
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2016

Sun Life MFS U.S. Value Fund



Sun Life MFS U.S. 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 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 Sun Life MFS U.S. Value Fund (the "Fund") is to seek capital appreciation by investing primarily in equity securities of companies with large market capitalizations located in the United States that are considered to be undervalued compared to their perceived worth.

The Fund's sub-advisor is MFS Institutional Advisors, Inc. (the "sub-advisor"). The sub-advisor uses a bottom-up investment approach selecting investments 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. The sub-advisor also considers factors such as earnings, cash flows, competitive position and management ability of issuers. The Fund invests primarily in companies with large capitalizations (large market capitalization generally considered as issuers with market capitalizations of at least USD \$5 billion at the time of purchase). The Fund may also invest up to 20% of the Fund's assets in non-U.S. foreign securities.

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 \$106.7 million to \$127.5 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 7.8% for Series A units. This result lagged the Fund's benchmark, the Russell 1000 C\$, which returned 8.2%. 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.

Stock selection in the Materials sector detracted from relative performance. Holding shares of poor-performing chemical company PPG Industries weakened relative performance.

An overweight allocation and security selection within the Healthcare sector also held back relative returns. Within this sector, an overweight positions in healthcare services company Express Scripts and medical device maker Medtronic, in addition to holding shares of health services and information technology company McKesson, hurt relative results.

Weak security selection and an overweight position in the Consumer Staples sector further weighed on relative performance. Overweighting drugstore retailer CVS Health and holding shares of global food company Nestle (Switzerland) and international manufacturer and distributor of premium drinks Diageo (United Kingdom) detracted from relative returns.

Elsewhere, holding automotive components manufacturer Delphi Automotive and not holding financial services firm Bank of America hindered relative results.

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

The Fund's cash and/or cash equivalent position during the period was another detractor from relative performance. In a period where equity markets rose, as measured by the Fund's benchmark, holding cash hurts performance versus the benchmark, which has no cash position.

An underweight allocation to the Real Estate sector positively impacted relative performance. However, there were no individual stocks within this sector that were among the top relative contributors for the quarter.

An overweight position in the Industrials sector also supported relative results. Within this sector, not holding shares of diversified industrial conglomerate General Electric aided relative returns as the stock lagged the benchmark over the period.

Strong security selection in the Consumer Discretionary sector further lifted relative returns. An overweight position

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in media firm Time Warner and not holding global auto maker Ford benefitted relative performance within this sector.

Stocks in other sectors that strengthened relative results included overweight positions in financial services firms JPMorgan Chase and Goldman Sachs, not holding shares of software giant Microsoft, an underweight position in eye care and skin care products company Allergan (Ireland), holding semiconductor company Texas Instruments, overweighting telecommunications services provider Verizon Communications and an underweight position in diversified financial services firm Citigroup.

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 hike of the cycle which began in December 2015. Globally, however, central bank policy remained highly accommodative, which forced many government, 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 were relatively short-lived, although risks of further hits to 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.

Headwinds from lower energy and commodity prices, which had spread beyond the Energy, Materials and Industrial sectors early in the period, decreased later in the period as stabilizing oil prices helped push energy earnings higher relative to expectations. A sharp rise in the U.S. Dollar was a headwind for multinationals late in the period. The sharp rise in the U.S. Dollar also weighed on earnings. U.S. consumer spending held up well during the second half of the period amid a modest increase in real wages and relatively low gasoline prices. Demand for automobiles reached near-record territory, while the housing market continued its recovery. Slow global trade continued to mirror slow global growth, particularly for many EM countries. That said, EM countries began to show signs of a modest upturn in activity along with adjustment in their external accounts. These improved conditions appeared to have reassured investors and contributed to record inflows into the asset class during July and August as negative yields for an increasing share of developed market bonds drove yield-seeking investors further out on the risk spectrum.

Similar investor inflows were experienced in the investment grade and high yield corporate markets. Late in the period, however, new challenges emerged for emerging markets debt as a result of the U.S. presidential election, which raised concerns about the potential for a protectionist turn in U.S. trade policy which could negatively impact EM economies. These concerns, along with rising expectations for U.S. growth, inflation and rates, have turned the tables on flows into emerging market debt. Since the election, flows have reversed. As of the end of the period, the markets seemed to be in a wait-and-see mode, looking for evidence to either confirm or refute the repricing of risk that has occurred since Election Day.

Effective February 5, 2016, all Series E and EF units were re-designated to Series A units, under the Front End Sales Charge option, and Series F units, respectively, 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 MFS Institutional Advisors, Inc. (“MFS”), 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 MFS.

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,

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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, AH, T5, T8, F, FH, I, IH, O and OH. The date of creation for Series A, F, and I units was October 1, 2010, the date of creation for Series AH units was February 1, 2011, the date of creation for Series T5 and T8 units was September 1, 2011, the date of creation for Series O units was April 1, 2014, and the date of creation for Series FH, IH and OH units was July 29, 2016.

