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# SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

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## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the fifteen-month financial year ended December 31, 2019

Sun Life Excel High Income Fund



# Sun Life Excel High Income 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](mailto: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](http://www.sunlifeglobalinvestments.com) and on SEDAR at [www.sedar.com](http://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 objectives of the Sun Life Excel High Income Fund (the "Fund") are 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.

The Fund's Sub-Advisor for commodity futures is Amundi Asset Management ("Amundi") and the Fund's Sub-Advisor for securities is Amundi Canada Inc. ("Amundi Canada"). In pursuing the Fund's investment objective, the Sub-Advisors invest primarily in debt securities issued by governmental issuers located in emerging markets throughout Latin America, Africa, Central and Eastern Europe (including Russia) Asia and the Middle East. They may invest a portion of the Fund's assets in debt securities of corporate issuers in the regions listed above. The Fund seeks to invest in a portfolio of primarily investment grade securities (BBB- or above), although a portion of the Fund may be in securities of any grade.

### 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 fifteen-month period ended December 31, 2019, the net asset value of the Fund decreased from \$167.8 million to \$114.9 million due to net redemptions, partially offset by positive performance.

During the fifteen-month period ended December 31, 2019, the Fund returned annualized returns of 8.8% for Series A units, this result lagged the Fund's benchmark, which returned 12.0%. The broad-based index returned 6.7%. The performance returns for other series of this Fund are similar to those of Series A except for differences in expense structures. 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.

Duration management (Duration is the sensitivity of a bond's price to change in interest rates) was a negative contributor during the reporting period. Most of the Fund's losses came during the last quarter of the reporting period, where the Fund's overweight on duration detracted as U.S. Treasuries and German Bunds yields rebounded, especially during October and December 2019. Losses during the reporting period came both from the Fund's allocation in Hard Currency ("HC") (Hard currency bonds are bonds issued by countries that are denominated in U.S. dollar or Euro) and Local Currency ("LC") (Local currency bonds are bonds issued by countries in their own domestic currency) bonds during the period, and primarily from the Fund's HC geographical positioning during the rest of the reporting period.

On the LC bond allocation side, the main positive contributor to the Fund's performance was an overweight in Russian, Indonesian and South African LC bonds, which rallied in 2019, and the Fund's short position on Polish LC bonds, which were among the worst performers during the period.

Overall the Fund's HC positioning was a detractor to the Fund's performance. The Fund's long positions in Argentina and Mexico, and short positions on Panama and Peru, detracted from the Fund's performance during the period. August 2019 was a month of negative returns from this asset class. The Fund's overweight in Argentina and underweight in the Dominican Republic were negative contributors. During the whole period, from a country asset allocation perspective, the Fund's top positive contributors to performance were Indonesia and Brazil, where the Fund held and still holds an overweight position as at the date of this report.

On the emerging market ("EM") Foreign Exchange side, the Fund benefitted overall by an overweight on Mexican peso, Indonesian rupiah and Russian ruble, and by the Fund's short position in Korean won and Singapore dollar through the period. In February, the Fund suffered from a long position on Brazilian real, as local developments in Brazil were subpar, leading to a weak performance in the market. In November, the Fund's long position in Latin American currencies Brazilian real and Mexican peso detracted from the Fund's gains.

# Sun Life Excel High Income Fund

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## Recent Developments

On May 3, 2019 the Manager announced changes to the Fund's financial year-end in order to align with the Manager's other funds. The purpose of the change is to create operational efficiencies. The Fund's year-end changed from September 30 to December 31. The transition period for the Fund is the fifteen-month period from October 1, 2018 to December 31, 2019.

The reporting period started in October 2018 with mounting trade war tensions between the U.S. and China, slowing global growth and a weak corporate earnings season that led to a sharp sell-off in risky assets. The International Monetary Fund lowered its global growth forecast for 2019 and within fixed income markets, the U.S. saw higher rates on the back of robust data and the Federal Reserve's ("Fed") hawkish comments. On the political side and following the U.S. midterm elections, the Democrat party retook the majority in the House of Representatives, whilst the Senate remained in Republican control.

2019 started with Q1 being a quarter of divergence among EM debt assets, with Hard Currency EM debt performing strongly, whereas Local Currency performing poorly in the second half of the quarter but overall keeping a positive performance. This divergence happened mainly because of the Fed's change of gear in the face of tightening financial conditions in Q4 2018, which resulted in a strong rally of EM Assets in January, primarily driven by the much more dovish outlook for the Fed.

