

---

# SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

---

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2016

Sun Life MFS Canadian Equity Value Fund



# Sun Life MFS Canadian Equity Value 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](mailto: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](http://www.sunlifeglobalinvestments.com) and on SEDAR at [www.sedar.com](http://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 Sun Life MFS Canadian Equity Value Fund (the "Fund") is to aim for long-term capital growth primarily by investing in Canadian equity securities deemed to be undervalued relative to their industries or the overall market. The Fund may invest in global equity securities or other mutual funds.

The Fund's sub-advisor is MFS Investment Management Canada Limited ("MFSIM") and the sub-advisor to MFSIM is MFS Institutional Advisors, Inc. ("MFS"). In pursuing the Fund's investment objective, MFSIM seeks to invest in equity securities of companies that it believes are undervalued compared to their perceived worth. The Fund may invest in companies of any size with issuers located primarily in Canada. The Fund may also invest up to 40% of the Fund's assets in non-Canadian securities. Using a bottom-up investment approach – investments are selected primarily based on fundamental analysis of issuers and their potential in light of their current financial condition and industry position, as well as market, economic, political and regulatory conditions; considers factors such as earnings, cash flows, competitive position and management ability of issuers.

### 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

During the period, the net asset value of the Fund increased from \$17.4 million to \$24.2 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 11.1% for Series A units. This result lagged the Fund's benchmark (75% S&P/TSX Capped Composite, 25% MSCI World C\$), which returned 16.6%. 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.

Weak stock selection within the Canadian equity portion of the Fund, particularly in both the Materials and Energy sectors, held back relative performance. Within the Materials sector, the timing of Fund's ownership in shares of exploration company Tahoe Resources and gold producer Barrick Gold weakened relative results. Additionally, not owning shares of diversified mining company Teck Resources and an overweight position in exploration company Goldcorp hurt relative returns. Within the Energy sector, not owning shares of natural gas company EnCana and the timing of Fund's ownership in shares of oil and gas company Crescent Point Energy and natural gas transmission and distribution company Enbridge detracted from relative performance.

The Fund's allocation to the Healthcare sector also hampered relative results. An untimely overweight position in pharmaceutical company Valeant Pharmaceuticals International held back relative performance.

Within the U.S. equity segment, poor stock selection in the Materials sector dampened relative performance, led by the Fund's position in chemical company PPG Industries.

An overweight position in the Healthcare sector was another detractor from relative performance. The fund's overweight positions in healthcare services company Express Scripts and medical device maker Medtronic, and holdings of health services and information technology company McKesson, held back relative performance.

Within the International equity segment, weak stock selection in the Materials sector dampened relative returns. Not owning shares of mining giant BHP Billiton and commodity trading and mining company Glencore (United Kingdom) hampered relative results.

A combination of stock selection and an overweight position in the Consumer Staples sector further weighed on relative performance led the Fund's holdings of industrial products manufacturer Reckitt Benckiser Group (United Kingdom) and food processing company Groupe Danone (France), and an overweight position in Nestle (France).

Within the Canadian equity segment of the Fund, stock selection in the Utilities and Real Estate sectors contributed

# Sun Life MFS Canadian Equity Value Fund

---

to relative performance. Within the Utilities sector, the Fund's overweight position in energy products and services provider Superior Plus aided relative returns. Within the Real Estate sector, an overweight position in real estate investment trust Dream Office Real Estate Investment Trust also supported relative results.

Within the equity segment, strong stock selection in the Information Technology sector was a primary contributor to relative performance. An out-of-benchmark allocation to computer graphics processors maker NVIDIA, semiconductor manufacturer Taiwan Semiconductor and electronic equipment and circuit company Analog Devices helped relative returns.

During the period, the Fund's relative currency exposure, resulting primarily from differences between the Fund's and the benchmark's exposure to holdings of securities denominated in foreign currencies, was another contributor to relative performance.