Series A, AH, T5 and T8 units are available to all investors.

Series T5 and T8 units are designed to provide investors with a fixed monthly distribution based on a target annualized distribution rate of 5% and 8%, respectively, of the net asset value per unit of the relevant series at the end of the prior year.

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 FH units are available to investors who have a fee-based account with their dealer and whose dealer has signed an agreement with us. The characteristics of Series FH units are the same as Series F units, except that the return of Series FH units will reflect the performance of the Fund after hedging substantially all of the foreign currency exposure attributable to Series FH.

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 IH units are special purpose securities that are currently only available to other mutual funds and eligible institutional investors. Series IH units are not sold to the general public. The characteristics of Series IH units are the same as Series I units, except that the return of Series IH units will reflect the performance of the Fund after hedging substantially all of the foreign currency exposure attributable to Series IH.

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.

Series OH units are only available to investors through the Private Client Program. The characteristics of Series OH units are the same as Series O units, except that the return of Series OH units will reflect the performance of the Fund after hedging substantially all of the foreign currency exposure attributable to Series OH.

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.

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

Sun Life MFS U.S. Value Fund – Series A

| | 2016 (\$) | 2015 (\$) | 2014 (\$) | 2013 (\$) | 2012 (\$) |
|--|---------------|--------------|---------------|---------------|---------------|
| Net asset value, beginning of period | 21.25 | 18.28 | 15.56 | 11.09 | 10.17 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.52 | 0.50 | 0.41 | 0.29 | 0.27 |
| Total expenses | (0.81) | (0.73) | (0.63) | (0.35) | (0.28) |
| Realized gains (losses) for the period | 0.65 | 0.87 | 0.55 | 0.56 | 0.31 |
| Unrealized gains (losses) for the period | 1.54 | 2.14 | 2.46 | 4.05 | 0.56 |
| Total increase (decrease) from operations⁽²⁾ | 1.90 | 2.78 | 2.79 | 4.55 | 0.86 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.01) | – | – | (0.09) | (0.15) |
| From dividends | – | – | – | – | – |
| From capital gains | – | – | (0.05) | (0.02) | (0.05) |
| Return of capital | – | – | (0.01) | – | – |
| Total annual distributions⁽³⁾ | (0.01) | – | (0.06) | (0.11) | (0.20) |
| Net asset value, end of period | 22.90 | 21.25 | 18.28 | 15.56 | 11.09 |

Sun Life MFS U.S. Value Fund – Series AH

| | 2016 (\$) | 2015 (\$) | 2014 (\$) | 2013 (\$) | 2012 (\$) |
|--|--------------|---------------|--------------|---------------|---------------|
| Net asset value, beginning of period | 15.63 | 15.85 | 14.40 | 10.77 | 10.07 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.40 | 0.39 | 0.37 | 0.28 | 0.26 |
| Total expenses | (0.63) | (0.59) | (0.56) | (0.33) | (0.28) |
| Realized gains (losses) for the period | 0.31 | (1.86) | (0.49) | (0.22) | 0.54 |
| Unrealized gains (losses) for the period | 1.51 | 1.84 | 2.10 | 3.68 | 0.80 |
| Total increase (decrease) from operations⁽²⁾ | 1.59 | (0.22) | 1.42 | 3.41 | 1.32 |
| Distributions: | | | | | |
| From income (excluding dividends) | – | – | – | (0.08) | (0.15) |
| From dividends | – | – | – | – | – |
| From capital gains | – | – | – | – | (0.47) |
| Return of capital | – | – | – | – | – |
| Total annual distributions⁽³⁾ | – | – | – | (0.08) | (0.62) |
| Net asset value, end of period | 17.21 | 15.63 | 15.85 | 14.40 | 10.77 |

Sun Life MFS U.S. Value Fund – Series T5

| | 2016 (\$) | 2015 (\$) | 2014 (\$) | 2013 (\$) | 2012 (\$) |
|--|---------------|---------------|---------------|---------------|---------------|
| Net asset value, beginning of period | 27.04 | 24.36 | 21.69 | 16.02 | 15.35 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.65 | 0.65 | 0.57 | 0.41 | 0.39 |
| Total expenses | (1.01) | (0.95) | (0.88) | (0.47) | (0.42) |
| Realized gains (losses) for the period | 0.82 | 1.16 | 0.69 | 0.68 | 0.35 |
| Unrealized gains (losses) for the period | 1.13 | 3.02 | 5.10 | 5.84 | 1.32 |
| Total increase (decrease) from operations⁽²⁾ | 1.59 | 3.88 | 5.48 | 6.46 | 1.64 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.03) | – | (0.92) | (0.13) | (0.92) |
| From dividends | – | – | – | – | – |
| From capital gains | – | – | (0.12) | (0.02) | (0.07) |
| Return of capital | (1.32) | (1.22) | (0.04) | (0.65) | – |
| Total annual distributions⁽³⁾ | (1.35) | (1.22) | (1.08) | (0.80) | (0.99) |
| Net asset value, end of period | 27.67 | 27.04 | 24.36 | 21.69 | 16.01 |

