
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2016

Sun Life BlackRock Canadian Balanced Fund



Sun Life BlackRock Canadian Balanced 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 Objective and Strategies

The fundamental investment objective of Sun Life BlackRock Canadian Balanced Fund (the "Fund") is to seek a combination of income and growth by investing primarily in Canadian equity securities and Canadian debt instruments directly or indirectly through mutual funds and exchange-traded funds that invest in such securities.

The Fund's sub-advisor is BlackRock Asset Management Canada Limited (the "sub-advisor"). The sub-advisor uses a strategic asset allocation strategy to determine the balance between the portion of the Fund's portfolio exposed to equity securities and the portion exposed to debt instruments. The Fund typically invests between 50% and 80% of the Fund's assets in securities with equity exposure and between 20% and 50% to securities with exposure to debt instruments. Further, within each of the equity and fixed income portions, there is both Canadian and foreign market exposure.

Risk

There were no changes in the Fund's investment objective or strategy during the period which materially impacted the overall level of risk in the Fund. The risks associated with investing in the Fund remain as outlined in the Fund's Simplified Prospectus.

Results of Operations

During the period, the net asset value of the Fund increased from \$66.6 million to \$73.6 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 8.0% for Series A units. This result lagged the Fund's benchmark (60% S&P/TSX Capped Composite, 40% FTSE TMX Canada Universe Bond), which returned 13.0%. 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.

Canadian markets made strong gains to being the period. The S&P/TSX Capped Composite Index was one of the best performing indexes in developed markets. The gains were mostly stable with a few notable drawdowns in early May and a strong recovery. This was followed by weakness in June, although the month made a small bounce in the last week to end positive on a total return basis. The price recovery of the resource sectors helped lift Canadian markets as oil prices recovered and the precious metals had a large rally.

The S&P/TSX Composite Index continued to accelerate its gains in the fourth quarter, adding another 4.5%. The largest contributions came from the Financials and Energy sectors whilst the Materials and Healthcare sectors were the weakest in the quarter. Within the Financials sector, the main drivers of performance came in the last two months as strong earnings numbers drove stocks higher. Within the Energy sector, stocks exhibited fairly large swings within the quarter as macroeconomic drivers had the effect of moving the entire sector throughout the quarter.

Recent Developments

U.S. equities ended the first half of the period in positive territory. The strong performance was largely supported by expectations that additional interest rate hikes from the U.S. Federal Reserve would be delayed. Energy was the best performing sector with rising oil prices, and defensive sectors such as Telecommunications, Utilities and Real Estate Investment Trusts ("REITs") outperformed cyclical sectors in the market.

Speculation over the U.S. Federal Reserve rate rise and the U.S. presidential elections dominated markets in the fourth quarter.

The U.S. Federal Reserve raised its benchmark interest rate by 25 basis points ("bps") at the December meeting. Although the raise was anticipated, the tone was more hawkish, signaling towards higher interest rates than expected with the U.S. central bank raising its forecast for the number of further rate increases in 2017 from two to three. Global bond yields sold off in the wake of the surprise U.S. election result and expectations of a reflationary environment as the U.S. shifts from monetary easing to fiscal expansion. The Canadian yield curve steepened, with 10-year yields rising 72 bps while

Sun Life BlackRock Canadian Balanced Fund

2-year yields increased by 22 bps. Credit spreads continued their tightening trend as markets were buoyed by the prospect of lighter regulation and fiscal stimulus in the U.S. The Organization of the Petroleum Exporting Countries (“OPEC”) agreement to curb oil production also supported credit spreads.

U.S. equities had a strong fourth quarter, primarily driven by the rally after Mr. Trump’s surprise U.S. presidential win. Notably, small and mid-cap equities significantly outperformed large-cap stocks. The quarter was also marked by a shift away from defensive sectors to cyclicals, which picked up momentum after the U.S. presidential election results. Trump’s proposed plans for tax cuts, increased infrastructure spending and reduced regulations were seen as positives for future economic growth, driving domestic equities higher. The strength of the U.S. economy was highlighted by the strong non-farm payrolls data and the decline in the unemployment rate in November.

The U.S. election results sparked a sell-off in Emerging Market (“EM”) assets, driven by fears of a more protectionist trade policy in the U.S., U.S. Federal Reserve tightening and a stronger U.S. Dollar. Although EM equities underperformed over the fourth quarter, they posted strong performance over the period. Recovery in Energy and commodity prices was positive for a number of emerging markets.

Global equity markets had an upbeat start to period, although U.K.’s surprise vote to leave the European Union (“Brexit”) dominated market movements in late June, leading to heightened volatility and a further drop in bond yields. International equities entered a period of high turbulence preceding and following the Brexit vote.

