

Sun Life Excel High Income Fund

FUND REVIEW | Q4 2018

Unless otherwise indicated: currency references are in C\$; data sources are Sun Life Global Investments and RBC; opinions and data as of December 31, 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

\$143,327,019

BENCHMARK

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

PERFORMANCE SUMMARY

The fourth quarter set records for volatility. In this environment, Sun Life Excel High Income Fund underperformed relative to its benchmark in the quarter, returning 5.08% compared to 6.11%. However, the fund remained ranked in the first quartile for the 3-year performance period.

On the monetary policy front, the U.S. Federal Reserve raised interest rates 25 basis points in December, its fourth rate hike in 2018. The Fed's aggressive outlook for further rate increases added to the sharp sell-off in equities. The S&P 500 lost 14.3% in the fourth quarter; U.S. high yield spreads widened, and oil prices ended the year nearly 40% below their October peak.

This negative performance came against an apparent improving economic backdrop. For one, oil prices moved lower; there was more optimism surrounding the U.S./China trade conflict, and the number of expected Fed interest rate increases for 2019 dropped from three to two.

Despite the weakness in developed markets, emerging markets held up relatively well in the quarter. They were supported by a more positive outlook on U.S./China trade, and on the back of a Fed that might potentially slow the pace of interest rate increases, which removed some of the upward pressure on the U.S. dollar.

With the U.S. dollar weakening somewhat, it helped emerging market debt (both external and internal) post positive returns on the quarter.

On the foreign exchange side, the portfolio reduced long positions in the Indian rupee and Turkish lira during the quarter. In parallel, there were slight increases in the fund's long position in the Brazilian real and Mexican peso, even though both currencies decreased in value in December.

The portfolio had a 42.7% exposure to emerging market debt in local rates at the end of 2018. This reflects the portfolio manager's preference for hard currency (primarily U.S. denominated) debt over local currency debt. Moreover, if the upward pressure on the U.S. dollar continues to wane in 2019 it may help emerging market economies, potentially leading to a more positive equity market performance in 2019.

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

PERFORMANCE

SERIES A

COMPOUND RETURNS % ²							
	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	7 YEAR	SINCE INCEPTION
Fund	4.81	1.90	-1.13	2.87	5.48	6.17	5.34
Benchmark	6.11	4.53	3.39	5.02	7.20	7.03	6.13
+ / -	-1.30	-2.62	-4.52	-2.14	-1.73	-0.86	-0.79

CALENDAR YEAR %								
	YTD	2017	2016	2015	2014	2013	2012	2011
Fund	-1.13	3.27	6.62	8.01	11.02	-1.61	18.39	3.63
Benchmark	3.39	5.33	6.35	11.37	9.78	-0.87	14.61	5.33
+ / -	-4.52	-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	1.07	9.08	0.89	98.83	118.30
Benchmark	0.79	1.00	8.28	1.41	100.00	100.00

SERIES F

COMPOUND RETURNS % ²							
	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	7 YEAR	SINCE INCEPTION
Fund	5.08	2.42	-0.07	4.01	6.64	7.37	6.50
Benchmark	6.11	4.53	3.39	5.02	7.20	7.03	6.13
+ / -	-1.03	-2.10	-3.46	-1.01	-0.56	0.34	0.37

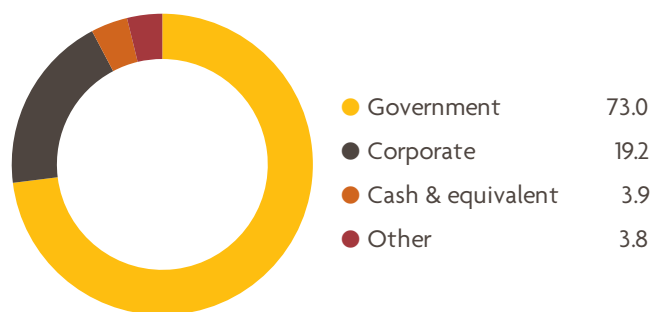
CALENDAR YEAR %								
	YTD	2017	2016	2015	2014	2013	2012	2011
Fund	-0.07	4.44	7.80	9.25	12.21	-0.45	19.79	4.70
Benchmark	3.39	5.33	6.35	11.37	9.78	-0.87	14.61	5.33
+ / -	-3.46	-0.89	1.45	-2.12	2.43	0.42	5.18	-0.63

RISK ANALYSIS ³						
	SHARPE	BETA	STANDARD DEVIATION	SORTINO	UP CAPTURE	DOWN CAPTURE
Fund	0.67	1.07	9.10	1.12	103.84	113.73
Benchmark	0.79	1.00	8.28	1.41	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 December 31, 2018.

