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# SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

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## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2016

Sun Life Dynamic Strategic Yield Class



# Sun Life Dynamic Strategic Yield Class

*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](mailto: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](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.*

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

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objectives and Strategies

The fundamental objective of the Sun Life Dynamic Strategic Yield Class\* (the "Fund") is to seek to achieve income and long-term capital growth through exposure to primarily a diversified portfolio of fixed income and income-oriented equity securities by investing primarily in units of Sun Life Dynamic Strategic Yield Fund\* or its successor fund (the "underlying Trust Fund").

The underlying Trust Fund's sub-advisor (the "sub-advisor") is 1832 Asset Management L.P. (Manager of the Dynamic Funds). In pursuing the underlying Trust Fund's investment objectives, the sub-advisor seeks to take a flexible approach to investing primarily in debt and income-oriented equity securities with no restrictions on market capitalization, industry sector or geographic mix. The sub-advisor invests in these securities either directly or indirectly through investment in underlying funds, and allocates portfolio assets depending on economic and market conditions.

### 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 \$20.6 million to \$23.4 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 1.4% for Series A shares. This result lagged the Fund's benchmark (50% S&P/TSX Composite Index, 50% FTSE TMX Canada Universe Bond), which returned 11.0%. 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.

The following commentary relates to the underlying Trust Fund.

The underlying Trust Fund underperformed its broad-based benchmark over the period, due to an underweight and security selection in the Financials sector, as well as an underweight in both Energy and Materials within the equity component. Materials and Energy performed well over the period.

The underlying Trust Fund Fund's asset mix was overweight equities, which includes alternative investments and Real Estate Investment Trusts ("REITs"). As cash was deployed, the allocations to equities and fixed income rose while the weighting to options (which includes exposure to an option writing fund) was lowered. Geographically the largest increase was made to the U.S. followed by Canada, though Canada was the most significant contributor to returns with the U.S. having a smaller impact.

On a sector level, Financials, Real Estate and Technology were the largest allocations in the underlying Trust Fund Fund. Over the period exposure to Technology and Real Estate was increased and exposure to the Financials, Utilities and Consumer Discretionary sectors were lowered. The most significant detractors to returns were holdings in Consumer Staples, Real Estate and Consumer Discretionary while Energy, Financials and Technology had a positive impact. Notable security contributors included JPMorgan Chase & Co, TransCanada Corporation and Royal Bank of Canada. Holdings in Wells Fargo, Bank of American and Manulife Financial were the top detractors to performance.

The underlying Trust Fund Fund's bond allocation was primarily held in Canadian corporates, which were unchanged over the period. The underlying Trust Fund lowered its weighting to foreign bonds and debentures and a position in Dynamic Aurion Total Return Bond Fund was initiated. Overall, the fixed income component was a positive contributor to performance.

\* Dynamic, Dynamic Funds and Dynamic Strategic Yield Fund are registered and proprietary trademarks of Scotiabank, an affiliate of 1832 Asset Management L.P. used under license by the Manager.

# Sun Life Dynamic Strategic Yield Class

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## Recent Developments

The period got off to a difficult start as global growth concerns and falling oil prices weighed on the resources-dependent Canadian economy. China was the primary source of concern as weak economic data pointed to a slowing in the world's second-largest economy. The health of the U.S. economy was also in focus as disappointing consumer data fuelled fears of a sharp slowdown in domestic activity. Markets took reassurance from the U.S. Federal Reserve (the "Fed") which elected to defer interest rate increases while the People's Bank of China cut the reserve requirement ratio by 50 basis points in February. Gold had its best first half of the year since 1979 fuelled initially by growth uncertainties and then by the threat of the U.K. leaving the European Union.

The Canadian economy faced another hurdle following the wild fires in Fort McMurray which led to a 1.6% contraction in Gross Domestic Product ("GDP") for the second quarter – the largest decline in GDP since 2009. The Bank of Canada chose not to loosen monetary policy primarily because of the fiscal stimulus and infrastructure spending promises of the newly-elected Liberal government. The second half of the period was characterized by a sharp reversal in market sentiment as the U.S. economy strengthened and Chinese economic data was either in line with or beat expectations. This helped the commodities sector post positive returns in 2016 for the first time in six years and was a key factor behind the Canadian equity market's world-beating performance among developed countries.

