
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2016

Sun Life Milestone Global Equity Fund



Sun Life Milestone Global Equity 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 Global Equity Fund (the "Fund") is to seek long-term capital appreciation by obtaining an enhanced exposure to equity market indices in North America, Europe and the Far East through investments primarily in derivatives.

The Fund's sub-advisor is Sun Life Assurance Company of Canada (the "sub-advisor"). The portfolio manager and sub-advisor manage the Fund by investing in derivatives of equity market indices and seek to earn a return on the Fund that is larger, both positive and negative, than returns on the equity markets that they are invested in. The Fund is managed so that its regional exposures are within defined target ranges relative to the MSCI ACWI Index weightings. There is no investment in countries which are not included in the MSCI World Index. The sub-advisor also uses risk management techniques, such as investing in options, to hedge the portfolio against a sudden drop of a market index.

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 offering documents.

Results of Operations

During the period, the net asset value of the Fund increased from \$314.8 million to \$343.5 million. The increase in net asset value was due to positive net sales, as well as positive performance during the period.

During the period, the Fund returned 9.1% for Series I units. This result surpassed the Fund's benchmark, the MSCI ACWI Local Currency Index, which returned 9.0%. Please refer to the 'Past Performance' section of this report for more details.

Equities fell worldwide in the opening weeks of the first quarter of the period before bouncing back strongly in the second half. However, as the quarter progressed Sun Life Global Investments (Canada) Inc. (the "Manager") believed risk

was rising in U.S. and European equity markets including the U.K (which accounted for almost 75% of the equity weighting in the Fund).

In the second quarter, Britain's decision to leave the European Union sent global equity markets into a tailspin, at one point erasing over \$2.5 trillion in value. European markets felt the greatest pain, dropping almost 9% the day after the vote. U.S. and Emerging Market equities (with the third-largest weighting in the Fund) also took a hit initially before bouncing back a few days later.

In the third quarter markets moved sharply higher, with international and emerging markets performing strongly as they played catch up.

The uncertainty caused by Britain's decision to leave the European Union continued in the fourth quarter. But equity markets in many developed countries rallied following President Donald Trump's promise to stimulate the U.S. economy by cutting taxes and increasing spending on defense and infrastructure (At the end of the fourth quarter, the U.S. accounted for 55% of the equity weighting in the Fund).

Despite Canada's sluggish economic growth, the S&P/TSX Composite Index was one of the best performers among developed equity markets in 2016, finishing the year up 21.1% on a total return basis.

Recent Developments

If President Donald Trump is successful in implementing his pro-growth agenda, the Manager believes it could help U.S. equities. However, increased economic growth could also put upward pressure on U.S. interest rates. Canadian and U.S. bond yields may continue to move higher in 2017, which could result in negative total returns for bonds. Nonetheless, the Manager does not expect yields to move up by as much as the market in 2016.

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

Sun Life Milestone Global Equity Fund

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-advisor. 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 I units only. The date of creation for Series I was October 1, 2010.

Series I units are special purpose securities that are currently only available to other mutual funds and eligible institutional investors. Series I units are not sold to the general public. Each Series I investor negotiates its own management and advisory fee that is paid directly to the Manager.

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, 2016.

The Fund's Net Asset Value per Unit (\$)⁽¹⁾⁽⁴⁾ Sun Life Milestone Global Equity Fund – Series I

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net assets value, beginning of period	17.99	17.57	15.79	11.66	10.05
Increase (decrease) from operations:					
Total revenue	0.08	0.10	0.14	0.11	0.07
Total expenses	–	–	–	–	–
Realized gains (losses) for the period	1.37	0.67	1.88	3.49	1.22
Unrealized gains (losses) for the period	0.17	(0.44)	(0.18)	0.54	0.27
Total increase (decrease) from operations⁽²⁾	1.62	0.33	1.84	4.14	1.56
Distributions:					
From income (excluding dividends)	1.45	(0.71)	(2.13)	(3.45)	(0.71)
From dividends	–	–	–	–	–
From capital gains	–	–	(0.01)	–	–
Return of capital	–	–	–	–	–
Total annual distributions⁽³⁾	1.45	(0.71)	(2.14)	(3.45)	(0.71)
Net assets value, end of period	19.62	17.99	17.57	15.79	11.66

⁽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⁾ 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").

