

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

*For the Year 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 objective of the Mawer International Equity Fund (the "Fund") is to create a portfolio of non-North American equities that is diversified by both geography and industry. This is done by choosing companies that we believe will be wealth-creating in the long term and are trading at a discount to their intrinsic value. We prefer companies with enduring competitive advantages that will allow them to earn a return greater than their cost of capital over the long term. The Fund has a long-term buy and hold strategy and seeks to keep turnover low.

### **Risk**

This Fund is suitable for investors seeking long-term growth and who have a moderate to high tolerance for risk. General risks of investing in this Fund are outlined in the Prospectus and include the possibility of reduction in value of any given investment, liquidity risk, interest rate risk, and currency risk amongst others.

The Manager reduces the exposure to these risks by not concentrating more than 20% of the net assets of the Fund in a particular Industry as defined by the Global Industry Classification Standards (GICS). It is also the Manager's policy to have no more than 10% of the net assets in any one common share of a corporation, at the time of purchase.

The Fund was invested in 9 of the 11 Global Industry Classification (GICS) sectors as of December 31, 2016. The Fund's largest sector weightings were in Consumer Staples (20%), Financials (20%), and Industrials (17%). Combined, the weight in the three largest sectors represented 57% of the portfolio which is in line with this value at the end of 2015. In aggregate, the ten largest individual holdings accounted for 32% of the portfolio which is down slightly year over year.

### **Results of Operations**

The Fund's net assets increased 12.0% to \$4,824.5 million from \$4,306.5 million at the end of 2015. Of this change, -\$81.4 million was attributable to negative investment performance and \$599.4 million was due to net contributions to the Fund.

The Fund's units lost 1.9% (before management fees) which led the International Equity Fund Benchmark's return of -3.0% [MSCI EAFE (Net) from inception to September 30, 2016; MSCI ACWI ex. US (Net) as of September 30, 2016]. All performance values provided are in Canadian dollar terms (unless otherwise stated).

The Fund outperformed the Benchmark over the period due to security selection. Outperformance of the Fund's Financials holdings contributed the most to positive selection. The Fund's Consumer Discretionary and Health Care investments also led their sector peers in the Benchmark resulting in significant contributions to the Fund's relative return. Sector allocation was negative over the year. While our relative sector positioning added value in eight out of eleven sectors, this was more than offset by the negative effects of our lack of exposure to Energy companies and overweight in Consumer Staples.

Geographically, positive country allocation drove relative outperformance as the Fund benefitted from its overweight position in the U.S. and emerging markets, particularly Brazil, China and South Africa. Security selection was negative over the period decreasing the margin by which we outperformed. Negative selection is mainly attributable to the underperformance of the Fund's holdings in Germany, Japan, Switzerland and the U.K. As equities declined over the period, the Fund benefitted from its cash allocation.

We added 14 new names to the portfolio over the period. Among those added was Seven & I Holdings Co., a Japanese retailer that operates convenience stores under the 7-Eleven brand, as well as other retail formats and brands. Another addition was UPL Ltd. a generic pesticide manufacturer based in India. We also took the opportunity to eliminate 10 holdings from the portfolio. Among those positions exited were: Alibaba Group Holding Ltd., as we grew increasingly concerned around the company's corporate governance, and QinQin Foodstuffs Group, to which we gained exposure when the business was spun-off by Hengan International Group. As QinQin is not of the business quality that we typically hold, we eliminated the position shortly after receiving shares from the spin-off.

### **Recent Developments**

The 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. This is a factor that we are monitoring closely as we view protectionist and anti-immigration policies as more likely to be obstructive than supportive of global economic growth over the long-term.

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

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increases in 2016 and did so in December. Rising interest rates and inflation have increasingly become consensus expectations over 2016. If these expectations materialize, growth expectations underpinning equity valuations will need to be adjusted.

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 increase the probability of a negative event.

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).

