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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, 2019

Sun Life Granite Moderate Portfolio



# Sun Life Granite Moderate Portfolio

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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., 1 York Street, Suite 3300, Toronto, Ontario, M5J 0B6. Our financial statements are available on our website at [www.sunlifeglobalinvestments.com](http://www.sunlifeglobalinvestments.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

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 Objectives and Strategies

The fundamental objectives of the Sun Life Granite Moderate Portfolio (the "Portfolio") are to seek income and capital appreciation by investing primarily in a mix of fixed income and equity mutual funds.

In pursuing the Portfolio's investment objective, the portfolio manager typically invests between 43% and 63% of the Portfolio's assets in fixed income mutual funds and between 37% and 57% of the Portfolio's assets in equity mutual funds. The portfolio manager uses an asset allocation strategy to determine the balance between the portion of the Portfolio invested in equity mutual funds and the portion of the Portfolio invested in fixed income mutual funds. The equity portion of the Portfolio typically has exposure to equity mutual funds with exposure to Canadian equity securities, U.S. equity securities and international equity securities. The fixed income portion typically selects fixed income mutual funds with exposure to Canadian debt instruments and global debt instruments.

### Risk

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

### Results of Operations

During the period, the net asset value of the Portfolio increased from \$1.4 billion to \$1.7 billion due to positive net sales, as well as positive performance.

During the period, the Portfolio returned 11.2% for Series A units, this result lagged the Portfolio's benchmark, which returned 13.5%. The broad-based index 1 returned 21.2% and the broad-based index 2 returned 1.4%. The performance returns for other series of this Portfolio 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 and a definition of the benchmark and broad-based index if applicable.

The Manager was cautious despite the run up in markets. With the exception of maintaining a slight overweight exposure to U.S. equities, the Manager kept a lower exposure to equities versus previous periods and overweight position to fixed income versus previous periods. This negatively impacted returns as equities outperformed bonds. For defensive purposes, the Manager increased cash levels to help manage risk during the period. An underweight allocation to equities in general detracted from performance as global equity markets roared ahead. Additionally, an overweight allocation to cash detracted from fund performance as global markets delivered good returns.

Major contributors to Fund performance for the period included being overweight U.S. equities. U.S. markets climbed to highs after the U.S. Federal Reserve ("the Fed") said it would likely cut interest rates. The Fund's underweight position on emerging market equities during the period also contributed positively to performance as emerging markets underperformed due to global trade tensions. The Manager reduced emerging markets equity exposure position during the second part of the period, as emerging markets were sensitive to external risk factors such as the pace of global growth, changes in U.S. monetary policy and the U.S./China trade war.

In terms of fixed income, yields on both U.S. Treasuries and Canadian bonds continued to come down. The spread between the two narrowed on the assumption that the Bank of Canada will be less likely to lower interest rates. The Manager moved from underweight U.S. bonds to overweight U.S. bonds on that basis which contributed positively to fund performance.

### Recent Developments

The Manager announced on November 29, 2019 that it intended to separate Series O securities from the Sun Life Global Investments Private Client Program for all the mutual funds that it manages. Subsequent to the reporting period, the Manager implemented this change to the Private Client Program on February 26, 2020.

The Canadian equity market ended the period in double-digit positive territory. The Canadian economy remained resilient despite the fact a federal election resulted in a minority Liberal government, the Bank of Canada (BoC) did not cut interest rates, and global trade tensions dominated world economies.

# Sun Life Granite Moderate Portfolio

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There were some positive developments later in the year. The U.S. and China agreed to a limited trade deal (phase one), which lowers some tariffs on China-imported goods and allows more access to U.S. farmers to sell goods in China. Also, U.K. Prime Minister Boris Johnson won a majority Conservative government that gives him a mandate to exit the European Union.

The U.S. equity market ended the year in double-digit positive territory. It was actually one of the best performing years in the past decade. Ironically, the year began with investors' concerns of a global economic slowdown resulting from the U.S.-China trade dispute and an inverted yield curve in the U.S. bond market. An inverted yield curve can sometimes be a signal of an upcoming recession.

