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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 Granite Income Portfolio  
(formerly Sun Life Managed Income Portfolio)



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



# Sun Life Granite Income Portfolio

## (formerly Sun Life Managed Income Portfolio)

*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.*

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

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objectives and Strategies

The fundamental objective of the Sun Life Granite Income Portfolio (the "Portfolio") is to generate a consistent level of income by investing primarily in a mix of income-focused fixed income and equity mutual funds.

In pursuing the Portfolio's investment objective, the portfolio manager uses an asset allocation strategy to determine the weighing with the Portfolio of fixed income investments versus equity investments. The Portfolio is invested primarily in income generating mutual funds that focus on dividend paying equities, REITs, high yield debt, investment grade corporate debt, government debt and emerging market debt.

### Risk

There were no changes in the Portfolio's investment objective or strategy during the period which materially impacted the overall level of risk in the Portfolio. The risks associated with investing in the Portfolio remain as outlined in the Portfolio's Simplified Prospectus.

### Results of Operations

During the period, the net asset value of the Portfolio increased from \$35.1 million to \$94.4 million. The increase in net asset value was attributable to positive net sales, as well as slightly positive performance during the period.

During the period, the Portfolio returned 0.8% for Series A units. This result trailed the Portfolio's blended benchmark, which returned 3.3%. The blended benchmark is comprised of 25.0% Canadian bonds (FTSE TMX Canada Universe Bond Index), 35.0% Global bonds (Barclays Multiverse C\$ Hedged Index), 20.0% Canadian equities (S&P/TSX Capped Composite Index), 20.0% Global equities (MSCI World C\$ Index). The performance returns for other series of this Portfolio are similar to those of Series A except for differences in expense structures. Please refer to 'Past Performance' section of this report for performance of each series.

In the first quarter, the North American economy contracted largely owing to weather-related interruptions and

commodity price volatility. Emerging markets continued to grow at a reduced pace due to structural forces, while Continental Europe and Japan saw their economies grow at a moderate pace, buoyed by accommodative monetary policy and trade improvements. Equity markets strengthened, led by international and emerging market equities, while global bonds surged as the European Central Bank launched its asset purchase program.

In the second quarter, the North American economy experienced somewhat of a rebound from the first quarter wherein hiring, spending and other activities were interrupted. The Canadian economy still struggled to gain traction, with its trade deficit hitting record highs and business spending continuing to be weak. Continental Europe continued to grow, although at a slower pace than the first quarter as a sovereign debt crisis in Greece unfolded. Emerging market economies also grew, helped by better global growth, but saw stresses arising from higher bond yields and external financing concerns. Overall, equity markets had a weaker quarter as expectations that the U.S. Federal Reserve would increase the Fed Funds rate grew, and as a Greece debt payment to the International Monetary Fund ("IMF") came due. Bond markets also fell sharply on the back of improved U.S. economic data and fears over the Greece debt crisis.

In the third quarter investors started to come to the realization that economic growth in China was slowing down materially. China also devalued its currency, which shocked international markets. Commodity-dependent countries like Canada were hit hard, given that China consumes over 50% of global commodities. Overall, there was significant weakness in global equity markets, which triggered a flight to quality and helped higher quality bond issues within the Portfolio to perform well.

In the fourth quarter, bond yields moved higher following the U.S. Federal Reserve's decision to start raising interest rates. This led to negative returns for U.S. and global bonds. There was also weakness in the Canadian economy as oil fell to \$35 a barrel (in U.S. dollars). The selloff in commodities and oil caused the Canadian equity market to post a negative return. Given the weakness in the equity markets during the quarter, Sun Life Global Investments (Canada) Inc. (the "Manager") raised cash in the Portfolio to take advantage of potential opportunities.

# Sun Life Granite Income Portfolio

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The U.S. economy continued to show strength in the fourth quarter, and U.S. equities rallied but ended the year with a small gain on a total return basis. The Manager took a more conservative approach to the Portfolio, shifting to U.S. large market capitalization stocks for a more defensive position.

The Eurozone economy also improved, with the unemployment rate decreasing. In addition, the possibility of additional monetary stimulus in the Eurozone and a weaker currency helped support equity markets. Emerging markets as an asset class faced divergences in returns among countries, with the strong U.S. dollar continuing to be a headwind. The Chinese market saw strong positive returns, while most other major emerging markets weakened.

