
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2016

Sun Life Granite Tactical Completion Fund



Sun Life Granite Tactical Completion Fund

This annual management report of fund performance contains financial highlights but does not contain the complete financial statements of the investment fund. You can request a free copy of the annual financial statements by calling 1-877-344-1434, by sending an email to us at info@sunlifeglobalinvestments.com or by writing to us at Sun Life Global Investments (Canada) Inc., 150 King Street West, Toronto, Ontario, M5H 1J9. Our financial statements are available on our website at www.sunlifeglobalinvestments.com and on SEDAR at www.sedar.com. All of the financial information is calculated based on the pricing Net Asset Valuation for the investment fund, unless otherwise stated.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The fundamental investment objective of the Sun Life Granite Tactical Completion Fund (the "Fund") is to seek long-term capital appreciation by using tactical asset allocation to invest primarily in exchange-traded derivatives and/or exchange-traded funds that track the performance of global equity and/or fixed income asset classes. In pursuing the Fund's investment objective, Sun Life Global Investments (Canada) Inc. (the "Manager") uses an asset allocation strategy to determine the optimal allocation between asset classes, tactically shifting exposure to add value to the Fund. The Manager may review and adjust the asset allocation strategy, in its sole discretion, depending on economic conditions and relative value of each asset class.

Risk

There were no changes in the Fund's investment objective or strategy during the period which materially impacted the overall level of risk in the Fund. The risks associated with investing in the Fund remain as outlined in the Fund's Simplified Prospectus.

Results of Operations

The Fund has a performance inception date of February 11, 2016. The period covered in this report is from the inception date to December 31, 2016. The net asset value of the Fund increased from \$0.2 million to \$554.6 million at the end of the period. The increase in net asset value was attributable to positive net sales, as well as positive performance during the period.

During the period, the Fund returned 6.7% for Series I units. This result lagged the Fund's benchmark, 34% S&P/TSX 60 C\$, 33% S&P 500 C\$, 27% MSCI EAFE C\$, 6% MSCI EM C\$, which returned 19.8%. Please refer to the 'Past Performance' section of this report for more details.

Equity markets dropped sharply in the first quarter of 2016 before a strong bounce back in the second half. Canadian equities were one of the brighter spots, while the U.S. market failed to reach another new high. The European Central Bank's decision to lower interest rates in the first quarter and

increase the amount of Quantitative Easing, did not trigger as much positive momentum in European markets as was anticipated.

In the second quarter, Britain's decision to leave the European Union ("Brexit") sent equity markets around the world into a tailspin. European markets felt the greatest pain, dropping by almost 9% the day after the vote. U.S. equity markets also took a hit before bouncing back a few days later.

The raging forest fires that destroyed parts of Fort McMurray had a negative impact on the overall economy. However, a timely surge in oil prices helped stabilize Canada's economy, giving Energy companies and the Bank of Canada some much needed breathing room.

In the third quarter, markets moved sharply higher. International and Emerging Markets played catch up and were among the stronger markets. The uncertainty caused by Brexit continued, and the Manager underweighted European equities.

The Canadian economy continued to perform poorly in the third quarter, and the Bank of Canada left interest rates unchanged. The U.S. economy continued to perform well, but there were signs of a slowdown. There was growing uncertainty in the U.S. over the future direction of interest rates and who would be the next president, and the Manager maintained a slight underweight position on U.S. equities.

In the fourth quarter, equity markets in many developed countries rallied following President Donald Trump's promise to stimulate the U.S. economy by cutting taxes and increasing spending on defense and infrastructure. With Republicans in control of Congress, the Manager felt that much of the president's economic agenda might be implemented and moved from a small underweight to an overweight position on U.S. equities.

Despite Canada's sluggish economic growth, the S&P/TSX Composite Index was one of the best performers among developed equity markets in 2016, finishing the year up 21.1% on a total return basis. The Manager believes Canada's struggling Energy sector should benefit from the decision by the Organization of the Petroleum Exporting Countries ("OPEC") to cut oil production. To capitalize on this, the Manager moved to an overweight in Canadian equities, specifically in the Energy sector. Part of the overweight

Sun Life Granite Tactical Completion Fund

consisted of covered put options that were sold to manage risk and generate income from the premiums.

The U.S. Federal Reserve raised interest rates by a quarter of a percent to 0.50% in the fourth quarter, and hinted at more rate hikes to come in 2017. The U.S. Federal Reserve's hike and Trump's election, led to one of the greatest spikes in bond yields in decades.

Recent Developments

Towards the end of the period, one of the greatest yield spikes in history occurred, hurting returns across almost all of the investment grade bond universe. Global equities rallied more than expected in anticipation of stronger U.S. economic growth, and the Manager shifted from neutral to an overweight in U.S. equities, and moved from neutral to a small overweight position in Canadian equities, partly on the U.S. growth outlook and OPEC's decision to cut oil production. Exposure to Canadian bonds was reduced and high yield and Emerging Market bonds were added.

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-advisor. The Manager has retained Sun Life Assurance Company of Canada, an affiliate, to act as a sub-advisor for the Fund.

The Manager is an indirect wholly owned subsidiary of Sun Life Financial Inc., but Sun Life Assurance Company of Canada is a direct wholly owned subsidiary.