Due to this economic uncertainty, the U.S. Federal Reserve (the "Fed") cut interest rates three times in the year. These rate cuts were looked upon as insurance cuts to keep the country's longest economic expansion running and also had a positive effect.

Fixed income markets across most geographies saw double-digit returns. What really drove returns in 2019 was capital appreciation which was driven both by interest rates moving lower and credit markets staying strong. Central banks remained largely on the sidelines and economic activity remained broadly supportive but at a lower gear relative to what the market has seen over recent years.

The Manager cautions that the current global uncertainty with respect to the spread of the coronavirus (COVID-19) and its effect on the broader global economy may have a significant impact to the volatility of the financial market. While the precise impact remains unknown, rapid spread of the virus may have a material adverse effect on global economic activity and disrupt global supply chains, operations, mobility of people, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to fund performance.

## Related Party Transactions

Sun Life Global Investments (Canada) Inc. (the "Manager") is the manager, trustee and portfolio manager of the Portfolio. For its services, the Manager receives a management fee that is calculated as a percentage of the average net asset value of the Portfolio. This fee is calculated daily and payable monthly.

The Manager is responsible for the provision of all general management and administrative services required by the Portfolio in its day-to-day operations, including providing or arranging for the provision of investment advice, bookkeeping, recordkeeping and other administrative services for the Portfolio.

As trustee, the Manager holds legal title to the Portfolio's investments in trust for unitholders.

As portfolio manager, the Manager is responsible for managing the investment portfolio of the Portfolio 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 operating expenses of the Portfolio (the "Administration Expenses") in return for a fixed administration fee paid to the Manager by the Portfolio ("Administration Fee"). The Administration Fee is based on the net asset value of each series of the Portfolio. 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 Fixed annual administration fees in the Portfolio's Statement of Comprehensive Income found in the annual financial statements.

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

# Sun Life Granite Moderate Portfolio

## Financial Highlights

The following tables show selected key financial information about the Portfolio and are intended to help you understand the Portfolio's financial performance for the previous five years or for the periods since inception to December 31, 2019.

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

#### Sun Life Granite Moderate Portfolio - Series A

	2019	2018	2017	2016	2015
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	11.93	12.72	12.29	12.16	11.85
<b>Increase (decrease) from operations:</b>					
Total revenue	0.40	0.45	0.46	0.50	0.37
Total expenses	(0.28)	(0.28)	(0.28)	(0.27)	(0.28)
Realized gains (losses) for the period	0.20	0.31	0.27	0.12	0.44
Unrealized gains (losses) for the period	0.99	(0.88)	0.35	0.17	(0.01)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.31</b>	<b>(0.40)</b>	<b>0.80</b>	<b>0.52</b>	<b>0.52</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.07)	-	(0.09)	(0.12)	(0.04)
From dividends	(0.01)	-	(0.02)	(0.01)	(0.01)
From capital gains	(0.07)	(0.41)	(0.26)	(0.13)	(0.32)
Return of capital	-	-	(0.01)	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.15)</b>	<b>(0.41)</b>	<b>(0.38)</b>	<b>(0.26)</b>	<b>(0.37)</b>
<b>Net asset value, end of period</b>	<b>13.12</b>	<b>11.93</b>	<b>12.72</b>	<b>12.29</b>	<b>12.16</b>

#### Sun Life Granite Moderate Portfolio - Series T5

	2019	2018	2017	2016	2015
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	14.12	15.69	15.73	16.12	16.35
<b>Increase (decrease) from operations:</b>					
Total revenue	0.44	0.50	0.55	0.73	0.50
Total expenses	(0.33)	(0.34)	(0.35)	(0.35)	(0.36)
Realized gains (losses) for the period	0.22	0.36	0.32	0.16	0.61
Unrealized gains (losses) for the period	1.25	(0.97)	0.51	(0.11)	0.19
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.58</b>	<b>(0.45)</b>	<b>1.03</b>	<b>0.43</b>	<b>0.94</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.20)	-	(0.41)	(0.56)	(0.67)
From dividends	(0.03)	-	-	(0.06)	-
From capital gains	-	(0.49)	(0.32)	(0.25)	(0.47)
Return of capital	(0.50)	(0.72)	(0.32)	(0.03)	(0.03)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.73)</b>	<b>(1.21)</b>	<b>(1.05)</b>	<b>(0.90)</b>	<b>(1.17)</b>
<b>Net asset value, end of period</b>	<b>14.93</b>	<b>14.12</b>	<b>15.69</b>	<b>15.73</b>	<b>16.12</b>

