
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the period ended June 30, 2017

Sun Life Granite Income Portfolio



Sun Life Granite Income Portfolio

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 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 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

Results of Operations

During the period, the net asset value of the Sun Life Granite Income Portfolio (the "Portfolio") increased from \$135.3 million to \$151.3 million. The increase in net asset value was attributable to positive net sales, as well as positive performance during the period.

During the period, the Portfolio returned 3.5% for Series A units. This result surpassed the Portfolio's blended benchmark, which returned 3.3%. The blended benchmark is comprised of 25% Canadian bonds (FTSE TMX Canada Universe Bond Index), 35.0% Global bonds (Barclays Multiverse C\$ Hedged Index), 10.0% Canadian equities (S&P/TSX Capped Composite Index), 30.0% Global equities (MSCI World C\$ Index). The performance returns for other series of this Portfolio are similar to those of Series A except for differences in expense structures. Please refer to the 'Past Performance' section of this report for performance of each series.

The Portfolio benefitted from continuing strength in equity markets during the period. Returns were enhanced by maintaining an underweight position in Global Bonds and REITs, as well as by using bullish option strategies and increasing the weighting in equities globally. Further, returns were improved by reducing the weighting in Canadian and Global Investment Grade Bonds and adding exposure to International and Emerging Market equities.

Portfolio returns were hindered by the overweight position in Canadian energy when oil prices fell sharply as crude inventories increased in the quarter. However, option strategies used to acquire energy exposure helped reduce downside risk.

Detractors over the period included being underweight in Infrastructure, and overweight Canadian bonds versus U.S. bonds.

Recent Developments

U.S. President Donald Trump took office in the first quarter of 2017 promising to deliver steep, across-the-board tax cuts

and a massive economic stimulus program. Sun Life Global Investments (Canada) Inc. (the "Manager") believed Trump's economic agenda would be positive for the market and took a moderately bullish position in U.S. equities, which rallied following his election.

Global markets generally did well in the first quarter. Emerging Market indexes were among the strongest performers, gaining when protectionist trade policies proposed by Trump did not materialize. The Manager increased Emerging Market exposure to neutral, but believes risks remain and being selective is critically important.

International markets were higher in the quarter and equity exposure was increased to neutral, despite the potential political changes that could have undermined the future of the European Union. These included a number of key elections and the United Kingdom's decision to start negotiating its withdrawal from the European Union.

The Manager was generally neutral on Canada but moved to an overweight position in the Canadian Energy sector, which could benefit from strengthening oil prices.

To mitigate some of the volatility that may occur if U.S. President Trump's economic growth agenda is not adopted this year, protective near-term option strategies involving global equities and U.S. bonds were employed near the end of the quarter.

In the second quarter, the economic stimulus agenda still had not been implemented. While the market had priced in some of the assumed benefits of this program, it still appeared to be months off, with the market giving less and less weight to the proposals.

However, the Manager believes the U.S. economy will improve in the second half of the year, and shifted the investment bias from growth to value (such as Financials), which tend to outperform late in the economic cycle.

With uncertainty over Trump's stimulus package, higher valuations and lower potential employment growth, the Manager believed the risk/reward equation was changing, but remained slightly bullish on U.S. equities.

In Europe, political risk faded, economic growth improved and the European Central Bank continued its highly accommodative monetary policy. At the same time,

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European equities generally offered better valuations than U.S. issues.

An options strategy was used to slightly overweight Emerging Market equities, which surged during the period. However, the Manager may reduce the weighting in the coming months.

While generally positive on equities, the Manager moved from neutral to slightly bearish on Canadian markets, but remains overweight in Canadian Energy. However, that position could be reduced as oil prices recover.

Bond yields rose during the period. If the U.S. Federal Reserve and Bank of Canada continue to raise interest rates along with other central banks, the Manager believes Canadian and global bond yields could move higher by year-end.

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 Portfolio. Please refer to the Portfolio'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 Portfolio.

