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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, 2015

Sun Life Dynamic Strategic Yield Class



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



# Sun Life Dynamic Strategic Yield 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 Objectives and Strategies

The fundamental objective of the Sun Life Dynamic Strategic Yield Class\* (the "Fund") is to seek to achieve income and long-term capital growth through exposure to primarily a diversified portfolio of fixed income and income-oriented equity securities by investing primarily in units of Sun Life Dynamic Strategic Yield Fund or its successor fund (the "underlying Trust Fund").

The underlying Trust Fund's sub-advisor (the "sub-advisor") is 1832 Asset Management L.P. (Manager of the Dynamic Funds). Prior to September 30, 2015, the sub-advisor intended to achieve the underlying Trust Fund's investment objectives by investing all, or substantially all, of the assets of the underlying Trust Fund in Dynamic Strategic Yield Fund (the "Underlying Fund"), a mutual fund that is managed and advised by the sub-advisor. The Underlying Fund's investment objective is to seek to achieve high income and long-term capital growth by investing in a diversified portfolio of fixed income and income-oriented equity securities. Effective as of September 30, 2015, the sub-advisor intends to achieve the underlying Trust Fund's investment objectives by investing all, or substantially all, of the assets of the underlying Trust Fund directly in a diversified portfolio of fixed income and income-oriented equity 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 \$14.9 million to \$20.6 million. The increase in net asset value was due to positive performance, as well as positive net sales in the period.

During the period, the Fund returned 4.7% for Series A shares. This result surpassed the Fund's blended benchmark (50% S&P/TSX Composite Index and 50% FTSE TMX Canada Universe Bond Index), which returned -2.5%. The performance returns of 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 Fund currently invests substantially all of its holdings in the underlying Trust Fund. The following commentary relates to the underlying Trust Fund.

The underlying Trust Fund's asset mix remained overweight equities, which includes alternative investments, Real Estate Investment Trusts (REITs) and underlying specialty funds but excludes put contracts, though this was lowered. An allocation to options writing was more than doubled over the period. Fixed income exposure was relatively unchanged and freely tradeable cash increased as the underlying Trust Fund was positioned more defensively. The underlying Trust Fund's overall weighting to the U.S. increased while the allocation to Canada was reduced. Geographically, the U.S. was a significant contributor to returns.

The underlying Trust Fund's bond allocation was primarily held in Canadian corporates, which were increased over the period. The underlying Trust Fund focused on companies with sustainable revenues, positive cash flows and earnings and an ability to fund debt payments. The underlying Trust Fund also increased its weighting to foreign bonds and debentures, while an exposure to Canadian federal government bonds was eliminated. The underlying Trust Fund's allocation to high yield bonds, through units of Dynamic High Yield Bond Fund and Dynamic Credit Spectrum Fund, was left relatively unchanged. Overall, the fixed income component was a positive contributor to performance.

On a sector level, Financials (which includes Real Estate), Utilities and Consumer Discretionary were the largest allocations in the Fund. Financials remained unchanged, Utilities were increased and Consumer Discretionary saw a slight decline. Exposure to Energy (which includes Energy Infrastructure) was reduced over the period. Both segments of the Energy sector displayed sensitivity to the falling price

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# Sun Life Dynamic Strategic Yield Class

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of oil and gas and saw weakness. Consumer Discretionary, Financials and Utilities were the most significant contributors to returns, while Energy and Materials were detractors. Notable security contributors were U.S.-based firms Nike and Home Depot as well as Wells Fargo & Company while holdings in Energy Infrastructure companies Pembina Pipeline and TransCanada Corporation were negative contributors.

