
SLGI ASSET MANAGEMENT INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the period ended December 31, 2021

Sun Life U.S. Core Fixed Income Fund



Sun Life 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 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.sedar.com.

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 Sun Life 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 Sun Life Capital Management (U.S.) LLC (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 remained the same from \$1.4 billion to \$1.4 billion due to negative performance offset by positive net sales.

During the period, the Fund returned -0.1% for Series I securities, this result surpassed the Fund's benchmark, Bloomberg Barclays U.S. Aggregate Bond Index Hedged C\$, which returned -1.6%. The broad-based index, Bloomberg Barclays U.S. Aggregate Bond Index C\$, returned -2.4%. 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.

The Fund outperformed the broad-based index due to the Fund's lower allocation to government bonds. Government bonds underperformed corporate bonds during the period.

As 2021 began, widespread vaccination rates continued to increase. As a result, corporate credit spreads decreased. A spread is the difference in yield between a Treasury bond and another debt security of the same maturity but different credit quality. As the broad economy started to reopen, jobless claims came down. Consumers in the U.S. remained positive. The U.S. economy improved in 2021 compared to 2020. The economic rebound started debates around monetary policy and inflation. Markets positioned for the potential tapering of asset purchases by the Federal Reserve. This caused U.S. government yields to rise.

Security selection and an overweight position in commercial mortgage-backed securities ("CMBS") contributed to performance. Certain CMBS names from retail, shopping malls, multi-family housing, and office use contributed to performance. Security selection within asset-based security ("ABS") contributed to performance.

Across all fixed income sectors in 2021, corporate credit spreads saw the most widening. Within corporate bonds, Industrials outperformed Utilities and Financials with modest returns. Corporate bonds held in the Fund outperformed the benchmark across Industrials, Utilities and Financials.

There were no material detractors during the period.

Recent Developments

Global equity markets went up after the arrival of COVID-19 vaccines in 2021. Billions of dollars of stimulus spending by governments worldwide also helped fuel the stock markets. Central banks around the world lowered or kept their benchmark interest rates low to aid the economic recovery. However, reasons for caution have not gone away. The market turned volatile during the second half of the year. Investors shifted their attention to challenges facing COVID-19. The concerns included the Delta and Omicron variants of COVID-19. The rising cases weighed on the stock markets. The Manager cautioned a slowdown in global growth pending the COVID-19 variant infection rates. Supply chain disruption, rising inflation and the expected tapering of bond purchases in 2022 were also top concerns.

Sun Life U.S. Core Fixed Income Fund

On 24 February 2022, Russia launched a large-scale military invasion of Ukraine. Russian markets were subsequently suspended. Various international sanctions have been levied against Russia. The broader impact to the region and around the world is still unfolding. The Manager cautions that the current global uncertainty with respect to this military invasion and its effect on the broader global economy may have a significant impact to the volatility of financial markets. While the precise impacts remain unknown, continued military conflict may have a material adverse effect on global economic activity. This could disrupt global supply chains, operations, and mobility of people. This also 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

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 Management"), 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.

This 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 this fund.

Fees and expenses payable to or in connection with the Sun Life Funds' Independent Review Committee ("IRC") are allocated to the 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 Statements of Comprehensive Income (Loss).

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.

SLC Management 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 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 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 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 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.

Sun Life U.S. Core Fixed Income 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, 2021.

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

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

	2021	2020	2019	2018	2017
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	9.73	10.17	9.70	10.05	10.00
Increase (decrease) from operations:					
Total revenue	0.24	0.29	0.34	0.34	0.12
Total expenses	(0.01)	(0.01)	(0.01)	(0.01)	-
Realized gains (losses) for the period	(0.27)	0.81	0.35	(0.60)	(0.20)
Unrealized gains (losses) for the period	0.03	(0.53)	0.16	0.28	0.14
Total increase (decrease) from operations⁽²⁾	(0.01)	0.56	0.84	0.01	0.06
Distributions:					
From income (excluding dividends)	(0.23)	(0.24)	(0.37)	(0.28)	(0.09)
From dividends	-	-	-	-	-
From capital gains	-	(0.62)	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽³⁾	(0.23)	(0.86)	(0.37)	(0.28)	(0.09)
Net asset value, end of period	9.50	9.73	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 securities of the Fund, or both.

Ratios and Supplemental Data

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

	2021	2020	2019	2018	2017
Total net asset value (\$000s) ⁽¹⁾	1,426,054	1,422,145	822,363	722,582	432,127
Number of securities outstanding (000s) ⁽¹⁾	150,130	146,177	80,893	74,512	43,012
Management expense ratio (%)	0.06	0.06	0.06	0.06	0.06
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.06	0.06	0.06	0.06	0.06
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	72.79	93.81	71.40	75.74	240.88
Net asset value per security (\$) ⁽¹⁾	9.50	9.73	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.

