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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 Schroder Emerging Markets Fund



# Sun Life Schroder Emerging Markets 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](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.*

*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 the Sun Life Schroder Emerging Markets Fund (the "Fund") is to seek capital appreciation by investing primarily in equity securities of companies with a connection to emerging markets.

The Fund's sub-advisor is Schroder Investment Management North America Inc. (the "sub-advisor"). The Fund's investment strategy is to invest using a bottom-up investment approach to find investment opportunities where the trading value is below the estimated intrinsic value. The Fund generally invests in equity securities of companies with a connection to countries other than those classified as "Developed" by MSCI. The Fund may also invest in companies that are not domiciled in emerging markets but derive a significant portion of their revenues or profits from, or hold a significant portion of their assets in, an emerging market country.

### 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 \$129.5 million to \$191.0 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 4.6% for Series A units. This result lagged the Fund's benchmark, the MSCI Emerging Markets C\$, which returned 7.3%. 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.

At a stock level, selection in Brazil, overweight to Embraer, was the key headwind. Stock selection in South Africa, overweight to Woolworths and to Naspers, and Taiwan,

overweight ASE and Catcher Technology, also detracted from performance. These were partially offset by positive selection in China, overweight to Tencent, Sinopec and China Construction Bank.

From a country perspective, the overweight to Turkey, which underperformed, and the underweight to South Africa, which outperformed, detracted from performance. In contrast, the overweight to Russia which significantly outperformed, generated the largest proportion of excess returns. The underweight to Mexico and a zero-weight in Malaysia which both underperformed, as well as the overweight to Brazil, which outperformed, added significant contribution.

The sub-advisor took Turkey from a small overweight to neutral. Political risk is elevated and the Turkish Lira is vulnerable to more selling pressure given the country's reliance on foreign funding. The sub-advisor also took Brazil from overweight to neutral. The sub-advisor moderated the size of the Fund's position but remained overweight due to a recovering economy and policy improvements. The underweight to South Africa was increased given expensive valuations. Chile was taken to underweight from neutral in line given a muted growth backdrop. The sub-advisor redeployed the funds by increasing the overweight in United Arab Emirates. The sub-advisor also moved to a small overweight in Colombia given a strong bottom up idea and Poland where concerns over policy and the government look priced in. These changes resulted in a modest increase in the Fund's cash position.

### Recent Developments

Equity markets have so far started 2017 brightly focusing on the potential for an improvement in U.S. growth and reflation rather than the uncertainty surrounding U.S. policy detail. The MSCI World Index has returned 1.5% while the MSCI Emerging Markets Index has gained 1.9%.

The sub-advisor forecasts 2017 U.S. growth to accelerate from 1.6% in 2016 to 1.9%. After an initial slowdown, with an inflation pickup expected to weigh on consumption, the sub-advisor anticipates growth will increase in the second half of the year supported by a rise in wage growth. Consensus expectations are for the Federal Funds rate to rise to 1.25% by the end of the year. The sub-advisor expects a fiscal package of around 1-1.5% of Gross Domestic Product ("GDP") but does

# Sun Life Schroder Emerging Markets Fund

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not believe the impact will be felt until late 2017 or early 2018. In Europe, a temporary increase in inflation and a busy political calendar are expected to weigh on consumption and investment respectively. Consensus expectations are for growth in the Eurozone to slow from 1.6% to 1.4% and the European Central Bank has extended quantitative easing until December. In Japan, looser fiscal policy and a weaker yen should support growth. However, the Bank of Japan's target zero yield for the 10-year government bond is in the spotlight given increased yield divergence with the U.S. and depreciation pressure on the Japanese Yen. Japanese 2017 GDP is expected to grow by 1%.