Energy led the gains in commodities with the price of natural gas up more than 60.0% on the year and oil up about 45.0%. The jump in oil prices was further supported by a December agreement among Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC oil producers to curtail oil output; the first such deal since 2001. The period ended on another positive note as Prime Minister Trudeau agreed to new pipelines as Donald Trump – an Energy and Keystone pipeline supporter – won the U.S. presidential election. This surprise U.S. election victory further buoyed sentiment as markets anticipated tax cuts and fiscal stimulus under the new administration. With global growth fears waning and U.S. growth expanding, the Fed increased interest rates by a quarter percentage point in December to bring the period to an end.

North American investment grade fixed income markets were able to generate positive returns despite experiencing some interest rate volatility during the second half of the period. Fixed income markets were initially well supported as central bank policies remained accommodative. The Bank of Japan implemented negative interest rates, while the Bank of England unveiled a new stimulus package, which included an interest rate cut as well as an expanded Quantitative Easing

program. Fixed income markets in North America were further supported as interest rates in both Canada and the U.S. initially moved lower as the Fed kept overnight interest rates unchanged at its July and September policy meetings.

During the second half of the period, markets reacted positively to Donald Trump being elected as the 45th President of the United States as investors became optimistic that a Trump-era would bring a reacceleration of U.S. economic growth. In addition, markets anticipated an interest rate hike by the Fed, which came to fruition in December, which negatively impacted interest rate sensitive assets. Interest rates increased during the period with the US 10-year Treasury yield rising from 2.3% to 2.4% and the Canadian 10-year yield rising from 1.4% to 1.7%. The substantial post-election rally, improving economic conditions and positive outlook by the Fed led to a tightening in credit spreads, which helped support the corporate bond market. Overall, the lower quality segment of the investment grade fixed income market outperformed the higher quality as BBB corporate bonds outperformed AAA/AA corporate bonds, while government bonds lagged behind. Meanwhile, the U.S. fixed income market outpaced Canada.

Effective February 5, 2016, all Series E and EF shares were converted to Series A shares, under the Front End Sales Charge option, and Series F shares, 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 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.

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 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

# Sun Life Dynamic Strategic Yield Class

administration fee paid to the Manager by each Fund ("Administration Fee"). The Administration Fee is based on the net asset value of each series of the Fund. The Administration Expenses include, but are not limited to, record keeper fees, accounting, audit and legal fees, bank and interest charges, safekeeping and custodial fees, taxes, administrative and systems costs, costs of reports to investors, prospectuses and other disclosure documents, regulatory filing fees (including those incurred by the Manager) and trustee fees for registered plans. The amount of this charge is disclosed as a fund administrative expense in the Fund's Statement of Comprehensive Income found in the annual financial statements (audited).

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

## Series Description

The Fund offers the following series of shares: A, AT5, F, I and O. The date of creation for Series A, AT5 and F shares was August 1, 2013, the date of creation for Series O shares was April 1, 2014, and the date of creation for Series I shares was May 1, 2015.

Series A and AT5 shares are available to all investors.

Series AT5 shares are designed to provide investors with a fixed monthly distribution based upon a target annualized distribution rate of 5% of the net asset value per share as at the end of the prior year.

Series F shares 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 shares 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 shares, so the Manager can charge a lower management fee.

Series I shares are special purpose securities that are currently only available to other mutual funds and eligible institutional investors. Series I shares 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 shares 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 shares held in the investor's Private Client account. Series O management fee is paid, after subtracting any management fee reductions, by a redemption of Series O shares 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 Share (\$)<sup>(1)</sup>

#### Sun Life Dynamic Strategic Yield Class – Series A

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Net asset value, beginning of period	11.11	11.19	10.70	10.00
<b>Increase (decrease) from operations:</b>				
Total revenue	0.50	0.48	0.61	0.27
Total expenses	(0.23)	(0.25)	(0.25)	(0.10)
Realized gains (losses) for the period	(0.03)	0.26	0.04	0.05
Unrealized gains (losses) for the period	–	(0.03)	0.06	0.79
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.24</b>	<b>0.46</b>	<b>0.46</b>	<b>1.01</b>
<b>Distributions:</b>				
From income (excluding dividends)	–	–	–	–
From dividends	(0.07)	(0.40)	(0.11)	(0.03)
From capital gains	(0.56)	(0.20)	(0.02)	–
Return of capital	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.63)</b>	<b>(0.60)</b>	<b>(0.13)</b>	<b>(0.03)</b>
<b>Net asset value, end of period</b>	<b>10.62</b>	<b>11.11</b>	<b>11.19</b>	<b>10.70</b>

