
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the period ended June 30, 2017

Sun Life BlackRock Canadian Composite Equity Fund



Sun Life BlackRock Canadian Composite Equity Fund

This semi-annual management report of fund performance contains financial highlights but does not contain the complete financial statements of the investment fund. You can request a free copy of the semi-annual financial statements by calling 1-877-344-1434, by sending an email to us at info@sunlifeglobalinvestments.com or by writing to us at Sun Life Global Investments (Canada) Inc., 1 York Street, Toronto, Ontario, M5J 0B6. Our financial statements are available on our website at www.sunlifeglobalinvestments.com and on SEDAR at www.sedar.com. All of the financial information is calculated based on the pricing Net Asset Valuation for the investment fund, unless otherwise stated.

Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

During the period, the net asset value of the Sun Life BlackRock Canadian Composite Equity (the "Fund") increased from \$836.7 million to \$951.4 million. The increase in net asset value was due to positive net sales, as well as positive performance during the period.

During the period, the Fund returned 0.7% for Series I units. This result was in line with the Fund's benchmark, S&P/TSX Capped Composite, which returned 0.7%.

The Fund seeks long-term capital appreciation by replicating, to the extent possible, the performance of a broad and recognized Index (which is currently the S&P/TSX Capped Composite Index), net of fees.

The S&P/TSX Composite Index rose to start off 2017, finishing the first quarter up 2.41%. The largest contributions came from the Utilities, Consumer Discretionary, and Information Technology sectors whilst the Energy and Health Care sectors posted losses. In fact, they were only two sectors to post losses in the index. Over the second quarter, the S&P/TSX Composite Index fell 1.64%. The three largest sectors (Financials, Energy and Materials) were the worst performing groups whereas Health care, Industrials and Consumer Discretionary performed well.

Recent Developments

Within commodities, oil had a sell off to start the year based on concerns of some Organization of the Petroleum Exporting Countries ("OPEC") members not adhering to the cuts coupled with U.S. players continued ramping up of production. BlackRock Asset Management Canada Limited (the "sub-advisor") observed a very strong correlation of Canadian equity market returns and oil price movements. Despite OPEC keeping their word on production quotas, U.S. and other non-OPEC members' producers flooded the market with more production and, as a result, crude prices fell to the \$46 range.

Focusing on Canadian markets, mergers and acquisitions activity saw some large deals as foreign owned oil sands assets were sold to Canadian players. Two large deals were

Shell selling to Canadian Natural Resources and Conoco-Philips selling assets to Cenovus. Another impactful mergers and acquisitions deal came late in the first quarter of the period as Dominion Diamond would gain over 40% in 2 days when the first of a large earnings surprise followed immediately the next day by the Washington Co.'s takeover bid in March 2017. In addition, last year's Enbridge/Spectra deal closing in February 2017 resulted in an increase in the index for Enbridge of over 180 basis points, which is the largest cross-border single index change event since Manulife and John Hancock merged in 2004.

Related Party Transactions

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

The Manager is responsible for the provision of all general management and administrative services required by the Fund in its day-to-day operations, including providing or arranging for the provision of investment advice, bookkeeping, recordkeeping and other administrative services for the Fund.

As trustee, the Manager holds legal title to the Fund's investments in trust for unitholders. For its services, the Manager receives a management fee that is calculated as a percentage of the average net asset value of the Fund. This fee is calculated daily and payable monthly.

As portfolio manager, the Manager is responsible for managing the investment portfolio of the Fund directly or through sub-advisors. The Manager has retained BlackRock Asset Management Canada Limited to act as a sub-advisor for the Fund.

The Manager is an indirect wholly owned subsidiary of Sun Life Financial Inc.

During the year, the Manager relied on the approval of the Fund's Independent Review Committee (the "IRC") to enable the Fund to purchase equity securities and non-exchange traded debt securities of Sun Life Financial Inc. ("SLF"), the ultimate parent of the Manager. In accordance with the IRC's approval, before the Fund purchases debt securities of SLF, the Manager is required to ensure that the investment decision (i) is made free from any influence of SLF and does not take into account any consideration relevant to SLF;

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(ii) represents the business judgment of the Manager uninfluenced by considerations other than the best interests of the Fund; (iii) is in compliance with the Manager's written policies and procedures relating to the transaction; and (iv) achieves a fair and reasonable result for the Fund.