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

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

As portfolio manager, the Manager is responsible for managing the investment portfolio of the Portfolio directly or through sub-advisors.

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

Fund Administrative Expenses

The Manager pays certain of the operating expenses of each fund (the "Administration Expenses") in return for a fixed administration fee paid to the Manager by each fund ("Administration Fee"). The Administration Fee is based on the net asset value of each series of the Portfolio. The Administration Expenses include, but are not limited to, record keeper fees, accounting, audit and legal fees, bank and

interest charges, safekeeping and custodial fees, taxes, administrative and systems costs, costs of reports to investors, prospectuses and other disclosure documents, regulatory filing fees (including those incurred by the Manager) and trustee fees for registered plans. The amount of this charge is disclosed as a fund administrative expense in the Portfolio's Statement of Comprehensive Income found in the semi-annual financial statements (unaudited).

Each fund also pays certain operating expenses directly (the "Fund Costs"). Fund Costs include: borrowing costs incurred by the Portfolio from time to time; costs in connection with portfolio transactions; fees and expenses payable to or in connection with the Portfolio's Independent Review Committee ("IRC"); taxes payable by the Portfolio; and the costs of complying with any new regulatory or legal requirement imposed on the Portfolio. Each fund allocates Fund Costs proportionately among its series of units. The Fund Costs that are specific to a series of units are allocated to that series. These amounts are paid out of the assets attributed to each series of units of the Portfolio, which reduces the return you may receive.

Series Description

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

Series A units are available to all investors.

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.

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FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Portfolio and are intended to help you understand the Portfolio's financial performance from the date of inception to June 30, 2017.

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

Sun Life Granite Income Portfolio – Series A

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Net asset value, beginning of period	9.99	10.10	10.48	9.99	10.00
Increase (decrease) from operations:					
Total revenue	0.21	0.46	0.43	0.45	0.47
Total expenses	(0.10)	(0.20)	(0.20)	(0.20)	(0.18)
Realized gains (losses) for the period	0.04	0.02	0.07	0.30	(0.20)
Unrealized gains (losses) for the period	0.20	0.15	(0.32)	0.37	0.51
Total increase (decrease) from operations⁽²⁾	0.35	0.43	(0.02)	0.92	0.60
Distributions:					
From income (excluding dividends)	(0.24)	(0.32)	(0.23)	(0.17)	(0.19)
From dividends	–	–	–	–	–
From capital gains	–	–	(0.10)	(0.29)	–
Return of capital	–	(0.16)	(0.15)	(0.05)	(0.27)
Total annual distributions⁽³⁾	(0.24)	(0.48)	(0.48)	(0.51)	(0.46)
Net asset value, end of period	10.11	9.99	10.10	10.48	9.99

Sun Life Granite Income Portfolio – Series F

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Net asset value, beginning of period	10.37	10.38	10.67	10.07	10.00
Increase (decrease) from operations:					
Total revenue	0.22	0.51	0.44	0.46	0.44
Total expenses	(0.05)	(0.11)	(0.12)	(0.12)	(0.10)
Realized gains (losses) for the period	0.04	0.02	0.07	0.30	(0.18)
Unrealized gains (losses) for the period	0.18	(0.06)	(0.55)	0.48	0.59
Total increase (decrease) from operations⁽²⁾	0.39	0.36	(0.16)	1.12	0.75
Distributions:					
From income (excluding dividends)	(0.24)	(0.39)	(0.23)	(0.17)	(0.19)
From dividends	–	–	–	–	–
From capital gains	–	–	(0.09)	(0.26)	–
Return of capital	–	(0.09)	(0.16)	(0.08)	(0.27)
Total annual distributions⁽³⁾	(0.24)	(0.48)	(0.48)	(0.51)	(0.46)
Net asset value, end of period	10.54	10.37	10.38	10.67	10.07

