
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2019

Sun Life Ryan Labs U.S. Core Fixed Income Fund



Sun Life Ryan Labs U.S. Core Fixed 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 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 Sun Life Ryan Labs U.S. Core Fixed Income Fund (the "Fund") seeks to generate income and capital appreciation primarily by investing directly in an actively managed and diversified portfolio of U.S. fixed-income securities or by investing indirectly in mutual funds (including exchange-traded funds) that invest in such securities.

The Fund's Sub-Advisor is Ryan Labs Asset Management Inc. (the "Sub-Advisor"). In pursuing the Fund's investment objectives, the Sub-Advisor primarily invests in U.S. fixed-income securities and maintains an average credit quality rating of investment grade. The Fund is actively managed using fundamental bottom up analysis, focusing on key components of an issuer's financial statements to identify investment opportunities. The Fund may invest a portion of its assets in U.S. government securities, securities issued by agencies or instrumentalities of the U.S. government and U.S. municipal bonds. As well, the Fund may invest up to 100% of the Fund's assets in foreign securities (this includes securities of U.S. issuers and non-U.S. issuers).

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.

Results of Operations

During the period, the net asset value of the Fund increased from \$722.6 million to \$822.4 million due to positive net sales, as well as positive performance.

During the period, the Fund returned 8.7% for Series I units, this result surpassed the Fund's benchmark, which returned 7.9%. The broad-based index returned 3.2%. 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.

An underweight position in U.S. treasuries and agency mortgage-backed securities (MBS) contributed to the Fund's performance. Issue selection within commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) also added to performance.

An underweight position in Industrials and overweight position in ABS detracted from performance. A small allocation to collateralized mortgage obligations (CMOs) also negatively impacted performance.

Recent Developments

The first half of 2019 experienced a quick recovery and total reversal following the steep sell-off during the last half of 2018. As 2019 continued, macro factors including implementing multiple rate cuts and a de-escalation of the tariff tension between the U.S. and China pushed markets to new all-time highs. This trend continued through the end of the year as markets incrementally continued to reach new highs.

The strong sell-off at the end of 2018 presented buying opportunities, specifically in front-end ABS and seasoned CMBS with strong fundamentals. The swing in spreads that played out in 2019 presented an asymmetric risk for bonds: relatively healthy fundamentals, albeit with higher leverage, but are now trading on the tighter end of a several year range. As spreads continued to grind tighter, the sub-advisor paired some risk, decreasing the portfolio's BBB exposure, primarily in longer-dated industrials, and moved the corporate credit portfolio up-in-quality.

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.

Sun Life Ryan Labs U.S. Core Fixed Income Fund

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 Ryan Asset Management Lab Inc., an affiliate, to act as a sub-advisor for a portion of the Fund. The manager retains responsibility for investing the remainder of the portfolio in underlying funds.

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

Fund Administrative Expenses

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

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

Financial Highlights

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

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

Sun Life Ryan Labs U.S. Core Fixed Income Fund - Series I

	2019 (\$)	2018 (\$)	2017 (\$)
Net asset value, beginning of period	9.70	10.05	10.00
Increase (decrease) from operations:			
Total revenue	0.69	0.34	0.12
Total expenses	(0.01)	(0.01)	-
Realized gains (losses) for the period	0.70	(0.60)	(0.20)
Unrealized gains (losses) for the period	(0.54)	0.28	0.14
Total increase (decrease) from operations⁽²⁾	0.84	0.01	0.06
Distributions:			
From income (excluding dividends)	(0.37)	(0.28)	(0.09)
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	-	-
Total annual distributions⁽³⁾	(0.37)	(0.28)	(0.09)
Net asset value, end of period	10.17	9.70	10.05

⁽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 Ryan Labs U.S. Core Fixed Income Fund - Series I

	2019	2018	2017
Total net asset value (\$) ⁽¹⁾	822,363,473	722,581,963	432,126,909
Number of units outstanding ⁽¹⁾	80,892,961	74,512,346	43,011,970
Management expense ratio (%) ⁽²⁾	0.06	0.06	0.06
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.06	0.06	0.06
Trading expense ratio (%) ⁽³⁾	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	71.40	75.74	240.88
Net asset value per unit (\$) ⁽¹⁾	10.17	9.70	10.05

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

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

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

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

Sun Life Ryan Labs U.S. Core Fixed Income Fund

Management Fees

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

There is no management fee charged to the Fund.

