

Sun Life Global Investments (Canada) Inc.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2010

Sun Life Milestone 2020 Fund
(Series A units only)



Sun Life Milestone 2020 Fund

This annual management report of fund performance contains financial highlights but does not contain the complete annual 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.

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 greatest of the following three values: \$10 per unit, the highest month-end net asset value per unit of the Series during the period from the start date to the maturity date, or the net asset value per unit of the Series on the maturity date of the Fund.

The Fund's sub-advisors are Sun Capital Advisers LLC and Sun Life Assurance Company of Canada. The sub-advisors 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.

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

The Fund has a performance inception date of October 1, 2010. Net assets of the Fund increased from \$150,000 at the beginning of the period to \$2.8 million on December 31, 2010. The large increase in net assets was attributable to positive net sales into the Fund during the period which was partially offset by negative Fund performance. The Fund's net asset value per unit at period end was \$9.8107 which was less than the per unit guaranteed value at maturity of \$10.0074.

The Fund returned -1.9% for the period from October 1, 2010 to December 31, 2010. This result trailed the Fund's blended benchmark which returned 2.9% and trailed the Fund's median

peer (Morningstar 2020 Target Date category) return of 3.1%. The blended benchmark is comprised of 60% DEX Universe Bond Index and 40% MSCI World Local Currency Index.

A main driver of fund performance for the period was the Fund's asset allocation. The Fund's asset allocation was 22.68% equities and 77.32% bonds at the beginning of the period and ended the period at 23.75% equities and 76.25% bonds. Equity returns as represented by the MSCI World Local Currency Index were 8.3% for the period while bonds as represented by the DEX Universe Bond Index returned -0.7%.

While the Bank of Canada left rates unchanged during the fourth quarter, longer term Government of Canada bond yields increased during the period. Citing a moderately paced recovery in Canada supported by firm domestic demand, the Bank of Canada continued to express concerns regarding potential risks to the recovery. By maintaining its target for the overnight rate at 1%, considerable monetary stimulus remains in place. Longer term rates in Canada increased as bond markets began pricing in better U. S. economic data. Five year, ten year and thirty year Government of Canada bond yields increased approximately 0.40%, 0.35% and 0.15% respectively during the quarter. The yield on Government of Canada bonds coinciding with the June 2020 maturity date of the Fund increased approximately 0.35% during the period which had a negative impact on fund performance.

Each of the six equity markets to which the Fund is exposed finished in positive territory for the fourth quarter. In local currency terms, the S&P 500 performed the best among the group with a 10.2% return. The Euro Stoxx 50 performed the worst, returning 1.6%. The ASX 200 returned 3.5%, the FTSE 100 returned 6.3%, the TSX 60 was 7.5% and the Nikkei 225 returned 9.2%. Global equity markets rallied during the fourth quarter as the Federal Reserve's announcement of a second round of quantitative easing, coupled with generally improving economic data, helped drive the markets higher. This improving economic data has led to the reduction of double-dip fears, while attractive margins and growth in corporate earnings have acted as tailwinds for equities around the globe. The global deflation trade was powerful during the final quarter of 2010, despite a few pullbacks driven by Europe's recurring sovereign debt problems.

The Fund's equity exposure is achieved through investment in units of the Sun Life Milestone Global Equity Fund ("Underlying Fund"). The return on the Underlying Fund was

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7.4% compared to an 8.3% return for the MSCI World Local Currency Index. Performance was negatively impacted in the period by the cost of downside protection strategies employed in the Underlying Fund which had losses as equity markets rose. The Underlying Fund's slight underweight to Europe, the worst performing region in the period, helped performance in the period. At the end of the quarter, the Underlying Fund's equity exposure was 48.72% in American equities, 16.36% European equities (excluding United Kingdom), 11.58% Japanese equities, 10.13% Canadian equities, 9.44% United Kingdom equities, and 3.79% Australian equities.

Asset allocation in the Fund will continue to be driven primarily by yields on Government of Canada bonds of maturities similar to the maturity date of the Fund. As there appears to be more risk to the downside than to the upside in equity markets, the positioning of Sun Life Milestone Global Equity Fund will be slightly conservative to start 2011.

