
SLGI ASSET MANAGEMENT INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the period from November 22, 2023 to December 31, 2023

Sun Life Net Zero Target Bond Fund



Sun Life Net Zero Target 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 SLGI Asset Management Inc., 1 York Street, Suite 3300, Toronto, Ontario, M5J 0B6. The financial statements are available on our website at www.sunlifeglobalinvestments.com and on SEDAR at www.sedarplus.ca.

Securityholders 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.

SLGI Asset Management Inc. (the "Manager") is an indirect wholly owned subsidiary of Sun Life Financial Inc.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objectives and Strategies

The fundamental investment objectives of the Sun Life Net Zero Target Bond Fund (the "Fund") are to seek to achieve its objectives by investing in a well-diversified portfolio of primarily Canadian debt securities, comprising of, but not limited to, corporate debt, federal, provincial and corporate real return bonds, federal and provincial nominal bonds and inflation-protected securities.

The Fund's sub-advisor is Sun Life Capital Management (Canada) Inc. ("the Sub-Advisor"). In pursuing its investment objectives, the Sub-Advisor will seek to employ strategies and standards endorsed by, or derived from, widely recognized guidelines for achieving net zero greenhouse gas emissions or carbon emissions by 2050. The Sub-Advisor will periodically seek to adjust such strategies or adopt additional strategies as industry guidelines evolve.

The Fund seeks to reduce the GHG emission intensity of the Fund's corporate bond exposure to at least 50% of the Fund's baseline levels by 2030 and seeking to achieve further reductions in a manner that is consistent with achieving global net zero greenhouse gas emissions or carbon emissions by 2050, by investing in issuers that are expected to reduce carbon emissions intensity of the Fund, and/or issuers that the sub-advisor expects will reduce their carbon emissions intensity over time. In managing the Fund's sovereign and sub-sovereign bond exposure the Fund seeks to attain a greater than 10% portfolio allocation to green or sustainability bonds by 2030.

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.

As at December 31, 2023, the majority of the Fund's investments are considered readily realizable and highly liquid; therefore, the Fund's liquidity risk is considered minimal.

Results of Operations

During the period, the net asset value of the Fund increased from \$0.0 million to \$141.4 million due to positive net sales, as well as positive performance.

During the period, the Fund returned 2.0% for Series I securities, this result surpassed the Fund's benchmark, FTSE Canada Universe Bond Index, which returned 1.9%. Please refer to the 'Past Performance' section of this report for performance of each series.

Fixed income markets were eventful over the period and included one of the most extreme whipsaws in fixed income since the beginning of the COVID pandemic. In the first half of the year, the Canadian economy was more resilient than many expected with GDP growth numbers coming in ahead of consensus expectations, fueled by a recovery in household spending. A key factor in this stronger-than-expected economic growth has been a resilient labour market. In the second half of the year, the effects of tighter monetary policy started to make an impact in slowing the Canadian economy.

In the third quarter, bonds sold off aggressively triggered by hawkish guidance from the U.S. Federal Reserve Board (the "Fed") that another interest rate hike was possible before the end of the year. Market sentiment then shifted in November with the Fed changing its tone on the direction of interest rates with the timing of potential rate cuts in 2024. This dovish guidance from the Fed caused government bond yields to decline and spurred a rally in fixed income through the remainder of the year.

Against this macroeconomic backdrop, the Canadian fixed income market rebounded over the period after suffering the worst year in four decades. Returns in the first half of the year were driven by falling long-term government bond yields and narrowing credit spreads after spiking in March because of the various banking crises that emerged. Returns in the latter half of the year were driven by the change in expectations for the path of interest rates. Bond yields fell across the entire yield curve and credit spreads declined sharply. Corporate bonds outperformed government bonds over the period.

Sun Life Net Zero Target Bond Fund

The Bank of Canada remains concerned about the corrosive effects of high inflation and raised its benchmark interest rate by a cumulative 0.70 percentage points ending the period at 5.0%. Meanwhile, the Fed raised interest rates by a cumulative 0.75 percentage points ending the period at 5.5%. While inflation remains high, tightening monetary policy by central banks has helped slow the rate of inflation globally. While the rate of inflation in goods has declined, services inflation remains high across most regions in the world with wages being the biggest driver.

