

## **Annual Management Report of Fund Performance**

*For the Period Ended December 31, 2016*

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the annual financial statements at no cost, by calling 1-888-549-6248, by writing us at Suite 600, 517 – 10th Avenue SW, Calgary, Alberta T2R 0A8, or by visiting our website at [www.mawer.com](http://www.mawer.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Unitholders may also contact us using one of the above noted 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 investment objective of the Mawer Global Bond Fund (the "Fund") is to invest for interest income and the preservation of global purchasing power primarily in fixed income securities from around the world. The Fund intends to achieve its investment objective by investing primarily in a broadly diversified portfolio of government, government-related, corporate and structured fixed income securities denominated in local and foreign currencies. The Manager focuses on currency, country, issuer and security risk analysis when making decisions by following a disciplined investment process. Investment considerations may include, but are not limited to, absolute and relative currencies, interest rates, yield curves, credit spreads, structures and fundamental analysis of government, government-related, corporate and structured issuers.

As an exception to the standard investment restrictions applicable to the Fund, we applied and were granted exemptive relief to permit the Fund to invest more than 10% of the Fund's assets in fixed income securities issued or guaranteed by certain governments (other than the government of Canada, the government of a jurisdiction in Canada or the government of the United States of America, to which the 10% investment limit does not apply) or permitted international agencies, provided that the securities are traded on a mature and liquid market and the acquisition of the securities is consistent with the Fund's investment objective. The Fund is thereby permitted to invest up to:

(a) 20% of the Fund's net asset value at the time of the transaction in evidences of indebtedness of any one issuer if those evidences of indebtedness are issued, or guaranteed fully as to principal and interest, by supranational agencies or governments other than the government of Canada, the government of a jurisdiction in Canada or the government of the United States of America and are rated "AA" by Standard & Poor's (Canada) or its DRO affiliate, or have an equivalent rating by one

or more other designated rating organizations or their DRO affiliates; and

(b) 35% of the Fund's net asset value at the time of the transaction in evidences of indebtedness of any one issuer if those evidences of indebtedness are issued, or guaranteed fully as to principal and interest, by supranational agencies or governments other than the government of Canada, the government of a jurisdiction in Canada or the government of the United States of America and are rated "AAA" by Standard & Poor's (Canada) or its DRO affiliate, or have an equivalent rating by one or more other designated rating organizations or their DRO affiliates.

Further, in respect of any one issuer, the fund will only rely on either one of the paragraphs (a) or (b) above.

### **Risk**

The risks of investing in the Fund remain as discussed in the Prospectus. The Fund is suitable for investors seeking income and global currency, country and yield diversification at a medium risk. The principal risks of the Fund include currency risk, credit risk, interest rate risk, concentration risk, foreign securities risk and liquidity risk. To reduce interest rate risk the weighted average duration of the Fund is limited to eight years. To mitigate the risk of currency, foreign security and concentration risk, the Fund invests across a diversified range of countries and currencies, with limits on exposures to issuers and currencies. To reduce credit risk, the Fund only invests in investment grade government bonds.

Over the period, we maintained an average duration shorter than eight years. The Fund only held investment grade government and government-related bonds.

### **Results of Operations**

The Fund's net assets increased by 103.8% to \$275.5 million from \$135.2 million at the end of 2015. Of this change, -\$11.0 million was attributable to investment performance and \$151.3 million was due to net contributions into the Fund.

In 2016, the Fund's Series A units posted a negative return of -4.8% versus -1.9% for the Citi World Government Bond Index (CAD) (the "WGBI"), over the same period. Unlike the index, the Fund's return is net of fees and expenses paid by the Fund.

The relative performance of the Fund versus the index can be measured by reviewing the shift effect, twist effect, allocation effect, security selection effect all in local currency terms and finally the total currency effect.

