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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 MFS Monthly Income Fund



# Sun Life MFS Monthly Income 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, 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 MFS Monthly Income Fund (the "Fund") increased from \$20.4 million to \$21.9 million. The increase in net asset value was due to positive net sales, as well as positive performance during the period.

During the period, the Fund returned 1.5% for Series A units. This result lagged the Fund's benchmark (50% S&P/TSX Capped Composite and 50% FTSE TMX Canada Universe Bond), which returned 1.6%. 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.

Within the equity portion of the Fund, weak stock selection in the Industrials sector dampened relative performance. Most notably, the timing of the Fund's ownership in shares of railroad company Canadian National Railway held back relative results.

Elsewhere, the Fund's overweight positions in oil and gas exploration company Surge Energy (Canada), Torc Oil And Gas (Canada), Vermilion Energy (Canada), Enerplus (Canada) and Crescent Point Energy (Canada) all hurt relative results. Not holding a position in shares of strong-performing diversified communications and media company Rogers Communications (Canada) and shares of Canadian quick service restaurant operator Restaurant Brands International also dampened relative performance. Additionally, an underweight asset management company Brookfield Asset Management (Canada) also weakened relative performance.

Within the Fund's fixed income segment, security selection within Industrials weakened relative results.

Strong security selection within the Financials sector benefited performance relative to the S&P/TSX Capped Composite Index. The Fund's out-of-benchmark exposures to alternative investment manager Apollo Global Management (United States), banking and financial services firm Intesa Sanpaolo (Italy), and insurance companies Insurance Australia Group (Australia) and Zurich Insurance (Switzerland) all contributed to relative results.

The combination of an underweight allocation and strong stock selection in the Energy sector was another area of relative strength. Here, avoiding positions in shares of underperforming oil and natural gas company Cenovus Energy (Canada) and EnCana (Canada) contributed to relative performance.

Within the fixed income segment, a significant overweight allocation to industrial bonds contributed to relative performance as spreads tightened materially in the sector during the period. An underweight exposure to federal bonds also boosted performance. Furthermore, the Fund's overweight exposure to the 5 year key rate duration of the U.S. yield curve added value, in a period where mid-term yields in Canada rose significantly.

### Recent Developments

The 'reflation trade' showed signs of faltering in the second quarter of the period. While global economic growth remained solid, signs of inflation have failed to emerge and activity has fallen short of the elevated expectations in the immediate aftermath of the U.S. election.

In the first half of the year, the FTSE TMX Universe index posted a solid 2.4% total return, led once again by long-term bonds which returned 6.1%. All major sectors of the market – federals, provincials, and corporates – gained, with notable spread narrowing in the corporate market and the Industrials sector in particular.

As the second quarter was coming to a close, several major central banks shifted to a more hawkish tone and appeared eager to signal that the era of ultra-loose monetary policy is coming to an end. The hawkish shift is likely a result of renewed optimism over the growth outlook and, in the absence of meaningful inflation pressures, concerns over financial stability. The Federal Reserve appears likely to continue to increase interest rates and is expected to begin balance sheet normalization while the European Central Bank is expected to taper its quantitative easing toward the end of the year. Late in the quarter, the Bank of Canada surprised markets by communicating a more hawkish tone and caused the market to price in a 50 basis points increase in rates this year.

Effective February 5, 2016, all Series E and EF units were re-designated to Series A units, under the Front End Sales

# Sun Life MFS Monthly Income Fund

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Charge option, and Series F units, respectively, 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 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 semi-annual financial statements (unaudited).

