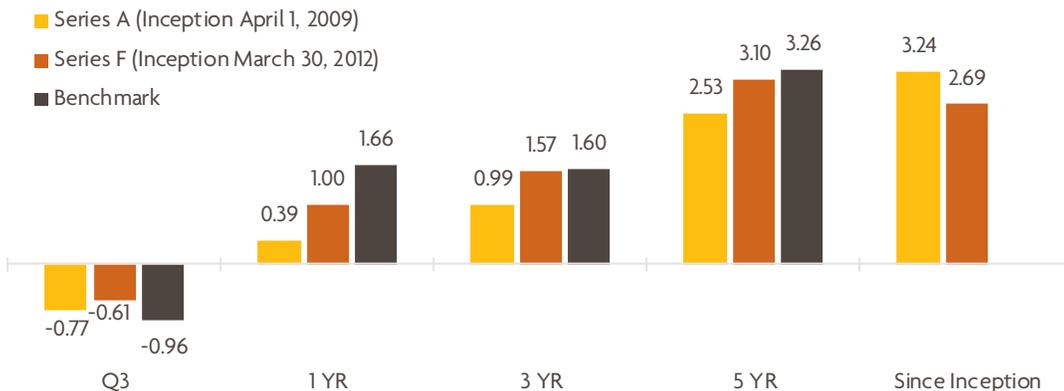
CAPTURE RATIOS

	FUND	BENCHMARK
Duration (years)	7.5	7.4
Yield to maturity (%)	3.4	2.9

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. 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.

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