### Recent Developments

The Manager's view of the U.S. economy has not changed, but U.S. equity returns will likely be modest at best, and as a result, the Manager has grown more cautious. In the Eurozone, the Manager remains positive as long as quantitative easing continues and the Euro remains weak. This is a longer-term investment for the Portfolio, with confidence in this market increasing. In Canada, the impact of falling oil prices will result in more jobs losses and a weaker economy. Although the Energy sector is attractive at current price levels, the Portfolio is not expecting to increase its energy exposure at this time. Overall, volatility will be more prominent in 2016 and further upside in most equity and bond markets may be limited. This will be a year when thoughtful asset allocation will be vital, as there will likely be more divergence among markets.

Effective July 29, 2015, the Portfolio changed its name from the Sun Life Managed Income Portfolio to the Sun Life Granite Income Portfolio.

### Related Party Transactions

Sun Life Global Investments (Canada) Inc. (the "Manager") is the manager, trustee and portfolio manager of the Portfolio.

The Manager is responsible for the provision of all general management and administrative services required by the Portfolio in its day-to-day operations, including providing or arranging for the provision of investment advice, bookkeeping, recordkeeping and other administrative services for the Portfolio.

As trustee, the Manager holds legal title to the Portfolio's investments in trust for unitholders. For its services, the Manager receives a management fee that is calculated as a percentage of the average net asset value of the Portfolio. This fee is calculated daily and payable monthly.

As portfolio manager, the Manager is responsible for managing the investment portfolio of the Portfolio 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 Portfolio. 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 Portfolio'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 Portfolio from time to time; costs in connection with portfolio transactions; fees and expenses payable to or in connection with the Portfolio's Independent Review Committee ("IRC"); taxes payable by the Portfolio; and the costs of complying with any new regulatory or legal requirement imposed on the Portfolio. 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 Portfolio, which reduces the return you may receive.

### Series Description

The Portfolio offers the following series of units: A, E, F, I and O. The date of creation for Series A, F, and I units was January 17, 2013 and the date of creation for Series E and O units was April 1, 2014.

Series A units are available to all investors.

Series E units are available to investors through the Private Client program and must be purchased through a Private Client account. Investors in Series E units are eligible for management fee reductions, if any, based on the value of Series E units held in their Private Client account. Any management fee reduction will be paid to investors as a fee distribution by the Portfolio, which will be reinvested in additional Series E units. As announced on December 15, 2015,

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in connection with changes to the Private Client Program, all Series E units will be re-designated as Series A units on February 5, 2016. Please refer to the Portfolio's simplified prospectus for more details about the captioned change and for details about the Private Client Program.

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 Portfolio and are intended to help you understand the Portfolio's financial performance from the date of inception to December 31, 2015.

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

#### Sun Life Granite Income Portfolio (formerly Sun Life Managed Income Portfolio) – Series A

|                                                                | 2015<br>(\$)  | 2014<br>(\$)  | 2013<br>(\$)  |
|----------------------------------------------------------------|---------------|---------------|---------------|
| Net asset value, beginning of period                           | 10.48         | 9.99          | 10.00         |
| <b>Increase (decrease) from operations:</b>                    |               |               |               |
| Total revenue                                                  | 0.43          | 0.45          | 0.47          |
| Total expenses                                                 | (0.20)        | (0.20)        | (0.18)        |
| Realized gains (losses) for the period                         | 0.07          | 0.30          | (0.20)        |
| Unrealized gains (losses) for the period                       | (0.32)        | 0.37          | 0.51          |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>(0.02)</b> | <b>0.92</b>   | <b>0.60</b>   |
| <b>Distributions:</b>                                          |               |               |               |
| From income (excluding dividends)                              | (0.23)        | (0.17)        | (0.19)        |
| From dividends                                                 | —             | —             | —             |
| From capital gains                                             | (0.10)        | (0.29)        | —             |
| Return of capital                                              | (0.15)        | (0.05)        | (0.27)        |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.48)</b> | <b>(0.51)</b> | <b>(0.46)</b> |
| <b>Net asset value, end of period</b>                          | <b>10.10</b>  | <b>10.48</b>  | <b>9.99</b>   |

