

Sun Life Milestone Funds

FUND REVIEW Q3 2018 | Opinions as of October 1, 2018

MANAGEMENT COMPANY
Sun Life Global Investments (Canada) Inc.

INCEPTION DATE
October 1, 2010

PORTFOLIO MANAGERS
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HIGHLIGHTS

- Sun Life Milestone Fund returns were positive in Q3
- Despite volatility stock markets were higher
- Sun Life Milestone Global Equity Fund was up 5.6%
- Bond yields rose in the quarter

OUTLOOK

Canada, the United States and Mexico signed on to a new trade deal to replace NAFTA. But just days before, U.S. President Donald Trump ratcheted up pressure on China, placing a 10% tariff on a further \$200-billion worth of Chinese goods entering the U.S. China immediately countered with a 5 to 10% tariff on \$60 billion in U.S. imports. This is a significant escalation. And it won't be easily resolved, with trade negotiations between the two countries breaking off at one point.

The new NAFTA pact called the United States-Mexico-Canada Agreement (USMCA) appears to be a good one for our country. Most of the previous NAFTA agreement remains as it was, with only minor changes. In addition, it keeps important elements like the dispute mechanism firmly in place.

We still feel confident about the U.S. given the strong economic fundamentals. But with mid-term elections around the corner

and the trade dispute with China escalating, we have slightly reduced our weighting after a strong run.

We are growing more confident on Europe. And we have rotated some of our money out of the U.S. into this market. In Canada, many economic risks have been priced into the market, which has been under pressure for the last few years. However, with NAFTA resolved there could be a move higher in the markets.

The Bank of Canada is expected to raise rates again in October, and then wait to assess economic data. It will also now have to consider the positive impact of the new trade deal in its economic outlook.

FUND DATA AS OF SEPTEMBER 30, 2018

| FUND | GUARANTEED MATURITY VALUE \$ | MARKET VALUE \$ | EQUITY ALLOCATION % | STRIP BOND ALLOCATION % |
|-----------|---------------------------------|--------------------|------------------------|----------------------------|
| 2020 Fund | 11.9108 | 11.6713 | 1.5 | 98.5 |
| 2025 Fund | 13.3056 | 12.7646 | 12.8 | 87.2 |
| 2030 Fund | 14.5810 | 14.3531 | 26.8 | 73.2 |
| 2035 Fund | 15.5473 | 15.3650 | 37.3 | 62.7 |

FUND REVIEW

Sun Life Milestone Fund returns were positive in Q3.

The guaranteed maturity value on the Milestone 2020, 2025, 2030 and 2035 remained unchanged on the quarter. 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.

Despite the ongoing headline risk from the U.S./China trade war and rising interest rates, global equities were positive over the quarter, with the Sun Life Milestone Global Equity Fund up 5.6%.

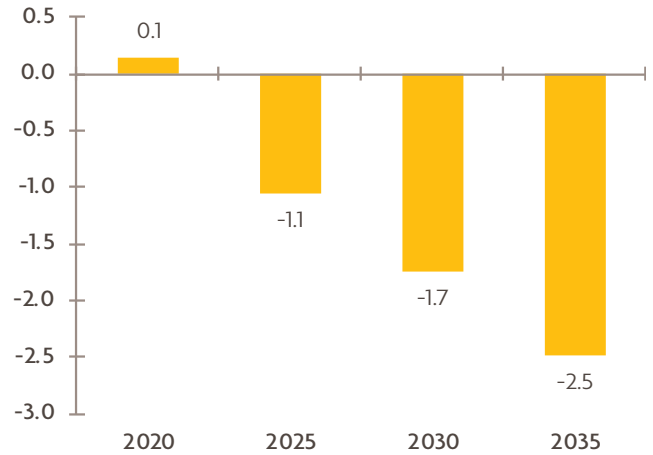
While market fundamentals remain strong there are uncertainties overhanging the market, including the pace of interest rate increases and how the tariff war between the U.S. and China will play out. Against this backdrop markets are likely to be volatile.

On the fixed income side of the portfolio, yield increases were muted. However, provincial bond spreads remained well anchored, allowing the additional yield to enhance returns across the funds.

The funds will continue to invest broadly in global equities and Canadian federal and provincial bonds. We will also maintain a bias toward bonds over equities, which are designed to provide stability. And the funds' guarantee to maturity should help give investors confidence especially in a potentially volatile environment.

GOVERNMENT OF CANADA STRIP BOND RETURNS %

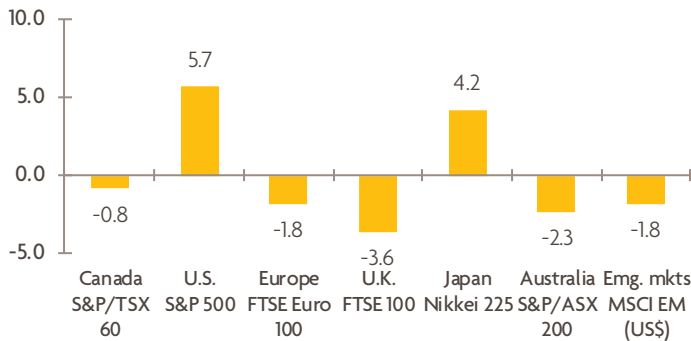
Maturing June 1 of respective year



Source: RBC Investor Services. Data as of September 30, 2018.

EQUITY MARKET RETURNS %

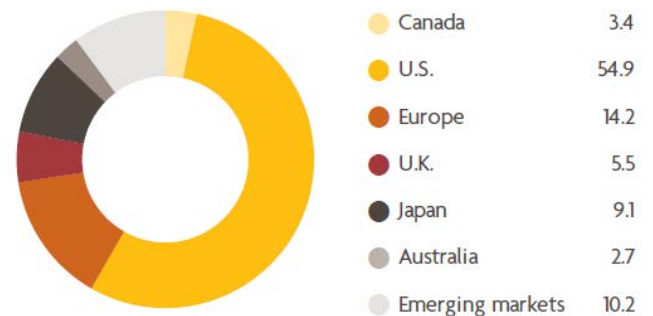
Total return, local currency



Source: Morningstar. Data as of September 30, 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 | Q3 | 1 YEAR | 3 YEAR | 5 YEAR | SINCE INCEPTION | INCEPTION DATE |
|---------------------------------------|------|--------|--------|--------|-----------------|-----------------|
| Sun Life Milestone 2020 Fund | 0.0 | 0.5 | -0.2 | 1.6 | 2.0 | October 1, 2010 |
| Sun Life Milestone 2025 Fund | -0.4 | 0.5 | 0.2 | 2.9 | 3.1 | October 1, 2010 |
| Sun Life Milestone 2030 Fund | -0.6 | 2.4 | 2.2 | 4.6 | 4.6 | October 1, 2010 |
| Sun Life Milestone 2035 Fund | -0.3 | 5.0 | 4.6 | 6.0 | 5.5 | October 1, 2010 |
| Sun Life Milestone Global Equity Fund | 5.6 | 13.2 | 14.8 | 12.3 | 12.3 | October 1, 2010 |
| MSCI All Country World Index* | 4.7 | 11.1 | 13.4 | 10.5 | - | - |

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