Global equities were also influenced heavily by the election results in the U.S. and saw similar trends in sector performance, with cyclicals outperforming defensives. Financials greatly outperformed as rising bond yields created a positive outlook for the sector. During the fourth quarter, the European Central Bank (“ECB”) extended its quantitative easing program until December 2017, but cut bond purchases from €80.0bn to €60.0bn per month. This signaled the policy emphasis shifting from monetary easing to fiscal stimulus around the world.

Differentiating factors in Asia remained limited, with Japan’s continued struggle with monetary policy and China’s adjustment to slower growth being the headlines for the region. Other emerging markets mildly underperformed, despite positive growth in Peru, Philippines, and Brazil following leadership changes and the positive impact of increased commodity prices on Russia.

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

Sun Life BlackRock Canadian Balanced Fund

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, 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 December 31, 2016.

The Fund's Net Asset Value per Unit (\$) ⁽¹⁾⁽⁴⁾

Sun Life BlackRock Canadian Balanced Fund – Series A

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

Sun Life BlackRock Canadian Balanced Fund

Sun Life BlackRock Canadian Balanced Fund – Series T5

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	14.34	15.45	15.01	14.52	14.53
Increase (decrease) from operations:					
Total revenue	0.39	0.37	0.43	0.51	0.52
Total expenses	(0.32)	(0.29)	(0.36)	(0.26)	(0.29)
Realized gains (losses) for the period	0.35	(0.32)	0.09	(0.12)	–
Unrealized gains (losses) for the period	0.69	(0.10)	0.94	1.24	0.30
Total increase (decrease) from operations⁽²⁾	1.11	(0.34)	1.10	1.37	0.53
Distributions:					
From income (excluding dividends)	(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)	–	–
Total annual distributions⁽³⁾	(0.72)	(0.77)	(0.75)	(0.72)	(0.78)
Net asset value, end of period	14.75	14.34	15.45	15.01	14.52

Sun Life BlackRock Canadian Balanced Fund – Series F

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

Sun Life BlackRock Canadian Balanced Fund – Series I

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net asset value, beginning of period	11.59	11.89	11.04	10.22	9.65
Increase (decrease) from operations:					
Total revenue	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	0.26	(0.25)	0.07	(0.10)	–
Unrealized gains (losses) for the period	0.54	(0.10)	0.70	0.87	0.42
Total increase (decrease) from operations⁽²⁾	1.13	(0.08)	1.07	1.06	0.80
Distributions:					
From income (excluding dividends)	(0.19)	(0.08)	(0.16)	(0.16)	(0.07)
From dividends	(0.11)	(0.15)	(0.08)	(0.09)	(0.08)
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total annual distributions⁽³⁾	(0.30)	(0.23)	(0.24)	(0.25)	(0.15)
Net asset value, end of period	12.44	11.59	11.89	11.04	10.22

Sun Life BlackRock Canadian Balanced Fund – Series O

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

⁽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.

⁽⁴⁾ 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").

Sun Life BlackRock Canadian Balanced Fund

Ratios and Supplemental Data⁽⁶⁾

Sun Life BlackRock Canadian Balanced Fund – Series A

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

Sun Life BlackRock Canadian Balanced Fund – Series T5

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

Sun Life BlackRock Canadian Balanced Fund – Series F

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

Sun Life BlackRock Canadian Balanced Fund – Series I

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

Sun Life BlackRock Canadian Balanced Fund – Series O

	2016	2015	2014
Total net asset value (\$) ⁽¹⁾	2,388,547	1,762,607	1,154,989
Number of units outstanding ⁽¹⁾	224,379	177,412	112,433
Management expense ratio after absorption (%) ⁽²⁾	0.23	0.24	0.24
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.23	0.24	0.29
Trading expense ratio (%) ⁽³⁾	–	–	–
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	11.21	7.66	9.93
Net asset value per unit (\$) ⁽¹⁾	10.65	9.94	10.27

⁽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) 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.

⁽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.

⁽⁶⁾ Comparatives prior to 2013 are prepared in accordance with Canadian GAAP. Figures subsequent to 2013 are prepared in accordance with IFRS.

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

Sun Life BlackRock Canadian Balanced Fund

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	1.55	46	54
Series T5 Units	1.55	49	51
Series F Units	0.55	—	100
Series I Units	—	—	—
Series O Units ²	0.55	—	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.

