

# Sun Life Milestone Funds

FUND REVIEW Q1 2019 | Opinions as of March 31, 2019

## MANAGEMENT COMPANY

Sun Life Global Investments (Canada) Inc.

## INCEPTION DATE

October 1, 2010

## PORTFOLIO MANAGERS

Chhad Aul, CFA  
Kathrin Forrest, CFA

## HIGHLIGHTS

- Sun Life Milestone Fund returns were positive in Q1
- Stock markets rallied worldwide in the quarter
- Sun Life Milestone Global Equity Fund was up 14.3%
- Bond yields fell in the quarter

## OUTLOOK

Equity markets tumbled in the final weeks of 2018 as investors fretted over slowing global trade, rising interest rates and the U.S./China trade war. But in January, the U.S. Federal Reserve switched from a hawkish to a dovish stance on interest rates, while the rhetoric around trade improved. It was enough to trigger a wave of investor optimism with the S&P 500 up 13.6% in the first quarter – its best start to a year since 1998.

The U.S. economy continues to perform well, with the S&P 500 recovering all of last year's losses. However, after the strong start in Q1 we expect limited upside from here with increased volatility in the months ahead. For now, with the exception of the U.S. and emerging markets where we are slightly overweight, we are neutral on equities in general.

The market selloff at the end of 2018 and weaker global growth may have influenced the U.S. Federal Reserve's decision to take a more dovish stance on interest rates. Certainly, most of the fuel

behind the equity rally in Q1 stemmed from the possibility that the Fed may not be raising rates for a considerable length of time. Moreover, the bond market appears to be pricing in an interest rate cut, with U.S. 10-year Treasury yields dropping to 2.4% at quarter end.

Even without a rate cut, at its last meeting on March 29 the Fed dot plot projection suggested that its benchmark rate will remain near 2.4% at least to the end 2019. And it slashed its forecast from two hikes this year to zero.

Although less clear, the Bank of Canada also appears to have changed its outlook for interest rates. In late 2018, the bank indicated that there was room for rates to run higher. The economy appears to have slowed since then, and Bank of Canada Governor Stephen Poloz recently stated that he now sees "increased uncertainty" on the timing of future increases.

## FUND DATA AS OF MARCH 31, 2019

FUND	GUARANTEED MATURITY VALUE \$	MARKET VALUE \$	EQUITY ALLOCATION %	STRIP BOND ALLOCATION %
Sun Life Milestone 2020 Fund	11.9108	11.6713	1.0	99.0
Sun Life Milestone 2025 Fund	13.3056	12.7646	11.1	88.9
Sun Life Milestone 2030 Fund	15.0386	14.3531	22.6	77.4
Sun Life Milestone 2035 Fund	16.0164	15.3650	32.5	67.5

## FUND REVIEW

Sun Life Milestone Fund returns were positive in Q1.

The guaranteed maturity value on the Milestone 2030 and 2035 moved higher while the others 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.

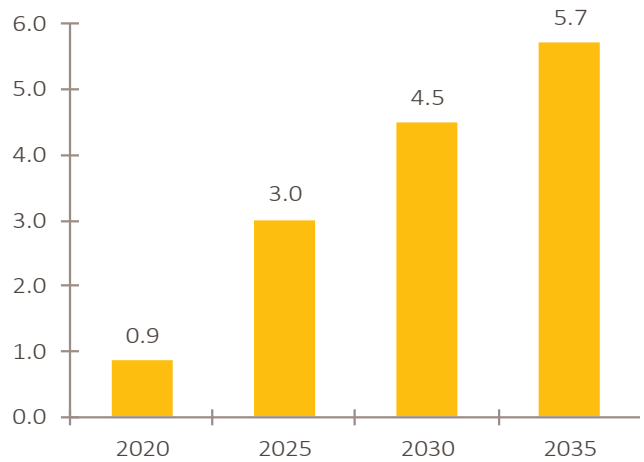
In the first quarter, major equity markets moved higher following the U.S. Federal Reserve's decision to leave interest rates unchanged for the remainder of the year. Equity markets were also buoyed by the apparent progress in the U.S./China trade talks, with the Sun Life Milestone Global Equity Fund up 14.3% in the quarter.

