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# SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

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## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2016

Sun Life Money Market Class



# Sun Life Money Market Class

*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.*

*Shareholders 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 Money Market Class (the "Fund") is to seek to achieve a high level of current income while seeking to protect capital and to maintain liquidity through exposure to primarily Canadian Dollar-denominated money market instruments investing primarily in units of Sun Life Money Market Fund or its successor fund (the "underlying Trust Fund").

The underlying Trust Fund's sub-advisor (the "sub-advisor") is MFS Investment Management Canada Limited ("MFSIM") and the sub-advisor to MFSIM is MFS Institutional Advisors, Inc. ("MFS"). The sub-advisor invests the underlying Trust Fund in a diversified portfolio of short-term debt obligations of corporations (such as commercial paper), governments (such as treasury bills) and floating rate notes maturing within one year. The underlying Trust Fund may also invest up to 10% of the underlying Trust Fund's assets in Canadian Dollar-denominated money market instruments of foreign 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 \$10.5 million to \$13.5 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 0.09% for Series A shares. This result lagged the Fund's benchmark, the FTSE TMX Canada 91 Day T-Bill, which returned 0.51%. 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.

The following commentary relates to the underlying Trust Fund.

The underlying Trust Fund's commitment to high-quality provincial holdings and commercial paper helped boost the underlying Trust Fund's overall yield during a period of low real interest rates.

The Fund's term to maturity, which was below that of the benchmark's 91-days throughout the period in adherence with applicable securities legislation, had a positive effect on performance given a modest degree of steepening of the yield curve.

### Recent Developments

The sub-advisor's core economic views have not changed. The sub-advisor continues to expect moderate non-recessionary global growth with low inflation and ongoing headwinds from excess debt. The sub-advisor does not expect U.S. fiscal stimulus to meet current optimistic expectations either in terms of timing or impact on growth, the sub-advisor instead expects it to arrive later and with less upside to U.S. and global growth. Moreover, trade rhetoric is a potential headwind, particularly to Canada where U.S. exports are roughly 25% of Canadian Gross Domestic Product. The U.S. Federal Reserve may continue to increase interest rates in 2017 but the sub-advisor does not expect the Bank of Canada to match these increases given soft growth and receding inflation pressures. With modest interest rate hikes by the Bank of Canada currently priced in by the market, the yield curve has steepened and made longer-term bills more attractive.

The Bank of Canada maintained its key policy rate at 0.50% during the period, but the yield curve steepened as three month Canada Treasury Bill yields fell 5 basis points while twelve month yields rose 14 basis points to finish 16 basis points apart. The sub-advisor still believes the Bank of Canada is unlikely to follow the U.S. Federal Reserve and raise interest rates anytime soon given ongoing domestic growth headwinds and a poor outlook for commodity prices. The sub-advisor does not yet view longer-term bills as undervalued, but continues to monitor the curve for opportunities.

Effective February 5, 2016, all Series E and EF shares were converted to Series A shares, under the Front End Sales

# Sun Life Money Market Class

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Charge option, and Series F shares, 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 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.

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

## Fund Administrative Expenses

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

each series of shares of the Fund, which reduces the return you may receive.

## Series Description

The Fund offers the following series of shares: A, F and O. The date of creation for Series A and F shares was August 1, 2013, and the date of creation for Series O shares was April 1, 2014.

Series A are available to all investors.

Series F shares 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 shares 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 shares, so the Manager can charge a lower management fee.

Series O shares 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 shares held in the investor's Private Client account. Series O management fee is paid, after subtracting any management fee reductions, by a redemption of Series O shares 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 Money Market Class

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

### Sun Life Money Market Class – Series A

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Net asset value, beginning of period	10.06	10.05	10.02	10.00
<b>Increase (decrease) from operations:</b>				
Total revenue	0.07	0.08	0.10	0.04
Total expenses	(0.06)	(0.07)	(0.07)	(0.03)
Realized gains (losses) for the period	–	–	–	–
Unrealized gains (losses) for the period	–	–	–	–
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.01</b>	<b>0.01</b>	<b>0.03</b>	<b>0.01</b>
<b>Distributions:</b>				
From income (excluding dividends)	–	–	–	–
From dividends	–	–	–	–
From capital gains	–	–	–	–
Return of capital	–	–	–	–
<b>Total annual distributions <sup>(3)</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net asset value, end of period</b>	<b>10.07</b>	<b>10.06</b>	<b>10.05</b>	<b>10.02</b>

### Sun Life Money Market Class – Series F

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Net asset value, beginning of period	10.12	10.09	10.03	10.00
<b>Increase (decrease) from operations:</b>				
Total revenue	0.07	0.08	0.11	0.05
Total expenses	(0.03)	(0.04)	(0.05)	(0.02)
Realized gains (losses) for the period	–	–	–	–
Unrealized gains (losses) for the period	–	–	–	–
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.04</b>	<b>0.04</b>	<b>0.06</b>	<b>0.03</b>
<b>Distributions:</b>				
From income (excluding dividends)	–	–	–	–
From dividends	–	–	–	–
From capital gains	–	–	–	–
Return of capital	–	–	–	–
<b>Total annual distributions <sup>(3)</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net asset value, end of period</b>	<b>10.16</b>	<b>10.12</b>	<b>10.09</b>	<b>10.03</b>