# Sun Life Dynamic Strategic Yield Class

## Sun Life Dynamic Strategic Yield Class – Series AT5

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Net asset value, beginning of period	14.78	15.66	15.72	15.00
<b>Increase (decrease) from operations:</b>				
Total revenue	0.66	0.65	0.88	0.38
Total expenses	(0.30)	(0.35)	(0.36)	(0.14)
Realized gains (losses) for the period	(0.03)	0.38	0.06	0.05
Unrealized gains (losses) for the period	(0.17)	(0.15)	0.34	1.03
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.16</b>	<b>0.53</b>	<b>0.92</b>	<b>1.32</b>
<b>Distributions:</b>				
From income (excluding dividends)	(0.08)	–	–	–
From dividends	(0.08)	(0.54)	(0.17)	(0.05)
From capital gains	(0.74)	(0.28)	(0.02)	–
Return of capital	(0.66)	(0.78)	(0.78)	(0.31)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(1.56)</b>	<b>(1.60)</b>	<b>(0.97)</b>	<b>(0.36)</b>
<b>Net asset value, end of period</b>	<b>13.38</b>	<b>14.78</b>	<b>15.66</b>	<b>15.72</b>

## Sun Life Dynamic Strategic Yield Class – Series F

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Net asset value, beginning of period	11.41	11.36	10.75	10.00
<b>Increase (decrease) from operations:</b>				
Total revenue	0.54	0.50	0.60	0.25
Total expenses	(0.13)	(0.13)	(0.13)	(0.05)
Realized gains (losses) for the period	(0.03)	0.12	0.04	0.03
Unrealized gains (losses) for the period	0.06	0.02	0.27	0.70
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.44</b>	<b>0.51</b>	<b>0.78</b>	<b>0.93</b>
<b>Distributions:</b>				
From income (excluding dividends)	–	–	–	–
From dividends	(0.07)	(0.41)	(0.11)	(0.03)
From capital gains	(0.57)	(0.21)	(0.02)	–
Return of capital	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.64)</b>	<b>(0.62)</b>	<b>(0.13)</b>	<b>(0.03)</b>
<b>Net asset value, end of period</b>	<b>11.03</b>	<b>11.41</b>	<b>11.36</b>	<b>10.75</b>

## Sun Life Dynamic Strategic Yield Class – Series I

	2016 (\$)	2015 (\$)
Net asset value, beginning of period	10.02	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.48	0.27
Total expenses	(0.01)	–
Realized gains (losses) for the period	(0.02)	0.68
Unrealized gains (losses) for the period	0.09	(0.49)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.54</b>	<b>0.46</b>
<b>Distributions:</b>		
From income (excluding dividends)	–	–
From dividends	(0.06)	(0.36)
From capital gains	(0.50)	–
Return of capital	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.56)</b>	<b>(0.36)</b>
<b>Net asset value, end of period</b>	<b>9.80</b>	<b>10.02</b>

## Sun Life Dynamic Strategic Yield Class – Series O

	2016 (\$)	2015 (\$)	2014 (\$)
Net asset value, beginning of period	10.48	10.34	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.48	0.44	0.60
Total expenses	(0.03)	(0.02)	(0.01)
Realized gains (losses) for the period	(0.02)	0.38	0.03
Unrealized gains (losses) for the period	(0.06)	(0.12)	(0.43)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.37</b>	<b>0.68</b>	<b>0.19</b>
<b>Distributions:</b>			
From income (excluding dividends)	–	–	–
From dividends	(0.06)	(0.38)	(0.11)
From capital gains	(0.53)	(0.19)	–
Return of capital	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.59)</b>	<b>(0.57)</b>	<b>(0.11)</b>
<b>Net asset value, end of period</b>	<b>10.23</b>	<b>10.48</b>	<b>10.34</b>

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

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

<sup>(3)</sup> Distributions were paid in cash, reinvested in additional shares of the Fund, or both.