Sun Life Milestone Global Equity Fund

Ratios and Supplemental Data⁽⁶⁾

Sun Life Milestone Global Equity Fund – Series I

	2016	2015	2014	2013	2012
Total net asset value (\$) ⁽¹⁾	343,506,612	314,797,714	293,662,292	289,907,959	196,808,175
Number of units outstanding ⁽¹⁾	17,505,707	17,500,348	16,712,850	18,358,569	16,884,275
Management expense ratio (%) ⁽²⁾	–	–	–	–	–
Management expense ratio before waivers or absorption (%) ⁽²⁾	–	–	0.05	0.04	0.08
Trading expense ratio (%) ⁽³⁾	–	–	–	–	–
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	–	–	–	–	–
Net asset value per unit (\$) ⁽¹⁾	19.62	17.99	17.57	15.79	11.66

⁽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) 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

There is no management fee charged to the Fund.

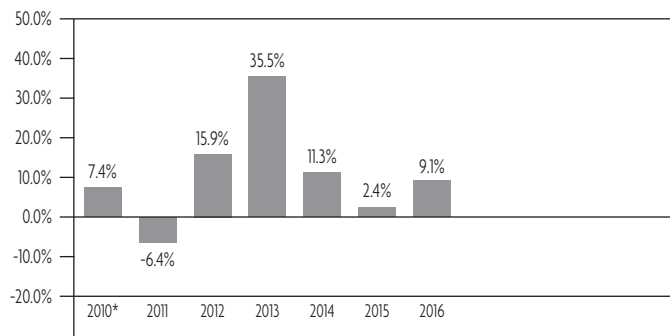
PAST PERFORMANCE

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 period.

Series I Units – Annual return for the period ended December 31, 2016



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

Annual Compound Returns

The following table compares the historical annual compound total returns of Series I units of the Fund with the benchmark of the MSCI ACWI Local Currency Index.

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

The Series I units outperformed the index since inception, over the past five years, over the past three years and over the past year.

	1 Year	3 Year	5 Year	10 Year	Performance Start Date ⁽¹⁾
Sun Life Milestone Global Equity Fund – Series I	9.1%	7.5%	14.3%	N/A	11.4%
Milestone Global Equity Fund Benchmark ²	9.0%	6.6%	12.5%	N/A	10.3%
MSCI ACWI Local Currency Index ³	9.0%	6.5%	11.9%	N/A	9.6%
MSCI World Local Currency Index ³	9.0%	6.9%	12.7%	N/A	10.5%

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

⁽²⁾ The Milestone Global Equity Fund Benchmark represents a blend of MSCI World Local Currency Index and MSCI ACWI Local Currency Index due to the Fund's benchmark changing from the MSCI World Local Currency Index to the MSCI ACWI Local Currency Index on July 1, 2015.

⁽³⁾ The Fund's benchmark was changed from the MSCI World Local Currency Index to the MSCI ACWI Local Currency Index on July 1, 2015.

Sun Life Milestone Global Equity Fund

SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at December 31, 2016

Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Canadian Treasury Bill, 0.44%, Feb 23, 2017	31.6
2 Canadian Treasury Bill, 0.46%, Feb 09, 2017	29.1
3 Canadian Treasury Bill, 0.44%, Apr 06, 2017	17.3
4 Canadian Treasury Bill, 0.43%, Jan 26, 2017	15.1
5 Cash and Cash Equivalents ⁽³⁾	5.3
6 Unrealized Gain/(Loss) on Futures Contracts	1.5
7 S&P 500 Index @1725 Put Option	0.1
8 S&P 500 Index @1675 Put Option	–
9 S&P 500 Index @1600 Put Option	–
10 S&P 500 Index @1650 Put Option	–
	100.0
Total Net Asset Value (000's)	\$ 343,507

Futures Schedule⁽²⁾

Name of Future	Notional Value (000's)
1 E-Mini S&P 500 Index	190,577
2 DJ Euro Stoxx 50 Index	52,424
3 CME NIKKEI 225 Inedx	32,675
4 E-Mini MSCI Emerging Markets Index	29,948
5 LIFFE FTSE 100 Index	23,131
6 E-Mini S&P 500 Index	17,993
7 Canada S&P 60 Index	12,377
8 Australian SPI 200 Index	10,663
9 E-Mini MSCI Emerging Markets Index	6,335
10 Canada S&P 60 Index	1,794
	377,917

Geographic Exposure

	Percentage of Net Asset Value of the Fund (%)
United States	55.3
Europe (excluding United Kingdom)	13.9
Other Emerging Markets	9.6
Asia	8.6
United Kingdom	6.1
Canada	3.7
Australia	2.8
	100.0

⁽¹⁾ All information is as at December 31, 2016. 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 gains exposure to global equity markets through the notional value of derivatives based on the indexes listed in the Futures Schedule above.

⁽³⁾ Cash and Cash Equivalents, for the purpose of this chart, includes other assets less liabilities.

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

Sun Life Milestone Global Equity Fund

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



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