## Sun Life Money Market Class – Series O

	2016 (\$)	2015 (\$)	2014 (\$)
Net asset value, beginning of period	10.15	10.07	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.07	0.08	0.08
Total expenses	(0.01)	(0.02)	(0.01)
Realized gains (losses) for the period	–	–	–
Unrealized gains (losses) for the period	–	–	–
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.06</b>	<b>0.06</b>	<b>0.07</b>
<b>Distributions:</b>			
From income (excluding dividends)	–	–	–
From dividends	–	–	–
From capital gains	–	–	–
Return of capital	–	–	–
<b>Total annual distributions <sup>(3)</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net asset value, end of period</b>	<b>10.21</b>	<b>10.15</b>	<b>10.07</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 shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

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

## Ratios and Supplemental Data

### Sun Life Money Market Class – Series A

	2016	2015	2014	2013
Total net asset value (\$) <sup>(1)</sup>	9,206,773	3,265,493	2,397,332	1,563,303
Number of shares outstanding <sup>(1)</sup>	914,505	324,602	238,485	156,091
Management expense ratio (%) <sup>(2)</sup>	0.55	0.65	0.74	0.71
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.55	0.65	0.74	0.71
Trading expense ratio (%) <sup>(3)</sup>	–	–	–	–
Portfolio turnover rate (%) <sup>(4)/(5)</sup>	185.77	145.56	300.81	171.31
Net asset value per share (\$) <sup>(1)</sup>	10.07	10.06	10.05	10.02

# Sun Life Money Market Class

## Sun Life Money Market Class – Series F

	2016	2015	2014	2013
Total net asset value (\$) <sup>(1)</sup>	819,413	582,463	1,383,413	1,010,227
Number of shares outstanding <sup>(1)</sup>	80,650	57,531	137,151	100,758
Management expense ratio (%) <sup>(2)</sup>	0.27	0.38	0.47	0.41
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.27	0.38	0.47	0.41
Trading expense ratio (%) <sup>(3)</sup>	–	–	–	–
Portfolio turnover rate (%) <sup>(4)(5)</sup>	185.77	145.56	300.81	171.31
Net asset value per share (\$) <sup>(1)</sup>	10.16	10.12	10.09	10.03

## Sun Life Money Market Class – Series O

	2016	2015	2014
Total net asset value (\$) <sup>(1)</sup>	3,466,948	1,994,372	443,816
Number of shares outstanding <sup>(1)</sup>	339,532	196,539	44,052
Management expense ratio (%) <sup>(2)</sup>	0.01	0.01	0.09
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.01	0.01	0.09
Trading expense ratio (%) <sup>(3)</sup>	–	–	–
Portfolio turnover rate (%) <sup>(4)(5)</sup>	185.77	145.56	300.81
Net asset value per share (\$) <sup>(1)</sup>	10.21	10.15	10.07

<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.

<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.

## Management Fees

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

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

	As a Percentage of Management Fees		
	Maximum Annual Management Fee Rate (%)	Dealer Compensation (%) <sup>1</sup>	General Administration, Investment Advice and Profit (%)
Series A Shares	1.00	77	23
Series F Shares	0.75	–	100
Series O Shares <sup>2</sup>	0.75	–	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.

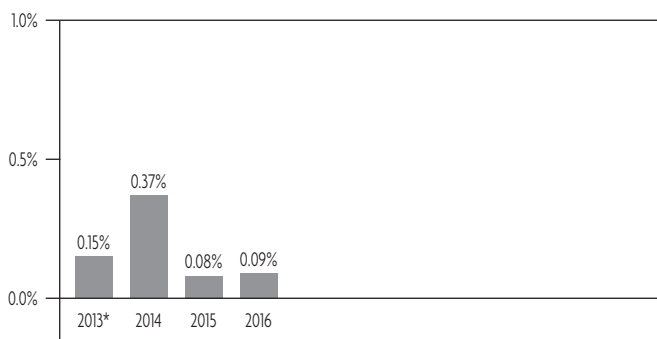
## PAST PERFORMANCE

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

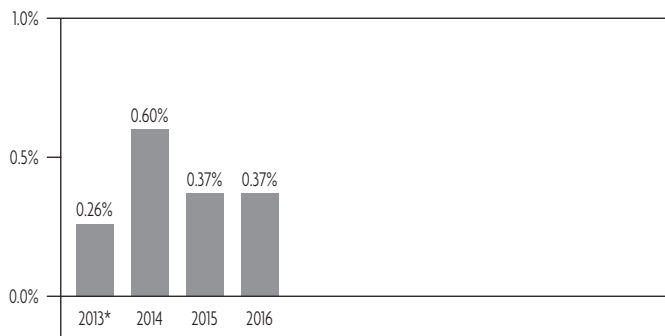
The following bar chart shows the Fund's annual performance for the period shown. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