## Recent Developments

Global equity markets ended the period with relatively flat returns. Most global markets, primarily Japan and Europe, began the year on a positive return trajectory against a backdrop of accelerating global growth. North American markets were hindered by sluggish earnings growth, low commodity prices and a soft patch in economic data related to a colder than usual winter. The U.S. was also impacted by a strengthening U.S. dollar, which affected companies with international earnings. Entering the summer, market volatility returned. First, tensions in Europe temporarily flared in June as uncertainty over Greece's ability to service its debt obligations resurfaced, but was resolved in early July. In August and September, global markets experienced a large sell-off sparked by concerns over slowing growth in emerging markets and sluggish earning growth globally. However, markets largely recovered in a broad-based October rally as multiple central banks expressed their intent to ease further if necessary, with the U.S. Federal Reserve (the "Fed") raising the Fed Funds rate in December.

The Canadian equity market lagged major developed markets, largely due to the impact of the continuing and significant decline experienced in commodity prices. The Energy and Materials sectors accounted for a large share of the market's underperformance. Health Care was another major detractor, though this was mostly driven by a single name that experienced heavy losses. Information Technology and Consumer Staples were the best performing sectors.

The U.S. equity market led major developed markets with a roughly flat return in local currency but a strong U.S. dollar lifted the return into solid positive territory in Canadian dollar terms. There was a large divergence in sector returns with Energy and Materials, both impacted by commodity market weakness, posting losses. Meanwhile, Consumer Discretionary, Consumer Staples and Health Care delivered strong performance.

As 2015 concluded, debt markets reflected continued weak global growth, low levels of global inflation, deteriorating economic activity in many emerging market economies and overall credit conditions in the corporate debt sector. These conditions reinforced the 'deflationary theme'. For the third consecutive year, the consensus expectations are for a modest improvement in global economic growth and uptick in overall inflation. This environment sustained expectations of continued easy monetary policy conditions globally. The

Fed's December rate hike represented an isolated effort to reduce commitment to extraordinary monetary policies. The reaction in debt markets to the Fed rate hike has so far been muted.

## 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.

# Sun Life Dynamic Strategic Yield Class

## Series Description

The Fund offers the following series of shares: A, AT5, E, EF, F, I and O. The date of creation for Series A, AT5 and F shares was August 1, 2013, the date of creation for Series E and O shares was April 1, 2014, the date of creation for Series I shares was May 1, 2015 and the date of creation for Series EF shares was August 10, 2015.

Series A and AT5 shares are available to all investors.

Series AT5 shares are designed to provide investors with a fixed monthly distribution based upon a target annualized distribution rate of 5% of the net asset value per share as at the end of the prior year.

Series E shares are available to investors through the Private Client program and must be purchased through a Private Client account. Investors in Series E shares are eligible for management fee reductions, if any, based on the value of Series E shares held in their Private Client account. Any management fee reduction will be paid to investors as a fee distribution by the Fund, which will be reinvested in additional Series E shares. As announced on December 15, 2015, in connection with changes to the Private Client Program, all Series E shares will be converted to Series A shares on February 5, 2016. Please refer to the Fund's simplified prospectus for more details about the captioned change and for details about the Private Client Program.

Series EF shares are available to investors through the Private Client program and only available to investors who have a Private Client fee-based account with their dealer and whose dealer has signed an agreement with the Manager. Series EF shares must be purchased through a Private Client fee-based account. Instead of paying sales charges, investors buying Series EF shares pay fees to their dealer for investment advice and other services. Investors in Series EF shares are eligible for management fee reductions, if any, based on the value of Series EF shares held in their Private Client fee-based account, which management fee reduction will be paid to the investors by reinvesting in additional Series EF shares. The Manager does not pay any commissions to dealers in respect of Series EF shares. As announced on December 15, 2015, in connection with changes to the Private Client Program, all Series EF shares will be converted to Series F shares on February 5, 2016. Please refer to the Fund's simplified prospectus for more details about the captioned change and for details about the Private Client Program.

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 I shares are special purpose securities that are currently only available to other mutual funds and eligible institutional investors. Series I shares 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 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, 2015.

