

December 31, 2017

Dear Investor:

This report to securityholders relates to the fiscal year ended December 31, 2017 of the mutual funds (the “Funds”) managed by Sun Life Global Investments (Canada) Inc. (the “Manager”) and listed at the end of the report.

Securities regulators have given your Independent Review Committee a specific role to review mutual fund conflict of interest matters identified and referred to us by the Manager and to give our approval or recommendation. A conflict of interest matter is a situation where a reasonable person would consider the Manager (or an entity related to it) to have an interest that may conflict with the ability of the Manager to act in good faith and in the best interests of the Funds. Our focus is on the question of whether the Manager’s proposed action achieves a fair and reasonable result for the Funds.

Through good governance practices and with the assistance of the Manager, your Independent Review Committee continued to implement its succession planning process in 2017. Louise Tymocko, an inaugural member, retired from the committee in June 2017. We are grateful for her service and contributions to the work of the committee. Pierre-Yves Châtillon stepped down as chair and remains a member of the committee. New member Nancy Church was welcomed to the committee and assumed the chair in June. Orientation was provided and the committee worked seamlessly through the transition.

We continued to meet with the Manager on a quarterly basis to receive the Manager’s reports of compliance with its policies. We held two special meetings to consider conflict of interest matters referred to us by the Manager. We completed our annual assessment of the adequacy and effectiveness of the Manager’s conflict of interest matter policies and procedures. We also assessed our effectiveness as an independent review committee, the effectiveness and contribution of each of our members, and the independence and compensation of our members.

The members of the committee bring to their roles a combination of educational and professional experience and skills to adequately address the scope of the conflict of interest matters that come before us. The industry information and ongoing continuing education provided to us by the Manager help us to maintain high standards and best practices in mutual fund governance.

We are pleased to publish this annual report to securityholders of the Funds.



Nancy E. Church
Chair of the Independent Review Committee

Members of your IRC

| Name | Current Employment | Residence | First appointed |
|--|--|-----------------------|-----------------|
| <i>Nancy Church (Chair)</i> | Retired Lawyer | Brantford, Ontario | June 8, 2017 |
| <i>Pierre-Yves Châtillon</i> | Securities Lawyer | Montreal, Quebec | August 18, 2010 |
| <i>Andrew Smith</i> | Investments and Financial Services Consultant | Toronto, Ontario | August 18, 2010 |

Louise Tymocko, an inaugural member, retired from the committee in June 2017. Pierre-Yves Châtillon stepped down as chair and remains a member of the committee. Nancy Church joined the committee and assumed the position of chair in June.

Holding of Securities

(a) Funds

As at December 31, 2017, the percentage of units of each series of the Funds beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 per cent of that series.

(b) Manager

As at December 31, 2017, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of the Manager.

(c) Any person or company that provides services to the investment fund or the Manager as at December 31, 2017

As at December 31, 2017, the percentage of securities of each class of voting or equity securities of any person or company that provides services to the Funds or the Manager beneficially owned, directly or indirectly, in aggregate by all members of the IRC was less than 0.001 per cent.

Compensation and Indemnities

The aggregate compensation paid by the Funds to the IRC as the independent review committee of the Funds for the year was \$94,500. This compensation was in line with the Manager's recommendation. This amount was allocated among the Funds in a manner that was considered by the Manager as fair and reasonable to the Funds.

No indemnities were paid to the members of the IRC by the Funds during the period.

At least annually, the IRC reviews its compensation giving consideration to the following:

IRC 2017 REPORT TO SECURITYHOLDERS
Sun Life Global Investments Mutual Funds

1. the best interest of the Funds;
2. that each Fund must pay its reasonable allocation of the compensation of the members of your IRC from the assets of the Fund;
3. that compensation paid to your IRC by each Fund should fairly and reasonably reflect the general and specific benefits accruing to the Fund;
4. the number, nature and complexity of the Funds for which your IRC acts; and
5. the nature and extent of the workload of each member of your IRC.

Conflict of Interest Matters

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendations or approval. The Manager has an obligation to notify the IRC of any such instances.

Approvals pursuant to Standing Instructions

The Manager relied upon the approval and standing instructions with respect of the following activities. In each case, the standing instructions require the Manager to comply with its related policy and procedures and to report periodically to your IRC.