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

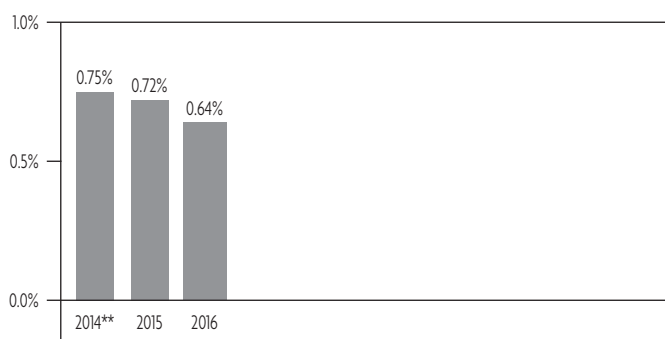


# Sun Life Money Market Class

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



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



\* for the period of August 1, 2013 to December 31, 2013

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

## Annual Compound Returns

The following table compares the historical annual compound total returns of Series A, F and O shares of the Fund with the FTSE TMX Canada 91 Day T-Bill Index.

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

	1 Year	3 Year	5 Year	10 Year	Performance Start Date <sup>(1)(2)(3)</sup>
Sun Life Money Market Class – Series A	0.09%	0.18%	N/A	N/A	0.20%
Sun Life Money Market Class – Series F	0.37%	0.45%	N/A	N/A	0.47%
FTSE TMX Canada 91 Day T-Bill Index	0.51%	0.68%	N/A	N/A	0.73%
Sun Life Money Market Class – Series O	0.64%	N/A	N/A	N/A	0.77%
FTSE TMX Canada 91 Day T-Bill Index	0.51%	N/A	N/A	N/A	0.67%

<sup>(1)</sup> The performance start date for Series A and F shares was August 1, 2013.

<sup>(2)</sup> The performance start date for Series O shares was April 1, 2014.

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

as at December 31, 2016

### Top 25 Investments<sup>(2)</sup>

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Government of Canada, 0.48%, Feb 09, 2017	11.2
2 Government of Canada, 0.56%, Jun 15, 2017	5.8
3 Government of Canada, 0.47%, Apr 06, 2017	4.0
4 Royal Bank of Canada, 0.96%, Feb 14, 2017	4.0
5 Bank of Nova Scotia, 0.80%, Feb 28, 2017	4.0
6 National Bank of Canada, 0.83%, Jan 27, 2017	4.0
7 Government of Canada, 0.44%, Mar 09, 2017	3.8
8 Government of Canada, 0.50%, Feb 23, 2017	3.6
9 Government of Canada, 0.45%, Jan 12, 2017	3.5
10 Province of Ontario, 0.59%, Feb 01, 2017	3.4
11 Bank of Montreal, 0.84%, Jan 27, 2017	2.7
12 Province of Quebec, 0.57%, Jan 18, 2017	2.1
13 Province of Quebec, 0.56%, Jan 13, 2017	1.8
14 Province of Ontario, 0.60%, Mar 15, 2017	1.7
15 Province of Manitoba, 0.59%, Feb 22, 2017	1.7
16 Manulife Bank of Canada, 1.05%, Jan 06, 2017	1.7
17 Toyota Credit Canada Inc., 1.00%, Mar 02, 2017	1.5
18 Province of Quebec, 0.60%, Mar 10, 2017	1.5
19 The Toronto-Dominion Bank, 0.75%, Jan 16, 2017	1.5
20 Manulife Bank of Canada, 0.92%, Mar 07, 2017	1.4
21 Canadian Imperial Bank of Commerce, 1.07%, May 08, 2017	1.4
22 The Toronto-Dominion Bank, 0.83%, Jan 23, 2017	1.4
23 Province of Ontario, 0.63%, Mar 29, 2017	1.4
24 Province of Ontario, 0.74%, Dec 06, 2017	1.3
25 Province of Ontario, 0.60%, Mar 08, 2017	1.3
	<b>71.7</b>
<b>Total Net Asset Value (000's)</b>	<b>\$ 13,493</b>

### Sector Allocation<sup>(2)</sup>

	Percentage of Net Asset Value of the Fund (%)
Cash and Cash Equivalents <sup>(3)</sup>	82.5
Federal Government	9.8
Canadian Corporate	5.9
Provincial Government	1.8
	<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 substantially all of its assets directly in the underlying Trust Fund. The summary of investment portfolio for the Fund presents the investments as a percentage of the net asset value of the underlying Trust Fund.

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

# Sun Life Money Market Class

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## 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 Money Market Class

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).

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