
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2015

Sun Life Templeton Global Bond Fund



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



Sun Life Templeton Global Bond 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 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 and on SEDAR at www.sedar.com. All of the financial information is calculated based on the pricing Net Asset Valuation for the investment fund, unless otherwise stated.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objectives and Strategies

The Sun Life Templeton Global Bond Fund (the "Fund") seeks to achieve high current income and capital appreciation primarily by investing directly in fixed-income securities and preferred shares issued around the world or indirectly by investing in mutual funds that invest in such securities.

The Fund's sub-advisor is Franklin Templeton Investments Corp. (the "sub-advisor"). The sub-advisor currently intends to achieve the Fund's investment objectives by investing all, or substantially all, of the assets of the Fund in units of Templeton Global Bond Fund (the "Underlying Fund"), a mutual fund that is managed and advised by the sub-advisor. In pursuing the Underlying Fund's investment objectives, the sub-advisor uses a fundamental research driven investment approach that focuses on identifying potential sources of high current income worldwide.

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

The Fund has a performance inception date of February 2, 2015. The period covered in this report is from the inception date to December 31, 2015. The net asset value of the Fund increased from \$0.2 million to \$2.2 million at the end of the period. The increase in net asset value was attributable to positive net sales, as well as positive performance in the period.

During the period, the Fund returned 0.1% for Series A units. This result trailed the Fund's benchmark, the JPM Global Government Bond C\$ Index, which returned 6.3%. The performance returns for other series of this Fund are similar to those of Series A except for differences in expense structures. Please refer to the 'Past Performance' section of this report for performance of each series.

The Fund currently invests substantially all of its holdings in the Underlying Fund. The following commentary relates to the Underlying Fund.

The Underlying Fund's relative underperformance during the period was primarily due to currency positions, followed by interest-rate strategies. Sovereign credit exposures contributed to relative results. Among currencies, underweighted positions in the U.S. dollar, the Japanese yen and the euro detracted from relative performance. However, overweight currency positions in Asia ex Japan contributed to relative results. The Underlying Fund maintained a defensive approach regarding interest rates in developed and emerging markets. Select underweighted duration exposures in Europe and underweighted duration exposure in the United States detracted from relative performance.

Recent Developments

On the whole, the Underlying Fund is positioned for rising rates by maintaining low portfolio duration and a negative correlation with U.S. Treasury returns. The sub-advisor has also continued to actively seek select duration exposures that can offer positive real yields without taking undue interest-rate risk, favouring countries that have solid underlying fundamentals and prudent fiscal, monetary and financial policies.

The sub-advisor believes that fears of global deflation are unwarranted. Markets have overestimated the extent to which lower headline inflation reflects structurally weaker global demand. A global recession or global deflation is not anticipated, and a hard-landing scenario for China's economy is not expected. In the sub-advisor's assessment, global growth remains on trend while growth projections in the major economies remain healthy.

Emerging markets were often regarded as being in near-crisis condition during the second half of 2015. The sub-advisor believes concerns of a systemic crisis have been exaggerated, as there are significant differences across the asset class. Most commodity exporters, and emerging markets with poor macroeconomic fundamentals, remain vulnerable; other emerging countries, however, have solid policies and better underlying fundamentals that have not been recognized by market valuations.

Series F units were introduced on February 11, 2016.

Sun Life Templeton Global Bond Fund

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 Franklin Templeton Investments Corp. to act as a sub-advisor for the Fund.

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 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, E, I and O. The date of creation for all series was February 2, 2015.

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 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 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.

Sun Life Templeton Global Bond Fund

The Fund's Net Asset Value per Unit (\$) ⁽¹⁾

Sun Life Templeton Global Bond Fund – Series A

	2015 (\$)
Net asset value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.45
Total expenses	(0.14)
Realized gains (losses) for the period	0.75
Unrealized gains (losses) for the period	(0.60)
Total increase (decrease) from operations⁽²⁾	0.46
Distributions:	
From income (excluding dividends)	(0.12)
From dividends	–
From capital gains	(0.57)
Return of capital	–
Total annual distributions⁽³⁾	(0.69)
Net asset value, end of period	9.32

