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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 MFS Monthly Income Fund



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



# Sun Life MFS Monthly Income Fund

*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 Objective and Strategies

The fundamental investment objective of Sun Life MFS Monthly Income Fund (the "Fund") is to seek to provide a consistent level of regular income with capital appreciation as a secondary objective over the long term, by investing primarily in income producing equity and debt securities.

The Fund's sub-advisor is MFS Investment Management Canada Limited ("MFSIM"). In pursuing the Fund's investment objectives, the sub-advisor invests in a combination of income-generating equity securities and debt instruments with no more than 70% of the Fund's portfolio in Canadian securities and at least 30% of the Fund's portfolio in non-Canadian securities to provide diversification. In respect of equity securities, may invest in dividend or income paying securities, including royalty trust units, real estate investment trust units and limited partnership units and other exchange-listed participating securities, or warrants on dividend or income paying securities. In respect of debt instruments, uses a combination of bottom-up credit research and top-down macro analysis in constructing a diversified fixed income portfolio. Will primarily invest in debt instruments rated investment grade but may also invest in non-investment grade debt instruments.

### 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 decreased from \$18.7 million to \$15.3 million. The decrease in net asset value was due to negative performance in the period.

During the period, the Fund returned -4.0% for Series A units. This result trailed the Fund's benchmark (50% S&P/TSX Capped Composite, 50% FTSE TMX Canada Universe Bond), which returned -2.5%. The performance returns for other

series of this Fund are similar to those of Series A except for differences in expenses structures. Please refer to 'Past Performance' section of this report for performance of each series.

Within the equity portion of the Fund, weak stock selection and an underweight position in Financials dampened performance relative to the S&P/TSX Capped Composite Index. Most notably, holdings of insurance company Delta Lloyd (Netherlands) dampened relative results. An overweight position in real estate investment trust Dream Office Real Estate Investment Trust also weighed on relative returns. Not owning shares of strong-performing asset management company Brookfield Asset Management further hurt relative performance.

Elsewhere, the Fund's overweight positions in oil and gas companies, Crescent Point Energy and TORC Oil and Gas, integrated energy company Husky Energy and oil and gas driller Trinidad Drilling hampered relative performance. Not owning shares of enterprise software solutions firm Constellation Software and information technology and business process solutions company CGI Group also weakened relative results. The timing of the Fund's ownership in shares of pharmaceutical company Valeant Pharmaceuticals further hurt relative returns.

Within the Fund's fixed income segment, exposure to securities priced off of the U.S. Treasury curve weakened relative results as the Canadian government yield curve fell and U.S. Treasury yields rose during the period. The Fund's meaningful overweight to corporate bonds, particularly to BBB-rated credits, detracted given the widening of spreads during the period.

Stock selection and an underweight position in the poor-performing Materials sector benefited relative performance. The Fund's overweight position in gold miner Agnico Eagle Mines was a notable contributor. Not owning shares of metals and mining company First Quantum Minerals also aided relative performance.

Stock selection in the Energy sector was another area of relative strength. Shares of independent petroleum products company Marathon Petroleum and independent oil refiner Valero Energy bolstered relative performance. Not owning shares of natural gas company EnCana also boosted relative returns.

# Sun Life MFS Monthly Income Fund

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Elsewhere, holdings of telecommunications networking firm Telecom Italia (Italy), advertising and broadcasting company ProSiebenSat. 1 Media (Germany) and pharmaceutical giant Pfizer strengthened relative results. The Fund's underweight position in fertilizer producer Potash Corporation of Saskatchewan, and overweight position in media and marketing company Transcontinental, also aided relative performance.

During the reporting period, the Fund's currency exposure, resulting primarily from differences between the Fund's and the benchmark's exposures to holdings of securities denominated in foreign currencies, was another contributor to relative performance. All of MFS' investment decisions are driven by the fundamentals of each individual opportunity and as such, it is common for our funds to have different currency exposure than the benchmark.