## Recent Developments

Sluggish global growth weighed on both developed and emerging market ("EM") economies during much of the period, though signs of improved growth became evident in late 2016. The U.S. Federal Reserve increased interest rates by 25 basis points at the end of the period, the second interest rate hike of the cycle which began in December 2015. Globally, however, central bank policy remained highly accommodative, which forced many governments and even some corporate bond yields into negative territory during the period. During the first half of the period, the United Kingdom voted to leave the European Union, beginning a multi-year process of negotiation in order to achieve "Brexit." While markets initially reacted to the vote with alarm, the spillover to European and EM economies was relatively short-lived, although risks of further hits to the European Union cohesiveness could re-emerge. Late in the period, the surprising U.S. presidential election outcome prompted a significant rally in equities and a rise in bond yields in anticipation of an inflationary policy mix from the incoming Trump administration.

During the fourth quarter, Canadian equities gained 4.5%, supporting a 21% 2016 return and registering the strongest ranking in local currency terms among developed nations, with the U.K. equities coming in finishing second at 14%. However, 2016 was a volatile ride. The year started out with one of the worst January's on record, down 10% in the first three weeks, capping a 24% price contraction from the Canadian markets peak in September of 2014, as the price of oil and other commodities retreated to trace multi-year lows. Then, in late January, Energy stocks turned positive in reaction to the bottoming in oil prices of around \$26, and reinforced by already-rebounding gold stocks, resources then

rose sharply in large part driven by debt-heavy and in many cases small capitalization stocks. Separately, this was accompanied by strong price performance in the high-dividend stocks in the Telecommunication, Utilities and Real Estate sectors, reflecting a continued decline in bond yields around the Globe. Consistent with the underlying deflation and potential recession concerns, most notably in Canada, the first half of 2016 registered the strongest 6-month TSX gold stock rally in decades.

During the second half of 2016, as economic growth signals broadly improved, sector leadership reversed and stock price performance broadened out to become a stock picker's market by including almost all sectors – except precious metals and dividend paying stocks. Unlike the price of gold which retreated in the second half of 2016, industrial commodity prices continued their ascent in the second half driven by iron ore, copper and oil, following the positive economic signals. There was also less distinction in performance between large, mid and small-cap stocks during the second half.

Reverberations of the U.S. election were felt immediately. President Trump's tweets combined with the already-improving economic growth and the Organization of Petroleum Exporting Countries ("OPEC") driven rise in oil prices to spark a very sharp rise in interest rates. Investors were driven into the Financials, Energy, Technology and Industrials sectors, and away from gold stocks and the high-dividend paying stocks such as the Real Estate and Telecommunications stocks that had been strong in the first half. For the year as a whole, it was the Materials, Energy and Financials sectors that carried performance.

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.

# Sun Life MFS Canadian Equity Value Fund

---

As portfolio manager, the Manager is responsible for managing the investment portfolio of the Fund directly or through sub-advisors. The Manager has retained MFS Investment Management Canada Limited (“MFSIM”), an affiliate, to act as a sub-advisor for the Fund.

The Manager is an indirect wholly owned subsidiary of Sun Life Financial Inc., which also has an indirect majority ownership interest in MFSIM.

## 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 the following series of units: A, D, F, I and O. The date of creation for Series A units was March 31, 2009, the date of creation for Series D units was July 1, 1999, the date of creation for Series F units was February 13, 2008, and the date of creation for Series I units was March 24, 2005. Prior to April 2, 2012, these series were called classes. Effective April 2, 2012, Class O units of the Fund were renamed as Series I units and Class C units were reclassified as Series I units. The date of creation for Series E and O units was April 1, 2014.

Series A units are available to all investors.

Series D units are only available for purchase by existing investors who held Class D units of the Fund on March 30, 2012. Investors may switch their Series D units of one fund into Series D units of another Sun Life Global Investments Mutual Fund, but may not switch units of another series into Series D units. Once a Series D investor no longer owns any Series D units, the investor may not purchase additional Series D units. In addition, Series D units may be switched into any other series (if available), if the investor meets the applicable requirements for those series.

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 December 31, 2016.