The outlook for Emerging Markets is currently somewhat overshadowed by the potential for a change in U.S. policy under a Trump administration. Should protectionist campaign rhetoric materialize in trade policy this could have wide ranging ramifications. This will depend on whether measures are broad in scope or targeted and the reaction of other world powers. Emerging Markets benefit from global trading activity so steps towards anti-globalization and a reduction in trade volume would be negative. Alternatively, should a more pragmatic approach prevail, this could alleviate uncertainty and create the conditions for global trade volumes to improve. The magnitude and composition of a U.S. fiscal stimulus package is also important for the outlook for Emerging Markets. Markets have so far priced in a U.S. reflation trade and stronger U.S. economic growth driven by a material fiscal package. In turn this has spurred concerns that monetary tightening will accelerate which has led U.S. yields to increase and the U.S. Dollar to strengthen. This tighter liquidity backdrop has weighed on Emerging Markets. However, the make-up and the backing of a stimulus package by the Republican Party is unclear. The benefits of a fiscal package will also not be felt in the economy until the end of 2017 at the earliest and the effectiveness of stimulus is debatable given the U.S. is late in the cycle. Consequently, there is scope for current expectations to moderate. On a standalone basis the outlook for Emerging Markets is broadly constructive supported by an improving economic and earnings growth profile. There have been signs of a pick up in trading activity driven by demand for commodities and valuations are reasonable. The MSCI EM Index is trading around 12x PER which is a significant discount compared to the MSCI World Index which is trading at 16.4x. However, political tail risks have increased. While much has already been priced in, the sub-advisor let the Fund's cash level in the portfolio increase modestly ready to invest on an opportunistic basis.

Effective February 5, 2016, all Series E and EF units were re-designated to Series A units, under the Front End Sales Charge option, and Series F units, respectively, of the same Fund. Please refer to the Fund's simplified prospectus for more details about the captioned change and for details about the Private Client Program.

## Related Party Transactions

Sun Life Global Investments (Canada) Inc. (the "Manager") is the manager, trustee and portfolio manager of the Fund.

As manager, 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 Schroder Investment Management North America Inc. to act as a sub-advisor for the Fund.

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 Schroder Emerging Markets Fund

## Series Description

The Fund offers the following series of units: A, F, I and O. The date of creation for Series A, F, and I units was September 1, 2011, and the date of creation for Series O units was April 1, 2014.

Series A units are available to all investors.

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

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

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

## 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 (\$) <sup>(1)(4)</sup>

### Sun Life Schroder Emerging Markets Fund – Series A

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net assets value, beginning of period	8.23	8.06	7.90	8.12	8.68
<b>Increase (decrease) from operations:</b>					
Total revenue	0.24	0.24	0.28	0.18	0.16
Total expenses	(1.44)	(1.31)	(1.45)	(0.27)	(0.28)
Realized gains (losses) for the period	(0.02)	(0.10)	(0.01)	(0.88)	0.09
Unrealized gains (losses) for the period	1.70	1.18	1.22	0.75	(0.85)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.48</b>	<b>0.01</b>	<b>0.04</b>	<b>(0.22)</b>	<b>(0.88)</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	(0.03)
Return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(0.03)</b>
<b>Net assets value, end of period</b>	<b>8.61</b>	<b>8.23</b>	<b>8.06</b>	<b>7.90</b>	<b>8.07</b>

### Sun Life Schroder Emerging Markets Fund – Series F

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net assets value, beginning of period	8.57	8.34	8.09	8.24	8.71
<b>Increase (decrease) from operations:</b>					
Total revenue	0.26	0.25	0.28	0.20	0.17
Total expenses	(0.97)	(0.88)	(0.97)	(0.15)	(0.21)
Realized gains (losses) for the period	(0.03)	(0.09)	(0.01)	(1.07)	0.20
Unrealized gains (losses) for the period	1.64	0.74	1.15	0.80	(1.78)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.90</b>	<b>0.02</b>	<b>0.45</b>	<b>(0.22)</b>	<b>(1.62)</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.03)	(0.03)	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	(0.03)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.03)</b>	<b>(0.03)</b>	<b>–</b>	<b>–</b>	<b>(0.03)</b>
<b>Net assets value, end of period</b>	<b>9.04</b>	<b>8.57</b>	<b>8.34</b>	<b>8.09</b>	<b>8.18</b>

# Sun Life Schroder Emerging Markets Fund

## Sun Life Schroder Emerging Markets Fund – Series I

	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Net assets value, beginning of period	8.71	8.47	8.22	8.34	8.74
<b>Increase (decrease) from operations:</b>					
Total revenue	0.26	0.25	0.31	0.18	0.16
Total expenses	(0.04)	(0.04)	(0.04)	(0.05)	(0.04)
Realized gains (losses) for the period	(0.02)	0.01	(0.01)	(0.97)	0.04
Unrealized gains (losses) for the period	0.53	0.09	0.10	0.95	(0.36)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.73</b>	<b>0.31</b>	<b>0.36</b>	<b>0.11</b>	<b>(0.20)</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.19)	(0.20)	(0.16)	(0.12)	(0.07)
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	(0.03)
Return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.19)</b>	<b>(0.20)</b>	<b>(0.16)</b>	<b>(0.12)</b>	<b>(0.10)</b>
<b>Net assets value, end of period</b>	<b>9.18</b>	<b>8.71</b>	<b>8.47</b>	<b>8.22</b>	<b>8.29</b>