Recent Developments

Although global equity markets rallied significantly during the fourth quarter, several risks should be noted as 2011 commences. In stark contrast to their counterparts in developed regions, central banks in emerging markets continue to tighten monetary policy. Increasing concerns regarding inflation within these emerging economies may lead to even more aggressive tightening in 2011, which would be a drag on global GDP growth. Increasing fuel costs will likely adversely affect consumer spending in both developed and emerging economies in the coming quarters. Substantial rallies in other commodities, such as sugar, coffee and corn, may lead to food inflation if companies pass the price increases through to the consumer. If these corporations do not pass the price increases on to the end user, significant pressure will be applied to company margins – a negative for equity prices. One should also consider the large amounts of cash presently sitting on corporate balance sheets. This cash may be used to hire employees, issue dividends to shareholders, invest in capital projects or buy back shares – all of which would benefit equity markets.

Long-term issues will also likely play a significant role moving forward. Fears regarding the massive amounts of American, European and Japanese sovereign debt may begin to creep into the forefront in 2011, causing reverberations around the globe. Continued deficit spending in the United States, in conjunction with rapidly increasing unfunded liabilities and entitlement programs, may lead to increased interest rates as money flows out of U. S. treasuries. Solvency concerns regarding certain nations in peripheral Europe may amplify fears of contagion from sovereigns to financial institutions due to the heavy exposure many global banks maintain.

The current high level of unemployment seen in the U. S. may not dissipate as quickly as it has in the past, leading to

weaker than expected GDP growth in the world's largest economy. This constant high level of unemployment, driven by the wide wage differential between emerging and developed economies, could continue to crimp consumer spending in the U. S., which remains about 70% of the U. S. economy.

The deleveraging currently being undertaken by the U. S. consumer is also acting as a drag on consumer spending. Also, state and local governments are beginning to look for ways to cut spending in order to get their fiscal situations under control, which will act as a hindrance to U. S. GDP growth. Overall, while the economic backdrop for continued global growth is positive, much of the positive news may be already priced into equities around the globe.

The Canadian Accounting Standards Board ("AcSB") has confirmed International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretation as Canadian GAAP for publicly accountable enterprises such as investment funds and other reporting issuers. The AcSB has deferred the IFRS changeover date for investment funds from the original date of January 1, 2011 to January 1, 2013. Therefore, the first time adoption of IFRS by investment funds will be applicable for interim and annual financial statements for periods beginning on or after January 1, 2013. As such, financial statements for the Fund will be prepared in accordance with IFRS for the first time for the interim period ended June 30, 2013.

Related Party Transactions

Sun Life Global Investments (Canada) Inc. (the "Company") is the manager, trustee and portfolio manager of the Fund.

As manager, the Company 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 Company holds legal title to the Fund's investments in trust for unitholders. For its services, the Company 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 Company is responsible for managing the investment portfolio of the Fund directly or through sub-advisors. The Company has retained Sun Capital Advisers LLC and Sun Life Assurance Company of Canada to act as sub-advisors for the Fund.

The Company is a wholly owned subsidiary of Sun Life Financial Inc., as are the sub-advisors for the Fund – Sun

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Capital Advisers LLC and Sun Life Assurance Company of Canada.

Fund Administrative Expense

An operating expense incurred by the Company on behalf of the Fund is considered a fund administrative expense. These operating expenses include, but are not limited to, record keeper fees, accounting, audit and legal fees, bank and interest charges, safekeeping and custodial fees, taxes, brokerage commissions, administrative and systems costs, costs of reports to investors, prospectuses and other disclosure documents, fees and expenses payable in connection with the Funds' Independent Review Committee, regulatory filing fees (including those incurred by the Company) and trustee fees for registered plans. The Company recovers these expenses from the Fund and the amount of this charge is disclosed as a fund administrative expense in the Fund's Statement of Operations.

Series Description

The Fund offers Series A units only, which are available to all investors.

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 date of inception to December 31, 2010.

Sun Life Milestone 2020 Fund – Series A

The Fund's Net Assets per Unit (\$) ⁽¹⁾

	2010 ⁽⁴⁾ (\$)
Net assets, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.53
Total expenses	(0.05)
Realized gains (losses) for the period	–
Unrealized gains (losses) for the period	(0.55)
Total increase (decrease) from operations⁽²⁾	(0.07)
Distributions:	
From income (excluding dividends)	(0.12)
From dividends	–
From capital gains	–
Return of capital	–
Total annual distributions⁽³⁾	(0.12)
Net assets, end of period	9.81

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for fund pricing purposes. The difference between the Net Asset Value per unit and the Net Assets per unit as shown on the Statement of Net

Assets (if any) is due to different pricing methodology discussed in note 2 to the 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 year.
- ⁽³⁾ Distributions on units are automatically reinvested in additional units of the Fund. Following each distribution, the number of outstanding units will be immediately 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⁾ Each series of this Fund were first issued on September 10, 2010.

