

expect
GREAT THINGS...



ANNUAL REPORT 2004



The Sun Life Prosperity Funds have complied with leading practices on corporate governance as required by the Securities and Exchange Commission.

UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:

THE CORPORATE SECRETARY
SUN LIFE PROSPERITY FUNDS
10F TOWER II, THE ENTERPRISE CENTER
AYALA AVE., COR PASEO DE ROXAS
MAKATI CITY, PHILIPPINES

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STABILITY



Sun Life Prosperity Funds are managed and distributed by Sun Life Asset Management Company, Inc., a member of the Sun Life Financial group of companies. Sun Life Financial is a leading international financial services organization providing a diverse range of wealth accumulation and protection products and services to individuals and corporate customers. Tracing its roots back to 1865, Sun Life Financial and its partners today have operations in key markets worldwide, including Canada, the United States, the United Kingdom, Hong Kong, Philippines, Japan, Indonesia, India, China and Bermuda. As of December 31, 2004, the Sun Life Financial group of companies had total assets under management of CDN\$360.0 billion.

LETTER TO SHAREHOLDERS

Dear Shareholders,

By all measures, the Sun Life Prosperity Funds achieved encouraging results despite the volatile business conditions. In terms of Returns on Investment (ROI), our Bond Fund had a net of tax return of 7.9%. Our Balanced Fund was the best performer among peers in the industry with a net after tax return of 19.1% while our Equity Fund had the highest return among our family of funds with a net after tax return of 20.2%. Yield for the Dollar Advantage Fund was 1.9% while annualized yield for the Money Market Fund was 4.1%.

Assets under management for our Bond Fund grew marginally to PHP4.6 billion, up by 4% compared to the previous year. Our Balanced Fund grew 40% to reach PHP171 million in 2004. The assets of the Philippine Equity Fund grew 28% to PhP184 Million while assets of the Dollar Advantage Fund stood at P256 Million. Our latest product offering, the Money Market Fund, had total assets of PHP81 million despite being launched only in July 2004. This product, the first no-load fund in the country, is fast gaining market acceptance as it provides very attractive returns for such a highly liquid investment. By the end of the year 2004, total assets of the Sun Life Prosperity Funds stood at PhP5.3 Billion

2004 was marked by events that stirred and disturbed investor confidence. Aside from election-related concerns, the government faced a looming fiscal crisis, thus necessitating the passage of additional tax revenue

measures by Congress. Nevertheless, we managed to remain on course and continued our efforts to provide attractive returns to our valued investors. The year also marked our introduction of the Money Market Fund – addressing the short to medium term investment needs of our clients.

As we face fresh challenges ahead, we will aggressively exert efforts to expand and strengthen our distribution channels, and consistently enhance our servicing capabilities. These include investing in technology and training within the organization.

We will also continue bringing to the market a number of innovative products in response to your changing financial requirements. Needless to say we will devote significant resources toward achieving operational efficiency.

In all these, we remain steadfast in our commitment to perform our obligations following sound standards of business and financial practices. We are also committed to upholding and promoting a strong ethical business culture in the performance of our duties as we manage your funds.

The impressive results that we have achieved the past four years would not have been possible without your support and patronage. Thank you for your continued trust and confidence in the Sun Life Prosperity Funds.



ESTHER C. TAN
Chairperson

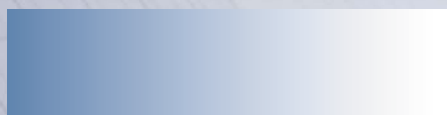


CAESAR P. ALTAREJOS, JR.
President



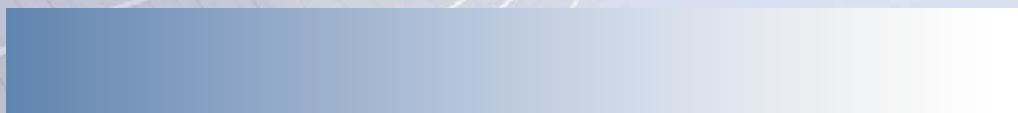
FULL YEAR RETURNS FOR 2004

7.9%



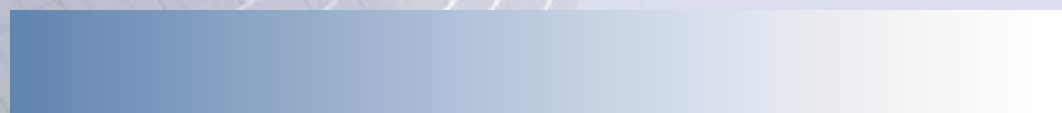
BOND

19.1%



BALANCED

20.2%



PHILIPPINE EQUITY

1.9%



DOLLAR ADVANTAGE

4.1%



MONEY MARKET
(ANNUALIZED)

RETURNS FOR THE PAST 3 YEARS

	2002	2003	2004
BOND	8.4%	8.4%	7.9%
BALANCED	(12.8%)	31.5%	19.1%
PHILIPPINE EQUITY	(17.9%)	39.9%	20.2%
DOLLAR ADVANTAGE	n.a.	3.9%	1.9%
MONEY MARKET	n.a.	n.a.	4.1%

Full year returns, after tax and exclusive of sales loads, of the Sun Life Prosperity Funds for the year 2004. Please note that these only indicate fund performance over a given period and do not necessarily indicate future returns.

Important information about the Sun Life Prosperity Funds is indicated in their respective prospectuses. Please obtain copies from your Sun Life Mutual Fund Representative and read them carefully before investing. Share values, yields, and investment returns may fluctuate. Sun Life Asset Management Company, Inc. is a member of the Sun Life Financial group of companies.

In 2004, the Prosperity Balanced Fund out-performed all other funds in its category, generating an annual return of 19.1%

FINANCIAL MARKETS IN REVIEW

Against the backdrop of a looming fiscal crisis following the tightly contested presidential polls in May, the financial markets was decidedly reasonably stable for the most part of the year. However, the spate of oil price hikes invariably pushed up prices of basic commodities and inflation exceeded market projections.

Interest rates came under pressure despite high market liquidity. The average 91-day treasury bill rose to 7.3% from 6.0% in 2003. Meanwhile, the government fiscal deficit hit Ps186.0 billion, or

6.5% lower than the Ps198.0 billion program for 2004 as monetary authorities struggled to avert a credit downgrade.

Investors were generally partial to risk-free government securities although credit quality concerns have eased back a bit. In 2004, the Bureau of Treasury has been relatively liberal in issuing long-dated bonds compared to the previous year. Corporate lending was selective and the tempo of lending activity was modest at best.

INVESTMENT APPROACH

Investment doctrine focuses on investments in high yield, investment grade assets with an overall risk profile of less than average. Private lending is restricted to prime corporate issues and collateral is required as practicable. A reduction in the bond portfolio duration is in order in anticipation of the switch to market-to-market valuation, the implementation of which was deferred to 2006.

2004 PERFORMANCE REVIEW

Net After Tax Return on Investments (ROI) was 7.9% and surpassed the 91-day T-bill rate of 6.3%, net of taxes. Fund performance has consistently bested portfolio benchmarks and yields were competitive against peers.

As before, government securities accounted for the

bulk of earnings even as corporate loans continue to pay high returns. Two corporate loans were disbursed in the 2004. No further loan bookings were deliberately made afterwards amid the pending issue on the implementation of the shift to mark-to-market valuation originally scheduled in January 2005.

LONG TERM PERFORMANCE OVERVIEW

Interest income from government securities will remain as the main source of revenues. Rising inflation would create pressure on interest rates and should augur well for yields. Still, rising default risk due to the deteriorating public sector finances is a cause for concern. Lending activity will be curtailed for a while pending the switch to mark-to-market in 2006. Portfolio duration will be scaled down to facilitate the smooth transfer to the new valuation method.

FINANCIAL RESULTS

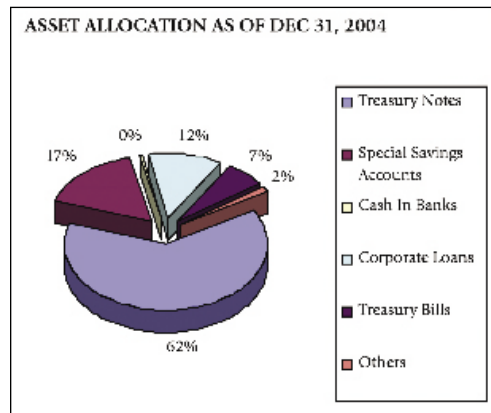
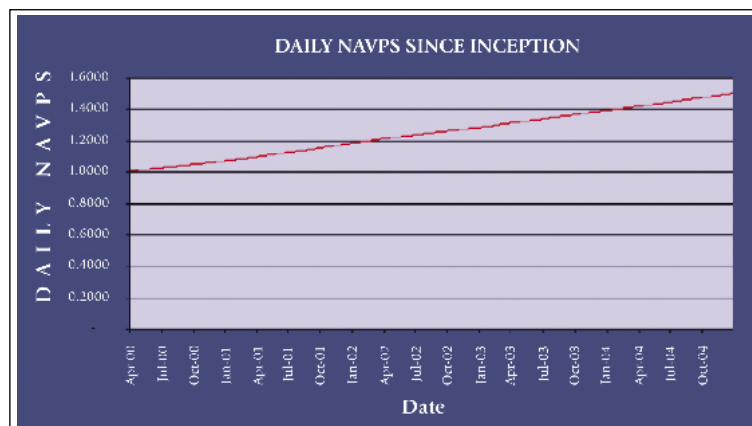
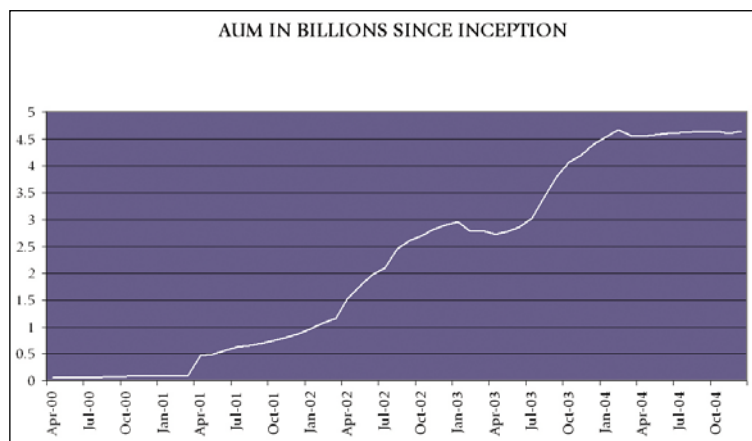
Net assets of the Fund registered a moderate 5.5% growth from PHP4.4 billion in 2003 to PHP4.6 billion by the end of year 2004, almost all of which is attributed to investments in government securities. The increase is mainly due to the interest income earned by the Fund, as the stockholder base for the year-ends of 2003 and 2004 were fairly constant.

Nevertheless, investment income from government securities was up 27.48% from PHP420 million in 2003 to PHP535 million in 2004 due to higher volume of investments as well as higher interest rates. Total operating expenses for 2004 were roughly the same as those for 2003 and only registered a negligible 1% increase. These combined factors helped the Fund achieve a remarkable

34% increase in net income for the year 2004.

The Company does not foresee any event that could trigger a direct or contingent financial obligation that is material to its operations. No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities/other persons were created during the reporting period. There are also no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations and liquidity.

There are no significant elements of income that did not arise from the Company's continuing operations.





We strive to cater to the varying investment needs and desires of our investors. From an initial 3 funds offered to the public in 2000, our family has grown to 5 funds by the end of 2004. 2005 will be another exciting year as we offer 2 new additional funds – the Sun Life Prosperity Dollar Abundance Fund and the Sun Life Prosperity GS Fund. With the introduction of these funds, Sun Life Financial will have the widest array of funds in the industry.

DIVERSIFICATION

FINANCIAL MARKETS IN REVIEW

The Philippine Composite Index (PHISIX) closed at 1,822 as of end-2004, a 26.4% gain from 2003 closing level of 1,442. During the initial semester of 2004, the market sought its direction from developments in the political front prior to the run-up towards the May 2004 national elections. Early fears of social unrest brought about by the possible disqualification of leading opposition presidential candidate Fernando Poe, Jr. weighed down on the market in late January. Exacerbating the adverse effects of this development, Standard & Poor's (S&P) downgraded the country's credit rating prompting the California Public Employees Retirement System (CALPERS), the largest US pension fund, to map out a possible exit of its investments in the country.

In the aftermath of a peaceful election, concentration soon shifted to the country's burgeoning fiscal deficit and the macroeconomic effects of surging global crude prices. The crux of the oft-mentioned fiscal crisis is the country's unsustainable debt stock – high debt levels causing soaring interest payments, which, in turn, continually bloat the debt stock given its automatic appropriation in the budget. Interest payments have eaten a third of the country's annual budget, the highest level in history, while total debt service is almost equivalent to the government's yearly revenues leaving almost none for the government's social and infrastructure projects. This vicious cycle of spiraling debt and ballooning interest payments has even pushed the country's debt metrics beyond levels seen in pre-crisis Argentina and Brazil. The only saving grace of the country

was its strong external liquidity bolstered by strong OFW remittances. However, the sudden and sharp spike in global crude prices to more than US\$50/barrel was undermining even this. Thus, under the gloomy backdrop of a looming fiscal crisis and surging crude prices, the market traded within a tight range waiting for the government's passage of new tax and other revenue-enhancing measures.

