
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2019

Sun Life BlackRock Canadian Universe Bond Fund



Sun Life BlackRock Canadian Universe Bond Fund

This annual management report of fund performance contains financial highlights but does not contain the complete financial statements of the investment fund. You can request a free copy of the annual financial statements by calling 1-877-344-1434, by sending an email to us at info@sunlifeglobalinvestments.com or by writing to us at Sun Life Global Investments (Canada) Inc., 1 York Street, Suite 3300, Toronto, Ontario, M5J 0B6. Our financial statements are available on our website at www.sunlifeglobalinvestments.com and on SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objectives and Strategies

The fundamental investment objectives of the Sun Life BlackRock Canadian Universe Bond Fund (the "Fund") are to provide income by replicating, to the extent possible, the performance, net of fees, of a broad and recognized Canadian bond market index (the "Index"). The fund invests directly in fixed income securities included in the Index and/or may achieve indirect exposure to some or all of the Index by investing in exchange-traded funds, mutual funds or derivatives that are correlated to the performance of the Index.

The Fund's Sub-Advisor is BlackRock Asset Management Canada Limited (the "Sub-Advisor"). The Sub-Advisor invests the Fund directly in fixed income securities included in the Index and/or may achieve indirect exposure to some or all of the Index by investing in exchange-traded funds, mutual funds or derivatives that are correlated to the performance of the Index. A passive investment strategy is followed and the bonds selected for inclusion in the portfolio will have aggregate investment characteristics such as sector, credit quality, yield and term to maturity similar to those of the bonds comprising the Index.

Risk

There were no changes in the Fund's investment objectives or strategies during the period which materially impacted the overall level of risk in the Fund. The risks associated with investing in the Fund remain as outlined in the Fund's Simplified Prospectus.

Results of Operations

During the period, the net asset value of the Fund increased from \$1.2 billion to \$1.7 billion due to positive net sales, as well as positive performance.

During the period, the Fund returned 6.9% for Series I units, this result equalled the Fund's benchmark, which returned 6.9%. Please refer to the 'Past Performance' section of this report for performance of each series and a definition of the benchmark and broad-based index if applicable.

Broad based Canadian fixed income showed positive returns in 2019, which resulted in a positive return for the Fund over the reporting period. The return was driven by strong growth in the Canadian economy, supported by a strong Canadian labour

market, with solid wage growth. In addition, the housing market continued to show signs of improvement.

Recent Developments

Global trade disputes and geopolitical issues continued to remain key drivers of the economy and markets in 2019. Fears surrounding an escalation of the U.S. - China trade war, a no-deal Brexit and a potential recession did not materialize, thanks to a phase one-deal agreement between U.S. & China and a new withdrawal agreement by UK that avoided a no-deal Brexit. This broad-based optimism led to a sharp sell-off in rates, with the 10-year Government of Canada yield jumping by 0.24%, to close 2019 at 1.70%.

Canadian Q3 2019 Gross Domestic Product (GDP) decelerated to 1.3%, down from the strong 3.5% witnessed in Q2. The slowdown can be attributed to a large drop in net exports with a pick-up in business investment and overall resilient consumer spending. In the second half of 2019, the labour market started to show signs of moderation, but still managed to finish the year relatively strong, with a positive December number. Overall, growth remains positive and inflation remains on target, with both headline and core inflation measures registering consistently around the 2% mark.

With inflation remaining close to the Bank of Canada's (BoC) target and a largely steady domestic economy, alongside improving global sentiment, the BoC left the door open for future cuts should the economy falter. It also plans to monitor consumer spending, housing and the pace of fiscal spending for signs of economic vitality.

The Manager cautions that the current global uncertainty with respect to the spread of the coronavirus (COVID-19) and its effect on the broader global economy may have a significant impact to the volatility of the financial market. While the precise impact remains unknown, rapid spread of the virus may have a material adverse effect on global economic activity and disrupt global supply chains, operations, mobility of people, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to fund performance.