Ratios and Supplemental Data

	2010 ⁽⁶⁾
Total net asset value (\$) ⁽¹⁾	2,780,158
Number of units outstanding ⁽¹⁾	283,379
Management expense ratio (%) ⁽²⁾	2.28
Management expense ratio before waivers or absorption (%)	24.89 ⁽⁵⁾
Trading expense ratio (%) ⁽³⁾	– ⁽⁵⁾
Portfolio turnover rate (%) ⁽⁴⁾	0.18
Net asset value per unit (\$)	9.81

- ⁽¹⁾ This information is provided as at December 31 of the year shown.
- ⁽²⁾ Management expense ratio is based on total expenses (excluding broker commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period.
- ⁽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.
- ⁽⁴⁾ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate 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 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 turnover rate and the performance of the Fund.
- ⁽⁵⁾ Percentages are annualized.
- ⁽⁶⁾ Each series of this Fund were first issued on September 10, 2010.

Management Fees

The annual management fee paid by the Fund is a percentage of the average daily net asset value exclusive of any applicable taxes and operating expenses. The management fee reduces over time based on the remaining years to the scheduled maturity date of the Fund, as set out in the table below.

	More than 5 years to maturity	More than 1 year to 5 years to maturity	1 year or less to maturity
Series A	1.85%	1.30%	1.00%

As at December 31, 2010, the Fund's management fee was 1.85%, which is accrued daily and is paid to the Company monthly in arrears. From these management fees, approximately 51% were used to pay for sales and trailing commissions and other services required. The remaining 49% of management fees were used to pay for investment management and other general administration.

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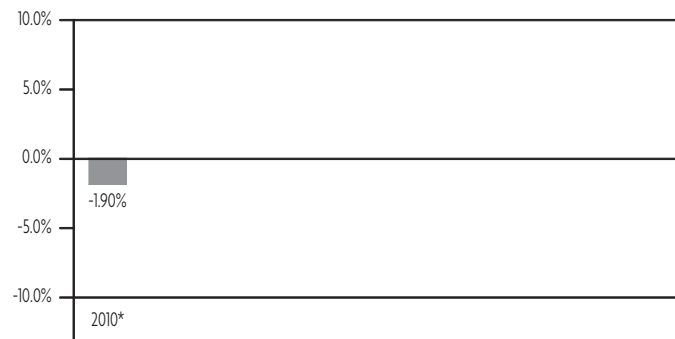
PAST PERFORMANCE

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 guaranteed. 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 financial year.

Series A Units – Annual returns ended December 31



* for the period of October 1 to December 31 2010

Annual Compound Returns

The following table compares the historical annual compound total returns of Series A units of the Fund with the blended benchmark index comprised of 60% bonds as represented by the DEX Universe Bond Index and 40% equities as represented by the MSCI World Local Currency Index.

The DEX Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

The Series A units underperformed the blended benchmark since inception.

	Since inception
Sun Life Milestone 2020 Fund – Series A	(1.9%)
Blended benchmark	2.9%

SUMMARY OF INVESTMENT PORTFOLIO

as at December 31, 2010

Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Government Bonds	75.72
Global Equities ⁽¹⁾	23.76
Cash and Cash Equivalents ⁽²⁾	0.52
	100.00

⁽¹⁾ Global equities, for the purpose of this chart, includes investment in the Sun Life Milestone Global Equity Fund.

⁽²⁾ Cash and cash equivalents, for the purpose of this chart, includes other assets less liabilities.

Investments

	Percentage of Net Asset Value of the Fund (%)
1 Canadian Government Bond Coupon Strip, Jun 01, 2020	48.04
2 Canadian Government Bond Coupon Strip, Dec 01, 2019	27.68
3 Sunlife Milestone Global Equity Fund, Series I ⁽¹⁾	23.76
4 Cash and Cash Equivalents ⁽²⁾	0.52
	100.00

⁽¹⁾ The Fund invests in another mutual fund. The prospectus of the underlying mutual fund and other information can be found on SEDAR at www.sedar.com.

⁽²⁾ Cash and cash equivalents, for the purpose of this chart, includes other assets less liabilities.

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.

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

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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 Company 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

Sun Life Milestone 2020 Fund (Series A units only)

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.

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