

## **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 Mawer U.S. Equity Fund (the "Fund") seeks to increase investors' capital by investing primarily in the common shares of US corporations.

The Fund invests in companies that earn attractive returns on capital, are in strong financial position and have a demonstrable record of delivering strong operational and financial results. Shares are generally purchased at discounts to intrinsic value. Emphasis within the portfolio is placed upon holdings that are believed to exhibit superior risk-return characteristics.

### **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 (i.e., sub-sector) 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 at December 31, 2016. The Fund's largest sector weightings were in Information Technology (22%), Financials (20%), and Health Care (17%). Combined, the weight in the three largest sectors represented 58% of the portfolio which is a decrease from 60% at the end of 2015. In aggregate, the ten largest individual holdings accounted for 36% of the portfolio which is a slight increase from 35% at the end of 2015.

### **Results of Operations**

The Fund's net assets increased 11.9% to \$2,646.1 million from \$2,364.9 million at the end of 2015. Of this change, \$156.9 million is attributable to investment performance, while \$124.3 million was due to net contributions to the Fund.

The Fund's year-to-date performance was 5.5% versus 8.1% for the S&P 500 Index (in Canadian dollar terms). The Fund's return is before management fees.

The Fund's relative performance is due primarily to security selection. Negative selection was most adversely impacted by the underperformance in Information Technology. The Fund's Financials and Industrials holdings also trailed their peers in the benchmark further diminishing the Fund's relative performance from a security selection perspective. In all, the Fund added value through security selection in 4 of the 9 sectors in which it invests.

Sector allocation was positive due to the Fund's underweight in Consumer Staples, overweight allocations to Financials and Telecommunication Services companies, and lack of exposure to the Real Estate sector. Notably, the Fund's underweight in Energy (the strongest performing sector) was a significant detractor in terms of sector allocation. Overall, the Fund added value via allocation in 6 out of 11 market sectors.

The Fund added 16 new holdings over the year, including:

- Allergan PLC
- Amphenol Corp.
- AptarGroup Inc.
- Aspen Technology Inc.
- Bank of the Ozarks
- Cerner Corporation
- Douglas Dynamics Inc.
- Gilead Sciences Inc.
- KAR Auction Services Inc.
- NIKE Inc.
- Sabre Corporation
- Shenandoah Telecommunications Company
- Verisk Analytics Inc.
- Waters Corp.
- Westinghouse Air Brake Technologies Corp.
- Willis Towers Watson

The Fund exited 14 positions over the year, including:

- American Express Co.
- Charter Communications Inc.
- Chevron Corp.
- eBay Inc.
- El du Pont de Nemours
- General Electric Co.
- Illinois Tool Works Inc.
- MSC Industrial Direct Co.
- PRA Group
- Solera Holdings Inc.
- SYNEX Corp.
- W.W. Grainger Inc.
- Wabtec Corporation
- WEX Inc.

## Mawer U.S. Equity Fund

### 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 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 Advisor to the Fund, Mawer Investment Management Ltd. ("Mawer") receives management fees which are calculated for Series A Units as 1.0% 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 \$23,733 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.

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

SERIES A	2016	2015	2014	2013	2012
Net Assets, beginning of year	37.94	33.84	28.62	20.28	18.12
<b>Increase (decrease) from operations:</b>					
Total revenue	0.59	0.63	0.53	0.49	0.42
Total expenses	(0.54)	(0.54)	(0.45)	(0.38)	(0.24)
Realized gains (losses) for the year	2.22	4.06	2.33	0.82	0.06
Unrealized gains (losses) for the year	(0.01)	2.23	3.64	7.49	1.91
<b>Total increase (decrease) from operations<sup>1</sup></b>	2.26	6.38	6.05	8.42	2.15
<b>Distributions:</b>					
From income (excluding dividends)	(0.02)	(0.12)	(0.10)	(0.14)	(0.01)
From dividends	-	-	-	-	-
From capital gains	-	(2.30)	(0.67)	-	-
Return of capital	-	-	-	-	-
<b>Total Distributions<sup>2</sup></b>	(0.02)	(2.42)	(0.77)	(0.14)	(0.01)
<b>Net Assets, end of year</b>	40.01	37.94	33.84	28.62	20.28

SERIES O	2016	2015	2014	2013	2012
Net Assets, beginning of year	38.02	34.20	28.91	20.45	18.23
<b>Increase (decrease) from operations:</b>					
Total revenue	0.60	0.65	0.53	0.49	0.44
Total expenses	(0.10)	(0.11)	(0.09)	(0.08)	(0.01)
Realized gains (losses) for the year	2.25	4.12	2.36	0.80	0.05
Unrealized gains (losses) for the year	(0.20)	2.41	3.71	7.63	2.11
<b>Total increase (decrease) from operations<sup>1</sup></b>	2.55	7.07	6.51	8.84	2.59
<b>Distributions:</b>					
From income (excluding dividends)	(0.45)	(0.54)	(0.44)	(0.38)	(0.21)

