

Sun Life Milestone Funds

FUND REVIEW Q4, 2017 | Opinions as of January 5, 2018

MANAGEMENT COMPANY
Sun Life Global Investments (Canada) Inc.

INCEPTION DATE
October 1, 2010

PORTFOLIO MANAGERS
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HIGHLIGHTS

- Sun Life Milestone Funds produced positive returns in Q4
- U.S. Congress passed tax reform bill that could help markets rally higher
- Sun Life Milestone Global Equity Fund rose 6.41%
- Continued to add higher-yielding provincial bonds
- Lower yields produced strong returns on bonds

OUTLOOK

Equity markets continued to surge in Q4 with most ending 2017 near record levels. It truly was an incredible year with strength across all global equity markets. And even though interest rates were increased multiple times in Canada and the U.S., they remain at relatively low levels and continue to fuel growth.

Tax cuts passed by the U.S. Congress should help boost corporate earnings, adding to already high consumer confidence. Although we expect multiple rate hikes in 2018, and equity valuations are expensive, we still see growth continuing with markets moving higher. Accordingly, we remain slightly bullish on U.S. and equities in general.

However, we cannot ignore the potential risks in Canada. Housing prices may have started their decline, consumer

debt continues to be worrisome and the fate of NAFTA is still not resolved.

In terms of fixed income, Canadian bond yields moved lower early in Q4 before starting to rise again near year-end, while yields on U.S. 10-year Treasuries climbed steadily throughout the quarter. We expect yields to increase in both countries, but given the risks facing the Canadian economy, we believe they may rise at a slower pace in Canada.

Overall, we are positive but we do see the second half of 2018 being different from the first half. For now, we remain slightly bullish on equity markets with a bias to foreign markets and less positive on bonds.

FUND DATA AS OF DECEMBER 31, 2017

FUND	GUARANTEED MATURITY VALUE \$	MARKET VALUE \$	EQUITY ALLOCATION %	STRIP BOND ALLOCATION %
2020 Fund	11.9108	11.6442	2.5	97.7
2025 Fund	13.3056	12.8790	12.8	87.6
2030 Fund	14.5810	14.4977	24.3	76.2
2035 Fund	15.4469	15.4469	36.6	64.0

FUND REVIEW

Sun Life Milestone Funds produced positive returns in Q4.

The guaranteed maturity value on the Milestone 2035 Fund climbed in value, while Milestone 2020, 2025 and 2030 stayed the same. 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.

Both bond and equity markets posted strong returns in Q4. The strength in Canadian bonds occurred when yields moved lower early in the quarter before starting to rise near year-end. However, we believe the Canadian economy could weaken in the coming months and yields may retreat again.

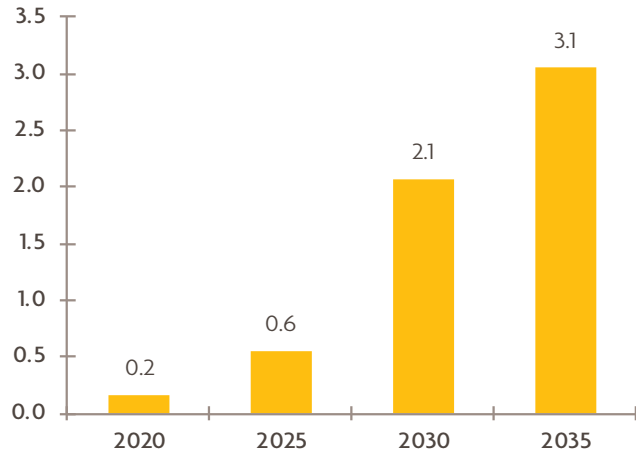
We continued to sell Canadian government bonds while adding higher-yielding provincial government bonds. The higher yield on provincial bonds frees up capital to increase equity exposure, which may produce higher returns over time.

However, we are now reducing our purchases of provincial bonds while we wait for the spread between federal and provincial bonds to widen.

Globally equities performed strongly in Q4, with emerging markets posting the greatest growth. To take advantage of this overall strength, our equity exposure was fully weighted. However, because we are late in the business cycle and could see increased volatility, we reduced the enhanced equity exposure in the Milestone Funds (see below) from its normal weighting of 15% to 10%.

GOVERNMENT OF CANADA STRIP BOND RETURNS %

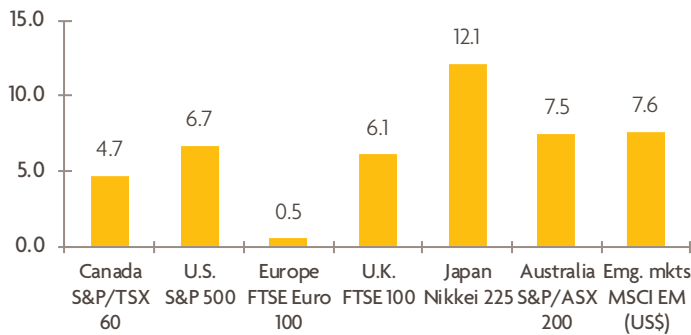
Maturing June 1 of respective year



Source: RBC Investor Services. Data as of December 31, 2017.

EQUITY MARKET RETURNS %

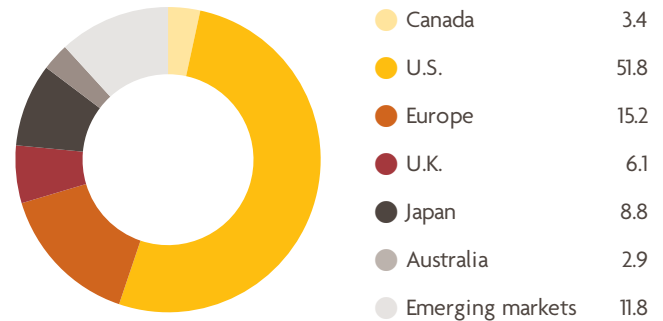
Total return, local currency



Source: Morningstar. Data as of December 31, 2017.

SUN LIFE MILESTONE GLOBAL EQUITY FUND

Geographic exposure %



Sun Life Milestone Global Equity Fund rose 6.41% in Q4 on the continuing strength in equity markets

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 RETURNS % SERIES A

FUND	Q4	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION	INCEPTION DATE
Sun Life Milestone 2020 Fund	0.3	-0.4	0.4	1.4	2.1	October 1, 2010
Sun Life Milestone 2025 Fund	1.4	1.1	1.1	2.7	3.6	October 1, 2010
Sun Life Milestone 2030 Fund	3.4	5.4	2.7	4.6	5.3	October 1, 2010
Sun Life Milestone 2035 Fund	5.6	10.2	4.0	6.1	6.2	October 1, 2010
Sun Life Milestone Global Equity Fund	6.4	21.5	10.7	15.4	12.7	October 1, 2010
MSCI All Country World Index*	5.3	19.8	9.8	12.7	-	-

Returns for periods longer than one year are annualized. Data as of December 31, 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.

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