Sun Life MFS U.S. Value Fund – Series T8

| | 2016 (\$) | 2015 (\$) | 2014 (\$) | 2013 (\$) | 2012 (\$) |
|--|---------------|---------------|---------------|---------------|---------------|
| Net asset value, beginning of period | 23.97 | 22.25 | 20.42 | 15.48 | 15.24 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.56 | 0.58 | 0.51 | 0.39 | 0.38 |
| Total expenses | (0.89) | (0.88) | (0.81) | (0.45) | (0.41) |
| Realized gains (losses) for the period | 0.75 | 1.05 | 0.63 | 0.62 | 0.34 |
| Unrealized gains (losses) for the period | 1.66 | 2.69 | 4.24 | 5.71 | 1.30 |
| Total increase (decrease) from operations⁽²⁾ | 2.08 | 3.44 | 4.57 | 6.27 | 1.61 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.05) | – | (1.39) | (0.18) | (1.33) |
| From dividends | – | – | – | – | – |
| From capital gains | – | – | (0.11) | (0.03) | (0.07) |
| Return of capital | (1.87) | (1.78) | (0.13) | (1.03) | – |
| Total annual distributions⁽³⁾ | (1.92) | (1.78) | (1.63) | (1.24) | (1.40) |
| Net asset value, end of period | 23.76 | 23.97 | 22.25 | 20.42 | 15.47 |

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Sun Life MFS U.S. Value Fund – Series F

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|---------------|---------------|---------------|---------------|---------------|
| | (\$) | (\$) | (\$) | (\$) | (\$) |
| Net asset value, beginning of period | 22.06 | 18.91 | 16.08 | 11.34 | 10.29 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.54 | 0.52 | 0.43 | 0.30 | 0.24 |
| Total expenses | (0.47) | (0.42) | (0.36) | (0.22) | (0.16) |
| Realized gains (losses) for the period | 0.68 | 0.92 | 0.55 | 0.60 | 0.08 |
| Unrealized gains (losses) for the period | 1.61 | 2.01 | 3.10 | 3.63 | 2.02 |
| Total increase (decrease) from operations⁽²⁾ | 2.36 | 3.03 | 3.72 | 4.31 | 2.18 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.29) | (0.17) | (0.20) | (0.10) | (0.15) |
| From dividends | – | – | – | – | – |
| From capital gains | – | – | (0.05) | (0.02) | (0.05) |
| Return of capital | – | – | (0.01) | – | – |
| Total annual distributions⁽³⁾ | (0.29) | (0.17) | (0.26) | (0.12) | (0.20) |
| Net asset value, end of period | 23.74 | 22.06 | 18.91 | 16.08 | 11.34 |

Sun Life MFS U.S. Value Fund – Series FH

| | 2016 |
|--|---------------|
| | (\$) |
| Net asset value, beginning of period | – |
| Increase (decrease) from operations: | |
| Total revenue | 0.09 |
| Total expenses | (0.09) |
| Realized gains (losses) for the period | (0.06) |
| Unrealized gains (losses) for the period | 0.54 |
| Total increase (decrease) from operations⁽²⁾ | 0.48 |
| Distributions: | |
| From income (excluding dividends) | (0.17) |
| From dividends | – |
| From capital gains | – |
| Return of capital | – |
| Total annual distributions⁽³⁾ | (0.17) |
| Net asset value, end of period | 10.31 |

Sun Life MFS U.S. Value Fund – Series I

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|---------------|---------------|---------------|---------------|---------------|
| | (\$) | (\$) | (\$) | (\$) | (\$) |
| Net asset value, beginning of period | 23.15 | 19.78 | 16.71 | 11.65 | 10.44 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.57 | 0.54 | 0.44 | 0.31 | 0.29 |
| Total expenses | (0.02) | (0.02) | (0.02) | (0.02) | (0.02) |
| Realized gains (losses) for the period | 0.74 | 0.97 | 0.60 | 0.50 | 0.34 |
| Unrealized gains (losses) for the period | 1.17 | 2.29 | 2.45 | 4.28 | 0.99 |
| Total increase (decrease) from operations⁽²⁾ | 2.46 | 3.78 | 3.47 | 5.07 | 1.60 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.51) | (0.40) | (0.32) | (0.12) | (0.16) |
| From dividends | – | – | – | – | – |
| From capital gains | – | – | (0.06) | (0.02) | (0.05) |
| Return of capital | – | – | (0.01) | – | – |
| Total annual distributions⁽³⁾ | (0.51) | (0.40) | (0.39) | (0.14) | (0.21) |
| Net asset value, end of period | 25.05 | 23.15 | 19.78 | 16.71 | 11.65 |