The initial step taken by government to address its widening fiscal deficit was to grant the National Power Corporation (NPC) a P0.87/kWh increase in early September 2004, a politically-sensitive but nevertheless very important component if the government was to fix its financial woes. With the market sensing that the government had enough political will to tackle its fiscal problem head-on, the Phisix soared to a 4-year high of 1,851 in early October, a marked 17.2% gain from the end-August level of only 1,579. The passage of new tax measures such as the sin tax on liquor and tobacco, the lateral attrition bill, and the proposed increase in value-added taxes provided the market some direction for the rest of 4Q04.

Amidst the backdrop of a ballooning fiscal deficit and rising inflation, interest rates rose modestly in 2004 with the 91-day t-bill hitting 7.9% in the November 2004 auction. Substantial liquidity in the banking sector, as evidenced by historically low loan-to-deposit ratios, capped any significant spikes in interest rates as these found its way into risk-free government securities. This provided the Bureau of Treasury continued access to relatively cheap domestic financing.

INVESTMENT APPROACH

Our cautious optimism in 2004 directed us to confine our investments to a number of counters which were not only fundamentally sound, but more importantly, remained undervalued by the market. As potential downside was already low, the Fund's defensive stance remained strong even as growth potential was significantly sizeable if a market rally materialized. Thus, the portfolio was heavily weighted towards the telecommunications, financial, and retail counters. Market consolidation

was taken as an opportunity to load up on favored issues while lengthy rallies provided an exit opportunity wherein we locked in gains. PLDT (+40% YoY), First Philippine Holdings (+60%), Jollibee Foods (+56%), and Petron Corp. (+44%) were the lynchpin of the Fund's strong performance in 2004.

On the fixed-income side, the aim was to stay short in duration in anticipation of higher yields moving forward.

2004 PERFORMANCE REVIEW

The fund recorded an annual return of 19.1%, highest among competing funds in 2004. The fund largely benefited from a realignment of the portfolio to maximize our exposure in the telecommunications sector and other select counters such as First Philippine Holdings, Jollibee Foods, Petron Corporation, and Bank of the Philippine Islands.

On the shareholder level, collections and transfers into the fund offset redemptions leading to an

inflow of PhP32.3m into the fund. Shareholders seeking downside protection were well served by the strong yields of the fixed income component of the fund even as they continued to benefit from the strong upward movement of the equities market.

LONG TERM PERFORMANCE OVERVIEW

As tax measures passed to this point prove insufficient vis-a-vis the magnitude of the country's consolidated public sector deficit (CPSD), we feel that there is no compelling reason to take a long-term position in the market. Thus, any sign of market strength would be taken still as an opportunity to lock in gains. We will continue to approach the market from a bottom-up perspective, carefully selecting fundamentally sound counters whose value remains unappreciated by the market. Given the background of a looming fiscal crisis, rising inflation, and a weakening peso, we expect an uptick in interest rates moving forward.

FINANCIAL RESULTS

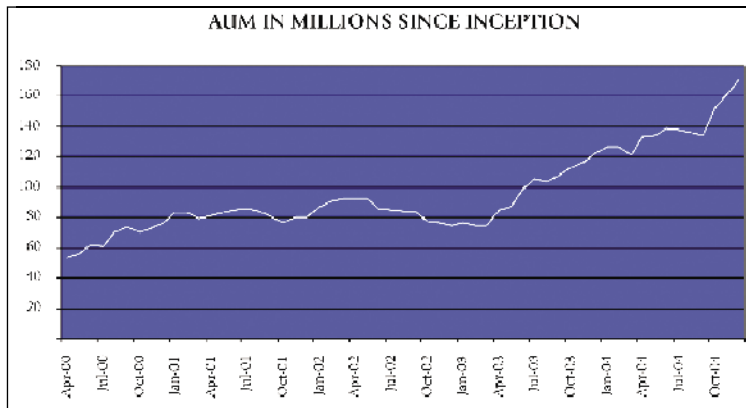
Sun Life of Canada Prosperity Balanced Fund registered a high 40.0% growth in net assets from P122.33 million in 2003 to P171.28 million by the end of 2004. Out of the PHP49 million pesos increase in net assets, PHP25 million came from fresh investments by stockholders, PHP8 million from net investment income, and PHP16 million from unrealized appreciation of equity holdings. Most of the proceeds were used to purchase listed stocks from the PSE.

Investment income of PHP12.7 million for 2004 was 92% higher than the P6.6 million in 2003 mainly due to higher gains realized from sale of listed stocks, higher interest income, and higher dividends from listed securities. Operating expenses of P3.06 million for the year 2003 went up by 22% in 2004 and registered PHP3.7 million as at year-end. The increase came significantly from increase in expenses related to a higher AUM.

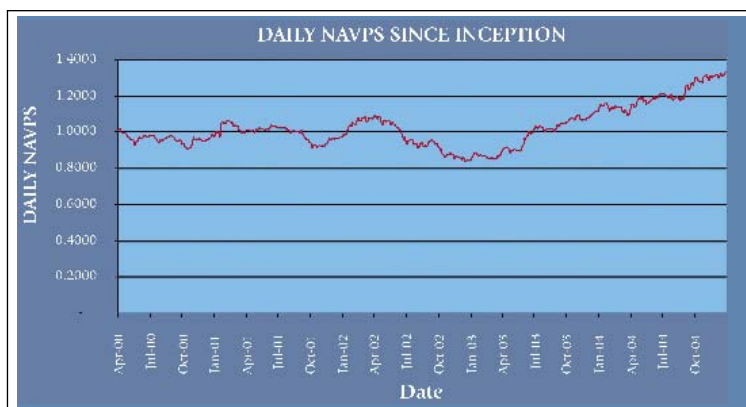
The Company does not foresee any event that could trigger a direct or contingent financial obligation that is material to its operations. No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities/other persons were created during the reporting period. There are also no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations and liquidity.

There are no significant elements of income that did not arise from the Company's continuing operations.

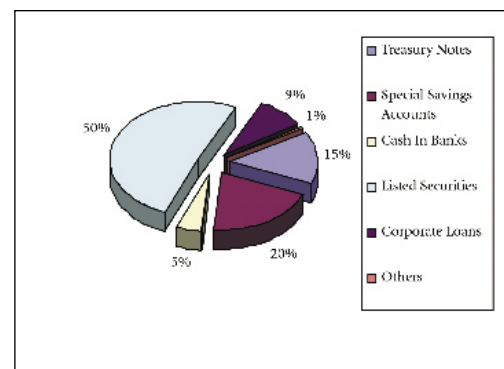
AUM IN MILLIONS SINCE INCEPTION



DAILY NAVPS SINCE INCEPTION



ASSET ALLOCATION AS OF DEC 31, 2004





Sun Life Prosperity Funds are managed by a dedicated team of fund managers with solid collective experience in fund management, strong investment philosophy, remarkable investment performance, and a strong organizational structure.

FINANCIAL MARKETS IN REVIEW

With the run up towards the May 2004 national elections, the Philippine Composite Index (Phisix) mainly took its direction from developments in the political arena in the first semester of 2004. Incessant talks that leading opposition candidate Fernando Poe, Jr. (FPJ) may be disqualified from the presidential race in late January spawned fears of mass protests and destabilization efforts. Exacerbating the adverse effect of this development were the Standard & Poor's (S&P) downgrade of the country's rating to Ba2, two notches below investment grade, and consequent recommendation of the California Public Employees Retirement System (CALPERS) to pull-out entirely its investments in the Philippines. Thus, for the period February to March 2004, the Phisix shed a cumulative 11.8% to close a tad below 1,400. However, as another presidential candidate Raul Roco suspended his campaign citing health problems in early April 2004, the market saw an increased chance that incumbent President Gloria Macapagal-Arroyo (PGMA) will win the 2004 elections. As surveys that followed validated the market's premise, the Phisix gained ground quickly posting a 13.1% rise in April to a month-high of 1,610.31. The slow tally of votes post-election nonetheless dragged early gains with the market settling lower at 1,579.30 at end-2Q04.

With the national election overhang behind it, the market soon trained its eyes on developments in the economic front. The crux of the country's fiscal crisis is the unsustainable debt stock – high debt levels causing soaring interest payments, which, in turn, continually bloat the debt stock given its automatic appropriation in the budget. Interest payments have eaten a third of the country's annual budget, the highest level in history, while total debt

service is almost equivalent to the government's yearly revenues leaving almost none for the government's social and infrastructure projects. This vicious cycle of spiraling debt and ballooning interest payments has even pushed the country's debt metrics beyond levels seen in pre-crisis Argentina and Brazil. Consolidated public sector deficit (CPSD) was projected to top more than P300.0bn in 2004 equivalent to no less than 6.0% of the country's GDP, a level beyond the 3.5% limit espoused by the country's multi-lateral lending agencies. The only saving grace of the country was its strong external liquidity bolstered by strong OFW remittances. However, the sudden and sharp spike in global crude prices to more than US\$50/barrel was undermining even this. Thus, under the gloomy backdrop of a looming fiscal crisis and surging crude prices, the market traded within a tight range waiting for the government's passage of new tax and other revenue-enhancing measures.

The first concrete step that government took in its fight to curb its burgeoning fiscal problem was to allow the National Power Corp. (NPC), one of the government's losing entity, to raise power rates by P0.87/kWh in early September. Working on the perception that the government has finally mustered enough political will to clean its financial books, albeit, to the detriment of the masses, the Phisix hit a 4-year high of 1,851 in early October, a strong 17.2% charge from the end-August level of only 1,579. For the rest of 4Q04, the market took its cue from the passage of new tax measures such as the sin tax on liquor and tobacco, the lateral attrition bill, and the increase in value-added taxes closing at 1,822 as of end-2004, up 26.4% year-on-year.

INVESTMENT APPROACH

We were for most part cautiously optimistic in 2004 placing our cards on a number of stocks, which were undervalued but which were fundamentally sound in our view. They had defensive qualities as potential downside was already low if the market dipped but their growth potential was markedly sizeable if market rallies ensued. Drops and

rallies in the market were used as opportunities to realign the portfolio to be heavily weighted towards telecommunications, financial, and retail counters. Our bets on PLDT (+40% YoY), First Philippine Holdings (+60%), Jollibee Foods (+56%), and Petron Corp. (+44%) served the fund in good stead in 2004.

2004 PERFORMANCE REVIEW

The fund chalked up an annual return of 20.2% benefiting heavily from our move to maximize our exposure in the telecommunications sector and other select counters such as First Philippine Holdings, Jollibee Foods, Petron Corporation, and Bank of the Philippine Islands.

On the shareholder level, collections and transfers into the fund offset redemptions leading to an inflow of PhP12.8m into the fund. Shareholders

seeing strong market movements in reaction to government's moves to plug the holes in its finances continued to remain confident in the market's potential.

LONG TERM PERFORMANCE OVERVIEW

With the government's tax measures proving unsubstantive at this point vis-à-vis the magnitude of the deficit, we will not ride the market's overall strength but will instead continue to approach the market from the bottom up – selecting stocks which are fundamentally strong but whose value remains unseen by the market. Economic and corporate fundamentals will remain the cornerstone of our investment decisions.

FINANCIAL RESULTS

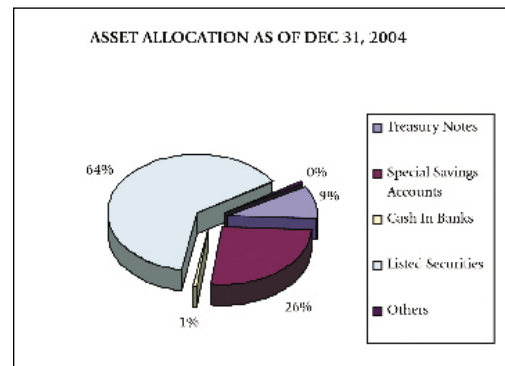
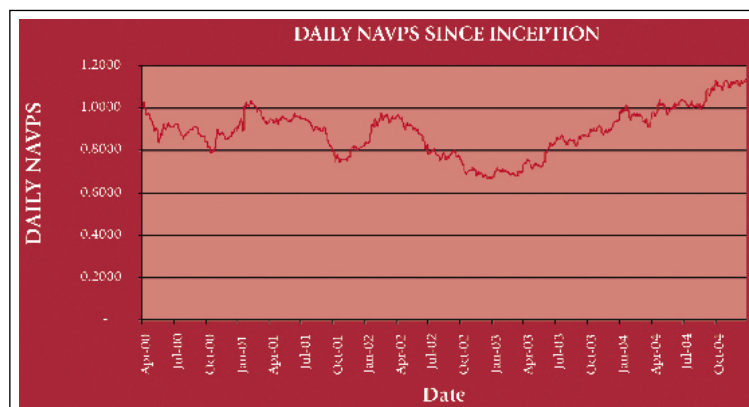
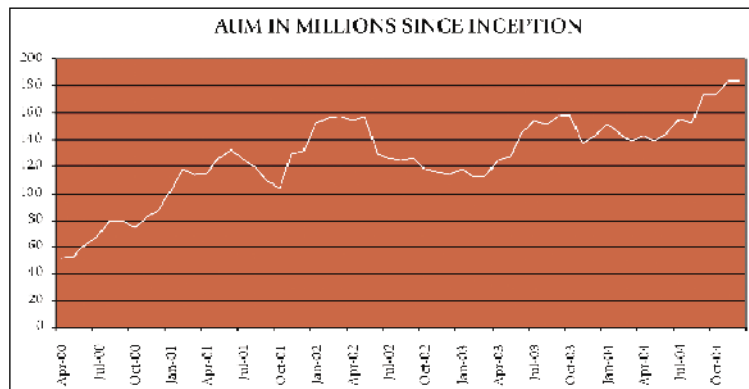
Sun Life of Canada Prosperity Philippine Equity Fund continued its steady growth as net assets grew from PHP142.7 million in 2003 to PHP184.6 million in 2004. This 29.3% increase over last year's net assets is significantly attributed to unrealized appreciation in equity holdings amounting to PHP19 million, fresh funds infused by investors amounting to PHP13 million, and net investment income amounting to PHP10 million.

