

# Sun Life Milestone Funds

FUND REVIEW Q2, 2017 - OPINIONS AS OF JUNE 30, 2017

## MANAGEMENT COMPANY

Sun Life Global Investments  
(Canada) Inc.

## INCEPTION DATE

October 1, 2010

## PORTFOLIO MANAGERS

Chhad Aul, CFA  
Kathrin Forrest, CFA

## HIGHLIGHTS

- Returns for Sun Life Milestone Funds were mixed in Q2
- Sold Canadian government bonds and added provincial bonds
- Increased exposure to international equities
- Reduced exposure to U.S. and Canadian equities

## OUTLOOK

Halfway through the year, U.S. President Donald Trump still has not been able to deliver the steep tax cuts and a massive economic stimulus program he had promised during his campaign. U.S. equity markets have shrugged off the delay but how long will markets remain patient?

The good news is the U.S. economy has a strong footing with low unemployment, good consumer confidence and healthy consumer balance sheets. At its June meeting, the U.S. Federal Reserve raised the federal funds rate by 25 bps to 1.25%, as expected.

Oil remains the big story for Canada. Though we have seen a slight bounce-back in oil prices recently, prices remain much lower than the start of the quarter. With NAFTA discussions still going on, cracks in Canadian housing and high debt levels, there is very little reason to feel optimistic about Canada's economy.

Factors driving returns in the quarter include falling oil prices and a weak performance from Canada's financial services sector, a rising loonie, a surge in European markets following the election of Emmanuel Macron in France, and a dip in bond yields in the U.S. and Canada.

Overall, we feel we are well-positioned given current economic conditions.

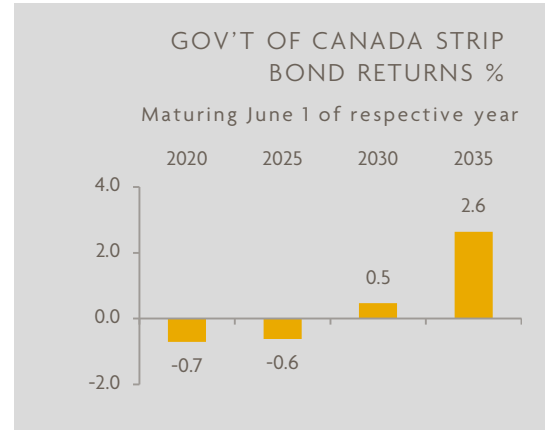
FUND DATA AS OF JUNE 30, 2017				
FUND	GUARANTEED MATURITY VALUE \$	MARKET VALUE \$	EQUITY ALLOCATION %	STRIP BOND ALLOCATION %
2020 Fund	11.9108	11.6840	2.6	97.4
2025 Fund	13.3056	12.8985	12.7	87.3
2030 Fund	14.5810	14.2543	25.2	74.8
2035 Fund	15.0868	14.9233	36.7	63.3

## FUND REVIEW

Returns for the four Milestone Funds were mixed in Q2.

The guaranteed maturity value for the Sun Life Milestone 2030 Fund and Sun Life Milestone 2035 Fund moved higher, while the remaining the Milestone Funds were unchanged. Investors who hold their Sun Life Milestone Fund units to maturity are guaranteed to receive the highest month-end unit value achieved over the life of the fund.

Returns were slowed when bond yields turned higher at the end of the quarter. The U.S. Federal Reserve raised interest rates in Q2 and is expected raise them again. The Fed was followed by the Bank of Canada which raised interest rates by 0.25% to 0.75% on July 12. And we could see Canadian and U.S. yields move higher again by year-end.

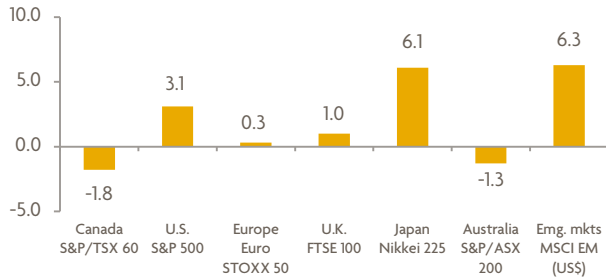


Source: RBC Investor Services. Data as of June 30, 2017.

We continue to sell Canadian government bonds while adding higher-yielding provincial government bonds. Provincial bonds generate higher yields which frees up capital for the manager to invest in equities, potentially producing higher returns over time.

