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# SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

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## SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the period ended June 30, 2017

Sun Life BlackRock Canadian Balanced Fund



# Sun Life BlackRock Canadian Balanced Fund

*This semi-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 semi-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., 1 York Street, Toronto, Ontario, M5J 0B6. 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

### Results of Operations

During the period, the net asset value of the Sun Life BlackRock Canadian Balanced Fund (the "Fund") decreased from \$73.6 million to \$39.1 million. The decrease in net asset value was due to net redemptions, partially offset by positive performance during the period.

During the period, the Fund returned 3.1% for Series A units. This result surpassed the Fund's benchmark (60% S&P/TSX Capped Composite, 40% FTSE TMX Canada Universe Bond), which returned 1.4%. 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 is managed to target weights as defined by its benchmark. The primary reason for the Fund's outperformance of the benchmark is from the Fund's weights deviating from target weights as the Fund is regularly rebalanced at month-end.

The S&P/TSX Composite Index rose to start off 2017 finishing the first quarter up 2.41%. The largest contributions in the index and the Fund came from the Utilities, Consumer Discretionary, and Information Technology sectors whilst the Energy and Health Care sectors posted losses. In fact, they were only two sectors to post losses in the index. Canadian equities was the only major asset class to post negative return with a performance of 1.64% over the second quarter. The three largest sectors (Financials, Energy and Materials) were the worst performing groups whereas Health Care, Industrials and Consumer Discretionary performed well. Some of the main themes impacting the Canadian markets include concerns around renegotiation of the North American Free Trade Agreement ("NAFTA") accord, tumbling energy prices on increased supply and the overheated Canadian housing market.

U.S. equities continued to climb higher in the second quarter but the gains slowed relative to the first quarter, marked by rising political uncertainty and mixed economic data. Despite some disappointing inflation numbers and lower-than-

expected non-farm payroll data, the U.S. Federal Reserve raised interest rates at the June meeting and signaled its intention to begin winding down its balance sheet. Political turmoil continued to unfold over the quarter, raising concerns about U.S. President Trump's administration's ability to implement its fiscal policies and led to further weakening of the dollar over the quarter. Health Care, Industrials and Financials were the best performing sectors this quarter while the underperforming sectors were Energy, Consumer Staples and Telecommunication Services.

The synchronization of the global economic recovery and politics dominated market sentiment over the first quarter. Despite continued improvement in the global macro backdrop, bond yields finished out the period close to where they started in response to political risk in the U.S. and Europe. The Canadian yield curve modestly flattened, with 10-year yields declining 9 basis points while 2-year yields increased by 1 basis point. Credit spreads continued to modestly tighten as 2017 kicked off at the fastest pace for global bond sales since 2013. Issuers looked to take advantage of suppressed macro volatility and broader market strength, to front run any perceived rate volatility.

### Recent Developments

The second quarter displayed similar market themes as the first quarter and markets continued to trend mostly upward, supported by strong global economic data and solid corporate earnings growth. Politics continued to dominate the headlines this quarter and the uncertainties around U.S. President Donald Trump's administration, the French election and other global political headwinds weighed on the performance of domestic and international equity markets, which generally experienced lower gains than the previous quarter.

Continuing the trend from the first quarter, large-cap equities continued to outperform small-cap equities in the U.S. and Emerging Market equities outperformed developed markets in the second quarter, benefiting from a weaker dollar and strong global growth. Despite mixed economic data, the U.S. Federal Reserve raised interest rates in June for the third time in the last six months.

In mid-June, Bank of Canada Senior Deputy Governor Carolyn Wilkins surprised markets when, during a speech on

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economic diversity, she said “the interest rate cuts that we put in place in 2015 have largely done their work.” In two subsequent media interviews, Governor Stephen Poloz confirmed the reset in tone, saying at one point that “it does look as though those cuts have done their job.” The sudden shift in tone is perhaps somewhat deceptive, in that the Bank of Canada officials are couching the removal of accommodation as a mere unwind of the emergency cuts it made to address the energy price collapse of late 2014. Now that the Bank of Canada has embarked on a tightening of policy there remains a few questions for investors, who will have to ponder the impact of this new direction until Governor Stephen Poloz provides more clarity.

