Sun Life MFS U.S. Equity Fund

FUND REVIEW | Q3 2018

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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.

INVESTMENT OBJECTIVE
The Fund aims for long-term capital growth by investing primarily in companies domiciled in the U.S. or whose primary stock exchange listing is in the U.S.

MANAGEMENT COMPANY
Sun Life Global Investments (Canada) Inc.

SUB-ADVISOR
MFS Institutional Advisors, Inc.
(MFS Investment Management)
Boston, Massachusetts

INCEPTION DATE
April 1, 2009

TOTAL ASSETS
$564,886,295

BENCHMARK
Russell 1000 Index

PERFORMANCE SUMMARY

Opinions and data for "PERFORMANCE SUMMARY" provided by MFS Institutional Advisors

Sun Life MFS U.S. Equity (Series I) returned 5.1% in the third quarter, underperforming its benchmark by roughly 0.7 percentage points.

The S&P 500 finished the quarter up 7.7%, the best quarter since the fourth quarter of 2013, once again led by growth stocks. The top five contributors to the performance of the S&P 500 (Amazon, Apple, Microsoft, Alphabet and Netflix) accounted for almost half of its total return. While the portfolio holds several of these names, it is underweight in them, largely due to valuation concerns.

The portfolio manager continues to find a number of compelling investment opportunities in business services, medical equipment and major banks. Within business services the portfolio manager is seeking to gain exposure to technology without taking product-specific risk. In addition, these companies offer defensive growth at a reasonable price and business models that are less susceptible to technology disruption.

While valuations have moved off their lows for the major banks and the portfolio manager continues to trim exposure, many of these stocks still stack up well, especially in a favourable environment for rates, taxes, growth, and regulation combined with capital returns. Conversely, the fund has no exposure to integrated energy, telephone services and REITs.

Key contributors

- Thermo Fisher Scientific
  - Stock was supported by higher than expected earnings, as well as acquisitions and positive foreign currency exchange
- Medtronic
  - Stock performance was bolstered by quarterly revenues and earnings per share both beating consensus estimates, driven by strong growth across all regions and business segments

Key detractors

- Newell Brands
  - Stock fell on disappointing second-quarter results and weak sales due in part to the closing of Toys 'R' Us stores and cutting inventory to its office channel for writing
- Schlumberger
  - Stock fell on reported in line quarterly revenue but reduced guidance, citing slowing international growth

PERFORMANCE

SERIES I

COMPOUND RETURNS %[1]	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	7 YEAR	SINCE INCEPTION
Fund	**5.14**	**9.11**	**19.61**	**14.35**	**18.00**	**20.03**	**14.50**
Benchmark	5.84	11.70	21.87	15.89	19.29	20.56	17.37
+ / -	-0.70	-2.59	-2.26	-1.54	-1.29	-0.54	-2.87

CALENDAR YEAR %	YTD	2017	2016	2015	2014	2013	2012	2011	2010[2]
Fund	**11.89**	**15.92**	**5.42**	**20.86**	**21.46**	**41.49**	**15.57**	**-1.65**	**4.48**
Benchmark	14.06	13.83	8.09	21.59	23.93	41.27	13.43	4.64	9.06
+ / -	-2.17	2.10	-2.67	-0.73	-2.47	0.22	2.14	-6.29	-4.58

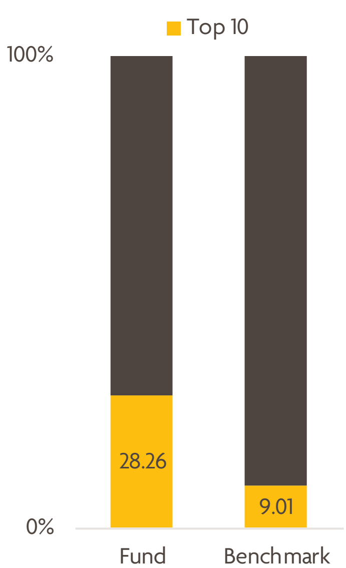
RISK ANALYSIS[3]	SHARPE	BETA	STANDARD DEVIATION	SORTINO	UP CAPTURE	DOWN CAPTURE
Fund	**1.68**	**0.98**	**9.79**	**3.60**	**94.99**	**98.34**
Benchmark	1.81	1.00	9.68	4.03	100.00	100.00

When comparing the fund's performance with its benchmark, note the fund is a value oriented mutual fund while the index is a basket of unmanaged securities with no style bias and which does not incur fees and expenses that may reduce returns. It is not possible to invest directly in an index.

[1]Returns for periods longer than one year are annualized

[2]Data based on 5-year period ending September 30, 2018.