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

#### Sun Life Dynamic Strategic Yield Class – Series A

	2015 (\$)	2014 (\$)	2013 (\$)
Net assets value, beginning of period	11.19	10.70	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.48	0.61	0.27
Total expenses	(0.25)	(0.25)	(0.10)
Realized gains (losses) for the period	0.26	0.04	0.05
Unrealized gains (losses) for the period	(0.03)	0.06	0.79
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.46</b>	<b>0.46</b>	<b>1.01</b>
<b>Distributions:</b>			
From income (excluding dividends)	–	–	–
From dividends	(0.40)	(0.11)	(0.03)
From capital gains	(0.20)	(0.02)	–
Return of capital	–	–	–
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.60)</b>	<b>(0.13)</b>	<b>(0.03)</b>
<b>Net assets value, end of period</b>	<b>11.11</b>	<b>11.19</b>	<b>10.70</b>

# Sun Life Dynamic Strategic Yield Class

## Sun Life Dynamic Strategic Yield Class – Series AT5

	2015 (\$)	2014 (\$)	2013 (\$)
Net assets value, beginning of period	15.66	15.72	15.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.65	0.88	0.38
Total expenses	(0.35)	(0.36)	(0.14)
Realized gains (losses) for the period	0.38	0.06	0.05
Unrealized gains (losses) for the period	(0.15)	0.34	1.03
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.53</b>	<b>0.92</b>	<b>1.32</b>
<b>Distributions:</b>			
From income (excluding dividends)	–	–	–
From dividends	(0.54)	(0.17)	(0.05)
From capital gains	(0.28)	(0.02)	–
Return of capital	(0.78)	(0.78)	(0.31)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(1.60)</b>	<b>(0.97)</b>	<b>(0.36)</b>
<b>Net assets value, end of period</b>	<b>14.78</b>	<b>15.66</b>	<b>15.72</b>

## Sun Life Dynamic Strategic Yield Class – Series E

	2015 (\$)	2014 (\$)
Net assets value, beginning of period	10.18	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.43	0.50
Total expenses	(0.23)	(0.16)
Realized gains (losses) for the period	0.47	0.03
Unrealized gains (losses) for the period	(0.26)	(0.24)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.41</b>	<b>0.13</b>
<b>Distributions:</b>		
From income (excluding dividends)	–	–
From dividends	(0.37)	(0.10)
From capital gains	(0.19)	–
Return of capital	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.56)</b>	<b>(0.10)</b>
<b>Net assets value, end of period</b>	<b>10.11</b>	<b>10.18</b>

## Sun Life Dynamic Strategic Yield Class – Series EF

	2015 (\$)
Net assets value, beginning of period	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.15
Total expenses	(0.04)
Realized gains (losses) for the period	0.26
Unrealized gains (losses) for the period	(0.36)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.01</b>
<b>Distributions:</b>	
From income (excluding dividends)	–
From dividends	(0.35)
From capital gains	–
Return of capital	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.35)</b>
<b>Net assets value, end of period</b>	<b>9.65</b>

## Sun Life Dynamic Strategic Yield Class – Series F

	2015 (\$)	2014 (\$)	2013 (\$)
Net assets value, beginning of period	11.36	10.75	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.50	0.60	0.25
Total expenses	(0.13)	(0.13)	(0.05)
Realized gains (losses) for the period	0.12	0.04	0.03
Unrealized gains (losses) for the period	0.02	0.27	0.70
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.51</b>	<b>0.78</b>	<b>0.93</b>
<b>Distributions:</b>			
From income (excluding dividends)	–	–	–
From dividends	(0.41)	(0.11)	(0.03)
From capital gains	(0.21)	(0.02)	–
Return of capital	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.62)</b>	<b>(0.13)</b>	<b>(0.03)</b>
<b>Net assets value, end of period</b>	<b>11.41</b>	<b>11.36</b>	<b>10.75</b>