# Sun Life MFS Canadian Equity Value Fund

The Fund's Net Asset Value per Unit (\$) <sup>(1)(4)</sup>

## Sun Life MFS Canadian Equity Value Fund – Series A

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	19.24	19.45	17.39	14.30	13.32
<b>Increase (decrease) from operations:</b>					
Total revenue	0.53	0.48	0.43	0.36	0.43
Total expenses	(0.49)	(0.49)	(0.47)	(0.39)	(0.32)
Realized gains (losses) for the period	0.54	1.47	1.03	1.13	(0.23)
Unrealized gains (losses) for the period	1.85	(1.47)	0.82	1.81	1.28
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>2.43</b>	<b>(0.01)</b>	<b>1.81</b>	<b>2.91</b>	<b>1.16</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.07)	–	–	–	(0.19)
From capital gains	(0.06)	(0.32)	–	–	–
Return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.13)</b>	<b>(0.32)</b>	<b>–</b>	<b>–</b>	<b>(0.19)</b>
<b>Net asset value, end of period</b>	<b>21.24</b>	<b>19.24</b>	<b>19.45</b>	<b>17.39</b>	<b>14.29</b>

## Sun Life MFS Canadian Equity Value Fund – Series D

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	19.97	20.08	17.83	14.62	13.52
<b>Increase (decrease) from operations:</b>					
Total revenue	0.52	0.47	0.41	0.36	0.41
Total expenses	(0.34)	(0.35)	(0.32)	(0.27)	(0.21)
Realized gains (losses) for the period	0.52	1.50	0.95	1.15	(0.16)
Unrealized gains (losses) for the period	1.63	(1.32)	1.26	2.05	1.35
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>2.33</b>	<b>0.30</b>	<b>2.30</b>	<b>3.29</b>	<b>1.39</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.10)	(0.04)	(0.02)	(0.09)	(0.21)
From capital gains	(0.06)	(0.34)	–	–	–
Return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.16)</b>	<b>(0.38)</b>	<b>(0.02)</b>	<b>(0.09)</b>	<b>(0.21)</b>
<b>Net asset value, end of period</b>	<b>22.19</b>	<b>19.97</b>	<b>20.08</b>	<b>17.83</b>	<b>14.61</b>

## Sun Life MFS Canadian Equity Value Fund – Series F

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	19.67	19.69	17.50	14.39	13.42
<b>Increase (decrease) from operations:</b>					
Total revenue	0.53	0.44	0.41	0.38	0.54
Total expenses	(0.28)	(0.29)	(0.26)	(0.22)	(0.17)
Realized gains (losses) for the period	0.53	1.42	0.94	1.13	(0.68)
Unrealized gains (losses) for the period	1.67	(1.21)	1.18	2.08	2.86
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>2.45</b>	<b>0.36</b>	<b>2.27</b>	<b>3.37</b>	<b>2.55</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.20)	–	(0.09)	(0.18)	(0.37)
From capital gains	(0.06)	(0.32)	–	–	–
Return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.26)</b>	<b>(0.32)</b>	<b>(0.09)</b>	<b>(0.18)</b>	<b>(0.37)</b>
<b>Net asset value, end of period</b>	<b>21.83</b>	<b>19.67</b>	<b>19.69</b>	<b>17.50</b>	<b>14.38</b>

## Sun Life MFS Canadian Equity Value Fund – Series I

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	19.95	20.08	17.83	14.62	–
<b>Increase (decrease) from operations:</b>					
Total revenue	0.57	0.50	0.41	0.36	0.33
Total expenses	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	0.60	1.54	0.94	1.15	(0.35)
Unrealized gains (losses) for the period	2.03	(1.62)	1.22	1.95	0.07
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>3.19</b>	<b>0.41</b>	<b>2.56</b>	<b>3.45</b>	<b>0.04</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.45)	(0.36)	(0.34)	(0.35)	(0.46)
From capital gains	(0.06)	(0.34)	–	–	–
Return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.51)</b>	<b>(0.70)</b>	<b>(0.34)</b>	<b>(0.35)</b>	<b>(0.46)</b>
<b>Net asset value, end of period</b>	<b>22.17</b>	<b>19.95</b>	<b>20.08</b>	<b>17.83</b>	<b>14.60</b>

# Sun Life MFS Canadian Equity Value Fund

## Sun Life MFS Canadian Equity Value Fund – Series O

	2016 (\$)	2015 (\$)	2014 (\$)
Net asset value, beginning of period	10.56	10.63	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.28	0.28	0.20
Total expenses	(0.02)	(0.03)	(0.02)
Realized gains (losses) for the period	0.29	0.84	0.50
Unrealized gains (losses) for the period	0.95	(0.85)	(0.19)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.50</b>	<b>0.24</b>	<b>0.49</b>
<b>Distributions:</b>			
From income (excluding dividends)	–	–	–
From dividends	(0.22)	(0.18)	(0.17)
From capital gains	(0.03)	(0.18)	–
Return of capital	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.25)</b>	<b>(0.36)</b>	<b>(0.17)</b>
<b>Net asset value, end of period</b>	<b>11.73</b>	<b>10.56</b>	<b>10.63</b>

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

<sup>(2)</sup> 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.

