
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2019

Sun Life Milestone 2035 Fund



Sun Life Milestone 2035 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 Milestone 2035 Fund (the "Fund") are to seek long-term capital appreciation and to pay, on its scheduled maturity date of June 30, 2035, an amount per unit equal to the greater of the following three values: (i) \$10 per unit (the net asset value per unit on the start date of the Fund), (ii) the highest month-end net asset value per unit during the period from the start date to the Maturity Date, or (iii) the net asset value per unit on the Maturity Date of the Fund (the "Guaranteed Value"). The Fund invests in an underlying fund that provides exposure to equity market indices in North America, Europe and the Far East through investments primarily in derivatives, as well as in fixed-income securities and cash equivalents. The Fund uses an asset allocation strategy to determine the balance among these assets. Further details about the Guaranteed Value can be found in the Fund's simplified prospectus.

The Fund's Sub-Advisor is Sun Life Assurance Company of Canada (the "Sub-Advisor"). The portfolio manager and Sub-Advisor manage the Fund by investing in sufficient zero-coupon federal or provincial government bonds in order to support the guaranteed value at the maturity date of the Fund and then allocating the remainder of the Fund's assets to global equities. The global equity exposure is obtained through an investment in units of Sun Life Milestone Global Equity Fund, a fund that is managed so that its regional exposures are within defined target ranges relative to the MSCI World Index weightings. You may obtain specific information about the Sun Life Milestone Global Equity Fund in its Management Report of Fund Performance, which is available on our website at www.sunlifeglobalinvestments.com and on SEDAR at www.sedar.com.

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 \$50.0 million to \$54.5 million due to positive performance, partially offset by net redemptions.

During the period, the Fund returned 13.7% for Series A units, this result surpassed the Fund's benchmark, which returned 11.7%. The broad-based index 1 returned 6.9% and the broad-based index 2 returned 22.9%. 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.

On the fixed income side of the Fund, bond prices increased as yields on Provincial and Canadian government bonds came down across the term structure on the U.S. Federal Reserve's (the "Fed") shift to a more accommodating position during the period. As a result, the Guaranteed Maturity Value moved higher on a number of the Sun Life Milestone Funds. Longer dated fixed income maturities outperformed shorter dated fixed income maturities. The Sun Life Milestone 2035 Fund continued to invest broadly in Canadian Federal and Provincial bonds during the period holdings shorter dated fixed income securities. The Manager maintained a bias toward bonds over equities.

The Fund also had exposure to global equities through the Sun Life Milestone Global Equity Fund. The Sun Life Milestone Global Equity Fund had positive performance during the period as global equity markets moved higher following the Fed's shift to a lower interest rate environment and positive news regarding the U.S./China trade talks.

Recent Developments

Questions over Britain's exit from the European Union and the U.S./China trade war have dragged on the global economy for months. Markets saw a partial resolution of both in the final days of 2019, when British voters said goodbye to Europe and the first phase of a potential deal to end the U.S. tariff battle with China was reached. While investors were digesting those events, the U.S. House of Representatives quietly ratified the USMCA – a trade pact critical to Canada's economic growth. Also, despite the of U.S. President Donald Trump, the S&P 500 Index reached yet another record high.

Sun Life Milestone 2035 Fund

Fixed income markets across most geographies saw double-digit returns. What really drove returns in 2019 was capital appreciation which was driven both by interest rates moving lower and credit markets staying strong. Central banks remained largely on the sidelines and economic activity remained broadly supportive but at a lower gear relative to what the market has seen over recent years.

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.

As portfolio manager, the Manager is responsible for managing the investment portfolio of the Fund directly or through sub-advisors. The Manager has retained Sun Life Assurance Company of Canada, an affiliate, to act as a sub-advisor for the Fund.

The Manager is an indirect wholly owned subsidiary of Sun Life Financial Inc., but Sun Life Assurance Company of Canada is a direct wholly owned subsidiary.

