

Sun Life Multi-Strategy Bond Fund

FUND REVIEW Q3 2018 | Opinions as of October 1, 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 was down 1.3% in Q3.
- Bank of Canada and U.S. Federal Reserve Board raised rates
- Canadian and U.S. bond yields were sharply higher

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

OUTLOOK

Canadian bond yields moved sharply higher in Q3 with the yield on Canadian 10-year bonds starting the quarter at 2.16% and ending at 2.43%, leading to lower bond prices and overall negative returns. It was a similar story in the U.S. with the yield on U.S. 10-year Treasuries once again surpassing 3.0%, ending the quarter at 3.06%, up 20 bps.

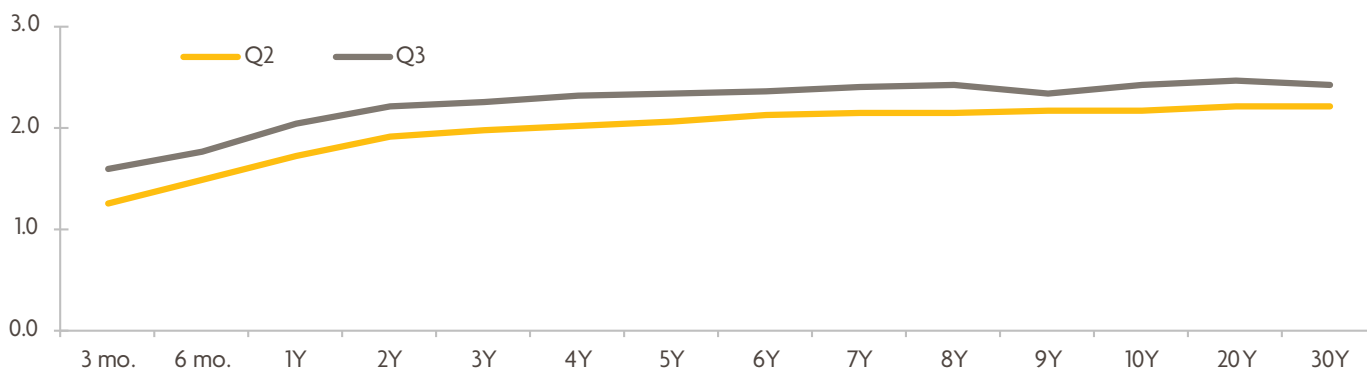
We expect policy rates to continue to move higher in Canada and the U.S., but not necessarily in tandem. For its part, the U.S. Federal Reserve Board raised interest rates three times 2018, including once in the third quarter, leaving its key lending rate at 2.25%. With the U.S. unemployment rate sitting at 3.7% and the economy growing by 3.5% during the period, Fed Chairman, Jerome Powell, made it clear that the Fed intends to tighten again in December, with further increases likely early in the New Year.

In Canada, how quickly stimulus will be withdrawn is less certain. With a revamped NAFTA in place and improving economic fundamentals, the Bank of Canada raised rates by a quarter point in July and October, with the key overnight rate now sitting at 1.75%.

In its accompanying commentary, the BoC took a somewhat more hawkish tone on rates, suggesting policy rates could ramp higher in the coming months.

However, even with a new trade pact, a number of issues continue to overhang the Canadian market, including a lag in overall competitiveness with the U.S. and record household debt, which could slow consumer spending as rates rise. How those issues play out could also determine how rapidly rates rise in Canada.

YIELD CURVE



Source: Bloomberg. Data as of September 30, 2018.

FUND REVIEW

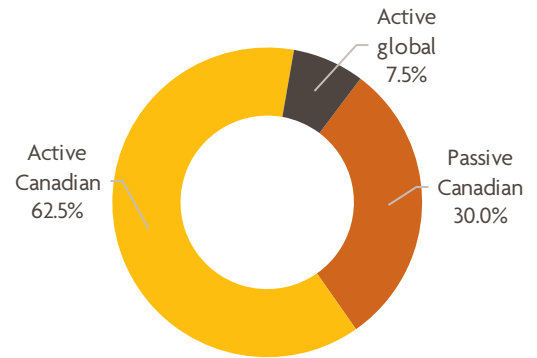
The Sun Life Multi-Strategy Bond Fund declined 1.3% in the third quarter as both domestic and global bond holdings retreated.