Sun Life Granite Income Portfolio – Series I

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Net asset value, beginning of period	10.83	10.70	10.88	10.17	10.00
Increase (decrease) from operations:					
Total revenue	0.22	0.49	0.48	0.48	0.43
Total expenses	–	(0.01)	(0.01)	(0.01)	–
Realized gains (losses) for the period	0.04	0.02	0.01	0.34	(0.22)
Unrealized gains (losses) for the period	0.22	0.10	(0.61)	0.19	0.45
Total increase (decrease) from operations⁽²⁾	0.48	0.60	(0.13)	1.00	0.66
Distributions:					
From income (excluding dividends)	(0.24)	(0.32)	(0.23)	(0.16)	(0.19)
From dividends	–	–	–	–	–
From capital gains	–	–	(0.21)	(0.33)	–
Return of capital	–	(0.16)	(0.04)	(0.02)	(0.27)
Total annual distributions⁽³⁾	(0.24)	(0.48)	(0.48)	(0.51)	(0.46)
Net asset value, end of period	11.07	10.83	10.70	10.88	10.17

Sun Life Granite Income Portfolio – Series O

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)
Net asset value, beginning of period	10.16	10.09	10.30	10.00
Increase (decrease) from operations:				
Total revenue	0.22	0.46	0.43	0.34
Total expenses	(0.01)	(0.03)	(0.03)	(0.02)
Realized gains (losses) for the period	0.04	0.02	0.07	0.29
Unrealized gains (losses) for the period	0.18	0.09	(0.42)	(0.03)
Total increase (decrease) from operations⁽²⁾	0.43	0.54	0.05	0.58
Distributions:				
From income (excluding dividends)	(0.24)	(0.32)	(0.23)	(0.11)
From dividends	–	–	–	–
From capital gains	–	–	(0.14)	(0.28)
Return of capital	–	(0.16)	(0.11)	–
Total annual distributions⁽³⁾	(0.24)	(0.48)	(0.48)	(0.39)
Net asset value, end of period	10.36	10.16	10.09	10.30

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

⁽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 Portfolio, or both.

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Ratios and Supplemental Data

Sun Life Granite Income Portfolio – Series A

	2017	2016	2015	2014	2013
Total net asset value (\$) ⁽¹⁾	76,944,319	70,621,705	37,261,902	27,778,286	12,848,040
Number of units outstanding ⁽¹⁾	7,614,209	7,066,729	3,689,813	2,650,129	1,287,274
Management expense ratio after absorption (%) ⁽²⁾	1.96	1.97	1.98	2.00	1.98
Management expense ratio before waivers or absorption (%) ⁽²⁾	1.96	1.97	1.98	2.45	3.94
Trading expense ratio (%) ⁽³⁾	0.04	0.01	0.08	0.11	0.09
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	27.85	74.07	50.29	91.47	55.92
Net asset value per unit (\$) ⁽¹⁾	10.11	9.99	10.10	10.48	9.99

Sun Life Granite Income Portfolio – Series F

	2017	2016	2015	2014	2013
Total net asset value (\$) ⁽¹⁾	7,094,341	4,548,113	842,984	489,666	257,528
Number of units outstanding ⁽¹⁾	672,814	438,454	81,241	45,893	25,597
Management expense ratio after absorption (%) ⁽²⁾	1.11	1.10	1.15	1.19	1.14
Management expense ratio before waivers or absorption (%) ⁽²⁾	1.11	1.10	1.15	1.45	2.24
Trading expense ratio (%) ⁽³⁾	0.04	0.01	0.08	0.11	0.09
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	27.85	74.07	50.29	91.47	55.92
Net asset value per unit (\$) ⁽¹⁾	10.54	10.37	10.38	10.67	10.07

