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# SLGI ASSET MANAGEMENT INC.

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## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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

Sun Life Risk Managed U.S. Equity Fund



# Sun Life Risk Managed U.S. Equity 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 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](http://www.sunlifeglobalinvestments.com) and on SEDAR at [www.sedarplus.ca](http://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 Risk Managed U.S. Equity Fund (the "Fund") seek long-term capital appreciation by investing primarily in U.S. equity securities, or by investing in securities of other investment funds (including mutual funds and exchange-traded funds) that invest in such securities, while aiming to reduce volatility.

In pursuing the Fund's investment objective, the portfolio manager invests primarily in U.S. equity securities, directly or indirectly through investment vehicles such as equity exchange traded funds with exposure to U.S. securities. The Fund may use options to manage the Fund's exposure to reduce overall portfolio volatility.

### 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 \$34.1 million due to positive net sales, as well as positive performance.

During the period, the Fund returned 0.0% for Series I securities, this result lagged the Fund's benchmark, CBOE S&P 500 Zero-Cost Put Spread Collar Index (CAD), which returned 0.8%. The broad-based index, S&P 500 TR Index C\$, returned 1.6%. We have included the returns of the broad-based index to help you understand how the Fund performed compared to the general market. Please refer to the 'Past Performance' section of this report for performance of each series.

After a volatile 2022 which saw equity markets worldwide suffer meaningful declines, global equity markets rebounded strongly over the period. Investor sentiment turned positive with many equity investors shrugging off interest rate hikes and fears of bank runs/failures, seemingly envisioning a scenario where central banks successfully tame inflation with only modest slowing in economic growth, corporate earnings, and employment.

Over the period, monetary policy actions by central banks worked as expected to slow economic activity and ease inflationary pressures. Inflation continues, however, to remain persistently high. Central banks have continued to signal their commitment to restore price stability by warning that further increases in interest rates may still be necessary. The U.S. Federal Reserve Board raised interest rates by a cumulative 1.00 percentage points over the period. Meanwhile, the Bank of Canada raised rates by a cumulative 0.75 percentage points. As the year ended, there appears to be increasing expectations for leading central banks to pivot from rate hikes to rate cuts some time in 2024.

Geopolitical tensions continued to make headlines over the period. As the Russia-Ukraine military conflict continues, the longer-term geopolitical consequences and risks remain poorly understood beyond near-term vulnerabilities in energy and food security. The impact of sanctions applied on Russia has reconfigured global supply chains and increases operational complexity for companies with international operations. In October 2023, the Israel-Palestine conflict reignited and while its impact on global markets appears to be muted thus far, there is potential for the conflict to escalate which may impact energy prices and disrupt global shipping routes.

Equity markets rebounded sharply from 2022 buoyed by optimistic investor expectations, especially in artificial intelligence (AI) with the so-called "Magnificent 7" mega-cap technology-oriented stocks leading the way. Investors have seemingly overlooked the factors that weighed on markets last year, namely the Russia-Ukraine conflict, COVID-19-related supply chain disruptions, falling global demand and hawkish monetary policies. Among equities, the Information Technology sector has been among the leading performers driven by optimism in AI-related innovation.

The Manager launched the Fund on December 6, 2023.

# Sun Life Risk Managed U.S. Equity Fund

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## 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 (U.S.) LLC ("SLC U.S."), an affiliate of the Manager, to act as sub-advisor to the Manager in respect of the cash portion of 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.

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).

# Sun Life Risk Managed U.S. Equity 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 period(s) since inception to December 31, 2023.

### The Fund's Net Asset Value per Security (\$) <sup>(1)</sup>

#### Sun Life Risk Managed U.S. Equity Fund - Series I

	2023 (\$)
Net asset value, beginning of period	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.04
Total expenses	-
Realized gains (losses) for the period	(0.06)
Unrealized gains (losses) for the period	0.02
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	-
<b>Distributions:</b>	
From income (excluding dividends)	(0.01)
From dividends	(0.02)
From capital gains	-
Return of capital	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.03)</b>
<b>Net asset value, end of period</b>	<b>9.97</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 securities of the Fund, or both.

## Ratios and Supplemental Data

### Sun Life Risk Managed U.S. Equity Fund - Series I

	2023
Total net asset value (\$000s) <sup>(1)</sup>	34,087
Number of securities outstanding (000s) <sup>(1)</sup>	3,420
Management expense ratio (%)	0.07
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.07
Trading expense ratio (%) <sup>(3)</sup>	0.07
Portfolio turnover rate (%) <sup>(4)</sup>	18.01
Net asset value per security (\$) <sup>(1)</sup>	9.97

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

<sup>(2)</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>(3)</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>(4)</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.