## Sun Life Schroder Emerging Markets Fund – Series O

	2016 (\$)	2015 (\$)	2014 (\$)
Net assets value, beginning of period	10.39	10.11	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.31	0.28	0.29
Total expenses	(0.12)	(0.11)	(0.10)
Realized gains (losses) for the period	(0.03)	0.18	(0.02)
Unrealized gains (losses) for the period	0.79	(0.19)	(0.23)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.95</b>	<b>0.16</b>	<b>(0.06)</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.22)	(0.23)	(0.19)
From dividends	–	–	–
From capital gains	–	–	–
Return of capital	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.22)</b>	<b>(0.23)</b>	<b>(0.19)</b>
<b>Net assets value, end of period</b>	<b>10.94</b>	<b>10.39</b>	<b>10.11</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 units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

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

<sup>(4)</sup> Comparatives prior to 2013 are prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Figures subsequent to 2013 are prepared in accordance with International Financial Reporting Standards ("IFRS").

## Ratios and Supplemental Data<sup>(6)</sup>

### Sun Life Schroder Emerging Markets Fund – Series A

	2016	2015	2014	2013	2012
Total net asset value (\$) <sup>(1)</sup>	2,185,377	1,725,154	1,611,221	1,371,367	1,676,883
Number of units outstanding <sup>(1)</sup>	253,822	209,545	199,881	173,652	206,505
Management expense ratio (%) <sup>(2)</sup>	2.94	2.90	2.88	2.87	2.94
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	2.94	2.90	16.66	14.77	3.64
Trading expense ratio (%) <sup>(3)</sup>	0.30	0.53	0.36	0.56	0.47
Portfolio turnover rate (%) <sup>(4)(5)</sup>	73.95	72.85	80.53	130.22	33.29
Net asset value per unit (\$) <sup>(1)</sup>	8.61	8.23	8.06	7.90	8.12

### Sun Life Schroder Emerging Markets Fund – Series F

	2016	2015	2014	2013	2012
Total net asset value (\$) <sup>(1)</sup>	30,578	17,947	13,813	45,868	33,157
Number of units outstanding <sup>(1)</sup>	3,382	2,093	1,656	5,670	4,026
Management expense ratio (%) <sup>(2)</sup>	1.88	1.86	1.87	1.87	1.83
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.88	1.86	10.83	9.65	2.67
Trading expense ratio (%) <sup>(3)</sup>	0.30	0.53	0.36	0.56	0.47
Portfolio turnover rate (%) <sup>(4)(5)</sup>	73.95	72.85	80.53	130.22	33.29
Net asset value per unit (\$) <sup>(1)</sup>	9.04	8.57	8.34	8.09	8.24

### Sun Life Schroder Emerging Markets Fund – Series I

	2016	2015	2014	2013	2012
Total net asset value (\$) <sup>(1)</sup>	188,505,123	127,260,104	108,584,955	77,488,727	38,210,839
Number of units outstanding <sup>(1)</sup>	20,544,164	14,614,776	12,817,148	9,425,215	4,579,439
Management expense ratio (%) <sup>(2)</sup>	0.06	0.06	0.06	0.06	0.06
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.06	0.06	0.34	0.31	0.69
Trading expense ratio (%) <sup>(3)</sup>	0.30	0.53	0.36	0.56	0.47
Portfolio turnover rate (%) <sup>(4)(5)</sup>	73.95	72.85	80.53	130.22	33.29
Net asset value per unit (\$) <sup>(1)</sup>	9.18	8.71	8.47	8.22	8.34

### Sun Life Schroder Emerging Markets Fund – Series O

	2016	2015	2014
Total net asset value (\$) <sup>(1)</sup>	295,898	192,328	65,832
Number of units outstanding <sup>(1)</sup>	27,039	18,516	6,510
Management expense ratio (%) <sup>(2)</sup>	0.17	0.17	0.17
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.17	0.17	1.01
Trading expense ratio (%) <sup>(3)</sup>	0.30	0.53	0.36
Portfolio turnover rate (%) <sup>(4)(5)</sup>	73.95	72.85	80.53
Net asset value per unit (\$) <sup>(1)</sup>	10.94	10.39	10.11

<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. Prior to 2015, the Manager of the Fund waived some of its management fees and/or absorbed some expenses that would normally be charged to the Fund.