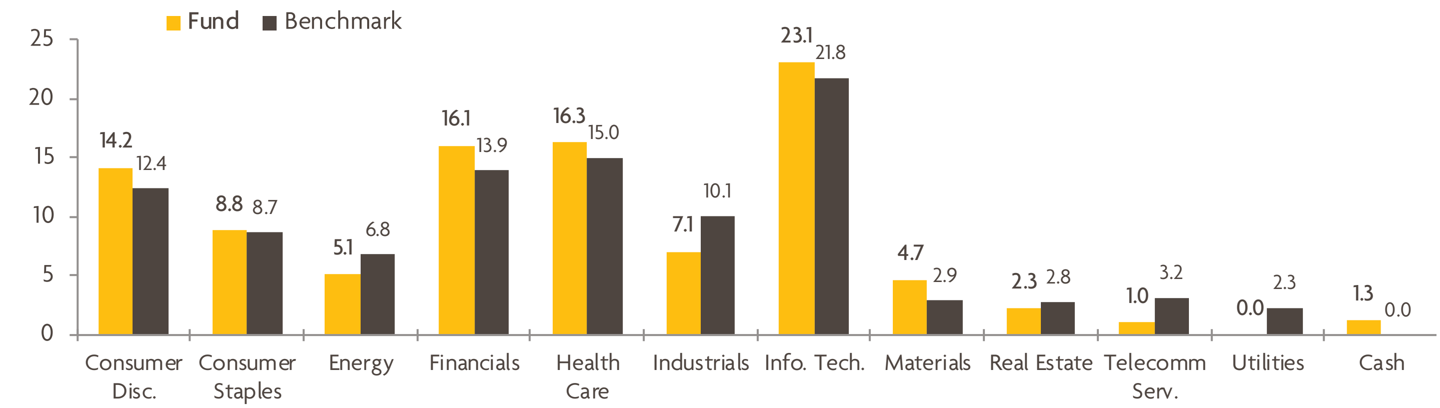
HOLDINGS ANALYSIS



Holdings may change at any time without notice.

TOP 10 HOLDINGS	FUND %	BENCHMARK %	+ / -
J.P. MORGAN CHASE	3.67	1.54	2.13
ALPHABET	3.34	1.47	1.87
VISA	3.30	1.08	2.22
BANK OF AMERICA	2.97	1.11	1.86
JOHNSON & JOHNSON	2.90	1.51	1.39
AMERICAN TOWER	2.56	0.26	2.30
THERMO FISHER SCIENTIFIC	2.50	0.40	2.10
MEDTRONIC	2.42	0.54	1.88
DANAHER	2.38	0.27	2.11
MASTERCARD	2.21	0.83	1.38
Top 10 holdings % of net assets	28.26	9.01	
Total # fund holdings	76		

SECTOR BREAKDOWN (%)



Source: MFS Institutional Advisors

ATTRIBUTION ANALYSIS (SERIES I)

	SECTOR WEIGHT			CONTRIBUTION TO TOTAL		
SECTOR	FUND %	BENCHMARK %	+/-	FUND %	BENCHMARK %	+/-
Consumer Discretionary	14.22	12.41	1.81	11.61	13.12	-1.52
Consumer Staples	8.82	8.68	0.14	5.40	6.28	-0.89
Energy	5.14	6.82	-1.69	-0.45	0.35	-0.80
Financials	16.07	13.94	2.13	14.05	11.21	2.84
Health Care	16.30	15.04	1.26	12.77	12.62	0.16
Industrials	7.10	10.09	-2.98	5.60	8.49	-2.89
Information Technology	23.11	21.80	1.31	27.46	26.25	1.21
Materials	4.68	2.94	1.74	2.99	1.67	1.32
Real Estate	2.26	2.77	-0.52	2.02	1.91	0.12
Utilities	1.03	3.18	-2.15	1.45	2.52	-1.07
Telecomm Services	0.00	2.31	-2.31	0.00	1.15	-1.15
Cash	1.26	0.00	-	-	-	-

SECTOR	SECURITY SELECTION %	CURRENCY %	SECTOR ALLOCATION %	TOTAL %
Consumer Discretionary	-6.72	-0.05	0.74	-6.02
Consumer Staples	0.40	-0.09	-0.84	-0.52
Energy	-0.85	0.01	2.03	1.20
Financials	1.45	-0.02	0.21	1.64
Health Care	-1.12	-0.03	0.07	-1.09
Industrials	-0.12	-0.06	0.11	-0.07
Information Technology	-0.70	0.00	1.18	0.47
Materials	0.23	0.02	-0.54	-0.30
Real Estate	1.01	-0.02	0.11	1.09
Utilities	0.37	-0.02	0.73	1.09
Telecomm Services	0.00	-0.01	1.19	1.17
Cash	0.00	0.01	-1.01	-0.99

Attribution analysis measures the effect of active management on fund performance relative to the benchmark. For example, "security selection" quantifies the manager's contribution to relative performance, either positive or negative, as decisions are made about which securities to hold, and whether to overweight or underweight those securities relative to the benchmark. "Security selection," "currency," and "sector allocation" values may not reconcile with the "total" value across rows due to rounding or other effects.

Source: MFS Institutional Advisors

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The indicated rates of return are those of the Sun Life MFS U.S. Equity Fund (Series I) and not the returns of the Sun Life MFS U.S. Equity Segregated Fund. The Sun Life MFS U.S. Equity Segregated Fund is a segregated fund offered by Sun Life Assurance Company of Canada through its Group Retirement Services platform and invests directly in Sun Life MFS U.S. Equity Fund, a mutual fund managed by Sun Life Global Investments (Canada) Inc. 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. Fund holding and attribution data is current as of the date of publication but is subject to change at any time due to ongoing portfolio transactions.

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