Sun Life MFS U.S. Value Fund – Series IH

| | 2016 |
|--|---------------|
| | (\$) |
| Net asset value, beginning of period | – |
| Increase (decrease) from operations: | |
| Total revenue | 0.09 |
| Total expenses | – |
| Realized gains (losses) for the period | (0.06) |
| Unrealized gains (losses) for the period | 0.51 |
| Total increase (decrease) from operations⁽²⁾ | 0.54 |
| Distributions: | |
| From income (excluding dividends) | (0.21) |
| From dividends | – |
| From capital gains | – |
| Return of capital | – |
| Total annual distributions⁽³⁾ | (0.21) |
| Net asset value, end of period | 10.32 |

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Sun Life MFS U.S. Value Fund – Series O

| | 2016 (\$) | 2015 (\$) | 2014 (\$) |
|--|---------------|---------------|---------------|
| Net asset value, beginning of period | 13.14 | 11.24 | 10.00 |
| Increase (decrease) from operations: | | | |
| Total revenue | 0.32 | 0.31 | 0.19 |
| Total expenses | (0.05) | (0.04) | (0.03) |
| Realized gains (losses) for the period | 0.42 | 0.54 | 0.20 |
| Unrealized gains (losses) for the period | 0.77 | 1.10 | 1.76 |
| Total increase (decrease) from operations⁽²⁾ | 1.46 | 1.91 | 2.12 |
| Distributions: | | | |
| From income (excluding dividends) | (0.27) | (0.21) | (0.18) |
| From dividends | – | – | – |
| From capital gains | – | – | (0.03) |
| Return of capital | – | (0.01) | (0.01) |
| Total annual distributions⁽³⁾ | (0.27) | (0.22) | (0.22) |
| Net asset value, end of period | 14.21 | 13.14 | 11.24 |

Sun Life MFS U.S. Value Fund – Series OH

| | 2016 (\$) |
|--|---------------|
| Net asset value, beginning of period | – |
| Increase (decrease) from operations: | |
| Total revenue | 0.09 |
| Total expenses | (0.02) |
| Realized gains (losses) for the period | (0.15) |
| Unrealized gains (losses) for the period | 0.39 |
| Total increase (decrease) from operations⁽²⁾ | 0.31 |
| Distributions: | |
| From income (excluding dividends) | (0.21) |
| From dividends | – |
| From capital gains | – |
| Return of capital | – |
| Total annual distributions⁽³⁾ | (0.21) |
| Net asset value, end of period | 10.31 |

- ⁽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.
- ⁽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").

Ratios and Supplemental Data⁽⁶⁾

Sun Life MFS U.S. Value Fund – Series A

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|------------|------------|------------|------------|-----------|
| Total net asset value (\$) ⁽¹⁾ | 27,946,776 | 19,725,824 | 17,141,715 | 10,956,457 | 1,776,114 |
| Number of units outstanding ⁽¹⁾ | 1,220,648 | 928,150 | 937,814 | 704,249 | 160,208 |
| Management expense ratio (%) ⁽²⁾ | 2.44 | 2.44 | 2.45 | 2.46 | 2.48 |
| Management expense ratio before waivers or absorption (%) ⁽²⁾ | 2.44 | 2.44 | 3.30 | 5.24 | 6.12 |
| Trading expense ratio (%) ⁽³⁾ | 0.01 | 0.01 | 0.02 | 0.08 | 0.11 |
| Portfolio turnover rate (%) ^{(4)/(5)} | 17.11 | 13.96 | 14.49 | 24.07 | 54.72 |
| Net asset value per unit (\$) ⁽¹⁾ | 22.90 | 21.25 | 18.28 | 15.56 | 11.09 |

Sun Life MFS U.S. Value Fund – Series AH

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|---------|---------|---------|---------|---------|
| Total net asset value (\$) ⁽¹⁾ | 759,143 | 643,039 | 520,579 | 556,823 | 207,115 |
| Number of units outstanding ⁽¹⁾ | 44,111 | 41,135 | 32,843 | 38,657 | 19,237 |
| Management expense ratio (%) ⁽²⁾ | 2.48 | 2.49 | 2.42 | 2.49 | 2.42 |
| Management expense ratio before waivers or absorption (%) ⁽²⁾ | 2.48 | 2.49 | 3.27 | 5.30 | 6.38 |
| Trading expense ratio (%) ⁽³⁾ | 0.01 | 0.01 | 0.02 | 0.08 | 0.11 |
| Portfolio turnover rate (%) ^{(4)/(5)} | 17.11 | 13.96 | 14.49 | 24.07 | 54.72 |
| Net asset value per unit (\$) ⁽¹⁾ | 17.21 | 15.63 | 15.85 | 14.40 | 10.77 |

