
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2015

Sun Life Milestone 2020 Fund



I L L U M I N A T I N G



Sun Life Milestone 2020 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., 150 King Street West, Toronto, Ontario, M5H 1J9. Our financial statements are available on our website at www.sunlifeglobalinvestments.com and on SEDAR at www.sedar.com. All of the financial information is calculated based on the pricing Net Asset Valuation for the investment fund, unless otherwise stated.

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 Objective and Strategies

The fundamental investment objective of Sun Life Milestone 2020 Fund (the "Fund") is to seek long-term capital appreciation and to pay, on its scheduled maturity date of June 30, 2020, an amount per unit equal to the greater of the following three values: (i) \$10 per unit (the net asset value per unit on the start date of the Fund), (ii) the highest month-end net asset value per unit during the period from the start date to the Maturity Date, or (iii) the net asset value per unit on the Maturity Date of the Fund (the "Guaranteed Value"). The Fund invests in an underlying fund that provides exposure to equity market indices in North America, Europe and the Far East through investments primarily in derivatives, as well as in fixed-income securities and cash equivalents. The Fund uses an asset allocation strategy to determine the balance among these assets. Further details about the Guaranteed Value can be found in the Fund's simplified prospectus.

The Fund's sub-advisor is Sun Life Assurance Company of Canada. The portfolio manager and sub-advisor manage the Fund by investing in sufficient zero-coupon federal or provincial government bonds in order to support the guaranteed value at the maturity date of the Fund and then allocating the remainder of the Fund's assets to global equities. The global equity exposure is obtained through an investment in units of Sun Life Milestone Global Equity Fund, a fund that is managed so that its regional exposures are within defined target ranges relative to the MSCI World Index weightings. You may obtain specific information about the Sun Life Milestone Global Equity Fund in its Management Report of Fund Performance, which is available on our website at www.sunlifeglobalinvestments.com and on SEDAR at www.sedar.com.

Risk

There were no changes in the Fund's investment objective or strategy during the period which materially impacted the overall level of risk in the Fund. The risks associated with investing in the Fund remain as outlined in the Fund's Simplified Prospectus.

Results of Operations

During the period, the net asset value of the Fund increased from \$89.3 million to \$105.9 million. The increase in net asset value was due to positive performance, as well as positive net sales in the period. The Fund's per unit guaranteed value at maturity increased for both Series A and E, ending the period at \$11.9108 and \$11.9246 respectively.

During the period, the Fund returned 2.5% for Series A units. This result trailed the Fund's blended benchmark which returned 3.4%. The blended benchmark is comprised of 90% Canadian bonds (FTSE TMX Canada Universe Bond Index) and 10% Global equities (MSCI ACWI Local Currency Index). The performance returns for other series of this Fund are similar to those of Series A except for differences in expense structures. Please refer to the 'Past Performance' section of this report for performance of each series.

During the period, Sun Life Global Investments (Canada) Inc. (the "Manager") changed the blended benchmark of the Fund from a blend comprised of 90% FTSE TMX Canada Universe Bond Index and 10% MSCI World Local Currency Index to a blend comprised of 90% FTSE TMX Canada Universe Bond Index and 10% MSCI ACWI Local Currency Index. The Manager believes that the new blended benchmark better reflects the investment objective and nature of the Fund.

In the first quarter, the North American economy contracted largely owing to weather-related interruptions and commodity price volatility. Emerging markets continued to grow at a reduced pace due to structural forces, while Continental Europe and Japan saw their economies grow at a moderate pace, buoyed by accommodative monetary policy and trade improvements. Equity markets strengthened, led by international and emerging market equities, while global bonds surged as the European Central Bank launched its asset purchase program.

In the second quarter, the North American economy experienced somewhat of a rebound from the first quarter wherein hiring, spending and other activities were interrupted. The Canadian economy still struggled to gain traction, with its trade deficit hitting record highs and business spending continuing to be weak. Continental Europe continued to grow, although at a slower pace than the first quarter as a sovereign debt crisis in Greece unfolded.