## Sun Life Dynamic Strategic Yield Class – Series I

	2015 (\$)
Net assets value, beginning of period	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.27
Total expenses	–
Realized gains (losses) for the period	0.68
Unrealized gains (losses) for the period	(0.49)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.46</b>
<b>Distributions:</b>	
From income (excluding dividends)	–
From dividends	(0.36)
From capital gains	–
Return of capital	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.36)</b>
<b>Net assets value, end of period</b>	<b>10.02</b>

# Sun Life Dynamic Strategic Yield Class

## Sun Life Dynamic Strategic Yield Class – Series O

	2015 (\$)	2014 (\$)
Net assets value, beginning of period	10.34	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.44	0.60
Total expenses	(0.02)	(0.01)
Realized gains (losses) for the period	0.38	0.03
Unrealized gains (losses) for the period	(0.12)	(0.43)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.68</b>	<b>0.19</b>
<b>Distributions:</b>		
From income (excluding dividends)	–	–
From dividends	(0.38)	(0.11)
From capital gains	(0.19)	–
Return of capital	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.57)</b>	<b>(0.11)</b>
<b>Net assets value, end of period</b>	<b>10.48</b>	<b>10.34</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 Dynamic Strategic Yield Class – Series A

	2015	2014	2013
Total net asset value (\$) <sup>(1)</sup>	5,285,640	6,810,539	2,300,060
Number of shares outstanding <sup>(1)</sup>	475,675	608,649	214,977
Management expense ratio (%) <sup>(2)</sup>	2.32	2.36	2.30
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	2.32	2.36	2.30
Trading expense ratio (%) <sup>(3)</sup>	0.07	0.07	0.05
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.69	8.60	30.96
Net asset value per share (\$) <sup>(1)</sup>	11.11	11.19	10.70

### Sun Life Dynamic Strategic Yield Class – Series AT5

	2015	2014	2013
Total net asset value (\$) <sup>(1)</sup>	333,404	257,934	89,832
Number of shares outstanding <sup>(1)</sup>	22,559	16,475	5,714
Management expense ratio (%) <sup>(2)</sup>	2.35	2.36	2.30
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	2.35	2.36	2.30
Trading expense ratio (%) <sup>(3)</sup>	0.07	0.07	0.05
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.69	8.60	30.96
Net asset value per share (\$) <sup>(1)</sup>	14.78	15.66	15.72

## Sun Life Dynamic Strategic Yield Class – Series E

	2015	2014
Total net asset value (\$) <sup>(1)</sup>	3,134,409	1,010,641
Number of shares outstanding <sup>(1)</sup>	310,164	99,323
Management expense ratio (%) <sup>(2)</sup>	2.32	2.34
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	2.32	2.30
Trading expense ratio (%) <sup>(3)</sup>	0.07	0.07
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.69	8.60
Net asset value per share (\$) <sup>(1)</sup>	10.11	10.18

## Sun Life Dynamic Strategic Yield Class – Series EF

	2015
Total net asset value (\$) <sup>(1)</sup>	10,007
Number of shares outstanding <sup>(1)</sup>	1,037
Management expense ratio (%) <sup>(2)</sup>	1.21
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.21
Trading expense ratio (%) <sup>(3)</sup>	0.07
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.69
Net asset value per share (\$) <sup>(1)</sup>	9.65

## Sun Life Dynamic Strategic Yield Class – Series F

	2015	2014	2013
Total net asset value (\$) <sup>(1)</sup>	160,760	542,612	281,266
Number of shares outstanding <sup>(1)</sup>	14,090	47,749	26,173
Management expense ratio (%) <sup>(2)</sup>	1.22	1.25	1.19
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.22	1.25	1.19
Trading expense ratio (%) <sup>(3)</sup>	0.07	0.07	0.05
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.69	8.60	30.96
Net asset value per share (\$) <sup>(1)</sup>	11.41	11.36	10.75