#### Sun Life Granite Income Portfolio (formerly Sun Life Managed Income Portfolio) – Series E

|                                                                | 2015<br>(\$)  | 2014<br>(\$)  |
|----------------------------------------------------------------|---------------|---------------|
| Net asset value, beginning of period                           | 10.17         | 10.00         |
| <b>Increase (decrease) from operations:</b>                    |               |               |
| Total revenue                                                  | 0.43          | 0.34          |
| Total expenses                                                 | (0.18)        | (0.14)        |
| Realized gains (losses) for the period                         | 0.08          | 0.30          |
| Unrealized gains (losses) for the period                       | (0.45)        | (0.06)        |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>(0.12)</b> | <b>0.44</b>   |
| <b>Distributions:</b>                                          |               |               |
| From income (excluding dividends)                              | (0.23)        | (0.11)        |
| From dividends                                                 | —             | —             |
| From capital gains                                             | (0.19)        | (0.28)        |
| Return of capital                                              | (0.06)        | —             |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.48)</b> | <b>(0.39)</b> |
| <b>Net asset value, end of period</b>                          | <b>9.79</b>   | <b>10.17</b>  |

#### Sun Life Granite Income Portfolio (formerly Sun Life Managed Income Portfolio) – Series F

|                                                                | 2015<br>(\$)  | 2014<br>(\$)  | 2013<br>(\$)  |
|----------------------------------------------------------------|---------------|---------------|---------------|
| Net asset value, beginning of period                           | 10.67         | 10.07         | 10.00         |
| <b>Increase (decrease) from operations:</b>                    |               |               |               |
| Total revenue                                                  | 0.44          | 0.46          | 0.44          |
| Total expenses                                                 | (0.12)        | (0.12)        | (0.10)        |
| Realized gains (losses) for the period                         | 0.07          | 0.30          | (0.18)        |
| Unrealized gains (losses) for the period                       | (0.55)        | 0.48          | 0.59          |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>(0.16)</b> | <b>1.12</b>   | <b>0.75</b>   |
| <b>Distributions:</b>                                          |               |               |               |
| From income (excluding dividends)                              | (0.23)        | (0.17)        | (0.19)        |
| From dividends                                                 | —             | —             | —             |
| From capital gains                                             | (0.09)        | (0.26)        | —             |
| Return of capital                                              | (0.16)        | (0.08)        | (0.27)        |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.48)</b> | <b>(0.51)</b> | <b>(0.46)</b> |
| <b>Net asset value, end of period</b>                          | <b>10.38</b>  | <b>10.67</b>  | <b>10.07</b>  |

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(formerly Sun Life Managed Income Portfolio)

## Sun Life Granite Income Portfolio (formerly Sun Life Managed Income Portfolio) – Series I

|                                                                | 2015<br>(\$)  | 2014<br>(\$)  | 2013<br>(\$)  |
|----------------------------------------------------------------|---------------|---------------|---------------|
| Net asset value, beginning of period                           | 10.88         | 10.17         | 10.00         |
| <b>Increase (decrease) from operations:</b>                    |               |               |               |
| Total revenue                                                  | 0.48          | 0.48          | 0.43          |
| Total expenses                                                 | (0.01)        | (0.01)        | –             |
| Realized gains (losses) for the period                         | 0.01          | 0.34          | (0.22)        |
| Unrealized gains (losses) for the period                       | (0.61)        | 0.19          | 0.45          |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>(0.13)</b> | <b>1.00</b>   | <b>0.66</b>   |
| <b>Distributions:</b>                                          |               |               |               |
| From income (excluding dividends)                              | (0.23)        | (0.16)        | (0.19)        |
| From dividends                                                 | –             | –             | –             |
| From capital gains                                             | (0.21)        | (0.33)        | –             |
| Return of capital                                              | (0.04)        | (0.02)        | (0.27)        |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.48)</b> | <b>(0.51)</b> | <b>(0.46)</b> |
| <b>Net asset value, end of period</b>                          | <b>10.70</b>  | <b>10.88</b>  | <b>10.17</b>  |