<sup>(3)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value during the period.

<sup>(4)</sup> The Fund's portfolio turnover ratio indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover ratio of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover ratio in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high portfolio turnover rate and the performance of the Fund.

<sup>(5)</sup> Percentages are annualized.

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

# Sun Life Schroder Emerging Markets Fund

## Management Fees

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

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

	Maximum Annual Management Fee Rate (%)	As a Percentage of Management Fees	
		Dealer Compensation (%) <sup>1</sup>	General Administration, Investment Advice and Profit (%)
Series A Units	2.50	27	73
Series F Units	1.50	–	100
Series I Units	–	–	–
Series O Units <sup>2</sup>	1.50	–	100

<sup>1</sup> Includes sales and trailing commissions.

<sup>2</sup> Series O management fees are not paid by the Fund. Series O investors pay management fees directly to the manager.

## PAST PERFORMANCE

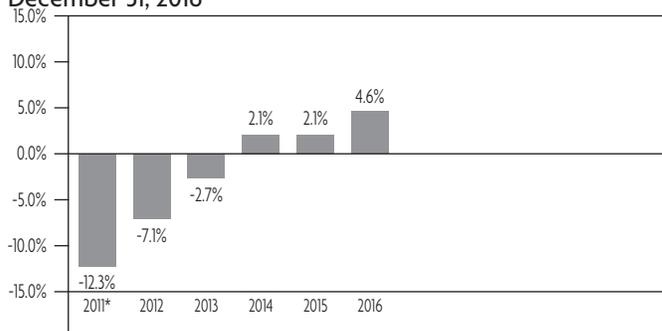
The indicated rates of return are the historical annualized and annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have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

Effective August 29, 2013, Tradewinds Global Advisors, LLC was terminated as sub-advisor of the Fund and was replaced by Schroder Investment Management North America Inc.

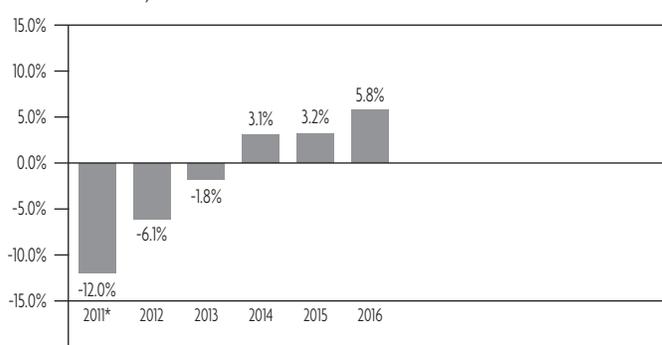
### Year-by-Year Returns

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.

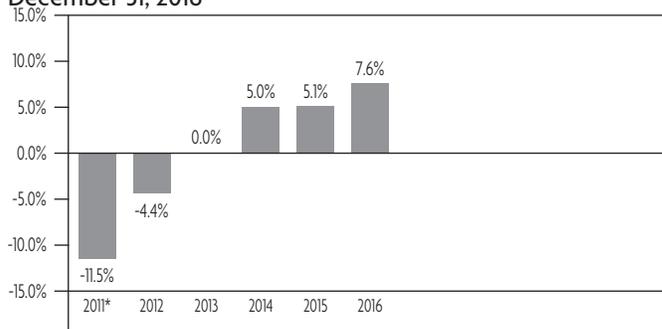
Series A Units – Annual return for the period ended December 31, 2016



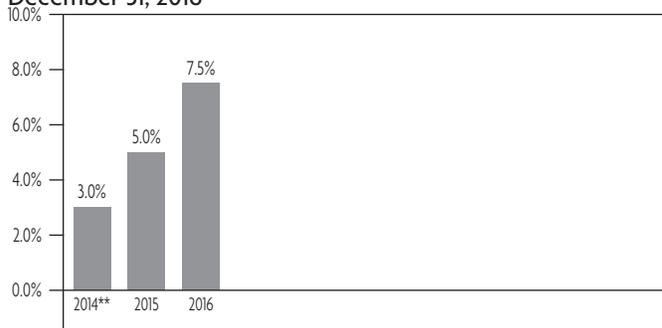
Series F Units – Annual return for the period ended December 31, 2016