#### Sun Life Granite Moderate Portfolio - Series F

	2019	2018	2017	2016	2015
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	12.25	13.11	12.69	12.57	12.15
<b>Increase (decrease) from operations:</b>					
Total revenue	0.40	0.50	0.56	0.74	0.34
Total expenses	(0.14)	(0.14)	(0.14)	(0.13)	(0.13)
Realized gains (losses) for the period	0.20	0.32	0.30	0.14	0.45
Unrealized gains (losses) for the period	1.10	(1.01)	0.20	(0.10)	0.10
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.56</b>	<b>(0.33)</b>	<b>0.92</b>	<b>0.65</b>	<b>0.76</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.20)	(0.14)	(0.24)	(0.26)	(0.07)
From dividends	(0.02)	(0.04)	(0.04)	(0.03)	(0.02)
From capital gains	(0.07)	(0.43)	(0.27)	(0.14)	(0.34)
Return of capital	-	-	(0.01)	(0.01)	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.29)</b>	<b>(0.61)</b>	<b>(0.56)</b>	<b>(0.44)</b>	<b>(0.43)</b>
<b>Net asset value, end of period</b>	<b>13.50</b>	<b>12.25</b>	<b>13.11</b>	<b>12.69</b>	<b>12.57</b>

#### Sun Life Granite Moderate Portfolio - Series F5

	2019	2018
	(\$)	(\$)
Net asset value, beginning of period	14.06	15.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.56	0.65
Total expenses	(0.15)	(0.14)
Realized gains (losses) for the period	0.20	0.39
Unrealized gains (losses) for the period	0.89	(1.66)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.50</b>	<b>(0.76)</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.20)	(0.63)
From dividends	(0.03)	-
From capital gains	-	(0.49)
Return of capital	(0.50)	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.73)</b>	<b>(1.12)</b>
<b>Net asset value, end of period</b>	<b>15.07</b>	<b>14.06</b>

#### Sun Life Granite Moderate Portfolio - Series I

	2019	2018	2017	2016	2015
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	12.49	13.41	12.93	12.74	12.40
<b>Increase (decrease) from operations:</b>					
Total revenue	0.43	0.47	0.49	0.54	0.42
Total expenses	-	-	-	-	-
Realized gains (losses) for the period	0.21	0.33	0.29	0.12	0.48
Unrealized gains (losses) for the period	1.03	(0.93)	0.36	0.12	(0.02)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.67</b>	<b>(0.13)</b>	<b>1.14</b>	<b>0.78</b>	<b>0.88</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.31)	(0.28)	(0.32)	(0.31)	(0.25)
From dividends	(0.04)	(0.07)	(0.05)	(0.03)	(0.05)
From capital gains	(0.08)	(0.45)	(0.28)	(0.14)	(0.35)
Return of capital	-	-	(0.01)	(0.01)	(0.01)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.43)</b>	<b>(0.80)</b>	<b>(0.66)</b>	<b>(0.49)</b>	<b>(0.66)</b>
<b>Net asset value, end of period</b>	<b>13.76</b>	<b>12.49</b>	<b>13.41</b>	<b>12.93</b>	<b>12.74</b>

# Sun Life Granite Moderate Portfolio

## Sun Life Granite Moderate Portfolio - Series O

	2019	2018	2017	2016	2015
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	10.19	10.93	10.54	10.39	10.13
<b>Increase (decrease) from operations:</b>					
Total revenue	0.33	0.38	0.41	0.48	0.37
Total expenses	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Realized gains (losses) for the period	0.17	0.27	0.23	0.10	0.40
Unrealized gains (losses) for the period	0.90	(0.74)	0.26	0.08	(0.14)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.38</b>	<b>(0.11)</b>	<b>0.88</b>	<b>0.64</b>	<b>0.61</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.25)	(0.21)	(0.24)	(0.24)	(0.20)
From dividends	(0.03)	(0.06)	(0.04)	(0.02)	(0.04)
From capital gains	(0.06)	(0.37)	(0.23)	(0.12)	(0.28)
Return of capital	-	-	(0.01)	(0.01)	(0.01)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.34)</b>	<b>(0.64)</b>	<b>(0.52)</b>	<b>(0.39)</b>	<b>(0.53)</b>
<b>Net assets value, end of period</b>	<b>11.23</b>	<b>10.19</b>	<b>10.93</b>	<b>10.54</b>	<b>10.39</b>