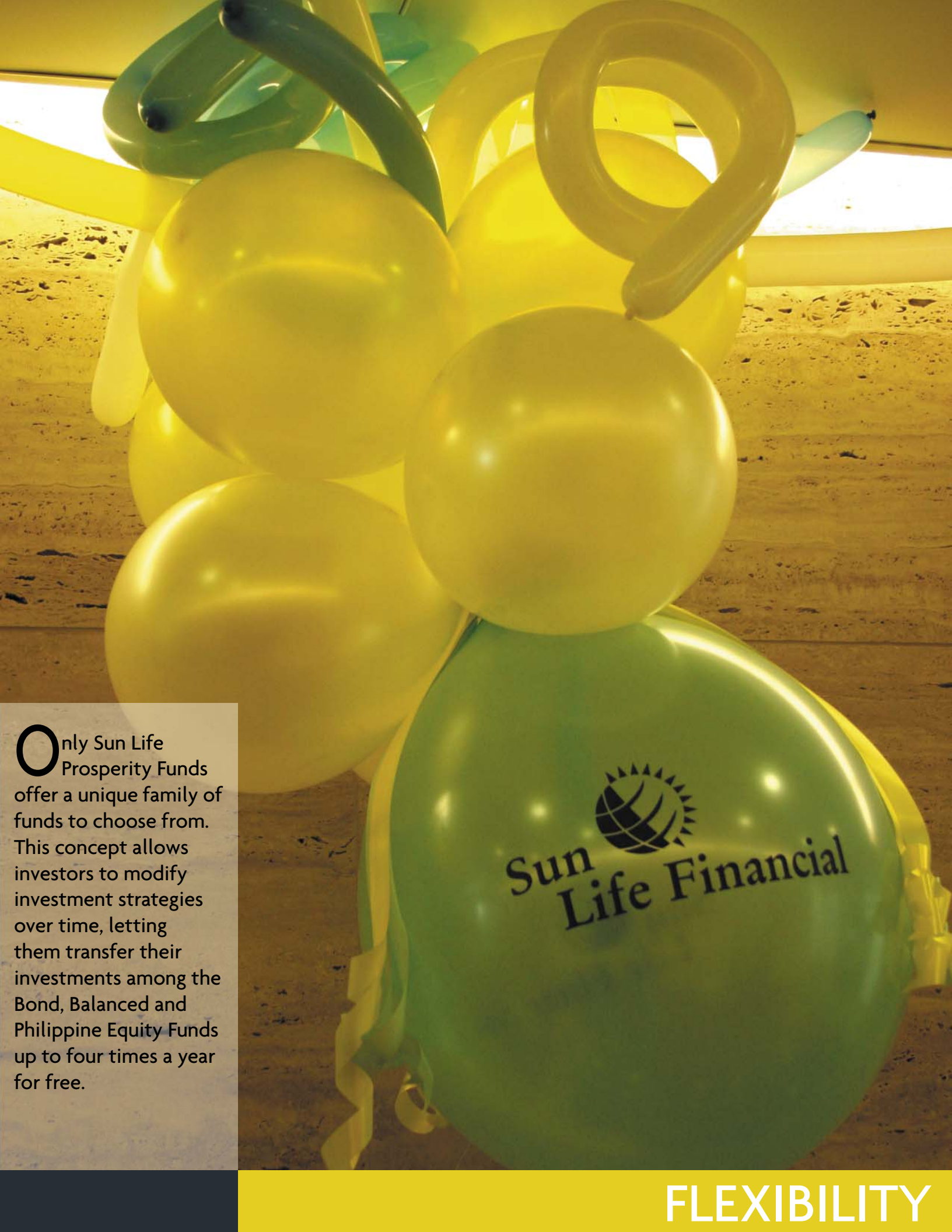
Gross investment income registered an incredible 502% increase from PHP2.49 million in 2003 to PHP15 million in 2004 due to the increased gain from sale of listed stocks by PHP11.6 million. Operating expenses were actually even lower in 2004 by 10% due to pre-operating expenses recognized in 2003, lower custodianship fees, and lower Documentary Stamp Taxes. The Fund therefore had a net

investment income of PHP9.9 million this year, a 416% improvement over last year's net loss of PHP3.1 million.

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Only Sun Life Prosperity Funds offer a unique family of funds to choose from. This concept allows investors to modify investment strategies over time, letting them transfer their investments among the Bond, Balanced and Philippine Equity Funds up to four times a year for free.

FLEXIBILITY

FINANCIAL MARKETS IN REVIEW

The US Federal Reserve rate hike of 1.25% in five instalments of 25 bps each in the second half of 2004 brought US rates to 2.25% at yearend. Higher inflation and reasonably strong growth expectations prompted the rise in US yields. A further tightening in Asian credit spreads in 2004 was a bit of surprise, with the Asian premium almost absent on some issues.

Notably, international credit rating agencies have upgraded country ratings in Emerging Asia, with positive outlooks on China, India, Vietnam and Indonesia. However, the Philippines together

with Taiwan fetched negative outlooks. Still, the Philippine financial markets remained fairly stable for the most part of the year despite mounting concerns on a possible fiscal crisis. At the core of the problem is the chronic fiscal slippage attributed to a weak revenue base and rising debt servicing requirements.

Philippine bond prices generally ended lower particularly in longer tenors as investors directed most purchases along the belly of the curve. Spreads on the ROP 09 dropped to 339 bps from 373 bps in 2003.

INVESTMENT APPROACH

Investment strategy remains view-driven and core holdings are restricted to liquid issues. Investment in corporate debt is limited to select investment grade assets. Reduced exposure in longer tenors underscores the Fund's defensive posture.

2004 PERFORMANCE REVIEW

Net after tax Return on Investments (ROI) was 1.9 percent and trailed the JACI benchmark of 5.9 percent. Higher cash levels created a drag on returns as long positions were cut down due to the possibility of widening spreads that would result from a possible negative rating action on Philippine credit. Long tenor holdings were most susceptible to volatile market movements largely blamed on election jitters and fiscal deficit issues during the year.

LONG TERM PERFORMANCE OVERVIEW

The deterioration in the country's credit fundamentals is a cause for concern with the sovereign rating most vulnerable to a credit downgrade in 2005. In fact, a single notch downgrade has already been factored in ROP bond prices. Risk on the supply side is also increasing

with the estimated US\$4.5 billion debt flotation in the dollar and euro markets, up from US\$3.0 billion in 2004. Conceivably, the relatively strong price support in Philippine bond prices may not be sustained over the long term.

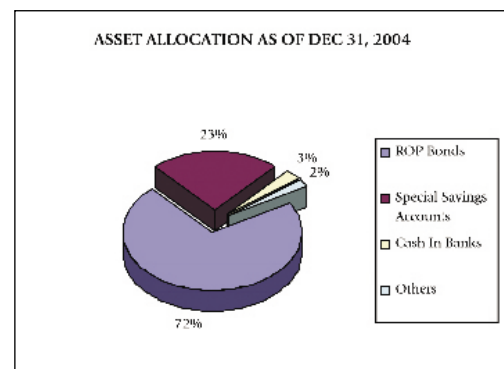
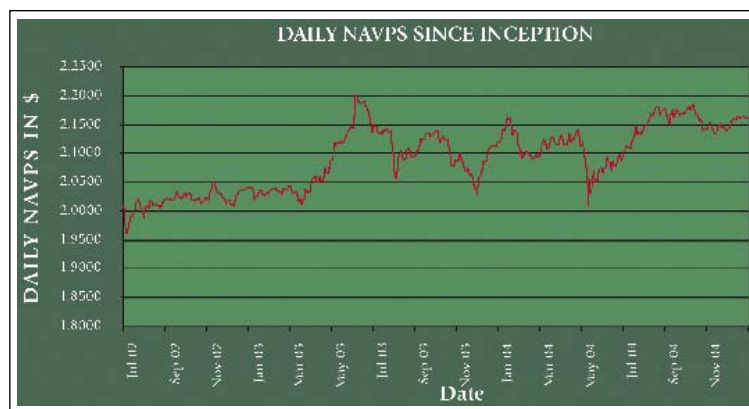
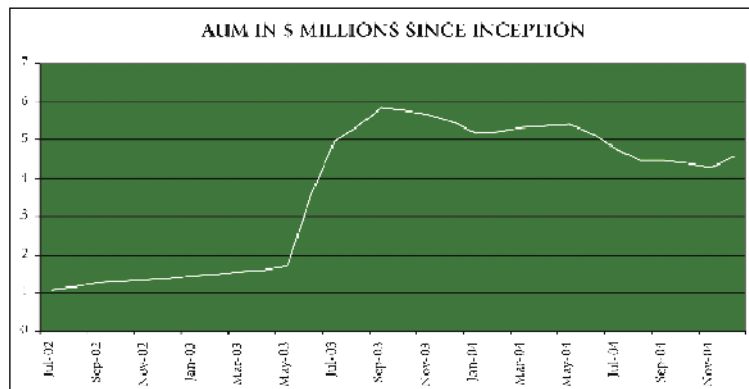
FINANCIAL RESULTS

The Sun Life Prosperity Dollar Advantage Fund's net assets dropped 16.7% in 2004 from USD5.5 million to USD4.6 million as redemptions exceeded investments by clients for the period mentioned by roughly USD1 million. This shortfall was slightly offset by profits from operations and increase in unrealized gain on value of ROP Bonds totaling USD100 thousand.

Despite the lower net assets at the end of the year, gross investment income in 2004 still exceeded that for the full year 2003 by 6% due to higher average assets for the period offset by higher amounts of ROP premiums amortized in 2004. Operating expenses likewise increased from USD77 thousand to USD102 thousand due to the higher administrative costs brought about by higher average AUM.

The Company does not foresee any event that could trigger a direct or contingent financial obligation that is material to its operations. No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities/other persons were created during the reporting period. There are also no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations and liquidity.

There are no significant elements of income that did not arise from the Company's continuing operations.



Sun Life Asset Management Company, Inc.



The policies and procedures we take to heart may be sometimes a little too stringent. Nonetheless, these are meant to protect our investors. We are constantly discussing new regulations with the SEC to improve the safety of our investors and the industry.

INTEGRITY

FINANCIAL MARKETS IN REVIEW

Against the backdrop of a looming fiscal crisis following the tightly contested presidential polls in May, the financial markets was decidedly reasonably stable for the most part of the year. However, the spate of oil prices hikes invariably pushed up prices of basic commodities and inflation exceeded market projections.

Interest rates came under pressure despite high market liquidity. The average 91-day treasury bill rose to 7.3% from 6.0% in 2003. Meanwhile, the government fiscal deficit hit Ps186.0 billion, or 6.5% lower than the Ps198.0 billion program for 2004 as monetary authorities struggled to avert a credit downgrade.

INVESTMENT APPROACH

Under existing investment guidelines for accrual type funds, investments are restricted to assets with a term to maturity not exceeding one year, with bulk of assets made up of treasury bills. Optimum levels of cash are invested in short-term placements to facilitate cost-effective servicing of daily liquidity requirements.

2004 PERFORMANCE REVIEW

Annualized net after tax Return on Investments (ROI) was 4.1 percent. Yield performance remains competitive against traditional bank deposit placements with similar features. The SL Prosperity Money Market Fund is the only money market fund available for the investing public to date.

Earnings came from interest income from treasury bills and short-term cash deposits. No short-term private issues were purchased due to liquidity concerns.

LONG TERM PERFORMANCE OVERVIEW

Rising inflation would create pressure on interest rates and should augur well for yields. Default risk due to the deteriorating public sector finances should be relatively less of a concern as far as government peso debt issue is concerned.