Over the year, the average duration of the Fund was held at 5.47, whereas the average duration of the WGBI was 7.71. The impact from the shift effect, the relative impact due to a parallel shift in global sovereign yield curves, was the primary driver of relative underperformance over the year. Within the shift effect, the largest single detractor was Japan. The Fund held the Japanese Yen currency, which has a duration of zero. This negatively

## ***Mawer Global Bond Fund***

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impacted relative performance as the WGBI has a large exposure and relatively long duration in Japan while the Japanese sovereign yield curve moved lower over the year. The US was also a large detractor over the period as the Fund held a relatively longer duration and higher relative weight than the WGBI, while the US sovereign yield curve shifted higher in 2016.

Yield curve positioning also detracted from relative performance over the period, as reflected by the negative twist effect. Once again, the single largest detractor, from a twist perspective, was Japan. In conjunction with the Fund's zero duration in Japan, the Japanese sovereign yield curve flattened. Together, these factors had a negative impact on relative performance.

Allocation impact was positive over the period. The Fund benefitted from its underweight exposure to Europe. Specifically, not having exposure to Italy and France helped the allocation effect. The Fund's holdings in New Zealand also bolstered allocation as the WGBI does not hold any New Zealand sovereign bonds.

Security selection positively contributed to relative performance over the period, mainly driven by the Fund's relative outperformance of holdings in the US, Norway, and Sweden.

Currency was also a significant detractor from relative performance over the year. The primary driver was the Fund's underweight exposure to the Japanese Yen; however, the Fund's overweight exposure to the Mexican Peso, Swedish Krone and the Pound also detracted, but to a much lesser degree.

### **Recent Developments**

The equity market's optimistic reaction to Trump's victory has been well documented in the media. However, details regarding the Trump administration's policy changes are, to a large degree, still forthcoming. We have noted that populism has emerged as a global theme, highlighted most prominently by the Trump campaign and Brexit referendum results.

Central banks in Japan, Europe, the U.K. and China continued to loosen monetary policy over the course of the year, despite many leaders publicly acknowledging that the effectiveness of accommodative policies may be reaching its limit. The U.S. Fed remained the only major central bank contemplating rate increases in 2016 and did so in December.

Economic uncertainty in China remains a global concern going forward. The critical factors continue to be elevated levels of unrealized potential losses on bad debt in the financial system and industrial overcapacity. While these conditions don't necessitate a banking crisis, they may increase the fragility of the system should a negative event occur.

OPEC reached a long-awaited agreement to cut oil production. The agreement reduces global output to 32.5 million barrels per day while giving Iran room to raise production. Non-OPEC countries were also asked to cut production by approximately 600,000 barrels per day. The agreement was an incremental positive for oil producers and may contribute to boosting inflation

in certain countries (at the margin). The verdict is out whether countries remain committed to achieving their respective targets.

The outlook for currency markets are heavily influenced by the global economy, commodity prices and financial markets which are notoriously difficult to accurately and consistently forecast. Therefore our strategy to manage this risk is to ensure the portfolio is broadly diversified around the world with a focus on reserve currencies, which historically have tended to perform well in periods of negative sentiment.

### **Related Party Transactions – Management Fees**

As Portfolio Advisor to the Fund, Mawer Investment Management Ltd. ("Mawer") receives management fees which are calculated for Series A units as 0.60% per annum of the net asset value of the Fund calculated on a daily basis. Management fees for Series O units are payable directly to the Manager by Series O investors and not by the Fund.

The terms of the Management Agreement were amended January 4, 1994, to grant the Manager of the Fund the ability, at their discretion, to reduce the management fees for large investors. This reduction is effected by means of a management fee distribution and will be automatically reinvested in additional units of the Fund at the net asset value of the Fund on the date of distribution. Mawer also receives fees for performing administrative services. As at December 31, 2016 the Fund owes Mawer \$2,675 related to these administrative services.

## Mawer Global Bond Fund

### 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 period. This information is derived from the Fund's audited annual financial statements which are prepared in accordance with IFRS.