## Sun Life Dynamic Strategic Yield Class – Series I

	2015
Total net asset value (\$) <sup>(1)</sup>	1,279,306
Number of shares outstanding <sup>(1)</sup>	127,669
Management expense ratio (%) <sup>(2)</sup>	0.08
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.08
Trading expense ratio (%) <sup>(3)</sup>	0.07
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.69
Net asset value per share (\$) <sup>(1)</sup>	10.02

## Sun Life Dynamic Strategic Yield Class – Series O

	2015	2014
Total net asset value (\$) <sup>(1)</sup>	10,355,303	6,308,212
Number of shares outstanding <sup>(1)</sup>	987,864	610,104
Management expense ratio (%) <sup>(2)</sup>	0.25	0.24
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.25	0.24
Trading expense ratio (%) <sup>(3)</sup>	0.07	0.07
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.69	8.60
Net asset value per share (\$) <sup>(1)</sup>	10.48	10.34

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



# Sun Life Dynamic Strategic Yield Class

- <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:

	Maximum Annual Management Fee Rate (%)	As a Percentage of Management Fees	
		Dealer Compensation (%) <sup>1</sup>	General Administration, Investment Advice and Profit (%)
Series A Shares	1.85	43	57
Series AT5 Shares	1.85	37	63
Series E Shares	1.85	50	50
Series EF Shares	0.85	—	100
Series F Shares	0.85	—	100
Series I Shares	—	—	—
Series O Shares <sup>2</sup>	0.85	—	100

<sup>1</sup> Includes sales and trailing commissions and marketing support programs.

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

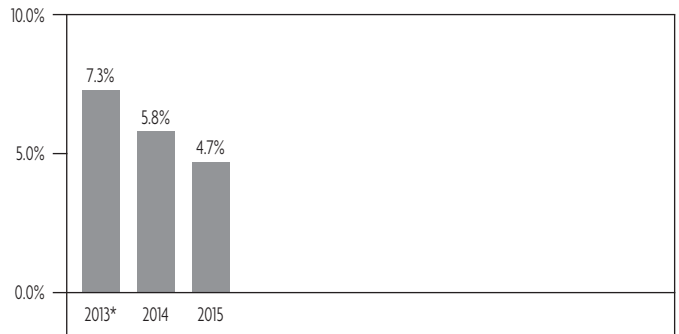
## PAST PERFORMANCE

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.

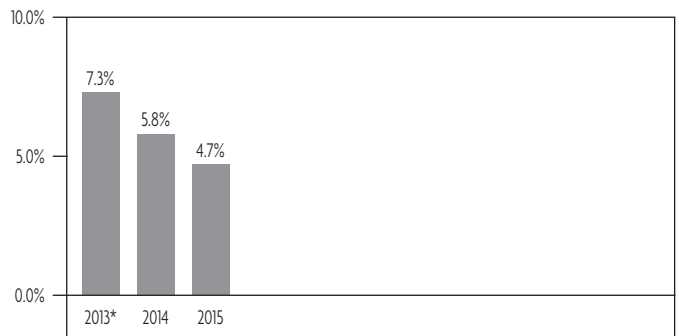
## Year-by-Year Returns

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 periods ended December 31, 2015**



**Series AT5 Shares – Annual return for the periods ended December 31, 2015**



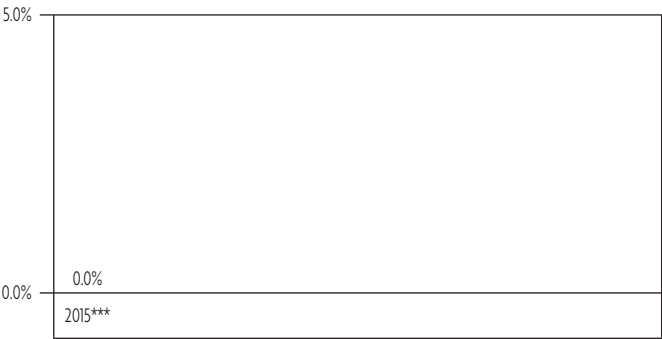
**Series E Shares – Annual return for the periods ended December 31, 2015**