Within the fixed income segment, the Fund's unhedged U.S. dollar exposure added value given that the Canadian dollar depreciated meaningfully relative to the U.S. dollar.

## Recent Developments

Sluggish global growth weighed on both developed and emerging market ("EM") economies during the year. EM economies have been particularly lackluster. While the U.S. Federal Reserve began raising interest rates at the end of the year, other large developed economies continued to keep interest rates low, particularly the European Central Bank and the Bank of Japan. Focus remained on China after policy missteps by the Chinese government shook up global markets over the summer, beginning with the uncoordinated response to the stock market's boom and bust and then the decision to devalue the renminbi in August. China subsequently ramped up a wide range of monetary and fiscal measures to stimulate the economy and boost sentiment. Its economy appeared to stabilize late in the period. Also at the end of the period, the Chinese renminbi was granted reserve currency status by the International Monetary Fund ("IMF"), which announced its inclusion in the IMF's Special Drawing Rights currency basket effective October 1, 2016.

During the second half of the year, the U.S. faced an earnings recession caused primarily by the sharp decline in the prices of oil and other commodities. Earnings contractions were concentrated primarily in the Energy, Materials and Industrial sectors. An additional challenge for earnings was the sharp rise in the U.S. dollar over the period. Exports were depressed by the dollar's strength and falling demand in emerging markets. Consumer spending held up well during the second half of year amid a modest increase in real wages and a boost from falling gasoline prices. Demand for autos reached near-record highs late in the period. In emerging markets, two key factors weighed on economies and asset prices: weaker Chinese growth, and the resulting decline in commodity

prices, in addition to expectations for higher U.S. interest rates. Structural factors like floating exchange rates and fiscal buffers partially offset these cyclical headwinds.

## Related Party Transactions

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

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

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

As portfolio manager, the Manager is responsible for managing the investment portfolio of the Fund directly or through sub-advisors. The Manager has retained MFS Investment Management Canada Limited ("MFSIM"), an affiliate, to act as a sub-advisor for the Fund.

The Manager is an indirect wholly owned subsidiary of Sun Life Financial Inc., which also has an indirect majority ownership interest in MFSIM.

## 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

# Sun Life MFS Monthly Income Fund

proportionately among its series of units. The Fund Costs that are specific to a series of units are allocated to that series. These amounts are paid out of the assets attributed to each series of units of the Fund, which reduces the return you may receive.

## Series Description

The Fund offers the following series of units: A, T5, E, EF, F, I and O. The date of creation for Series A, T5, F and I units was September 1, 2011, the date of creation for Series E and O units was April 1, 2014 and the date of creation for Series EF units was August 10, 2015.

Series A and T5 units are available to all investors.

Series T5 units are designed to provide investors with a fixed monthly distribution based on a target annualized distribution rate of 5% of the net asset value per unit at the end of the prior year.

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 Fund, which will be reinvested in additional Series E units. As announced on December 15, 2015, 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 Fund's simplified prospectus for more details about the captioned change and for details about the Private Client Program.

Series EF units 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 units must be purchased through a Private Client fee-based account. Instead of paying sales charges, investors buying Series EF units pay fees to their dealer for investment advice and other services. Investors in Series EF units are eligible for management fee reductions, if any, based on the value of Series EF units held in their Private Client fee-based account, which management fee reduction will be paid to the investors by reinvesting in additional Series EF units. The Manager does not pay any commissions to dealers in respect of Series EF units. As announced on December 15, 2015, in connection with changes to the Private Client Program, all Series EF units will be re-designated to Series F units 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 units are available to investors who have a fee-based account with their dealer and whose dealer has signed an

agreement with the Manager. Instead of paying sales charges, investors buying Series F units pay fees to their dealer for investment advice and other services. The Manager does not pay any commissions to dealers in respect of Series F units, so the Manager can charge a lower management fee.

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

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

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from the date of inception to December 31, 2015.

