

Sun Life Excel High Income Fund

FUND REVIEW | Q3 2018

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

\$167,291,914

BENCHMARK

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

50% JP Morgan EMBI Global Diversified
Composite Index

PERFORMANCE SUMMARY

Sun Life Excel High Income Fund (Series A) returned -2.8% in the third quarter, underperforming its benchmark by roughly 1.3 percentage points.

The fund's underperformance can be primarily attributed to emerging market currency trades and debt (hard currency). Among the key detractors from performance was the overweight position in the Brazilian and Argentinian peso and off-benchmark exposure to the Turkish lira. In both South American countries, inflation is rising sharply and the peso has depreciated by about 25% over the quarter against the U.S. dollar, which strengthened as interest rates climbed in the U.S. For its part, in addition to rising U.S. rates, the Turkish lira has been hurt by inflation and the country's troubled banking sector, which is broadly exposed to debt denominated in foreign currencies.

As well, at the currency level, long positions, including in the South African rand and Indonesian rupiah and short positions in the Korean won and Israeli shekel, detracted from performance. These currencies also fell in value against the greenback. And given the rising interest rate environment, the portfolio's cautious stance also detracted from duration management.

With respect to positioning, the portfolio increased its allocation to Middle Eastern countries, including Qatar and UAE. To mitigate some of the downside risk, the fund increased its allocation to higher-quality bonds and reduced its weighting in bonds with a rating of B or lower. This strategy was partly driven by the allocation to the Middle Eastern countries with high credit quality.

Key contributors

- The long position in Mexican bonds contributed to performance, with the election of President Andrés Manuel López Obrador bolstering the peso's momentum.
- The fund's long position in Colombian bonds contributed to performance, with increased political stability and increases in the price of oil, which is a major export.

Key detractors

- Emerging markets debt underperformed late in the quarter – especially emerging currencies and high yield issues.
- Both the Turkish lira and Argentinian peso depreciated by about 25% versus the U.S. dollar.

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	-2.78	-9.63	-5.16	2.34	5.19	5.41	5.13
Benchmark	-1.50	-6.55	-1.40	4.40	6.64	6.16	6.30
+ / -	-1.28	-3.08	-3.76	-2.07	-1.45	-0.75	-1.17

CALENDAR YEAR %								
	YTD	2017	2016	2015	2014	2013	2012	2011
Fund	-5.67	3.27	6.62	8.01	11.02	-1.61	18.39	3.63
Benchmark	-2.56	5.33	6.35	11.37	9.78	-0.87	14.61	5.33
+ / -	-3.10	-2.06	0.27	-3.36	1.23	-0.74	3.78	-1.71

RISK ANALYSIS³						
	SHARPE	BETA	STANDARD DEVIATION	SORTINO	UP CAPTURE	DOWN CAPTURE
Fund	0.52	1.07	9.10	0.85	99.97	116.92
Benchmark	0.73	1.00	8.27	1.30	100.00	100.00

SERIES F							
COMPOUND RETURNS %²							
	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	7 YEAR	SINCE INCEPTION
Fund	-2.53	-9.18	-4.12	3.47	6.36	6.58	6.04
Benchmark	-1.50	-6.55	-1.40	4.40	6.64	6.16	6.30
+ / -	-1.04	-2.63	-2.72	-0.93	-0.28	0.42	-0.26

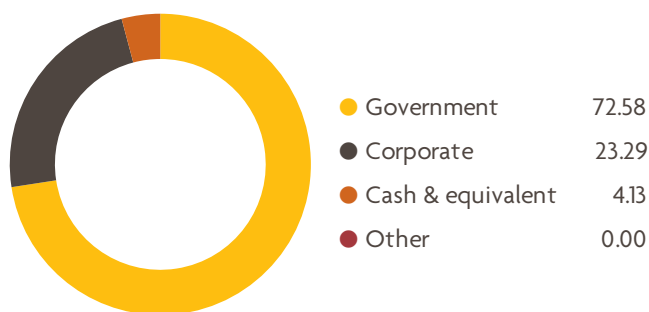
CALENDAR YEAR %								
	YTD	2017	2016	2015	2014	2013	2012	2011
Fund	-4.90	4.44	7.80	9.25	12.21	-0.45	19.79	4.70
Benchmark	-2.56	5.33	6.35	11.37	9.78	-0.87	14.61	5.33
+ / -	-2.34	-0.89	1.45	-2.12	2.43	0.42	5.18	-0.63

RISK ANALYSIS³						
	SHARPE	BETA	STANDARD DEVIATION	SORTINO	UP CAPTURE	DOWN CAPTURE
Fund	0.64	1.07	9.12	1.08	105.16	112.42
Benchmark	0.73	1.00	8.27	1.30	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 September 30, 2018.

