
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the period ended June 30, 2017

Sun Life Dynamic Equity Income Fund



Sun Life Dynamic Equity Income 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 Dynamic Equity Income Fund* (the "Fund") increased from \$41.5 million to \$54.7 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 6.1% for Series A units. This result surpassed the Fund's benchmark, the S&P/TSX Composite Index, which returned 0.7%. The performance returns for other series of this Fund are similar to those of Series A except for differences in expense structures. Please refer to the 'Past Performance' section of this report for performance of each series.

Sun Life Dynamic Equity Income Fund invests all, or substantially all, of the assets of the Fund in the Dynamic Equity Income Fund* (the "Underlying Fund"). The following commentary relates to the Underlying Fund.

The Underlying Fund outperformed its broad-based benchmark over the period, due in part to an underweight security selection in the Energy sector, and an overweight in Technology, primarily through U.S. holdings.

The Underlying Fund's allocation to Canadian dividend paying equities and REITs, which includes private real estate, was lowered to 48% and 6% respectively. The U.S. remained an attractive opportunity to access sectors not well represented in Canada and the weighting rose modestly to 36% by the end of June. Geographically, both Canada and the U.S. were significant contributors to returns, with the U.S. having a slightly greater impact.

The largest sector allocations were in Financials, followed by Industrials and Consumer Discretionary. Overall Financials, Real Estate and Consumer Discretionary decreased while exposure to Health Care and Energy saw increases over the period.

On a sector level, holdings in Industrials, Technology and Consumer Discretionary were the largest contributors to

returns. There were no significant sector detractors over the period. Notable security contributors included McDonald's Corp., Canadian National Railway, and American Tower Corp. while Verizon Communications and Sun Life Financial were the top detractors.

Recent Developments

The period was characterized by the continued resurgence of the Canadian economy with employment numbers growing at levels rarely seen since the financial crisis. In the first quarter, the Canadian economy delivered a better-than-expected 3.7% rate of growth which has, in turn, buoyed jobs and housing markets while helping to boost consumer confidence. While oil prices began the year on relatively stable footing, they started to decline in March as concerns over persistently high U.S. oil inventories and increased production led to initial volatility that was exacerbated by technical trading. Although the Organization of Petroleum Exporting Countries ("OPEC") extended their cuts in late May, oil prices remained under pressure and ended the period significantly lower. However, the broader economic landscape improved, with business leaders surveyed by the Bank of Canada in June expressing the greatest confidence in their outlooks since 2011. As the period came to a close, the Bank of Canada was openly contemplating an interest rate increase due to the renewed strength of the Canadian economy.

The U.S. economy entered the period with strong momentum. This was further boosted in the first quarter by a strong showing from S&P 500 companies, which registered the best year-over-year growth rate in corporate earnings since the fourth quarter of 2011. Concurrent with strong domestic earnings were strong international earnings, which was a plus for American multinational companies that depend on overseas markets for the majority of sales and profits. On the political front, U.S. President Trump's attempt to repeal and replace the Affordable Care Act – a key election promise – failed, casting a shadow over the ambitious agenda he had pledged to enact once in office. On the economic front, jobs data remained strong allowing the U.S. Federal Reserve to increase interest rates twice – once in March and again in June. In another vote of confidence for the U.S.

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Sun Life Dynamic Equity Income Fund

economy, the U.S. Federal Reserve maintained its guidance to enact a third rate rise before the year is out, while stating its desire to start unwinding the bank's \$4.5 trillion balance sheet (U.S. dollars) it's amassed since the financial crisis.

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

Related Party Transactions

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

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

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

As portfolio manager, the Manager is responsible for managing the investment portfolio of the Fund directly or through sub-advisors. The Manager has retained 1832 Asset Management L.P. to act as a sub-advisor for the Fund.

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

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 the following series of units: A, F, I and O. The date of creation for Series A, F, and I units was January 17, 2013 and the date of creation for Series O units was April 1, 2014.

Series A units are available to all investors.

Series F units are available to investors who have a fee-based account with their dealer and whose dealer has signed an agreement with the Manager. Instead of paying sales charges, investors buying Series F units pay fees to their dealer for investment advice and other services. The Manager does not pay any commissions to dealers in respect of Series F units, so the Manager can charge a lower management fee.

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.

Series O units are available to investors through the Private Client program and must be purchased through a Private Client account. Each Series O investor pays a management fee directly to the Manager and is eligible for management fee reductions, if any, based on the value of Series O units held in the investor's Private Client account. Series O management fees are paid, after subtracting any management fee reductions, by a redemption of Series O units in the investor's account.

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.