## 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.

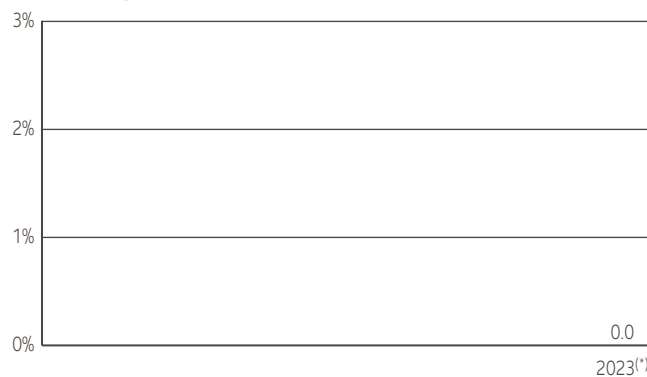
## Past Performance

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.

## 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



<sup>(\*)</sup> 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:

# Sun Life Risk Managed U.S. Equity Fund

CBOE S&P 500 Zero-Cost Put Spread Collar Index (CAD)

The Series I securities underperformed the benchmark since inception.

The following are the broad-based index or indices:

Broad-based index - S&P 500 TR Index C\$

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 <sup>(1)</sup>
Series I	-	-	-	-	0.0%
Benchmark	-	-	-	-	0.8%
Broad-based index	-	-	-	-	1.6%

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

## INDEX DESCRIPTION(S)

The CBOE S&P 500 Zero-Cost Put Spread Collar Index (CAD) is designed to track the value of a portfolio that protects an investment in S&P 500 stocks with a long 2.5% - 5% out-of-the money put option on the S&P 500. The index is based on collar strategy to reduce the cost of hedging negative stock returns.

The S&P 500 TR Index C\$ measures on a total return basis the performance of the stock market index based on the market capitalizations of 500 leading companies publicly traded in the U.S. stock market.

## Summary of Investment Portfolio \*

as at December 31, 2023

### Top 25 Investments

Holding Name	Percentage of Net Asset Value of the Fund (%)
1 Vanguard S&P 500 ETF	49.9
2 United States Treasury Bill, 5.30%, Feb 20, 2024	12.4
3 United States Treasury Bill, 5.29%, Jan 30, 2024	11.5
4 United States Treasury Bill, 5.31%, Mar 07, 2024	8.1
5 United States Treasury Bill, 5.27%, Mar 14, 2024	4.0
6 Eversource Energy, 5.59%, Jan 18, 2024	2.0
7 Fidelity National Information Services, 5.62%, Jan 04, 2024	1.9
8 General Motors Financial Company Inc., 5.67%, Jan 29, 2024	1.9
9 Dominion Resources Inc., 5.68%, Jan 22, 2024	1.9
10 American Honda Finance Corporation, 5.71%, Feb 22, 2024	1.9
11 Oracle Corp., 5.70%, Mar 04, 2024	1.9
12 Pfizer Inc., 5.39%, Apr 08, 2024	1.9
13 USD Currency Forward Contract, Mar 15, 2024	0.5
14 E-Mini S&P 500 Index, Mar 15, 2024	0.1
15 S&P 500 INDEX@4275 Put Option, Nov 15, 2024	0.1
16 United States Treasury Bill, 5.29%, Jan 02, 2024	0.1
17 Chicago Board Options Exchange@23 Call Option, Mar 20, 2024	0.1
18 S&P 500 Index@4275 Put Option, Sep 20, 2024	0.1
19 S&P 500 Index@4475 Put Option, Dec 20, 2024	0.1
20 S&P 500 Index@4300 Put Option, Jul 19, 2024	-
21 Chicago Board Options Exchange@24 Call Option, Mar 20, 2024	-
22 S&P 500 Index@4075 Put Option, Oct 18, 2024	-
23 S&P 500 Index@4150 Put Option, Aug 16, 2024	-
24 S&P 500 Index@4000 Put Option, May 17, 2024	-
25 S&P 500 Index@4200 Put Option, Jun 21, 2024	-
	<b>100.4</b>
<b>Total Net Asset Value (000s)</b>	<b>\$ 34,087</b>

### Asset Allocation

	Percentage of Net Asset Value of the Fund (%)
Equity	49.9
Cash and Cash Equivalents	49.4
Derivatives - Long	1.1
Other Assets less Liabilities	-
Derivatives - Short	(0.4)
	<b>100.0</b>

<sup>(\*)</sup> 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](http://www.sunlifeglobalinvestments.com) or by sending an email to us at [info@sunlifeglobalinvestments.com](mailto:info@sunlifeglobalinvestments.com).

<sup>(†)</sup> The investment portfolio includes one or more other investment fund(s).

# Sun Life Risk Managed U.S. Equity Fund

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## 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.*

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

### Sun Life Risk Managed U.S. Equity Fund

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