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

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

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

## Ratios and Supplemental Data

### Sun Life Granite Moderate Portfolio - Series A

	2019	2018	2017	2016	2015
Total net asset value (\$) <sup>(1)</sup>	531,872,926	425,163,719	362,745,485	258,689,277	125,972,946
Number of units outstanding <sup>(1)</sup>	40,548,572	35,644,728	28,518,270	21,045,330	10,356,330
Management expense ratio (%) <sup>(2)</sup>	2.20	2.21	2.21	2.20	2.19
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	2.20	2.21	2.21	2.20	2.19
Trading expense ratio (%) <sup>(3)</sup>	0.02	0.03	0.04	0.04	0.06
Portfolio turnover rate (%) <sup>(4)</sup>	37.29	39.57	47.86	71.24	51.49
Net asset value per unit (\$) <sup>(1)</sup>	13.12	11.93	12.72	12.29	12.16

### Sun Life Granite Moderate Portfolio - Series T5

	2019	2018	2017	2016	2015
Total net asset value (\$) <sup>(1)</sup>	2,079,937	2,109,311	2,869,503	3,136,065	1,250,738
Number of units outstanding <sup>(1)</sup>	139,283	149,339	182,875	199,387	77,572
Management expense ratio (%) <sup>(2)</sup>	2.19	2.20	2.22	2.18	2.14
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	2.19	2.20	2.22	2.18	2.14
Trading expense ratio (%) <sup>(3)</sup>	0.02	0.03	0.04	0.04	0.06
Portfolio turnover rate (%) <sup>(4)</sup>	37.29	39.57	47.86	71.24	51.49
Net asset value per unit (\$) <sup>(1)</sup>	14.93	14.12	15.69	15.73	16.12

### Sun Life Granite Moderate Portfolio - Series F

	2019	2018	2017	2016	2015
Total net asset value (\$) <sup>(1)</sup>	77,394,020	74,167,167	40,360,099	14,511,234	1,412,728
Number of units outstanding <sup>(1)</sup>	5,732,087	6,052,586	3,078,550	1,143,929	112,391
Management expense ratio (%) <sup>(2)</sup>	1.04	1.05	1.10	1.04	1.05
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	1.04	1.05	1.10	1.04	1.05
Trading expense ratio (%) <sup>(3)</sup>	0.02	0.03	0.04	0.04	0.06
Portfolio turnover rate (%) <sup>(4)</sup>	37.29	39.57	47.86	71.24	51.49
Net asset value per unit (\$) <sup>(1)</sup>	13.50	12.25	13.11	12.69	12.57

## Sun Life Granite Moderate Portfolio - Series F5

	2019	2018
Total net asset value (\$) <sup>(1)</sup>	165,134	69,718
Number of units outstanding <sup>(1)</sup>	10,956	4,959
Management expense ratio (%) <sup>(2)</sup>	0.99	1.03
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.99	1.03
Trading expense ratio (%) <sup>(3)</sup>	0.02	0.03
Portfolio turnover rate (%) <sup>(4)</sup>	37.29	39.57
Net asset value per unit (\$) <sup>(1)</sup>	15.07	14.06

## Sun Life Granite Moderate Portfolio - Series I

	2019	2018	2017	2016	2015
Total net asset value (\$) <sup>(1)</sup>	1,030,800,018	814,782,705	714,273,807	528,434,166	279,764,136
Number of units outstanding <sup>(1)</sup>	74,891,775	65,224,640	53,250,711	40,870,982	21,966,406
Management expense ratio (%) <sup>(2)</sup>	0.07	0.07	0.07	0.06	0.06
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.07	0.07	0.07	0.06	0.06
Trading expense ratio (%) <sup>(3)</sup>	0.02	0.03	0.04	0.04	0.06
Portfolio turnover rate (%) <sup>(4)</sup>	37.29	39.57	47.86	71.24	51.49
Net asset value per unit (\$) <sup>(1)</sup>	13.76	12.49	13.41	12.93	12.74