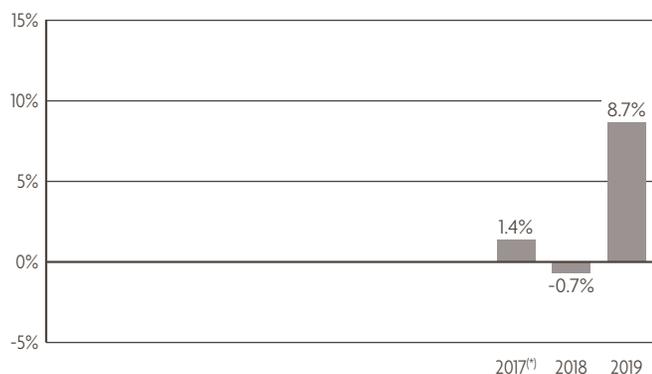
Past Performance

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

Year-by-Year Returns

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

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



^(*) for the period of August 1, 2017 to December 31, 2017.

Annual Compound Returns

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

The benchmark (the "Benchmark") is composed of: Bloomberg Barclays U.S. Aggregate Bond Index Hedged C\$

The Series I units outperformed the benchmark since inception, and over the past year.

The following are the broad-based index or indices:

Broad-based index - Bloomberg Barclays U.S. Aggregate Bond Index C\$

	1 Year	3 Year	5 Year	10 Year	Performance Start Date ⁽¹⁾
Series I	8.7%	N/A	N/A	N/A	3.8%
Benchmark	7.9%	3.4%	2.7%	N/A	3.2%
Broad-based index	3.2%	2.9%	5.4%	6.0%	5.4%

⁽¹⁾ The performance start date for Series I units was August 1, 2017.

INDEX DESCRIPTION(S)

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. This includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and collateralized mortgage-backed securities in the U.S. This index is hedged to the Canadian dollar.

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. This includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and collateralized mortgage-backed securities in the U.S.

Sun Life Ryan Labs U.S. Core Fixed Income Fund

Summary of Investment Portfolio*

as at December 31, 2019

Top 25 Investments

Holding Name	Percentage of Net Asset Value of the Fund (%)
1 United States Treasury Note, 1.63%, Oct 31, 2026	2.8
2 United States Treasury Note, 3.00%, Aug 15, 2048	1.7
3 United States Treasury Note, 3.00%, May 15, 2047	1.6
4 United States Treasury Note, 1.63%, Nov 30, 2026	1.5
5 United States Treasury Note, 2.75%, Nov 15, 2047	1.4
6 Fannie Mae Pool, 3.50%, Mar 01, 2048	1.2
7 United States Treasury Note, 2.88%, May 15, 2049	1.2
8 United States Treasury Note, 3.13%, Nov 15, 2028	1.1
9 United States Treasury Note, 3.00%, Feb 15, 2048	1.1
10 Fannie Mae Pool, 3.00%, Dec 01, 2047	1.0
11 United States Treasury Note, 1.63%, Sep 30, 2026	1.0
12 United States Treasury Note, 2.50%, Mar 31, 2023	1.0
13 Santander Drive Auto Receivables Trust 2019-2, 3.22%, Jul 15, 2025	0.9
14 United States Treasury Note, 2.88%, Aug 15, 2028	0.9
15 Fannie Mae Pool, 3.50%, Sep 01, 2048	0.9
16 Freddie Mac Gold Pool, 3.00%, Nov 01, 2046	0.9
17 Drive Auto Receivables Trust 2018-1, 3.81%, May 15, 2024	0.8
18 Santander Retail Auto Lease Trust 2019-A, 3.66%, May 20, 2024	0.8
19 Madison Park Funding XXXVII Ltd., 4.23%, Jul 15, 2032	0.8
20 Drive Auto Receivables Trust 2018-2, 4.14%, Aug 15, 2024	0.8
21 Drive Auto Receivables Trust 2018-4, 4.09%, Jan 15, 2026	0.8
22 United States Treasury Note, 1.63%, Aug 31, 2022	0.8
23 Fannie Mae Pool, 3.00%, Oct 01, 2046	0.8
24 Fannie Mae Pool, 3.50%, May 01, 2047	0.8
25 United States Treasury Note, 1.50%, Mar 31, 2023	0.8
	27.4
Total Net Asset Value ('000's)	\$ 822,363

Sector Allocation

	Percentage of Net Asset Value of the Fund %
U.S. Corporate Bond	67.8
U.S. Government Bond	21.8
International Corporate Bond	7.6
Derivatives - Short	1.4
Cash and Cash Equivalents**	1.2
Canadian Corporate Bond	0.2
	100.0

Asset Allocation

	Percentage of Net Asset Value of the Fund %
U.S. Fixed Income	89.6
International Fixed Income	7.6
Derivatives - Short	1.4
Cash and Cash Equivalents**	1.2
Canadian Fixed Income	0.2
	100.0

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

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

Forward-Looking Statements

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

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Sun Life Ryan Labs U.S. Core Fixed 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 or www.sedar.com.

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