1. Allowing the Funds to purchase or hold securities of the related issuer, Sun Life Financial Inc.
2. Allowing the Funds to purchase or sell equity and debt securities from or to a related dealer when the related dealer is acting as principal.

Positive Recommendations pursuant to Standing Instructions

The Manager received positive recommendations and relied on standing instructions with respect to the conflicts of interest matters addressed by the following policies. In each case, the standing instructions require the Manager to comply with its related policy and procedures and to report periodically to your IRC.

1. Personal Trading Policy, which restricts most personal trading by certain individuals employed by the Manager but allows those individuals to trade in certain securities for their own account subject to controls.
2. Allocation of Fees and Expenses Policy, which allows the Manager to charge expenses to the Funds, to allocate expenses between the Manager and the Funds and to allocate expenses among the Funds and other funds managed by the Manager or an affiliate, including expenses charged by related parties for services provided to the Manager and the Funds.
3. Brokerage Commission (Soft Dollar) Policy, which allows the Manager to obtain order execution for the Funds as well as certain additional goods and services (generally, research) for the benefit of its clients, including the Funds, using brokerage commissions paid by the Funds.
4. Trading Policy, which covers a number of different areas, including: (i) the best execution of trades; (ii) error correction, which directs the circumstances and manner in which the Manager will correct purchases and redemptions of Fund units or shares made based on an incorrect net asset value; and (iii) fair allocations of investment opportunities..

IRC 2017 REPORT TO SECURITYHOLDERS
Sun Life Global Investments Mutual Funds

5. Standards of Fairness in Allocation of Trading Opportunities Policy, which requires the Manager to allocate trades fairly among clients, including the Funds, particularly where demand for a security exceeds supply.
6. Fund Asset Valuation Policy, which directs how a Fund's securities will be valued in order to obtain a fair and accurate net asset value of the Fund.
7. Proxy Voting Policy, which allows the Manager to exercise a Fund's proxies although the Manager, a client or an affiliate of the Manager may have an interest in the outcome of the vote.
8. Short Term Trading and Late Trading Policy, which sets out the steps the Manager will take to monitor, detect and deter short term trading and market timing and to prohibit late trading by unitholders or shareholders in units or shares of the Funds.
9. Sub-Advisor Oversight Policy, which directs how the Manager monitors and manages sub-advisor conflicts of interest.

Positive Recommendation

The IRC provided a positive recommendation on the merger of the Sun Life Sentry Conservative Balanced Fund into the Sun Life Granite Income Portfolio. Following a positive unitholder vote, the Manager proceeded with the merger on October 30, 2017.

Sun Life Global Investments and Sun Life Global Investments Corporate Class Inc. Mutual Funds