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, T5, F and I 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

# Sun Life MFS Monthly Income Fund

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

## Sun Life MFS Monthly Income Fund – Series A

	2017	2016	2015	2014	2013	2012	2011
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	11.21	10.52	11.32	10.72	10.28	10.20	10.00
<b>Increase (decrease) from operations:</b>							
Total revenue	0.21	0.39	0.43	0.42	0.40	0.44	0.17
Total expenses	(0.10)	(0.19)	(0.19)	(0.20)	(0.17)	(0.18)	(0.09)
Realized gains (losses) for the period	0.14	(0.02)	(0.17)	0.13	(0.04)	0.17	(0.03)
Unrealized gains (losses) for the period	(0.08)	0.89	(0.47)	0.56	0.60	0.14	0.47
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.17</b>	<b>1.07</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)	(0.18)	(0.11)	(0.27)	(0.27)	(0.28)	(0.33)	(0.09)
From dividends	–	(0.14)	–	–	–	–	–
From capital gains	–	–	–	–	–	(0.15)	(0.03)
Return of capital	–	(0.11)	(0.09)	(0.09)	(0.08)	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.18)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.48)</b>	<b>(0.12)</b>
<b>Net asset value, end of period</b>	<b>11.21</b>	<b>11.21</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 – Series T5

	2017	2016	2015	2014	2013	2012	2011
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	15.42	14.70	16.11	15.50	15.11	15.22	15.00
<b>Increase (decrease) from operations:</b>							
Total revenue	0.28	0.54	0.60	0.62	0.60	0.63	0.23
Total expenses	(0.14)	(0.26)	(0.28)	(0.28)	(0.25)	(0.26)	(0.14)
Realized gains (losses) for the period	0.19	(0.03)	(0.27)	0.26	0.04	0.32	(0.24)
Unrealized gains (losses) for the period	(0.05)	1.20	(0.68)	0.84	0.76	0.17	0.63
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.28</b>	<b>1.45</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)	(0.39)	(0.23)	(0.62)	(0.58)	(0.50)	(0.70)	(0.19)
From dividends	–	(0.28)	–	–	–	–	–
From capital gains	–	–	–	–	–	(0.22)	(0.06)
Return of capital	–	(0.23)	(0.19)	(0.20)	(0.25)	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.39)</b>	<b>(0.74)</b>	<b>(0.81)</b>	<b>(0.78)</b>	<b>(0.75)</b>	<b>(0.92)</b>	<b>(0.25)</b>
<b>Net asset value, end of period</b>	<b>15.27</b>	<b>15.42</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 F

	2017	2016	2015	2014	2013	2012	2011
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	11.56	10.78	11.52	10.85	10.35	10.22	10.00
<b>Increase (decrease) from operations:</b>							
Total revenue	0.21	0.38	0.46	0.41	0.41	0.43	0.17
Total expenses	(0.07)	(0.13)	(0.13)	(0.13)	(0.11)	(0.12)	(0.06)
Realized gains (losses) for the period	0.15	(0.12)	(0.08)	0.23	(0.01)	0.19	(0.04)
Unrealized gains (losses) for the period	(0.06)	0.84	(0.31)	0.07	0.67	0.01	0.85
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.23</b>	<b>0.97</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)	(0.18)	(0.11)	(0.27)	(0.27)	(0.31)	(0.33)	(0.09)
From dividends	–	(0.14)	–	–	–	–	–
From capital gains	–	–	–	–	–	(0.15)	(0.03)
Return of capital	–	(0.11)	(0.09)	(0.09)	(0.05)	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.18)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.48)</b>	<b>(0.12)</b>
<b>Net asset value, end of period</b>	<b>11.59</b>	<b>11.56</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 – Series I

	2017	2016	2015	2014	2013	2012	2011
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	12.25	11.29	11.94	11.11	10.48	10.25	10.00
<b>Increase (decrease) from operations:</b>							
Total revenue	0.23	0.42	0.44	0.44	0.41	0.43	0.15
Total expenses	–	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	–
Realized gains (losses) for the period	0.15	(0.01)	(0.23)	0.13	(0.04)	0.16	(0.16)
Unrealized gains (losses) for the period	(0.10)	0.92	(0.36)	0.62	0.64	0.14	0.38
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.28</b>	<b>1.32</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)	(0.18)	(0.11)	(0.27)	(0.27)	(0.30)	(0.33)	(0.10)
From dividends	–	(0.14)	–	–	–	–	–
From capital gains	–	–	–	–	–	(0.16)	(0.02)
Return of capital	–	(0.11)	(0.09)	(0.09)	(0.06)	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.18)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.49)</b>	<b>(0.12)</b>
<b>Net asset value, end of period</b>	<b>12.36</b>	<b>12.25</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

