
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the financial year ended December 31, 2016

Sun Life Multi-Strategy Target Return Fund



Sun Life Multi-Strategy Target Return 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 objective of the Sun Life Multi-Strategy Target Fund (the "Fund") is to seek long-term absolute return by delivering a positive return over rolling three-year periods, regardless of the prevailing market environment.

The Fund's sub-advisor is Aviva Investors Canada Inc. (the "sub-advisor"). The sub-advisor has retained its affiliate, Aviva Investors Global Services Limited ("AIGSL"), to provide investment advice to the sub-advisor in respect of the investment portfolio of the Fund. In order to achieve its investment objective, the Fund will aim to generate a positive return over rolling three-year periods of, on average, 5% per annum above the Bank of Canada Overnight Lending Rate before the deduction of fees and expenses. In seeking to target this level of return, the Fund will also aim to manage volatility to a target of less than half the volatility of global equities measured over the same rolling three-year periods. The Fund may invest globally in equity and fixed income securities, underlying funds, cash and near cash investments, money market instruments, derivatives and other financial instruments.

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

The Fund has a performance inception date of May 11, 2016. The period covered in this report is from the inception date to December 31, 2016. The net asset value of the Fund increased from \$0.5 million to \$75.4 million at the end of the period. The increase in net asset value was attributable to positive net sales, as well as positive performance during the period.

During the period, the Fund returned 1.7% for Series A units. This result surpassed the Fund's benchmark, the Bank of

Canada Overnight Target Rate Policy, which returned 0.3%. 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.

For the period of inception to the end of the second quarter, the Fund's top contributors were the Short U.S. Biotech strategy, the long exposure to Global equities, as well as the long position in Mexican rates. On the negative side, the key detractors were two Market strategies and one Opportunistic strategy which included the long position in European equities, the short German 10-year bunds via futures and the long position in Japanese equities.

In the third quarter, the Fund's top drivers of performance were attributed to investments in its Market and Risk Reducing sleeves. The largest contributor during the quarter was the long North American high yield credit, the long emerging market small cap equities and the short Pounds vs. U.S. Dollars position. On the negative side, the key detractors were attributed to investments in the Fund's Opportunistic and Risk Reducing sleeves (note: the Risk Reducing sleeve contained investments that were both top drivers and detractors of the Fund's performance). The greatest loss was observed by the position of short U.S. Biotech stocks, the long French stocks vs. short German stocks, and the long U.S. large cap stocks vs. short U.S. small cap stocks.

In the fourth quarter, the Fund's top three performance drivers were the long strategies in European equities, U.S. inflation and the U.S. Dollar versus Japanese Yen. The three largest detractors were the strategies long emerging market small cap equities, Israeli interest rates and gold over the same time period.

Recent Developments

Following the initial hit to global sentiment after the United Kingdom voted to leave the European Union in late June ("Brexit"), the ensuing recovery in financial markets continued into the first half of July. Most equity and credit markets more than recovered their earlier losses to end the month higher, with even the UK FTSE-250 index finishing the month close to its pre-Brexit high. The sub-advisor believes there are a number of factors that have contributed to the relatively positive market response. First, Brexit was never

Sun Life Multi-Strategy Target Return Fund

going to have more than a limited direct impact on other economies. The United Kingdom accounts for a relatively small part of global trade, although it is important for a number of European countries. Second, the immediate response of policymakers in the United Kingdom and elsewhere indicated a further extension of accommodative policies. That likely means lower interest rates for longer, more quantitative and credit easing, and perhaps most significantly, a likely increased appetite for fiscal expansion in the form of infrastructure spending. These policies should support global risk assets.

Emerging markets have been a notable beneficiary of the extension of accommodative policies. As concerns around a China hard-landing abated over the first half of 2016, and the U.S. Federal Reserve delayed further rate hikes, Emerging Market economies have enjoyed a window of opportunity to pursue structural reforms and ease monetary policy. The sub-advisor believes that Brexit has kept that window of opportunity open for a little longer, and is reflected in the strengthening of many Emerging Market currencies, as well as a decline in bond yields. The sub-advisor has a range of Emerging Market currency, government bond and equity strategies to take advantage of this.

In the last quarter of 2016, the post-U.S. election global equity market rally continued in December, with European equities playing catch-up to the U.S. and other markets. Expectations for the global growth and inflation continued to improve, with recent activity indicators in the Eurozone and elsewhere suggesting growth momentum was picking up. European equities were further helped by a weakening in the Euro against the U.S. Dollar, following the European Central Bank (“ECB”) meeting in early December. Across the other major markets, equity indices rose further in Japan and the U.S. in December, with financials and resource companies particularly benefiting from the pro-cyclical move. Emerging market equities have been notable for having not participated in the post-election rally. That likely reflects the negative consequences on global trade of potential protectionist measures coming out of a Trump presidency.