## Sun Life Granite Moderate Portfolio - Series O

	2019	2018	2017	2016	2015
Total net asset value (\$) <sup>(1)</sup>	71,135,054	66,949,977	62,161,543	39,003,287	14,885,303
Number of units outstanding <sup>(1)</sup>	6,334,066	6,568,598	5,686,249	3,700,054	1,432,593
Management expense ratio (%) <sup>(2)</sup>	0.20	0.20	0.26	0.25	0.24
Management expense ratio before waivers or absorption (%) <sup>(2)</sup>	0.20	0.20	0.26	0.25	0.24
Trading expense ratio (%) <sup>(3)</sup>	0.02	0.03	0.04	0.04	0.06
Portfolio turnover rate (%) <sup>(4)</sup>	37.29	39.57	47.86	71.24	51.49
Net asset value per unit (\$) <sup>(1)</sup>	11.23	10.19	10.93	10.54	10.39

<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 Portfolio'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 Portfolio's portfolio turnover ratio indicates how actively the Portfolio's portfolio manager manages its portfolio investments. A portfolio turnover ratio of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio once in the course of the year. The higher a Portfolio's portfolio turnover ratio in a year, the greater the trading costs payable by the Portfolio 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 Portfolio.

## Management Fees

The maximum annual management fee paid by the Portfolio is a percentage of the average daily net asset value of each series of securities of the Portfolio 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 Portfolio, general administration of Fund operations and sales and trailing commissions paid to dealers.

# Sun Life Granite Moderate Portfolio

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>(*)</sup>	General Administration, Investment Advice and Profit (%)
Series A Units	1.75	50	50
Series T5 Units	1.75	44	56
Series F Units	0.75	–	100
Series F5 Units	0.75	–	100
Series I Units <sup>(†)</sup>	–	–	–
Series O Units <sup>(‡)</sup>	0.75	–	–

(\*) Includes sales and trailing commissions.

(†) Series O management fees are not paid by the Fund. Series O investors pay management fees directly to the manager.

(‡) Series I management fees are not paid by the Fund. Series I investors negotiate management fees and pay directly to the manager.

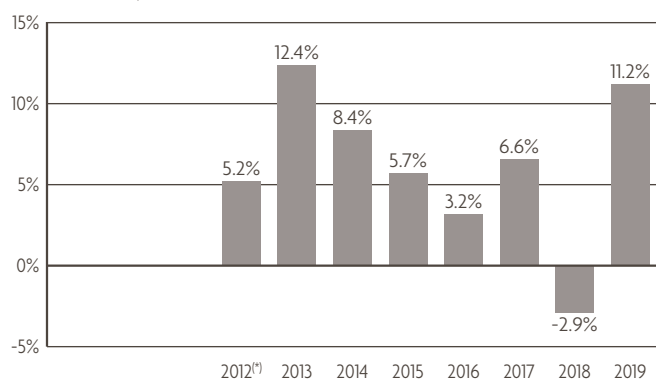
## Past Performance

The performance information shown assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional securities of the Portfolio. The performance information does not take into account sales, redemption, distribution, other optional charges or income tax payable by any unitholder that would have reduced returns or performance. How the Portfolio has performed in the past does not necessarily indicate how it will perform in the future.