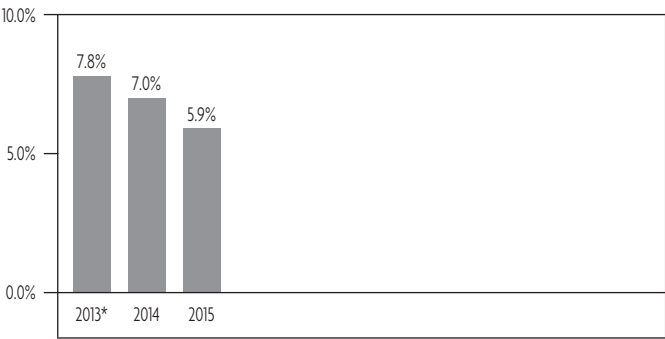


# Sun Life Dynamic Strategic Yield Class

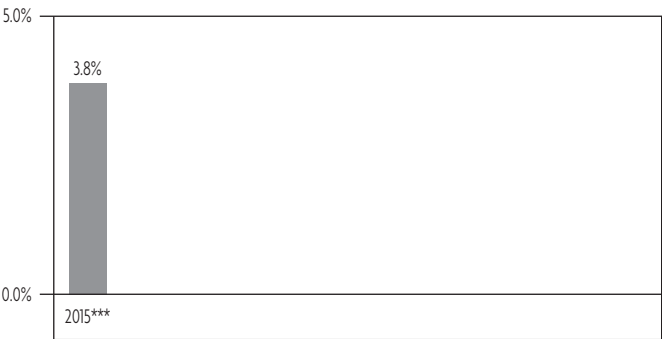
Series EF Shares – Annual return for the period ended December 31, 2015



Series F Shares – Annual return for the periods ended December 31, 2015



Series I Shares – Annual return for the period ended December 31, 2015



Series O Shares – Annual return for the periods ended December 31, 2015



\* for the period of August 1, 2013 to December 31, 2013  
 \*\* for the period of April 1, 2014 to December 31, 2014  
 \*\*\* for the period of May 1, 2015 to December 31, 2015  
 \*\*\*\* for the period of August 10, 2015 to December 31, 2015

## Annual Compound Returns

The following table compares the historical annual compound total returns of Series A, AT5, E,F and O shares of the Fund with the blended benchmark comprised of 50% S&P/TSX Composite Index and 50% FTSE TMX Canada Universe Bond Index.

The S&P/TSX Composite Index covers approximately 95% of the Canadian equities market, and has been the primary gauge for Canadian-based, Toronto Stock Exchange-listed companies since 1977. The FTSE TMX Canada Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market.

# Sun Life Dynamic Strategic Yield Class

The Series A shares outperformed the benchmark since inception and over the past year.

	1 Year	3 Year	5 Year	10 Year	Performance Start Date <sup>(1)(2)(3)</sup>
Sun Life Dynamic Strategic Yield Class – Series A	4.7%	N/A	N/A	N/A	7.4%
Sun Life Dynamic Strategic Yield Class – Series AT5	4.7%	N/A	N/A	N/A	7.4%
Sun Life Dynamic Strategic Yield Class – Series F	5.9%	N/A	N/A	N/A	8.6%
Blended Benchmark (50% S&P/TSX Composite; 50% FTSE TMX Canada Universe Bond)	(2.5%)	N/A	N/A	N/A	5.1%
S&P/TSX Composite Index	(8.3%)	N/A	N/A	N/A	4.8%
FTSE TMX Canada Universe Bond Index	3.5%	N/A	N/A	N/A	5.2%
Sun Life Dynamic Strategic Yield Class – Series E	4.7%	N/A	N/A	N/A	4.3%
Sun Life Dynamic Strategic Yield Class – Series O	6.9%	N/A	N/A	N/A	6.5%
Blended Benchmark (50% S&P/TSX Composite; 50% FTSE TMX Canada Universe Bond)	(2.5%)	N/A	N/A	N/A	1.4%
S&P/TSX Composite Index	(8.3%)	N/A	N/A	N/A	(2.6%)
FTSE TMX Canada Universe Bond Index	3.5%	N/A	N/A	N/A	5.4%

<sup>(1)</sup> The performance start date for Series A, AT5 and F shares was August 1, 2013.