Sun Life BlackRock Canadian Universe Bond Fund

Related Party Transactions

Sun Life Global Investments (Canada) Inc. (the “Manager”) is the manager, trustee and portfolio manager of the Fund. For its services, the Manager receives a management fee that is calculated as a percentage of the average net asset value of the Fund. This fee is calculated daily and payable monthly.

The Manager is responsible for the provision of all general management and administrative services required by the Fund in its day-to-day operations, including providing or arranging for the provision of investment advice, bookkeeping, recordkeeping and other administrative services for the Fund.

As trustee, the Manager holds legal title to the Fund's investments in trust for unitholders.

As portfolio manager, the Manager is responsible for managing the investment portfolio of the Fund directly or through sub-advisors. The Manager has retained BlackRock Asset Management Canada Limited to act as a sub-advisor for the Fund.

The Manager is an indirect wholly owned subsidiary of Sun Life Financial Inc.

Fund Administrative Expenses

The Manager pays certain operating expenses of the Fund (the “Administration Expenses”) in return for a fixed administration fee paid to the Manager by the Fund (“Administration Fee”). The Administration Fee is based on the net asset value of each series of the Fund. The Administration Expenses include, but are not limited to, record keeper fees, accounting, audit and legal fees, bank and interest charges, safekeeping and custodial fees, taxes, administrative and systems costs, costs of reports to investors, prospectuses and other disclosure documents, regulatory filing fees (including those incurred by the Manager) and trustee fees for registered plans. The amount of this charge is disclosed as Fixed annual administration fees in the Fund's Statement of Comprehensive Income found in the annual financial statements.

The Fund also pays certain operating expenses directly (the “Fund Costs”). Fund Costs include: borrowing costs incurred by the Fund from time to time; costs in connection with portfolio transactions; fees and expenses payable to or in connection with the Fund's Independent Review Committee (“IRC”); taxes payable by the Fund; and the costs of complying with any new regulatory or legal requirement imposed on the Fund. The Fund allocates Fund Costs proportionately among each series of the Fund to which they apply. The Fund Costs that are specific to a series of securities are allocated to that series. These amounts are paid out of the assets attributed to each series of securities of the Fund, which reduces the return you may receive.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the previous five years or for the periods since inception to December 31, 2019.

The Fund's Net Asset Value per Unit (\$) ⁽¹⁾

Sun Life BlackRock Canadian Universe Bond Fund - Series I

	2019	2018	2017	2016	2015
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	10.31	10.48	10.53	10.75	10.73
Increase (decrease) from operations:					
Total revenue	0.31	0.31	0.32	0.32	0.34
Total expenses	-	-	-	-	-
Realized gains (losses) for the period	(0.01)	(0.07)	(0.05)	0.07	0.03
Unrealized gains (losses) for the period	0.35	(0.09)	(0.03)	(0.16)	(0.10)
Total increase (decrease) from operations⁽²⁾	0.65	0.15	0.24	0.23	0.27
Distributions:					
From income (excluding dividends)	(0.31)	(0.31)	(0.31)	(0.32)	(0.33)
From dividends	-	-	-	-	-
From capital gains	-	-	-	(0.07)	(0.02)
Return of capital	-	-	-	(0.02)	-
Total annual distributions⁽³⁾	(0.31)	(0.31)	(0.31)	(0.41)	(0.35)
Net asset value, end of period	10.71	10.31	10.48	10.53	10.75

⁽¹⁾ This information is derived from the Fund's audited annual financial statements.

⁽²⁾ Net Assets and distributions are based on the actual number of securities outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of securities outstanding over the financial period.

⁽³⁾ Distributions were paid in cash, reinvested in additional units of the Fund, or both.