## Year-by-Year Returns

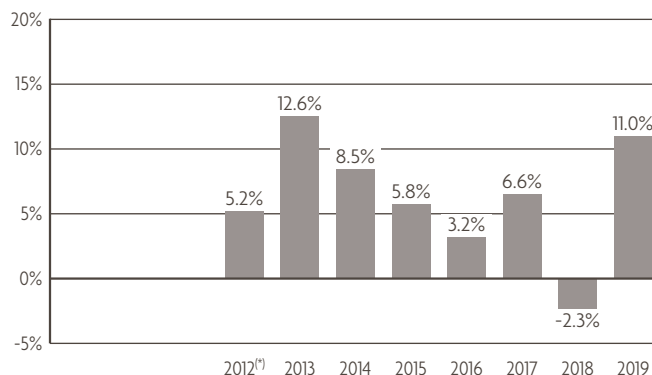
The following bar chart shows the Portfolio's annual performance for the period shown. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

**Series A Units – Annual return for the period ended December 31, 2019**



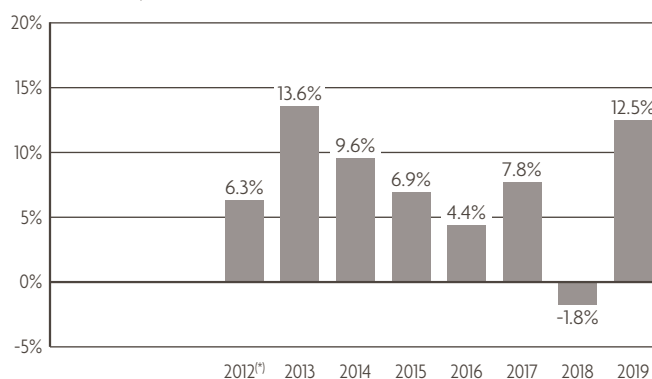
(\*) for the period of January 17, 2012 to December 31, 2012.

**Series T5 Units – Annual return for the period ended December 31, 2019**



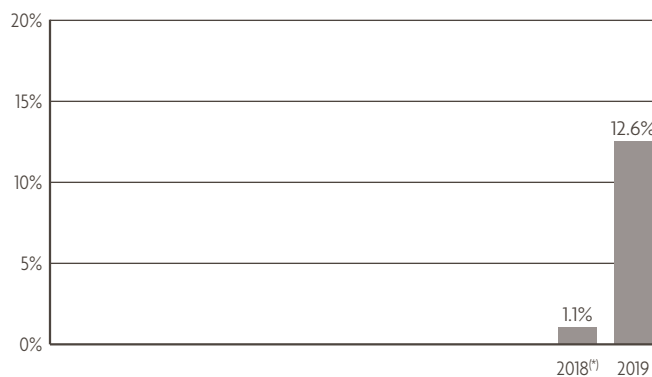
(\*) for the period of January 17, 2012 to December 31, 2012.

**Series F Units – Annual return for the period ended December 31, 2019**



(\*) for the period of January 17, 2012 to December 31, 2012.

**Series F5 Units – Annual return for the period ended December 31, 2019**

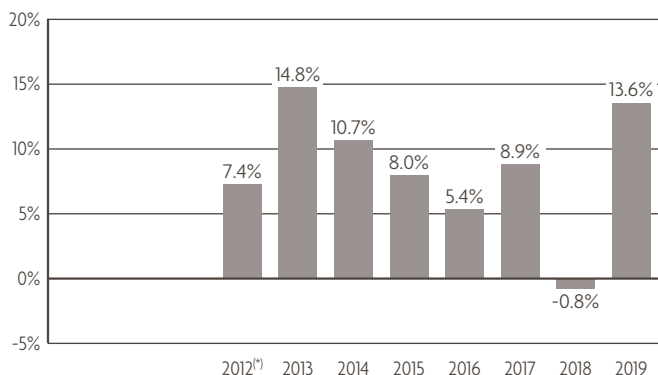


(\*) for the period of February 9, 2018 to December 31, 2018.



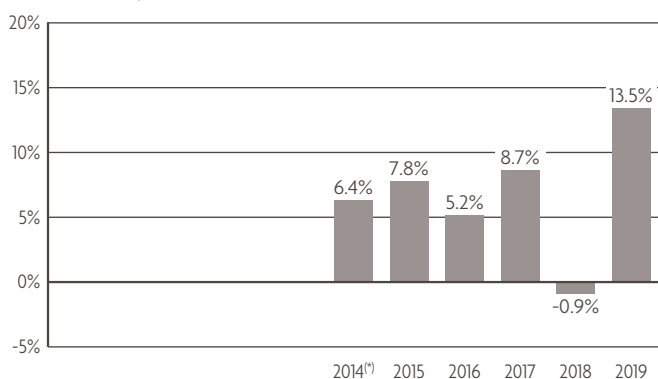
# Sun Life Granite Moderate Portfolio

**Series I Units – Annual return for the period ended December 31, 2019**



<sup>(1)</sup> for the period of January 17, 2012 to December 31, 2012.