Looking ahead, we will continue to focus our equity investment approach on understanding the business models and valuations of current and potential investments. Otherwise, our team manages uncertainty by doing what we have always done: follow our disciplined process and stick to our investment philosophy, which can put the odds in our clients' favor over time. In this current environment, we are tempering our pursuit of companies with structural growth opportunities, lower debt, and some margin of safety within valuation with a heightened sensitivity to the prospect of rising interest rates and their impact on the portfolio. Patience and discipline with trading will also be of particular importance given the level of uncertainty in the market.

### Related Party Transactions – Management Fees

As Portfolio Advisors to the Fund, Mawer Investment Management Ltd. ("Mawer") receives management fees which are calculated for Series A Units as 1.2% 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 \$46,580 related to these administrative services.

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

commencing January 1, 2013. The financial statements for the year ended December 31, 2012 were prepared in accordance with previous Canadian GAAP which resulted in a difference between transactional NAV and GAAP NAV as disclosed in the 2012 audited financial statements. (Note: Series F was consolidated with Series A on June 25, 2010. Series S started on December 6, 2013.)

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

SERIES A	2016	2015	2014	2013	2012
Net Assets, beginning of year	53.90	45.23	41.84	34.37	29.09
<b>Increase (decrease) from operations:</b>					
Total revenue	1.34	1.30	1.33	1.10	0.99
Total expenses	(0.88)	(0.94)	(0.83)	(0.68)	(0.48)
Realized gains (losses) for the year	2.29	1.69	1.96	0.20	(1.35)
Unrealized gains (losses) for the year	(4.42)	6.83	1.33	7.22	6.47
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>(1.67)</b>	<b>8.88</b>	<b>3.79</b>	<b>7.84</b>	<b>5.63</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.38)	(0.39)	(0.35)	(0.33)	(0.42)
From dividends	-	-	-	-	-
From capital gains	(1.08)	(0.09)	(0.08)	-	-
Return of capital	-	-	-	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(1.46)</b>	<b>(0.48)</b>	<b>(0.43)</b>	<b>(0.33)</b>	<b>(0.42)</b>
<b>Net Assets, end of year</b>	<b>50.66</b>	<b>53.90</b>	<b>45.23</b>	<b>41.84</b>	<b>34.32</b>
SERIES O	2016	2015	2014	2013	2012
Net Assets, beginning of year	53.72	45.45	42.03	34.50	29.20
<b>Increase (decrease) from operations:</b>					
Total revenue	1.32	1.29	1.33	1.09	0.98
Total expenses	(0.15)	(0.18)	(0.22)	(0.14)	(0.02)
Realized gains (losses) for the year	2.29	1.68	1.96	0.23	(1.30)
Unrealized gains (losses) for the year	(4.27)	7.23	1.38	7.34	6.54
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>(0.81)</b>	<b>10.02</b>	<b>4.45</b>	<b>8.52</b>	<b>6.20</b>
<b>Distributions:</b>					
From income (excluding dividends)	(1.03)	(1.04)	(0.96)	(0.83)	(0.88)
From dividends	-	-	-	-	-
From capital gains	(1.72)	(0.69)	(0.08)	-	-
Return of capital	-	-	-	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(2.75)</b>	<b>(1.73)</b>	<b>(1.04)</b>	<b>(0.83)</b>	<b>(0.88)</b>
<b>Net Assets, end of year</b>	<b>49.91</b>	<b>53.72</b>	<b>45.45</b>	<b>42.03</b>	<b>34.45</b>
SERIES S	2016	2015	2014	2013	2012
Net Assets, beginning of period	13.15	11.06	10.23	10.00	
<b>Increase (decrease) from operations:</b>					
Total revenue	0.33	0.32	0.24	-	-
Total expenses	(0.04)	(0.05)	(0.05)	-	-
Realized gains (losses) for the period	0.56	0.41	0.01	-	-
Unrealized gains (losses) for the period	(1.05)	1.68	0.48	0.23	-
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>(0.20)</b>	<b>2.36</b>	<b>0.68</b>	<b>0.23</b>	<b>-</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.26)	(0.26)	(0.23)	-	-
From dividends	-	-	-	-	-
From capital gains	(0.34)	(0.08)	(0.02)	-	-
Return of capital	-	-	-	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(0.60)</b>	<b>(0.34)</b>	<b>(0.25)</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period</b>	<b>12.29</b>	<b>13.15</b>	<b>11.06</b>	<b>10.23</b>	<b>-</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