Sun Life Dynamic Equity Income Fund

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

Sun Life Dynamic Equity Income Fund – Series A

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Net asset value, beginning of period	11.06	10.16	10.48	10.41	10.00
Increase (decrease) from operations:					
Total revenue	0.35	0.70	0.69	0.86	0.68
Total expenses	(0.12)	(0.23)	(0.22)	(0.23)	(0.20)
Realized gains (losses) for the period	0.03	0.02	0.04	0.06	0.19
Unrealized gains (losses) for the period	0.37	0.93	(0.34)	–	0.55
Total increase (decrease) from operations⁽²⁾	0.63	1.42	0.17	0.69	1.22
Distributions:					
From income (excluding dividends)	(0.24)	(0.21)	–	–	–
From dividends	–	–	–	(0.16)	(0.18)
From capital gains	–	–	(0.07)	(0.53)	(0.14)
Return of capital	–	(0.27)	(0.41)	(0.04)	(0.16)
Total annual distributions⁽³⁾	(0.24)	(0.48)	(0.48)	(0.73)	(0.48)
Net asset value, end of period	11.49	11.06	10.16	10.48	10.41

Sun Life Dynamic Equity Income Fund – Series F

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Net asset value, beginning of period	11.39	10.64	10.85	10.58	10.00
Increase (decrease) from operations:					
Total revenue	0.39	0.80	0.71	0.84	0.67
Total expenses	(0.06)	(0.11)	(0.12)	(0.13)	(0.10)
Realized gains (losses) for the period	0.03	0.03	0.05	0.05	0.14
Unrealized gains (losses) for the period	0.20	1.09	(0.24)	0.17	0.57
Total increase (decrease) from operations⁽²⁾	0.56	1.81	0.40	0.93	1.28
Distributions:					
From income (excluding dividends)	(0.28)	(0.36)	–	–	–
From dividends	–	–	–	(0.14)	(0.17)
From capital gains	–	–	(0.04)	(0.47)	(0.11)
Return of capital	–	(0.47)	(0.44)	(0.04)	(0.14)
Total annual distributions⁽³⁾	(0.28)	(0.83)	(0.48)	(0.65)	(0.42)
Net asset value, end of period	11.87	11.39	10.64	10.85	10.58

Sun Life Dynamic Equity Income Fund – Series I

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Net asset value, beginning of period	11.64	10.62	10.91	10.55	10.00
Increase (decrease) from operations:					
Total revenue	0.37	0.75	0.73	0.85	0.71
Total expenses	–	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	0.03	0.02	0.04	0.05	0.22
Unrealized gains (losses) for the period	0.42	0.93	(0.43)	0.08	0.82
Total increase (decrease) from operations⁽²⁾	0.82	1.69	0.33	0.97	1.74
Distributions:					
From income (excluding dividends)	(0.24)	(0.29)	–	–	–
From dividends	–	–	–	(0.15)	(0.21)
From capital gains	–	–	(0.10)	(0.49)	(0.16)
Return of capital	–	(0.38)	(0.58)	(0.04)	(0.18)
Total annual distributions⁽³⁾	(0.24)	(0.67)	(0.68)	(0.68)	(0.55)
Net asset value, end of period	12.23	11.64	10.62	10.91	10.55

Sun Life Dynamic Equity Income Fund – Series O

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)
Net asset value, beginning of period	10.48	9.60	9.88	10.00
Increase (decrease) from operations:				
Total revenue	0.34	0.67	0.67	0.70
Total expenses	(0.01)	(0.02)	(0.02)	(0.01)
Realized gains (losses) for the period	0.03	0.02	0.03	0.06
Unrealized gains (losses) for the period	0.28	0.82	(0.53)	(0.70)
Total increase (decrease) from operations⁽²⁾	0.64	1.49	0.15	0.05
Distributions:				
From income (excluding dividends)	(0.29)	(0.27)	–	–
From dividends	–	–	–	(0.15)
From capital gains	–	–	(0.09)	(0.50)
Return of capital	–	(0.36)	(0.54)	(0.04)
Total annual distributions⁽³⁾	(0.29)	(0.63)	(0.63)	(0.69)
Net asset value, end of period	10.93	10.48	9.60	9.88

⁽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.