## Sun Life Granite Income Portfolio (formerly Sun Life Managed Income Portfolio) – Series O

|                                                                | 2015<br>(\$)  | 2014<br>(\$)  |
|----------------------------------------------------------------|---------------|---------------|
| Net asset value, beginning of period                           | 10.30         | 10.00         |
| <b>Increase (decrease) from operations:</b>                    |               |               |
| Total revenue                                                  | 0.43          | 0.34          |
| Total expenses                                                 | (0.03)        | (0.02)        |
| Realized gains (losses) for the period                         | 0.07          | 0.29          |
| Unrealized gains (losses) for the period                       | (0.42)        | (0.03)        |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>0.05</b>   | <b>0.58</b>   |
| <b>Distributions:</b>                                          |               |               |
| From income (excluding dividends)                              | (0.23)        | (0.11)        |
| From dividends                                                 | –             | –             |
| From capital gains                                             | (0.14)        | (0.28)        |
| Return of capital                                              | (0.11)        | –             |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.48)</b> | <b>(0.39)</b> |
| <b>Net asset value, end of period</b>                          | <b>10.09</b>  | <b>10.30</b>  |

<sup>(1)</sup> This information is derived from the Portfolio's audited annual financial statements.

<sup>(2)</sup> 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.

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

## Ratios and Supplemental Data

### Sun Life Granite Income Portfolio (formerly Sun Life Managed Income Portfolio) – Series A

|                                                                          | 2015       | 2014       | 2013       |
|--------------------------------------------------------------------------|------------|------------|------------|
| Total net asset value (\$) <sup>(1)</sup>                                | 37,261,902 | 27,778,286 | 12,848,040 |
| Number of units outstanding <sup>(1)</sup>                               | 3,689,813  | 2,650,129  | 1,287,274  |
| Management expense ratio after absorption (%) <sup>(2)</sup>             | 1.98       | 2.00       | 1.98       |
| Management expense ratio before waivers or absorption (%) <sup>(2)</sup> | 1.98       | 2.45       | 3.94       |
| Trading expense ratio (%) <sup>(3)</sup>                                 | 0.08       | 0.11       | 0.09       |
| Portfolio turnover rate (%) <sup>(4)(5)</sup>                            | 50.29      | 91.47      | 55.92      |
| Net asset value per unit (\$) <sup>(1)</sup>                             | 10.10      | 10.48      | 9.99       |

### Sun Life Granite Income Portfolio (formerly Sun Life Managed Income Portfolio) – Series E

|                                                                          | 2015       | 2014      |
|--------------------------------------------------------------------------|------------|-----------|
| Total net asset value (\$) <sup>(1)</sup>                                | 13,596,601 | 2,304,297 |
| Number of units outstanding <sup>(1)</sup>                               | 1,388,565  | 226,506   |
| Management expense ratio after absorption (%) <sup>(2)</sup>             | 1.94       | 1.96      |
| Management expense ratio before waivers or absorption (%) <sup>(2)</sup> | 1.94       | 2.39      |
| Trading expense ratio (%) <sup>(3)</sup>                                 | 0.08       | 0.11      |
| Portfolio turnover rate (%) <sup>(4)(5)</sup>                            | 50.29      | 91.47     |
| Net asset value per unit (\$) <sup>(1)</sup>                             | 9.79       | 10.17     |

### Sun Life Granite Income Portfolio (formerly Sun Life Managed Income Portfolio) – Series F

|                                                                          | 2015    | 2014    | 2013    |
|--------------------------------------------------------------------------|---------|---------|---------|
| Total net asset value (\$) <sup>(1)</sup>                                | 842,984 | 489,666 | 257,528 |
| Number of units outstanding <sup>(1)</sup>                               | 81,241  | 45,893  | 25,597  |
| Management expense ratio after absorption (%) <sup>(2)</sup>             | 1.15    | 1.19    | 1.14    |
| Management expense ratio before waivers or absorption (%) <sup>(2)</sup> | 1.15    | 1.45    | 2.24    |
| Trading expense ratio (%) <sup>(3)</sup>                                 | 0.08    | 0.11    | 0.09    |
| Portfolio turnover rate (%) <sup>(4)(5)</sup>                            | 50.29   | 91.47   | 55.92   |
| Net asset value per unit (\$) <sup>(1)</sup>                             | 10.38   | 10.67   | 10.07   |