Fund Administrative Expenses

The Manager pays certain of the operating expenses of each Fund (the "Administration Expenses") in return for a fixed administration fee paid to the Manager by each Fund ("Administration Fee"). The Administration Fee is based on the net asset value of each series of the Fund. The Administration Expenses include, but are not limited to, record keeper fees,

accounting, audit and legal fees, bank and interest charges, safekeeping and custodial fees, taxes, administrative and systems costs, costs of reports to investors, prospectuses and other disclosure documents, regulatory filing fees (including those incurred by the Manager) and trustee fees for registered plans. The amount of this charge is disclosed as a fund administrative expense in the Fund's Statement of Comprehensive Income found in the annual financial statements (audited).

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

Series Description

The Fund offers Series I units only. The date of creation for Series I was February 11, 2016.

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

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from the date of inception to December 31, 2016.

Sun Life Granite Tactical Completion Fund

The Fund's Net Asset Value per Unit (\$) ⁽¹⁾ Sun Life Granite Tactical Completion Fund – Series I

	2016 (\$)
Net assets value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.04
Total expenses	(0.07)
Realized gains (losses) for the period	1.40
Unrealized gains (losses) for the period	0.05
Total increase (decrease) from operations⁽²⁾	1.42
Distributions:	
From income (excluding dividends)	0.32
From dividends	–
From capital gains	0.09
Return of capital	–
Total annual distributions⁽³⁾	0.41
Net assets value, end of period	10.22

⁽¹⁾ This information is derived from the Fund's audited annual financial statements.

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

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

Ratios and Supplemental Data

Sun Life Granite Tactical Completion Fund – Series I

	2016
Total net asset value (\$) ⁽¹⁾	554,605,586
Number of units outstanding ⁽¹⁾	54,273,737
Management expense ratio (%) ⁽²⁾	0.06
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.06
Trading expense ratio (%) ⁽³⁾	–
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	485.81
Net asset value per unit (\$) ⁽¹⁾	10.22

⁽¹⁾ This information is provided as at December 31 of the period shown, as applicable.

⁽²⁾ Management expense ratio is based on total expenses (excluding broker commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period.

⁽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

There is no management fee charged to the Fund.

PAST PERFORMANCE

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

Year-by-Year Returns

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

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



* for the period of February 11, 2016 to December 31, 2016.

Annual Compound Returns

The Fund has not been distributed under a simplified prospectus for twelve months; therefore, the Manager may not publish annual compound returns.

Sun Life Granite Tactical Completion Fund

SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at December 31, 2016

Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Canadian Treasury Bill, 0.44%, Apr 06, 2017	19.1
2 Canadian Treasury Bill, 0.47%, Mar 23, 2017	18.0
3 Canadian Treasury Bill, 0.48%, Mar 09, 2017	15.7
4 Canadian Treasury Bill, 0.44%, Feb 23, 2017	12.2
5 Cash and Cash Equivalents ⁽²⁾	8.4
6 Bank of Montreal, 0.75%, Jan 03, 2017	4.0
7 Canadian Imperial Bank of Commerce, 0.81%, Jan 23, 2017	3.3
8 Bank of Nova Scotia, 0.81%, Feb 28, 2017	3.0
9 Bank of Montreal, 0.82%, Feb 28, 2017	2.8
10 Bank of Nova Scotia, 0.77%, Mar 06, 2017	2.7
11 Canadian Imperial Bank of Commerce, 0.82%, Mar 16, 2017	2.6
12 National Bank of Canada, 0.85%, Mar 31, 2017	1.8
13 Royal Bank of Canada, 0.75%, Jan 16, 2017	1.8
14 National Bank of Canada, 0.81%, Mar 06, 2017	1.8
15 Canadian Treasury Bill, 0.44%, Jan 26, 2017	1.3
16 Canadian Treasury Bill, 0.50%, Jan 04, 2017	1.1
17 Bank of Montreal, 0.82%, Feb 14, 2017	1.0
18 Government of Canada, 0.66%, Feb 23, 2017	0.5
19 Canadian Treasury Bill, 0.74%, Mar 10, 2017	0.3
20 SPDR S&P Oil & Gas @40 Put Option Dec 16	–
21 SPDR S&P Oil & Gas @41 Put Option Dec 16	–
22 Vaneck Vectors Gold Miners @17 Put Option Mar 17	(0.1)
23 Vaneck Vectors Gold Miners @18 Put Option Mar 17	(0.2)
24 SPDR S&P Oil & Gas @42 Put Option Jan 17	(1.1)
	100.0
Total Net Asset Value (000's)	\$ 554,606

Asset Mix⁽³⁾

	Percentage of Net Asset Value of the Fund (%)
Short-Term Investments	93.1
Cash and Cash Equivalents ⁽²⁾	8.4
Written Options – Foreign Equities	(1.5)
	100.0

⁽¹⁾ All information is as at December 31, 2016. The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. You may obtain quarterly updates to these holdings free of charge by calling us at 1-877-344-1434, visiting our website at www.sunlifeglobalinvestments.com or by sending an email to us at info@sunlifeglobalinvestments.com.

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

⁽³⁾ The Fund gains exposure to global equity markets through the notional value of derivatives based on the indexes listed.

Forward-Looking Statements

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

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Sun Life Granite Tactical Completion 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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