Sun Life Dynamic Equity Income Fund

Ratios and Supplemental Data

Sun Life Dynamic Equity Income Fund – Series A

	2017	2016	2015	2014	2013
Total net asset value (\$) ⁽¹⁾	18,918,766	14,417,492	8,200,231	9,758,195	4,878,867
Number of units outstanding ⁽¹⁾	1,647,151	1,303,841	807,182	930,756	468,459
Management expense ratio (%) ⁽²⁾	2.18	2.18	2.17	2.17	2.17
Management expense ratio before waivers or absorption (%) ⁽²⁾	2.18	2.18	2.17	3.70	6.80
Trading expense ratio (%) ⁽³⁾	0.03	0.07	0.08	0.11	0.08
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	3.42	7.02	15.68	12.00	181.47
Net asset value per unit (\$) ⁽¹⁾	11.49	11.06	10.16	10.48	10.41

Sun Life Dynamic Equity Income Fund – Series F

	2017	2016	2015	2014	2013
Total net asset value (\$) ⁽¹⁾	728,085	191,904	38,700	98,897	79,648
Number of units outstanding ⁽¹⁾	61,364	16,848	3,637	9,114	7,530
Management expense ratio (%) ⁽²⁾	1.08	1.07	1.12	1.17	1.13
Management expense ratio before waivers or absorption (%) ⁽²⁾	1.08	1.07	1.12	1.99	3.49
Trading expense ratio (%) ⁽³⁾	0.03	0.07	0.08	0.11	0.08
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	3.42	7.02	15.68	12.00	181.47
Net asset value per unit (\$) ⁽¹⁾	11.87	11.39	10.64	10.85	10.58

Sun Life Dynamic Equity Income Fund – Series I

	2017	2016	2015	2014	2013
Total net asset value (\$) ⁽¹⁾	31,335,070	24,857,719	8,538,281	6,000,175	3,995,071
Number of units outstanding ⁽¹⁾	2,561,540	2,135,300	804,018	550,190	378,796
Management expense ratio (%) ⁽²⁾	0.09	0.09	0.09	0.09	0.12
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.09	0.09	0.09	0.13	0.31
Trading expense ratio (%) ⁽³⁾	0.03	0.07	0.08	0.11	0.08
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	3.42	7.02	15.68	12.00	181.47
Net asset value per unit (\$) ⁽¹⁾	12.23	11.64	10.62	10.91	10.55

Sun Life Dynamic Equity Income Fund – Series O

	2017	2016	2015	2014
Total net asset value (\$) ⁽¹⁾	3,754,174	2,041,652	858,724	464,076
Number of units outstanding ⁽¹⁾	343,481	194,838	89,457	46,955
Management expense ratio (%) ⁽²⁾	0.21	0.21	0.20	0.20
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.21	0.21	0.20	0.33
Trading expense ratio (%) ⁽³⁾	0.03	0.07	0.08	0.11
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	3.42	7.02	15.68	12.00
Net asset value per unit (\$) ⁽¹⁾	10.93	10.48	9.60	9.88

⁽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) including the Fund's allocated percentage of Fund-on-Funds' expenses for the stated period and is expressed as

an annualized percentage of daily average Net Asset Value during the period. Prior to 2015, the Manager of the Fund waived some of its management fees and/or absorbed some expenses that would normally be charged to the Fund.

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

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

⁽⁵⁾ Percentages are annualized.

Management Fees

The annual maximum management fee paid by the Fund is a percentage of the average daily net asset value of each series exclusive of any applicable taxes and operating expenses, which is accrued daily and is paid to the Manager monthly in arrears. Management fees pay for portfolio and investment advisory services, oversight of any service providers, marketing and promotional activities, arranging for the distribution and sale of securities of the Fund, general administration of fund operations and sales and trailing commissions paid to dealers.

The percentages and major services paid for out of the management fees are set out below:

	As a Percentage of Management Fees		
	Maximum Annual Management Fee Rate (%)	Dealer Compensation (%) ¹	General Administration, Investment Advice and Profit (%)
Series A Units	1.75	44	56
Series F Units	0.75	–	100
Series I Units	–	–	–
Series O Units ²	0.75	–	100

¹ Includes sales and trailing commissions.

² Series O management fees are not paid by the Fund. Series O investors pay management fees directly to the manager.

PAST PERFORMANCE

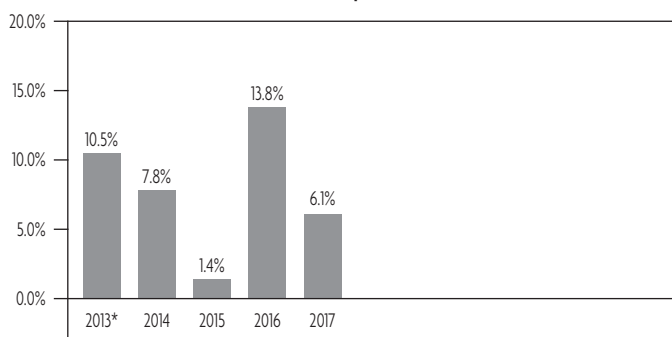
The indicated rates of return are the historical annualized and annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have 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.