A spread is the difference in yield between a Treasury bond and another debt security of the same maturity but different credit quality. Investment grade bonds are the highest quality bonds as determined by a credit rating agency. High yield bonds are more speculative, with a credit rating below investment grade bonds. Emerging market (EM) bonds saw negative returns. EM corporate bonds were more resilient than EM sovereign bonds. Sovereign bonds are debt securities issued by a national government to finance government spending.

The Manager launched the Fund on December 6, 2023. The Fund's investment objectives are to seek long-term total return by investing primarily in a portfolio of Canadian debt securities, in a manner that is consistent with achieving net zero greenhouse gas emissions or carbon emissions by 2050. The Fund follows an active investment approach for achieving net zero greenhouse gas emissions or carbon emissions by 2050. The fund is new and as a result there has not been any progress towards its net zero goal.

At the end of the reporting period, active management drove portfolio allocations. The portfolio sector weights differed from the benchmark's sector weights.

Recent Developments

Global tensions and conflicts within some geographic regions, such as the ongoing military conflict in Ukraine, have continued to impact global markets and economies. In addition, there continues to be tensions between larger nations over a number of issues, including trade, technology, human rights, and sovereignty. These issues have, in some cases, resulted in government sanctions and trade restrictions. These global tensions and regional conflicts, documented in the media, create a more challenging operating environment. The longer-term impact to geopolitical norms, supply chains and investment valuations is uncertain. The Manager continues to watch for developments and assess the impact to investment strategies.

Related Party Transactions

SLGI Asset Management Inc. 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 securityholders.

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 Capital Management (Canada) Inc. ("SLC Management"), an affiliate of the Manager, to act as sub-advisor for the Fund.

The Fund may have direct or indirect holdings in Sun Life Financial Inc. or its affiliates or other funds managed by the Manager or its affiliates. Funds managed by the Manager, or its affiliates, may invest in securities of the Fund.

The Manager has a distribution agreement with Sun Life Financial Investment Services (Canada) Inc. (the "Dealer"), a company under common control, under which the Dealer may distribute securities of the funds offered by the Manager in the jurisdictions in which the Dealer is so authorized.

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 securities 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 any regulatory fees and expenses payable 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.

Sun Life Net Zero Target Bond Fund

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 IRC; taxes payable by the Fund; contingent fees for foreign tax reclaim filings; 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 securities 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.

Fees and expenses payable to or in connection with the IRC are allocated to the fund and series to which they apply in a manner that, in the Manager's view, is considered fair and reasonable. The amounts of these charges are disclosed in the line item "Independent review committee fees" in the Fund's Statement of Comprehensive Income (Loss).

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 period(s) since inception to December 31, 2023.

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

Sun Life Net Zero Target Bond Fund - Series I

	2023 (\$)
Net asset value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.02
Total expenses	-
Realized gains (losses) for the period	0.01
Unrealized gains (losses) for the period	0.16
Total increase (decrease) from operations⁽²⁾	0.19
Distributions:	
From income (excluding dividends)	(0.03)
From dividends	-
From capital gains	(0.01)
Return of capital	-
Total annual distributions⁽³⁾	(0.04)
Net asset value, end of period	10.16

⁽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 securities of the Fund, or both.

Ratios and Supplemental Data

Sun Life Net Zero Target Bond Fund - Series I

	2023
Total net asset value (\$000s) ⁽¹⁾	141,446
Number of securities outstanding (000s) ⁽¹⁾	13,923
Management expense ratio (%)	0.03
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.03
Trading expense ratio (%) ⁽³⁾	-
Portfolio turnover rate (%) ⁽⁴⁾	27.50
Net asset value per security (\$) ⁽¹⁾	10.16

⁽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.

Series I management fees are not paid by the Fund. Series I investors negotiate management fees and pay directly to the Manager.

Past Performance

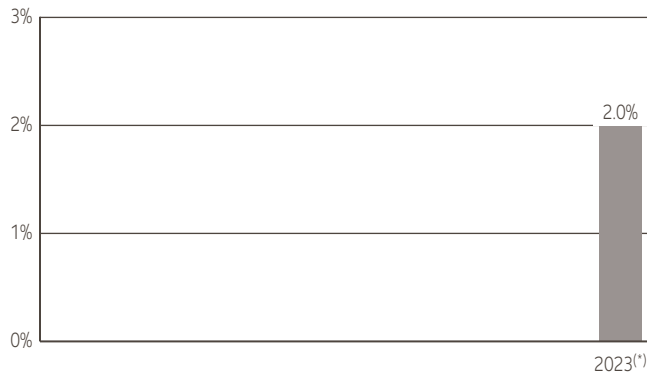
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution, other optional charges or income tax payable by any securityholder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

Series I Securities – Annual return for the period ended December 31, 2023



^(*) for the period of December 6, 2023 to December 31, 2023.