**Series O Units – Annual return for the period ended December 31, 2019**



<sup>(1)</sup> for the period of April 1, 2014 to December 31, 2014.

## Annual Compound Returns

The table compares the historical annual compound total returns of Series A, T5, F, F5, I and O securities of the Portfolio with the following benchmark and broad-based index, if applicable:

The current benchmark (the “Current Benchmark”) is composed of:

- 27.6% FTSE Canada Universe Bond Index
- 12.8% S&P/TSX Capped Composite Index
- 34.2% MSCI World Index C\$
- 20.4% J.P. Morgan Government Bond Index (GBI) Global Index Hedged C\$
- 5.0% FTSE Canada 91 Day T-Bill Index

The previous benchmark (the “Previous Benchmark”) is composed of:

- 32.8% MSCI World Index C\$
- 27.6% FTSE Canada Universe Bond Index
- 20.4% J.P. Morgan Government Bond Index (GBI) Global Index Hedged C\$
- 14.2% S&P/TSX Capped Composite Index
- 5.0% FTSE Canada 91 Day T-Bill Index

The Portfolio’s blended benchmark was adjusted April 1, 2019 to better reflect the Portfolio’s strategic asset mix.

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

The following are the broad-based index or indices:

- Broad-based index 1 - MSCI World Index C\$
- Broad-based index 2 - Bloomberg Barclays Global Aggregate Bond Index C\$

	1 Year	3 Year	5 Year	10 Year	Performance Start Date <sup>(1)(2)(3)(4)(5)(6)</sup>
Series A	11.2%	4.8%	4.7%	N/A	6.2%
Series T5	11.0%	4.9%	4.8%	N/A	6.3%
Series F	12.5%	6.0%	5.9%	N/A	7.4%
Current Benchmark	13.5%	6.6%	6.3%	N/A	7.7%
Previous Benchmark	13.5%	6.5%	6.2%	N/A	7.6%
Broad-based index 1	21.2%	11.3%	11.2%	11.8%	14.5%
Broad-based index 2	1.4%	3.1%	4.6%	N/A	4.9%
Series F5	12.6%	N/A	N/A	N/A	7.1%
Current Benchmark	13.5%	6.6%	6.3%	N/A	8.0%
Previous Benchmark	13.5%	6.5%	6.2%	N/A	8.0%
Broad-based index 1	21.2%	11.3%	11.2%	11.8%	11.7%
Broad-based index 2	1.4%	3.1%	4.6%	N/A	4.5%
Series I	13.6%	7.0%	6.9%	N/A	8.4%
Current Benchmark	13.5%	6.6%	6.3%	N/A	7.7%
Previous Benchmark	13.5%	6.5%	6.2%	N/A	7.6%
Broad-based index 1	21.2%	11.3%	11.2%	11.8%	14.5%
Broad-based index 2	1.4%	3.1%	4.6%	N/A	4.9%
Series O	13.5%	6.9%	6.7%	N/A	7.0%
Current Benchmark	13.5%	6.6%	6.3%	N/A	6.7%
Previous Benchmark	13.5%	6.5%	6.2%	N/A	6.6%
Broad-based index 1	21.2%	11.3%	11.2%	11.8%	11.3%
Broad-based index 2	1.4%	3.1%	4.6%	N/A	4.6%

<sup>(1)</sup> The performance start date for Series A units was January 17, 2012.

<sup>(2)</sup> The performance start date for Series T5 units was January 17, 2012.

<sup>(3)</sup> The performance start date for Series F units was January 17, 2012.

<sup>(4)</sup> The performance start date for Series F5 units was February 9, 2018.

<sup>(5)</sup> The performance start date for Series I units was January 17, 2012.

<sup>(6)</sup> The performance start date for Series O units was April 1, 2014.