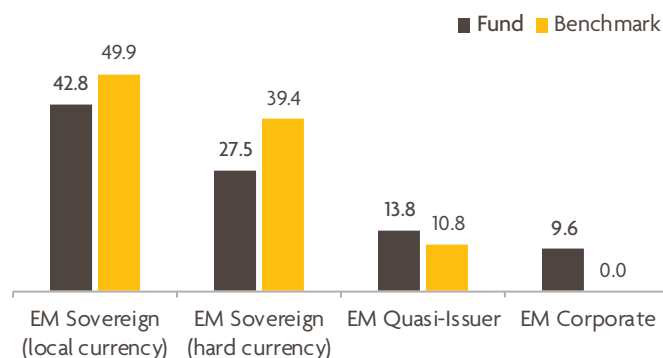
FUND DETAILS

BREAKDOWN BY SECURITY TYPE %



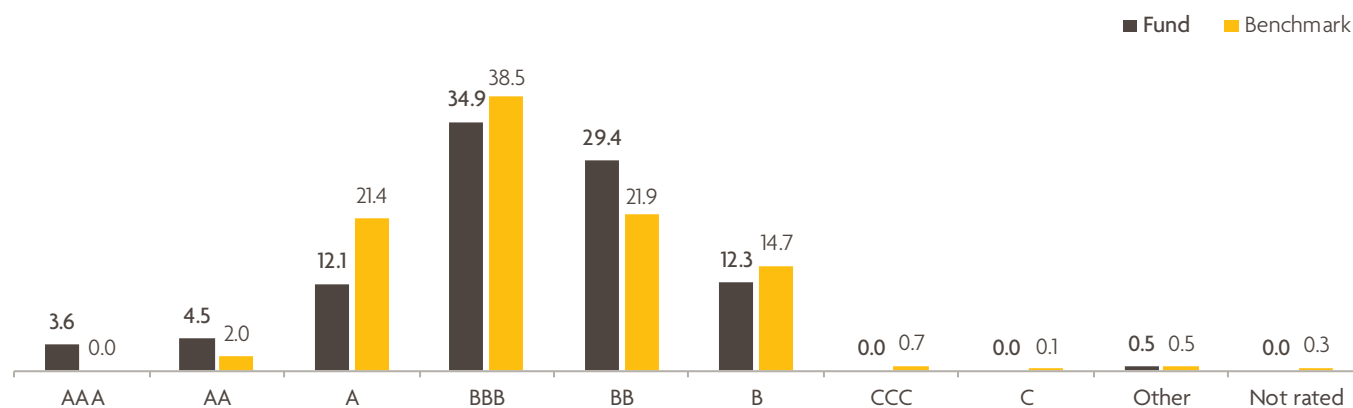
Source: Amundi Canada Inc.

SECTOR ALLOCATION %



Source: Amundi Canada Inc.

BREAKDOWN BY CREDIT QUALITY %



Source: Amundi Canada Inc.

FUND STATISTICS

	FUND	BENCHMARK	+/-
Yield to maturity	7.47%	6.48%	0.99%
Modified duration (bps)	6.00	5.83	0.17
Portfolio holdings (total #)	122	-	-
Holdings issuers (total #)	63	-	-
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.

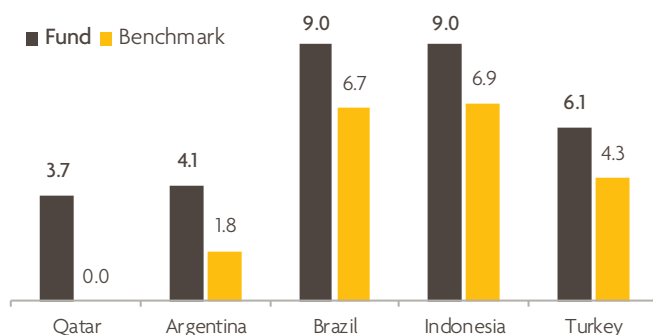
Modified duration is a measure of a bond's sensitivity to interest rates, expressed in years. The higher the duration, the more sensitive a bond is expected to be to changes in interest rates (and vice versa).

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.

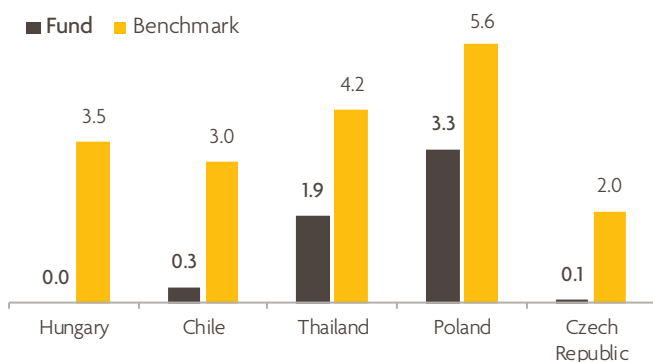
GEOGRAPHIC ANALYSIS

TOP 5 OVERWEIGHT HOLDINGS %



COUNTRY	COUNTRY WEIGHT		
	FUND %	BENCHMARK %	+/-
Qatar	3.70	0.00	3.70
Argentina	4.05	1.76	2.29
Brazil	9.02	6.74	2.28
Indonesia	9.02	6.90	2.12
Turkey	6.06	4.30	1.76

TOP 5 UNDERWEIGHT HOLDINGS %



COUNTRY	COUNTRY WEIGHT		
	FUND %	BENCHMARK %	+/-
Hungary	0.00	3.46	-3.46
Chile	0.34	3.03	-2.69
Thailand	1.87	4.15	-2.28
Poland	3.31	5.56	-2.25
Czech Republic	0.07	1.98	-1.91

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.

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