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Emerging market economies also grew, helped by better global growth, but saw stresses arising from higher bond yields and external financing concerns. Overall, equity markets had a weaker quarter as expectations that the U.S. Federal Reserve would increase the Fed Funds rate grew, and as a Greece debt payment to the International Monetary Fund (“IMF”) came due. Bond markets also fell sharply on the back of improved U.S. economic data and fears over the Greece debt crisis.

In the third quarter investors started to come to the realization that economic growth in China was slowing down materially. China also devalued its currency, which shocked international markets. Commodity-dependent countries like Canada were hit hard, given that China consumes over 50% of global commodities.

In the fourth quarter, bond yields moved higher following the U.S. Federal Reserve’s decision to start raising interest rates. This led to negative returns for U.S. and global bonds. There was also weakness in the Canadian economy as oil fell to \$35 a barrel (in U.S. dollars). The selloff in commodities and oil caused the Canadian equity market to post a negative return. The U.S. economy, on the other hand, continued to show strength as U.S. equities rallied. The Eurozone economy also improved, with the unemployment rate decreasing. In addition, the possibility of additional monetary stimulus in the Eurozone and a weaker currency helped support equity markets. Emerging markets as an asset class faced divergences in returns among countries, with the strong U.S. dollar continuing to be a headwind. The Chinese market saw increased volatility, while the Indian market was positive.

Recent Developments

The Manager’s view of the U.S. economy has not changed, but U.S. equity returns will likely be modest at best, and as a result, the Manager has grown more cautious. In the Eurozone, the Manager remains positive as long as quantitative easing continues and the Euro remains weak. This is a longer-term investment for the Fund, with confidence in this market increasing. In Canada, the impact of falling oil prices will result in more jobs losses and a weaker economy. Overall, volatility will be more prominent in 2016 and further upside in most equity and bond markets may be limited. This will be a year when thoughtful asset allocation will be vital, as there will likely be more divergence among markets.

Related Party Transactions

Sun Life Global Investments (Canada) Inc. (the “Manager”) is the manager, trustee and portfolio manager of the 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. 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.

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 Assurance Company of Canada, an affiliate, to act as a sub-advisor for the Fund.

The Manager is an indirect wholly owned subsidiary of Sun Life Financial Inc., but Sun Life Assurance Company of Canada is a direct wholly owned subsidiary.

Fund Administrative Expenses

The Manager pays certain of the operating expenses of each Fund (the “Administration Expenses”) in return for a fixed administration fee paid to the Manager by each 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 a fund administrative expense in the Fund’s Statement of Comprehensive Income found in the annual financial statements (audited).

Each 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. Each Fund allocates Fund Costs proportionately among its series of units. The Fund Costs that are specific to a series of units are allocated to that series. These amounts are paid out of the assets attributed to each series of units of the Fund, which reduces the return you may receive.

Series Description

The Fund offers Series A and E units. The date of creation for Series A units was October 1, 2010 and the date of creation for Series E units was April 1, 2014.

Series A units are available to all investors.

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Series E units are available to investors through the Private Client program and must be purchased through a Private Client account. Investors in Series E units are eligible for management fee reductions, if any, based on the value of Series E units held in their Private Client account. Any management fee reduction will be paid to investors as a fee distribution by the Fund, which will be reinvested in additional Series E units. As announced on December 15, 2015, in connection with changes to the Private Client Program, all Series E units will be re-designated as Series A units on February 5, 2016. Please refer to the Fund's simplified prospectus for more details about the captioned change and for details about the Private Client Program.

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 from the date of inception to December 31, 2015.