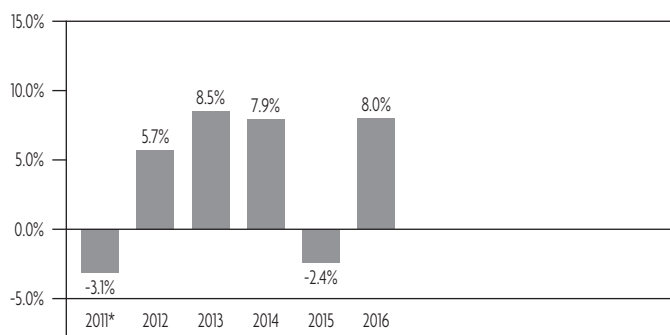
PAST PERFORMANCE

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.

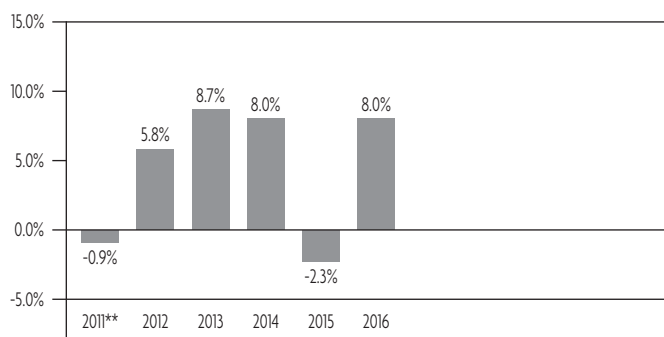
Year-by-Year Returns

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.

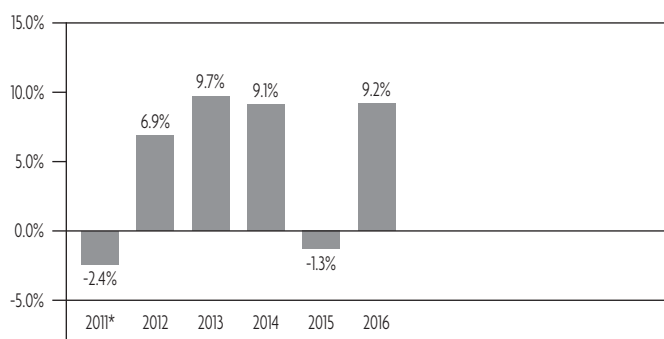
Series A Units – Annual return for the period ended December 31, 2016



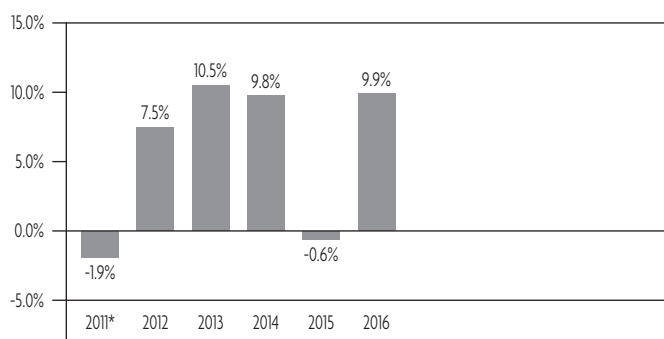
Series T5 Units – Annual return for the period ended December 31,



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

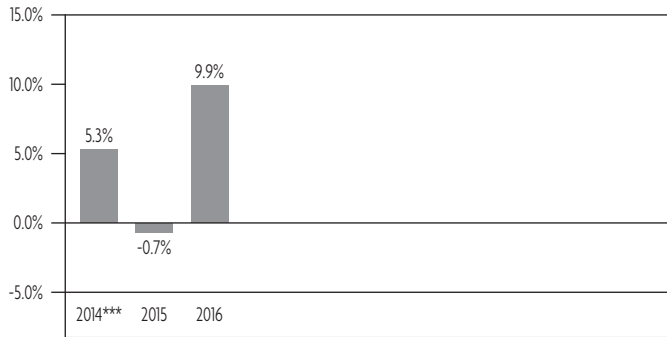


Series I Units – Annual return for the period ended December 31,



Sun Life BlackRock Canadian Balanced Fund

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



* 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

Annual Compound Returns

The following table compares the historical annual compound total returns of Series A, T5, F, I and O units of the Fund with the blended benchmark comprised of 60% S&P/TSX Capped Composite Index and 40% FTSE TMX Canada Universe Bond Index.

The S&P/TSX Capped Composite Index covers approximately 95% of the Canadian equities market, and has been the primary gauge for Canadian-based, Toronto Stock Exchange-listed companies since 1977. The FTSE TMX Canada Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market.

The Series A units underperformed the blended benchmark since inception, over the past five years, over the past three years and over the past year.

