

Sun Life Milestone Funds

FUND REVIEW Q1, 2018 | Opinions as of April 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 mixed returns in Q1
- Extreme volatility hindered markets
- Continued to invest broadly in equities
- Canadian fixed income performed well

OUTLOOK

After experiencing exceptionally low volatility in 2017, equity markets have turned volatile and investors should brace for a rockier ride this year. However, with strong economic growth globally we continue to remain slightly bullish on equities in general. But the months of record-low volatility we experienced last year, are now clearly behind us.

In the U.S., tax cuts have boosted consumer confidence and that should help keep the economy growing. Although we may see two more rate hikes by the U.S. Federal Reserve this year, it should not slow growth drastically and we remain slightly bullish on U.S. equities.

In Canada, we have started to see risks to growth emerge. For one, housing sales are slowing and consumers may follow

suit by reducing their spending. Furthermore, NAFTA is a big question mark and until its future is resolved, business investment could deteriorate. As a result, while we are positive on the Canadian energy sector, we are pessimistic on the broader market.

Canadian and U.S. bond yields should continue moving higher throughout 2018, which would be a negative for bonds. That said, with the increased volatility we're experiencing, bonds still serve a valuable purpose inside portfolios.

FUND DATA AS OF MARCH 31, 2018

FUND	GUARANTEED MATURITY VALUE \$	MARKET VALUE \$	EQUITY ALLOCATION %	STRIP BOND ALLOCATION %
2020 Fund	11.9108	11.6480	2.0	97.9
2025 Fund	13.3056	12.7971	14.3	86.0
2030 Fund	14.5810	14.3553	27.5	72.9
2035 Fund	15.4469	15.2634	38.5	62.9

FUND REVIEW

Sun Life Milestone Funds produced mixed returns in Q1.

The guaranteed maturity value on the Milestone 2020, 2025, 2030 and 2035 funds 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.

On the equity side, we saw remarkably strong returns until late January. The markets then reversed amid growing volatility, triggered by an escalating trade dispute between the U.S. and China.

However we continue to believe the economic fundamentals supporting equity markets remain intact, and continue to hold broad equity exposure.

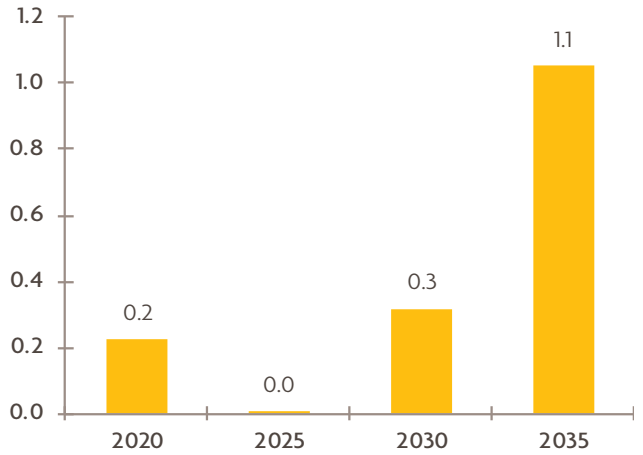
With increased market volatility, Sun Life Milestone Global Equity Fund fell 2.1% in Q1 (see below).

In terms of fixed income, Canadian federal and provincial government bonds fell early in the quarter when interest rates spiked, but then rebounded. This helped reduce overall volatility in the funds.

Volatility in the market was in part caused by U.S. policy uncertainty, especially around foreign affairs and international trade. In this environment, it will be important to effectively manage risk and overall exposures. And we will continue to maintain a bias towards bonds, which are designed to provide stability.

GOVERNMENT OF CANADA STRIP BOND RETURNS %

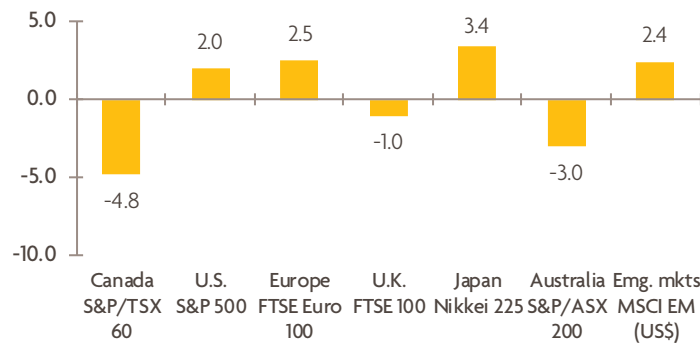
Maturing June 1 of respective year



Source: RBC Investor Services. Data as of March 31, 2018.

EQUITY MARKET RETURNS %

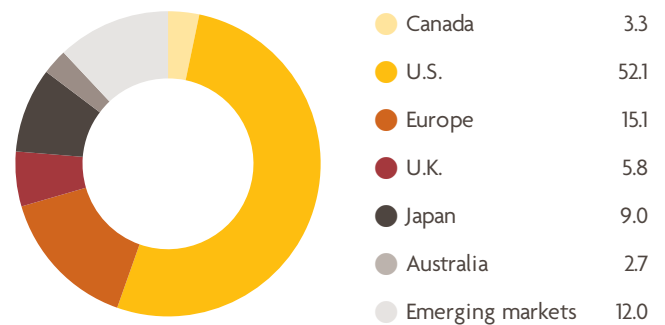
Total return, local currency



Source: Morningstar. Data as of March 31, 2018.

SUN LIFE MILESTONE GLOBAL EQUITY FUND

Geographic exposure %



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	Q1	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION	INCEPTION DATE
Sun Life Milestone 2020 Fund	0.0	-0.8	-0.6	1.1	2.1	October 1, 2010
Sun Life Milestone 2025 Fund	-0.6	-0.9	-0.9	2.2	3.3	October 1, 2010
Sun Life Milestone 2030 Fund	-1.0	2.1	0.2	4.0	4.9	October 1, 2010
Sun Life Milestone 2035 Fund	-1.2	5.8	1.5	5.3	5.8	October 1, 2010
Sun Life Milestone Global Equity Fund	-2.1	11.9	7.6	12.7	12.0	October 1, 2010
MSCI All Country World Index*	-1.9	11.2	7.4	10.4	-	-

Returns for periods longer than one year are annualized. Data as of March 31, 2018.

*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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