

Sun Life MFS Canadian Bond Fund

FUND REVIEW | Q4 2018

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

\$112,991,987

BENCHMARK

FTSE 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 0.4% in the fourth quarter, underperforming its benchmark by roughly 1.4 percentage points.

The Canadian bond market rebounded in Q4 pulling full-year performance back into positive territory. The primary driver of returns was falling Government of Canada yields in response to growing concerns over global growth, as well as moderating growth in Canada and a seemingly more dovish Bank of Canada (BoC). Canadian 10-year yields fell 63 basis point (bps) from their peak of 2.60%, which was reached in the first week of the quarter. From that point on, there were sharp moves lower in riskier assets as known headwinds, such as trade wars, Italian budget deficits and slowing economic growth. Canadian corporate bonds were among the asset classes impacted. Although total returns were positive, they underperformed Government of Canada bonds.

The portfolio manager maintains 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.

Key contributors (bonds)

- Yield curve positioning
 - Relative overweight exposures to the 5 and 10 year key rate durations boosted returns as expectations for future rate hikes decreased

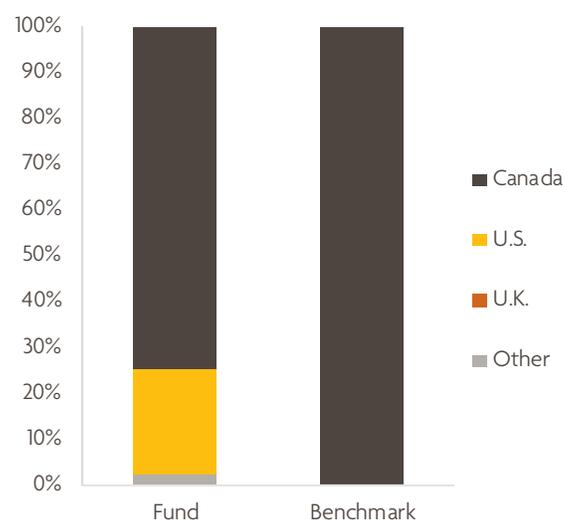
Key detractors (bonds)

- Sector allocation
 - Corporate bonds hampered relative returns as federal government bonds outperformed the broader index as corporate and provincial spreads widened significantly
- Allocation to U.S. corporate bonds allocation
 - U.S. bond spreads widened more than their Canadian counterparts in the risk-off environment; spread underperformance was more pronounced in lower-quality bonds

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

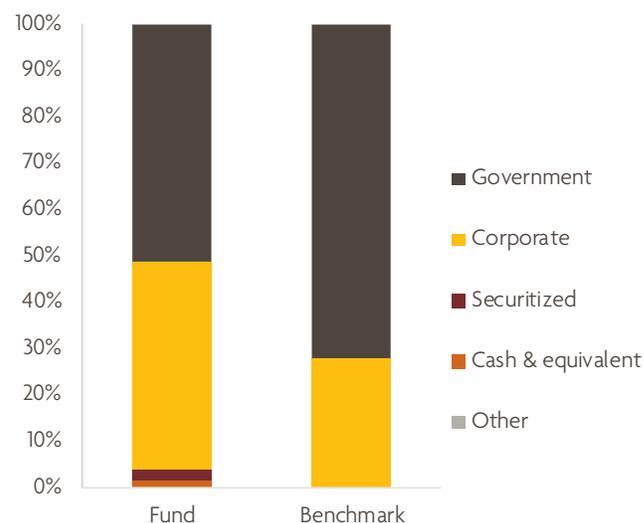
FUND DETAILS

GEOGRAPHIC ALLOCATION



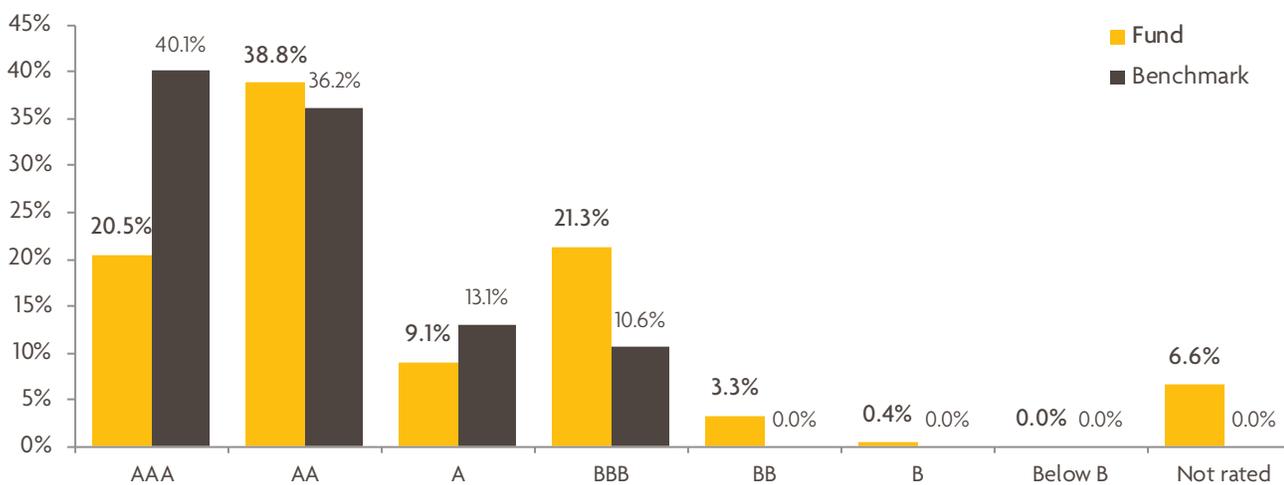
Source: Morningstar & MFS.

BREAKDOWN BY SECURITY TYPE



Source: Morningstar & MFS.

BREAKDOWN BY CREDIT QUALITY



Source: Morningstar & MFS.

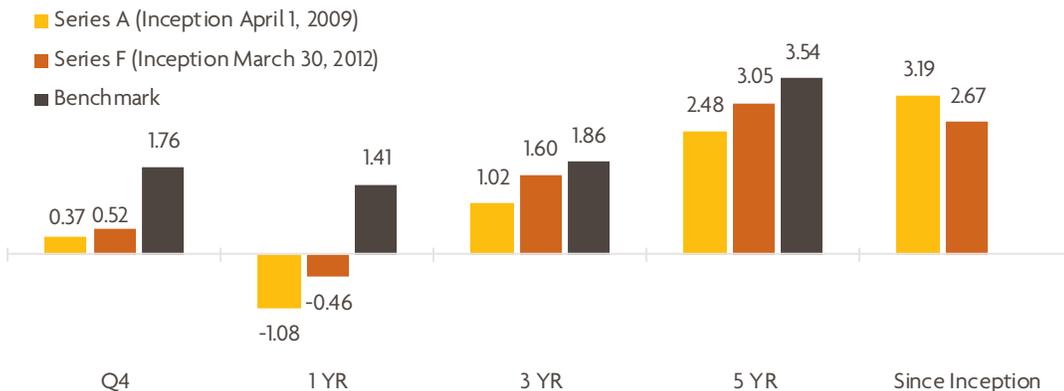
CAPTURE RATIOS

	FUND	BENCHMARK
Duration (years)	7.5	7.5
Yield to maturity (%)	3.3	2.7

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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