The sub-advisor expects global growth to pick up further in 2017, supported by loose monetary policy and increasing use of easier fiscal policy. With spare capacity steadily being eroded around the world, the sub-advisor should see an accompanying rise in inflationary pressures. That inflationary environment should be supportive of global equities. However, the sub-advisor remains conscious of the wide disparity of valuations across regions and sectors, and continues to seek out those areas that present both value and benefit from stronger nominal growth.

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 Aviva Investors Canada Inc. to act as a sub-advisor for a portion of the Fund. The Manager retains responsibility for investing the remainder of the portfolio in underlying funds.

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

Fund Administrative Expenses

The Manager pays certain of the operating expenses of each Fund (the “Administration Expenses”) in return for a fixed administration fee paid to the Manager by each Fund (“Administration Fee”). The Administration Fee is based on the net asset value of each series of the 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 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.

Sun Life Multi-Strategy Target Return Fund

Series Description

The Fund offers the following series of units: A, F, I and O. The date of creation for all series is May 11, 2016.

Series A units are available to all investors.

Series F units are available to investors who have a fee-based account with their dealer and whose dealer has signed an agreement with the Manager. Instead of paying sales charges, investors buying Series F units pay fees to their dealer for investment advice and other services. The Manager does not pay any commissions to dealers in respect of Series F units, so the Manager can charge a lower management fee.

Series I units are special purpose securities that are currently only available to other mutual funds and eligible institutional investors. Series I units are not sold to the general public. Each Series I investor negotiates its own management and advisory fee that is paid directly to the Manager.

Series O units are available to investors through the Private Client program and must be purchased through a Private Client account. Each Series O investor pays a management fee directly to the Manager and is eligible for management fee reductions, if any, based on the value of Series O units held in the investor's Private Client account. Series O management fees are paid, after subtracting any management fee reductions, by a redemption of Series O units in the investor's account.

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⁾

Sun Life Multi-Strategy Target Return Fund – Series A

	2016 (\$)
Net asset value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.09
Total expenses	(0.17)
Realized gains (losses) for the period	0.10
Unrealized gains (losses) for the period	0.34
Total increase (decrease) from operations⁽²⁾	0.36
Distributions:	
From income (excluding dividends)	(0.20)
From dividends	–
From capital gains	–
Return of capital	–
Total annual distributions⁽³⁾	(0.20)
Net asset value, end of period	9.98

Sun Life Multi-Strategy Target Return Fund – Series F

	2016 (\$)
Net asset value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.11
Total expenses	(0.10)
Realized gains (losses) for the period	0.08
Unrealized gains (losses) for the period	0.28
Total increase (decrease) from operations⁽²⁾	0.37
Distributions:	
From income (excluding dividends)	(0.22)
From dividends	–
From capital gains	–
Return of capital	–
Total annual distributions⁽³⁾	(0.22)
Net asset value, end of period	10.01

Sun Life Multi-Strategy Target Return Fund – Series I

	2016 (\$)
Net asset value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.06
Total expenses	(0.01)
Realized gains (losses) for the period	0.15
Unrealized gains (losses) for the period	0.01
Total increase (decrease) from operations⁽²⁾	0.21
Distributions:	
From income (excluding dividends)	(0.25)
From dividends	–
From capital gains	–
Return of capital	–
Total annual distributions⁽³⁾	(0.25)
Net asset value, end of period	10.05

Sun Life Multi-Strategy Target Return Fund

Sun Life Multi-Strategy Target Return Fund – Series O

	2016
	(\$)
Net asset value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.08
Total expenses	(0.02)
Realized gains (losses) for the period	0.21
Unrealized gains (losses) for the period	0.11
Total increase (decrease) from operations⁽²⁾	0.38
Distributions:	
From income (excluding dividends)	(0.24)
From dividends	–
From capital gains	–
Return of capital	–
Total annual distributions⁽³⁾	(0.24)
Net asset value, end of period	10.05

⁽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.