Sun Life Granite Income Portfolio – Series I

	2017	2016	2015	2014	2013
Total net asset value (\$) ⁽¹⁾	50,662,501	47,465,691	34,504,627	1,497,734	269,797
Number of units outstanding ⁽¹⁾	4,576,468	4,384,826	3,223,523	137,626	26,557
Management expense ratio after absorption (%) ⁽²⁾	0.10	0.10	0.11	0.14	0.12
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.10	0.10	0.11	0.16	0.18
Trading expense ratio (%) ⁽³⁾	0.04	0.01	0.08	0.11	0.09
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	27.85	74.07	50.29	91.47	55.92
Net asset value per unit (\$) ⁽¹⁾	11.07	10.83	10.70	10.88	10.17

Sun Life Granite Income Portfolio – Series O

	2017	2016	2015	2014
Total net asset value (\$) ⁽¹⁾	16,559,665	12,636,736	8,144,918	3,038,560
Number of units outstanding ⁽¹⁾	1,598,311	1,244,217	807,275	294,938
Management expense ratio after absorption (%) ⁽²⁾	0.29	0.29	0.31	0.31
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.29	0.29	0.31	0.38
Trading expense ratio (%) ⁽³⁾	0.04	0.01	0.08	0.11
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	27.85	74.07	50.29	91.47
Net asset value per unit (\$) ⁽¹⁾	10.36	10.16	10.09	10.30

⁽¹⁾ 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.

⁽²⁾ Management expense ratio is based on total expenses (excluding broker commissions and other portfolio transaction costs) including the Portfolio'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 Portfolio waived some of its management fees and/or absorbed some expenses that would normally be charged to the Portfolio.

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

⁽⁵⁾ Percentages are annualized.

Management Fees

The annual maximum management fee paid by the Portfolio is a percentage of the average daily net asset value of each series exclusive of any applicable taxes and operating expenses, which is accrued daily and is paid to the Manager monthly in arrears. Management fees pay for portfolio and investment advisory services, oversight of any service providers, marketing and promotional activities, arranging for the distribution and sale of securities of the Portfolio, general administration of fund operations and sales and trailing commissions paid to dealers.

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

	As a Percentage of Management Fees		
	Maximum Annual Management Fee Rate (%)	Dealer Compensation (%) ¹	General Administration, Investment Advice and Profit (%)
Series A Units	1.50	40	60
Series F Units	0.75	—	100
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 Portfolio. Series O investors pay management fees directly to the manager.

PAST PERFORMANCE

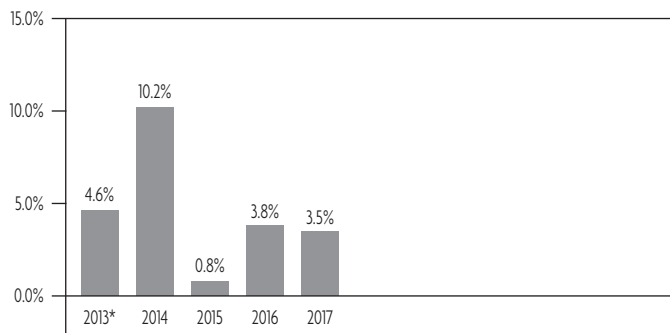
The indicated rates of return are the historical annualized and annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have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

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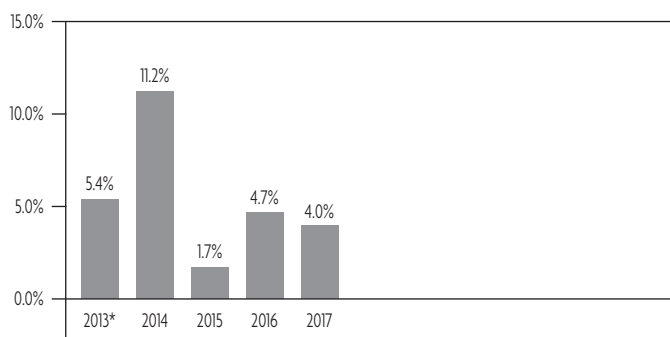
Year-by-Year Returns

