
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the period ended June 30, 2017

Sun Life Multi-Strategy Target Return Fund



Sun Life Multi-Strategy Target Return Fund

This semi-annual management report of fund performance contains financial highlights but does not contain the complete financial statements of the investment fund. You can request a free copy of the semi-annual financial statements by calling 1-877-344-1434, by sending an email to us at info@sunlifeglobalinvestments.com or by writing to us at Sun Life Global Investments (Canada) Inc., 1 York Street, Toronto, Ontario, M5J 0B6. Our financial statements are available on our website at www.sunlifeglobalinvestments.com and on SEDAR at www.sedar.com. All of the financial information is calculated based on the pricing Net Asset Valuation for the investment fund, unless otherwise stated.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

During the period, the net asset value of the Sun Life Multi-Strategy Target Return Fund (the "Fund") increased from \$75.4 million to \$94.1 million at the end of the period. The increase in net asset value was attributable to positive net sales, partially offset by negative performance during the period.

During the period, the Fund returned -3.4% for Series A units. This result lagged the Fund's benchmark, the Bank of Canada Overnight Target Rate Policy, which returned 0.2%. 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.

As market confidence around strong economic growth across the globe improved, risk assets contributed the most to the Fund's returns, particularly emerging market and European equities. The Fund's global equity mandate, which invests in well-established businesses with robust balance sheets, also performed well in this environment.

In addition, the Fund's U.S. high yield credit position delivered strong returns as credit spreads continued to narrow. Moreover, the Fund's positions long the Indian rupee against the U.S. dollar, long South African local currency government bonds and long Indonesian local currency government bonds added to returns.

Offsetting the positive contributions to performance, exposure to volatility-linked assets detracted as volatility fell across a range of asset classes as a benign market environment prevailed. In addition, the Fund's long U.S. dollar theme detracted as it lost momentum due to the U.S. President Trump failing to deliver any significant fiscal stimulus in the U.S. Moreover, the Fund's short strategy in the U.S. Biotechnology sector and a long position in resource-linked equities delivered negative returns.

Recent Developments

Global financial markets started 2017 on a positive note as the reflationary theme that took off weeks before the U.S.

Presidential election in November 2016 continued. The U.S. dollar was one of few major asset classes where positive momentum showed signs of fading, as Chinese authorities sent a clear signal to financial markets that they were not willing to let their currency depreciate much further. This impacted the prices of various emerging market currencies and Japanese Yen against the U.S. dollar.

Implied volatility levels fell significantly across a range of asset classes in the first quarter of the year, particularly in European equities, which surprised many as elections in France and the Netherlands were soon approaching. This could be explained by increased investor confidence around global growth prospects supported by strong economic data.

Strong performance in most risk assets continued through the second quarter of the year. A number of equity and credit markets delivered positive returns, while the reflationary theme receded as investors priced out most of the optimism around Trump's ability to deliver aggressive fiscal stimulus. This would have likely strengthened inflationary pressures in the world's biggest economy as well as adding to inflationary pressures globally. Emerging market equities, debt and currencies enjoyed positive performance, while the U.S. dollar struggled to make headway. European assets benefitted from Macron's victory in the French Presidential election, which generated a greater sense of optimism for a French and German-led unified Europe.

In the last days of June, the hawkish tone used by a number of central banks globally triggered a sell-off in global bonds, which also adversely impacted equity markets.

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

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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 Aviva Investors Canada Inc. to act as a sub-advisor for a portion of the Fund. The Manager retains responsibility for investing the remainder of the portfolio in underlying funds.

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

Fund Administrative Expenses

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

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

Series Description

The Fund offers the following series of units: A, F, I and O. The date of creation for all series is May 11, 2016.

Series A units are available to all investors.

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

pay any commissions to dealers in respect of Series F units, so the Manager can charge a lower management fee.

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

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

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from the date of inception to June 30, 2017.