Q2 started with assets performance driven by elections, rising oil prices and renewed weakness in Argentina on top of key data publication. China announced stabilizing data in April with gross domestic product ("GDP") above market consensus at 6.4%, however, growth has been generally weak in much of EM. The month of May was dominated by deterioration in the trade negotiations between the U.S. and China, and later in the month, the U.S. and Mexico. Markets were alarmed by the seeming escalation of the trade war between the U.S. and partners and developed markets bond yields fell as investors sought "safe haven assets".

Q3 of 2019 was an eventful quarter, with trade wars and global monetary developments being the center of attention for the whole period. The escalating trade war between the U.S. and China continued in August as both imposed tariffs and counter-tariffs on imports. Idiosyncratic risk stories globally resurfaced, with the UK's parliament suspended over Brexit chaos and Italy witnessing a political crisis of its own. The key story for EM in August was Argentina. Market consensus was for the outcome of the primaries to be close however; Alberto Fernandez beat incumbent President Macri in the primaries by more than 15%, making it extremely likely that he would win in the first round of elections. The result was a complete collapse of Argentine assets. The approximately 50% fall in Argentina's equity market on the day after the primaries was the second-largest single-day fall in a stock market recorded ever, anywhere in the world. In

September, economic data that put Germany in a technical recession, weak US manufacturing data and Chinese growth slowdown cast shadows over riskier assets. At the same time, positive news stories arising from US-China trade talks, Italian government talks and a slightly lower risk of a no-deal Brexit led government bonds to see yields rise.

The fourth quarter of 2019 was characterized by U.S.-China trade-talk developments, global political uncertainty and monetary easing. In October, the European Central Bank ("ECB") welcomed Christine Lagarde as the new head after Mario Draghi's eight year term came to an end. The Fed made what it hinted would be the last rate cut of 2019, reducing the base rate from 2.0% to 1.75%. November saw political noise in the developed-markets and more specifically in the UK, where, following the announcement of the general election in December, the key parties started campaigning and airing manifestos. In Hong Kong, ongoing anti-government protests escalated tensions and prompted U.S. President Trump to sign a bill intended to protect human rights. November also saw widespread social and political unrest in Argentina, Bolivia and Chile as protests against a widening wealth gap in addition to disputed elections saw bouts of violence. December closed 2019 on a positive note as a number of risk factors subdued. The main factor was the agreement between the U.S. and China on a so-called "phase-one" trade deal, which suspends the imposition of about \$160 billion of tariffs on Chinese imports into the U.S.

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.

## 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.

# Sun Life Excel High Income Fund

As portfolio manager, the Manager is responsible for managing the investment portfolio of the Fund directly or through sub-advisors. The Manager has retained Amundi Canada Inc. to act as a sub-advisor for the Fund in respect to the Fund's securities portfolio. Amundi Canada Inc. has in turn engaged its affiliate Amundi Asset Management to provide investment advisory services to the Fund. The Manager has also retained Amundi Asset Management to provide commodity future services with respect to 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 (\$)<sup>(1)</sup>

#### Sun Life Excel High Income Fund - Series A

	Dec. 31, 2019 <sup>(4)</sup>	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2016	Sep. 30, 2015
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	4.58	5.13	5.43	5.08	5.08
<b>Increase (decrease) from operations:</b>					
Total revenue	0.35	0.28	0.30	0.34	0.32
Total expenses	(0.14)	(0.12)	(0.14)	(0.15)	(0.14)
Realized gains (losses) for the period	(0.21)	(0.02)	0.10	(0.07)	0.23
Unrealized gains (losses) for the period	0.51	(0.38)	(0.27)	0.52	(0.13)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.51</b>	<b>(0.24)</b>	<b>(0.01)</b>	<b>0.64</b>	<b>0.28</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.26)	(0.30)	(0.21)	(0.24)	(0.19)
From dividends	-	-	-	-	-
From capital gains	-	-	(0.07)	-	-
Return of capital	(0.12)	-	(0.02)	(0.06)	(0.11)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.38)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.30)</b>
<b>Net asset value, end of period</b>	<b>4.69</b>	<b>4.58</b>	<b>5.13</b>	<b>5.43</b>	<b>5.08</b>