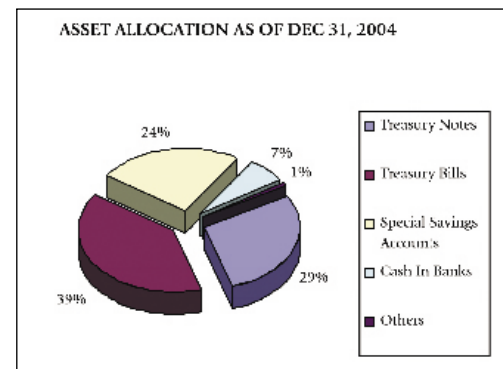
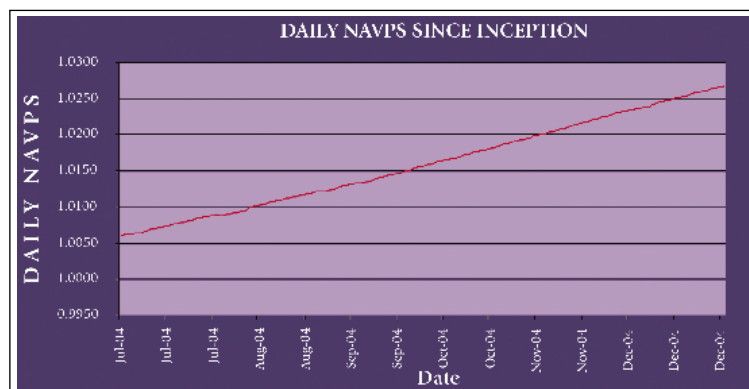
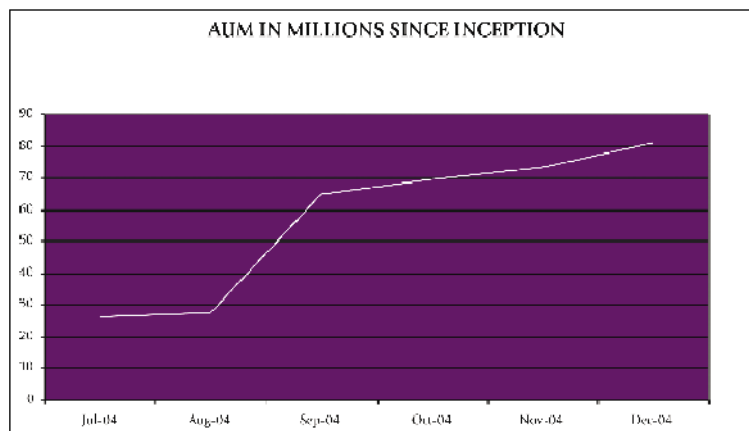
FINANCIAL RESULTS

From a PHP25 million AUM upon its introduction on 1 July 2004, net assets of the Sun Life Prosperity Money Market Fund reached PHP81.22 million by the end of the year, inclusive of an additional PHP25 million investment by SLOCPI in the 2nd half of 2004. 92% of the Fund's total assets are invested in treasury bills, treasury notes, and short-term placements with banks. The rest are mainly cash held in banks for liquidity purpose.

Investment income amounting to PHP2.5 million came purely from interest from government securities and deposits with banks. Operating expenses amounting to PHP680 thousand consist mainly of registration costs associated with a new Fund, and audit and management fees.

The Company does not foresee any event that could trigger a direct or contingent financial obligation that is material to its operations. No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities/other persons were created during the reporting period. There are also no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations and liquidity.

There are no significant elements of income that did not arise from the Company's continuing operations.



DIRECTORS & EXECUTIVE OFFICERS



Standing, from left to right:
 Oscar Orbos
 Oscar Reyes
 Ponciano S. Intal, Jr.
 Raoul Antonio E. Littaua
 Rafael M. Alunan III
 Caesar P. Altarejos, Jr.
 Nilo B. Peña

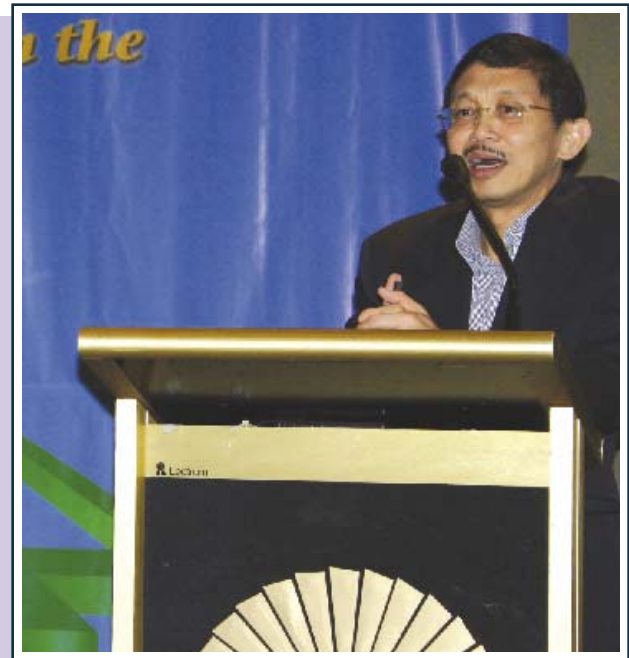
Seated, from left to right:
 Feliciano L. Miranda Jr.
 Tony Tan Caktiong
 Esther C. Tan
 Erlinda S. Echanis
 Aleli Angela G. Quirino
 Jose M. Faustino

PROSPERITY BOND FUND	PROSPERITY BALANCED FUND	PROSPERITY PHILIPPINE EQUITY FUND	PROSPERITY DOLLAR ADVANTAGE FUND	PROSPERITY MONEY MARKET FUND
Esther C. Tan Director/Chairperson (Since inception to present)	Esther C. Tan Director/Chairperson (Since inception to present)	Esther C. Tan Director/Chairperson (Since inception to present)	Esther C. Tan Director/Chairperson (Since inception to present)	Esther C. Tan Director/Chairperson (Since inception to present)
Caesar P. Altarejos, Jr. President (May 7, 2004 to present)	Caesar P. Altarejos, Jr. President (May 14, 2004 to present)	Caesar P. Altarejos, Jr. President (May 21, 2004 to present)	Caesar P. Altarejos, Jr. President (May 26, 2004 to present)	Caesar P. Altarejos, Jr. President (Since inception to present)
Feliciano L. Miranda, Jr. Independent Director (August 29, 2000 to present)	Rafael M. Alunan III Independent Director (Since inception to present)	Jose M. Faustino Independent Director (Since inception to present)	Oscar Reyes Independent Director (Since inception to present)	Feliciano L. Miranda, Jr. Independent Director (Since inception to present)
Atty. Aleli Angela G. Quirino Independent Director (Since inception to present)	Dr. Erlinda S. Echanis Independent Director (Since inception to present)	Atty. Oscar M. Orbos Independent Director (Since inception to present)	Tony Tan Caktiong Independent Director (Since inception to present)	Atty. Aleli Angela G. Quirino Independent Director (Since inception to present)
Raoul Antonio E. Littaua Director (August 29, 2000 to present)	Atty. Nilo B. Pena Director (Since inception to present)	Ma. Isabel R. Garcia Treasurer (May 21, 2004 to present)	Dr. Ponciano S. Intal, Jr. Independent Director (Since inception to present)	Raoul Antonio E. Littaua Director (Since inception to present)
Ma. Isabel R. Garcia Treasurer (May 7, 2004 to present)	Ma. Isabel R. Garcia Treasurer (May 14, 2004 to present)	Atty. Amor M. Datinguino Corporate Secretary (December 4, 2000 to present)	Ma. Isabel R. Garcia Treasurer (May 26, 2004 to present)	Ma. Isabel R. Garcia Treasurer (Since inception to present)
Atty. Amor M. Datinguino Corporate Secretary (December 4, 2000 to present)	Atty. Amor M. Datinguino Corporate Secretary (December 4, 2000 to present)		Atty. Amor M. Datinguino Corporate Secretary (Since inception to present)	Atty. Amor M. Datinguino Corporate Secretary (Since inception to present)

NOTE: Please refer to page 42 for the curriculum vitae of the Directors and Executive Officers of Sun Life Prosperity Funds.

Prosperity Talks is a series of fora hosted by Sun Life Prosperity Funds for all its investors that feature various topics of particular relevance to investments and finance. Open to all investors, these talks help to take the guesswork out of investing and make investments an educated and informed decision rather than a hit-and-miss affair.

At the start of the year, Hon. Romulo L. Neri, Secretary of Socio-Economic Planning and Director-General of the National Economic and Development Authority (NEDA), speaks about “*managing your way through the investment jungle*” at the Mandarin Oriental. He discusses the investment scenario in the country and gives a realistic and in-depth view of what lies ahead for investors in 2004.



With the election fever finally over and the country's elected Chief Executive officially sworn into office, Bangko Sentral ng Pilipinas Deputy Governor Amado Tetangco, Jr. talks about “*the outlook for the Peso-US Dollar Exchange Rate and the US Dollar interest rates*” at the Shangrila Makati.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

FOR FINANCIAL STATEMENTS

Sun Life of Canada Prosperity Bond Fund, Inc.
Sun Life of Canada Prosperity Balanced Fund, Inc.
Sun Life of Canada Prosperity Phil. Equity Fund, Inc.
Sun Life Prosperity Dollar Advantage Fund, Inc.
Sun Life Prosperity Money Market Fund, Inc.

The management of Sun Life Prosperity Funds is responsible for all information and representations contained in the financial statements for the years ended December 31, 2004 and 2003. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration for materiality.

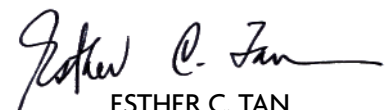
The management likewise discloses to the companies' audit committees and to their external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Boards of Directors review the financial statements before such statements are approved and submitted to the stockholders of the Companies.

C.L. Manabat & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Companies in accordance with generally accepted auditing standards and has expressed its opinion on the fairness of presentation upon completion of such examination in its report to stockholders.

Signed under oath by the following:



ESTHER C. TAN
Chairperson



CAESAR P. ALTAREJOS, JR.
President

REPORT OF INDEPENDENT AUDITORS

C.L. Manabat & Co.

The Board of Directors and Stockholders
SUN LIFE OF CANADA PROSPERITY BOND FUND, INC.
SUN LIFE OF CANADA PROSPERITY BALANCED FUND, INC.
SUN LIFE OF CANADA PROSPERITY PHILIPPINE EQUITY FUND, INC.
SUN LIFE PROSPERITY DOLLAR ADVANTAGE FUND, INC.
SUN LIFE PROSPERITY MONEY MARKET FUND, INC.
10th Floor, Tower II, The Enterprise Center
6766 Ayala Avenue, Makati City

We have audited the accompanying statement of assets and liabilities of Sun Life Prosperity Funds as of December 31, 2004 and 2003, and the related statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Sun Life Prosperity Funds as of December 31, 2002 and for prior years were audited by other auditors whose report, dated January 14, 2003, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with generally accepted auditing standards in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2004 and 2003, by correspondence with the custodians. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sun Life Prosperity Funds as of December 31, 2004 and 2003, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with generally accepted accounting principles in the Philippines.

C. L. Manabat & Co.

C.L. Manabat & Co.
PTR No. 9459845
January 18, 2005
Makati City

Makati City, Philippines

Deloitte.

FINANCIAL STATEMENTS

STATEMENTS OF ASSETS AND LIABILITIES

	BOND FUND		BALANCED FUND	
	December 31		December 31	
	2004	2003	2004	2003
	Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos
ASSETS				
Investments in:				
Fixed income securities (Note 3)	P4,572,146,850	P4,307,092,595	P 78,144,095	P 70,938,294
Listed securities (Note 4)			91,149,402	49,024,918
Cash	7,128,907	27,712,048	8,989,630	1,059,849
Accrued interest receivable	72,187,527	79,099,920	1,646,896	1,686,289
Other asset (Note 9)	1,385,250	-	43,361	-
	4,652,848,534	4,413,904,563	179,973,384	122,709,350
LIABILITIES				
Accounts payable and accrued expenses (Note 5)	6,233,212	5,167,414	8,461,926	145,454
Payable to fund manager (Note 6)	3,384,545	8,468,706	227,575	229,958
	9,617,757	13,636,120	8,689,501	375,412
NET ASSETS (Note 7)	P4,643,230,777	P4,400,268,443	P171,283,883	P122,333,938
Net Assets Value Per Share (Note 7)	P1.5035	P1.3935	P1.3290	P1.1160

See Accompanying Notes to Financial Statements.

PHIL. EQUITY FUND		DOLLAR ADVANTAGE FUND				MONEY MARKET FUND
December 31		December 31		December 31		December 31
2004	2003	2004		2003		2004
Philippine Pesos	Philippine Pesos	Philippine Pesos	U.S. Dollars	Philippine Pesos	U.S. Dollars	Philippine Pesos
65,090,779	44,740,569	P 247,839,534	\$ 4,416,793	P 289,920,144	\$ 5,219,084	P75,579,294
P117,367,310	P98,475,442					
1,635,284	779,215	7,688,896	137,025	8,784,586	158,093	5,331,737
781,349	1,282,016	5,353,835	95,412	8,297,725	149,374	714,463
-	-					
184,874,722	145,277,242	260,882,265	4,649,230	307,002,455	5,526,551	81,625,494
130,627	2,269,977	3,920,403	69,872	1,512,792	27,192	301,112
167,841	251,603	401,487	7,155	410,242	7,385	99,772
298,468	2,521,580	4,321,890	77,027	1,923,034	34,577	400,884
P184,576,254	P142,755,662	P 256,560,376	\$ 4,572,203	P305,079,421	\$5,491,974	P81,224,610
P1.1334	P0.9431	P121.2253	\$2.1604	P117.7349	\$2.1194	P1.0268

FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS

	BOND FUND			BALANCED FUND		
	For the Years Ended December 31			For the Years Ended December 31		
	2004	2003	2002	2004	2003	2002
	Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos
Investment Income						
Interest	P532,170,091	P398,988,291	P244,381,557	P 7,656,112	P 6,444,340	P 5,739,230
Net realized gain (loss) on sale of investments in listed securities (Note 4)	-	-	-	2,799,511	(913,624)	(323,865)
Dividends	-	-	-	2,385,472	1,081,832	785,796
Trading gain (loss)	3,233,323	20,982,969	-	(108,169)	-	601,400
Other Income	-	4,213	93,750	-	-	-
	535,403,414	419,975,473	244,475,307	12,732,926	6,612,548	6,802,561
Expenses						
Management and transfer agent fees (Note 6)	75,928,495	53,864,557	31,893,089	3,096,779	2,178,183	1,879,029
Taxes and licenses	8,603,244	29,419,096	15,309,990	215,241	310,783	175,641
Directors' fees	120,000	140,000	85,000	180,000	160,000	90,000
Printing and supplies	-	-	-	136,058	90,568	109,559
Custodian fees	516,426	393,220	219,560	26,767	27,469	148,714
Professional fees	89,827	98,698	119,103	73,146	62,446	26,804
Amortization of organization costs (Note 8)	-	230,862	101,095	-	230,011	101,374
Others	14,997	72,570	266,357	4,923	-	8,112
	85,272,989	84,219,003	47,994,194	3,732,914	3,059,460	2,539,233
Investment Income (Loss) Before Tax	450,130,425	335,756,470	196,481,113	9,000,012	3,553,088	4,263,328
Income Tax Expense (Note 9)	100,673,731	75,029,712	45,999,656	1,116,738	847,084	689,196
Net Investment Income	P349,456,694	P260,726,758	P150,481,457	7,883,274	2,706,004	3,574,132
Net change in unrealized appreciation (depreciation) of investments	-	-	-	15,794,567	23,376,063	(15,403,897)
Net Increase (Decrease) in Net Assets from Operations	P349,456,694	P260,726,758	P150,481,457	P23,677,841	P26,082,067	(P11,829,765)
Earnings (Loss) Per Share (Note 10)	P0.1132	P0.0931	P0.0666	P0.0612	P0.0247	P0.0406

See Accompanying Notes to Financial Statements.