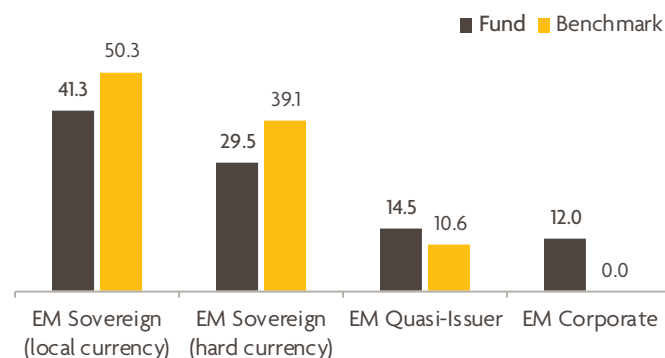
FUND DETAILS

BREAKDOWN BY SECURITY TYPE %



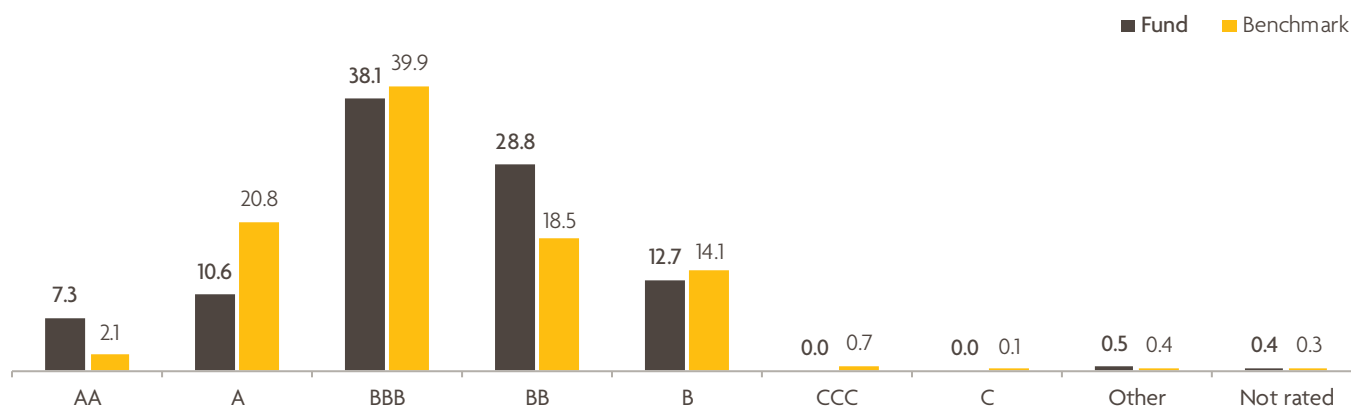
Source: Amundi Canada Inc.

SECTOR ALLOCATION %



Source: Amundi Canada Inc.

BREAKDOWN BY CREDIT QUALITY %



Source: Amundi Canada Inc.

FUND STATISTICS

	FUND	BENCHMARK	+/-
Yield to maturity	7.53%	6.66%	0.87%
Modified duration (bps)	5.31	5.74	-0.43
Portfolio holdings (total #)	121	-	-
Holdings issuers (total #)	84	-	-
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.

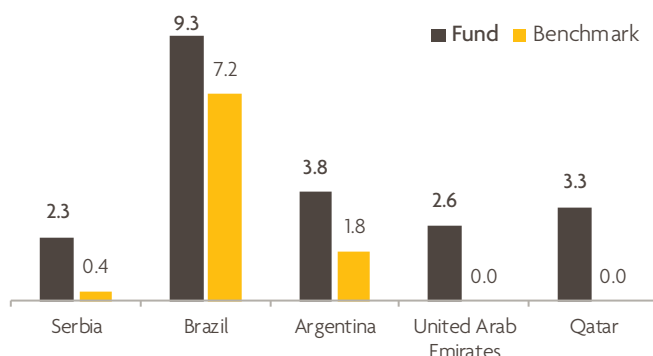
Modified duration is a measure of a bond's sensitivity to interest rates, expressed in years. The higher the duration, the more sensitive a bond is expected to be to changes in interest rates (and vice versa).

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.

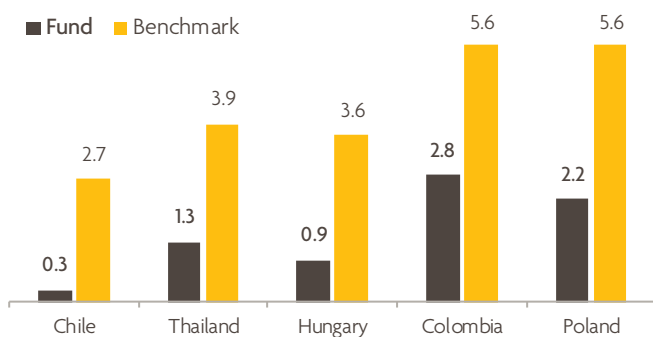
GEOGRAPHIC ANALYSIS

TOP 5 OVERWEIGHT HOLDINGS %



COUNTRY	COUNTRY WEIGHT		
	FUND %	BENCHMARK %	+/-
Serbia	2.25	0.35	1.90
Brazil	9.26	7.24	2.03
Argentina	3.80	1.76	2.05
United Arab Emirates	2.63	0.00	2.63
Qatar	3.30	0.00	3.30

TOP 5 UNDERWEIGHT HOLDINGS %



COUNTRY	COUNTRY WEIGHT		
	FUND %	BENCHMARK %	+/-
Chile	0.26	2.66	-2.40
Thailand	1.30	3.86	-2.56
Hungary	0.91	3.61	-2.70
Colombia	2.75	5.56	-2.81
Poland	2.22	5.56	-3.34

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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