Fund Administrative Expenses

The Manager pays certain of the operating expenses of each Fund (the "Administration Expenses") in return for a fixed administration fee paid to the Manager by each Fund ("Administration Fee"). The Administration Fee is based on the net asset value of each series of the Fund. The Administration Expenses include, but are not limited to, record keeper fees, accounting, audit and legal fees, bank and interest charges, safekeeping and custodial fees, taxes, administrative and systems costs, costs of reports to investors, prospectuses and other disclosure documents, regulatory filing fees (including those incurred by the Manager) and trustee fees for registered plans. The amount of this charge is disclosed as a fund administrative expense in the Fund's Statement of Comprehensive Income found in the semi-annual financial statements (unaudited).

Each Fund also pays certain operating expenses directly (the "Fund Costs"). Fund Costs include: borrowing costs incurred by the Fund from time to time; costs in connection with portfolio transactions; fees and expenses payable to or in connection with the Fund's Independent Review Committee ("IRC"); taxes payable by the Fund; and the costs of complying with any new regulatory or legal requirement imposed on the Fund. Each Fund allocates Fund Costs proportionately among its series of units. The Fund Costs that are specific to a series of units are allocated to that series. These amounts are paid out of the assets attributed to each series of units of the Fund, which reduces the return you may receive.

Series Description

The Fund offers Series I units only. The date of creation for Series I units was April 15, 2011. Series I units are special purpose securities that are currently only available to other mutual funds and eligible institutional investors. Series I units are not sold to the general public. Each Series I investor negotiates its own management and advisory fee that is paid directly to the Manager.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from the date of inception to June 30, 2017.

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

Sun Life BlackRock Canadian Composite Equity Fund – Series I

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	11.02	9.35	10.47	9.99	9.14	8.68
Increase (decrease) from operations:						
Total revenue	0.16	0.30	0.30	0.30	0.29	0.27
Total expenses	–	–	–	–	–	–
Realized gains (losses) for the period	0.17	(0.02)	(0.07)	0.26	0.02	(0.07)
Unrealized gains (losses) for the period	(0.28)	1.69	(1.15)	0.51	0.87	0.66
Total increase (decrease) from operations ⁽²⁾	0.05	1.97	(0.92)	1.07	1.18	0.86
Distributions:						
From income (excluding dividends)	–	(0.03)	–	(0.02)	(0.02)	(0.01)
From dividends	–	(0.26)	(0.26)	(0.25)	(0.29)	(0.17)
From capital gains	–	–	–	(0.30)	(0.03)	–
Return of capital	–	–	–	–	–	–
Total annual distributions ⁽³⁾	–	(0.29)	(0.26)	(0.57)	(0.34)	(0.18)
Net asset value, end of period	11.10	11.02	9.35	10.47	9.99	9.13

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

⁽²⁾ Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

⁽³⁾ Distributions were paid in cash, reinvested in additional units of the Fund, or both.

⁽⁴⁾ Comparatives prior to 2013 are prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Figures subsequent to 2013 are prepared in accordance with International Financial Reporting Standards ("IFRS").

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Ratios and Supplemental Data⁽⁶⁾

Sun Life BlackRock Canadian Composite Equity Fund – Series I

	2017	2016	2015	2014	2013	2012
Total net asset value (\$) ⁽¹⁾	951,423,904	836,698,772	586,909,772	541,994,717	385,972,485	341,157,243
Number of units outstanding ⁽¹⁾	85,735,112	75,924,893	62,791,704	51,760,195	38,638,615	37,325,505
Management expense ratio (%) ⁽²⁾	–	–	–	–	–	–
Management expense ratio before waivers or absorption (%) ⁽²⁾	–	–	–	0.05	0.04	0.09
Trading expense ratio (%) ⁽³⁾	0.02	0.01	0.01	0.01	0.03	0.10
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	13.70	6.37	5.20	16.92	9.84	10.03
Net asset value per unit (\$) ⁽¹⁾	11.10	11.02	9.35	10.47	9.99	9.14

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

⁽²⁾ Management expense ratio is based on total expenses (excluding broker commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period. Prior to 2015, the Manager of the Fund waived some of its management fees and/or absorbed some expenses that would normally be charged to the Fund.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value during the period.