## Sun Life MFS Monthly Income Fund – Series O

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)
Net asset value, beginning of period	10.41	9.66	10.27	10.00
<b>Increase (decrease) from operations:</b>				
Total revenue	0.19	0.36	0.38	0.27
Total expenses	(0.01)	(0.02)	(0.02)	(0.02)
Realized gains (losses) for the period	0.14	–	(0.21)	0.04
Unrealized gains (losses) for the period	(0.09)	0.73	(0.72)	(0.17)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.23</b>	<b>1.07</b>	<b>(0.57)</b>	<b>0.12</b>
<b>Distributions:</b>				
From income (excluding dividends)	(0.18)	(0.11)	(0.27)	(0.20)
From dividends	–	(0.14)	–	–
From capital gains	–	–	–	–
Return of capital	–	(0.11)	(0.09)	(0.07)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.18)</b>	<b>(0.36)</b>	<b>(0.36)</b>	<b>(0.27)</b>
<b>Net asset value, end of period</b>	<b>10.46</b>	<b>10.41</b>	<b>9.66</b>	<b>10.27</b>

<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 MFS Monthly Income Fund – Series A

	2017	2016	2015	2014	2013	2012	2011
Total net asset value (\$) <sup>(1)</sup>	13,038,145	13,100,103	9,528,746	12,767,645	9,271,025	7,076,772	1,016,861
Number of units outstanding <sup>(1)</sup>	1,163,527	1,168,310	905,511	1,127,740	864,880	688,268	99,550
Management expense ratio (%) <sup>(2)</sup>	1.63	1.63	1.62	1.62	1.63	1.61	1.57
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.63	1.63	1.62	3.05	3.16	3.15	9.04
Trading expense ratio (%) <sup>(3)</sup>	0.20	0.04	0.03	0.03	0.04	0.14	0.19
Portfolio turnover rate (%) <sup>(4)(5)</sup>	21.10	35.75	32.68	42.76	43.88	92.75	31.58
Net asset value per unit (\$) <sup>(1)</sup>	11.21	11.21	10.52	11.32	10.72	10.28	10.21

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

	2017	2016	2015	2014	2013	2012	2011
Total net asset value (\$) <sup>(1)</sup>	345,568	440,359	262,796	282,762	191,718	12,962	10,328
Number of units outstanding <sup>(1)</sup>	22,628	28,554	17,874	17,551	12,365	858	678
Management expense ratio (%) <sup>(2)</sup>	1.65	1.64	1.64	1.63	1.66	1.62	1.60
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.65	1.64	1.64	3.06	3.23	3.17	4.78
Trading expense ratio (%) <sup>(3)</sup>	0.20	0.04	0.03	0.03	0.04	0.14	0.19
Portfolio turnover rate (%) <sup>(4)(5)</sup>	21.10	35.75	32.68	42.76	43.88	92.75	31.58
Net asset value per unit (\$) <sup>(1)</sup>	15.27	15.42	14.70	16.11	15.50	15.11	15.24

## Sun Life MFS Monthly Income Fund – Series F

	2017	2016	2015	2014	2013	2012	2011
Total net asset value (\$) <sup>(1)</sup>	543,459	660,182	25,359	677,529	42,844	62,832	51,684
Number of units outstanding <sup>(1)</sup>	46,891	57,106	2,353	58,792	3,950	6,073	5,053
Management expense ratio (%) <sup>(2)</sup>	1.10	1.08	1.07	1.07	1.08	1.05	1.04
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.10	1.08	1.07	2.02	2.10	2.72	8.39
Trading expense ratio (%) <sup>(3)</sup>	0.20	0.04	0.03	0.03	0.04	0.14	0.19
Portfolio turnover rate (%) <sup>(4)(5)</sup>	21.10	35.75	32.68	42.76	43.88	92.75	31.58
Net asset value per unit (\$) <sup>(1)</sup>	11.59	11.56	10.78	11.52	10.85	10.35	10.23