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

<sup>(3)</sup> Performance for Series EF and I shares is not shown as both Series EF and I have not been distributed under a simplified prospectus for 12 months.

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

as at December 31, 2015

### Top 25 Investments<sup>(3)</sup>

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Cash	21.9
2 Dynamic Premium Yield Fund, Series O <sup>(2)</sup>	5.5
3 United States Treasury Note, 0.88%, Jan 31, 2017	2.9
4 Dynamic Credit Spectrum Fund, Series O <sup>(2)</sup>	2.3
5 Dynamic High Yield Bond Fund, Series O <sup>(2)</sup>	2.2
6 Royal Bank of Canada	2.1
7 Wells Fargo & Co.	2.1
8 Manulife Financial Corp.	1.7
9 CVS Caremark Corp.	1.5
10 NextEra Energy Inc.	1.5
11 JPMorgan Chase & Co.	1.4
12 NIKE Inc.	1.3
13 TransCanada Corporation	1.3
14 TELUS Corp.	1.2
15 The Toronto-Dominion Bank, 0.83%, Aug 04, 2016	1.2
16 Automatic Data Processing Inc.	1.2
17 The TJX Companies Inc.	1.1
18 Honeywell International Inc.	1.1
19 Verizon Communications Inc.	1.1
20 Citigroup Inc.	1.1
21 Bank of America Corporation	1.1
22 Becton Dickinson and Co.	1.1
23 Pfizer Inc.	1.1
24 Brookfield Infrastructure Partners LP	1.0
25 Innergex Renewable Energy Inc.	1.0
	<b>61.0</b>
<b>Total Net Asset Value (000's)</b>	<b>\$ 20,559</b>

### Sector Allocation<sup>(3)</sup>

	Percentage of Net Asset Value of the Fund (%)
Cash and Cash Equivalents <sup>(4)</sup>	23.9
Financials	14.1
Canadian Corporate Bond	13.4
Mutual Funds – Income and Real Property	6.1
Consumer Discretionary	5.9
Utilities	5.1
U.S. Corporate Bond	4.6
Mutual Funds – High Yield Fixed Income	4.5
Health Care	4.1
Energy	3.6
Telecommunication Services	3.2
Consumer Staples	3.0
U.S. Government Bond	2.9
Industrials	2.5
Information Technology	1.7
International Corporate Bond	1.1
Mutual Funds – Global Equities	0.3
	<b>100.0</b>

# Sun Life Dynamic Strategic Yield Class

## Asset Mix<sup>(3)</sup>

	Percentage of Net Asset Value of the Fund (%)
U.S. Equities	28.0
Cash and Cash Equivalents <sup>(4)</sup>	23.9
Canadian Equities	15.7
Canadian Fixed Income	13.3
U.S. Fixed Income	12.0
International Equities	6.0
International Fixed Income	1.1
	<b>100.0</b>

<sup>(1)</sup> All information is as at December 31, 2015. The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. You may obtain quarterly updates to these holdings free of charge by calling us at 1-877-344-1434, visiting our website at [www.sunlifeglobalinvestments.com](http://www.sunlifeglobalinvestments.com) or by sending an email to us at [info@sunlifeglobalinvestments.com](mailto:info@sunlifeglobalinvestments.com).

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

<sup>(3)</sup> 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>(4)</sup> Cash and Cash Equivalents, for the purpose of this chart, includes other assets less liabilities.

## 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 Dynamic Strategic Yield 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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