U.S. equities had a positive start to the year supported by strong U.S. macroeconomic data. Non-farm payroll numbers came in higher than expected during the quarter and the Conference Board consumer confidence index rose to its highest level since 2000. In terms of sector performance, Technology and Consumer Discretionary were the best performing sectors in the first quarter, backed by continued optimism from U.S. consumers. Sectors that benefited most from the “Trump Trade” in the fourth quarter of 2016, such as Financials, Energy, Materials and Industrials lagged behind the market in the first quarter of 2017 as the Trump rally lost its steam with growing skepticism about the administration’s ability to implement some of its policies. However, the view of BlackRock Asset Management Canada Limited (the “sub-advisor”) is that the broader reflation trade has room to run, backed by a uniform pick-up in economic activity and corporate earnings.

International equities posted solid gains despite various political risks in the different regions, with further evidence of a global recovery. The European Central Bank (“ECB”) raised its growth and inflation forecasts in March but maintained support behind its current bond-buying program. Economic data from the Eurozone continue to be upbeat and European equities could benefit as investors shift their focus to the region’s economic recovery as political worries subside.

Emerging markets rebounded in the first quarter and outperformed developed markets, boosted by strong global growth and a weaker U.S. dollar. Fears over protectionist trade policies by the Trump administration impact on emerging markets faded as U.S. President Trump failed to pass revisions to the healthcare legislation. In China, stocks rallied, driven by stabilization of economic data and a weaker U.S. dollar reducing concerns over capital outflows.

Effective February 5, 2016, all Series E units were re-designated to Series A units, under the Front End Sales Charge option, of the same Fund. Please refer to the Fund’s simplified prospectus for more details about the captioned change and for details about the Private Client Program.

## 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 BlackRock Asset Management Canada Limited to act as a sub-advisor for the Fund.

The Manager is an indirect wholly owned subsidiary of Sun Life Financial Inc.

During the year, the Manager relied on the approval of the Fund’s Independent Review Committee (the “IRC”) to enable the Fund to purchase equity securities and non-exchange traded debt securities of Sun Life Financial Inc. (“SLF”), the ultimate parent of the Manager. In accordance with the IRC’s approval, before the Fund purchases debt securities of SLF, the Manager is required to ensure that the investment decision (i) is made free from any influence of SLF and does not take into account any consideration relevant to SLF; (ii) represents the business judgment of the Manager uninfluenced by considerations other than the best interests of the Fund; (iii) is in compliance with the Manager’s written policies and procedures relating to the transaction; and (iv) achieves a fair and reasonable result for the Fund.

## 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 semi-annual financial statements (unaudited).

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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, T5, F, I and O. The date of creation for Series A, F, and I units was April 15, 2011, the date of creation for Series T5 units was September 1, 2011 and the date of creation for Series O units was April 1, 2014.

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 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 June 30, 2017.

### The Fund's Net Asset Value per Unit (\$) <sup>(1)(4)</sup>

#### Sun Life BlackRock Canadian Balanced Fund – Series A

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	11.60	10.82	11.26	10.64	10.02	9.59
<b>Increase (decrease) from operations:</b>						
Total revenue	0.11	0.31	0.27	0.30	0.30	0.26
Total expenses	(0.11)	(0.25)	(0.22)	(0.27)	(0.19)	(0.19)
Realized gains (losses) for the period	2.23	0.26	(0.23)	0.06	(0.10)	0.07
Unrealized gains (losses) for the period	(1.87)	0.56	(0.09)	0.73	0.84	0.40
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.36</b>	<b>0.88</b>	<b>(0.27)</b>	<b>0.82</b>	<b>0.85</b>	<b>0.54</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.07)	(0.06)	(0.07)	(0.13)	(0.14)	(0.06)
From dividends	(0.01)	(0.02)	(0.12)	(0.08)	(0.09)	(0.07)
From capital gains	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.08)</b>	<b>(0.08)</b>	<b>(0.19)</b>	<b>(0.21)</b>	<b>(0.23)</b>	<b>(0.13)</b>
<b>Net asset value, end of period</b>	<b>11.88</b>	<b>11.60</b>	<b>10.82</b>	<b>11.26</b>	<b>10.64</b>	<b>10.02</b>