#### Sun Life Excel High Income Fund - Series F

	Dec. 31, 2019 <sup>(4)</sup>	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2016	Sep. 30, 2015
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	4.98	5.50	5.74	5.30	5.31
<b>Increase (decrease) from operations:</b>					
Total revenue	0.39	0.30	0.31	0.35	0.33
Total expenses	(0.08)	(0.08)	(0.09)	(0.10)	(0.08)
Realized gains (losses) for the period	(0.22)	(0.03)	0.10	(0.04)	0.22
Unrealized gains (losses) for the period	0.51	(0.42)	(0.30)	0.55	(0.25)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.60</b>	<b>(0.23)</b>	<b>0.02</b>	<b>0.76</b>	<b>0.22</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.26)	(0.30)	(0.21)	(0.24)	(0.19)
From dividends	-	-	-	-	-
From capital gains	-	-	(0.07)	-	(0.08)
Return of capital	(0.12)	-	(0.02)	(0.06)	(0.11)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.38)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.38)</b>
<b>Net asset value, end of period</b>	<b>5.21</b>	<b>4.98</b>	<b>5.50</b>	<b>5.74</b>	<b>5.30</b>

# Sun Life Excel High Income Fund

## Sun Life Excel High Income Fund - Series I

	Dec. 31, 2019 <sup>(4)</sup>	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2016	Sep. 30, 2015
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	5.18	5.65	5.86	5.38	5.28
<b>Increase (decrease) from operations:</b>					
Total revenue	0.41	0.32	0.32	0.37	0.33
Total expenses	-	(0.03)	(0.06)	(0.07)	(0.06)
Realized gains (losses) for the period	(0.22)	-	0.09	(0.01)	0.24
Unrealized gains (losses) for the period	0.55	(0.49)	(0.35)	0.63	(0.21)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.74</b>	<b>(0.20)</b>	<b>-</b>	<b>0.92</b>	<b>0.30</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.26)	(0.30)	(0.21)	(0.24)	(0.19)
From dividends	-	-	-	-	-
From capital gains	-	-	(0.07)	-	-
Return of capital	(0.12)	-	(0.02)	(0.06)	(0.11)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.38)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.30)</b>
<b>Net asset value, end of period</b>	<b>5.52</b>	<b>5.18</b>	<b>5.65</b>	<b>5.86</b>	<b>5.38</b>

## Sun Life Excel High Income Fund - Institutional Series

	Dec. 31, 2019 <sup>(4)</sup>	Sep. 30, 2018	Sep. 30, 2017
	(\$)	(\$)	(\$)
Net asset value, beginning of period	4.28	4.76	5.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.33	0.26	0.26
Total expenses	(0.06)	(0.06)	(0.07)
Realized gains (losses) for the period	(0.20)	(0.01)	0.08
Unrealized gains (losses) for the period	0.47	(0.40)	(0.18)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.54</b>	<b>(0.21)</b>	<b>0.09</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.26)	(0.30)	(0.21)
From dividends	-	-	-
From capital gains	-	-	(0.07)
Return of capital	(0.12)	-	(0.02)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.38)</b>	<b>(0.30)</b>	<b>(0.30)</b>
<b>Net asset value, end of period</b>	<b>4.43</b>	<b>4.28</b>	<b>4.76</b>

## Sun Life Excel High Income Fund - Series DB

	Dec. 31, 2019 <sup>(4)</sup>	Sep. 30, 2018	Sep. 30, 2017
	(\$)	(\$)	(\$)
Net asset value, beginning of period	4.11	4.61	5.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.32	0.25	0.24
Total expenses	(0.09)	(0.09)	(0.09)
Realized gains (losses) for the period	(0.18)	-	(0.04)
Unrealized gains (losses) for the period	0.44	(0.37)	(0.14)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.49</b>	<b>(0.21)</b>	<b>(0.03)</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.26)	(0.30)	(0.21)
From dividends	-	-	-
From capital gains	-	-	(0.07)
Return of capital	(0.12)	-	(0.02)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.38)</b>	<b>(0.30)</b>	<b>(0.30)</b>
<b>Net asset value, end of period</b>	<b>4.22</b>	<b>4.11</b>	<b>4.61</b>

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

<sup>(2)</sup> 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.