### The Fund's Net Asset Value per Unit (\$) <sup>(1)(4)</sup> Sun Life MFS Monthly Income Fund – Series A

	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)	2011 (\$)
Net assets value, beginning of period	11.32	10.72	10.28	10.20	10.00
<b>Increase (decrease) from operations:</b>					
Total revenue	0.43	0.42	0.40	0.44	0.17
Total expenses	(0.19)	(0.20)	(0.17)	(0.18)	(0.09)
Realized gains (losses) for the period	(0.17)	0.13	(0.04)	0.17	(0.03)
Unrealized gains (losses) for the period	(0.47)	0.56	0.60	0.14	0.47
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.40)</b>	<b>0.91</b>	<b>0.79</b>	<b>0.57</b>	<b>0.52</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.27)	(0.27)	(0.28)	(0.33)	(0.09)
From dividends	—	—	—	—	—
From capital gains	—	—	—	(0.15)	(0.03)
Return of capital	(0.09)	(0.09)	(0.08)	—	—
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.48)</b>	<b>(0.12)</b>
<b>Net assets value, end of period</b>	<b>10.52</b>	<b>11.32</b>	<b>10.72</b>	<b>10.27</b>	<b>10.20</b>

# Sun Life MFS Monthly Income Fund

## Sun Life MFS Monthly Income Fund – Series T5

	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)	2011 (\$)
Net assets value, beginning of period	16.11	15.50	15.11	15.22	15.00
<b>Increase (decrease) from operations:</b>					
Total revenue	0.60	0.62	0.60	0.63	0.23
Total expenses	(0.28)	(0.28)	(0.25)	(0.26)	(0.14)
Realized gains (losses) for the period	(0.27)	0.26	0.04	0.32	(0.24)
Unrealized gains (losses) for the period	(0.68)	0.84	0.76	0.17	0.63
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.63)</b>	<b>1.44</b>	<b>1.15</b>	<b>0.86</b>	<b>0.48</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.62)	(0.58)	(0.50)	(0.70)	(0.19)
From dividends	–	–	–	–	–
From capital gains	–	–	–	(0.22)	(0.06)
Return of capital	(0.19)	(0.20)	(0.25)	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.81)</b>	<b>(0.78)</b>	<b>(0.75)</b>	<b>(0.92)</b>	<b>(0.25)</b>
<b>Net assets value, end of period</b>	<b>14.70</b>	<b>16.11</b>	<b>15.50</b>	<b>15.05</b>	<b>15.22</b>

## Sun Life MFS Monthly Income Fund – Series E

	2015 (\$)	2014 (\$)
Net assets value, beginning of period	10.16	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.37	0.26
Total expenses	(0.17)	(0.13)
Realized gains (losses) for the period	(0.25)	0.01
Unrealized gains (losses) for the period	(0.62)	(0.20)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.67)</b>	<b>(0.06)</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.27)	(0.20)
From dividends	–	–
From capital gains	–	–
Return of capital	(0.09)	(0.07)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.36)</b>	<b>(0.27)</b>
<b>Net assets value, end of period</b>	<b>9.41</b>	<b>10.16</b>

## Sun Life MFS Monthly Income Fund – Series EF

	2015 (\$)
Net assets value, beginning of period	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.14
Total expenses	(0.04)
Realized gains (losses) for the period	(0.13)
Unrealized gains (losses) for the period	(0.39)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.42)</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.09)
From dividends	–
From capital gains	–
Return of capital	(0.03)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.12)</b>
<b>Net assets value, end of period</b>	<b>9.46</b>