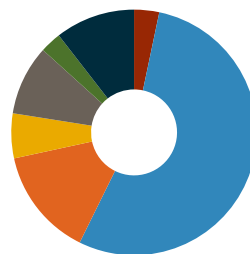
Sun Life Milestone Global Equity Fund was up 2.9% in Q2 on the continuing strength in equity markets. During the quarter we added exposure to international equities while reducing our allocation to U.S. and Canadian equities.

EQUITY MARKET RETURNS %  
Total return, local currency



Source: Bloomberg. Data as of June 30, 2017.

SUN LIFE MILESTONE GLOBAL EQUITY FUND  
Geographic exposure %



Canada	3.3
U.S.	54.0
Europe	14.3
U.K.	5.9
Japan	9.2
Australia	2.8
Emg mkts	10.5

Equity exposure for Sun Life Milestone Funds is obtained through investment in units of Sun Life Milestone Global Equity Fund. Our enhanced market exposure in Sun Life Milestone Global Equity Fund reflects our outlook for equities. (Enhanced market exposure is defined as total market exposure from futures contracts held in the fund divided by the total net assets of the fund.)

FUND	FUND RETURNS % SERIES A				SINCE INCEPTION	INCEPTION DATE
	Q2	1YR	3YR	5YR		
Sun Life Milestone 2020 Fund	-0.5	-1.0	1.2	1.6	2.3	October 1, 2010
Sun Life Milestone 2025 Fund	-0.2	-2.3	2.8	3.0	3.8	October 1, 2010
Sun Life Milestone 2030 Fund	1.4	0.2	4.3	4.8	5.4	October 1, 2010
Sun Life Milestone 2035 Fund	3.4	3.8	5.3	6.1	6.1	October 1, 2010
Sun Life Milestone Global Equity Fund Series I	2.9	21.3	8.8	15.2	12.0	October 1, 2010
MSCI All Country World Index*	3.1	19.2	7.7	13.1	-	-

Returns for periods longer than one year are annualized. Data as of June 30, 2017.

\*Total return, local currency. Effective July 1, 2015, the benchmark for Sun Life Milestone Global Equity Fund was changed from MSCI World Index to MSCI All Country World Index. The benchmark returns prior to July 1, 2015 are those of MSCI World Index.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or other optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual fund values change frequently and past performance may not be repeated. Mutual funds are not generally guaranteed, although the Sun Life Milestone Funds benefit from the guarantee described below.

We have structured each Sun Life Milestone Fund so that it will have sufficient assets to pay the Guaranteed Value per unit on its respective maturity date. If the net asset value per unit on the maturity date of a Sun Life Milestone Fund is less than the Guaranteed Value per unit, then Sun Life Assurance Company of Canada, as sub-advisor to the Sun Life Milestone Funds, ("Sun Life", or the "guarantor") has agreed to pay the shortfall to the Sun Life Milestone Fund. Any shortfall payment is subject to the financial health and creditworthiness of Sun Life. The respective maturity dates for the Sun Life Milestone Funds is June 30 of the year in the corresponding fund's name. The maturity date for a Sun Life Milestone Fund may be accelerated in certain circumstances, in which case an accelerated Guaranteed Value will be calculated. In such a case, the applicable Sun Life Milestone Fund will pay the greater of the net asset value per unit on the accelerated maturity date and the net present value per unit of the Guaranteed Value. If you redeem your securities of the Sun Life Milestone Funds prior to their respective maturity dates, your redemption will be processed at the current net asset value per security, less any applicable redemption fees, and you will not benefit from the Guaranteed Value at maturity. Additional information, including specific risks associated with the Sun Life Milestone Funds, can be found in the prospectus.

This quarterly review is published by Sun Life Global Investments (Canada) Inc. and contains information in summary form. Although information has been obtained from sources believed to be reliable, Sun Life Global Investments (Canada) Inc. cannot guarantee its accuracy or completeness. Information is subject to change. The quarterly review should not be construed as providing specific individual financial, investment, tax, or legal advice. Investors should speak with their professional advisors before acting on any information contained in this document. Please note, any future or forward looking statements contained in this quarterly review are speculative in nature and cannot be relied upon. There is no guarantee that these events will occur or in the manner speculated.

© Sun Life Global Investments (Canada) Inc., 2017. Sun Life Global Investments (Canada) Inc. is a member of the Sun Life Financial group of companies.

Sun Life Global Investments (Canada) Inc.  
1 York Street, Toronto, Ontario M5J 0B6

Telephone: 1-877-344-1434 | Facsimile: 416-979-2859

[info@sunlifeglobalinvestments.com](mailto:info@sunlifeglobalinvestments.com) | [www.sunlifeglobalinvestments.com](http://www.sunlifeglobalinvestments.com)