Sun Life MFS U.S. Value Fund – Series T5

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|---------|---------|---------|--------|--------|
| Total net asset value (\$) ⁽¹⁾ | 166,724 | 181,287 | 106,892 | 16,663 | 11,806 |
| Number of units outstanding ⁽¹⁾ | 6,026 | 6,706 | 4,388 | 768 | 737 |
| Management expense ratio (%) ⁽²⁾ | 2.47 | 2.44 | 2.49 | 2.49 | 2.49 |
| Management expense ratio before waivers or absorption (%) ⁽²⁾ | 2.47 | 2.44 | 3.35 | 5.29 | 6.50 |
| Trading expense ratio (%) ⁽³⁾ | 0.01 | 0.01 | 0.02 | 0.08 | 0.11 |
| Portfolio turnover rate (%) ^{(4)/(5)} | 17.11 | 13.96 | 14.49 | 24.07 | 54.72 |
| Net asset value per unit (\$) ⁽¹⁾ | 27.67 | 27.04 | 24.36 | 21.69 | 16.02 |

Sun Life MFS U.S. Value Fund – Series T8

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|---------|---------|---------|--------|--------|
| Total net asset value (\$) ⁽¹⁾ | 247,595 | 185,537 | 154,526 | 31,491 | 11,809 |
| Number of units outstanding ⁽¹⁾ | 10,422 | 7,739 | 6,943 | 1,542 | 763 |
| Management expense ratio (%) ⁽²⁾ | 2.48 | 2.50 | 2.49 | 2.48 | 2.49 |
| Management expense ratio before waivers or absorption (%) ⁽²⁾ | 2.48 | 2.50 | 3.36 | 5.28 | 6.50 |
| Trading expense ratio (%) ⁽³⁾ | 0.01 | 0.01 | 0.02 | 0.08 | 0.11 |
| Portfolio turnover rate (%) ^{(4)/(5)} | 17.11 | 13.96 | 14.49 | 24.07 | 54.72 |
| Net asset value per unit (\$) ⁽¹⁾ | 23.76 | 23.97 | 22.25 | 20.42 | 15.48 |

Sun Life MFS U.S. Value Fund

Sun Life MFS U.S. Value Fund – Series F

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-----------|-----------|---------|---------|--------|
| Total net asset value (\$) ⁽¹⁾ | 3,017,509 | 1,592,501 | 714,215 | 259,158 | 19,133 |
| Number of units outstanding ⁽¹⁾ | 127,106 | 72,205 | 37,776 | 16,116 | 1,687 |
| Management expense ratio (%) ⁽²⁾ | 1.35 | 1.34 | 1.34 | 1.36 | 1.35 |
| Management expense ratio before waivers or absorption (%) ⁽²⁾ | 1.35 | 1.34 | 1.81 | 2.88 | 6.15 |
| Trading expense ratio (%) ⁽³⁾ | 0.01 | 0.01 | 0.02 | 0.08 | 0.11 |
| Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾ | 17.11 | 13.96 | 14.49 | 24.07 | 54.72 |
| Net asset value per unit (\$) ⁽¹⁾ | 23.74 | 22.06 | 18.91 | 16.08 | 11.34 |

Sun Life MFS U.S. Value Fund – Series FH

| | 2016 |
|--|--------|
| Total net asset value (\$) ⁽¹⁾ | 10,488 |
| Number of units outstanding ⁽¹⁾ | 1,017 |
| Management expense ratio (%) ⁽²⁾ | 1.36 |
| Management expense ratio before waivers or absorption (%) ⁽²⁾ | 1.36 |
| Trading expense ratio (%) ⁽³⁾ | 0.01 |
| Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾ | 17.11 |
| Net asset value per unit (\$) ⁽¹⁾ | 10.31 |

Sun Life MFS U.S. Value Fund – Series I

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|------------|------------|------------|------------|-----------|
| Total net asset value (\$) ⁽¹⁾ | 90,806,768 | 77,250,837 | 63,030,476 | 46,614,462 | 8,455,748 |
| Number of units outstanding ⁽¹⁾ | 3,625,288 | 3,336,727 | 3,186,206 | 2,789,477 | 725,915 |
| Management expense ratio (%) ⁽²⁾ | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 |
| Management expense ratio before waivers or absorption (%) ⁽²⁾ | 0.06 | 0.06 | 0.07 | 0.12 | 3.54 |
| Trading expense ratio (%) ⁽³⁾ | 0.01 | 0.01 | 0.02 | 0.08 | 0.11 |
| Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾ | 17.11 | 13.96 | 14.49 | 24.07 | 54.72 |
| Net asset value per unit (\$) ⁽¹⁾ | 25.05 | 23.15 | 19.78 | 16.71 | 11.65 |

Sun Life MFS U.S. Value Fund – Series IH

| | 2016 |
|--|--------|
| Total net asset value (\$) ⁽¹⁾ | 10,536 |
| Number of units outstanding ⁽¹⁾ | 1,021 |
| Management expense ratio (%) ⁽²⁾ | 0.04 |
| Management expense ratio before waivers or absorption (%) ⁽²⁾ | 0.04 |
| Trading expense ratio (%) ⁽³⁾ | 0.01 |
| Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾ | 17.11 |
| Net asset value per unit (\$) ⁽¹⁾ | 10.32 |