Annual Compound Returns

The table compares the historical annual compound total returns of Series I securities 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 I securities outperformed the benchmark since inception.

A discussion of the Fund's performance compared to its benchmark and broad-based index or indices, if applicable, can be found in the Results of Operations section.

	1 Year	3 Year	5 Year	10 Year	Performance Start Date ⁽¹⁾
Series I	-	-	-	-	2.0%
Benchmark	-	-	-	-	1.9%

⁽¹⁾ The performance start date for Series I securities was December 6, 2023.

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, 2023

Top 25 Investments

Holding Name	Percentage of Net Asset Value of the Fund (%)
1 Canadian Government Bond, 2.75%, Jun 01, 2033	10.3
2 Province of Ontario, 3.65%, Jun 02, 2033	7.0
3 Province of Quebec, 3.60%, Sep 01, 2033	4.2
4 Cash and Cash Equivalents	3.9
5 Brookfield Infrastructure Finance ULC, 5.98%, Feb 14, 2033	3.8
6 Province of British Columbia, 4.30%, Jun 18, 2042	3.7
7 Bank of America Corp., 3.62%, Mar 16, 2028	3.4
8 Province of New Brunswick, 4.80%, Jun 03, 2041	3.1
9 Province of Ontario, 4.65%, Jun 02, 2041	3.0
10 Canadian Imperial Bank of Commerce, 5.50%, Jan 14, 2028	2.9
11 Province of Quebec, 4.25%, Dec 01, 2043	2.9
12 Bank of Montreal, 4.71%, Dec 07, 2027	2.9
13 Royal Bank of Canada, 4.63%, May 01, 2028	2.9
14 The Toronto-Dominion Bank, 7.28%, Oct 31, 2082	2.8
15 CU Inc., 4.09%, Sep 02, 2044	2.8
16 HSBC Bank Canada, 3.40%, Mar 24, 2025	2.8
17 The Bank of Nova Scotia, 2.95%, Mar 08, 2027	2.7
18 TELUS Corp., 5.15%, Nov 26, 2043	2.6
19 Mercedes-Benz Finance Canada Inc., 5.14%, Jun 29, 2026	2.5
20 Bell Canada Inc., 4.75%, Sep 29, 2044	2.5
21 BP Capital Markets PLC, 3.47%, May 15, 2025	2.1
22 Choice Properties Real Estate Investment Trust, 4.18%, Mar 08, 2028	2.1
23 Anglian Water Services Financing PLC, 4.53%, Aug 26, 2032	2.1
24 Thomson Reuters Corp., 2.24%, May 14, 2025	2.1
25 Canada Housing Trust No 1, 1.95%, Dec 15, 2025	2.0

	83.1
Total Net Asset Value (000s)	\$ 141,446

Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Canadian Corporate Bond	42.4
Canadian Provincial Government Bond	28.2
Canadian Federal Government Bond	12.3
International Corporate Bond	6.0
U.S. Corporate Bond	5.1
Cash and Cash Equivalents	3.9
Canadian Municipal Government Bond	3.2
Other Assets less Liabilities	(1.1)
	100.0

Sun Life Net Zero Target Bond Fund

Asset Allocation

	Percentage of Net Asset Value of the Fund (%)
Canadian Fixed Income	86.1
International Fixed Income	6.0
U.S. Fixed Income	5.1
Cash and Cash Equivalents	3.9
Other Assets less Liabilities	(1.1)
	100.0

(*) All information is as at December 31, 2023. 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.

Forward-Looking Statements

This management report of fund performance may contain forward-looking statements about the Fund, including its strategies, 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 and pandemics. 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.

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SLGI Asset Management Inc. is the investment manager of the Sun Life Mutual Funds, Sun Life Granite Managed Solutions and Sun Life Private Investment Pools.



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