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.

Sun Life Milestone 2035 Fund

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 Milestone 2035 Fund - Series A

	2019	2018	2017	2016	2015
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	14.76	15.45	14.01	13.84	13.73
Increase (decrease) from operations:					
Total revenue	1.11	0.35	1.43	0.78	0.55
Total expenses	(0.36)	(0.34)	(0.33)	(0.32)	(0.32)
Realized gains (losses) for the period	0.15	(0.10)	0.14	(0.02)	0.42
Unrealized gains (losses) for the period	1.14	(0.59)	0.20	(0.27)	(0.62)
Total increase (decrease) from operations⁽²⁾	2.04	(0.68)	1.44	0.17	0.03
Distributions:					
From income (excluding dividends)	(0.52)	-	(1.09)	(0.41)	(0.21)
From dividends	-	-	-	-	-
From capital gains	(0.07)	-	(0.05)	(0.01)	(0.40)
Return of capital	-	-	-	-	-
Total annual distributions⁽³⁾	(0.59)	-	(1.14)	(0.42)	(0.61)
Net asset value, end of period	16.78	14.76	15.45	14.01	13.84

⁽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 Milestone 2035 Fund - Series A

	2019	2018	2017	2016	2015
Total net asset value (\$) ⁽¹⁾	54,531,707	50,031,154	52,434,285	45,636,582	32,406,258
Number of units outstanding ⁽¹⁾	3,250,182	3,389,728	3,394,485	3,256,314	2,341,016
Management expense ratio (%) ⁽²⁾	2.26	2.26	2.27	2.26	2.26
Management expense ratio before waivers or absorption (%) ⁽²⁾	2.26	2.26	2.27	2.26	2.26
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	59.43	32.38	32.13	13.41	64.68
Net asset value per unit (\$) ⁽¹⁾	16.78	14.76	15.45	14.01	13.84

⁽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.

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 (%) ^(*)	General Administration, Investment Advice and Profit (%)
Series A Units	1.85	42	58

^(*) Includes sales and trailing commissions.

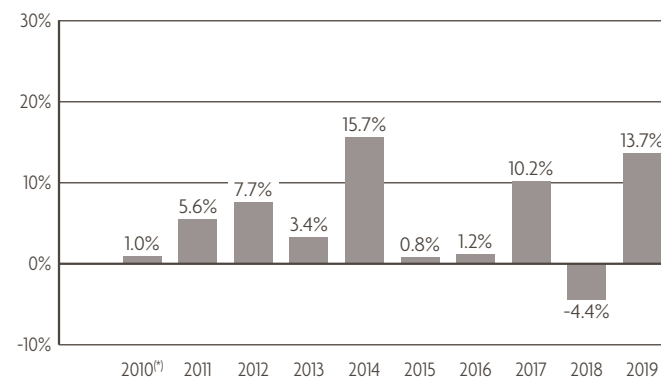
Past Performance

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



^(*) for the period of October 1, 2010 to December 31, 2010.

Sun Life Milestone 2035 Fund

Annual Compound Returns

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

The current benchmark (the "Current Benchmark") is composed of:

74.4% FTSE Canada Universe Bond Index
25.6% MSCI AC World Index Local Currency Index C\$

The previous benchmark (the "Previous Benchmark") is composed of:

70.0% FTSE Canada Universe Bond Index
30.0% MSCI AC World Index Local Currency Index C\$

The Fund's asset mix becomes more conservative as it approaches its maturity date. The Fund's blended benchmark is adjusted on a regular basis to reflect the changes in the asset mix.