The Fund's Net Asset Value per Unit (\$) ⁽¹⁾⁽⁴⁾

Sun Life Milestone 2020 Fund – Series A

	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)	2011 (\$)
Net asset value, beginning of period	11.51	10.88	10.86	10.55	9.81
Increase (decrease) from operations:					
Total revenue	0.25	0.36	0.53	0.35	0.27
Total expenses	(0.22)	(0.24)	(0.25)	(0.24)	(0.22)
Realized gains (losses) for the period	0.04	0.06	0.11	0.23	0.07
Unrealized gains (losses) for the period	0.21	0.46	(0.37)	(0.06)	0.86
Total increase (decrease) from operations ⁽²⁾	0.28	0.64	0.02	0.28	0.98
Distributions:					
From income (excluding dividends)	–	(0.11)	(0.26)	(0.10)	(0.04)
From dividends	–	–	–	–	–
From capital gains	–	(0.01)	(0.10)	(0.17)	(0.08)
Return of capital	–	–	–	–	–
Total annual distributions ⁽³⁾	–	(0.12)	(0.36)	(0.27)	(0.12)
Net asset value, end of period	11.80	11.51	10.88	10.85	10.55

Sun Life Milestone 2020 Fund – Series E

	2015 (\$)	2014 (\$)
Net asset value, beginning of period	11.51	11.09
Increase (decrease) from operations:		
Total revenue	0.28	0.44
Total expenses	(0.19)	(0.19)
Realized gains (losses) for the period	0.06	0.07
Unrealized gains (losses) for the period	0.04	0.10
Total increase (decrease) from operations ⁽²⁾	0.19	0.42
Distributions:		
From income (excluding dividends)	(0.17)	(0.30)
From dividends	–	–
From capital gains	–	(0.01)
Return of capital	–	–
Total annual distributions ⁽³⁾	(0.17)	(0.31)
Net asset value, end of period	11.82	11.51

⁽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 units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

⁽³⁾ The Fund automatically reinvests distributions in additional units of the Fund. Immediately following the distribution, the number of outstanding units will be consolidated, so that the net asset value per unit after the distribution is the same as the net asset value per unit before the distribution.

⁽⁴⁾ 2015, 2014 and 2013 figures are prepared in accordance with International Financial Reporting Standards ("IFRS"). Prior to 2013, comparatives are prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

Ratios and Supplemental Data ⁽⁶⁾

Sun Life Milestone 2020 Fund – Series A

	2015	2014	2013	2012	2011
Total net asset value (\$) ⁽¹⁾	88,285,246	88,103,318	92,599,602	78,995,785	26,517,109
Number of units outstanding ⁽¹⁾	7,481,755	7,654,872	8,514,098	7,277,565	2,512,030
Management expense ratio (%) ⁽²⁾	1.86	2.17	2.18	2.19	2.21
Management expense ratio before waivers or absorption (%) ⁽²⁾	1.86	2.31	2.28	2.31	2.91
Trading expense ratio (%) ⁽³⁾	–	–	–	–	–
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾⁽⁶⁾	23.53	38.83	19.78	69.15	51.83
Net asset value per unit (\$) ⁽¹⁾	11.80	11.51	10.88	10.85	10.56

Sun Life Milestone 2020 Fund – Series E

	2015	2014
Total net asset value (\$) ⁽¹⁾	17,585,226	1,197,570
Number of units outstanding ⁽¹⁾	1,488,205	104,048
Management expense ratio (%) ⁽²⁾	1.64	2.20
Management expense ratio before waivers or absorption (%) ⁽²⁾	1.64	2.34
Trading expense ratio (%) ⁽³⁾	–	–
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾⁽⁶⁾	23.53	38.83
Net asset value per unit (\$) ⁽¹⁾	11.82	11.51

⁽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. Prior to 2015, the Manager of the Fund waived some of its management fees and/or absorbed some expenses that would normally be charged to the Fund.

⁽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.

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⁽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.

⁽⁵⁾ Percentages are annualized.

⁽⁶⁾ 2015, 2014 and 2013 figures are prepared in accordance with IFRS. Prior to 2013, comparatives are prepared in accordance with Canadian GAAP.

Management Fees

The annual maximum management fee paid by the Fund is a percentage of the average daily net asset value of each series 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. The management fee reduces over time based on the remaining years to the scheduled maturity date of the Fund.