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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	2014	2013	2012
Net Assets (000's) <sup>1</sup>	721,823	721,571	533,956	467,978	338,740
Number of units outstanding (000's) <sup>1</sup>	14,248	13,387	11,805	11,185	9,843
Management expense ratio <sup>2</sup>	1.43%	1.52%	1.47%	1.49%	1.53%
Management expense ratio before waivers or absorptions	1.43%	1.52%	1.47%	1.49%	1.53%
Portfolio turnover rate <sup>3</sup>	30.21%	21.43%	21.94%	14.56%	18.12%
Trading expense ratio <sup>4</sup>	0.11%	0.10%	0.14%	0.07%	0.09%
Closing market price or pricing NAV, (if applicable)	50.66	53.90	45.23	41.84	34.41

SERIES O	2016	2015	2014	2013	2012
Net Assets (000's) <sup>1</sup>	3,763,112	3,273,665	2,437,606	1,839,967	1,228,641
Number of units outstanding (000's) <sup>1</sup>	75,392	60,934	53,628	43,774	35,567
Management expense ratio <sup>2</sup>	0.04%	0.04%	0.07%	0.08%	0.07%
Management expense ratio before waivers or absorptions	0.04%	0.04%	0.07%	0.08%	0.07%
Portfolio turnover rate <sup>3</sup>	30.21%	21.43%	21.94%	14.56%	18.12%
Trading expense ratio <sup>4</sup>	0.11%	0.10%	0.14%	0.07%	0.09%
Closing market price or pricing NAV, (if applicable)	49.91	53.72	45.45	42.04	34.54

SERIES S	2016	2015	2014	2013	2012
Net Assets (000's) <sup>1</sup>	339,521	311,243	227,372	955	-
Number of units outstanding (000's) <sup>1</sup>	27,621	23,667	20,554	93	-
Management expense ratio <sup>2</sup>	0.08%	0.08%	0.08%	0.08%	-
Management expense ratio before waivers or absorptions	0.08%	0.08%	0.09%	0.15%	-
Portfolio turnover rate <sup>3</sup>	30.21%	21.43%	21.94%	14.56%	-
Trading expense ratio <sup>4</sup>	0.11%	0.10%	0.14%	0.17%	-
Closing market price or pricing NAV, (if applicable)	12.29	13.15	11.06	10.23	-

(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.

(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.

(5) Series S started on December 6, 2013.

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### 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.

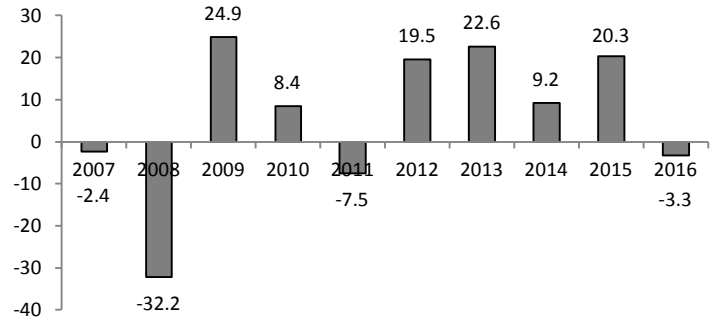
The Fund's performance numbers assume that all distributions are reinvested in additional units of the Fund. If you hold this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested 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.

The past performance of the Fund is set out in the following charts.

