
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the period ended June 30, 2017

Sun Life Milestone 2020 Fund



Sun Life Milestone 2020 Fund

This semi-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 semi-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., 1 York Street, Toronto, Ontario, M5J 0B6. 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

Results of Operations

During the period, the net asset value of the Sun Life Milestone 2020 Fund (the "Fund") decreased from \$122.3 million to \$113.8 million. The decrease in net asset value was due to net redemptions, as well as negative performance during the period. The Fund's per unit guarantee at maturity increased ending the period at \$11.9108.

During the period, the Fund returned -0.1% for Series A units. This result lagged the Fund's blended benchmark (90% FTSE TMX Canada Universe Bond, 10% MSCI ACWI Index-Local Currency), which returned 3.0%. Please refer to the 'Past Performance' section of this report for more details.

Returns across the Sun Life Milestone Funds were mixed after being negatively affected when bond yields turned higher. The U.S. Federal Reserve raised interest rates in the second quarter of the period and is expected to raise them again. The U.S. Federal Reserve was followed by the Bank of Canada, which raised interest rates by 0.25% to 0.75% in July. Sun Life Global Investments (Canada) Inc. (the "Manager") believes that Canadian and U.S. yields could move slightly higher again by year-end.

The strong performance of equities in general helped enhance returns across all four Milestone Funds. Equity exposure in Sun Life Milestone Funds is obtained through investment in units of Sun Life Milestone Global Equity Fund, which was up was up 6.41% in the first quarter. By the second quarter, Sun Life Milestone Global Equity Fund was up 2.9% on the continuing strength in equity markets.

Recent Developments

After a surge in late 2016, Canadian bond yields fell in the first quarter with the yield on Canadian 10-year bonds starting the quarter at 1.87% and ending at 1.63%. Similarly, yields on U.S. 10-year Treasuries moved lower from 2.63% to 2.39%. The Manager expects only marginal increases in yields in the coming months. However, the decision to invest in Canadian provincial government bonds continued to work well across all the Milestone funds in the first quarter.

U.S. President Donald Trump took office in the first quarter of 2017 promising to deliver steep, across-the-board tax cuts and a massive economic stimulus program. The Manager believed Trump's economic agenda would be positive for the market and took a moderately bullish stance on U.S. equities, which rallied following President Trump's election.

Exposure to Emerging Markets, which rallied when the protectionist trade policies proposed by President Trump did not materialize, was also increased.

However, the Manager was cautious on international equity exposure because of political and economic uncertainty potentially triggered by a number of key European elections and the U.K.'s decision to start negotiating its withdrawal from the European Union.

The Manager continued to sell Canadian government bonds while adding higher-yielding provincial government bonds, which frees up capital for the Manager to invest in equities, potentially producing higher returns over time. During the period, the Manager added exposure to international equities while reducing the allocation to U.S. equities on valuation concerns and Canadian equities on weak economic strength.

Effective February 5, 2016, all Series E units were re-designated to Series A units, under the Front End Sales Charge option, of the same Fund. Please refer to the Fund's simplified prospectus for more details about the captioned change and for details about the Private Client Program.

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.

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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 semi-annual financial statements (unaudited).

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 units only. The date of creation for Series A units was October 1, 2010. Series A units 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 the date of inception to June 30, 2017.

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

Sun Life Milestone 2020 Fund – Series A

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	11.70	11.80	11.51	10.88	10.86	10.55
Increase (decrease) from operations:						
Total revenue	0.10	0.23	0.25	0.36	0.53	0.35
Total expenses	(0.07)	(0.17)	(0.22)	(0.24)	(0.25)	(0.24)
Realized gains (losses) for the period	0.01	0.06	0.04	0.06	0.11	0.23
Unrealized gains (losses) for the period	(0.05)	(0.23)	0.21	0.46	(0.37)	(0.06)
Total increase (decrease) from operations ⁽²⁾	(0.01)	(0.11)	0.28	0.64	0.02	0.28
Distributions:						
From income (excluding dividends)	–	(0.06)	–	(0.11)	(0.26)	(0.10)
From dividends	–	–	–	–	–	–
From capital gains	–	(0.04)	–	(0.01)	(0.10)	(0.17)
Return of capital	–	–	–	–	–	–
Total annual distributions ⁽³⁾	–	(0.10)	–	(0.12)	(0.36)	(0.27)
Net asset value, end of period	11.68	11.70	11.80	11.51	10.88	10.85

⁽¹⁾ This information is derived from the Fund's audited annual financial statements and from the semi-annual unaudited financial statements for the current period ended June 30, 2017.

⁽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⁾ Comparatives prior to 2013 are prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Figures subsequent to 2013 are prepared in accordance with International Financial Reporting Standards ("IFRS").