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

The following are the broad-based index or indices:

Broad-based index 1 - FTSE Canada Universe Bond Index

Broad-based index 2 - S&P/TSX Composite Index

	1 Year	3 Year	5 Year	10 Year	Performance Start Date ⁽¹⁾
Series A	13.7%	6.2%	4.1%	N/A	5.8%
Previous Benchmark	11.9%	5.8%	4.9%	N/A	5.7%
Current Benchmark	11.7%	5.7%	4.8%	N/A	5.6%
Broad-based index 1	6.9%	3.6%	3.2%	4.3%	3.8%
Broad-based index 2	22.9%	6.9%	6.3%	6.9%	6.6%

⁽¹⁾ The performance start date for Series A units was October 1, 2010.

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.

The MSCI AC World Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance in global developed and emerging markets. The Index excludes the impact of currency fluctuations.

The S&P/TSX Composite Index is a broad economic sector index comprising approximately 95% of the market capitalization for Canadian-based, Toronto Stock Exchange listed companies.

Summary of Investment Portfolio*

as at December 31, 2019

Top 25 Investments

Holding Name [†]	Percentage of Net Asset Value of the Fund (%)
1 Sun Life Milestone Global Equity Fund, Series I	26.9
2 Government of Canada, Coupon Strip, Jun 01, 2035	9.6
3 Government of Canada, Coupon Strip, Jun 01, 2033	7.8
4 Government of Canada, Coupon Strip, Dec 01, 2034	6.9
5 Province of British Columbia, Interest Strip, Jun 18, 2035	6.8
6 Province of Ontario, Generic Coupon Strip, Jun 02, 2035	6.5
7 Government of Canada, Coupon Strip, Jun 01, 2034	5.5
8 Hydro Quebec, Residual Strip, Feb 15, 2035	3.4
9 Government of Canada, Coupon Strip, Dec 01, 2033	2.8
10 Province of British Columbia, Interest Strip, Dec 18, 2033	2.6
11 Province of British Columbia, Interest Strip, Jun 18, 2033	2.4
12 Province of British Columbia, Interest Strip, Dec 18, 2034	2.0
13 Hydro Quebec, Interest Strip, Feb 15, 2035	2.0
14 Province of New Brunswick, Generic Coupon Strip, Dec 03, 2033	1.6
15 Province of Ontario, Generic Residual Strip, Jan 10, 2035	1.1
16 Province of New Brunswick, Generic Coupon Strip, 0.00%, Jun 03, 2033	1.1
17 Province of Ontario, Generic Residual Strip, Jun 02, 2035	1.0
18 Province of British Columbia, Interest Strip, Jun 18, 2034	1.0
19 Province of New Brunswick, Generic Coupon Strip, Mar 26, 2033	1.0
20 Government of Canada, Coupon Strip, Jun 01, 2033	0.9
21 Province of New Brunswick, Generic Coupon Strip, Sep 26, 2033	0.8
22 Canadian Treasury Bill, 1.67%, Jan 23, 2020	0.8
23 Province of New Brunswick, Generic Coupon Strip, 0.00%, Dec 03, 2034	0.5
24 Province of New Brunswick, Generic Coupon Strip, Jun 03, 2034	0.4
25 Province of Saskatchewan, Coupon Strip, Sep 05, 2033	0.3
95.7	
Total Net Asset Value ('000's)	\$ 54,532

Sun Life Milestone 2035 Fund

Asset Allocation†

	Percentage of Net Asset Value of the Fund %
Fixed Income	74.6
Equity	26.9
Cash and Cash Equivalents**	(1.5)
	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.

(‡) Equity for the purpose of this chart, includes investment in the Sun Life Milestone Global Equity Fund.

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

(†) The investment portfolio include(s) one or more other investment fund(s). The prospectus of the underlying investment fund(s) and other information can be found on SEDAR at www.sedar.com.

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 Milestone 2035 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.

Sun Life Global Investments (Canada) Inc.
1 York Street, Suite 3300, Toronto, Ontario, M5J 0B6
Telephone: 1-877-344-1434 | Facsimile: 416-979-2859
info@sunlifeglobalinvestments.com
www.sunlifeglobalinvestments.com



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