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

<sup>(4)</sup> On May 3, 2019 the Manager changed the financial year-end of the Fund with the aim of aligning the Excel Funds' year-end with Sun Life Global Investments' other funds in order to create operational efficiencies. The Fund's year-end changed from September 30 to December 31. The transition period for the Fund is the fifteen-month period from October 1, 2018 to December 31, 2019.

## Ratios and Supplemental Data

### Sun Life Excel High Income Fund - Series A

	Dec. 31, 2019 <sup>(4)</sup>	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2016	Sep. 30, 2015
Total net asset value (\$)	52,961,720	68,679,515	91,905,005	96,580,884	96,320,798
Number of units outstanding	11,281,305	15,010,260	17,921,354	17,779,694	18,942,613
Management expense ratio (%) <sup>(1)</sup>	2.18	2.43	2.73	2.83	2.60
Management expense ratio before waivers or absorption (%) <sup>(1)</sup>	2.18	2.43	2.73	2.83	2.60
Trading expense ratio (%) <sup>(2)</sup>	-	-	-	-	-
Portfolio turnover rate (%) <sup>(3)</sup>	44.18	68.04	74.82	140.64	86.56
Net asset value per unit (\$)	4.69	4.58	5.13	5.43	5.08

### Sun Life Excel High Income Fund - Series F

	Dec. 31, 2019 <sup>(4)</sup>	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2016	Sep. 30, 2015
Total net asset value (\$)	42,051,439	69,773,794	77,988,611	75,078,783	50,886,956
Number of units outstanding	8,067,482	14,009,767	14,188,129	13,085,797	9,605,726
Management expense ratio (%) <sup>(1)</sup>	1.17	1.37	1.60	1.72	1.55
Management expense ratio before waivers or absorption (%) <sup>(1)</sup>	1.17	1.37	1.60	1.72	1.55
Trading expense ratio (%) <sup>(2)</sup>	-	-	-	-	-
Portfolio turnover rate (%) <sup>(3)</sup>	44.18	68.04	74.82	140.64	86.56
Net asset value per unit (\$)	5.21	4.98	5.50	5.74	5.30

# Sun Life Excel High Income Fund

## Sun Life Excel High Income Fund - Series I

	Dec. 31, 2019 <sup>(4)</sup>	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2016	Sep. 30, 2015
Total net asset value (\$)	6,674,582	11,694,283	9,414,799	7,614,505	3,760,374
Number of units outstanding	1,208,974	2,256,703	1,666,149	1,299,502	699,284
Management expense ratio (%) <sup>(1)</sup>	0.04	0.56	1.09	1.18	1.04
Management expense ratio before waivers or absorption (%) <sup>(1)</sup>	0.04	0.56	1.09	1.18	1.04
Trading expense ratio (%) <sup>(2)</sup>	-	-	-	-	-
Portfolio turnover rate (%) <sup>(3)</sup>	44.18	68.04	74.82	140.64	86.56
Net asset value per unit (\$)	5.52	5.18	5.65	5.86	5.38

## Sun Life Excel High Income Fund - Institutional Series

	Dec. 31, 2019 <sup>(4)</sup>	Sep. 30, 2018	Sep. 30, 2017
Total net asset value (\$)	12,988,269	17,287,092	19,551,772
Number of units outstanding	2,930,724	4,037,649	4,107,042
Management expense ratio (%) <sup>(1)</sup>	1.08	1.21	1.39
Management expense ratio before waivers or absorption (%) <sup>(1)</sup>	1.08	1.21	1.39
Trading expense ratio (%) <sup>(2)</sup>	-	-	-
Portfolio turnover rate (%) <sup>(3)</sup>	44.18	68.04	74.82
Net asset value per unit (\$)	4.43	4.28	4.76

## Sun Life Excel High Income Fund - Series DB

	Dec. 31, 2019 <sup>(4)</sup>	Sep. 30, 2018	Sep. 30, 2017
Total net asset value (\$)	256,076	344,582	392,568
Number of units outstanding	60,705	83,763	85,085
Management expense ratio (%) <sup>(1)</sup>	1.52	1.86	2.09
Management expense ratio before waivers or absorption (%) <sup>(1)</sup>	1.52	1.86	2.09
Trading expense ratio (%) <sup>(2)</sup>	-	-	-
Portfolio turnover rate (%) <sup>(3)</sup>	44.18	68.04	74.82
Net asset value per unit (\$)	4.22	4.11	4.61

- <sup>(1)</sup> 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.
- <sup>(2)</sup> 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.
- <sup>(3)</sup> 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.
- <sup>(4)</sup> On May 3, 2019 the Manager changed the financial year-end of the Fund with the aim of aligning the Excel Funds' year-end with Sun Life Global Investments' other funds in order to create operational efficiencies. The Fund's year-end changed from September 30 to December 31. The transition period for the Fund is the fifteen-month period from October 1, 2018 to December 31, 2019.

