
SLGI ASSET MANAGEMENT INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the period ended December 31, 2023

Sun Life Granite Tactical Completion Fund



Sun Life Granite Tactical Completion 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 SLGI Asset Management Inc., 1 York Street, Suite 3300, Toronto, Ontario, M5J 0B6. The financial statements are available on our website at www.sunlifeglobalinvestments.com and on SEDAR at www.sedarplus.ca.

Securityholders 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.

SLGI Asset Management Inc. (the "Manager") is an indirect wholly owned subsidiary of Sun Life Financial Inc.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objectives and Strategies

The fundamental investment objectives of the Sun Life Granite Tactical Completion Fund (the "Fund") are to seek long-term capital appreciation by using tactical asset allocation to invest primarily in exchange-traded derivatives and/or exchange-traded funds that track the performance of global equity and/or fixed income asset classes.

In pursuing the Fund's investment objective, the portfolio manager uses an asset allocation strategy to determine the optimal allocation between asset classes, tactically shifting exposure to add value to the Fund. The portfolio manager may review and adjust the asset allocation strategy, in its sole discretion, depending on economic conditions and relative value of each asset class.

Risk

There were no changes in the Fund's investment objectives or strategies during the period which materially impacted the overall level of risk in the Fund.

As at December 31, 2023, the majority of the Fund's investments are considered readily realizable and highly liquid; therefore, the Fund's liquidity risk is considered minimal.

Results of Operations

During the period, the net asset value of the Fund decreased from \$1.0 billion to \$879.9 million due to negative net sales, partially offset by positive performance.

During the period, the Fund returned 1.2% for Series I securities, this result lagged the Fund's blended benchmark, 34.0% S&P/TSX 60 Index, 33.0% S&P 500 Index C\$, 27.0% MSCI EAFE Index C\$, 6.0% MSCI Emerging Markets Index C\$, which returned 16.1%. The broad-based index 1, MSCI World Index C\$, returned 20.5% and the broad-based index 2, Bloomberg Barclays Global Aggregate Bond Index C\$, returned 2.9%. We have included the returns of the broad-based index to help you understand how the Fund performed compared to the general market. We have also included the returns for the Fund's blended benchmark, which more closely reflects the market sectors and/or asset classes in which the Fund invests, to provide another comparison to the performance of the Fund. Please refer to the 'Past Performance' section of this report for performance of each series.

The Fund underperformed its broad-based index 1 due to the Fund's exposure to fixed income. Fixed income underperformed equities during the reporting period. The Fund underperformed its broad-based index 2 due to its overweight exposure to government bonds.

After a volatile 2022 which saw equity markets worldwide suffer meaningful declines, global equity markets rebounded strongly over the period. Investor sentiment turned positive with many equity investors shrugging off interest rate hikes and fears of bank runs/failures, seemingly envisioning a scenario where central banks successfully tame inflation with only modest slowing in economic growth, corporate earnings, and employment.

Over the period, monetary policy actions by central banks worked as expected to slow economic activity and ease inflationary pressures. Inflation continues, however, to remain persistently high. Central banks have continued to signal their commitment to restore price stability by warning that further increases in interest rates may still be necessary. The U.S. Federal Reserve Board raised interest rates by a cumulative 1.00 percentage points over the period. Meanwhile, the Bank of Canada raised rates by a cumulative 0.75 percentage points. As the year ended, there appears to be increasing expectations for leading central banks to pivot from rate hikes to rate cuts some time in 2024.

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Geopolitical tensions continued to make headlines over the period. As the Russia-Ukraine military conflict continues, the longer-term geopolitical consequences and risks remain poorly understood beyond near-term vulnerabilities in energy and food security. The impact of sanctions applied on Russia has reconfigured global supply chains and increases operational complexity for companies with international operations. In October 2023, the Israel-Palestine conflict reignited and while its impact on global markets appears to be muted thus far, there is potential for the conflict to escalate which may impact energy prices and disrupt global shipping routes.