Ratios and Supplemental Data ⁽⁶⁾

Sun Life Milestone 2020 Fund – Series A

	2017	2016	2015	2014	2013	2012
Total net asset value (\$) ⁽¹⁾	113,800,993	122,268,466	88,285,246	88,103,318	92,599,602	78,995,785
Number of units outstanding ⁽¹⁾	9,739,889	10,453,973	7,481,755	7,654,872	8,514,098	7,277,565
Management expense ratio (%) ⁽²⁾	1.28	1.49	1.86	2.17	2.18	2.19
Management expense ratio before waivers or absorption (%) ⁽²⁾	1.28	1.49	1.86	2.31	2.28	2.31
Trading expense ratio (%) ⁽³⁾	–	–	–	–	–	–
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾⁽⁶⁾	6.96	29.66	23.53	38.83	19.78	69.15
Net asset value per unit (\$) ⁽¹⁾	11.68	11.70	11.80	11.51	10.88	10.85

⁽¹⁾ This information is provided as at December 31 of the period shown, except for the most recent semi-annual period, which is at June 30, 2017.

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- ⁽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.
- ⁽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⁾ Comparatives prior to 2013 are prepared in accordance with Canadian GAAP. Figures subsequent to 2013 are prepared in accordance with IFRS.

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

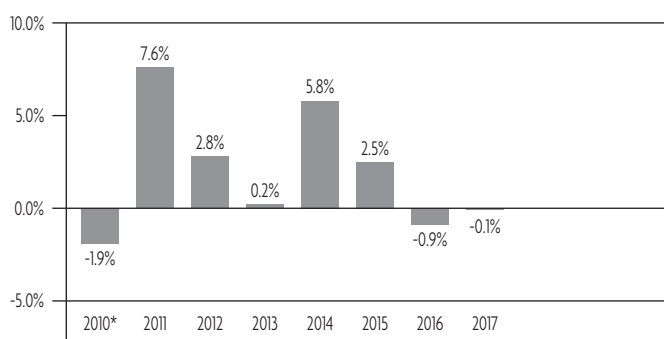
¹ Includes sales and trailing commissions.

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 period ended December 31 and the six month period ended June 30, 2017



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

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

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SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at June 30, 2017 (unaudited)

Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Government of Canada, Coupon Strip, Jun 01, 2020	21.1
2 Province of Ontario, Generic Coupon Strip, Jun 02, 2020	18.6
3 Province of Quebec, Coupon Strip, Jun 01, 2020	6.4
4 Hydro Quebec, Interest Strip, Feb 15, 2020	5.3
5 Province of Newfoundland and Labrador, Coupon Strip, Apr 17, 2020	5.3
6 Province of British Columbia, Interest Strip, Jun 18, 2020	4.2
7 Ontario Hydro Corp., Coupon Strip, May 26, 2020	4.2
8 Province of British Columbia, Interest Strip, Jun 09, 2020	3.9
9 Province of New Brunswick, Coupon Strip, Jun 03, 2019	2.5
10 Sun Life Milestone Global Equity Fund, Series I ⁽²⁾	2.3
11 Province of Nova Scotia, Generic Strip, Dec 02, 2019	2.3
12 New Brunswick Electric, Coupon Strip, Dec 03, 2019	2.2
13 New Brunswick Electric, Coupon Strip, Jun 03, 2020	2.1
14 Province of Saskatchewan, Coupon Strip, Mar 05, 2020	2.1
15 Province of Prince Edward Island, Generic Strip, Jan 17, 2020	1.9
16 Hydro Quebec, Interest Strip, Jan 15, 2020	1.9
17 Province of British Columbia, Interest Strip, Mar 08, 2020	1.5
18 Newfoundland & Labrador Hydro, Coupon Strip, Feb 27, 2020	1.3
19 Ontario Electricity Financial Corp., Apr 11, 2020	1.2
20 Ontario Hydro Corp., Coupon Strip, May 27, 2020	1.0
21 Newfoundland & Labrador Hydro, Coupon Strip, Jan 14, 2020	0.8
22 Province of Prince Edward Island, Generic Strip, Jan 29, 2020	0.7
23 Province of Manitoba, Coupon Strip, Mar 05, 2020	0.7
24 Province of British Columbia, Interest Strip, Aug 23, 2019	0.7
25 Province of Alberta, Coupon Strip, Jun 01, 2020	0.7
	94.9
Total Net Asset Value (000's)	\$ 113,801

Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Fixed Income	97.7
Equity ⁽³⁾	2.3
	100.0

⁽¹⁾ All information is as at June 30, 2017. 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.

SEMI-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**.

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