### Sun Life Granite Income Portfolio (formerly Sun Life Managed Income Portfolio) – Series I

|                                                                          | 2015       | 2014      | 2013    |
|--------------------------------------------------------------------------|------------|-----------|---------|
| Total net asset value (\$) <sup>(1)</sup>                                | 34,504,627 | 1,497,734 | 269,797 |
| Number of units outstanding <sup>(1)</sup>                               | 3,223,523  | 137,626   | 26,557  |
| Management expense ratio after absorption (%) <sup>(2)</sup>             | 0.11       | 0.14      | 0.12    |
| Management expense ratio before waivers or absorption (%) <sup>(2)</sup> | 0.11       | 0.16      | 0.18    |
| Trading expense ratio (%) <sup>(3)</sup>                                 | 0.08       | 0.11      | 0.09    |
| Portfolio turnover rate (%) <sup>(4)(5)</sup>                            | 50.29      | 91.47     | 55.92   |
| Net asset value per unit (\$) <sup>(1)</sup>                             | 10.70      | 10.88     | 10.17   |

# Sun Life Granite Income Portfolio

## (formerly Sun Life Managed Income Portfolio)

### Sun Life Granite Income Portfolio (formerly Sun Life Managed Income Portfolio) – Series O

|                                                                          | 2015      | 2014      |
|--------------------------------------------------------------------------|-----------|-----------|
| Total net asset value (\$) <sup>(1)</sup>                                | 8,144,918 | 3,038,560 |
| Number of units outstanding <sup>(1)</sup>                               | 807,275   | 294,938   |
| Management expense ratio after absorption (%) <sup>(2)</sup>             | 0.31      | 0.31      |
| Management expense ratio before waivers or absorption (%) <sup>(2)</sup> | 0.31      | 0.38      |
| Trading expense ratio (%) <sup>(3)</sup>                                 | 0.08      | 0.11      |
| Portfolio turnover rate (%) <sup>(4)(5)</sup>                            | 50.29     | 91.47     |
| Net asset value per unit (\$) <sup>(1)</sup>                             | 10.09     | 10.30     |

<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) for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period. Prior to 2015, the Manager of the Fund waived some of its management fees and/or absorbed some expenses that would normally be charged to the Fund.

<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 Portfolio's portfolio turnover ratio indicates how actively the Portfolio's portfolio manager manages its portfolio investments. A portfolio turnover ratio of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio once in the course of the year. The higher a Portfolio's portfolio turnover ratio in a year, the greater the trading costs payable by the Portfolio 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 Portfolio.

<sup>(5)</sup> Percentages are annualized.

## Management Fees

The annual maximum management fee paid by the Portfolio 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 Portfolio, 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 Units              | 1.50                                   | 41                                   | 59                                                       |
| Series E Units              | 1.50                                   | 48                                   | 52                                                       |
| Series F Units              | 0.75                                   | —                                    | 100                                                      |
| Series I Units              | —                                      | —                                    | —                                                        |
| Series O Units <sup>2</sup> | 0.75                                   | —                                    | 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 portfolio. Series O investors pay management fees directly to the manager.

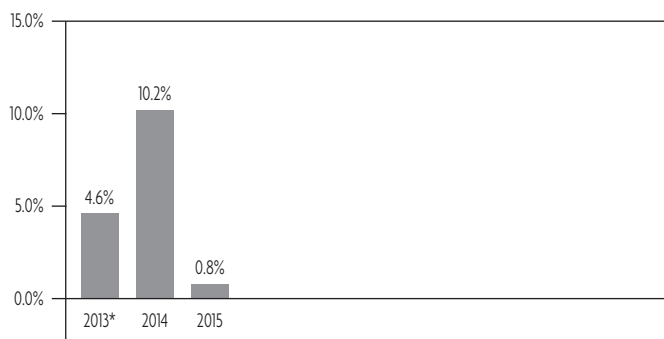
## PAST PERFORMANCE

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.

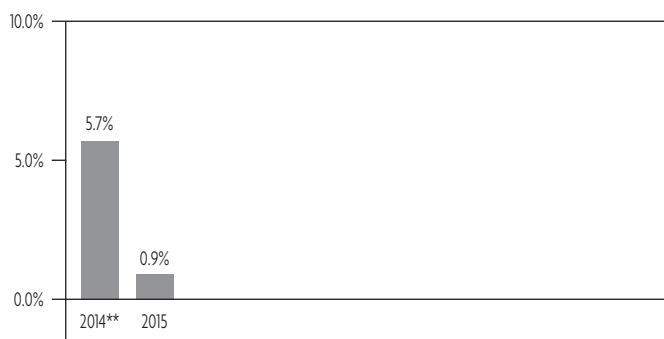
### Year-by-Year Returns

The following bar chart shows the Portfolio'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 Units – Annual return for the periods ended December 31, 2015