Equity markets rebounded sharply from 2022 buoyed by optimistic investor expectations, especially in artificial intelligence (AI) with the so-called "Magnificent 7" mega-cap technology-oriented stocks leading the way. Investors have seemingly overlooked the factors that weighed on markets last year, namely the Russia-Ukraine conflict, COVID-19-related supply chain disruptions, falling global demand and hawkish monetary policies. Among equities, the Information Technology sector has been among the leading performers driven by optimism in AI-related innovation.

Fixed income markets were eventful over the period and included one of the most extreme whipsaws in fixed income since the beginning of the COVID pandemic. In the first half of the year, the Canadian economy was more resilient than many expected with GDP growth numbers coming in ahead of consensus expectations, fueled by a recovery in household spending. A key factor in this stronger-than-expected economic growth has been a resilient labour market. In the second half of the year, the effects of tighter monetary policy started to make an impact in slowing the Canadian economy.

In the third quarter, bonds sold off aggressively triggered by hawkish guidance from the U.S. Federal Reserve Board (the "Fed") that another interest rate hike was possible before the end of the year. Market sentiment then shifted in November with the Fed changing its tone on the direction of interest rates with the timing of potential rate cuts in 2024. This dovish guidance from the Fed caused government bond yields to decline and spurred a rally in fixed income through the remainder of the year.

Against this macroeconomic backdrop, the Canadian fixed income market rebounded over the period after suffering the worst year in four decades. Returns in the first half of the year were driven by falling long-term government bond yields and narrowing credit spreads after spiking in March because of the various banking crises that emerged. Returns in the latter half of the year were driven by the change in expectations for the path of interest rates. Bond yields fell across the entire yield curve and credit spreads declined sharply. Corporate bonds outperformed government bonds over the period.

The Bank of Canada remains concerned about the corrosive effects of high inflation and raised its benchmark interest rate by a cumulative 0.70 percentage points ending the period at 5.0%. Meanwhile, the Fed raised interest rates by a cumulative 0.75 percentage points ending the period at 5.5%. While inflation remains high, tightening monetary policy by central banks has helped slow the rate of inflation globally. While the rate of inflation in goods has declined, services inflation remains high across most regions in the world with wages being the biggest driver.

A spread is the difference in yield between a Treasury bond and another debt security of the same maturity but different credit quality. Investment grade bonds are the highest quality bonds as determined by a credit rating agency. High yield bonds are more speculative, with a credit rating below investment grade bonds. Emerging market (EM) bonds saw negative returns. EM corporate bonds were more resilient than EM sovereign bonds. Sovereign bonds are debt securities issued by a national government to finance government spending.

An overweight exposure to fixed income detracted from performance. Fixed income underperformed equities during the period. An underweight exposure to Cash detracted from performance. Cash outperformed bonds during the period.

An overweight exposure to U.S. equities contributed to performance. U.S. equities outperformed during the period due to higher investor preference for Information Technology, Communication Services and Consumer Discretionary stocks. An underweight exposure to Canadian equities contributed to performance. Canadian equities underperformed U.S. and global equities during the period.

Recent Developments

The composition of the Fund's independent review committee ("IRC") changed during the period. André Fok Kam completed his term and Ann David was appointed effective July 1, 2023.

Global tensions and conflicts within some geographic regions, such as the ongoing military conflict in Ukraine, have continued to impact global markets and economies. In addition, there continues to be tensions between larger nations over a number of issues, including trade, technology, human rights, and sovereignty. These issues have, in some cases, resulted in government sanctions and trade restrictions. These global tensions and regional conflicts, documented in the media, create a more challenging operating environment. The longer-term impact to geopolitical norms, supply chains and investment valuations is uncertain. The Manager continues to watch for developments and assess the impact to investment strategies.

Sun Life Granite Tactical Completion Fund

Related Party Transactions

SLGI Asset Management Inc. is the manager, trustee and portfolio manager of the Fund. For its services, the Manager receives a management fee that is calculated as a percentage of the average net asset value of the Fund. This fee is calculated daily and payable monthly.

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 securityholders.

As portfolio manager, the Manager is responsible for managing the investment portfolio of the Fund directly or through sub-advisors. The Manager has retained Sun Life Capital Management (Canada) Inc. ("SLC Management"), an affiliate of the Manager, to act as a sub-advisor for the Fund.