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

<sup>(4)</sup> 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").

## Ratios and Supplemental Data<sup>(6)</sup>

### Sun Life MFS Canadian Equity Value Fund – Series A

	2016	2015	2014	2013	2012
Total net asset value (\$) <sup>(1)</sup>	2,658,776	1,495,807	1,081,672	401,749	305,676
Number of units outstanding <sup>(1)</sup>	125,202	77,763	55,608	23,104	21,374
Management expense ratio (%) <sup>(2)</sup>	2.39	2.37	2.40	2.44	2.32
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	2.39	2.37	3.64	3.91	3.30
Trading expense ratio (%) <sup>(3)</sup>	0.05	0.07	0.09	0.09	0.12
Portfolio turnover rate (%) <sup>(4)(5)</sup>	27.80	37.17	29.97	34.61	50.30
Net asset value per unit (\$) <sup>(1)</sup>	21.24	19.24	19.45	17.39	14.30

### Sun Life MFS Canadian Equity Value Fund – Series D

	2016	2015	2014	2013	2012
Total net asset value (\$) <sup>(1)</sup>	10,483,259	10,487,725	11,394,391	11,095,108	10,900,154
Number of units outstanding <sup>(1)</sup>	472,418	525,238	567,351	622,385	745,432
Management expense ratio (%) <sup>(2)</sup>	1.62	1.63	1.62	1.64	1.53
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.62	1.63	2.46	2.63	2.16
Trading expense ratio (%) <sup>(3)</sup>	0.05	0.07	0.09	0.09	0.12
Portfolio turnover rate (%) <sup>(4)(5)</sup>	27.80	37.17	29.97	34.61	50.30
Net asset value per unit (\$) <sup>(1)</sup>	22.19	19.97	20.08	17.83	14.62

## Sun Life MFS Canadian Equity Value Fund – Series F

	2016	2015	2014	2013	2012
Total net asset value (\$) <sup>(1)</sup>	1,209,047	987,057	1,589,585	1,126,837	992,552
Number of units outstanding <sup>(1)</sup>	55,375	50,175	80,742	64,401	68,967
Management expense ratio (%) <sup>(2)</sup>	1.35	1.35	1.36	1.37	1.27
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.35	1.35	2.06	2.19	1.80
Trading expense ratio (%) <sup>(3)</sup>	0.05	0.07	0.09	0.09	0.12
Portfolio turnover rate (%) <sup>(4)(5)</sup>	27.80	37.17	29.97	34.61	50.30
Net asset value per unit (\$) <sup>(1)</sup>	21.83	19.67	19.69	17.50	14.39

## Sun Life MFS Canadian Equity Value Fund – Series I

	2016	2015	2014	2013	2012
Total net asset value (\$) <sup>(1)</sup>	9,133,592	3,608,812	2,810,032	2,679,981	3,795,947
Number of units outstanding <sup>(1)</sup>	411,937	180,868	139,954	150,313	259,678
Management expense ratio (%) <sup>(2)</sup>	0.06	0.06	0.07	0.08	0.08
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.06	0.06	0.10	0.13	0.12
Trading expense ratio (%) <sup>(3)</sup>	0.05	0.07	0.09	0.09	0.12
Portfolio turnover rate (%) <sup>(4)(5)</sup>	27.80	37.17	29.97	34.61	50.30
Net asset value per unit (\$) <sup>(1)</sup>	22.17	19.95	20.08	17.83	14.62

## Sun Life MFS Canadian Equity Value Fund – Series O

	2016	2015	2014
Total net asset value (\$) <sup>(1)</sup>	720,272	528,379	265,902
Number of units outstanding <sup>(1)</sup>	61,383	50,035	25,006
Management expense ratio (%) <sup>(2)</sup>	0.24	0.24	0.24
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.24	0.24	0.36
Trading expense ratio (%) <sup>(3)</sup>	0.05	0.07	0.09
Portfolio turnover rate (%) <sup>(4)(5)</sup>	27.80	37.17	29.97
Net asset value per unit (\$) <sup>(1)</sup>	11.73	10.56	10.63

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> Percentages are annualized.