PHIL. EQUITY FUND			DOLLAR ADVANTAGE FUND						MONEY MARKET FUND
For the Years Ended December 31			For the Years Ended December 31						For the 6 Months Ended December 31
2004	2003	2002	2004		2003		2002		2004
Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos	U.S. Dollars	Philippine Pesos	U.S. Dollars	Philippine Pesos	U.S. Dollars	Philippine Pesos
P4,577,651	P4,965,455	P3,692,860	P19,475,583	\$347,667	P12,134,892	\$221,993	P2,473,430	\$47,344	P2,497,326
6,889,272	(4,840,085)	827,356	-	-	-	-	-	-	-
3,497,156	2,368,914	1,686,469	-	-	-	-	-	-	-
54,641	-	-	(6,003,018)	(107,094)	275,930	5,006	(44,326)	(892)	-
-	-	-	-	-	-	-	-	-	-
15,018,720	2,494,284	6,206,685	13,472,565	240,573	12,410,822	226,999	2,429,104	46,452	2,497,326
3,471,407	3,101,582	3,066,836	4,661,084	83,191	3,298,853	60,423	536,317	10,231	263,121
273,255	859,277	432,258	588,995	10,482	30,137	543	5,976	82	206,912
180,000	200,000	90,000	140,624	2,512	192,000	3,456	40,000	800	80,000
136,843	101,564	99,614	-	-	-	-	-	-	47,550
33,864	89,505	81,959	125,885	2,246	104,743	1,958	92,782	1,757	4,972
73,327	58,182	31,428	165,119	2,938	-	-	-	-	81,400
-	231,077	100,817	-	-	480,620	9,254	53,403	1,024	-
5,966	-	23,366	65,434	1,163	67,628	1,307	3,061	56	-
4,174,662	4,641,187	3,926,278	5,747,141	102,532	4,173,981	76,941	731,539	13,950	683,955
10,844,058	(2,146,903)	2,280,407	7,725,424	138,041	8,236,841	150,058	1,697,565	32,502	1,813,371
913,539	989,981	733,825	5,099,909	91,033	2,428,261	44,351	468,578	8,883	557,810
9,930,519	(3,136,884)	1,546,582	P2,625,515	\$47,008	P5,808,580	\$105,707	P1,228,987	\$23,619	P1,255,561
19,184,964	47,497,897	(25,930,920)	P2,738,470	\$47,178	(P6,396,502)	(\$116,096)	P44,799	\$1,065	-
P29,115,483	P44,361,013	(P24,384,338)	P5,363,985	\$94,186	(P587,922)	(\$10,389)	P1,273,786	\$24,684	-
P0.0610	(P0.0207)	P0.0092	P1.241	\$0.022	P3.116	\$0.057	P1.810	\$0.035	P0.0159

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN NET ASSETS

	BOND FUND			BALANCED FUND		
	For the Years Ended December 31			For the Years Ended December 31		
	2004	2003	2002	2004	2003	2002
	Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos
From Operations						
Net investment income	P349,456,694	P260,726,758	P150,481,457	P 7,883,274	P2,706,004	P3,574,132
Net change in unrealized appreciation (depreciation) of investments	-	-	-	15,794,567	23,376,063	(15,403,897)
Net increase (decrease) in net assets from operations	P349,456,694	P260,726,758	P150,481,457	23,677,841	26,082,067	(11,829,765)
From Capital Stock Transactions						
Proceeds from issuance of capital stock -	1,977,928,766	1,966,357,005	2,003,161,184	51,603,152	30,426,341	16,997,427
Payments made on redemption of capital stock	(1,584,907,968)	(1,228,258,310)	(130,327,425)	(26,331,048)	(8,921,005)	(10,473,862)
Deposit for future stock subscription	(499,515,158)	499,515,158	-	-	-	-
Net increase in net assets from capital stock transactions	(106,494,360)	1,237,613,853	1,872,833,759	25,272,104	21,505,336	6,523,565
Foreign Currency Translation Adjustment	-	-	-	-	-	-
Net Increase (Decrease) in Net Assets	242,962,334	1,498,340,611	2,023,315,216	48,949,945	47,587,403	(5,306,200)
Net Assets, Beginning	4,400,268,443	2,901,927,832	878,612,616	122,333,938	74,746,535	80,052,735
Net Assets, End (Note 7)	P4,643,230,777	P4,400,268,443	P2,901,927,832	P171,283,883	P122,333,938	P74,746,535

See Accompanying Notes to Financial Statements.

PHIL. EQUITY FUND			DOLLAR ADVANTAGE FUND						MONEY MARKET FUND
For the Years Ended December 31			For the Years Ended December 31						For the 6 Months Ended December 31
2004	2003	2002	2004		2003		2002		2004
Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos	U.S. Dollars	Philippine Pesos	U.S. Dollars	Philippine Pesos	U.S. Dollars	Philippine Pesos
P 9,930,519	(P3,136,884)	P 1,546,582	P 2,625,515	\$ 47,008	P 5,808,580	\$ 105,707	P 1,228,987	\$23,619	P 1,255,561
19,184,964	47,497,897	(25,930,920)	2,738,470	47,178	(6,396,502)	(116,096)	44,799	1,065	-
29,115,483	44,361,013	(24,384,338)	5,363,985	94,186	(587,922)	(10,389)	1,273,786	24,684	1,255,561
68,666,941	72,363,226	41,097,777	160,534,059	2,866,249	180,329,217	3,246,205	70,077,437	1,362,593	95,698,543
(55,961,832)	(87,690,984)	(34,616,414)	(131,304,769)	(2,339,240)	(44,764,682)	(670,084)	(106,769)	(2,001)	(15,729,494)
-	-	-	(85,600,656)	(1,540,966)	85,600,656	1,540,966	-	-	-
12,705,109	(15,327,758)	6,481,363	(56,371,366)	(1,013,957)	221,165,191	4,117,087	69,970,668	1,360,592	79,969,049
-	-	-	2,488,336	-	11,048,075	-	2,209,623	-	-
41,820,592	29,033,255	(17,902,975)	(48,519,045)	(919,771)	231,625,344	4,106,698	73,454,077	1,385,276	81,224,610
142,755,662	113,722,407	131,625,382	305,079,421	5,491,974	73,454,077	1,385,276	-	-	-
P184,576,254	P142,755,662	P113,722,407	P256,560,376	\$4,572,203	P305,079,421	\$5,491,974	P73,454,077	\$1,385,276	P81,224,610

FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

	BOND FUND			BALANCED FUND		
	For the Years Ended December 31			For the Years Ended December 31		
	2004	2003	2002	2004	2003	2002
	Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos
Cash Flows from Operating Activities						
Net increase (decrease) in net assets from operations before tax	P 450,130,425	P 335,756,470	P 196,481,113	P24,794,579	P26,929,151	(P11,140,569)
Adjustments for:						
Amortization of organization costs	-	230,862	101,095	-	230,011	101,374
Net change in unrealized depreciation (appreciation) of investments	-	-	-	(15,794,567)	(23,376,063)	15,403,897
Net realized (gain) loss on sale of investments in listed securities	-	-	-	(2,799,511)	913,624	323,865
Trading (gain) loss	(3,233,323)	(20,982,969)	-	108,169	-	(601,400)
Net disposals (purchases) of:						
Listed securities	-	-	-	(23,530,406)	9,847,708	(22,909,517)
Fixed income securities	(261,820,932)	(1,437,515,018)	(1,990,270,045)	(7,313,970)	(34,222,265)	12,810,846
Decrease (Increase) in:						
Accrued interest receivable	6,912,393	(22,690,689)	(42,245,493)	39,393	(386,947)	278,520
Organization costs	-	-	-	-	-	-
Increase (Decrease) in:						
Accounts payable and accrued expenses	(319,452)	(1,263,410)	5,472,593	8,273,111	(174,441)	258,652
Payable to fund manager	(5,084,161)	2,955,039	5,008,812	(2,383)	47,108	42,370
Cash generated from (used in) operations	186,584,950	(1,143,509,715)	(1,825,451,925)	(16,225,585)	(20,192,114)	(5,431,962)
Income taxes paid	(100,673,731)	(75,029,712)	(45,999,656)	(1,116,738)	(847,084)	(689,196)
Net cash used in operating activities	85,911,219	(1,218,539,427)	(1,871,451,581)	(17,342,323)	(21,039,198)	(6,121,158)
Cash Flows from Financing Activities						
Proceeds from issuance of capital stock	1,478,413,608	1,966,357,005	2,003,161,184	51,603,152	30,426,341	16,997,427
Payments made on redemption of capital stock	(1,584,907,968)	(1,228,258,310)	(130,327,425)	(26,331,048)	(8,921,005)	(10,473,862)
Proceeds from deposit for future stock subscription	-	499,515,158	-	-	-	-
Net cash from financing activities	(106,494,360)	1,237,613,853	1,872,833,759	25,272,104	21,505,336	6,523,565
Effect of Foreign Currency Translation Adjustment	-	-	-	-	-	-
Net Increase in Cash	(20,583,141)	19,074,426	1,382,178	7,929,781	466,138	402,407
Cash, Beginning	27,712,048	8,637,622	7,255,444	1,059,849	593,711	191,304
Cash, End	P 7,128,907	P 27,712,048	P 8,637,622	P 8,989,630	P 1,059,849	P 593,711

See Accompanying Notes to Financial Statements.

PHIL. EQUITY FUND			DOLLAR ADVANTAGE FUND						MONEY MARKET FUND
For the Years Ended December 31			For the Years Ended December 31						For the 6 Months Ended December 31
2004	2003	2002	2004		2003		2002		2004
Philippine Pesos	Philippine Pesos	Philippine Pesos	Philippine Pesos	U.S. Dollars	Philippine Pesos	U.S. Dollars	Philippine Pesos	U.S. Dollars	Philippine Pesos
P30,029,022	P 45,350,994	(P23,650,513)	P 10,463,894	\$ 185,219	P 1,840,339	\$ 33,962	P 1,742,364	\$ 33,567	P1,813,371
-	231,077	100,817	-	-	480,620	9,254	53,403	1,024	-
(19,184,964)	(47,497,897)	25,930,920	(2,738,470)	(47,178)	6,396,502	116,096	(44,799)	(1,065)	-
(6,889,272)	4,840,085	(827,356)	-	-	-	-	-	-	-
(54,641)			6,003,018	107,094	(275,930)	(5,006)	44,326	892	-
7,182,368	25,193,784	(20,980,488)	-	-	-	-	-	-	-
(20,295,569)	(13,418,531)	13,972,277	38,816,062	742,375	(226,585,123)	(4,019,367)	(69,455,120)	(1,309,569)	(75,579,294)
500,667	(394,914)	11,443	2,943,890	53,962	(6,340,886)	(112,473)	(1,956,839)	(36,901)	(714,463)
-	-	-	-	-	-	-	(534,023)	(10,278)	-
(2,139,350)	2,173,669	(32,003)	1,350,033	24,020	986,018	17,194	535,109	10,148	301,112
(83,762)	7,379	(16,900)	(8,755)	(230)	257,503	4,512	144,404	2,723	99,772
(10,935,501)	16,485,646	(5,491,803)	56,829,672	1,065,262	(223,240,957)	(3,955,828)	(69,471,175)	(1,309,459)	(74,079,502)
(913,539)	(989,981)	(733,825)	(4,042,332)	(72,373)	(2,428,261)	(44,351)	(468,578)	(8,883)	(557,810)
(11,849,040)	15,495,665	(6,225,628)	52,787,340	992,889	(225,669,218)	(4,000,179)	(69,939,753)	(1,318,342)	(74,637,312)
68,666,941	72,363,226	41,097,777	74,933,403	1,325,283	180,329,217	3,245,140	70,077,437	1,362,593	95,698,543
(55,961,832)	(87,690,984)	(34,616,414)	(131,304,769)	(2,339,240)	(44,764,682)	(670,084)	(106,769)	(2,001)	(15,729,494)
-	-	-	-	-	85,600,656	1,540,966	-	-	-
12,705,109	(15,327,758)	6,481,363	(56,371,366)	(1,013,957)	221,165,191	4,116,022	69,970,668	1,360,592	79,969,049
-	-	-	2,488,336	-	11,048,075	-	2,209,623	-	-
856,069	167,907	255,735	(1,095,690)	(21,068)	6,544,048	115,843	2,240,538	42,250	5,331,737
779,215	611,308	355,573	8,784,586	158,093	2,240,538	42,250	-	-	-
P 1,635,284	P 779,215	P 611,308	P 7,688,896	\$ 137,025	P 8,784,586	\$ 158,093	P 2,240,538	\$ 42,250	P 5,331,737

1 CORPORATE INFORMATION

The Sun Life Prosperity Funds are registered open-end investment companies under the Investment Company Act (R.A. No. 2629) and the Securities Regulation Code (R.A. No. 8799), formerly known as the Revised Securities Act (B.P. No. 178). As open-end investment companies, their outstanding shares of stock are redeemable anytime based on the net asset value (NAV) per share at the time of redemption. The Companies' registered office address is at the 10th Floor, Tower II, The Enterprise Center, 6766 Ayala Avenue, Makati City.