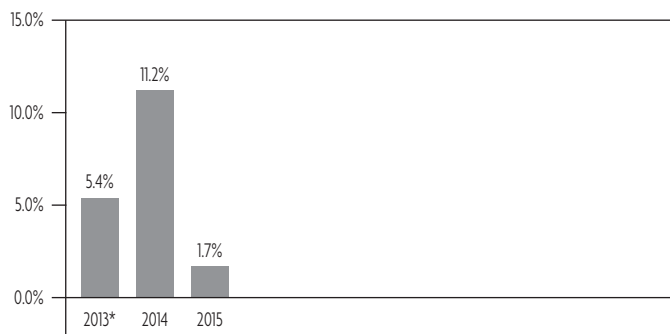
Series E Units – Annual return for the periods ended December 31, 2015



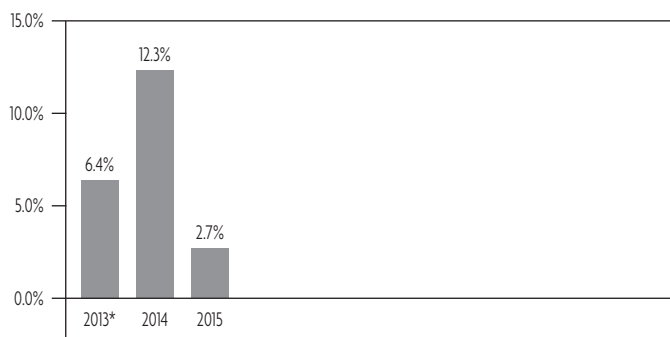
# Sun Life Granite Income Portfolio

(formerly Sun Life Managed Income Portfolio)

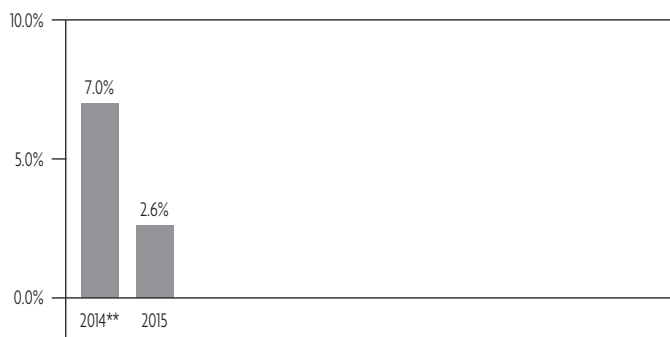
**Series F Units – Annual return for the periods ended December 31, 2015**



**Series I Units – Annual return for the periods ended December 31, 2015**



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



\* for the period of January 17, 2013 to December 31, 2013.

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

## Annual Compound Returns

The following table compares the historical annual compound total returns of Series A, E, F, I and O units of the Portfolio with the blended benchmark. The blended benchmark is comprised of 25.0% Canadian bonds (FTSE TMX Canada Universe Bond Index), 35.0% Global bonds (Barclays Multiverse C\$ Hedged Index), 20.0% Canadian equities

(S&P/TSX Capped Composite Index), 20.0% Global equities (MSCI World C\$ Index).

The Series A units underperformed the blended benchmark since inception and over the past year.