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



# Sun Life MFS Canadian Equity Value Fund

## 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:

	Maximum Annual Management Fee Rate (%)	As a Percentage of Management Fees	
		Dealer Compensation (%) <sup>1</sup>	General Administration, Investment Advice and Profit (%)
Series A Units	1.95	41	59
Series D Units	1.25	11	89
Series F Units	1.00	—	100
Series I Units	—	—	—
Series O Units <sup>2</sup>	1.00	—	100

<sup>1</sup> Includes sales and trailing commissions.

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

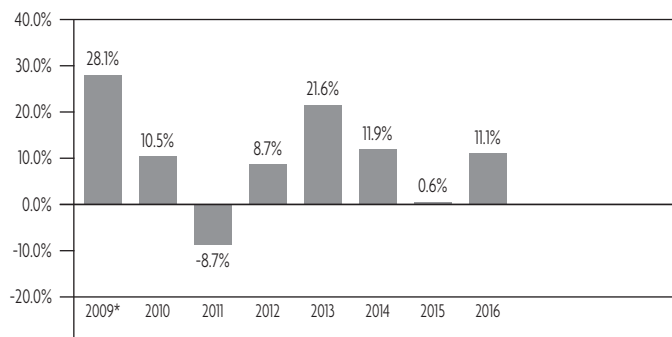
## PAST PERFORMANCE

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.

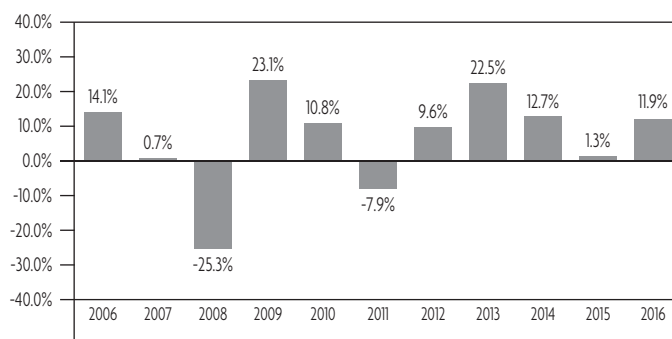
### Year-by-Year Returns

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.

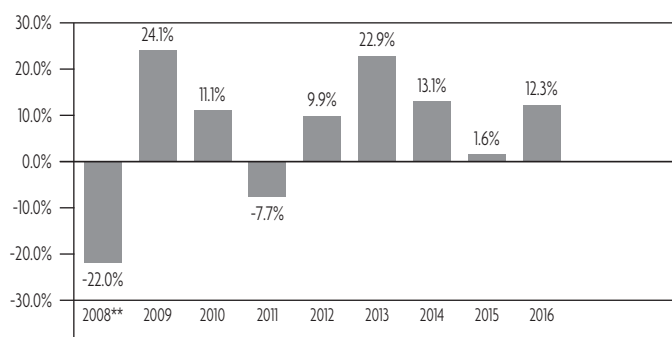
Series A Units – Annual return for the period ended December 31, 2016



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



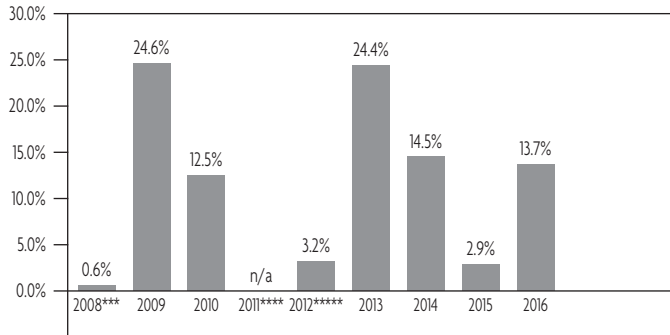
Series F Units – Annual return for the period ended December 31, 2016