The Fund's Net Asset Value per Unit (\$) ⁽¹⁾ Sun Life Multi-Strategy Target Return Fund – Series A

	2017 (\$)	2016 (\$)
Net asset value, beginning of period	9.98	10.00
Increase (decrease) from operations:		
Total revenue	0.04	0.09
Total expenses	0.08	(0.17)
Realized gains (losses) for the period	(0.10)	0.10
Unrealized gains (losses) for the period	(0.27)	0.34
Total increase (decrease) from operations ⁽²⁾	(0.25)	0.36
Distributions:		
From income (excluding dividends)	–	(0.20)
From dividends	–	–
From capital gains	–	–
Return of capital	–	–
Total annual distributions ⁽³⁾	–	(0.20)
Net asset value, end of period	9.72	9.98

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Sun Life Multi-Strategy Target Return Fund – Series F

	2017 (\$)	2016 (\$)
Net asset value, beginning of period	10.01	10.00
Increase (decrease) from operations:		
Total revenue	0.03	0.11
Total expenses	0.05	(0.10)
Realized gains (losses) for the period	(0.11)	0.08
Unrealized gains (losses) for the period	(0.14)	0.28
Total increase (decrease) from operations⁽²⁾	(0.17)	0.37
Distributions:		
From income (excluding dividends)	–	(0.22)
From dividends	–	–
From capital gains	–	–
Return of capital	–	–
Total annual distributions⁽³⁾	–	(0.22)
Net asset value, end of period	9.81	10.01

Sun Life Multi-Strategy Target Return Fund – Series I

	2017 (\$)	2016 (\$)
Net asset value, beginning of period	10.05	10.00
Increase (decrease) from operations:		
Total revenue	0.06	0.06
Total expenses	–	(0.01)
Realized gains (losses) for the period	(0.12)	0.15
Unrealized gains (losses) for the period	(0.10)	0.01
Total increase (decrease) from operations⁽²⁾	(0.16)	0.21
Distributions:		
From income (excluding dividends)	–	(0.25)
From dividends	–	–
From capital gains	–	–
Return of capital	–	–
Total annual distributions⁽³⁾	–	(0.25)
Net asset value, end of period	9.93	10.05

Sun Life Multi-Strategy Target Return Fund – Series O

	2017 (\$)	2016 (\$)
Net asset value, beginning of period	10.05	10.00
Increase (decrease) from operations:		
Total revenue	0.26	0.08
Total expenses	–	(0.02)
Realized gains (losses) for the period	0.08	0.21
Unrealized gains (losses) for the period	(0.69)	0.11
Total increase (decrease) from operations⁽²⁾	(0.35)	0.38
Distributions:		
From income (excluding dividends)	–	(0.24)
From dividends	–	–
From capital gains	–	–
Return of capital	–	–
Total annual distributions⁽³⁾	–	(0.24)
Net asset value, end of period	9.93	10.05

⁽¹⁾ This information is derived from the Fund's audited annual financial statements and from the semi-annual unaudited financial statements for the current period ended June 30, 2017.

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

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

Ratios and Supplemental Data

Sun Life Multi-Strategy Target Return Fund – Series A

	2017	2016
Total net asset value (\$) ⁽¹⁾	7,256,098	6,471,540
Number of units outstanding ⁽¹⁾	746,457	648,707
Management expense ratio (%) ⁽²⁾	2.79	2.78
Management expense ratio before waivers or absorption (%) ⁽²⁾	2.79	2.78
Trading expense ratio (%) ⁽³⁾	0.02	0.06
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	54.01	106.50
Net asset value per unit (\$) ⁽¹⁾	9.72	9.98

Sun Life Multi-Strategy Target Return Fund – Series F

	2017	2016
Total net asset value (\$) ⁽¹⁾	47,142,537	36,820,839
Number of units outstanding ⁽¹⁾	4,807,190	3,679,996
Management expense ratio (%) ⁽²⁾	1.68	1.66
Management expense ratio before waivers or absorption (%) ⁽²⁾	1.68	1.66
Trading expense ratio (%) ⁽³⁾	0.02	0.06
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	54.01	106.50
Net asset value per unit (\$) ⁽¹⁾	9.81	10.01

Sun Life Multi-Strategy Target Return Fund

Sun Life Multi-Strategy Target Return Fund – Series I

	2017	2016
Total net asset value (\$) ⁽¹⁾	39,723,746	31,995,065
Number of units outstanding ⁽¹⁾	4,000,120	3,182,287
Management expense ratio (%) ⁽²⁾	0.07	0.07
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.07	0.07
Trading expense ratio (%) ⁽³⁾	0.02	0.06
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	54.01	106.50
Net asset value per unit (\$) ⁽¹⁾	9.93	10.05

Sun Life Multi-Strategy Target Return Fund – Series O

	2017	2016
Total net asset value (\$) ⁽¹⁾	10,074	112,734
Number of units outstanding ⁽¹⁾	1,015	11,218
Management expense ratio (%) ⁽²⁾	0.25	0.24
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.25	0.24
Trading expense ratio (%) ⁽³⁾	0.02	0.06
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	54.01	106.50
Net asset value per unit (\$) ⁽¹⁾	9.93	10.05

⁽¹⁾ This information is provided as at December 31 of the period shown, except for the most recent semi-annual period, which is at June 30, 2017.