The core Canadian bond component of the fund modestly outperformed the broader Canadian bond market. This portion of the 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.

The fund maintains some exposure to global bonds to balance risk and broaden sources of return. Global bond holdings detracted from performance over the quarter, retreating amid heightened uncertainty and volatility, especially in emerging markets.

We maintained some implicit exposure to the U.S. dollar within this component for defensive purposes, and continue to adjust our non-domestic exposure proactively to reflect changing market conditions.

TARGET ALLOCATIONS

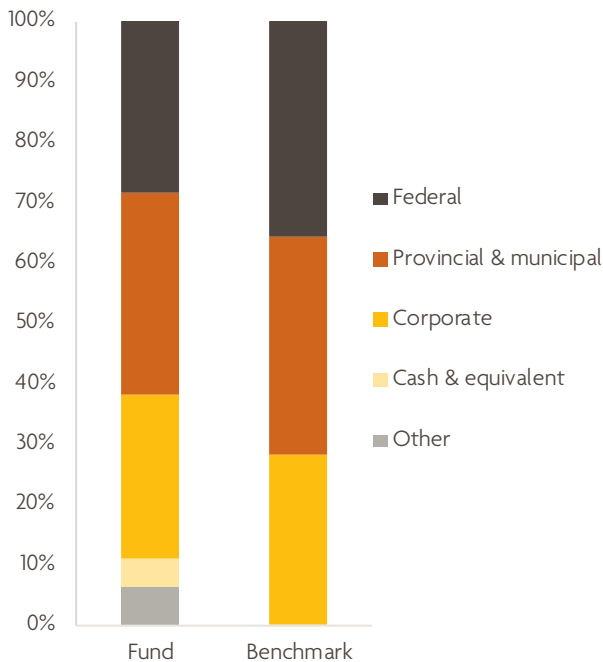


	FUND	BENCHMARK*
Duration (years)	6.9	7.4
Yield to maturity (%)	3.3	3.0

Source: Bloomberg. Data as of September 30, 2018.

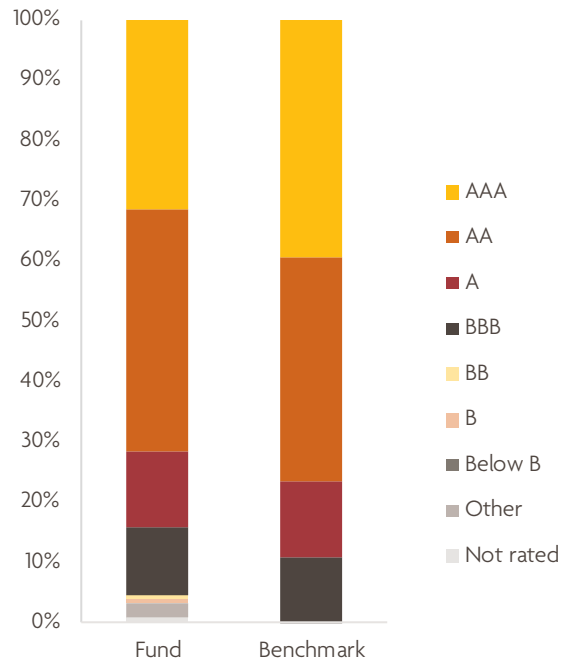
*Throughout this document, "Benchmark" refers to the FTSE TMX Canada Universe Bond Index.

BREAKDOWN BY SECURITY TYPE



Source: Bloomberg. Data as of September 30, 2018.

BREAKDOWN BY CREDIT QUALITY



FUND RETURNS % SERIES A					
Q3	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION	INCEPTION DATE
-1.3	0.1	0.4	1.1	0.9	September 01, 2011

Returns for periods longer than one year are annualized. Data as of September 30, 2018.

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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