Ratios and Supplemental Data

Sun Life BlackRock Canadian Universe Bond Fund - Series I

	2019	2018	2017	2016	2015
Total net asset value (\$) ⁽¹⁾	1,669,575,591	1,199,764,389	1,062,440,684	879,537,604	890,009,882
Number of units outstanding ⁽¹⁾	155,845,711	116,342,657	101,358,626	83,548,055	82,774,061
Management expense ratio (%) ⁽²⁾	-	-	-	-	-
Management expense ratio before waivers or absorption (%) ⁽²⁾	-	-	-	-	-
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	20.04	25.67	30.98	67.89	43.61
Net asset value per unit (\$) ⁽¹⁾	10.71	10.31	10.48	10.53	10.75

⁽¹⁾ This information is provided as at December 31 of the period shown, as applicable.

⁽²⁾ Management expense ratio is based on total expenses (excluding broker commissions and other portfolio transaction costs) including the Fund's allocated percentage of Fund-on-Funds' expenses for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value during the period.

⁽⁴⁾ The Fund's portfolio turnover ratio indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover ratio of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover ratio in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high portfolio turnover rate and the performance of the Fund.

Sun Life BlackRock Canadian Universe Bond Fund

Management Fees

The maximum annual management fee paid by the Fund is a percentage of the average daily net asset value of each series of securities of the Fund exclusive of any applicable taxes and operating expenses, which is accrued daily and is paid to the Manager monthly in arrears. Management fees pay for portfolio and investment advisory services, oversight of any service providers, marketing and promotional activities, arranging for the distribution and sale of securities of the Fund, general administration of Fund operations and sales and trailing commissions paid to dealers.

There is no management fee charged to the Fund.

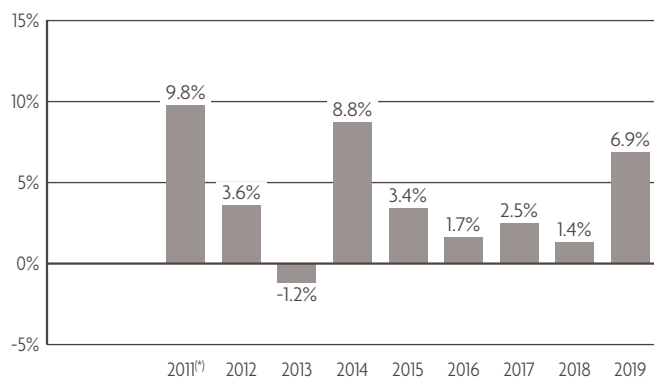
Past Performance

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution, other optional charges or income tax payable by any unitholder that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the Fund's annual performance for the period shown. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

Series I Units – Annual return for the period ended December 31, 2019



⁽¹⁾ for the period of April 15, 2011 to December 31, 2011.

Annual Compound Returns

The table compares the historical annual compound total returns of Series I units of the Fund with the following benchmark and broad-based index, if applicable:

The benchmark (the "Benchmark") is composed of:
FTSE Canada Universe Bond Index

The Series A units performed in-line with the benchmark since inception, over the past 5 years, over the past 3 years, over the past year.

	1 Year	3 Year	5 Year	10 Year	Performance Start Date ⁽¹⁾
Series I	6.9%	3.6%	3.2%	N/A	4.2%
Benchmark	6.9%	3.6%	3.2%	4.3%	4.2%

⁽¹⁾ The performance start date for Series I units was April 15, 2011.

INDEX DESCRIPTION(S)

The FTSE Canada Universe Bond Index is a market capitalization weighted index composed of investment grade, fixed coupon, government and corporate bonds, issued in Canada and denominated in Canadian dollars, with a remaining term to maturity of at least one year.