# Sun Life Dynamic Strategic Yield Class

## Ratios and Supplemental Data

### Sun Life Dynamic Strategic Yield Class – Series A

	2016	2015	2014	2013
Total net asset value (\$) <sup>(1)</sup>	7,288,188	5,285,640	6,810,539	2,300,060
Number of shares outstanding <sup>(1)</sup>	685,817	475,675	608,649	214,977
Management expense ratio (%) <sup>(2)</sup>	2.32	2.32	2.36	2.30
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	2.32	2.32	2.36	2.30
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.07	0.07	0.05
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.00	18.69	8.60	30.96
Net asset value per share (\$) <sup>(1)</sup>	10.62	11.11	11.19	10.70

### Sun Life Dynamic Strategic Yield Class – Series AT5

	2016	2015	2014	2013
Total net asset value (\$) <sup>(1)</sup>	382,820	333,404	257,934	89,832
Number of shares outstanding <sup>(1)</sup>	28,603	22,559	16,475	5,714
Management expense ratio (%) <sup>(2)</sup>	2.36	2.35	2.36	2.30
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	2.36	2.35	2.36	2.30
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.07	0.07	0.05
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.00	18.69	8.60	30.96
Net asset value per share (\$) <sup>(1)</sup>	13.38	14.78	15.66	15.72

### Sun Life Dynamic Strategic Yield Class – Series F

	2016	2015	2014	2013
Total net asset value (\$) <sup>(1)</sup>	393,594	160,760	542,612	281,266
Number of shares outstanding <sup>(1)</sup>	35,668	14,090	47,749	26,173
Management expense ratio (%) <sup>(2)</sup>	1.21	1.22	1.25	1.19
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.21	1.22	1.25	1.19
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.07	0.07	0.05
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.00	18.69	8.60	30.96
Net asset value per share (\$) <sup>(1)</sup>	11.03	11.41	11.36	10.75

### Sun Life Dynamic Strategic Yield Class – Series I

	2016	2015
Total net asset value (\$) <sup>(1)</sup>	4,879,421	1,279,306
Number of shares outstanding <sup>(1)</sup>	497,852	127,669
Management expense ratio (%) <sup>(2)</sup>	0.10	0.08
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.10	0.08
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.07
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.00	18.69
Net asset value per share (\$) <sup>(1)</sup>	9.80	10.02

### Sun Life Dynamic Strategic Yield Class – Series O

	2016	2015	2014
Total net asset value (\$) <sup>(1)</sup>	10,463,701	10,355,303	6,308,212
Number of shares outstanding <sup>(1)</sup>	1,022,273	987,864	610,104
Management expense ratio (%) <sup>(2)</sup>	0.23	0.25	0.24
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.23	0.25	0.24
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.07	0.07
Portfolio turnover rate (%) <sup>(4)(5)</sup>	18.00	18.69	8.60
Net asset value per share (\$) <sup>(1)</sup>	10.23	10.48	10.34

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

<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.

<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.

## 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 Shares	1.85	42	58
Series AT5 Shares	1.85	38	62
Series F Shares	0.85	—	100
Series I Shares	—	—	—
Series O Shares <sup>2</sup>	0.85	—	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.



# Sun Life Dynamic Strategic Yield Class

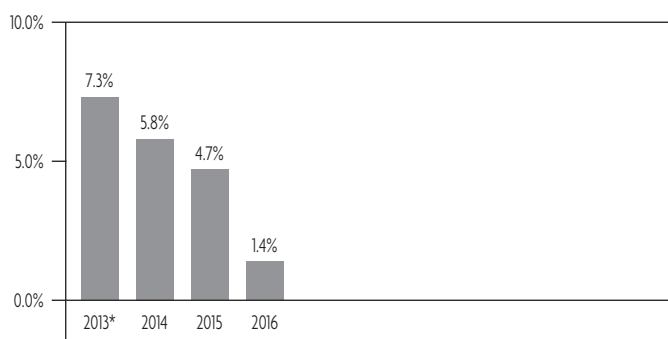
## PAST PERFORMANCE

The indicated rates of return are the historical annualized and annual compounded total returns including changes in share value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any shareholder 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.