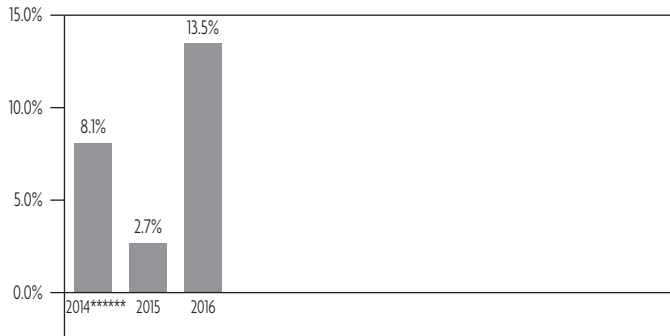


# Sun Life MFS Canadian Equity Value Fund

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



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



\* for the period of March 31, 2009 to December 31, 2009

\*\* for the period of February 13, 2008 to December 31, 2008

\*\*\* for the period of November 28, 2008 to December 31, 2008

\*\*\*\* Returns not available for this time period because there were no investors in this series for a continuous calendar year

\*\*\*\*\* for the period of April 2, 2012 to December 31, 2012

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

## Annual Compound Returns

The following table compares the historical annual compound total returns of Series A, D, F, I and O units of the Fund with the blended benchmark comprised of 75% S&P/TSX Capped Composite Index and 25% MSCI World C\$ Index.

The S&P/TSX Capped Composite covers approximately 95% of the Canadian equities market, and has been the primary gauge for Canadian-based, Toronto Stock Exchange-listed companies since 1977. The MSCI World C\$ Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

The Series A units underperformed the benchmark since inception, over the past 3 years and over the past year but outperformed the benchmark over the past five years.

	1 Year	3 Year	5 Year	10 Year	Performance Start Date <sup>(1)(2)(3)(4)(5)</sup>
Sun Life MFS Canadian Equity Value Fund – Series A	11.1%	7.7%	10.6%	N/A	10.3%
Blended Benchmark (75% S&P/TSX Capped Composite Index; 25% MSCI World C\$ Index)	16.6%	8.4%	10.4%	N/A	11.6%
S&P/TSX Capped Composite Index	21.1%	7.1%	8.2%	N/A	10.7%
MSCI World C\$ Index	3.8%	12.2%	16.7%	N/A	13.8%
Sun Life MFS Canadian Equity Value Fund – Series O	13.5%	N/A	N/A	N/A	8.8%
Blended Benchmark (75% S&P/TSX Capped Composite Index; 25% MSCI World C\$ Index)	16.6%	N/A	N/A	N/A	7.0%
S&P/TSX Capped Composite Index	21.1%	N/A	N/A	N/A	5.5%
MSCI World C\$ Index	3.8%	N/A	N/A	N/A	11.3%
Sun Life MFS Canadian Equity Value Fund – Series D	11.9%	8.5%	11.4%	4.9%	N/A
Blended Benchmark (75% S&P/TSX Capped Composite Index; 25% MSCI World C\$ Index)	16.6%	8.4%	10.4%	5.0%	N/A
S&P/TSX Capped Composite Index	21.1%	7.1%	8.2%	4.7%	N/A
MSCI World C\$ Index	3.8%	12.2%	16.7%	5.3%	N/A
Sun Life MFS Canadian Equity Value Fund – Series F	12.3%	8.8%	11.7%	N/A	6.4%
Blended Benchmark (75% S&P/TSX Capped Composite Index; 25% MSCI World C\$ Index)	16.6%	8.4%	10.4%	N/A	5.6%
S&P/TSX Capped Composite Index	21.1%	7.1%	8.2%	N/A	4.7%
MSCI World C\$ Index	3.8%	12.2%	16.7%	N/A	7.9%
Sun Life MFS Canadian Equity Value Fund – Series I	13.7%	10.2%	N/A	N/A	12.1%
Blended Benchmark (75% S&P/TSX Capped Composite Index; 25% MSCI World C\$ Index)	16.6%	8.4%	N/A	N/A	9.7%
S&P/TSX Capped Composite Index	21.1%	7.1%	N/A	N/A	7.7%
MSCI World C\$ Index	3.8%	12.2%	N/A	N/A	15.4%