SUN LIFE OF CANADA PROSPERITY BOND FUND, INC.

Sun Life of Canada Prosperity Bond Fund, Inc. is engaged in the sale of its shares of stock and investment of the proceeds in fixed income securities. The Company is designed to provide long-term interest income and principal preservation.

SUN LIFE OF CANADA PROSPERITY BALANCED FUND, INC.

Sun Life of Canada Prosperity Balanced Fund, Inc. is engaged in the sale of its shares of stock, the proceeds of which are invested in a mix of high-quality debt and equity securities. It is designed to provide total returns consisting of current income and capital growth through the investment in a diversified portfolio of debts (bonds) and equity (stocks) securities from domestic issuers.

Sun Life Asset Management Company, Inc. (SLAMC), a wholly owned subsidiary of Sun Life of Canada (Philippines), Inc., acts as the Companies' fund manager. SLAMC serves as the manager, adviser, administrator, distributor and transfer agent of the Companies and provides management, distribution and all required operational services. The aggregate annual fees of SLAMC for these services are as follows:

Sun Life of Canada Prosperity Bond Fund, Inc.	1.5% of daily average net assets managed
Sun Life of Canada Prosperity Balanced Fund, Inc.	2.0% of daily average net assets managed
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.	2.0% of daily average net assets managed
Sun Life Prosperity Dollar Advantage Fund, Inc.	1.5% of daily average net assets managed
Sun Life Prosperity Money Market Fund, Inc.	Maximum of 1.25% of daily average net assets managed

Sun Life of Canada Prosperity Bond Fund, Inc., Sun Life of Canada Prosperity Balanced Fund, Inc., and Sun Life of Canada Prosperity Phil. Equity Fund, Inc. simultaneously started commercial operations on May 1, 2000. Sun Life Prosperity Dollar Advantage Fund, Inc and Sun Life Prosperity Money Market Fund, Inc. commenced operations on July 1, 2002 and July 1, 2003, respectively.

SUN LIFE OF CANADA

PROSPERITY PHILIPPINE EQUITY FUND, INC.

Sun Life of Canada Prosperity Philippine Equity Fund, Inc. is engaged in the sale of its shares of stock, the proceeds of which are invested mainly in listed equities of Philippine entities. It is designed to generate long-term capital appreciation through investment in high-quality equity securities across sectors and issue sizes to provide moderate portfolio volatility.

SUN LIFE PROSPERITY DOLLAR ADVANTAGE FUND, INC.

Sun Life Prosperity Dollar Advantage Fund, Inc. is engaged in the sale of its shares of stock, the proceeds of which are invested in foreign exchange denominated fixed-income investments issued by the Philippines, United States and other foreign governments and corporations, common stocks and related securities such as preferred stocks, convertible securities, and depository receipts issued by Philippine and foreign corporations, and US dollar-denominated deposits.

SUN LIFE PROSPERITY MONEY MARKET FUND, INC.

Sun Life Prosperity Money Market Fund, Inc. is engaged in the sale of its shares of stock and in the investment of the proceeds thereof in short-term fixed income and other related instruments issued by the Philippine Government, commercial papers issued by Philippine corporations, certificate of deposit and other Peso denominated instruments maturing within one year, with the objective of maximizing income as is considered consistent with capital protection.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements have been prepared on the historical cost basis in accordance with the applicable Statements of Financial Accounting Standards/International Accounting Standards (SFAS/IAS) issued by the Accounting Standards Council of the Philippines.

ADOPTION OF NEW ACCOUNTING STANDARDS

The Companies adopted SFAS 12/IAS 12, "Income Taxes", which became effective on January 1, 2004. The standard prescribes the accounting treatment for current and deferred income taxes. It requires the recognition of a deferred tax liability and, subject to certain conditions, asset for all temporary differences with certain exceptions. The standard provides for the recognition of a deferred tax asset when it is probable that taxable income will be available against which the deferred tax asset can be used. It also provides for the recognition of a deferred tax liability with respect to revaluations.

Based on current circumstances, the Companies believe that the effect of adoption of SFAS 12/IAS 12 on the financial statements is not material.

REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Companies and that the amount of revenue can be measured reliably. Whenever applicable, revenues are recognized as follows:

- a.) Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest revenue includes the amortization of premiums or accretion of discounts or other difference between the carrying amount of the debt security and its amount at maturity.
- b.) Gain or loss on investment transactions is determined at the time of sale of such investments.
- c.) For the Balanced and Equity Funds, dividend income from investments in listed securities is recognized when the shareholders' rights to receive payment has been established.

PAYABLES AND PROVISIONS

Payables are stated at their nominal value.

The Companies recognize a provision if a present obligation has arisen as a result of a past event, payment is probable and the amount can be measured reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at balance sheet date, that is, the amount the Companies would rationally pay to settle the obligation to a third party.

INCOME TAXES

Income tax expense represents the sum of the tax currently payable.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statements of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Companies' liability for current tax is calculated using 32%.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the financial statements and notes are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

RELATED PARTIES

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled by or are under common control with the Companies are also considered related parties.

INVESTMENTS IN PHILIPPINE PESO-DENOMINATED FIXED INCOME SECURITIES

Investments in special savings are carried at cost, which equal fair value.

Investments in Philippine Peso-denominated commercial papers and government securities are carried at cost, adjusted for the amortization of premiums or accretion of discounts on the acquisition of the securities.

Investments in corporate loans, if any, are carried at cost.

INVESTMENTS IN PHILIPPINE-ISSUED US DOLLAR-DENOMINATED FIXED INCOME SECURITIES

Investments in Philippine issued dollar-denominated fixed-income securities in the Dollar Advantage Fund are stated at market value, using the average of the values from two major trading desks as separately obtained from Bloomberg at three in the afternoon every trading day, in the following order of application:

Done average cash price for the security; price of last transaction for the day; available last bid price; should the bid from one of the trading desks not be available, the Company will utilize available value obtained from the other trading desk; or lacking both bids, the previous day's value used in computing the net asset value per share.

The difference between the aggregate cost of investments in Philippine issued dollar-denominated fixed-income securities at year-end and the carrying value as defined in the preceding paragraph is presented as Unrealized Appreciation (Depreciation) of Investments. Net Changes in Unrealized Appreciation (Depreciation) of Investments during the year are reported in the Statements of Changes in Operations. The difference between the selling price and the cost of investments sold, which is computed based on the average cost of all the shares of each security held at the time of sale, is shown as Net Realized Gain (Loss) on Investment Transactions in the Statement of Operations.

INVESTMENTS IN LISTED SECURITIES

Investments in listed securities of the Balanced and Phil. Equity Funds, which are classified as available-for-sale securities, are stated at market value, using the latest closing price at the end of year for securities with trading transactions at the stock exchange.

The difference between the aggregate cost of investments in listed securities at year-end and the carrying value as defined in the preceding paragraph is presented as Unrealized Appreciation (Depreciation) of Investments. Net Changes in Unrealized Appreciation (Depreciation) of Investments during the year are reported in the Statements of Changes in Operations. The difference between the selling price and the cost of investments sold, which is computed based on the average cost of all the shares of each security held at the time of sale, is shown as Net Realized Gain (Loss) on Investment Transactions in the Statement of Operations.

NET ASSET VALUE (NAV) PER SHARE

NAV per share is computed by dividing net assets (total assets less total liabilities and current value of deposits for future stock subscription, if any) by the total number of shares issued and outstanding at report date.

EARNINGS PER SHARE (EPS)

Earnings per share is computed by dividing investment income after taxation (Net Investment Income) by the total number of shares issued and outstanding at report date.

SALES AND REDEMPTIONS OF SHARES OF STOCK

Sales of fund shares are recorded by crediting capital stock at par value and additional paid-in capital for the amount received in excess of the par value. Redemptions of fund shares are recorded by debiting those accounts.

FOREIGN CURRENCY TRANSACTIONS OF THE DOLLAR ADVANTAGE FUND

The accounting records of the Sun Life Prosperity Dollar Advantage Fund, Inc. are maintained in U.S. dollars and in Philippine pesos. Transactions denominated in U.S. dollars are translated to Philippine Pesos using the current exchange rate as of the date they are reported.

- a. Assets and liabilities reported in the Statements of Assets and Liabilities are translated at the exchange rate as of the date following the last transaction date for the year.
- b. Revenue, expenses, gains and losses reported in the Statements of Operations are translated at the current exchange rates as of the date on which they are recognized.
- c. Capital stock is translated using historical rates.

The foreign currency translation adjustments that result from translating the Company's financial statements from functional currency are not included in the determination of the translated reporting currency Net Investments but are rather accumulated as a separate component of the Company's reporting currency net assets as Foreign Currency Translation Adjustment in the Statement of Changes in Net Assets.

NEW ACCOUNTING STANDARDS EFFECTIVE SUBSEQUENT TO DECEMBER 31, 2004

The ASC approved the issuance of new and revised accounting standards, which are based on revised IAS and new International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The new standards are effective for annual periods beginning on or after January 1, 2005. The ASC has re-named the standards that it

issues to correspond better with the issuances of the IASB. Philippine Accounting Standards (PAS) correspond to adopted IAS while Philippine Financial Reporting Standards (PFRS) correspond to adopted IFRS. Previously, standards issued by the ASC were designated as SFAS.

The Company will adopt the following standards in accordance with the timetable of the SEC for Investment Companies:

PAS 32, "Financial Instruments: Disclosures and Presentation", which prescribes the requirements for the presentation of financial instruments and identifies the information that should be disclosed about them. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. The standard requires disclosure of information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments. This standard also requires disclosure of information about the nature and extent of an entity's use of financial instruments, the business purposes they serve, the risks associated with them, and management policies for controlling those risks.

PAS 39, "Financial Instruments: Recognition and Measurement", which prescribes the principles for recognizing, measuring, and disclosing information about financial assets and financial liabilities. PAS 39 supplements the disclosure provision of PAS 32, Financial Instruments: Disclosures and Presentation.

Management is yet to determine the financial impact of PAS 32 and 39 on the Companies' financial position and results of operations upon its adoption.

New Accounting Standards Applicable to Sun Life Prosperity Dollar Advantage Fund, Inc. Effective Subsequent to December 31, 2004

The Sun Life Prosperity Dollar Advantage Fund, Inc. will adopt PAS 21, "The Effects of Changes in Foreign Exchange Rates", effective January 1, 2005.

PAS 21, "The Effects of Changes in Foreign Exchange Rates", which prescribes the accounting treatment for foreign currency transactions and provides guidance on the translation method and on determining the functional and presentation currencies of a reporting entity. The standard removes the limited option in the previous version of SFAS 21/IAS 21 to capitalize exchange differences resulting from a severe devaluation or depreciation of a currency against which there is no means of hedging. Under the standard, such exchange differences are now recognized in profit or loss since capitalization of such exchange differences is no longer permitted in any circumstances.

Management believes that there are no future changes in accounting policy resulting from the adoption of PAS 21.