## Mawer U.S. Equity Fund

From dividends	-	-	-	-	-
From capital gains	(1.00)	(2.72)	(0.68)	-	-
Return of capital	-	-	-	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(1.45)</b>	<b>(3.26)</b>	<b>(1.12)</b>	<b>(0.38)</b>	<b>(0.21)</b>
<b>Net Assets, end of year</b>	<b>39.15</b>	<b>38.02</b>	<b>34.20</b>	<b>28.91</b>	<b>20.45</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	2014	2013	2012
Net Assets (000's) <sup>1</sup>	296,680	243,107	175,332	125,440	54,279
Number of units outstanding (000's) <sup>1</sup>	7,414	6,407	5,182	4,383	2,676
Management expense ratio <sup>2</sup>	1.19%	1.18%	1.22%	1.21%	1.25%
Management expense ratio before waivers or absorptions	1.19%	1.18%	1.22%	1.21%	1.25%
Portfolio turnover rate <sup>3</sup>	26.13%	30.28%	22.09%	15.64%	4.01%
Trading expense ratio <sup>4</sup>	0.02%	0.02%	0.02%	0.02%	0.04%
Closing market price or pricing NAV, (if applicable)	40.01	37.94	33.84	28.62	20.28

SERIES O	2016	2015	2014	2013	2012
Net Assets (000's) <sup>1</sup>	2,349,443	2,121,758	1,772,466	1,354,474	761,590
Number of units outstanding (000's) <sup>1</sup>	60,004	55,805	51,820	46,848	37,248
Management expense ratio <sup>2</sup>	0.01%	0.02%	0.03%	0.04%	0.05%
Management expense ratio before waivers or absorptions	0.01%	0.02%	0.03%	0.04%	0.05%
Portfolio turnover rate <sup>3</sup>	26.13%	30.28%	22.09%	15.64%	4.01%
Trading expense ratio <sup>4</sup>	0.02%	0.02%	0.02%	0.02%	0.04%
Closing market price or pricing NAV, (if applicable)	39.15	38.02	34.20	28.91	20.45

(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.

### 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.

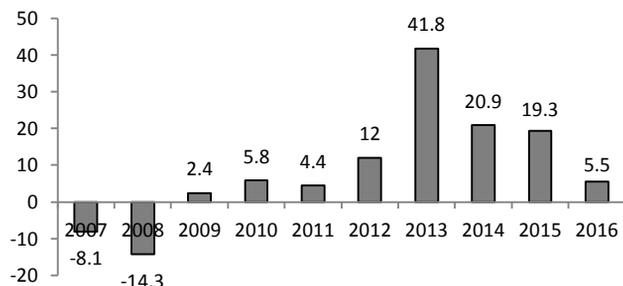
The past performance of the Fund is set out in the following charts.

## Mawer U.S. Equity Fund

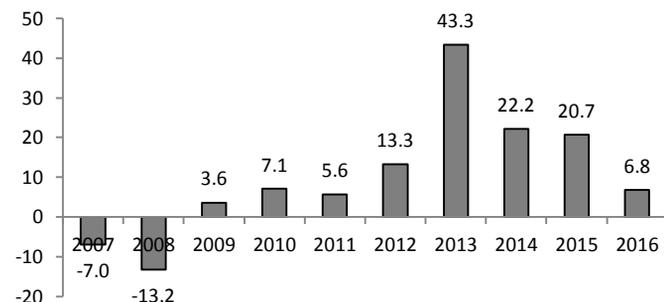
### Year-by-Year Returns

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



### Annual Compound Returns

The following table shows the historical annual compound total return of the Fund for the periods shown ending on December 31, 2016. The annual compound total return is also compared to the S&P 500 Index calculated on the same compound basis. Widely regarded as the standard for measuring large-cap US stock market performance, this index includes a representative sample of established companies in the major economic sectors of the US.

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 (%)	S&P 500 (Cdn\$) (%)
One Year	5.5	6.8	8.1
Three Years	15.0	16.3	17.7
Five Years	19.3	20.6	21.2
Ten Years	8.0	9.2	8.5

### Summary of Investment Portfolio

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

	%
Cash	1.2
<b>Total Cash</b>	<b>1.2</b>
Canada Treasury Bills	0.1
United States Treasury Bills	4.5
<b>Total Short-Term</b>	<b>4.6</b>
<b>U.S. Equities</b>	
Consumer discretionary	15.0
Consumer Staples	2.8
Energy	1.1
Financials	19.8
Health care	16.5
Industrials	10.0
Information technology	21.8
Materials	3.2
Telecommunication services	4.0
<b>Total Equities</b>	<b>94.3</b>
<b>Total Portfolio</b>	<b>100.0</b>

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

Issuer	Percentage of Transactional Net Asset Value
Alphabet Inc.	4.7%
Becton, Dickinson and Company	4.4%
Marsh & McLennan Companies, Inc.	4.0%
Comcast Corporation Cl. A	3.7%
JPMorgan Chase & Co.	3.6%
Verisk Analytics, Inc. Cl. A	3.5%
LKQ Corporation	3.5%
MasterCard Incorporated Cl. A	3.1%
Ansys Inc.	2.8%
Johnson & Johnson	2.6%
Oracle Corporation	2.6%
S&P Global, Inc.	2.6%
CME Group Inc. Cl. A	2.6%
BlackRock, Inc.	2.5%
Wells Fargo & Company	2.4%
Visa Inc. Cl. A	2.4%
Cinemark Holdings, Inc.	2.3%
Intuit Inc.	2.3%
MEDNAX, Inc.	2.3%
AMETEK, Inc.	2.2%
AutoZone, Inc.	2.1%
United Technologies Corporation	1.8%
Verizon Communications Inc.	1.8%
Allergan PLC	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).