⁽⁴⁾ The Fund's portfolio turnover ratio indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover ratio of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover ratio in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high portfolio turnover rate and the performance of the Fund.

⁽⁵⁾ Percentages are annualized.

⁽⁶⁾ Comparatives prior to 2013 are prepared in accordance with Canadian GAAP. Figures subsequent to 2013 are prepared in accordance with IFRS.

Management Fees

There is no management fee charged to the Fund.

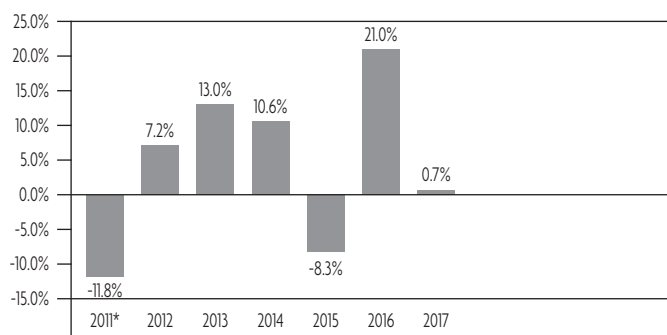
PAST PERFORMANCE

The indicated rates of return are the historical annualized and annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed. How a fund performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the Fund's annual performance for the period shown. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each period.

Series I Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



* for the period of April 15, 2011 to December 31, 2011.

SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at June 30, 2017 (unaudited)

Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Royal Bank of Canada	6.5
2 The Toronto-Dominion Bank	5.8
3 The Bank of Nova Scotia	4.5
4 Enbridge Inc.	4.0
5 Canadian National Railway Co.	3.8
6 Suncor Energy Inc.	3.0
7 Bank of Montreal	3.0
8 TransCanada Corporation	2.6
9 BCE Inc.	2.5
10 Manulife Financial Corp.	2.3
11 Canadian Imperial Bank of Commerce	2.2
12 Brookfield Asset Management Inc., Class A	2.1
13 Canadian Natural Resources Ltd.	1.9
14 Canadian Pacific Railway Ltd.	1.5
15 Cash	1.4
16 Sun Life Financial Inc.	1.4
17 TELUS Corp.	1.3
18 Alimentation Couche-Tard Inc., Class B	1.2
19 Barrick Gold Corp.	1.1
20 Waste Connections Inc.	1.1
21 Rogers Communications Inc., Class B	1.0
22 Magna International Inc.	1.0
23 Restaurant Brands International Inc.	0.9
24 Fortis Inc.	0.9
25 National Bank of Canada	0.9
	57.9
Total Net Asset Value (000's)	\$ 951,424

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Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Financials	34.3
Energy	19.2
Materials	11.4
Industrials	9.3
Consumer Discretionary	5.2
Telecommunication Services	4.8
Consumer Staples	3.8
Utilities	3.5
Information Technology	3.3
Real Estate	2.9
Cash and Cash Equivalents ⁽²⁾	1.7
Health Care	0.6
	100.0

⁽¹⁾ All information is as at June 30, 2017. The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. You may obtain quarterly updates to these holdings free of charge by calling us at 1-877-344-1434, visiting our website at www.sunlifeglobalinvestments.com or by sending an email to us at info@sunlifeglobalinvestments.com.

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

Forward-Looking Statements

This management report of fund performance may contain forward-looking statements about the Fund, including its strategy, results of operations, performance and condition. Forward-looking statements include statements that are predictive in nature, or that depend upon or refer to future events or conditions. They are based on current beliefs, expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and various economic factors. Many factors could cause the Fund's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors could include, among other things, general economic, political and market factors, including interest and foreign exchange rates, business competition, technological changes, changes in government regulations or in tax laws. Although the forward-looking statements contained in this report are based upon what management currently believes to be reasonable assumptions, the Manager cannot assure current or prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. The words "may", "could", "would", "should", "believe", "plan", "anticipate", "expect", "intend", "forecast", "objective", and similar expressions are intended to identify forward-looking statements.

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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You can find more information about each Fund in our Annual Information Form, and each Fund's management report of fund performance and financial statements, once available. These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as part of it.

For a free copy of these documents, call us toll-free at **1-877-344-1434** or ask your advisor. These documents and other information about the Funds, such as information circulars and material contracts, are also available at **www.sunlifeglobalinvestments.com** or **www.sedar.com**.

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