## Sun Life MFS Monthly Income Fund – Series I

	2017	2016	2015	2014	2013	2012	2011
Total net asset value (\$) <sup>(1)</sup>	5,914,709	4,355,960	2,489,366	4,049,438	3,656,919	3,335,214	3,115,838
Number of units outstanding <sup>(1)</sup>	478,594	355,517	220,459	339,245	329,044	318,106	303,606
Management expense ratio (%) <sup>(2)</sup>	0.06	0.06	0.06	0.06	0.06	0.06	0.05
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.06	0.06	0.06	0.11	0.12	1.76	3.24
Trading expense ratio (%) <sup>(3)</sup>	0.20	0.04	0.03	0.03	0.04	0.14	0.19
Portfolio turnover rate (%) <sup>(4)(5)</sup>	21.10	35.75	32.68	42.76	43.88	92.75	31.58
Net asset value per unit (\$) <sup>(1)</sup>	12.36	12.25	11.29	11.94	11.11	10.48	10.26

## Sun Life MFS Monthly Income Fund – Series O

	2017	2016	2015	2014
Total net asset value (\$) <sup>(1)</sup>		2,064,878	1,837,720	1,194,942
Number of units outstanding <sup>(1)</sup>		197,365	176,562	123,756
Management expense ratio (%) <sup>(2)</sup>		0.23	0.22	0.22
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>			0.23	0.22
Trading expense ratio (%) <sup>(3)</sup>		0.20	0.04	0.03
Portfolio turnover rate (%) <sup>(4)(5)</sup>		21.10	35.75	32.68
Net asset value per unit (\$) <sup>(1)</sup>		10.46	10.41	9.66

<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) 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 MFS Monthly Income 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	1.25	30	70
Series T5 Units	1.25	25	75
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.

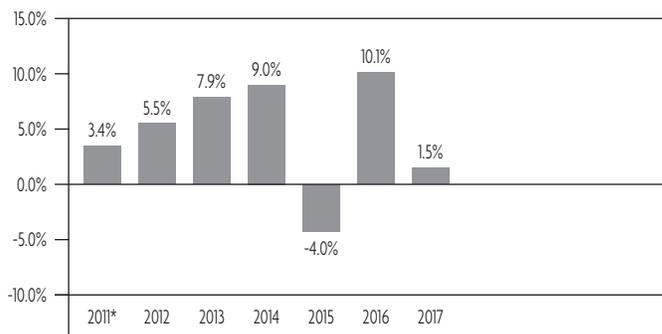
## PAST PERFORMANCE

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.

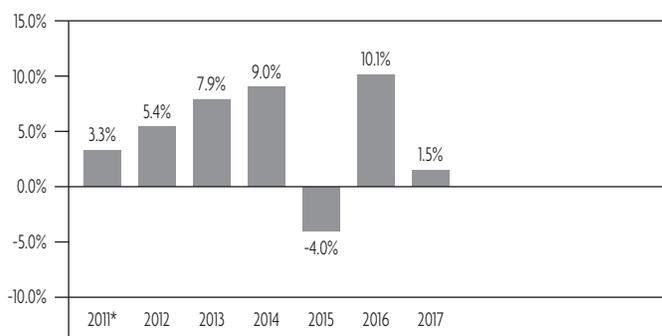
### Year-by-Year Returns

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.

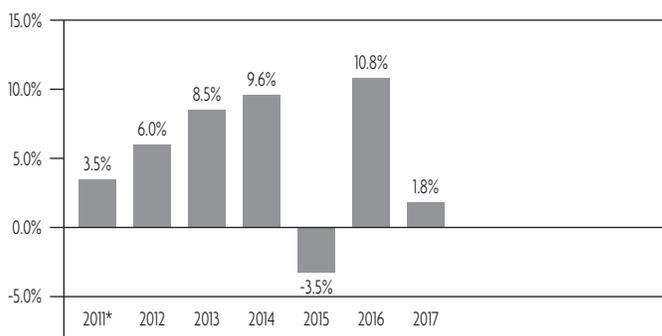
Series A Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