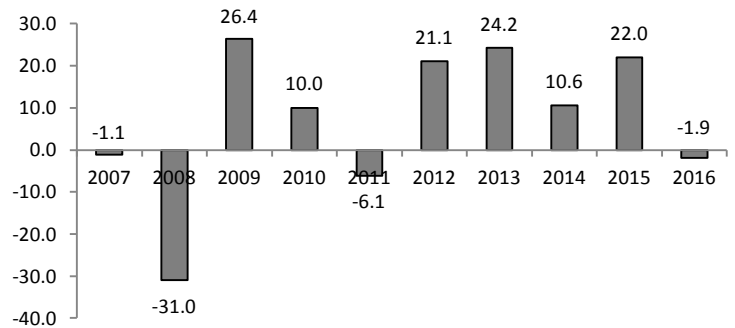
### Year-by-Year Returns

The bar charts below 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.

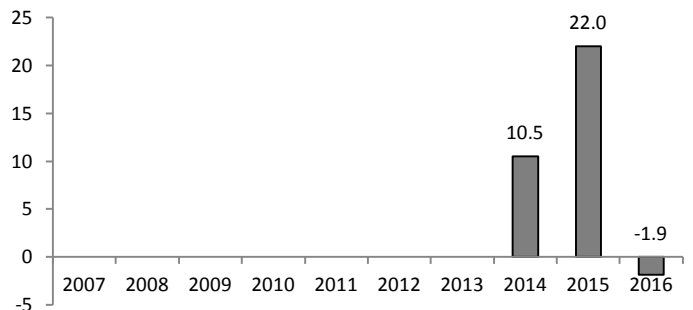
#### Series A



#### Series O



#### Series S



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### Annual Compound Returns

The following table shows the historical annual compound total return of the Fund for the periods ending on December 31, 2016. The annual compound total return is also benchmarked to the MSCI EAFE index and calculated on the same compound basis. The MSCI EAFE index includes 1,000 companies representing the stock markets of Europe, Australia, New Zealand, and the Far East. Some 21 countries are represented and a broad spectrum of industries is included. The index has a history going back to 1959 and is constantly monitored and adjusted to represent the structure of today's stock markets.

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 (%)	Series S units (%)	International Equity Benchmark (%)
One Year	-3.3	-1.9	-1.9	-3.0
Three Years	8.3	9.8	9.8	6.1
Five Years	13.2	14.8	-	12.4
Ten Years	4.4	5.9	-	2.1

\* Series S start date was December 6, 2013.

### Summary of Investment Portfolio

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

	%
Cash	0.0
<b>Total Cash</b>	<b>0.0</b>
Treasury bills	2.4
<b>Total Short-Term</b>	<b>2.4</b>
<b>Foreign Equities</b>	
Africa	1.4
Asia	24.5
Europe	56.7
Latin America	3.5
Middle East	1.2
North America	7.5
South Asia	2.8
<b>Total Equities</b>	<b>97.6</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
Aon PLC Cl. A	4.6%
Intertek Group PLC	4.4%
Air Liquide SA	3.4%
WPP PLC	2.9%
China Mobile Limited	2.8%
IHS Markit, Ltd.	2.8%
Tsuruha Holdings, Inc.	2.8%
Anheuser-Busch InBev SA	2.8%
Deutsche Boerse AG	2.7%
Halma PLC	2.6%
Croda International PLC	2.5%
Sampo OYJ Series A	2.5%
Tencent Holdings Limited	2.3%
Wolters Kluwer NV	2.3%
LIC Housing Finance Limited	2.2%
Lawson, Inc.	2.0%
Kone OYJ Series B	2.0%
Roche Holding AG	2.0%
Amadeus IT Holding SA	2.0%
Bureau Veritas SA	1.9%
Nestlé SA	1.9%
Japan Exchange Group, Inc.	1.9%
DCC PLC	1.7%
LG Household & Health Care, Ltd. Preferred	1.7%
Bayerische Motoren Werke (BMW) AG	1.7%

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).