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

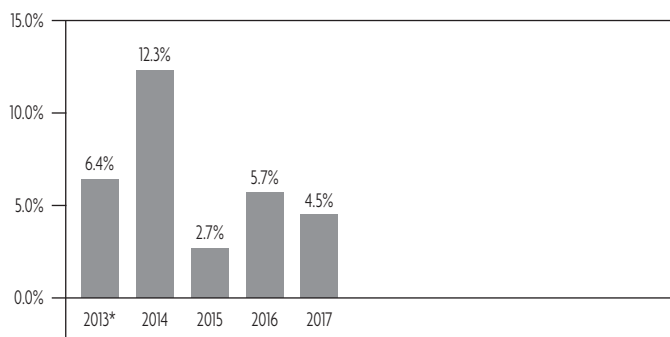
Series A Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



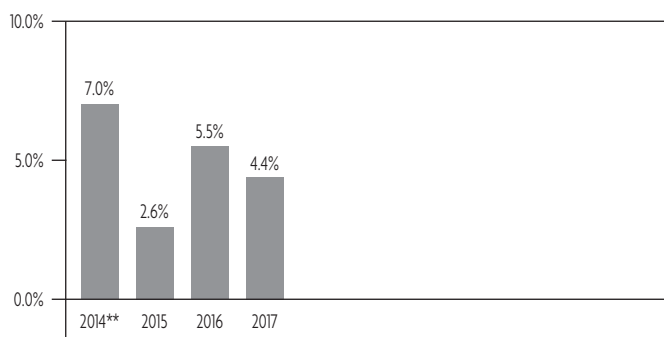
Series F Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



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 January 17, 2013 to December 31, 2013.

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

SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at June 30, 2017 (unaudited)

Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Sun Life MFS Canadian Bond Fund, Series I ⁽²⁾	24.4
2 Guardian Global Dividend Growth Fund, Series I ⁽²⁾	11.8
3 Sun Life NWQ Flexible Income Fund, Series I ⁽²⁾	10.3
4 Dynamic Equity Income Fund, Series O ⁽²⁾	10.0
5 RBC Global High Yield Bond Fund, Series O ⁽²⁾	10.0
6 Sun Life Granite Tactical Completion Fund, Series I ⁽²⁾	8.2
7 Sun Life Sentry Infrastructure Fund, Series I ⁽²⁾	7.2
8 Vanguard Global ex-U.S. Real Estate ETF ⁽²⁾	4.2
9 iShares iBoxx \$ Investment Grade Corporate Bond ETF ⁽²⁾	4.1
10 Vanguard REIT ETF ⁽²⁾	3.4
11 iShares Core S&P 500 Index ETF (CAD – Hedged) ⁽²⁾	3.4
12 Sun Life Dynamic Energy Fund, Series I ⁽²⁾	2.2
13 Cash and Cash Equivalents ⁽³⁾	0.8

100.0

Total Net Asset Value (000's) \$ **151,261**

Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Equity	50.5
Fixed Income	48.7
Cash and Cash Equivalents ⁽³⁾	0.8
	100.0

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

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⁽²⁾ The Fund invests in other investment funds. The prospectus of the underlying investment fund and other information can be found on SEDAR at www.sedar.com.

⁽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 Portfolio, including its strategy, results of operations, performance and condition. Forward-looking statements include statements that are predictive in nature, or that depend upon or refer to future events or conditions. They are based on current beliefs, expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Portfolio and various economic factors. Many factors could cause the Portfolio's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors could include, among other things, general economic, political and market factors, including interest and foreign exchange rates, business competition, technological changes, changes in government regulations or in tax laws. Although the forward-looking statements contained in this report are based upon what management currently believes to be reasonable assumptions, the Manager cannot assure current or prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. The words "may", "could", "would", "should", "believe", "plan", "anticipate", "expect", "intend", "forecast", "objective", and similar expressions are intended to identify forward-looking statements.

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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