## Sun Life MFS Monthly Income Fund – Series F

	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)	2011 (\$)
Net assets value, beginning of period	11.52	10.85	10.35	10.22	10.00
<b>Increase (decrease) from operations:</b>					
Total revenue	0.46	0.41	0.41	0.43	0.17
Total expenses	(0.13)	(0.13)	(0.11)	(0.12)	(0.06)
Realized gains (losses) for the period	(0.08)	0.23	(0.01)	0.19	(0.04)
Unrealized gains (losses) for the period	(0.31)	0.07	0.67	0.01	0.85
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.06)</b>	<b>0.58</b>	<b>0.96</b>	<b>0.51</b>	<b>0.92</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.27)	(0.27)	(0.31)	(0.33)	(0.09)
From dividends	–	–	–	–	–
From capital gains	–	–	–	(0.15)	(0.03)
Return of capital	(0.09)	(0.09)	(0.05)	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.48)</b>	<b>(0.12)</b>
<b>Net assets value, end of period</b>	<b>10.78</b>	<b>11.52</b>	<b>10.85</b>	<b>10.33</b>	<b>10.22</b>

# Sun Life MFS Monthly Income Fund

## Sun Life MFS Monthly Income Fund – Series I

	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)	2011 (\$)
Net assets value, beginning of period	11.94	11.11	10.48	10.25	10.00
<b>Increase (decrease) from operations:</b>					
Total revenue	0.44	0.44	0.41	0.43	0.15
Total expenses	(0.01)	(0.01)	(0.01)	(0.02)	–
Realized gains (losses) for the period	(0.23)	0.13	(0.04)	0.16	(0.16)
Unrealized gains (losses) for the period	(0.36)	0.62	0.64	0.14	0.38
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.16)</b>	<b>1.18</b>	<b>1.00</b>	<b>0.71</b>	<b>0.37</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.27)	(0.27)	(0.30)	(0.33)	(0.10)
From dividends	–	–	–	–	–
From capital gains	–	–	–	(0.16)	(0.02)
Return of capital	(0.09)	(0.09)	(0.06)	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.49)</b>	<b>(0.12)</b>
<b>Net assets value, end of period</b>	<b>11.29</b>	<b>11.94</b>	<b>11.11</b>	<b>10.47</b>	<b>10.25</b>

## Sun Life MFS Monthly Income Fund – Series O

	2015 (\$)	2014 (\$)
Net assets value, beginning of period	10.27	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.38	0.27
Total expenses	(0.02)	(0.02)
Realized gains (losses) for the period	(0.21)	0.04
Unrealized gains (losses) for the period	(0.72)	(0.17)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.57)</b>	<b>0.12</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.27)	(0.20)
From dividends	–	–
From capital gains	–	–
Return of capital	(0.09)	(0.07)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.36)</b>	<b>(0.27)</b>
<b>Net assets value, end of period</b>	<b>9.66</b>	<b>10.27</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 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 Fund, or both.

<sup>(4)</sup> 2015, 2014 and 2013 figures are prepared in accordance with International Financial Reporting Standards ("IFRS"). Prior to 2013, comparatives are prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

## Ratios and Supplemental Data<sup>(6)</sup>

### Sun Life MFS Monthly Income Fund – Series A

	2015	2014	2013	2012	2011
Total net asset value (\$) <sup>(1)</sup>	9,528,746	12,767,645	9,271,025	7,076,772	1,016,861
Number of units outstanding <sup>(1)</sup>	905,511	1,127,740	864,880	688,268	99,550
Management expense ratio (%) <sup>(2)</sup>	1.62	1.62	1.63	1.61	1.57
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.62	3.05	3.16	3.15	9.04
Trading expense ratio (%) <sup>(3)</sup>	0.03	0.03	0.04	0.14	0.19
Portfolio turnover rate (%) <sup>(4)(5)</sup>	32.68	42.76	43.88	92.75	31.58
Net asset value per unit (\$) <sup>(1)</sup>	10.52	11.32	10.72	10.28	10.21