## 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.

The percentages and major services paid for out of the management fees are set out below:

	As a Percentage of Management Fees		
	Maximum Annual Management Fee Rate (%)	Dealer Compensation (%) <sup>(*)</sup>	General Administration, Investment Advice and Profit (%)
Series A Units	1.75	37	63
Series DB Units	1.15	19	81
Series F Units	0.90	-	100
Series I Units <sup>(†)</sup>	-	-	-
Series IS Units	0.75	-	100

<sup>(\*)</sup> Includes sales and trailing commissions.

<sup>(†)</sup> Series I management fees are not paid by the Fund. Series I investors negotiate management fees and pay directly to the manager.

## Past Performance

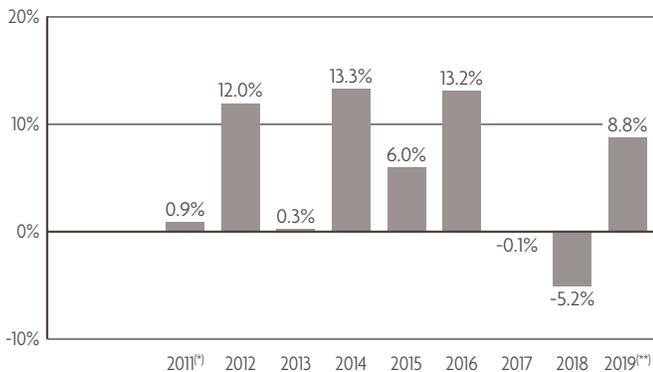
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution, other optional charges or income tax payable by any unitholder 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.

# Sun Life Excel High Income Fund

## 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. On May 3, 2019 the Manager changed the financial year-end of the Fund with the aim of aligning the Excel Funds' year-end with Sun Life Global Investments' other funds in order to create operational efficiencies. The Fund's year-end changed from September 30 to December 31. The transition period for the Fund is the fifteen-month period from October 1, 2018 to December 31, 2019.

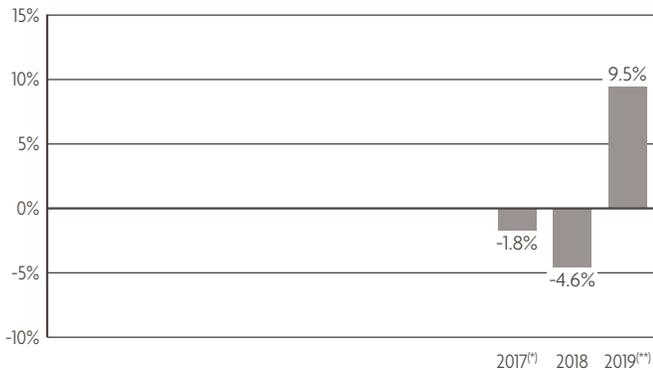
### Series A Units – Annual return for the period ended December 31, 2019



<sup>(\*)</sup> for the period of November 2, 2010 to September 30, 2011.

<sup>(\*\*)</sup> annualized for the period of October 1, 2018 to December 31, 2019. Prior period performance is for the twelve-month period ended September 30 unless otherwise noted.

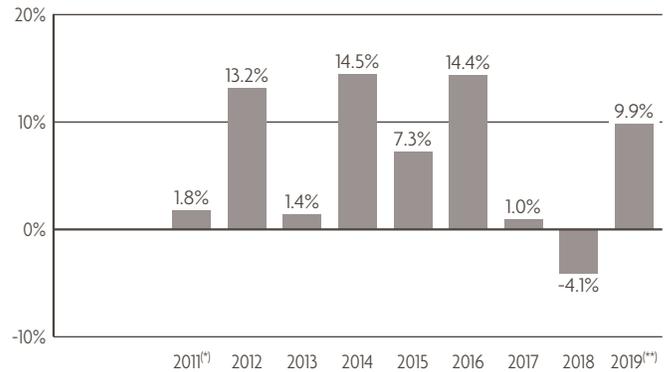
### Series DB Units – Annual return for the period ended December 31, 2019



<sup>(\*)</sup> for the period of October 24, 2016 to September 30, 2017.