# Sun Life MFS Canadian Equity Value Fund

- <sup>(1)</sup> The performance start date for Series A units was April 1, 2009.
- <sup>(2)</sup> The performance start date for Series D units was July 1, 1999. The performance start date may be different from the series creation date as the Manager did not distribute securities to the public immediately after their creation. The performance start date reflects the date the Manager began accepting subscriptions and calculating a daily net asset value for the series.
- <sup>(3)</sup> The performance start date for Series F units was February 15, 2008. The performance start date may be different from the series creation date as the Manager did not distribute securities to the public immediately after their creation. The performance start date reflects the date the Manager began accepting subscriptions and calculating a daily net asset value for the series.
- <sup>(4)</sup> The performance start date for Series I units was April 2, 2012. The performance start date for Series I units was April 2, 2012. Annual compound returns are not available for Series I units because there were no investors in the fund during the applicable time period(s), causing a break in performance. Any calculation of compound returns would therefore be inaccurate.
- <sup>(5)</sup> The performance start date for Series O units was April 1, 2014.

## SUMMARY OF INVESTMENT PORTFOLIO<sup>(1)</sup>

as at December 31, 2016

### Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Sun Life MFS International Value Fund, Series I <sup>(2)</sup>	14.3
2 Sun Life MFS U.S. Value Fund, Series I <sup>(2)</sup>	12.5
3 The Toronto-Dominion Bank	6.2
4 Royal Bank of Canada	5.8
5 The Bank of Nova Scotia	4.5
6 Suncor Energy Inc.	3.8
7 TransCanada Corp.	3.4
8 Canadian Natural Resources Ltd.	3.1
9 Manulife Financial Corp.	2.5
10 Canadian Pacific Railway Ltd	2.4
11 Enbridge Inc.	2.3
12 Agnico Eagle Mines Ltd.	1.8
13 TELUS Corp.	1.8
14 Loblaw Companies Limited	1.4
15 Agrium Inc.	1.4
16 Waste Connections Inc	1.4
17 Transcontinental Inc., Class A	1.4
18 CGI Group Inc.	1.3
19 Quebecor Inc., Class B	1.3
20 Element Financial Corp.	1.3
21 National Bank of Canada	1.2
22 Superior Plus Corp.	1.2
23 Dream Office Real Estate Investment Trust	1.1
24 Fairfax Financial Holdings Ltd.	1.1
25 Goldcorp Inc.	1.1
	<b>79.6</b>
<b>Total Net Asset Value (000's)</b>	<b>\$ 24,205</b>

### Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Financials	31.2
Energy	16.9
Industrials	13.4
Materials	11.0
Consumer Staples	7.9
Information Technology	6.0
Consumer Discretionary	3.7
Health Care	2.6
Real Estate	2.4
Telecommunication Services	2.2
Cash and Cash Equivalents <sup>(3)</sup>	1.4
Utilities	1.3
	<b>100.0</b>

### Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Canadian Equities	72.9
International Equities	14.6
U.S. Equities	11.1
Cash and Cash Equivalents <sup>(3)</sup>	1.4
	<b>100.0</b>

<sup>(1)</sup> 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](http://www.sunlifeglobalinvestments.com) or by sending an email to us at [info@sunlifeglobalinvestments.com](mailto:info@sunlifeglobalinvestments.com).

<sup>(2)</sup> The Fund invests in other investment funds. The prospectus of the underlying investment funds and other information can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

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

# Sun Life MFS Canadian Equity Value Fund

---

## 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 MFS Canadian Equity Value 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](http://www.sunlifeglobalinvestments.com)** or **[www.sedar.com](http://www.sedar.com)**.

Sun Life Global Investments (Canada) Inc.  
150 King Street West, Toronto, Ontario, M5H 1J9  
Telephone: 1-877-344-1434 | Facsimile: 416-979-2859  
[info@sunlifeglobalinvestments.com](mailto:info@sunlifeglobalinvestments.com)  
[www.sunlifeglobalinvestments.com](http://www.sunlifeglobalinvestments.com)



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