### Sun Life MFS Monthly Income Fund – Series T5

	2015	2014	2013	2012	2011
Total net asset value (\$) <sup>(1)</sup>	262,796	282,762	191,718	12,962	10,328
Number of units outstanding <sup>(1)</sup>	17,874	17,551	12,365	858	678
Management expense ratio (%) <sup>(2)</sup>	1.64	1.63	1.66	1.62	1.60
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.64	3.06	3.23	3.17	4.78
Trading expense ratio (%) <sup>(3)</sup>	0.03	0.03	0.04	0.14	0.19
Portfolio turnover rate (%) <sup>(4)(5)</sup>	32.68	42.76	43.88	92.75	31.58
Net asset value per unit (\$) <sup>(1)</sup>	14.70	16.11	15.50	15.11	15.24

### Sun Life MFS Monthly Income Fund – Series E

	2015	2014
Total net asset value (\$) <sup>(1)</sup>	1,749,757	446,378
Number of units outstanding <sup>(1)</sup>	185,953	43,928
Management expense ratio (%) <sup>(2)</sup>	1.62	1.64
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.62	3.09
Trading expense ratio (%) <sup>(3)</sup>	0.03	0.03
Portfolio turnover rate (%) <sup>(4)(5)</sup>	32.68	42.76
Net asset value per unit (\$) <sup>(1)</sup>	9.41	10.16

### Sun Life MFS Monthly Income Fund – Series EF

	2015
Total net asset value (\$) <sup>(1)</sup>	9,579
Number of units outstanding <sup>(1)</sup>	1,013
Management expense ratio (%) <sup>(2)</sup>	1.07
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.07
Trading expense ratio (%) <sup>(3)</sup>	0.03
Portfolio turnover rate (%) <sup>(4)(5)</sup>	32.68
Net asset value per unit (\$) <sup>(1)</sup>	9.46

### Sun Life MFS Monthly Income Fund – Series F

	2015	2014	2013	2012	2011
Total net asset value (\$) <sup>(1)</sup>	25,359	677,529	42,844	62,832	51,684
Number of units outstanding <sup>(1)</sup>	2,353	58,792	3,950	6,073	5,053
Management expense ratio (%) <sup>(2)</sup>	1.07	1.07	1.08	1.05	1.04
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.07	2.02	2.10	2.72	8.39
Trading expense ratio (%) <sup>(3)</sup>	0.03	0.03	0.04	0.14	0.19
Portfolio turnover rate (%) <sup>(4)(5)</sup>	32.68	42.76	43.88	92.75	31.58
Net asset value per unit (\$) <sup>(1)</sup>	10.78	11.52	10.85	10.35	10.23



# Sun Life MFS Monthly Income Fund

## Sun Life MFS Monthly Income Fund – Series I

	2015	2014	2013	2012	2011
Total net asset value (\$) <sup>(1)</sup>	2,489,366	4,049,438	3,656,919	3,335,214	3,115,838
Number of units outstanding <sup>(1)</sup>	220,459	339,245	329,044	318,106	303,606
Management expense ratio (%) <sup>(2)</sup>	0.06	0.06	0.06	0.06	0.05
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.06	0.11	0.12	1.76	3.24
Trading expense ratio (%) <sup>(3)</sup>	0.03	0.03	0.04	0.14	0.19
Portfolio turnover rate (%) <sup>(4)(5)</sup>	32.68	42.76	43.88	92.75	31.58
Net asset value per unit (\$) <sup>(1)</sup>	11.29	11.94	11.11	10.48	10.26

## Sun Life MFS Monthly Income Fund – Series O

	2015	2014
Total net asset value (\$) <sup>(1)</sup>	1,194,942	447,465
Number of units outstanding <sup>(1)</sup>	123,756	43,561
Management expense ratio (%) <sup>(2)</sup>	0.22	0.23
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.22	0.43
Trading expense ratio (%) <sup>(3)</sup>	0.03	0.03
Portfolio turnover rate (%) <sup>(4)(5)</sup>	32.68	42.76
Net asset value per unit (\$) <sup>(1)</sup>	9.66	10.27

<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 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.