The percentages and major services paid for out of the management fees are set out below:

				As a Percentage of Management Fees	
	Maximum Annual Management Fee Rate – More than 5 years to maturity (%)	Maximum Annual Management Fee Rate – 5 to more than 1 years to maturity (%)	Maximum Annual Management Fee Rate – 1 year or less to maturity (%)	Dealer Compensation (%) ¹	General Administration, Investment Advice and Profit (%)
Series A Units	1.85	1.30	1.00	32	68
Series E Units	1.85	1.30	1.00	41	59

¹ Includes sales and trailing commissions.

Effective July 1, 2015, the management fee declined to 1.30% and is aligned with the Simplified Prospectus.

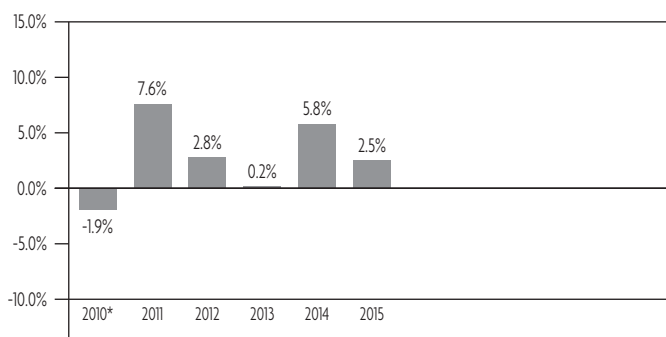
PAST PERFORMANCE

The indicated rates of return are the historical annualized and annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not generally guaranteed; however the Sun Life Milestone Funds benefit from a guarantee described above. How a fund performed in the past does not necessarily indicate how it will perform in the future.

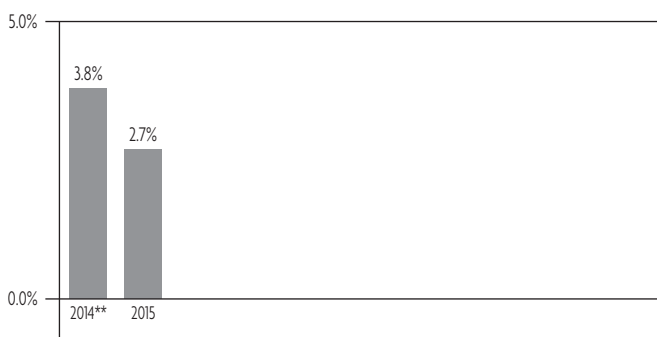
Year-by-Year Returns

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 period.

Series A Units – Annual return for the periods ended December 31, 2015



Series E Units – Annual return for the periods ended December 31, 2015



* for the period of October 1, 2010 to December 31, 2010.

** for the period April 1, 2014 to December 31, 2014

Annual Compound Returns

The following table compares the historical annual compound total returns of Series A and E units of the Fund with the blended benchmark comprised of 90% bonds as represented by the FTSE TMX Canada Universe Bond Index and 10% equities as represented by the MSCI ACWI Local Currency Index.

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The Series A units underperformed the blended benchmark since inception, over the past five years, over the past three years and over the past year.