Summary of Investment Portfolio*

as at December 31, 2019

Top 25 Investments

Holding Name	Percentage of Net Asset Value of the Fund (%)
1 Canadian Government Bond, 3.50%, Dec 01, 2045	1.5
2 Canadian Government Bond, 5.75%, Jun 01, 2029	1.5
3 Canadian Government Bond, 0.75%, Mar 01, 2021	1.3
4 Canadian Government Bond, 2.75%, Dec 01, 2048	1.2
5 Canadian Government Bond, 1.00%, Sep 01, 2022	1.2
6 Province of Ontario, 2.90%, Dec 02, 2046	1.1
7 Canadian Government Bond, 4.00%, Jun 01, 2041	1.0
8 Canada Housing Trust No 1, 2.90%, Jun 15, 2024	1.0
9 Canadian Government Bond, 1.75%, Mar 01, 2023	1.0
10 Canada Housing Trust No 1, 2.40%, Dec 15, 2022	1.0
11 Province of Ontario, 3.45%, Jun 02, 2045	0.9
12 Province of Quebec, 3.50%, Dec 01, 2045	0.9
13 Canadian Government Bond, 0.75%, Sep 01, 2021	0.9
14 Canadian Government Bond, 0.50%, Mar 01, 2022	0.9
15 Canadian Government Bond, 5.00%, Jun 01, 2037	0.9
16 Canadian Government Bond, 5.75%, Jun 01, 2033	0.9
17 Province of Ontario, 2.60%, Jun 02, 2025	0.8
18 Province of Ontario, 2.80%, Jun 02, 2048	0.8
19 Canadian Government Bond, 2.25%, Jun 01, 2025	0.8
20 Province of Ontario, 2.90%, Jun 02, 2049	0.8
21 Canadian Government Bond, 1.50%, Sep 01, 2024	0.8
22 Province of Ontario, 3.15%, Jun 02, 2022	0.7
23 Province of Quebec, 3.50%, Dec 01, 2048	0.7
24 Province of Ontario, 2.85%, Jun 02, 2023	0.7
25 Province of Ontario, 3.50%, Jun 02, 2024	0.7
Total Net Asset Value ('000's)	\$ 1,669,576

Sun Life BlackRock Canadian Universe Bond Fund

Sector Allocation

	Percentage of Net Asset Value of the Fund %
Canadian Provincial Government Bond	34.6
Canadian Federal Government Bond	33.4
Canadian Corporate Bond	29.8
Canadian Municipal Government Bond	1.4
Cash and Cash Equivalents**	0.8
	100.0

(*) All information is as at December 31, 2019. The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. Unless otherwise noted positions are long. You may obtain quarterly updates to these holdings free of charge by calling us at 1-877-344-1434, visiting our website at www.sunlifeglobalinvestments.com or by sending an email to us at info@sunlifeglobalinvestments.com.

(**) Cash and Cash Equivalents, for the purpose of this chart, includes other assets less liabilities.

Forward-Looking Statements

This management report of fund performance may contain forward-looking statements about the Fund, including its strategy, results of operations, performance and condition. Forward-looking statements include statements that are predictive in nature, or that depend upon or refer to future events or conditions. They are based on current beliefs, expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and various economic factors. Many factors could cause the Fund's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors could include, among other things, general economic, political and market factors, including interest and foreign exchange rates, business competition, technological changes, changes in government regulations or in tax laws. Although the forward-looking statements contained in this report are based upon what management currently believes to be reasonable assumptions, the Manager cannot assure current or prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. The words "may", "could", "would", "should", "believe", "plan", "anticipate", "expect", "intend", "forecast", "objective", and similar expressions are intended to identify forward-looking statements. The Manager does not undertake any obligation to update or revise any forward-looking statements to reflect events or circumstances after the date of this document or to reflect new information or the occurrence of unanticipated events, except as required by law.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Sun Life BlackRock Canadian Universe Bond Fund

You can find more information about each Fund in our Annual Information Form, and each Fund's management report of fund performance and financial statements, once available. These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as part of it.

For a free copy of these documents, call us toll-free at **1-877-344-1434** or ask your advisor. These documents and other information about the Funds, such as information circulars and material contracts, are also available at www.sunlifeglobalinvestments.com or www.sedar.com.

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