<sup>(6)</sup> 2015, 2014 and 2013 figures are prepared in accordance with IFRS. Prior to 2013, comparatives are prepared in accordance with Canadian GAAP.

## 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 Units	1.25	31	69
Series T5 Units	1.25	27	73
Series E Units	1.25	37	63
Series EF Units	0.75	—	100
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.

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

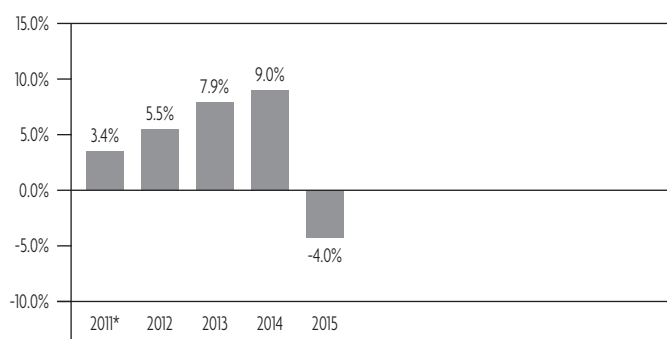
## PAST PERFORMANCE

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

## Year-by-Year Returns

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

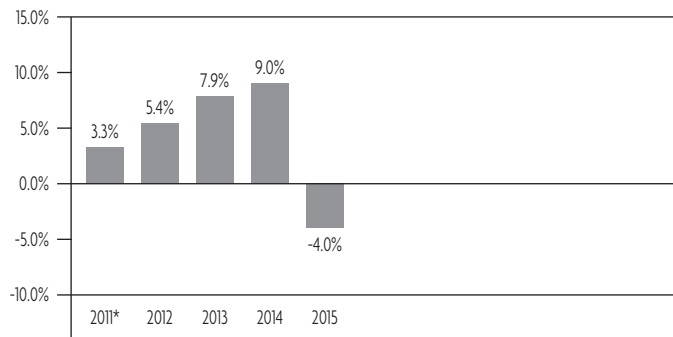
### Series A Units – Annual return for the periods ended December 31, 2015



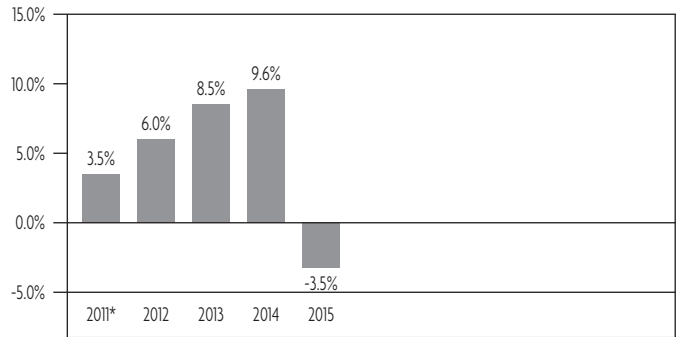


# Sun Life MFS Monthly Income Fund

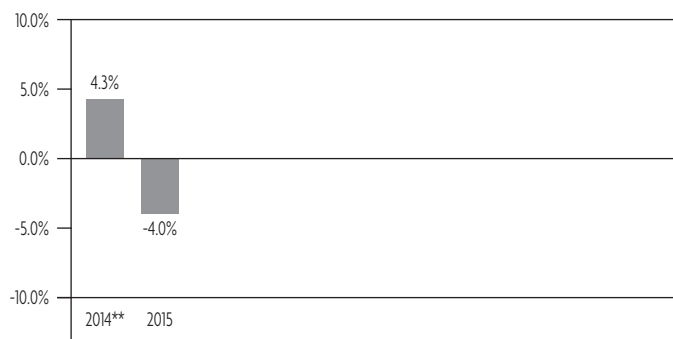
**Series T5 Units – Annual return for the periods ended December 31, 2015**