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 September 1, 2011 to December 31, 2011

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

# Sun Life Schroder Emerging Markets Fund

## Annual Compound Returns

The following table compares the historical annual compound total returns of Series A, F, I and O units of the Fund with the MSCI Emerging Markets C\$ Index.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

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

	1 Year	3 Year	5 Year	10 Year	Performance Start Date <sup>(1)(2)</sup>
Sun Life Schroder Emerging Markets Fund – Series A	4.6%	2.9%	(0.3%)	N/A	(2.7%)
Sun Life Schroder Emerging Markets Fund – Series F	5.8%	4.0%	0.8%	N/A	(1.7%)
Sun Life Schroder Emerging Markets Fund – Series I	7.6%	5.9%	2.6%	N/A	0.1%
MSCI Emerging Markets C\$ Index	7.3%	5.3%	7.0	N/A	5.1%
Sun Life Schroder Emerging Markets Fund – Series O	7.5%	N/A	N/A	N/A	5.6%
MSCI Emerging Markets C\$ Index	7.3%	N/A	N/A	N/A	4.5%

<sup>(1)</sup> The performance start date for Series A, F and I was September 1, 2011.

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

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

as at December 31, 2016

### Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Samsung Electronics Co., Ltd.	6.4
2 Taiwan Semiconductor Manufacturing Co., Ltd.	5.6
3 Tencent Holdings Ltd.	5.4
4 China Construction Bank Corporation	3.6
5 Alibaba Group Holding Ltd.	3.5
6 China Mobile Ltd.	3.1
7 Sberbank of Russia, ADR	3.1
8 Schroder International Selection Fund Frontier Markets Equity Fund, Series I <sup>(2)</sup>	3.0
9 Itau Unibanco Holding SA, ADR	2.9
10 Hon Hai Precision Industry Co., Ltd.	2.7
11 China Petroleum & Chemical Corporation	2.2
12 China Pacific Insurance Group Co., Ltd.	1.9
13 Naspers Ltd.	1.7
14 Lukoil PJSC	1.7
15 AIA Group Ltd.	1.6
16 Cathay Financial Holding Co., Ltd.	1.5
17 OTP Bank PLC	1.4
18 X5 Retail Group NV	1.4
19 NHN Corp.	1.3
20 LG Chem Ltd.	1.3
21 Hyundai Motor Co.	1.3
22 Hana Financial Group Inc.	1.3
23 New Oriental Education & Technology Group Inc.	1.3
24 Axis Bank Ltd.	1.2
25 Kasikornbank PLC	1.1
	<b>61.5</b>
<b>Total Net Asset Value (000's)</b>	<b>\$ 191,017</b>

### Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Information Technology	28.5
Financials	28.3
Consumer Discretionary	9.2
Energy	7.3
Telecommunication Services	7.2
Consumer Staples	5.6
Materials	5.4
Industrials	3.4
Exchange Traded Funds – International Equities <sup>(2)</sup>	3.0
Cash and Cash Equivalents <sup>(3)</sup>	1.1
Utilities	0.6
Health Care	0.4
	<b>100.0</b>

# Sun Life Schroder Emerging Markets Fund

## Geographic Allocation

	Percentage of Net Asset Value of the Fund (%)
Korea	17.9
Other	17.7
Taiwan	12.1
Cayman Islands	10.9
Brazil	10.2
China	8.8
Russia	7.2
Hong Kong	6.9
India	5.0
South Africa	3.3
	<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 has obtained an exemption from the Canadian Securities Administrators to purchase units of Schroder International Selection Fund Frontier Markets Equity Fund, Series I, 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](http://sunlifeglobalinvestments.com).

<sup>(3)</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 Schroder Emerging Markets Fund

You can find more information about each Fund in our Annual Information Form, and each Fund's management report of fund performance and financial statements, once available. These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as part of it.

For a free copy of these documents, call us toll-free at **1-877-344-1434** or ask your advisor. These documents and other information about the Funds, such as information circulars and material contracts, are also available at [www.sunlifeglobalinvestments.com](http://www.sunlifeglobalinvestments.com) or [www.sedar.com](http://www.sedar.com).

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