|                                                                                                                                                                                   | 1 Year | 3 Year | 5 Year | 10 Year | Performance Start Date <sup>(1)(2)</sup> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|--------|---------|------------------------------------------|
| Sun Life Granite Income Portfolio – Series A                                                                                                                                      | 0.8%   | N/A    | N/A    | N/A     | 5.2%                                     |
| Sun Life Granite Income Portfolio – Series F                                                                                                                                      | 1.7%   | N/A    | N/A    | N/A     | 6.1%                                     |
| Sun Life Granite Income Portfolio – Series I                                                                                                                                      | 2.7%   | N/A    | N/A    | N/A     | 7.2%                                     |
| Blended Benchmark<br>(25.0% FTSE TMX Canada Universe Bond Index;<br>35.0% Barclays Multiverse C\$ Hedged Index; 20.0% S&P/TSX Capped Composite Index; 20.0% MSCI World C\$ Index) | 3.3%   | N/A    | N/A    | N/A     | 7.3%                                     |
| FTSE TMX Canada Universe Bond Index                                                                                                                                               | 3.5%   | N/A    | N/A    | N/A     | 3.8%                                     |
| Barclays Multiverse C\$ Hedged Index                                                                                                                                              | 1.5%   | N/A    | N/A    | N/A     | 3.6%                                     |
| S&P/TSX Capped Composite Index                                                                                                                                                    | (8.3%) | N/A    | N/A    | N/A     | 4.2%                                     |
| MSCI World C\$ Index                                                                                                                                                              | 18.9%  | N/A    | N/A    | N/A     | 22.0%                                    |
| Sun Life Granite Income Portfolio – Series E                                                                                                                                      | 0.9%   | N/A    | N/A    | N/A     | 3.8%                                     |
| Sun Life Granite Income Portfolio – Series O                                                                                                                                      | 2.6%   | N/A    | N/A    | N/A     | 5.5%                                     |
| Blended Benchmark<br>(25.0% FTSE TMX Canada Universe Bond Index;<br>35.0% Barclays Multiverse C\$ Hedged Index; 20.0% S&P/TSX Capped Composite Index; 20.0% MSCI World C\$ Index) | 3.3%   | N/A    | N/A    | N/A     | 5.4%                                     |
| FTSE TMX Canada Universe Bond Index                                                                                                                                               | 3.5%   | N/A    | N/A    | N/A     | 5.4%                                     |
| Barclays Multiverse C\$ Hedged Index                                                                                                                                              | 1.5%   | N/A    | N/A    | N/A     | 4.1%                                     |
| S&P/TSX Capped Composite Index                                                                                                                                                    | (8.3%) | N/A    | N/A    | N/A     | (2.6%)                                   |
| MSCI World C\$ Index                                                                                                                                                              | 18.9%  | N/A    | N/A    | N/A     | 15.8%                                    |

<sup>(1)</sup> The performance start date for Series A, F and I units was January 17, 2013.

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

# Sun Life Granite Income Portfolio

(formerly Sun Life Managed Income Portfolio)

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

as at December 31, 2015

### Top 25 Investments

| Holdings                                                              | Percentage of Net Asset Value of the Fund (%) |
|-----------------------------------------------------------------------|-----------------------------------------------|
| 1 Sun Life MFS Canadian Bond Fund, Series I <sup>(2)</sup>            | 25.3                                          |
| 2 Sun Life Sentry Infrastructure Fund, Series I <sup>(2)</sup>        | 14.9                                          |
| 3 Sun Life Money Market Fund, Series I <sup>(2)</sup>                 | 13.9                                          |
| 4 Guardian Global Dividend Growth Fund, Series I <sup>(2)</sup>       | 11.5                                          |
| 5 RBC Global High Yield Bond Fund, Series O <sup>(2)</sup>            | 10.5                                          |
| 6 Sentry REIT Fund, Series I <sup>(2)</sup>                           | 7.4                                           |
| 7 Sun Life NWQ Flexible Income Fund, Series I <sup>(2)</sup>          | 5.2                                           |
| 8 Sun Life Sentry Value Fund, Series I <sup>(2)</sup>                 | 5.2                                           |
| 9 iShares iBoxx \$ Investment Grade Corporate Bond ETF <sup>(2)</sup> | 2.5                                           |
| 10 Dynamic Equity Income Fund, Series O <sup>(2)</sup>                | 2.4                                           |
| 11 Sun Life Dynamic Energy Fund, Series I <sup>(2)</sup>              | 1.1                                           |
| 12 Cash and Cash Equivalents <sup>(3)</sup>                           | 0.1                                           |
|                                                                       | <b>100.0</b>                                  |
| <b>Total Net Asset Value (000's)</b>                                  | <b>\$ 94,351</b>                              |

### Asset Mix

|                                          | Percentage of Net Asset Value of the Fund (%) |
|------------------------------------------|-----------------------------------------------|
| Fixed Income                             | 57.4                                          |
| Equity                                   | 42.5                                          |
| Cash and Cash Equivalents <sup>(3)</sup> | 0.1                                           |
|                                          | <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 fund and other information can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

<sup>(3)</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 Portfolio, 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 Portfolio and various economic factors. Many factors could cause the Portfolio'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 Granite Income Portfolio (formerly Sun Life Managed Income Portfolio)

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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