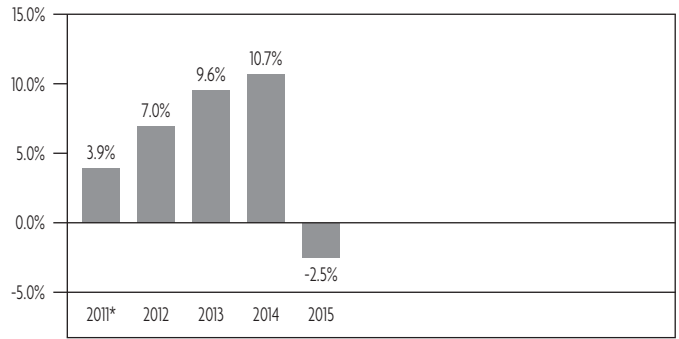
**Series F Units – Annual return for the periods ended December 31, 2015**



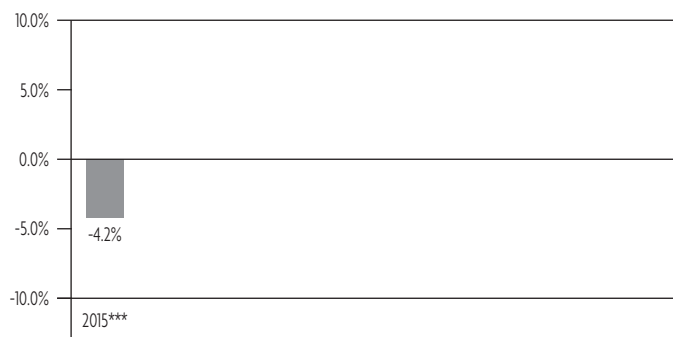
**Series E Units – Annual return for the periods ended December 31, 2015**



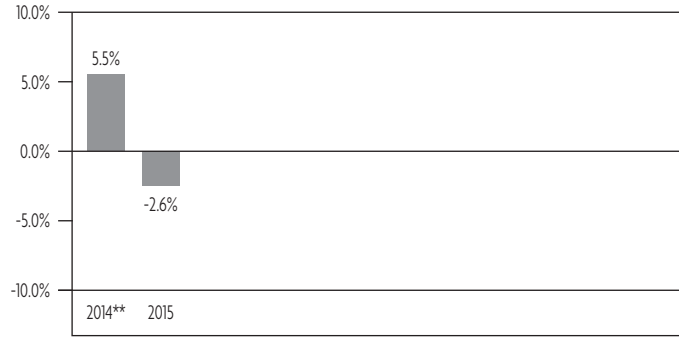
**Series I Units – Annual return for the periods ended December 31, 2015**



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



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



\* for the period September 1, 2011 to December 31, 2011

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

\*\*\* for the period August 10, 2015 to December 31, 2015

## Annual Compound Returns

The following table compares the historical annual compound total returns of Series A, T5, E, F, I and O units of the Fund with the blended benchmark comprised of 50% S&P/TSX Capped Composite Index and 50% FTSE TMX Canada Universe Bond Index.

# Sun Life MFS Monthly Income Fund

The S&P/TSX Capped Composite 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.

The Series A units outperformed the benchmark since inception, performed in line with the benchmark over the past three years, and underperformed the benchmark over the past year.