## INDEX DESCRIPTION(S)

The FTSE Canada Universe Bond Index is a market capitalization weighted index composed of investment grade, fixed coupon, government and corporate bonds, issued in Canada and denominated in Canadian dollars, with a remaining term to maturity of at least one year.

The S&P/TSX Capped Composite Index imposes capped weights of 10% on all of the constituents included in the S&P/TSX Composite. The S&P/TSX Composite covers approximately 95% of the Canadian equities market, and has been the primary gauge for Canadian-based, Toronto Stock Exchange-listed companies since 1977.



# Sun Life Granite Moderate Portfolio

The MSCI World Index is a free float adjusted market capitalization index that is designed to measure global developed market equity performance.

The J.P. Morgan Government Bond Index Global (GBI Global) is a market capitalization weighted bond index representative of the fixed-rate government securities across 13 developed government bond markets. The index notably excludes bonds with less than one year to maturity, floating rate notes and perpetuals. This index is hedged to the Canadian dollar.

The FTSE Canada 91 Day T-Bill Index measures the performance of the 91 day Treasury Bill market.

The Bloomberg Barclays Global Aggregate Bond Index measures the performance of the global investment-grade fixed-rate debt markets. It is composed of government, government-related and corporate bonds, as well as asset-backed, mortgage-backed and commercial mortgage-backed securities from both developed and emerging markets issuers.

## Summary of Investment Portfolio\*

as at December 31, 2019

## Top 25 Investments

Holding Name <sup>†</sup>	Percentage of Net Asset Value of the Fund (%)
1 PH&N Bond Fund, Series O	14.5
2 Sun Life BlackRock Canadian Universe Bond Fund, Series I	11.6
3 Sun Life Granite Tactical Completion Fund, Series I	8.3
4 iShares Core S&P 500 ETF	7.0
5 Sun Life Ryan Labs U.S. Core Fixed Income Fund, Series I	6.0
6 Sun Life BlackRock Canadian Composite Equity Fund, Series I	5.8
7 RBC Emerging Markets Bond Fund, Series O	4.7
8 Sun Life Schroder Global Mid Cap Fund, Series I	4.6
9 Sun Life Real Assets Fund, Series I	3.7
10 Sun Life MFS International Value Fund, Series I	3.5
11 Sun Life MFS International Growth Fund, Series I	3.5
12 Sun Life JPMorgan International Equity Fund, Series I	3.4
13 Sun Life MFS U.S. Growth Fund, Series I	3.3
14 Sun Life MFS Canadian Equity Growth Fund, Series I	3.2
15 Beutel Goodman Canadian Equity Fund, Class I	3.1
16 Sun Life NWQ Flexible Income Fund, Series I	2.8
17 Sun Life Excel Emerging Markets Fund, Series I	2.8
18 iShares Core S&P 500 Index ETF (CAD-Hedged)	2.1
19 Templeton Global Bond Fund (Hedged), Series O	1.4
20 Sun Life MFS U.S. Value Fund, Series I	1.3
21 Sun Life Money Market Fund, Series I	1.2
22 RBC High Yield Bond Fund, Series O	1.0
23 ABSL Umbrella UCITS Fund, Class E <sup>†</sup>	0.9
24 Cash and Cash Equivalents**	0.3
	<b>100.0</b>
<b>Total Net Asset Value ('000's)</b>	<b>\$ 1,713,447</b>

## Asset Allocation

	Percentage of Net Asset Value of the Fund %
Fixed Income	50.7
Equity	49.0
Cash and Cash Equivalents**	0.3
	<b>100.0</b>

(\*) All information is as at December 31, 2019. The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. Unless otherwise noted positions are long. 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).

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

(†) The Portfolio has obtained an exemption from the Canadian Securities Administrators to purchase units of ABSL Umbrella UCITS Fund, Class E, 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).

(††) The investment portfolio include(s) one or more other investment fund(s). The prospectus of the underlying investment fund(s) and other information can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## 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. The Manager does not undertake any obligation to update or revise any forward-looking statements to reflect events or circumstances after the date of this document or to reflect new information or the occurrence of unanticipated events, except as required by law.*

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

### Sun Life Granite Moderate Portfolio

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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