On the fixed income side of the portfolio, yields on provincial and Canadian government bonds came down across the term structure. As a result, the guaranteed maturity value moved higher on two of the funds.

The Milestone 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 market environment.

## GOVERNMENT OF CANADA STRIP BOND RETURNS %

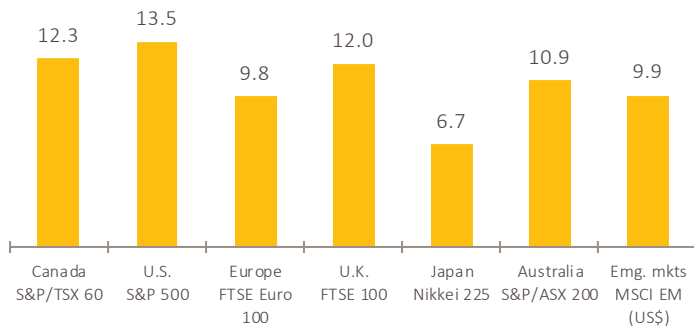
Maturing June 1 of respective year



Source: RBC Investor Services. Data as of March 31, 2019.

## EQUITY MARKET RETURNS %

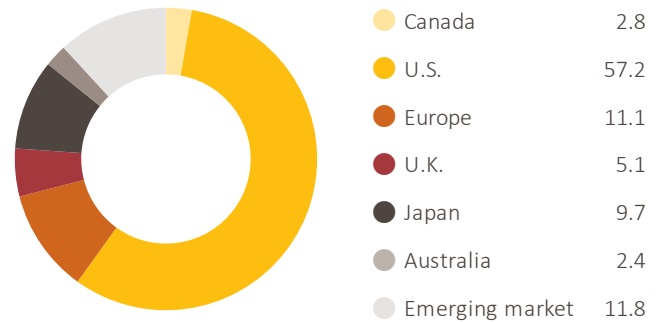
Total return, local currency



Source: Morningstar. Data as of March 31, 2019.

## 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	Q1	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION	INCEPTION DATE
Sun Life Milestone 2020 Fund	0.7	1.4	0.1	1.3	2.0	October 1, 2010
Sun Life Milestone 2025 Fund (Series A units only)	3.9	3.6	0.9	2.8	3.4	October 1, 2010
Sun Life Milestone 2030 Fund	6.6	4.8	2.8	4.5	4.9	October 1, 2010
Sun Life Milestone 2035 Fund (Series A units only)	8.5	4.9	4.9	5.6	5.7	October 1, 2010
Sun Life Milestone Global Equity Fund	14.3	5.2	11.9	9.1	11.2	October 1, 2010
MSCI All Country World Index*	12.3	5.6	11.2	8.2	-	-

Returns for periods longer than one year are annualized. Data as of March 31, 2019.

\*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. Investors should 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 funds are not guaranteed, their values change frequently and past performance may not be repeated.

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.

This document is provided for information purposes only and is not intended to provide specific individual financial, investment, tax or legal advice. Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any mutual funds managed or sub-advised by Sun Life Global Investments (Canada) Inc. These views are not to be considered as investment advice nor should they be considered a recommendation to buy or sell.

Information contained in this document has been compiled from sources believed to be reliable, but no representation or warranty, express or implied, is made with respect to its timeliness or accuracy. This document may contain forward-looking statements about the economy, and markets; their future performance, strategies or prospects. Forward-looking statements are not guarantees of future performance and are speculative in nature and cannot be relied upon.

© Sun Life Global Investments (Canada) Inc., 2019. Sun Life Global Investments (Canada) Inc. is a member of the Sun Life Financial group of companies.

Sun Life Global Investments (Canada) Inc.

1 York Street, Toronto, Ontario M5J 0B6

T: 1.877.344.1434 | E: [info@sunlifeglobalinvestments.com](mailto:info@sunlifeglobalinvestments.com)

[sunlifeglobalinvestments.com/Commentary](http://sunlifeglobalinvestments.com/Commentary)