The Fund may have direct or indirect holdings in Sun Life Financial Inc. or its affiliates or other funds managed by the Manager or its affiliates. Funds managed by the Manager, or its affiliates, may invest in securities of the Fund.

The Manager has a distribution agreement with Sun Life Financial Investment Services (Canada) Inc. (the "Dealer"), a company under common control, under which the Dealer may distribute securities of the funds offered by the Manager in the jurisdictions in which the Dealer is so authorized.

SLC Management is an indirect wholly owned subsidiary of Sun Life Financial Inc.

Fund Administrative Expenses

The Manager pays certain operating expenses of the Fund (the "Administration Expenses") in return for a fixed administration fee paid to the Manager by the Fund ("Administration Fee"). The Administration Fee is based on the net asset value of each series of securities 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 any regulatory fees and expenses payable by the Manager) and trustee fees for registered plans. The amount of this charge is disclosed as Fixed annual administration fees in the Fund's Statements of Comprehensive Income found in the annual financial statements.

The 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 IRC; taxes payable by the Fund; contingent fees for foreign tax reclaim filings; and the costs of complying with any new regulatory or legal requirement imposed on the Fund. The Fund allocates Fund Costs proportionately among each series of securities of the Fund to which they apply. The Fund 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 Fund, which reduces the return you may receive.

Fees and expenses payable to or in connection with the IRC are allocated to the fund and series to which they apply in a manner that, in the Manager's view, is considered fair and reasonable. The amounts of these charges are disclosed in the line item "Independent review committee fees" in the Fund's Statements of Comprehensive Income (Loss).

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 for the previous five years or for the period(s) since inception to December 31, 2023.

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

Sun Life Granite Tactical Completion Fund - Series I

	2023	2022	2021	2020	2019
	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value, beginning of period	7.99	8.75	8.60	9.87	9.71
Increase (decrease) from operations:					
Total revenue	0.21	0.19	0.13	0.13	0.19
Total expenses	(0.03)	(0.04)	(0.04)	(0.05)	(0.04)
Realized gains (losses) for the period	(0.58)	(0.40)	0.39	(1.40)	0.61
Unrealized gains (losses) for the period	0.46	(0.43)	(0.08)	0.20	0.07
Total increase (decrease) from operations⁽²⁾	0.06	(0.68)	0.40	(1.12)	0.83
Distributions:					
From income (excluding dividends)	(0.23)	(0.10)	(0.24)	-	(0.69)
From dividends	-	-	(0.02)	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽³⁾	(0.23)	(0.10)	(0.26)	-	(0.69)
Net asset value, end of period	7.85	7.99	8.75	8.60	9.87

⁽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 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.

⁽³⁾ Distributions were paid in cash, reinvested in additional securities of the Fund, or both.

Sun Life Granite Tactical Completion Fund

Ratios and Supplemental Data

Sun Life Granite Tactical Completion Fund - Series I

	2023	2022	2021	2020	2019
Total net asset value (\$000s) ⁽¹⁾	879,872	1,005,449	1,111,717	983,791	890,106
Number of securities outstanding (000s) ⁽¹⁾	112,032	125,825	127,026	114,375	90,154
Management expense ratio (%)	0.16	0.15	0.15	0.08	0.06
Management expense ratio before waivers or absorption (%) ⁽²⁾	0.16	0.15	0.15	0.08	0.06
Trading expense ratio (%) ⁽³⁾	0.19	0.39	0.25	0.46	0.29
Portfolio turnover rate (%) ⁽⁴⁾	187.11	86.16	179.40	410.33	113.40
Net asset value per security (\$) ⁽¹⁾	7.85	7.99	8.75	8.60	9.87

⁽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.

Management Fees

The maximum annual management fee paid by the Fund is a percentage of the average daily net asset value of each series of securities of the Fund 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.

Series I management fees are not paid by the Fund. Series I investors negotiate management fees and pay directly to the Manager.