Sun Life MFS U.S. Value Fund – Series O

| | 2016 | 2015 | 2014 |
|--|-----------|-----------|---------|
| Total net asset value (\$) ⁽¹⁾ | 4,488,925 | 3,301,527 | 488,097 |
| Number of units outstanding ⁽¹⁾ | 315,912 | 251,289 | 43,427 |
| Management expense ratio (%) ⁽²⁾ | 0.22 | 0.22 | 0.21 |
| Management expense ratio before waivers or absorption (%) ⁽²⁾ | 0.22 | 0.22 | 0.29 |
| Trading expense ratio (%) ⁽³⁾ | 0.01 | 0.01 | 0.02 |
| Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾ | 17.11 | 13.96 | 14.49 |
| Net asset value per unit (\$) ⁽¹⁾ | 14.21 | 13.14 | 11.24 |

Sun Life MFS U.S. Value Fund – Series OH

| | 2016 |
|--|--------|
| Total net asset value (\$) ⁽¹⁾ | 29,108 |
| Number of units outstanding ⁽¹⁾ | 2,824 |
| Management expense ratio (%) ⁽²⁾ | 0.24 |
| Management expense ratio before waivers or absorption (%) ⁽²⁾ | 0.24 |
| Trading expense ratio (%) ⁽³⁾ | 0.01 |
| Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾ | 17.11 |
| Net asset value per unit (\$) ⁽¹⁾ | 10.31 |

⁽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. 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

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.

Sun Life MFS U.S. Value Fund

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 (%) ¹ | General Administration, Investment Advice and Profit (%) |
| Series A Units | 2.00 | 38 | 62 |
| Series AH Units | 2.00 | 41 | 59 |
| Series T5 Units | 2.00 | 41 | 59 |
| Series T8 Units | 2.00 | 28 | 72 |
| Series F Units | 1.00 | – | 100 |
| Series FH Units | 1.00 | – | 100 |
| Series I Units | – | – | – |
| Series IH Units | – | – | – |
| Series O Units ² | 1.00 | – | 100 |
| Series OH Units ² | 1.00 | – | 100 |

¹ Includes sales and trailing commissions.

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

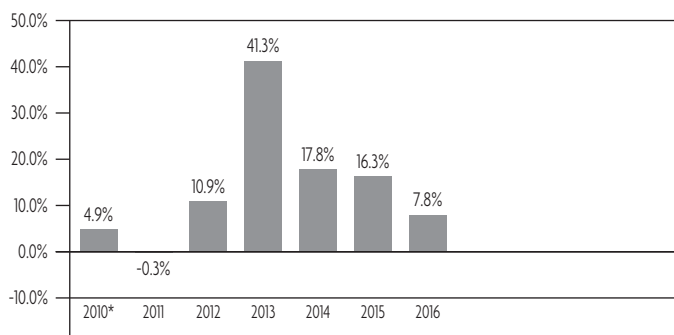
PAST PERFORMANCE

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.

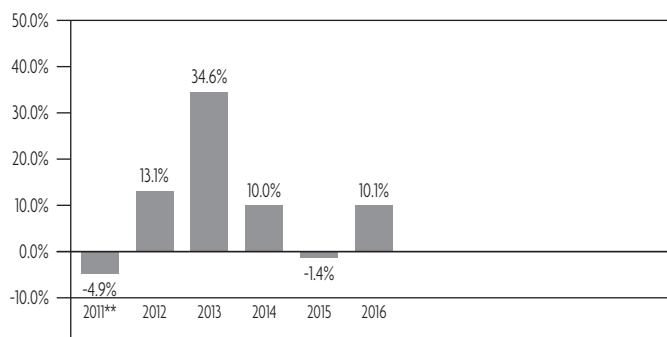
Year-by-Year Returns

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.

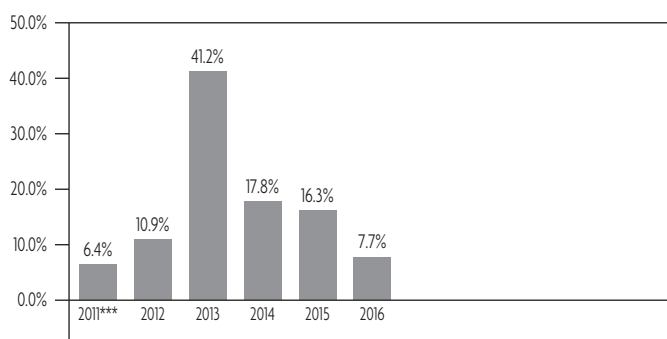
Series A Units – Annual return for the period ended December 31, 2016