<sup>(\*\*)</sup> annualized for the period of October 1, 2018 to December 31, 2019. Prior period performance is for the twelve-month period ended September 30 unless otherwise noted.

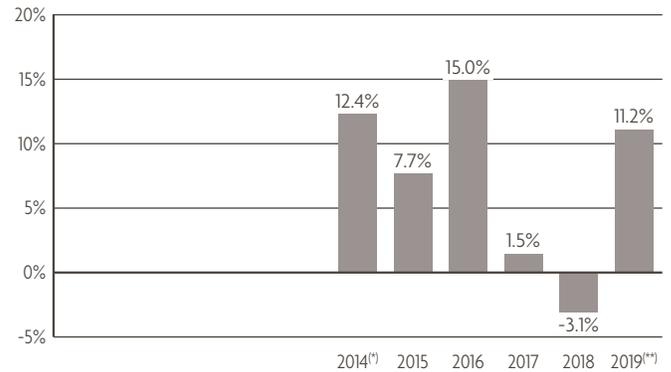
### Series F Units – Annual return for the period ended December 31, 2019



<sup>(\*)</sup> for the period of November 3, 2010 to September 30, 2011.

<sup>(\*\*)</sup> annualized for the period of October 1, 2018 to December 31, 2019. Prior period performance is for the twelve-month period ended September 30 unless otherwise noted.

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



<sup>(\*)</sup> for the period of October 16, 2013 to September 30, 2014.

<sup>(\*\*)</sup> annualized for the period of October 1, 2018 to December 31, 2019. Prior period performance is for the twelve-month period ended September 30 unless otherwise noted.

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



<sup>(\*)</sup> for the period of October 13, 2016 to September 30, 2017.

<sup>(\*\*)</sup> annualized for the period of October 1, 2018 to December 31, 2019. Prior period performance is for the twelve-month period ended September 30 unless otherwise noted.

# Sun Life Excel High Income Fund

## Annual Compound Returns

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

The benchmark (the "Benchmark") is composed of:  
50.0% J.P. Morgan Government Bond Index Emerging Markets (GBI-EM) Global Diversified Composite Unhedged C\$ Index  
50.0% J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified Composite Index C\$

The Series A units underperformed the benchmark since inception, over the past five years, over the past three years, and over the past year.

The following are the broad-based index or indices:  
Broad-based index - Bloomberg Barclays Global Aggregate Bond Index C\$

	1 Year	3 Year	5 Year	10 Year	Performance Start Date <sup>(1)(2)(3)(4)(5)</sup>
Series A	6.0%	2.7%	4.5%	N/A	5.4%
Benchmark	8.5%	5.7%	7.0%	N/A	6.3%
Broad-based index	1.4%	3.1%	4.6%	N/A	4.6%
Series DB	6.7%	3.3%	N/A	N/A	1.5%
Benchmark	8.5%	5.7%	7.0%	N/A	3.9%
Broad-based index	1.4%	3.1%	4.6%	N/A	1.5%
Series F	7.1%	3.8%	5.6%	N/A	6.6%
Benchmark	8.5%	5.7%	7.0%	N/A	6.3%
Broad-based index	1.4%	3.1%	4.6%	N/A	4.6%
Series I	8.3%	4.8%	6.5%	N/A	7.5%
Benchmark	8.5%	5.7%	7.0%	N/A	7.3%
Series IS	7.2%	3.9%	N/A	N/A	2.8%
Benchmark	8.5%	5.7%	7.0%	N/A	4.4%
Broad-based index	1.4%	3.1%	4.6%	N/A	5.7%

<sup>(1)</sup> The performance start date for Series A units was November 2, 2010.

<sup>(2)</sup> The performance start date for Series DB units was October 24, 2016.

<sup>(3)</sup> The performance start date for Series F units was November 4, 2010.

<sup>(4)</sup> The performance start date for Series I units was February 16, 2018.

<sup>(5)</sup> The performance start date for Series IS units was October 13, 2016.