Sun Life Templeton Global Bond Fund – Series E

	2015 (\$)
Net asset value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.54
Total expenses	(0.14)
Realized gains (losses) for the period	1.14
Unrealized gains (losses) for the period	(0.71)
Total increase (decrease) from operations⁽²⁾	0.83
Distributions:	
From income (excluding dividends)	(0.18)
From dividends	–
From capital gains	(0.55)
Return of capital	–
Total annual distributions⁽³⁾	(0.73)
Net asset value, end of period	9.28

Sun Life Templeton Global Bond Fund – Series I

	2015 (\$)
Net asset value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.37
Total expenses	(0.01)
Realized gains (losses) for the period	0.50
Unrealized gains (losses) for the period	(0.62)
Total increase (decrease) from operations⁽²⁾	0.24
Distributions:	
From income (excluding dividends)	(0.09)
From dividends	–
From capital gains	(0.59)
Return of capital	–
Total annual distributions⁽³⁾	(0.68)
Net asset value, end of period	9.48

Sun Life Templeton Global Bond Fund – Series O

	2015 (\$)
Net asset value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.71
Total expenses	(0.02)
Realized gains (losses) for the period	1.81
Unrealized gains (losses) for the period	(0.95)
Total increase (decrease) from operations⁽²⁾	1.55
Distributions:	
From income (excluding dividends)	(0.23)
From dividends	–
From capital gains	(0.54)
Return of capital	–
Total annual distributions⁽³⁾	(0.77)
Net asset value, end of period	9.38

⁽¹⁾ This information is derived from the Fund's audited annual financial statements.

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

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

Ratios and Supplemental Data

Sun Life Templeton Global Bond Fund – Series A

	2015
Total net asset value (\$) ⁽¹⁾	1,133,352
Number of units outstanding ⁽¹⁾	121,613
Management expense ratio (%) ⁽²⁾	1.66
Management expense ratio before waivers or absorption (%) ⁽²⁾	1.66
Trading expense ratio (%) ⁽³⁾	–
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	4.67
Net asset value per unit (\$) ⁽¹⁾	9.32

Sun Life Templeton Global Bond Fund

Sun Life Templeton Global Bond Fund – Series E

	2015
Total net asset value (\$) ⁽¹⁾	147,990
Number of units outstanding ⁽¹⁾	15,947
Management expense ratio (%) ⁽²⁾	1.65
Management expense ratio before waivers or absorption (%) ⁽²⁾	1.65
Trading expense ratio (%) ⁽³⁾	–
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	4.67
Net asset value per unit (\$) ⁽¹⁾	9.28

Sun Life Templeton Global Bond Fund – Series I

	2015
Total net asset value (\$) ⁽¹⁾	476,262
Number of units outstanding ⁽¹⁾	50,224
Management expense ratio (%) ⁽²⁾	0.06
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.06
Trading expense ratio (%) ⁽³⁾	–
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	4.67
Net asset value per unit (\$) ⁽¹⁾	9.48

Sun Life Templeton Global Bond Fund – Series O

	2015
Total net asset value (\$) ⁽¹⁾	431,671
Number of units outstanding ⁽¹⁾	46,039
Management expense ratio (%) ⁽²⁾	0.23
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.23
Trading expense ratio (%) ⁽³⁾	–
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	4.67
Net asset value per unit (\$) ⁽¹⁾	9.38

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

⁽²⁾ 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.

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

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

⁽⁵⁾ Percentages are annualized.

Management Fees

The annual maximum management fee paid by the Fund is a percentage of the average daily net asset value of each series exclusive of any applicable taxes and operating expenses, which is accrued daily and is paid to the Manager monthly in

arrears. Management fees pay for portfolio and investment advisory services, oversight of any service providers, marketing and promotional activities, arranging for the distribution and sale of securities of the Fund, general administration of fund operations and sales and trailing commissions paid to dealers.

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

	Maximum Annual Management Fee Rate (%)	As a Percentage of Management Fees	
		Dealer Compensation (%) ¹	General Administration, Investment Advice and Profit (%)
Series A Units	1.25	36	64
Series E Units	1.25	37	63
Series I Units	–	–	–
Series O Units ²	0.75	–	100

¹ Includes sales and trailing commissions.