	1 Year	3 Year	5 Year	10 Year	Performance Start Date <sup>(1)(2)(3)</sup>
Sun Life Monthly Income Fund – Series A	(4.0%)	4.2%	N/A	N/A	4.9%
Sun Life MFS Monthly Income Fund – Series T5	(4.0%)	4.1%	N/A	N/A	4.9%
Sun Life Monthly Income Fund – Series F	(3.5%)	4.7%	N/A	N/A	5.5%
Sun Life MFS Monthly Income Fund – Series I	(2.5%)	5.8%	N/A	N/A	6.5%
Blended Benchmark (50% S&P/TSX Capped Composite Index; 50% FTSE TMX Canada Universe Bond Index)	(2.5%)	4.2%	N/A	N/A	4.0%
S&P/TSX Capped Composite Index	(8.3%)	4.6%	N/A	N/A	3.5%
FTSE TMX Canada Universe Bond Index	3.5%	3.6%	N/A	N/A	4.3%
Sun Life MFS Monthly Income Fund – Series E	(4.0%)	N/A	N/A	N/A	0.1%
Sun Life Monthly Income Fund – Series O	(2.6%)	N/A	N/A	N/A	1.5%
Blended Benchmark (50% S&P/TSX Capped Composite Index; 50% FTSE TMX Canada Universe Bond Index)	(2.5%)	N/A	N/A	N/A	1.4%
S&P/TSX Capped 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, T5, F and I units was September 1, 2011.

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

<sup>(3)</sup> Performance for Series EF units is not shown as Series EF has 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

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Royal Bank of Canada	4.3
2 The Toronto-Dominion Bank	4.2
3 The Bank of Nova Scotia	2.5
4 Suncor Energy Inc.	2.5
5 Magna International Inc.	2.2
6 Enbridge Inc.	2.2
7 Life Technologies Corp., 5.00%, January 15, 2021	1.9
8 The Kroger Co., 3.40%, April 15, 2022	1.8
9 United States Treasury Note, 2.00%, February 15, 2025	1.8
10 Wal-Mart Stores Inc., 6.50%, August 15, 2037	1.8
11 Capital One Financial Corp., 3.20%, February 05, 2025	1.8
12 Verizon Communications Inc., 6.40%, September 15, 2033	1.6
13 Anheuser-Busch InBev Worldwide Inc., 5.38%, January 15, 2020	1.5
14 General Electric Capital Corp., 5.50%, January 08, 2020	1.5
15 Wm. Wrigley Jr. Company, 3.38%, October 21, 2020	1.4
16 Target Corp., 6.00%, January 15, 2018	1.4
17 The Goldman Sachs Group Inc., 3.63%, January 22, 2023	1.4
18 Dream Office Real Estate Investment Trust	1.4
19 Gilead Sciences Inc., 4.80%, April 01, 2044	1.4
20 Transcontinental Inc., Class A	1.4
21 JPMorgan Chase & Co., 3.20%, January 25, 2023	1.4
22 SES SA, 3.60%, April 04, 2023	1.3
23 Walgreens Boots Alliance Inc., 3.80%, November 18, 2024	1.3
24 Apple Inc., 3.85%, May 04, 2043	1.3
25 BP Capital Markets PLC, 4.74%, March 11, 2021	1.2
<b>46.5</b>	
<b>Total Net Asset Value (000's)</b>	<b>\$ 15,261</b>

# Sun Life MFS Monthly Income Fund

## Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Corporate Bonds	46.7
Financials	18.4
Energy	10.3
Industrials	4.4
Telecommunication Services	4.0
Materials	3.9
Consumer Discretionary	3.6
Consumer Staples	2.8
Utilities	2.6
Information Technology	1.7
Health Care	1.4
Cash and Cash Equivalents <sup>(2)</sup>	0.2
	<b>100.0</b>

## Asset Mix

	Percentage of Net Asset Value of the Fund (%)
U.S. Fixed Income	41.5
Canadian Equities	40.6
International Equities	9.1
International Fixed Income	4.5
U.S. Equities	3.5
Canadian Fixed Income	0.6
Cash and Cash Equivalents <sup>(2)</sup>	0.2
	<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> 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 MFS Monthly Income Fund

You can find more information about each Fund in our Annual Information Form, and each Fund's management report of fund performance and financial statements, once available. These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as part of it.

For a free copy of these documents, call us toll-free at 1-877-344-1434 or ask your advisor. These documents and other information about the Funds, such as information circulars and material contracts, are also available at [www.sunlifeglobalinvestments.com](http://www.sunlifeglobalinvestments.com) or [www.sedar.com](http://www.sedar.com).

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