#### The Fund's Net Asset Value (NAV) per Unit

SERIES A	2016	2015
Net Assets, beginning of period	10.84	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.20	0.12
Total expenses	(0.08)	(0.05)
Realized gains (losses) for the period	(0.04)	(0.01)
Unrealized gains (losses) for the period	(0.74)	0.66
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>(0.66)</b>	<b>0.72</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.11)	(0.06)
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(0.11)</b>	<b>(0.06)</b>
<b>Net Assets, end of year</b>	<b>10.23</b>	<b>10.84</b>

SERIES O	2016	2015
Net Assets, beginning of period	10.85	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.20	0.13
Total expenses	(0.01)	(0.01)
Realized gains (losses) for the period	(0.07)	(0.02)
Unrealized gains (losses) for the period	(0.61)	0.72
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>(0.49)</b>	<b>0.82</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.18)	(0.08)
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(0.18)</b>	<b>(0.08)</b>
<b>Net Assets, end of year</b>	<b>10.23</b>	<b>10.85</b>

(1) Net asset value 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 year.

(2) Distributions were reinvested in additional units of the Fund.

### Ratios and Supplemental Data

SERIES A	2016	2015
Net Assets (000's) <sup>1</sup>	12,002	8,511
Number of units outstanding (000's) <sup>1</sup>	1,174	785
Management expense ratio <sup>2</sup>	0.75%	0.75%
Management expense ratio before waivers or absorptions	0.85%	0.81%
Portfolio turnover rate <sup>3</sup>	63.49%	20.66%
Trading expense ratio <sup>4</sup>	-	-
Closing market price or pricing NAV, (if applicable)	10.23	10.84

SERIES O	2016	2015
Net Assets (000's) <sup>1</sup>	263,456	126,682
Number of units outstanding (000's) <sup>1</sup>	25,749	11,679
Management expense ratio <sup>2</sup>	0.07%	0.10%
Management expense ratio before waivers or absorptions	0.07%	0.11%
Portfolio turnover rate <sup>3</sup>	63.49%	20.66%
Trading expense ratio <sup>4</sup>	-	-
Closing market price or pricing NAV, (if applicable)	10.23	10.85

(1) This information is provided as at December 31 of the year shown, as applicable.

(2) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during the year. The Manager, at its discretion, absorbed certain expenses otherwise payable by each Series. The Manager may change the amount absorbed or discontinue absorbing these expenses at any time without notice.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate 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 rate 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 turnover rate and the performance of a fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

## Mawer Global Bond Fund

### Past Performance

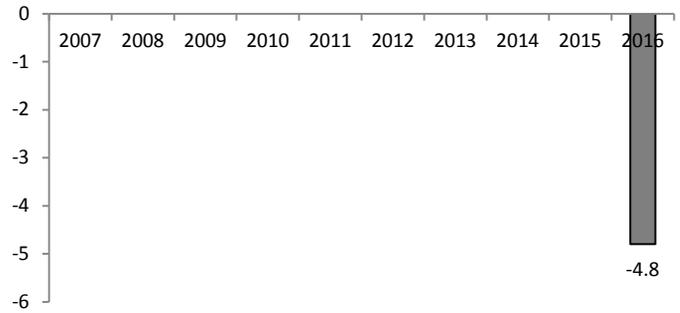
Sales commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the Prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any investor that would have reduced returns. Mutual funds are not guaranteed. Their value changes frequently and past performance may not be repeated.