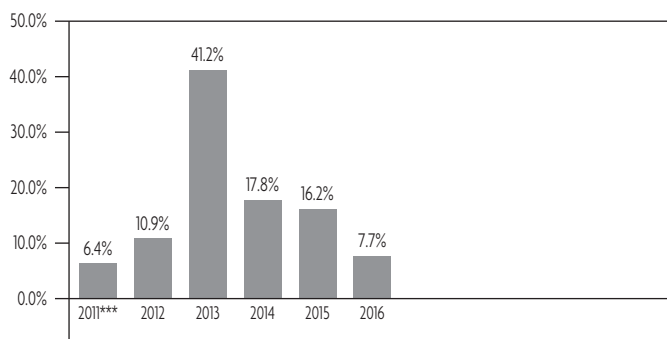
Series AH Units – Annual return for the period ended December 31, 2016



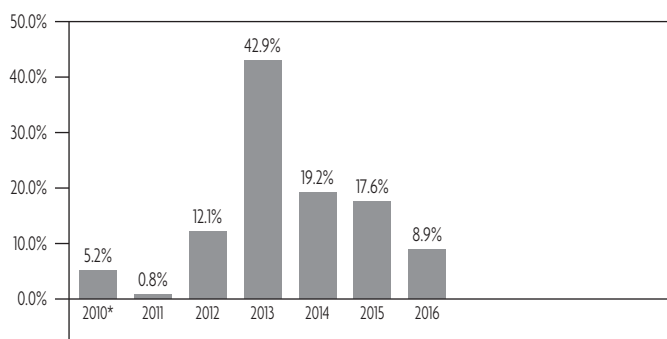
Series T5 Units – Annual return for the period ended December 31, 2016



Series T8 Units – Annual return for the period ended December 31, 2016

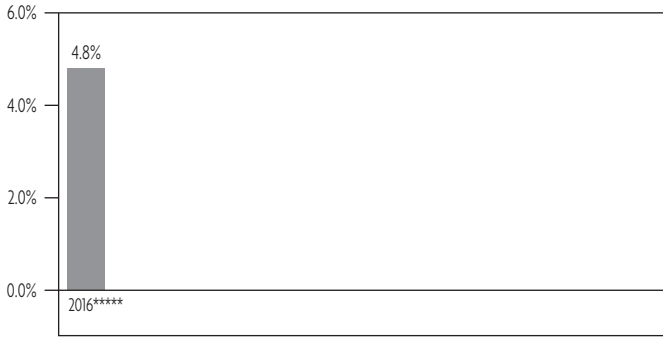


Series F Units – Annual return for the period ended December 31, 2016

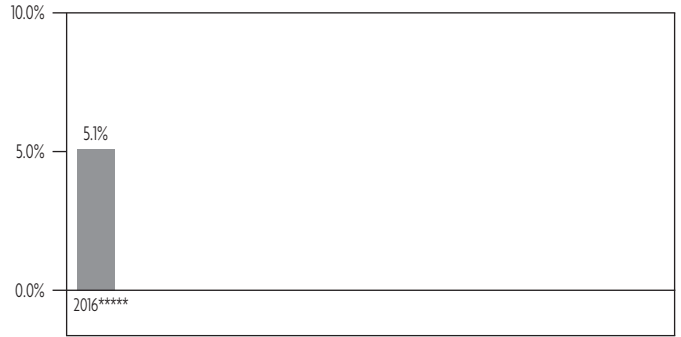


Sun Life MFS U.S. Value Fund

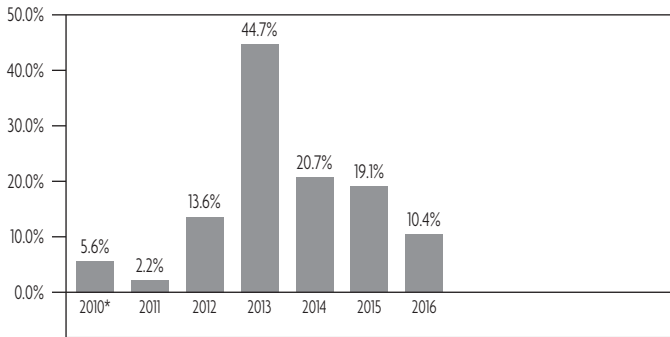
Series FH Units – Annual return for the period ended December 31, 2016



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



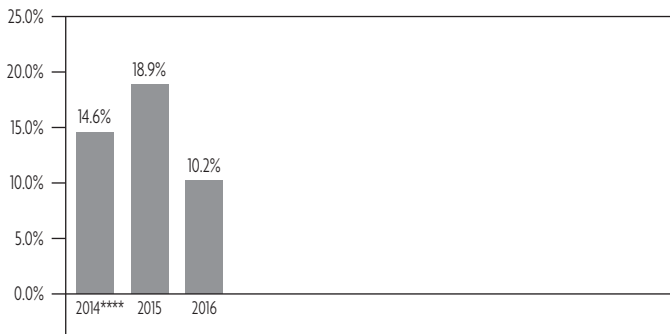
Series I Units – Annual return for the period ended December 31, 2016



Series IH 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 October 1, 2010 to December 31 2010

** for the period of February 1, 2011 to December 31 2011

*** for the period of September 1, 2011 to December 31 2011

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

***** for the period July 29, 2016 to December 31, 2016

Annual Compound Returns

The following table compares the historical annual compound total returns of Series A, AH, T5, T8, F, FH, I, IH, O and OH units of the Fund with the Russell 1000 C\$ Index.