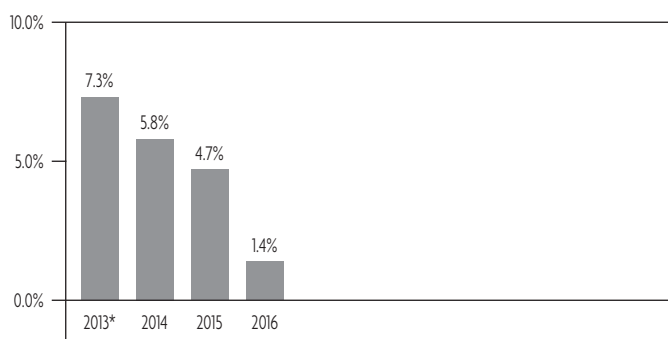
### Year-by-Year Returns

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 financial year.

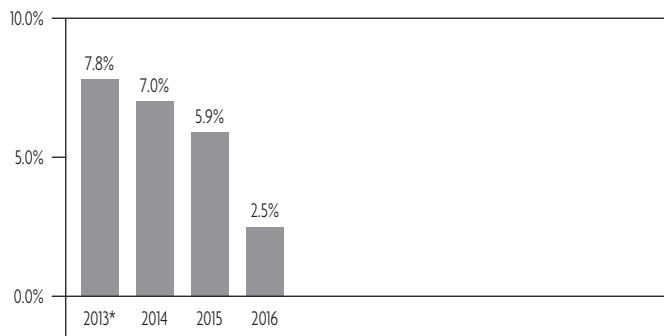
**Series A Shares – Annual return for the period ended December 31, 2016**



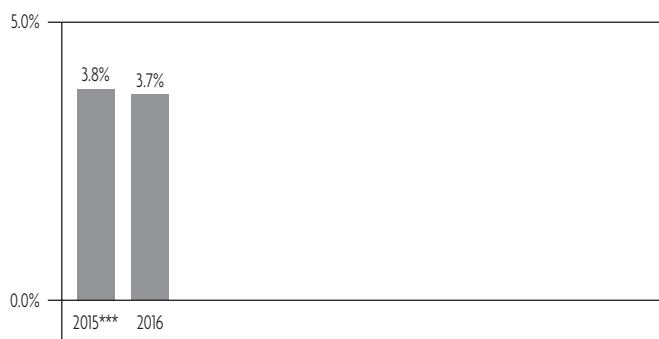
**Series AT5 Shares – Annual return for the period ended December 31, 2016**



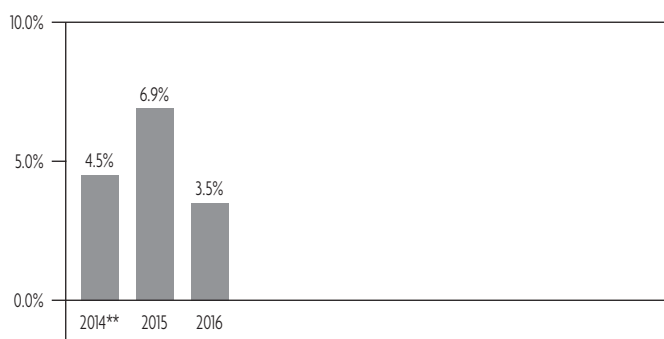
**Series F Shares – Annual return for the period ended December 31, 2016**



**Series I Shares – Annual return for the period ended December 31, 2016**



**Series O Shares – Annual return for the period ended December 31, 2016**



\* for the period of August 1, 2013 to December 31, 2013

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

\*\*\* for the period of May 1, 2015 to December 31, 2015

## Annual Compound Returns

The following table compares the historical annual compound total returns of Series A, AT5, F, I and O shares of the Fund with the blended benchmark comprised of 50% S&P/TSX Composite Index and 50% FTSE TMX Canada Universe Bond Index.

The S&P/TSX Composite Index covers approximately 95% of the Canadian equities market, and has been the primary



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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 shares underperformed the benchmark since inception, over the past three years and over the past year.