3 INVESTMENTS IN FIXED INCOME SECURITIES

	Prosperity Bond Fund		Prosperity Balanced Fund		Prosperity Philippine Equity Fund	
	2004	2003	2004	2003	2004	2003
Treasury notes	2,951,061,644	3,680,130,442	26,364,095	31,193,911	16,850,779	25,143,961
Special savings	770,620,000	313,882,153	35,880,000	26,847,716	48,240,000	19,596,608
Corporate loans	547,580,000	313,080,000	15,900,000	12,896,667	-	-
Treasury bills	302,885,206	-	-	-	-	-
	4,572,146,850	4,307,092,595	78,144,095	70,938,294	65,090,779	44,740,569

	Prosperity Dollar Advantage Fund				Money Market Fund
	2004		2003		2004
	Phil. Peso	US Dollar	Phil. Peso	US Dollar	
Treasury notes	186,625,862	3,325,893	285,742,784	5,143,884	23,266,943
Special savings	61,213,672	1,090,900	4,177,360	75,200	19,950,000
Corporate loans	-	-	-	-	-
Treasury bills	-	-	-	-	32,362,351
	247,839,534	4,416,793	289,920,144	5,219,084	75,579,294

The following presents the breakdown of investments in fixed income securities by contractual maturity dates at December 31, 2004:

	Bond Fund	Balanced Fund	Equity Fund	Dollar Advantage Fund	Money Market Fund
Due in one year or less	1,207,637,615	40,358,915	48,240,000	61,213,672	75,579,294
Due after one year through five years	604,800,280	17,103,351	16,850,779	59,218,742	-
Due after five years through ten years	2,759,708,955	17,226,566	-	44,708,398	-
Due after ten years	-	3,455,263	-	82,698,722	-
	4,572,146,850	78,144,095	65,090,779	247,839,534	75,579,294

4

INVESTMENTS IN LISTED SECURITIES

SUN LIFE PROSPERITY BALANCED FUND

	2004			2003		
	Number of shares held	Cost	Market Value	Number of shares held	Cost	Market Value
Common Stocks:						
Ayala Corporation	1,805,520	P10,537,404	P11,916,432	629,600	P 4,292,091	P3,273,920
Aboitiz Equity Ventures, Inc.	289,000	565,465	924,800	289,000	565,465	881,450
Ayala Land, Inc.	298,000	1,563,506	2,175,400	298,000	1,563,506	1,817,800
Benpres Holdings Corp.	240,000	1,438,509	163,200	240,000	1,438,509	115,200
Bank of the Phil. Islands	228,240	10,125,503	11,982,600	167,700	9,126,956	7,798,050
Filinvest Land, Inc.	450,000	505,423	504,000	450,000	505,423	459,000
First Phil. Holdings Corp.	217,670	5,228,437	6,530,100	135,120	3,169,441	2,533,500
Globe Telecom, Inc.	7,340	5,339,078	7,009,700	4,340	2,524,183	3,732,400
Ginebra San Miguel, Inc.	9,400	261,500	286,700	9,400	261,500	300,800
Ionics Circuits, Inc.	275,000	2,017,714	407,000	275,000	2,017,714	396,000
Jollibee Foods Corp.	292,750	4,273,850	8,343,375	232,750	3,278,800	4,247,688
Metropolitan Bank and Trust Company	31,130	1,390,720	824,945	31,130	1,390,720	856,075
Manila Electric Company "B"	248,820	8,355,060	6,158,295	68,820	3,396,764	1,668,885
Petron Corporation	1,613,000	4,014,661	5,242,250	610,000	1,212,762	1,378,600
San Miguel Corporation "B"	-	-	-	39,510	1,911,237	2,528,640
Security Bank Corp., Inc.	37,500	772,322	1,087,500	-	-	-
SM Prime Holdings, Inc.	1,230,000	7,070,687	9,471,000	708,000	3,734,960	4,602,000
PLDT Co.	12,265	10,066,696	16,680,400	10,390	6,034,420	10,078,300
Universal Robina Corporation	-	-	-	103,400	563,858	558,360
Warrants:						
ABS-CBN, Phils. Depository Receipt	77,930	2,782,855	1,441,705	71,930	2,991,164	1,798,250
	7,363,565	P 76,309,390	P 91,149,402	4,374,090	P49,979,473	P49,024,918

SUN LIFE PROSPERITY PHILIPPINE EQUITY FUND, INC.

	2004			2003		
	Number of shares held	Cost	Market Value	Number of shares held	Cost	Market Value
Common Stocks:						
Ayala Corporation	2,179,400	P12,455,397	P 14,384,040	1,887,000	P12,941,177	P 9,812,400
Aboitiz Equity Ventures, Inc.	576,000	1,126,994	1,843,200	576,000	1,126,994	1,756,800
Ayala Land, Inc.	551,800	2,794,870	4,028,140	1,051,800	5,327,373	6,415,980
Benpres Holdings Corp.	401,000	2,548,200	272,680	401,000	2,548,200	192,480
Bank of the Phil. Islands	209,012	8,310,405	10,973,130	273,010	13,064,315	12,694,965
Filinvest Land, Inc.	912,500	1,049,048	1,022,000	912,500	1,049,048	930,750
First Phil. Holdings Corp.	288,990	6,173,606	8,669,700	259,440	5,369,216	4,864,500
Globe Telecom	16,222	9,883,002	15,492,010	15,722	8,679,121	13,520,920
Ginebra San Miguel, Inc.	49,800	1,373,551	1,518,900	49,800	1,373,551	1,593,600
Ionics Circuits, Inc.	478,500	3,853,623	708,180	478,500	3,853,623	689,040
Jollibee Foods Corp.	351,250	4,742,884	10,010,625	352,750	4,578,261	6,437,687
Metropolitan Bank and Trust Company	40,440	1,821,627	1,071,660	40,440	1,821,627	1,112,100
Manila Electric Company "B"	314,600	11,996,569	7,786,350	134,600	7,038,273	3,264,050
Petron Corporation	1,901,000	4,678,958	6,178,250	898,000	1,877,060	2,029,480
San Miguel Corporation "B"	-	-	-	92,530	4,436,070	5,921,920
Security Bank Corp., Inc.	36,900	759,964	1,070,100	-	-	-
SM Prime Holdings, Inc.	1,408,000	7,681,444	10,841,600	1,516,000	7,853,860	9,854,000
PLDT Co.	13,965	11,003,827	18,992,400	13,590	8,342,611	13,182,300
Universal Robina Corporation	-	-	-	179,300	1,000,481	968,220
Warrants:						
ABS-CBN, Phils. Depository Receipt	135,370	5,225,879	2,504,345	129,370	5,492,085	3,234,250
	9,864,749	P97,479,848	P117,367,310	9,261,352	P97,772,946	P98,475,442

Net realized gain (loss) on sale of investments in listed securities consists of:

	Balanced Fund		Equity Fund	
	2004	2003	2004	2003
Proceeds from sales	11,552,325	14,532,938	30,040,089	33,638,163
Cost of listed securities sold	(8,752,814)	(15,446,562)	(23,150,817)	(38,478,248)
	2,799,511	(913,624)	6,889,272	(4,840,085)

5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	Bond Fund		Balanced Fund		Phil. Equity Fund	
	2004	2003	2004	2003	2004	2003
Subscriptions	3,374,851	1,494,000	8,245,000	-	-	-
Income tax payable (Note 8)	1,385,250	-	43,361	-	-	-
Withholding tax payable	882,218	549,641	41,897	21,337	46,480	25,120
Documentary stamp tax payable	207,760	2,615,415	38,268	8,728	-	4,911
Proceeds payable	166,733	346,346	-	-	-	2,111,007
Custodian fees payable	135,000	73,212	12,000	26,589	18,000	40,139
Professional fees payable	81,400	88,800	81,400	88,800	66,147	88,800
	6,233,212	5,167,414	8,461,926	145,454	130,627	2,269,977

	Dollar Advantage Fund				Money Market Fund	
	2004		2003		2004	
	Phil. Peso	US. Dollar	Phil. Peso	US Dollar		
Subscriptions	1,424,310	25,383	166,650	3,000		206,564
Income tax payable (Note 8)	2,350,972	41,897	1,293,395	23,237		
Withholding tax payable	48,341	862	31,083	560		7,789
Documentary stamp tax payable	2,664	53	6,955	130		387
Proceeds payable	-	-	-	-		
Custodian fees payable	9,946	177	14,709	265		4,972
Professional fees payable	84,170	1,500	-	-		81,400
	3,920,403	69,872	1,512,792	27,192		301,112

Subscriptions represent shares sold but not yet issued, pending submission of required documents.

6 RELATED PARTY TRANSACTIONS

Transactions with related parties include the following:

- a. Payable to Fund Manager

This account represents the liability to SLAMC arising from management and service fees as described in Note 1.

Total fees paid and payable to SLAMC as of and for the years ended December 31, 2004 2003 and 2002, included in the Statement of Operations under "Management fees and Transfer agent fees" accounts, are as follows:

	2004	2003	2002
Sun Life of Canada Prosperity Bond Fund, Inc.	75,928,495	53,864,557	31,893,089
Sun Life of Canada Prosperity Balanced Fund, Inc.	3,096,779	2,178,183	1,879,029
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.	3,471,407	3,101,582	3,066,836
Sun Life Prosperity Dollar Advantage Fund, Inc.	4,661,084	3,298,853	536,317
Sun Life Prosperity Money Market Fund, Inc.	263,121	-	-

- b. As of December 31, 2004, Sun Life of Canada (Philippines), Inc. and Sun Life Financial Plans, Inc. have invested in the Companies the following number of shares:

	Shares Invested by SLOCPI	Shares Invested By SLFPI
Sun Life of Canada Prosperity Bond Fund, Inc.	49,999,397	90,666,621
Sun Life of Canada Prosperity Balanced Fund, Inc.	49,999,397	-
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.	49,999,797	-
Sun Life Prosperity Dollar Advantage Fund, Inc.	499,397	-
Sun Life Prosperity Money Market Fund, Inc.	49,659,689	-

	Bond Fund		Balanced Fund	
	2004 Phil. Pesos	2003 Phil. Pesos	2004 Phil. Pesos	2003 Phil. Pesos
Capital Stock				
Balance, Beginning	2,799,207,449	2,257,823,222	109,620,550	88,086,674
Issuances	1,391,524,205	1,452,524,005	41,212,610	30,709,898
Redemptions	(1,102,533,741)	(911,139,778)	(21,953,219)	(9,176,022)
Balance, End	3,088,197,913	2,799,207,449	128,879,941	109,620,550
Additional Paid In Capital				
Balance, Beginning	635,623,563	438,909,095	245,852	274,392
Issuances	586,404,561	513,833,000	10,390,542	(283,557)
Redemptions	(482,374,227)	(317,118,532)	(4,377,829)	255,017
Balance, End	739,653,897	635,623,563	6,258,565	245,852
Deposit for Future Stock Subscription	-	499,515,158	-	-
Retained Earnings				
Balance, Beginning	465,922,273	205,195,515	13,422,091	10,716,087
Net Investment Income	349,456,694	260,726,758	7,883,274	2,706,004
Balance, End	815,378,967	465,922,273	21,305,365	13,422,091
Unrealized Appreciation (Depreciation) of Investments				
Balance, Beginning	-	-	(954,555)	(24,330,618)
Net Change For the Year	-	-	15,794,567	23,376,063
Balance, End	-	-	14,840,012	(954,555)
Foreign Currency Translation Adjustment	-	-	-	-
	4,643,230,777	4,400,268,443	171,283,883	122,333,938
NAV Per Share	1.5035	1.3935	1.3290	1.1160

Phil. Equity Fund		Dollar Advantage Fund				Money Market Fund
2004 Phil. Pesos	2003 Phil. Pesos	2004		2003		2004 Phil. Pesos
		Phil. Pesos	US Dollars	Phil. Pesos	US Dollars	
151,362,344	168,628,181	1,864,178	37,042	678,824	13,334	-
65,406,127	94,961,361	1,347,642	26,963	1,552,108	31,043	945,606
(53,914,744)	(112,227,198)	(1,095,427)	(21,909)	(366,754)	(7,335)	(154,529)
162,853,727	151,362,344	2,116,393	42,096	1,864,178	37,042	791,077
(10,645,099)	(12,583,178)	203,671,025	3,899,671	69,291,844	1,347,258	-
3,260,814	(22,598,135)	159,186,417	2,839,286	178,777,109	3,215,162	94,752,937
(2,047,088)	24,536,214	(130,209,342)	(2,317,331)	(44,397,928)	(662,749)	(15,574,965)
(9,431,373)	(10,645,099)	232,648,100	4,421,626	203,671,025	3,899,671	79,177,972
-	-	-	-	85,600,656	1,540,966	-
1,335,921	4,472,805	7,037,567	129,326	1,228,987	23,619	-
9,930,519	(3,136,884)	2,625,515	47,008	5,808,580	105,707	1,255,561
11,266,440	1,335,921	9,663,082	176,334	7,037,567	129,326	1,255,561
702,496	(46,795,401)	(6,351,703)	(115,031)	44,799	1,065	-
19,184,964	47,497,897	2,738,470	47,178	(6,396,502)	(116,096)	-
19,887,460	702,496	(3,613,233)	(67,853)	(6,351,703)	(115,031)	-
-	-	15,746,034	-	13,257,698	-	-
184,576,254	142,755,662	256,560,376	4,572,203	305,079,421	5,491,974	81,224,610
1.1334	0.9431	121.2253	2.1604	117.7349	2.1194	1.0268

On October 29, 2003, the Companies' Board of Directors approved the increase in the authorized capital stock as follows:

	From	To	SEC Approval
Sun Life of Canada Prosperity Bond Fund, Inc.	2,800,000,000	3,800,000,000	January 7, 2004
Sun Life Prosperity Dollar Advantage Fund, Inc.	2,000,000	4,200,000	September 10, 2004

8 ORGANIZATION COSTS

In 2003, an adjustment was made in the statement of income of the following companies representing the effect of the adoption of SFAS 38/IAS 38, Intangible Assets, with respect to the treatment of organization costs. Organization costs previously capitalized and amortized on a straight-line basis over a period of five (5) years, no longer met the definition of, or recognition criteria for, an intangible asset, and the balances thereof as of the beginning of 2003 were fully recognized as an expense for the year ended December 31, 2003.

Sun Life of Canada Prosperity Bond Fund, Inc.	230,862
Sun Life of Canada Prosperity Balanced Fund, Inc.	230,011
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.	231,077
Sun Life Prosperity Dollar Advantage Fund, Inc.	480,620

9 INCOME TAXES

The income tax expense represents final tax on interest income.