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.

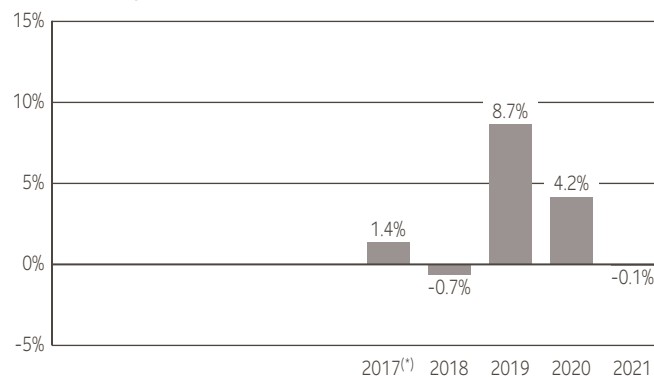
Past Performance

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, 2021



^(*) 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 securities of the Fund with the following benchmark and broad-based index, if applicable:

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

Sun Life U.S. Core Fixed Income Fund

Bloomberg Barclays U.S. Aggregate Bond Index Hedged C\$

The Series I securities outperformed the benchmark since inception, and over the past year, but underperformed over the past three years.

The following are the broad-based index or indices:

Broad-based index - Bloomberg Barclays U.S. Aggregate Bond 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 ⁽¹⁾
Series I	(0.1)%	4.2%	N/A	N/A	3.0%
Benchmark	(1.6)%	4.5%	3.1%	N/A	3.0%
Broad-based index	(2.4)%	2.1%	2.3%	5.1%	3.7%

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

INDEX DESCRIPTION(S)

The Bloomberg Barclays U.S. Aggregate Bond Index Hedged 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.

Summary of Investment Portfolio *

as at December 31, 2021

Top 25 Investments

Holding Name	Percentage of Net Asset Value of the Fund (%)
1 United States Treasury Note, 1.13%, Feb 15, 2031	2.9
2 United States Treasury Note, 1.63%, May 15, 2031	2.7
3 Cash and Cash Equivalents	2.6
4 United States Treasury Note, 2.38%, Nov 15, 2049	2.2
5 United States Treasury Note, 1.13%, Oct 31, 2026	2.2
6 United States Treasury Note, 1.38%, Oct 31, 2028	1.6
7 United States Treasury Note, 0.88%, Nov 15, 2030	1.4
8 United States Treasury Note, 0.38%, Apr 15, 2024	1.3
9 United States Treasury Note, 2.25%, Aug 15, 2049	1.2
10 United States Treasury Note, 1.88%, Feb 15, 2041	1.1
11 United States Treasury Note, 1.25%, Aug 15, 2031	1.0
12 United States Treasury Note, 1.75%, Aug 15, 2041	1.0
13 United States Treasury Note, 2.00%, Aug 15, 2051	0.9
14 United States Treasury Note, 3.00%, Aug 15, 2048	0.9
15 United States Treasury Note, 1.13%, Feb 29, 2028	0.8
16 Mileage Plus Holdings LLC, 6.50%, Jun 20, 2027	0.8
17 United States Treasury Note, 1.13%, Aug 15, 2040	0.8
18 Drive Auto Receivables Trust 2019-3, 3.18%, Oct 15, 2026	0.7
19 United States Treasury Note, 0.50%, Mar 31, 2025	0.6
20 Freddie Mac Pool, 3.00%, Oct 01, 2051	0.6
21 BGC Partners Inc., 5.38%, Jul 24, 2023	0.6
22 United States Treasury Note, 3.00%, Feb 15, 2048	0.6
23 United States Treasury Note, 2.75%, Nov 15, 2042	0.6
24 Palisades Center Trust 2016-PLSD, 2.71%, Apr 13, 2033	0.6
25 New Economy Assets Phase 1 Sponsor LLC, 2.41%, Oct 20, 2061	0.6
	30.3
Total Net Asset Value (000s)	\$ 1,426,054

Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
U.S. Corporate Bond	58.6
U.S. Government Bond	29.0
International Corporate Bond	10.0
Cash and Cash Equivalents	2.6
Derivatives - Long	0.6
Canadian Corporate Bond	0.3
Other Assets less Liabilities	(0.4)
Derivatives - Short	(0.7)
	100.0

Sun Life U.S. Core Fixed Income Fund

Asset Allocation

	Percentage of Net Asset Value of the Fund (%)
U.S. Fixed Income	87.6
International Fixed Income	10.0
Cash and Cash Equivalents	2.6
Derivatives - Long	0.6
Canadian Fixed Income	0.3
Other Assets less Liabilities	(0.4)
Derivatives - Short	(0.7)
	100.0

(*) All information is as at December 31, 2021. 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.
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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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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