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

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

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

⁽⁵⁾ Percentages are annualized.

Management Fees

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

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

	As a Percentage of Management Fees		
	Maximum Annual Management Fee Rate (%)	Dealer Compensation (%) ¹	General Administration, Investment Advice and Profit (%)
Series A Units	2.25	39	61
Series F Units	1.25	–	100
Series I Units	–	–	–
Series O Units ²	1.25	–	100

¹ Includes sales and trailing commissions.

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

PAST PERFORMANCE

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

Year-by-Year Returns

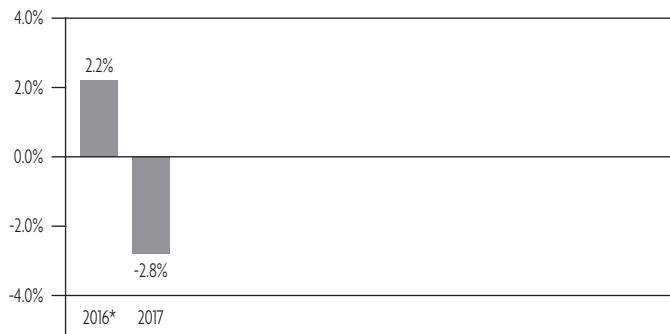
The following bar chart shows the Fund's annual performance for the period shown. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each period.

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

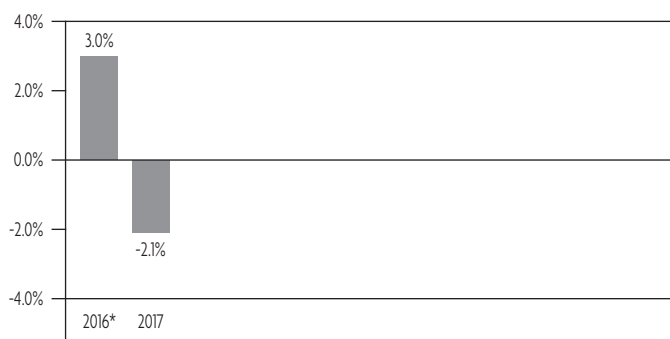


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Series F Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



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



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



* for the period May 11, 2016 to December 31, 2016

SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at June 30, 2017 (unaudited)

Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Cash and Cash Equivalents ⁽³⁾	72.4
2 United States Treasury Inflation Indexed Bond, 0.13%, Jul 15, 2026	13.3
3 Aviva Emerging Markets Equity Small Cap Fund, Series Z ⁽²⁾	4.9
4 United States Treasury Inflation Indexed Bond, 0.64%, Jan 15, 2026	4.5
5 Global Equity Endurance Fund, Series Z ⁽²⁾	2.5
6 Indonesia Treasury Bond, 7.00%, May 15, 2022	1.3
7 Indonesia Treasury Bond, 8.25%, Jul 15, 2021	1.1
	100.0
Total Net Asset Value (000's)	\$ 94,132

Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Cash and Cash Equivalents ⁽³⁾	72.4
U.S. Government Bond	17.8
Mutual Funds – Emerging Markets Equity	4.9
Mutual Funds – Global Equity	2.5
International Government Bond	2.4
	100.0

Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Cash and Cash Equivalents ⁽³⁾	72.4
U.S. Fixed Income	17.8
International Equities	7.4
International Fixed Income	2.4
	100.0

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

⁽²⁾ The Fund has obtained an exemption from the Canadian Securities Administrators to purchase units of Aviva Investors Emerging Markets Equity Small Cap Fund, Series Z and units of Global Equity Endurance Fund, Series Z, foreign investment funds. For more information on the exemption, please refer to the Fund's annual information form, which is available on our website at sunlifeglobalinvestments.com.

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

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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.

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Sun Life Multi-Strategy Target Return 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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