A reconciliation of the statutory income tax rate to effective income tax rate follows:

	Bond Fund			Balanced Fund			Phil. Equity Fund		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Statutory income tax rate	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%
Tax effects of:									
NOLCO	1.14	3.43	3.18	5.56	(8.90)	1.76	12.32	37.20	55.10
Non-deductible expense	-	2.21	2.30	0.61	8.77	2.52	-	72.14	-
Expired NOLCO	-	0.12	-	-	16.21	-	-	31.98	-
Dividend Income	-	-	-	(8.48)	(9.74)	(5.90)	(10.32)	(35.31)	(23.67)
Tax-paid income	-	(2.00)	(0.02)	-	-	-	-	(0.16)	(12.00)
Interest income subjected to final tax	(10.77)	(13.41)	(14.05)	(17.28)	(14.50)	(14.21)	(25.58)	(27.74)	(19.25)
Effective income tax rate	22.37%	22.35%	23.41%	12.41%	23.84%	16.17%	8.42%	46.11%	32.18%

	Dollar Advantage Fund			Money Market Fund
	2004	2003	2002	2004
Statutory income tax rate	32.00%	32.00%	32.00%	32.00%
Tax effects of:				
NOLCO	-	-	-	12.07
Non-deductible expense	35.82	2.89	0.84	5.15
Expired NOLCO	-	-	-	-
Dividend Income	-	-	-	-
Tax-paid income	(1.80)	(5.41)	(5.23)	-
Interest income subjected to final tax				(18.46)
Effective income tax rate	66.02%	29.48%	27.61%	30.76%

Details of the Companies' NOLCO are as follows:

SUN LIFE OF CANADA PROSPERITY BOND FUND, INC.

Year of Incurrence	Year of Expiry	2003 Balance	Additions	Expired	2004 Balance
2001	2004	1,316,213	-	(1,316,213)	-
2002	2005	19,518,624	-	-	19,518,624
2003	2006	37,224,687	-	-	37,224,687
2004	2007	-	16,010,500	-	16,010,500
		58,059,524	16,010,500	(1,316,213)	72,753,811

SUN LIFE OF CANADA PROSPERITY BALANCED FUND, INC.

Year Incurred	Year of Expiry	2003 Balance	Additions	Expired	2004 Balance
2001	2004	2,890,848	-	(2,890,848)	-
2002	2005	234,226	-	-	234,226
2003	2006	812,023	-	-	812,023
2004	2007	-	1,564,858	-	1,564,858
		3,937,097	1,564,858	(2,890,848)	2,611,107

SUN LIFE OF CANADA PROSPERITY PHIL. EQUITY FUND, INC.

Year of Incurrence	Year of Expiry	2003 Balance	Additions	Expired	2004 Balance
2001	2004	6,112,423	-	(6,112,423)	-
2002	2005	3,926,279	-	-	3,926,279
2003	2006	4,641,187	-	-	4,641,187
2004	2007	-	4,174,662	-	4,174,662
		14,679,889	4,174,662	(6,112,423)	12,742,128

SUN LIFE PROSPERITY MONEY MARKET FUND, INC.

Year of Incurrence	Year of Expiry	2003 Balance	Additions	Expired	2004 Balance
2001	2004	-	-	-	-
2002	2005	-	-	-	-
2003	2006	-	-	-	-
2004	2007	-	683,955	-	683,955
		-	683,955	-	683,955

Vast majority of the Companies' income are already subjected to final tax. Hence, deferred income tax on NOLCO was not recognized because tax benefit is not likely to be realized in the future.

The carry forward benefit of the Minimum Corporate Income Tax (MCIT) recorded under "Other Assets" of the Sun Life of Canada Prosperity Bond Fund, Inc. and Sun Life of Canada Prosperity Balanced Fund, Inc. amounting to P1,385,250 and P43,361, respectively, are valid until 2007.

10 EARNINGS PER SHARE

The following are the bases for the computation of earnings per share:

	BOND FUND			BALANCED FUND			PHIL. EQUITY FUND		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Net investment income	349,456,694	260,726,758	150,481,457	7,883,274	2,706,004	3,574,132	9,930,519	(3,136,884)	1,546,582
Number of shares issued and outstanding	3,088,197,913	2,799,207,449	2,257,823,222	128,879,941	109,620,550	88,086,674	162,853,727	151,362,344	168,628,181
Earnings (Loss) per share	0.1132	0.0931	0.0666	0.0612	0.0247	0.0406	0.0610	(0.0207)	0.0092

	DOLLAR ADVANTAGE FUND						MONEY MARKET FUND
	2004 Phil. Pesos	2004 US Dollars	2003 Phil. Pesos	2003 US Dollars	2002 Phil. Pesos	2002 US Dollars	2004
Net investment income	2,625,515	47,008	5,808,580	105,707	1,228,987	23,619	1,255,561
Number of shares issued and outstanding	2,116,393	2,116,393	1,864,178	1,864,178	678,824	678,824	79,107,667
Earnings per share	1.241	0.022	3.116	0.057	1.810	0.035	0.0159

11 RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2003 financial statements have been reclassified to conform to the current year presentation.

12 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on March 1, 2005.

ESTHER C. TAN

Mrs. Tan, Filipino, is Chairperson of the 5 Sun Life Prosperity Funds. She is also the Chairperson of the Board and President of Sun Life Asset Management Company, Inc. as well as the President and Chief Executive Officer of Sun Life of Canada (Philippines), Inc. She was appointed in May 1995 as Vice-President for Philippine Operations and in 1997 as Vice-President and General Manager (Philippines) of Sun Life Assurance Company of Canada.

CAESAR P. ALTAREJOS, JR.

Mr. Altarejos, Filipino, is the President of the 5 Sun Life Prosperity Funds. He is also the Director and Treasurer of Sun Life Asset Management Company, Inc. and the Senior Vice-President for Finance, Sun Life of Canada (Philippines), Inc.

MA. ISABEL R. GARCIA

Ma. Isabel R. Garcia, Certified Public Accountant, is the Treasurer of the 5 Sun Life Prosperity Funds. She is also the Finance & Operations Director for Sun Life Asset Management Company, Inc. She held the following positions at various times with Sun Life Financial since 1998: Mgr., Finance-Office of the Comptroller, Senior Manager, Finance-Asia Pacific, and lastly, as Comptroller for Sun Life Asset Management Company. She has had many years of experience in managerial capacity with both multinational and local companies in all phases of financial management.

AMOR M. DATINGUINO

Atty. Datinguino, Filipino, is the Corporate Secretary of the 5 Sun Life Prosperity Funds. She is also the Counsel for Sun Life of Canada (Philippines), Inc. She obtained her Bachelor of Science in Economics (Dean's List) from the School of Economics, University of the Philippines, Diliman (1991), and her Bachelor of Laws from the College of Law, University of the Philippines, Diliman (1996). She placed 9th in the 1996 Bar Exams. Before joining Sun Life, she worked as an Associate with the Carpio Villaraza & Cruz Law Offices, and the Sebastian Dado Cruz & Batalla Law Offices.

RAOUL ANTONIO E. LITTAUA

Mr. Littaua, Filipino, is a Director of Sun Life of Canada Prosperity Bond Fund, Inc. and Sun Life Prosperity Money Market Fund, Inc. He is also the Vice-President, for

Marketing, of Sun Life of Canada (Philippines), Inc. Except for a short stint as Regional Manager, National Capital Region at East Asiatic Co., Ltd in 1993, Mr. Littaua worked his way up to his current position by holding different positions at various times in Sun Life Assurance Company of Canada since 1991

FELICIANO L. MIRANDA, JR.

Mr. Miranda, Filipino, is an Independent Director of Sun Life of Canada Prosperity Bond Fund, Inc. and Sun Life Prosperity Money Market Fund, Inc. He is the Chairman of the Board of PNB Forex, Inc., PNB Remittance Center, Inc., Japan-PNB Leasing & Finance Corporation, PNB (Europe) Plc, Bulawan Mining Corporation, PNB Capital Investment Corporation, PNB Remittance Center Ltd., Hongkong, PNB International Finance Corporation (HK). He is also a Director of the PNB, PNB Holdings Corporation, Beneficial-PNB Life Insurance Co., Citra Metro Manila Tollways Corporation, Amtrust Holdings, Inc., and PNB International Investment Corporation.

ALELI ANGELA G. QUIRINO

Atty. Quirino, Filipino, is an Independent Director of Sun Life of Canada Prosperity Bond Fund, Inc. and Sun Life Prosperity Money Market Fund, Inc. She is a senior partner of Abello Concepcion Regala & Cruz Law Offices (ACCRA Law). She heads the Intellectual Property Department, and is also a member of the Corporate and Special Projects Department. She is a member of the Integrated Bar of the Philippines, the Philippine Bar Association, Director and Vice President (AIPPI) of the Intellectual Property Association of the Philippines, and Director and Treasurer of the Intellectual Property Foundation.

RAFAEL M. ALUNAN III

Mr. Alunan, Filipino, is an Independent Director of Sun Life of Canada Prosperity Balanced Fund, Inc. He is currently president of Kybernan Group, Inc, consultant of Benpres Holdings Corporation, and Director of First Philippine Infrastructure Development Corporation and of Manila North Tollways Corporation. He has served in the cabinets of Pres. Fidel V. Ramos and Pres. Corazon C. Aquino, as Secretary of Interior and Local Government and Secretary of Tourism, respectively. He was President of Maynilad Water Services, Inc. from October 1999 to February 2004, and has been President of the Manila Hotel, Director of Coca-Cola Amatil (Australia), and President of General Reliance Corporation.

ERLINDA S. ECHANIS

Dr. Echanis, Filipino, is an Independent Director of Sun Life of Canada Prosperity Balanced Fund, Inc. She is a distinguished member of the academe, having taught in the University of the Philippines, and written a score of published and unpublished articles on business management. She is a Certified Public Accountant, professor at the College of Business Administration (CBA), University of the Philippines in Diliman. She is the current dean of the CBA, UP. Her involvement in the private sector includes her being consultant for the Philippine National Oil Company, the Home Development Mutual Fund, Metrobank, Bangko Sentral ng Pilipinas, the Department of Budget and Management, the Board of Investments and the Asian Development Bank, among others.

NILO B. PEÑA

Atty Peña, Filipino, is an Independent Director of Sun Life of Canada Prosperity Balanced Fund, Inc. He is a Senior Partner at one of the top law firms in the country, the Quasha, Ancheta, Pena, & Nolasco Law Firm. He is a member of the Board of Trustees of St. Luke's Medical Center, Inc.; Chairman, Board of Trustees of Standard Chartered Bank Employees' Retirement Fund; Trustee-Corporate Secretary of the Philippine-Australian Business Council and director or officer of several corporations engaged in various business activities.

JOSE M. FAUSTINO

Professor Faustino, Filipino, is an Independent Director of Sun Life of Canada Prosperity Philippine Equity Fund, Inc. He is the Goodyear Professor of Business Management, and the Program Director of AIM's Marketing Strategy Course. He teaches and provides management consultancy in the fields of marketing management, strategic planning and strategy formulation, and organizational behavior in development. In 1991, he received the Agora Award for excellence in Marketing Education, bestowed by the Philippine Marketing Association. His twenty years of work experience as professional manager and entrepreneur were in the areas of marketing, operation, and general management.

OSCAR M. ORBOS

Atty. Orbos, Filipino, is an Independent Director of Sun Life of Canada Prosperity Philippine Equity Fund, Inc. He obtained his Bachelor of Laws and his degree in Economics from the University of the Philippines. He has also earned some units in Masters of Laws also from the same university. He has been elected as Congressman and as Governor of the Province of Pangasinan, and has also served the Philippine Government as the Secretary of the Department of Transportation and Communication, and Executive Secretary. Atty. Orbos, likewise, has been a member of various law firms in his career.

OSCAR REYES

Mr. Reyes, Filipino, is an Independent Director of Sun Life Prosperity Dollar Advantage Fund, Inc. He was the chairman and Chief Executive Officer of the Shell Companies in the Philippines and remains a Director of Pilipinas Shell Petroleum, Shell Philippines Exploration B.V., and various other Philippine corporations. Mr. Reyes held various progressively responsible positions with Shell Philippines and the Philippine Petroleum Corporation.

TONY TAN CAKTIONG

Mr. Tan Caktiong, Filipino, is an Independent Director of Sun Life Prosperity Dollar Advantage Fund, Inc. He is the Chairman, President and CEO of Jollibee Foods Corporation. He holds a degree in BS Chemical Engineering from the University of Sto. Tomas and has attended the Owner/President Management (OPM) Program at Harvard University and the Top Management Program at the Asian Institute of Management (AIM).

PONCIANO S. INTAL, JR

Dr. Intal, Filipino, is an Independent Director of Sun Life Prosperity Dollar Advantage Fund, Inc. He is a Professor of Economics at the Department of Economics of the College of Business and Economics of the De La Salle University and Executive Director of the Angelo King Institute for Economic and Business Studies, De La Salle University. Dr. Intal holds a PhD in Economics from Yale University, two Master of Arts in Economics Degrees from Yale University and the University of the Philippines, and a Bachelor of Science degree in Business Administration from the Mindanao State University.

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Sun Life Prosperity Money Market Fund, Inc.

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The Sun Life Prosperity Funds are managed and distributed by Sun Life Asset management Company, Inc. a member of the Sun Life Financial group of companies.