# Sun Life BlackRock Canadian Balanced Fund

## Sun Life BlackRock Canadian Balanced Fund – Series T5

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	14.75	14.34	15.45	15.01	14.52	14.53
<b>Increase (decrease) from operations:</b>						
Total revenue	0.14	0.39	0.37	0.43	0.51	0.52
Total expenses	(0.14)	(0.32)	(0.29)	(0.36)	(0.26)	(0.29)
Realized gains (losses) for the period	2.75	0.35	(0.32)	0.09	(0.12)	–
Unrealized gains (losses) for the period	(2.32)	0.69	(0.10)	0.94	1.24	0.30
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.43</b>	<b>1.11</b>	<b>(0.34)</b>	<b>1.10</b>	<b>1.37</b>	<b>0.53</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.37)	(0.05)	(0.26)	(0.68)	(0.69)	(0.66)
From dividends	–	–	–	–	(0.03)	(0.13)
From capital gains	–	–	–	–	–	–
Return of capital	–	(0.67)	(0.51)	(0.07)	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.37)</b>	<b>(0.72)</b>	<b>(0.77)</b>	<b>(0.75)</b>	<b>(0.72)</b>	<b>(0.78)</b>
<b>Net asset value, end of period</b>	<b>14.84</b>	<b>14.75</b>	<b>14.34</b>	<b>15.45</b>	<b>15.01</b>	<b>14.52</b>

## Sun Life BlackRock Canadian Balanced Fund – Series F

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	12.07	11.31	11.66	10.90	10.16	9.63
<b>Increase (decrease) from operations:</b>						
Total revenue	0.14	0.40	0.17	0.32	0.30	0.23
Total expenses	(0.05)	(0.11)	(0.10)	(0.11)	(0.03)	(0.07)
Realized gains (losses) for the period	2.63	0.09	(0.23)	0.06	(0.10)	0.09
Unrealized gains (losses) for the period	(2.32)	0.18	0.18	0.68	0.81	0.42
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.40</b>	<b>0.56</b>	<b>0.02</b>	<b>0.95</b>	<b>0.98</b>	<b>0.67</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.08)	(0.19)	(0.07)	(0.15)	(0.16)	(0.07)
From dividends	(0.01)	(0.09)	(0.13)	(0.08)	(0.09)	(0.08)
From capital gains	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.09)</b>	<b>(0.28)</b>	<b>(0.20)</b>	<b>(0.23)</b>	<b>(0.25)</b>	<b>(0.14)</b>
<b>Net asset value, end of period</b>	<b>12.41</b>	<b>12.07</b>	<b>11.31</b>	<b>11.66</b>	<b>10.90</b>	<b>10.16</b>

## Sun Life BlackRock Canadian Balanced Fund – Series I

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	12.44	11.59	11.89	11.04	10.22	9.65
<b>Increase (decrease) from operations:</b>						
Total revenue	0.06	0.34	0.29	0.31	0.30	0.39
Total expenses	–	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	1.08	0.26	(0.25)	0.07	(0.10)	–
Unrealized gains (losses) for the period	(0.55)	0.54	(0.10)	0.70	0.87	0.42
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.59</b>	<b>1.13</b>	<b>(0.08)</b>	<b>1.07</b>	<b>1.06</b>	<b>0.80</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.04)	(0.19)	(0.08)	(0.16)	(0.16)	(0.07)
From dividends	(0.01)	(0.11)	(0.15)	(0.08)	(0.09)	(0.08)
From capital gains	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.05)</b>	<b>(0.30)</b>	<b>(0.23)</b>	<b>(0.24)</b>	<b>(0.25)</b>	<b>(0.15)</b>
<b>Net asset value, end of period</b>	<b>12.88</b>	<b>12.44</b>	<b>11.59</b>	<b>11.89</b>	<b>11.04</b>	<b>10.22</b>