	1 Year	3 Year	5 Year	10 Year	Performance Start Date ⁽¹⁾⁽²⁾⁽³⁾
Sun Life BlackRock Canadian Balanced Fund – Series A	8.0%	4.4%	5.5%	N/A	4.2%
Sun Life BlackRock Canadian Balanced Fund – Series F	9.2%	5.6%	6.6%	N/A	5.3%
Sun Life BlackRock Canadian Balanced Fund – Series I	9.9%	6.3%	7.4%	N/A	6.0%
Blended Benchmark (60% S&P/TSX Capped Composite Index; 40% FTSE TMX Canada Universe Bond Index)	13.0%	6.2%	6.3%	N/A	4.9%
S&P/TSX Capped Composite Index	21.1%	7.1%	8.2%	N/A	4.9%
FTSE TMX Canada Universe Bond Index	1.7%	4.6%	3.2%	N/A	4.5%

	1 Year	3 Year	5 Year	10 Year	Performance Start Date ⁽¹⁾⁽²⁾⁽³⁾
Sun Life BlackRock Canadian Balanced Fund – Series O	9.9%	N/A	N/A	N/A	5.2%
Blended Benchmark (60% S&P/TSX Capped Composite Index; 40% FTSE TMX Canada Universe Bond Index)	13.0%	N/A	N/A	N/A	5.0%
S&P/TSX Capped Composite Index	21.1%	N/A	N/A	N/A	5.5%
FTSE TMX Canada Universe Bond Index	1.7%	N/A	N/A	N/A	4.0%
Sun Life BlackRock Canadian Balanced Fund – Series T5	8.0%	4.4%	5.5%	N/A	5.0%
Blended Benchmark (60% S&P/TSX Capped Composite Index; 40% FTSE TMX Canada Universe Bond Index)	13.0%	6.2%	6.3%	N/A	5.6%
S&P/TSX Capped Composite Index	21.1%	7.1%	8.2%	N/A	6.6%
FTSE TMX Canada Universe Bond Index	1.7%	4.6%	3.2%	N/A	3.8%

⁽¹⁾ The performance start date for Series A, F and I units was April 15, 2011.

⁽²⁾ The performance start date for Series T5 units was September 1, 2011.

⁽³⁾ The performance start date for Series O units was April 1, 2014.

Sun Life BlackRock Canadian Balanced Fund

SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at December 31, 2016

Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Sun Life BlackRock Canadian Composite Equity Fund, Series I ⁽²⁾	42.6
2 Sun Life BlackRock Canadian Universe Bond Fund, Series I ⁽²⁾	23.5
3 iShares Core U.S. Aggregate Bond ETF ⁽²⁾	7.1
4 iShares Global Tech ETF ⁽²⁾	5.2
5 iShares International Treasury Bond ETF ⁽²⁾	4.5
6 iShares Global Healthcare ETF ⁽²⁾	4.3
7 iShares Global Consumer Discretionary ETF ⁽²⁾	2.9
8 iShares Global Consumer Staples ETF ⁽²⁾	2.8
9 iShares iBoxx \$ High Yield Corporate Bond ETF ⁽²⁾	2.1
10 iShares Global Industrials ETF ⁽²⁾	2.0
11 iShares J.P. Morgan USD Emerging Markets Bond ETF ⁽²⁾	1.9
12 iShares Global Utilities ETF ⁽²⁾	0.5
13 Cash and Cash Equivalents ⁽³⁾	0.3
14 iShares Global Real Estate Index Fund ⁽²⁾	0.2
15 iShares Global Telecom ETF ⁽²⁾	0.1
	100.0
Total Net Asset Value (000's)	\$ 73,586

Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Financials	14.8
Foreign Corporate Bond	11.1
Energy	8.8
Canadian Federal Government Bond	8.2
Canadian Provincial Government Bond	7.5
Canadian Corporate Bond	7.3
Information Technology	6.3
Industrials	5.6
Materials	5.1
Consumer Discretionary	5.0
Foreign Government Bond	4.5
Consumer Staples	4.5
Health Care	4.5
Telecommunication Services	2.2
Utilities	1.8
Real Estate	1.4
Cash and Cash Equivalents ⁽³⁾	1.0
Canadian Municipal Government Bond	0.4
	100.0

Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Canadian Equities	42.6
Canadian Fixed Income	23.5
Foreign Equities	18.0
Foreign Fixed Income	15.6
Cash and Cash Equivalents ⁽³⁾	0.3
	100.0

⁽¹⁾ All information is as at December 31, 2016. 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 in other investment funds. The prospectus of the underlying investment funds and other information can be found on the internet.

⁽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 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** or **www.sedar.com**.

Sun Life Global Investments (Canada) Inc.
150 King Street West, Toronto, Ontario, M5H 1J9
Telephone: 1-877-344-1434 | Facsimile: 416-979-2859
info@sunlifeglobalinvestments.com
www.sunlifeglobalinvestments.com



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