	1 Year	3 Year	5 Year	10 Year	Performance Start Date <sup>(1)(2)(3)</sup>
Sun Life Dynamic Strategic Yield Class – Series A	1.4%	4.0%	N/A	N/A	5.6%
Sun Life Dynamic Strategic Yield Class – Series AT5	1.4%	3.9%	N/A	N/A	5.6%
Sun Life Dynamic Strategic Yield Class – Series F	2.5%	5.1%	N/A	N/A	6.8%
Blended Benchmark (50% S&P/TSX Composite; 50% FTSE TMX Canada Universe Bond)	11.0%	5.9%	N/A	N/A	6.8%
S&P/TSX Composite Index	21.1%	7.1%	N/A	N/A	9.3%
FTSE TMX Canada Universe Bond Index	1.7%	4.6%	N/A	N/A	4.1%
Sun Life Dynamic Strategic Yield Class – Series I	3.7%	N/A	N/A	N/A	4.5%
Blended Benchmark (50% S&P/TSX Composite; 50% FTSE TMX Canada Universe Bond)	11.0%	N/A	N/A	N/A	2.5%
S&P/TSX Composite Index	21.1%	N/A	N/A	N/A	3.4%
FTSE TMX Canada Universe Bond Index	1.7%	N/A	N/A	N/A	1.5%
Sun Life Dynamic Strategic Yield Class – Series O	3.5%	N/A	N/A	N/A	5.4%
Blended Benchmark (50% S&P/TSX Composite; 50% FTSE TMX Canada Universe Bond)	11.0%	N/A	N/A	N/A	4.8%
S&P/TSX 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%

<sup>(1)</sup> The performance start date for Series A, AT5 and F shares was August 1, 2013.

<sup>(2)</sup> The performance start date for Series O shares was April 1, 2014.

<sup>(3)</sup> The performance start date for Series I shares was May 1, 2015.

## SUMMARY OF INVESTMENT PORTFOLIO<sup>(1)</sup>

as at December 31, 2016

### Top 25 Investments<sup>(3)</sup>

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Cash	13.7
2 Dynamic Aurion Total Return Bond Fund, Series O <sup>(2)</sup>	4.9
3 Dynamic Credit Spectrum Fund, Series O <sup>(2)</sup>	2.6
4 Dynamic High Yield Bond Fund, Series O <sup>(2)</sup>	2.5
5 Royal Bank of Canada	2.4
6 JPMorgan Chase & Co.	2.3
7 Canadian Imperial Bank of Commerce	2.2
8 Dynamic Premium Yield Fund, Series O <sup>(2)</sup>	2.0
9 The Bank of Nova Scotia	1.7
10 Honeywell International Inc.	1.7
11 Pfizer Inc	1.6
12 Microsoft Corp.	1.6
13 TransCanada Corp.	1.6
14 Home Depot Inc.	1.6
15 Verizon Communications Inc.	1.5
16 BCE Inc.	1.5
17 Apple Inc.	1.4
18 Costco Wholesale Corp.	1.4
19 TJX Cos Inc.	1.3
20 Fortis Inc.	1.2
21 Pembina Pipeline Corp.	1.1
22 Allergan plc	1.1
23 Fidelity National Information Services Inc.	1.1
24 Weyerhaeuser Co.	1.1
25 United States Treasury Note/Bond, 0.88%, Mar 31, 2018	1.1
	<b>56.2</b>
<b>Total Net Asset Value (000's)</b>	<b>\$ 23,408</b>

# Sun Life Dynamic Strategic Yield Class

## Sector Allocation<sup>(3)</sup>

	Percentage of Net Asset Value of the Fund (%)
Cash and Cash Equivalents <sup>(4)</sup>	14.3
Financials	11.9
Canadian Corporate Bond	11.4
Information Technology	6.4
Health Care	6.1
Mutual Funds – High Yield Fixed Income	5.0
Telecommunication Services	5.1
Consumer Discretionary	5.0
Mutual Funds – Canadian Fixed Income	4.8
U.S. Corporate Bond	4.7
Real Estate	4.6
Utilities	4.3
Energy	4.1
Consumer Staples	4.0
Industrials	3.8
Mutual Funds – Income and Real Property	2.0
U.S. Government Bond	1.1
Materials	0.9
International Corporate Bond	0.5
	<b>100.0</b>

## Asset Mix<sup>(3)</sup>

	Percentage of Net Asset Value of the Fund (%)
U.S. Equities	29.6
Canadian Equities	22.3
Canadian Fixed Income	16.2
Cash and Cash Equivalents <sup>(4)</sup>	14.3
U.S. Fixed Income	10.9
International Equities	6.2
International Fixed Income	0.5
	<b>100.0</b>

<sup>(1)</sup> 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](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> The Fund invests substantially all of its assets directly in the underlying Trust Fund. The summary of investment portfolio for the Fund presents the investments as a percentage of the net asset value of the underlying Trust Fund.

<sup>(4)</sup> 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 Dynamic Strategic Yield Class

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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