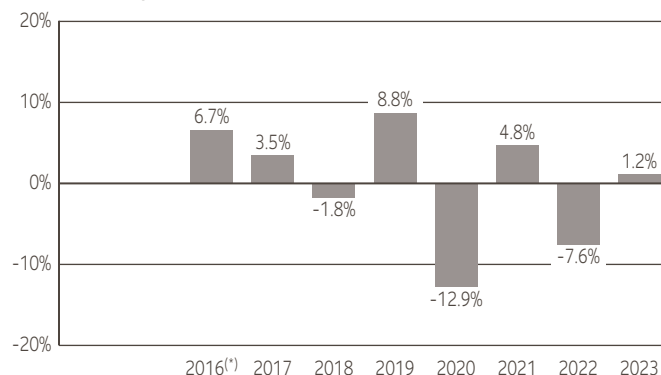
Past Performance

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution, other optional charges or income tax payable by any securityholder that would have reduced returns or performance. How the Fund 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 Fund's annual performance for the period shown. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

Series I Securities – Annual return for the period ended December 31, 2023



^(*) for the period of February 11, 2016 to December 31, 2016.

Annual Compound Returns

The table compares the historical annual compound total returns of Series I securities of the Fund with the following benchmark and broad-based index, if applicable:

The benchmark (the "Benchmark") is composed of:
 34.0% S&P/TSX 60 Index
 33.0% S&P 500 Index C\$
 27.0% MSCI EAFE Index C\$
 6.0% MSCI Emerging Markets Index C\$

The Series I securities 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\$

A discussion of the Fund's performance compared to its benchmark and broad-based index or indices, if applicable, can be found in the Results of Operations section.

	1 Year	3 Year	5 Year	10 Year	Performance Start Date ⁽¹⁾
Series I	1.2%	(0.6)%	(1.5)%	-	0.1%
Benchmark	16.1%	8.5%	11.1%	-	10.8%
Broad-based index 1	20.5%	8.5%	12.0%	-	11.3%
Broad-based index 2	2.9%	(4.4)%	(1.0)%	-	(0.3)%

⁽¹⁾ The performance start date for Series I securities was February 11, 2016.

INDEX DESCRIPTION(S)

The S&P/TSX 60 Index is a stock market index of 60 large companies listed on the Toronto Stock Exchange.

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The S&P 500 Index C\$ measures the performance of the stock market index based on the market capitalizations of 500 leading companies publicly traded in the U.S. stock market.

The MSCI EAFE Index C\$ is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance in 21 developed market countries within Europe, Australia and the Far East.

The MSCI Emerging Markets Index C\$ is a free float-adjusted market capitalization weighted index that is designed to capture large and mid cap representation across 26 Emerging Markets (EM) countries.

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

The Bloomberg Barclays Global Aggregate Bond Index C\$ 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, 2023

Top 25 Investments

Holding Name [†]	Percentage of Net Asset Value of the Fund (%)
1 BMO Aggregate Bond Index ETF	35.3
2 Cash and Cash Equivalents	14.6
3 SPDR S&P 500 ETF Trust	13.2
4 iShares Core S&P/TSX Capped Composite Index ETF	12.5
5 iShares MSCI EAFE ETF	12.2
6 iShares Core U.S. Aggregate Bond ETF	11.6
7 USD Currency Forward Contract, Mar 22, 2024	0.3
	99.7
Total Net Asset Value (000s)	\$ 879,872

Asset Allocation

	Percentage of Net Asset Value of the Fund (%)
Canadian Fixed Income	35.3
U.S. Equities	25.4
Cash and Cash Equivalents	14.6
Canadian Equities	12.5
U.S. Fixed Income	11.6
Other Assets less Liabilities	0.6
	100.0

([†]) All information is as at December 31, 2023. 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 or by sending an email to us at info@sunlifeglobalinvestments.com.

(^{††}) The investment portfolio includes 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.sedarplus.ca.

Forward-Looking Statements

This management report of fund performance may contain forward-looking statements about the Fund, including its strategies, 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 and pandemics. 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.

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SLGI Asset Management Inc. is the investment manager of the Sun Life Mutual Funds, Sun Life Granite Managed Solutions and Sun Life Private Investment Pools.



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