	Performance				
	1 Year	3 Year	5 Year	10 Year	Start Date ⁽¹⁾⁽²⁾
Sun Life Milestone 2020 Fund – Series A	2.5%	2.8%	3.8%	N/A	3.2%
Blended Benchmark – New (90% FTSE TMX Canada Universe Bond; 10% MSCI ACWI Local Currency)	3.4%	4.6%	5.3%	N/A	5.1%
Blended Benchmark – Old (90% FTSE TMX Canada Universe Bond; 10% MSCI World Local Currency)	3.5%	4.6%	5.3%	N/A	5.1%
FTSE TMX Canada Universe Bond Index	3.5%	3.6%	4.8%	N/A	4.4%
MSCI ACWI Local Currency Index	1.3%	11.6%	8.5%	N/A	9.7%
MSCI World Local Currency Index	2.1%	13.0%	9.6%	N/A	10.8%
Sun Life Milestone 2020 Fund – Series E	2.7%	N/A	N/A	N/A	3.7%
Blended Benchmark – New (90% FTSE TMX Canada Universe Bond; 10% MSCI ACWI Local Currency)	3.4%	N/A	N/A	N/A	5.4%
Blended Benchmark – Old (90% FTSE TMX Canada Universe Bond; 10% MSCI World Local Currency)	3.5%	N/A	N/A	N/A	5.5%
FTSE TMX Canada Universe Bond Index	3.5%	N/A	N/A	N/A	5.4%
MSCI ACWI Local Currency Index	1.3%	N/A	N/A	N/A	5.5%
MSCI World Local Currency Index	2.1%	N/A	N/A	N/A	6.1%

⁽¹⁾ The performance start date for Series A was October 1, 2010.

⁽²⁾ The performance start date for Series E was April 1, 2014.

SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at December 31, 2015

Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Government of Canada Residual Strip, Jun 01, 2020	19.7
2 Government of Canada Coupon Strip, Jun 01, 2020	17.8
3 Hydro Quebec Interest Strip, Feb 15, 2020	5.6
4 Province of Quebec Coupon Strip, Jun 01, 2020	5.1
5 Province of British Columbia Interest Strip, Jun 18, 2020	4.4
6 Province of Newfoundland and Labrador Coupon Strip, Apr 17, 2020	4.3
7 Province of British Columbia Interest Strip, Jun 09, 2020	4.1
8 Ontario Hydro Corp. Coupon Strip, May 26, 2020	4.1
9 Sun Life Milestone Global Equity Fund, Series I ⁽²⁾	3.8
10 Province of Ontario Generic Coupon Strip, Jun 02, 2020	3.6
11 Province of Nova Scotia Generic Strip, Dec 02, 2019	2.4
12 New Brunswick Electric Coupon Strip, Dec 03, 2019	2.3
13 New Brunswick Electric Coupon Strip, Jun 03, 2020	2.3
14 Province of Saskatchewan Coupon Strip, Mar 05, 2020	2.2
15 New Brunswick Electric Coupon Strip, Dec 03, 2018	1.8
16 Province of British Columbia Interest Strip, Mar 08, 2020	1.6
17 Province of Prince Edward Island Generic Strip, Jul 17, 2019	1.4
18 Government of Canada Coupon Strip, Dec 01, 2019	1.3
19 Newfoundland & Labrador Hydro Coupon Strip, Feb 27, 2020	1.3
20 Province of Prince Edward Island Generic Strip, Jan 17, 2020	1.2
21 Province of Nova Scotia Generic Strip, Jun 02, 2019	1.2
22 Ontario Hydro Corp. Coupon Strip, May 27, 2020	1.1
23 Province of Newfoundland and Labrador Coupon Strip, Apr 17, 2019	0.9
24 Province of New Brunswick Coupon Strip, Jun 03, 2019	0.9
25 Newfoundland & Labrador Hydro Coupon Strip, Jan 14, 2020	0.8
	95.2
Total Net Asset Value (000's)	\$ 105,870

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Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Fixed Income	96.2
Equity ⁽³⁾	3.8
	100.0

⁽¹⁾ All information is as at December 31, 2015. The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. 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.

⁽²⁾ The Fund invests in another investment fund. The prospectus of the underlying investment fund and other information can be found on SEDAR at www.sedar.com.

⁽³⁾ Equity for the purpose of this chart, includes investment in the Sun Life Milestone Global Equity Fund.

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.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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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.

Sun Life Global Investments (Canada) Inc.
150 King Street West, Toronto, Ontario, M5H 1J9
Telephone: 1-877-344-1434 | Facsimile: 416-979-2859
info@sunlifeglobalinvestments.com
www.sunlifeglobalinvestments.com



I L L U M I N A T I N G