**Mutual Funds as of December 31, 2017*

Sun Life BlackRock Canadian Equity Fund (Series A, T5, T8, F, I, O)
Sun Life BlackRock Canadian Balanced Fund (Series A, T5, F, I, O)
Sun Life BlackRock Canadian Composite Equity Fund (Series I)
Sun Life BlackRock Canadian Universe Bond Fund (Series I)
Sun Life Dynamic American Value Fund (Series A, T5, T8, F, I, O)
Sun Life Dynamic Energy Fund (Series A, T5, T8, F, I, O)
Sun Life Dynamic Equity Income Fund (Series A, F, I, O)
Sun Life Dynamic Strategic Yield Fund (Series A, F, I, O)
Sun Life Granite Balanced Portfolio (Series A, D, T5, F, I, O)
Sun Life Granite Balanced Growth Portfolio (Series A, T5, T8, F, I, O)
Sun Life Granite Conservative Portfolio (Series A, T5, F, I, O)
Sun Life Granite Growth Portfolio (Series A, T5, T8, F, I, O)
Sun Life Granite Moderate Portfolio (Series A, T5, F, I, O)
Sun Life Granite Income Portfolio (Series A, F, I, O)
Sun Life Granite Enhanced Income Portfolio (Series A, F, I, O)
Sun Life Granite Tactical Completion Fund (Series I)
Sun Life MFS Global Total Return Fund (Series A, T5, F, I, O)
Sun Life MFS Monthly Income Fund (Series A, T5, F, I, O)
Sun Life MFS Canadian Equity Fund (Series A, D, F, I, O)
Sun Life MFS Canadian Equity Growth Fund (Series A, D, F, I, O)
Sun Life MFS Canadian Equity Value Fund (Series A, D, F, I, O)
Sun Life MFS Dividend Income Fund (Series A, D, F, I, O)
Sun Life MFS Global Growth Fund (Series A, D, T5, T8, F, I, O)
Sun Life MFS Global Value Fund (Series A, T5, T8, F, I, O)
Sun Life MFS International Growth Fund (Series A, D, T5, T8, F, I, O)
Sun Life MFS International Value Fund (Series A, T5, T8, F, I, O)
Sun Life MFS U.S. Growth Fund (Series A, AH, T5, T8, F, FH, I, IH, O, OH)
Sun Life MFS U.S. Value Fund (Series A, AH, T5, T8, F, FH, I, IH, O, OH)
Sun Life MFS U.S. Equity Fund (Series A, D, F, I, O)
Sun Life MFS Low Volatility International Equity Fund (Series A, T5, T8, F, I, O)
Sun Life MFS Low Volatility Global Equity Fund (Series A, T5, T8, F, I, O)
Sun Life MFS Canadian Bond Fund (Series A, D, F, I, O)
Sun Life Milestone 2020 Fund (Series A)
Sun Life Milestone 2025 Fund (Series A)
Sun Life Milestone 2030 Fund (Series A)
Sun Life Milestone 2035 Fund (Series A)
Sun Life Multi-Strategy Bond Fund (Series A, F, I, O)
Sun Life Milestone Global Equity Fund (Series I)
Sun Life Money Market Fund (Series A, D, F, I, O)
Sun Life NWQ Flexible Income Fund (Series A, F, I, O)
Sun Life Schroder Emerging Markets Fund (Series A, F, I, O)
Sun Life Schroder Global Mid Cap Fund (formerly Sun Life Sentry Global Mid Cap Fund) (Series A, T5, T8, F, I, O)
Sun Life Infrastructure Fund (formerly Sun Life Sentry Infrastructure Fund) (Series A, T5, T8, F, I, O)
Sun Life Sentry Value Fund (Series A, F, I, O)
Sun Life Templeton Global Bond Fund (Series A, F, I, O)
Sun Life Multi-Strategy Target Return Fund (Series A, F, I, O)
Sun Life BlackRock Canadian Balanced Class* (Series A, AT5, F, O)
Sun Life BlackRock Canadian Composite Equity Class* (Series A, AT5, F, I, O)
Sun Life BlackRock Canadian Equity Class* (Series A, AT5, AT8, F, I, O)
Sun Life Dynamic Equity Income Class* (Series A, AT5, F, I, O)

IRC 2017 REPORT TO SECURITYHOLDERS
Sun Life Global Investments Mutual Funds

Sun Life Dynamic Strategic Yield Class* (Series A, AT5, F, I, O)
Sun Life Franklin Bissett Canadian Equity Class* (Series A, AT5, F, I, O)
Sun Life Granite Conservative Class* (Series A, AT5, F, O)
Sun Life Granite Moderate Class* (Series A, AT5, F, O)
Sun Life Granite Balanced Class* (Series A, AT5, F, O)
Sun Life Granite Balanced Growth Class* (Series A, AT5, AT8, F, O)
Sun Life Granite Growth Class* (Series A, AT5, AT8, F, O)
Sun Life MFS Dividend Income Class* (Series A, AT5, F, I, O)
Sun Life MFS Canadian Equity Class* (Series A, AT5, F, O)
Sun Life MFS U.S. Growth Class* (Series A, AT5, AT8, F, O)
Sun Life MFS Global Growth Class* (Series A, AT5, AT8, F, O)
Sun Life MFS International Growth Class* (Series A, AT5, AT8, F, O)
Sun Life Money Market Class* (Series A, F, O)
Sun Life Sentry Value Class* (Series A, AT5, F, I, O)
Sun Life Sionna Canadian Small Cap Equity Class* (Series A, AT5, F, I, O)
Sun Life Trimark Canadian Class* (Series A, AT5, F, I, O)
Sun Life Ryan Labs U.S. Core Fixed Income Fund (Series I)

**each a class of shares of Sun Life Global Investments Corporate Class Inc., a mutual fund corporation.*