Sun Life Dynamic Equity Income Fund

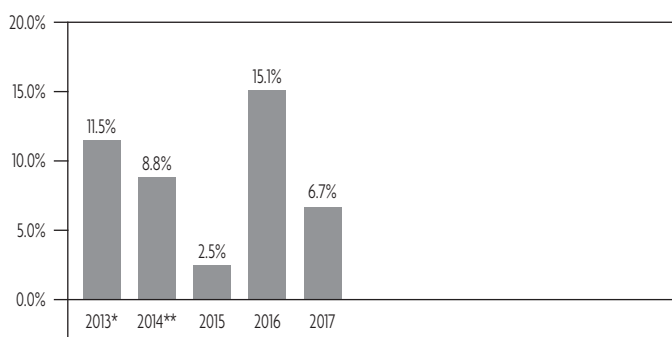
Year-by-Year Returns

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

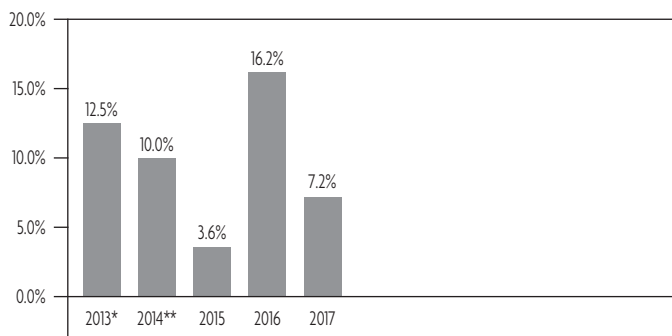
Series A Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



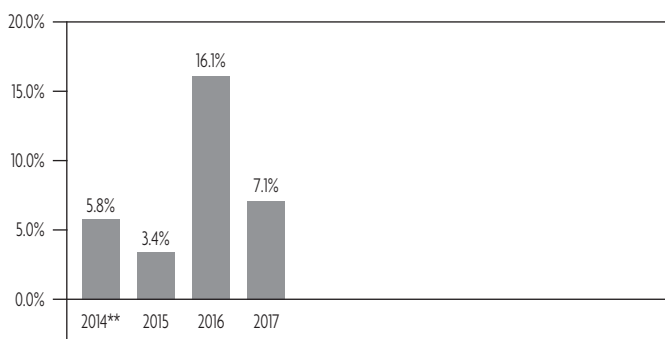
Series F Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



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



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



* for the period January 17, 2013 to December 31, 2013

** for the period April 1, 2014 to December 31, 2014

SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at June 30, 2017 (unaudited)

Top 25 Investments⁽²⁾

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Cash	9.7
2 Royal Bank of Canada	3.6
3 Bank of Nova Scotia	3.6
4 The Toronto-Dominion Bank	3.4
5 TransCanada Corporation	3.4
6 Canadian Imperial Bank of Commerce	2.9
7 Canadian National Railway	2.6
8 Innergex Renewable Energy Inc.	2.2
9 Canadian Pacific Railway Ltd.	2.2
10 McDonald's Corporation	2.2
11 Johnson & Johnson	2.1
12 Comcast Corporation, Class A	2.1
13 Fortis Inc.	2.1
14 Visa Inc.	2.0
15 Enbridge Inc.	2.0
16 American Tower Corporation	2.0
17 Honeywell International Inc.	2.0
18 Hydro One Limited	2.0
19 Microsoft Corporation	2.0
20 Verizon Communications Inc.	1.8
21 Sun Life Financial Inc.	1.8
22 Rogers Communications, Class B	1.8
23 Telus Corporation	1.8
24 Allergan	1.8
25 Manulife Financial Corporation	1.7
	64.8
Total Net Asset Value (000's)	\$ 54,736

Sun Life Dynamic Equity Income Fund

Sector Allocation⁽²⁾

	Percentage of Net Asset Value of the Fund (%)
Financials	17.0
Industrials	11.1
Cash and Cash Equivalents ⁽³⁾	10.8
Consumer Discretionary	8.7
Information Technology	8.0
Utilities	7.9
Health Care	7.1
Telecommunication Services	7.1
Real Estate	6.7
Energy Infrastructure	6.4
Consumer Staples	4.2
Private Equity – Real Estate	2.2
Materials	1.5
Energy	1.3
	100.0

Asset Mix⁽²⁾

	Percentage of Net Asset Value of the Fund (%)
Canadian Equities	53.8
U.S. Equities	35.4
Cash and Cash Equivalents ⁽³⁾	10.8
	100.0

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

⁽²⁾ The Fund invests substantially all of its assets directly in the Dynamic Equity Income Fund, Series O. The summary of investment portfolio for the Fund presents the investments as a percentage of the net asset value of the Dynamic Equity Income Fund, Series O.

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

Forward-Looking Statements

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

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Sun Life Dynamic Equity Income Fund

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

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

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I L L U M I N A T I N G