## INDEX DESCRIPTION(S)

J.P. Morgan Government Bond Index Emerging Markets (GBI-EM) Global Diversified Composite Index is a market capitalization weighted comprehensive global emerging markets index of local government bond debt. The index has a diversification overlay which limits the maximum weight per country to 10%. This index is not hedged to the Canadian dollar.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified Index is an Emerging Markets sovereign bond index denominated in USD. The index limits weights of countries by only including a specified portion of those countries' eligible current face amounts of debt outstanding.

The Bloomberg Barclays Global Aggregate Bond Index measures the performance of the global investment-grade fixed-rate debt markets. It is composed of government, government-related and corporate bonds, as well as asset-backed, mortgage-backed and commercial mortgage-backed securities from both developed and emerging markets issuers.

## Summary of Investment Portfolio\*

as at December 31, 2019

## Top 25 Investments

Holding Name	Percentage of Net Asset Value of the Fund (%)
1 Republic of South Africa, 8.00%, Jan 31, 2030	4.5
2 Petroleos Mexicano, 7.19%, Sep 12, 2024	3.3
3 Nota Do Tesouro Nacional, 10.00%, Jan 01, 2023	3.3
4 Nota Do Tesouro Nacional, 10.00%, Jan 01, 2027	3.1
5 Russian Federation, 7.05%, Jan 19, 2028	2.9
6 Republic of Poland, 2.50%, Jul 25, 2026	2.8
7 Russian Foreign Bond - Eurobond, 4.38%, Mar 21, 2029	2.8
8 Colombian TE, 7.50%, Aug 26, 2026	2.7
9 Mexican Fixed Rate Development Bond, 7.75%, Nov 13, 2042	2.7
10 Pertamina Persero P, 6.00%, May 03, 2042	2.7
11 Government of Malaysia, 3.90%, Nov 30, 2026	2.6
12 Republic of Indonesia, 8.38%, Mar 15, 2024	2.6
13 Government of Thailand, 4.88%, Jun 22, 2029	2.5
14 Republic of South Africa, 8.88%, Feb 28, 2035	2.2
15 Republic of Turkey, 8.80%, Sep 27, 2023	1.9
16 Government of Romania, 4.75%, Feb 24, 2025	1.8
17 Republic of Indonesia, 7.00%, May 15, 2027	1.7
18 Government of Ukraine, 7.38%, Sep 25, 2032	1.6
19 Republic of Indonesia, 6.13%, May 15, 2028	1.6
20 Petroleos Mexicano, 6.50%, Mar 13, 2027	1.5
21 Country Garden Holdings Company Limited, 4.75%, Jan 17, 2023	1.4
22 Russian Federal Bond - OF, 6.50%, Feb 28, 2024	1.3
23 Federal Republic of Brazil, 5.63%, Feb 21, 2047	1.3
24 Petroleos del Peru S, 4.75%, Jun 19, 2032	1.2
25 Peruvian Government International Bond, 6.95%, Aug 12, 2031	1.2
	<b>57.2</b>
<b>Total Net Asset Value ('000's)</b>	<b>\$ 114,932</b>

## Sector Allocation

	Percentage of Net Asset Value of the Fund %
International Government Bond	73.3
International Corporate Bond	22.7
Cash and Cash Equivalents**	2.8
Canadian Federal Government Bond	1.5
Derivatives - Long	(0.1)
Derivatives - Short	(0.2)
	<b>100.0</b>

# Sun Life Excel High Income Fund

## Asset Allocation

	Percentage of Net Asset Value of the Fund %
International Fixed Income	96.0
Cash and Cash Equivalents**	2.8
Canadian Fixed Income	1.5
Derivatives - Long	(0.1)
Derivatives - Short	(0.2)
	<b>100.0</b>

## Geographic Allocation

	Percentage of Net Asset Value of the Fund %
Other	41.8
Indonesia	10.9
Russia	9.3
South Africa	8.4
Mexico	8.0
Brazil	7.6
Malaysia	3.8
Colombia	3.4
Peru	3.4
Turkey	3.4
	<b>100.0</b>

(\*) 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](http://www.sunlifeglobalinvestments.com) or by sending an email to us at [info@sunlifeglobalinvestments.com](mailto: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 Excel High Income 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](http://www.sunlifeglobalinvestments.com) or [www.sedar.com](http://www.sedar.com).

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