The Russell 1000 C\$ Index measures the performance of the large-cap segment of the U.S. equity universe and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership.

Sun Life MFS U.S. Value Fund

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

| | Performance | | | | |
|--|-------------|--------|--------|---------|---------------------------------------|
| | 1 Year | 3 Year | 5 Year | 10 Year | Start Date ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ |
| Sun Life MFS U.S. Value Fund – Series A | 7.8% | 13.9% | 18.3% | N/A | 15.2% |
| Sun Life MFS U.S. Value Fund – Series F | 8.9% | 15.1% | 19.6% | N/A | 16.5% |
| Sun Life MFS U.S. Value Fund – Series I | 10.4% | 16.6% | 21.1% | N/A | 18.0% |
| Russell 1000 C\$ Index | 8.2% | 17.4% | 21.2% | N/A | 18.8% |
| Sun Life MFS U.S. Value Fund – Series O | 10.2% | N/A | N/A | N/A | 15.9% |
| Russell 1000 C\$ Index | 8.2% | N/A | N/A | N/A | 16.6% |
| Sun Life MFS U.S. Value Fund – Series AH | 10.1% | 6.1% | 12.7% | N/A | 9.7% |
| Russell 1000 C\$ Index | 8.2% | 17.4% | 21.2% | N/A | 17.8% |
| Sun Life MFS U.S. Value Fund – Series T5 | 7.7% | 13.9% | 18.2% | N/A | 18.4% |
| Sun Life MFS U.S. Value Fund – Series T8 | 7.7% | 13.8% | 18.2% | N/A | 18.4% |
| Russell 1000 C\$ Index | 8.2% | 17.4% | 21.2% | N/A | 21.4% |

⁽¹⁾ The performance start date for Series A, F, and I units was October 1, 2010.

⁽²⁾ The performance start date for Series AH units was February 1, 2011.

⁽³⁾ The performance start date for Series T5 and T8 units was September 1, 2011.

⁽⁴⁾ The performance start date for Series O units was April 1, 2014.

⁽⁵⁾ Performance for Series FH, IH and OH units is not shown as Series FH, IH and OH have not been distributed under a simplified prospectus for 12 months.

SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at December 31, 2016

Top 25 Investments

| Holdings | Percentage of Net Asset Value of the Fund (%) |
|---|---|
| 1 JPMorgan Chase & Co. | 4.7 |
| 2 Wells Fargo & Co. | 3.5 |
| 3 Johnson & Johnson | 3.5 |
| 4 Philip Morris International Inc. | 3.2 |
| 5 Accenture PLC | 2.6 |
| 6 The Goldman Sachs Group Inc. | 2.4 |
| 7 U.S. Bancorp. | 2.3 |
| 8 Medtronic PLC | 2.2 |
| 9 The Travelers Cos., Inc. | 2.1 |
| 10 Pfizer Inc. | 2.0 |
| 11 3M Co. | 2.0 |
| 12 ACE Ltd. | 2.0 |
| 13 Johnson Controls International PLC | 1.9 |
| 14 Honeywell International Inc. | 1.8 |
| 15 PPG Industries Inc. | 1.8 |
| 16 Citigroup Inc. | 1.8 |
| 17 CVS Caremark Corp. | 1.7 |
| 18 Nestle SA | 1.6 |
| 19 Texas Instruments Inc. | 1.6 |
| 20 Aon PLC | 1.5 |
| 21 United Parcel Service Inc., Class B | 1.5 |
| 22 National Bank of Canada, 0.45%, Jan 03, 2017 | 1.5 |
| 23 Omnicom Group Inc. | 1.5 |
| 24 MetLife Inc. | 1.5 |
| 25 Merck & Co., Inc. | 1.4 |
| | 53.6 |
| Total Net Asset Value (000's) | \$ 127,484 |

Sector Allocation

| | Percentage of Net Asset Value of the Fund (%) |
|--|---|
| Financials | 30.0 |
| Health Care | 14.1 |
| Industrials | 13.7 |
| Consumer Staples | 12.2 |
| Consumer Discretionary | 9.2 |
| Information Technology | 7.4 |
| Energy | 5.1 |
| Materials | 4.0 |
| Cash and Cash Equivalents ⁽²⁾ | 1.8 |
| Telecommunication Services | 1.4 |
| Utilities | 1.1 |
| | 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.

Sun Life MFS U.S. 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 U.S. 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 or www.sedar.com.

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