## Sun Life BlackRock Canadian Balanced Fund – Series O

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)
Net asset value, beginning of period	10.65	9.94	10.27	10.00
<b>Increase (decrease) from operations:</b>				
Total revenue	0.10	0.32	0.32	0.40
Total expenses	(0.01)	(0.01)	(0.02)	(0.01)
Realized gains (losses) for the period	1.94	0.22	(0.23)	(0.06)
Unrealized gains (losses) for the period	(1.59)	0.41	(0.18)	(0.32)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.44</b>	<b>0.94</b>	<b>(0.11)</b>	<b>0.01</b>
<b>Distributions:</b>				
From income (excluding dividends)	(0.07)	(0.17)	(0.11)	(0.18)
From dividends	(0.01)	(0.10)	(0.17)	(0.08)
From capital gains	–	–	–	–
Return of capital	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.08)</b>	<b>(0.27)</b>	<b>(0.28)</b>	<b>(0.26)</b>
<b>Net asset value, end of period</b>	<b>10.98</b>	<b>10.65</b>	<b>9.94</b>	<b>10.27</b>

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<sup>(1)</sup> This information is derived from the Fund's audited annual financial statements and from the semi-annual unaudited financial statements for the current period ended June 30, 2017.

<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> Comparatives prior to 2013 are prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Figures subsequent to 2013 are prepared in accordance with International Financial Reporting Standards ("IFRS").

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

### Sun Life BlackRock Canadian Balanced Fund – Series A

	2017	2016	2015	2014	2013	2012
Total net asset value (\$) <sup>(1)</sup>	14,006,770	14,064,897	12,304,589	13,688,870	11,331,740	9,274,481
Number of units outstanding <sup>(1)</sup>	1,179,313	1,212,132	1,137,490	1,215,361	1,065,268	926,059
Management expense ratio (%) <sup>(2)</sup>	1.98	1.97	1.98	1.97	1.99	1.88
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.98	1.97	1.98	2.73	2.80	2.70
Trading expense ratio (%) <sup>(3)</sup>	0.01	—	—	—	0.04	0.11
Portfolio turnover rate (%) <sup>(4)(5)</sup>	8.22	11.21	7.66	9.93	5.44	24.90
Net asset value per unit (\$) <sup>(1)</sup>	11.88	11.60	10.82	11.26	10.64	10.02

### Sun Life BlackRock Canadian Balanced Fund – Series T5

	2017	2016	2015	2014	2013	2012
Total net asset value (\$) <sup>(1)</sup>	472,767	424,983	460,175	473,198	330,528	122,719
Number of units outstanding <sup>(1)</sup>	31,867	28,809	32,097	30,637	22,014	8,452
Management expense ratio (%) <sup>(2)</sup>	1.94	1.93	1.93	1.92	1.88	1.91
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.94	1.93	1.93	2.66	2.66	5.20
Trading expense ratio (%) <sup>(3)</sup>	0.01	—	—	—	0.04	0.11
Portfolio turnover rate (%) <sup>(4)(5)</sup>	8.22	11.21	7.66	9.93	5.44	24.90
Net asset value per unit (\$) <sup>(1)</sup>	14.84	14.75	14.34	15.45	15.01	14.52

### Sun Life BlackRock Canadian Balanced Fund – Series F

	2017	2016	2015	2014	2013	2012
Total net asset value (\$) <sup>(1)</sup>	367,551	268,304	140,455	816,160	583,677	531,562
Number of units outstanding <sup>(1)</sup>	29,615	22,229	12,421	70,023	53,544	52,333
Management expense ratio (%) <sup>(2)</sup>	0.84	0.87	0.88	0.88	0.89	0.77
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.84	0.87	0.88	1.18	1.22	1.04
Trading expense ratio (%) <sup>(3)</sup>	0.01	—	—	—	0.04	0.11
Portfolio turnover rate (%) <sup>(4)(5)</sup>	8.22	11.21	7.66	9.93	5.44	24.90
Net asset value per unit (\$) <sup>(1)</sup>	12.41	12.07	11.31	11.66	10.90	10.16

### Sun Life BlackRock Canadian Balanced Fund – Series I

	2017	2016	2015	2014	2013	2012
Total net asset value (\$) <sup>(1)</sup>	22,124,256	56,439,206	50,780,250	52,106,823	44,712,239	38,443,447
Number of units outstanding <sup>(1)</sup>	1,717,360	4,536,290	4,379,519	4,383,022	4,049,201	3,759,971
Management expense ratio (%) <sup>(2)</sup>	0.18	0.18	0.19	0.19	0.20	0.19
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.18	0.18	0.19	0.21	0.22	4.59
Trading expense ratio (%) <sup>(3)</sup>	0.01	—	—	—	0.04	0.11
Portfolio turnover rate (%) <sup>(4)(5)</sup>	8.22	11.21	7.66	9.93	5.44	24.90
Net asset value per unit (\$) <sup>(1)</sup>	12.88	12.44	11.59	11.89	11.04	10.22