Ratios and Supplemental Data

Sun Life Multi-Strategy Target Return Fund – Series A

	2016
Total net asset value (\$) ⁽¹⁾	6,471,540
Number of units outstanding ⁽¹⁾	648,707
Management expense ratio (%) ⁽²⁾	2.78
Management expense ratio before waivers or absorption (%) ⁽²⁾	2.78
Trading expense ratio (%) ⁽³⁾	0.06
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	106.50
Net asset value per unit (\$) ⁽¹⁾	9.98

Sun Life Multi-Strategy Target Return Fund – Series F

	2016
Total net asset value (\$) ⁽¹⁾	36,820,839
Number of units outstanding ⁽¹⁾	3,679,996
Management expense ratio (%) ⁽²⁾	1.66
Management expense ratio before waivers or absorption (%) ⁽²⁾	1.66
Trading expense ratio (%) ⁽³⁾	0.06
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	106.50
Net asset value per unit (\$) ⁽¹⁾	10.01

Sun Life Multi-Strategy Target Return Fund – Series I

	2016
Total net asset value (\$) ⁽¹⁾	31,995,065
Number of units outstanding ⁽¹⁾	3,182,287
Management expense ratio (%) ⁽²⁾	0.07
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.07
Trading expense ratio (%) ⁽³⁾	0.06
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	106.50
Net asset value per unit (\$) ⁽¹⁾	10.05

Sun Life Multi-Strategy Target Return Fund – Series O

	2016
Total net asset value (\$) ⁽¹⁾	112,734
Number of units outstanding ⁽¹⁾	11,218
Management expense ratio (%) ⁽²⁾	0.24
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.24
Trading expense ratio (%) ⁽³⁾	0.06
Portfolio turnover rate (%) ⁽⁴⁾⁽⁵⁾	106.50
Net asset value per unit (\$) ⁽¹⁾	10.05

⁽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.

⁽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.

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.

Sun Life Multi-Strategy Target Return Fund

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	2.25	44	56
Series F Units	1.25	–	100
Series I Units	–	–	–
Series O Units ²	1.25	–	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



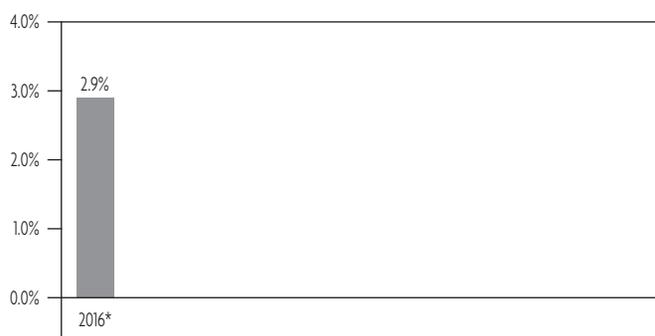
Series F Units – Annual return for the period ended December 31, 2016



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



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



* for the period May 11, 2016 to December 31, 2016

Annual Compound Returns

The Fund has not been distributed under a simplified prospectus for twelve months; therefore, the Manager may not publish annual compound returns.

Sun Life Multi-Strategy Target Return Fund

SUMMARY OF INVESTMENT PORTFOLIO⁽¹⁾

as at December 31, 2016

Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Cash	50.4
2 United States Treasury Inflation Indexed Bond, 0.13%, Jul 15, 2026	17.0
3 United States Treasury Inflation Indexed Bond, 0.64%, Jan 15, 2026	9.0
4 Aviva Emerging Markets Equity Small Cap Fund ⁽²⁾	5.7
5 Indonesia Treasury Bond, 8.25%, Jul 15, 2021	3.7
6 South Africa Government Bond, 10.50%, Dec 21, 2026	3.1
7 South Africa Government Bond, 8.75%, Feb 28, 2048	1.2
8 Indonesia Treasury Bond, 7.00%, May 15, 2022	0.9
9 ENI SpA	0.5
10 Total SA	0.5
11 Chevron Corp.	0.5
12 Exxon Mobil Corp.	0.5
13 Occidental Petroleum Corp.	0.5
14 BP PLC	0.5
15 Royal Dutch Shell PLC	0.4
16 Schlumberger Ltd.	0.4
17 Rio Tinto PLC	0.4
18 BHP Billiton PLC	0.4
	95.6
Total Net Asset Value (000's)	\$ 75,400

Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Cash and Cash Equivalents ⁽³⁾	54.8
U.S. Government Bond	26.0
International Government Bond	8.9
Mutual Funds – Emerging Markets Equity ⁽²⁾	5.7
Energy	3.8
Materials	0.8
	100.0

Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Cash and Cash Equivalents ⁽³⁾	54.8
U.S. Fixed Income	26.0
International Fixed Income	8.9
International Equities	8.9
U.S. Equities	1.4
	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 has obtained an exemption from the Canadian Securities Administrators to purchase units of Aviva Investors Emerging Markets Equity Small Cap Fund, Series Z, a foreign investment fund. For more information on the exemption, please refer to the fund's annual information form, which is available on our website at sunlifeglobalinvestments.com.

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

Forward-Looking Statements

This management report of fund performance may contain forward-looking statements about the 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 Multi-Strategy Target Return 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.

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