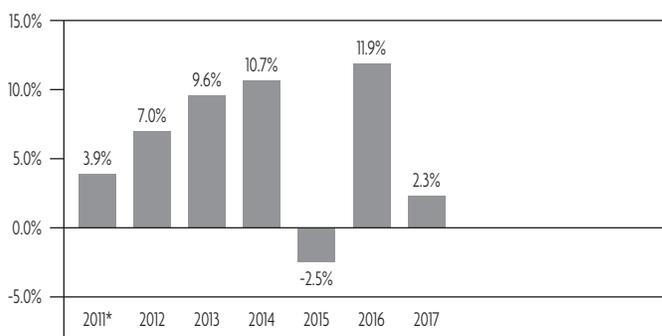
Series T5 Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



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

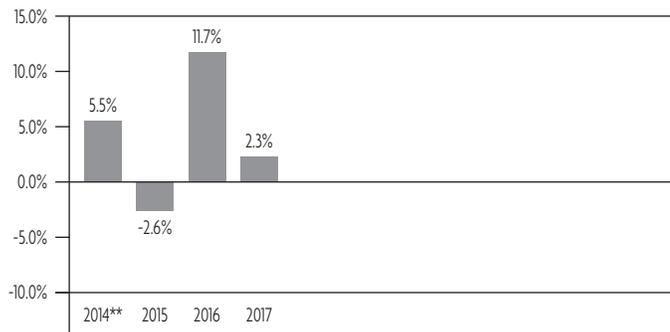


Series I Units – Annual return for the period ended December 31 and the six month period ended June 30, 2017



# Sun Life MFS Monthly Income Fund

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



\* for the period 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 SES SA, 2.00%, Feb 15, 2025	5.5
2 Royal Bank of Canada	4.4
3 The Toronto-Dominion Bank	3.5
4 Cash	2.7
5 Enbridge Inc.	2.3
6 United States Treasury Note, 5.00%, May 15, 2037	2.1
7 Suncor Energy Inc.	2.1
8 The Bank of Nova Scotia	2.0
9 Canadian Pacific Railway Ltd.	2.0
10 Magna International Inc.	1.9
11 United States Treasury Note, 2.50%, Feb 15, 2045	1.7
12 TransCanada Corporation	1.5
13 Manulife Financial Corp.	1.5
14 Sydney Airport Finance Co., Ltd., 3.00%, May 15, 2042	1.5
15 SunTrust Bank/Atlanta GA, 3.30%, May 15, 2026	1.5
16 Becton Dickinson and Co., 3.40%, Jan 31, 2022	1.4
17 Intercontinental Exchange Inc., 5.00%, Jan 15, 2021	1.3
18 Toyota Motor Credit Corp., 6.50%, Aug 15, 2037	1.3
19 National Bank of Canada	1.3
20 Dream Office Real Estate Investment Trust	1.3
21 Morgan Stanley, 3.40%, Apr 15, 2022	1.2
22 Caterpillar Financial Services Corp., 2.10%, May 01, 2023	1.2
23 AT&T Inc., 4.50%, May 15, 2035	1.1
24 American International Group Inc., 4.13%, Feb 15, 2024	1.1
25 Canadian National Railway Co.	1.1
	<b>48.5</b>
<b>Total Net Asset Value (000's)</b>	<b>\$ 21,907</b>

### Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Corporate Bonds	41.1
Financials	18.0
Energy	8.7
Industrials	5.7
Cash and Cash Equivalents <sup>(2)</sup>	5.1
Federal Bonds	4.7
Materials	4.6
Utilities	3.0
Consumer Discretionary	2.5
Consumer Staples	2.5
Real Estate	1.5
Telecommunication Services	1.4
Information Technology	0.8
Health Care	0.4
	<b>100.0</b>

### Asset Mix

	Percentage of Net Asset Value of the Fund (%)
U.S. Fixed Income	40.5
Canadian Equities	38.4
International Equities	8.1
Cash and Cash Equivalents <sup>(2)</sup>	5.1
International Fixed Income	3.0
U.S. Equities	2.6
Canadian Fixed Income	2.3
	<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> Cash and Cash Equivalents, for the purpose of this chart, includes other assets less liabilities.

# Sun Life MFS Monthly Income 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 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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