### Sun Life BlackRock Canadian Balanced Fund – Series O

	2017	2016	2015	2014
Total net asset value (\$) <sup>(1)</sup>	2,143,514	2,388,547	1,762,607	1,154,989
Number of units outstanding <sup>(1)</sup>	195,256	224,379	177,412	112,433
Management expense ratio (%) <sup>(2)</sup>	0.24	0.23	0.24	0.24
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.24	0.23	0.24	0.29
Trading expense ratio (%) <sup>(3)</sup>	0.01	—	—	—
Portfolio turnover rate (%) <sup>(4)(5)</sup>	8.22	11.21	7.66	9.93
Net asset value per unit (\$) <sup>(1)</sup>	10.98	10.65	9.94	10.27

<sup>(1)</sup> This information is provided as at December 31 of the period shown, except for the most recent semi-annual period, which is at June 30, 2017.

<sup>(2)</sup> Management expense ratio is based on total expenses (excluding broker commissions and other portfolio transaction costs) including the Fund's allocated percentage of Fund-on-Funds' expenses for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period. 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> Comparatives prior to 2013 are prepared in accordance with Canadian GAAP. Figures subsequent to 2013 are prepared in accordance with IFRS.



# Sun Life BlackRock Canadian Balanced Fund

## 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	1.55	50	50
Series T5 Units	1.55	54	46
Series F Units	0.55	—	100
Series I Units	—	—	—
Series O Units <sup>2</sup>	0.55	—	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.

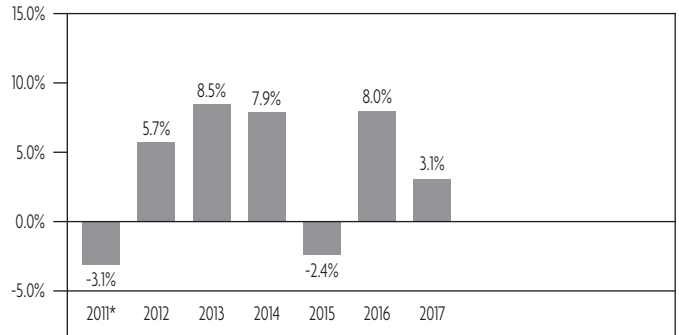
## PAST PERFORMANCE

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.

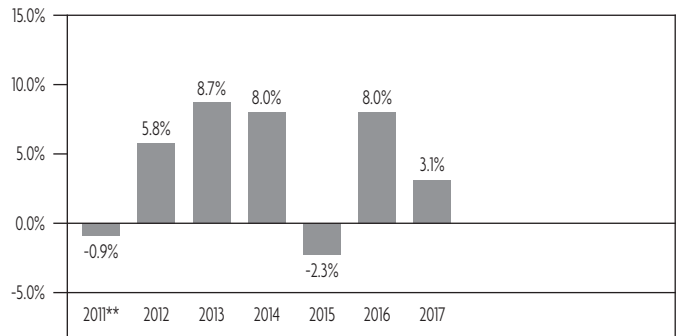
### Year-by-Year Returns

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.

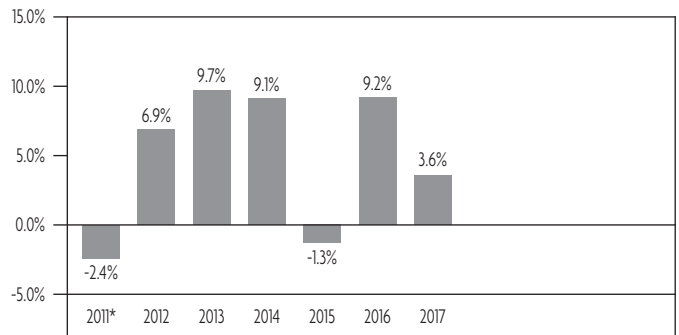
Series A Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