The Fund's performance numbers assume that all distributions are reinvested in additional units of the Fund. If you hold this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gains or increase your capital loss when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

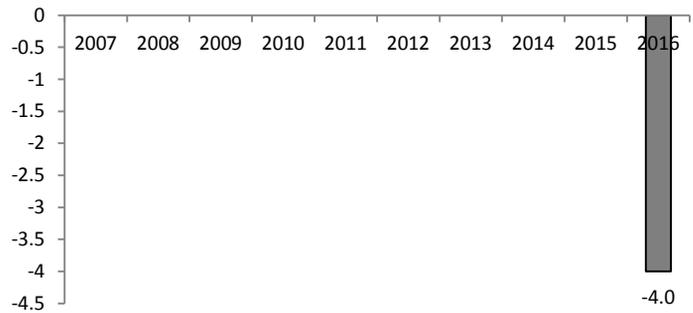
### Year-by-Year Returns

The bar charts show the Fund's annual performance in each of the past 10 years to December 31, 2016. The charts show in percentage terms how an investment made on January 1 would have increased or decreased by December 31 of the fiscal year. The fund's inception date was June 15, 2015.

#### Series A



#### Series O



## Mawer Global Bond Fund

### Annual Compound Returns

The following table shows the historical annual compound total return of units of the Fund for the periods shown ending on December 31, 2016. The annual compound total return is also compared to the Citi World Government Bond Index calculated on the same compound basis. All index returns are calculated in Canadian dollars on a total return basis, meaning that all distributions are reinvested.

	Series A units (%)	Series O units (%)	Citi World Government Bond Index (%)
One Year	-4.8	-4.0	-1.9
Three Years	-	-	-
Five Years	-	-	-
Ten Years	-	-	-

### Summary of Investment Portfolio

A summary of the Fund as at December 31, 2016 is as follows:

	%
Cash	10.5
<b>Total cash</b>	<b>10.5</b>
Treasury bills	0.7
<b>Total Short term</b>	<b>0.7</b>
<b>Fixed Income</b>	
Asia	1.7
Europe	18.2
North America	59.9
South Pacific	4.6
Supranational	4.4
<b>Total Fixed Income</b>	<b>88.8</b>
<b>Total Portfolio</b>	<b>100.0</b>

*Totals may not add to 100% due to rounding.*

The following table lists the 25 largest holdings of the Fund as at December 31, 2016.

Issuer	Percentage of Transactional Net Asset Value
United States Treasury Note 1.75% May 15/22	9.1%
United States Treasury Bond 2.13% May 15/25	8.3%
Province of Ontario 1.88% May 21/24	7.3%
United States Treasury Note 2.75% Nov 15/23	6.4%
United States Treasury Note 1.50% Mar 31/19	6.2%
United States Treasury Bond 2.50% Feb 15/46	5.0%
United Kingdom Treasury 1.50% Jan 22/21	4.3%
Kingdom of Norway 1.75% Mar 13/25	4.3%
United Kingdom Treasury 1.50% Jul 22/26	3.9%
Province of Quebec 2.25% Jul 17/23	3.7%
European Investment Bank 3.50% Jan 14/21	3.5%
Kingdom of Norway 2.00% May 24/23	3.0%
Province of Quebec 2.50% Apr 20/26	2.7%
United States Treasury Note 0.75% Apr 15/18	2.5%
Government of Canada 2.25% Jun 01/25	2.3%
Government of Australia 2.75% Apr 21/24	2.1%
Kingdom of Sweden 1.50% Nov 13/23	1.9%
United States Treasury Note 1.38% Mar 31/20	1.7%
Government of New Zealand 2.75% Apr 15/25	1.7%
United States Treasury Inflation Index Bonds 0.25% Jan 15/25	1.7%
United Mexican States 6.50% Jun 09/22	1.7%
Republic of Singapore 2.75% Jul 01/23	1.2%
Province of Ontario 2.50% Sep 10/21	1.1%
International Bank for Reconstruction & Development 2.25% Jun 24/21	0.9%
Kingdom of Norway 3.75% May 25/21	0.6%

The investments and percentages may have changed by the time you purchase units of this fund. The top 25 holdings are made available quarterly, 60 days after quarter-end and may be obtained by contacting your registered representative or by contacting Mawer toll-free at 1-888-549-6248 or by e-mail at [info@mawer.com](mailto:info@mawer.com).