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

PAST PERFORMANCE

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

Year-by-Year Returns

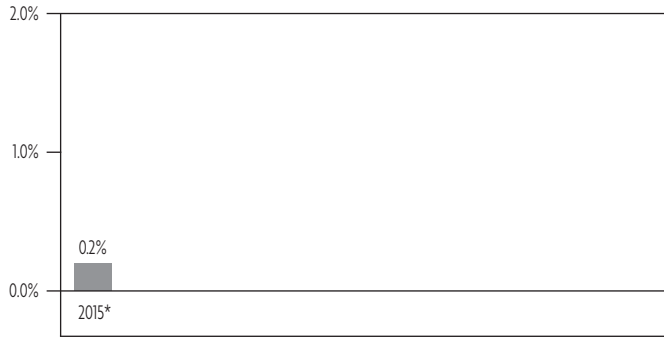
The following bar chart shows the Fund's annual performance for the period shown. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each period.

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



Sun Life Templeton Global Bond Fund

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



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



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



* for the period February 2, 2015 to December 31, 2015

Annual Compound Returns

The Fund has not been distributed under a simplified prospectus for twelve months; therefore, the Manager may not publish annual compound returns.

SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at December 31, 2015

Top 25 Investments⁽²⁾

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Government of Indonesia, Senior Bond, FR70, 8.375%, Mar 15, 2024	2.0
2 Korea Treasury Bond, Senior Note, 3.00%, Dec 10, 2016	1.8
3 Government of Portugal, 3.875%, Feb 15, 2030	1.7
4 Government of Poland, Strip, Jan 25, 2016	1.6
5 Government of Indonesia, FR46, 9.50%, Jul 15, 2023	1.5
6 Nota Do Tesouro Nacional, Index Linked, 6.00%, Aug 15, 2022	1.4
7 Government of Serbia, 7.25%, Sep 28, 2021	1.4
8 Government of the Philippines, Senior Note, 1.625%, Apr 25, 2016	1.3
9 Korea Monetary Stabilization Bond, Senior Note, 1.96%, Feb 02, 2017	1.3
10 Government of Hungary, 5.375%, Feb 21, 2023	1.3
11 Government of Singapore, Senior Note, 1.125%, Apr 01, 2016	1.2
12 Government of Indonesia, FR47, 10.00%, Feb 15, 2028	1.2
13 Korea Monetary Stabilization Bond, Senior Note, 1.56%, Oct 02, 2017	1.1
14 Government of Portugal, 5.125%, Oct 15, 2024	1.1
15 Nota Do Tesouro Nacional, 10.00%, Jan 01, 2017	1.0
16 Government of Malaysia, Senior Note, 3.394%, Mar 15, 2017	1.0
17 Korea Treasury Bond, Senior Note, 2.75%, May 10, 2016	1.0
18 Government of India, Senior Note, 8.83%, Nov 25, 2023	1.0
19 Mahanagar Telephone Nigam Ltd., 8.24%, Nov 19, 2024	0.9
20 Government of Poland, Floating Rate Note, Jan 25, 2017	0.8
21 Government of Poland, Floating Rate Note, Jan 25, 2021	0.8
22 Government of Indonesia, Senior Bond, FR56, 8.375%, Sep 15, 2026	0.8
23 Government of the Philippines, Senior Note, 7.00%, Jan 27, 2016	0.8
24 Government of Poland, 5.00%, Apr 25, 2016	0.8
25 Mahanagar Telephone Nigam Ltd., 8.29%, Nov 28, 2024	0.8
	29.6
Total Net Asset Value (000's)	\$ 2,189

Sun Life Templeton Global Bond Fund

Sector Allocation⁽²⁾

	Percentage of Net Asset Value of the Fund (%)
International Government Bonds	57.9
Cash and Cash Equivalents ⁽³⁾	42.1
	100.0

Asset Mix⁽²⁾

	Percentage of Net Asset Value of the Fund (%)
International Fixed Income	57.9
Cash and Cash Equivalents ⁽³⁾	42.1
	100.0

⁽¹⁾ 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 or by sending an email to us at info@sunlifeglobalinvestments.com.

⁽²⁾ The Fund invests substantially all of its assets directly in the Templeton Global Bond Fund, Series O. The summary of investment portfolio for the Fund presents the investments as a percentage of the net asset value of the Templeton Global Bond Fund, Series O.

⁽³⁾ 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 Templeton Global Bond Fund

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

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

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