Series T5 Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



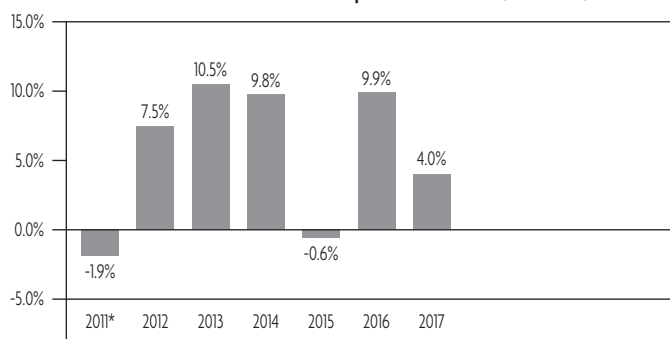
Series F Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



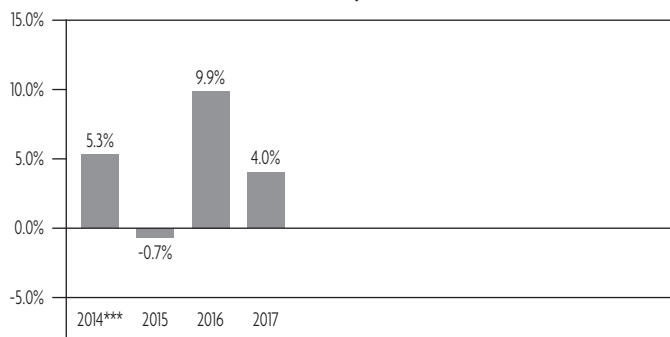


# Sun Life BlackRock Canadian Balanced Fund

Series I Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



Series O Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



\* for the period of April 15, 2011 to December 31, 2011.

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

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

## SUMMARY OF INVESTMENT PORTFOLIO<sup>(1)</sup> as at June 30, 2017 (unaudited)

### Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Sun Life BlackRock Canadian Composite Equity Fund, Series I <sup>(2)</sup>	40.4
2 Sun Life BlackRock Canadian Universe Bond Fund, Series I <sup>(2)</sup>	23.5
3 iShares Core U.S. Aggregate Bond ETF <sup>(2)</sup>	7.1
4 iShares Global Tech ETF <sup>(2)</sup>	5.7
5 iShares International Treasury Bond ETF <sup>(2)</sup>	4.8
6 iShares Global Healthcare ETF <sup>(2)</sup>	4.8
7 iShares Global Consumer Discretionary ETF <sup>(2)</sup>	3.1
8 iShares Global Consumer Staples ETF <sup>(2)</sup>	2.8
9 iShares J.P. Morgan USD Emerging Markets Bond ETF <sup>(2)</sup>	2.0
10 iShares Global Industrials ETF <sup>(2)</sup>	2.0
11 iShares iBoxx \$ High Yield Corporate Bond ETF <sup>(2)</sup>	2.0
12 iShares Global Utilities ETF <sup>(2)</sup>	0.8
13 Cash and Cash Equivalents <sup>(3)</sup>	0.7
14 iShares Global Real Estate Index ETF <sup>(2)</sup>	0.3
	<b>100.0</b>
<b>Total Net Asset Value (000's)</b>	<b>\$ 39,115</b>

### Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Mutual Funds – Canadian Equities	40.4
Mutual Funds – Canadian Fixed Income	23.5
Foreign Bonds	15.9
Information Technology	5.7
Health Care	4.8
Consumer Discretionary	3.1
Consumer Staples	2.8
Industrials	2.0
Utilities	0.8
Cash and Cash Equivalents <sup>(3)</sup>	0.7
Real Estate	0.3
	<b>100.0</b>

### Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Canadian Equities	40.4
Canadian Fixed Income	23.5
Foreign Equities	19.5
Foreign Fixed Income	15.9
Cash and Cash Equivalents <sup>(3)</sup>	0.7
	<b>100.0</b>

<sup>(1)</sup> All information is as at June 30, 2017. The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. You may obtain quarterly updates to these holdings free of charge by calling us at 1-877-344-1434, visiting our website at [www.sunlifeglobalinvestments.com](http://www.sunlifeglobalinvestments.com) or by sending an email to us at [info@sunlifeglobalinvestments.com](mailto:info@sunlifeglobalinvestments.com).

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

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

# Sun Life BlackRock Canadian Balanced Fund

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## 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.*

## SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

### Sun Life BlackRock Canadian Balanced 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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