

## **Interim Management Report of Fund Performance**

For the period ended June 30, 2017

This interim management report of fund performance contains financial highlights but does not contain either interim or annual financial statements of the investment fund. You may obtain a copy of the interim or annual financial statements at no cost, by calling 1-888-889-6248, 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 Canadian Bond Fund (the "Fund") is to invest for interest income and capital returns primarily from bonds and debentures of Canadian government and corporate issuers. The Fund is primarily invested in a diversified portfolio of high-quality Canadian government and corporate bonds. The Manager focuses on security, sector, credit and curve analysis in making investment decisions. Investment considerations may include interest rates, yield spreads, exchange rates, structures, credit spread and fundamental analysis of sovereign, government, corporate and structured finance issuers. For consistency of style, risk and return, only Canadian dollar securities are held with a minimum of 30% in Federal securities and a minimum average portfolio credit rating of AA or higher are maintained. To limit the risk associated with unexpected movements in interest rates, the duration of the portfolio is limited to within 0.5 years of our benchmark, the FTSE TMX Canada Universe Bond Index.

### **Risk**

The risks of investing in the Fund remain as discussed in the Prospectus. The Fund is suitable for investors seeking income returns with low to medium risk. The major risks for the Fund are interest rate risk and credit risk. To reduce interest rate risk we constrain the duration of the portfolio within narrow limits versus our benchmark. To reduce credit risk in the portfolio, we hold only investment grade securities and diversify our corporate holdings by issuer and sector. We perform in-depth credit analysis and place a 5% limit on individual corporate issuer exposure.

During the calendar year, we maintained an average term in the portfolio that was shorter than that of the benchmark. We maintained an overweight position relative to the benchmark in investment grade corporate bonds and continued to favor higher quality holdings in our corporate bond allocation.

## **Results of Operations**

The Fund's net assets increased by 11.45% to \$2,143.3 million at the end of June 2017, up from \$1,923.1 million at the end of 2016. Of this change, \$40.1 million was attributable to positive investment performance and \$207.1 million was due to net contributions into the Fund.

In the first half of 2017, the Fund's Series A units posted a positive return of 1.7% versus 2.4% for the FTSE TMX Canada Universe Bond Index over the same period. Unlike the index, the Fund's return is net of fees and expenses paid by the Fund.

Over the period the Canadian sovereign yield curve shifted higher in maturities out to and including ten years, while shifting marginally lower in maturities longer than ten years.

Government bonds provided the largest contribution to the Fund's performance with a total return of 2.00% through the first half of the year. All provinces posted positive returns with Quebec and Ontario leading the way. Additionally, Government of Canada bonds were particularly beneficial given their overall long duration and weight.

Corporate bonds also contributed positively to the Fund's performance, but to a lesser extent, with a total return of 2.43%. All Corporate sectors, with the exception of Securitization, posted positive returns, with holdings in Infrastructure, Financials and Energy leading the way. Within Infrastructure, the Fund's Transportation issuers posted strong positive returns as they benefitted from their long duration positioning as long-term yields came down. Both Bank and Insurance issuers contributed to the Fund's performance in Financials. In Energy, CU Inc. bonds were the primary within the sector.

The relative performance of the Fund versus the index is typically affected by three management strategies: the curve effect, which is impacted by relative duration and yield curve positioning decisions, sector allocation, and security selection.

From a relative perspective, the Fund underperformed the FTSE in the first half of 2017 mainly due to security selection in Provincial bonds and, to a lesser degree, Infrastructure bonds. While the Fund's holdings in both of these sectors posted positive returns, they underperformed their respective sectors in the FTSE. Yield curve positioning further weighed on relative performance as a result of the Fund's overweight exposure to mid-term securities, which were most significantly impacted by the yield curve movement.

### **Recent Developments**

In Canada, the central bank maintained its target for the overnight rate at 0.5% over the period. In June, comments released by the Bank of Canada, cited an improving economy across all sectors and seemingly downplayed concerns regarding the housing market. Additional comments from Bank of Canada Governor, Stephen Poloz, later in the month alluded to the possibility of a July interest rate hike. In both cases, following these comments, Canadian yields increased and the Canadian

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dollar appreciated against a number of major global currencies including both the US dollar and the Japanese Yen.

Outside of Canada, central banks also made decisions that impacted the Canadian fixed income market. In the U.S., the Federal Reserve announced a twenty five basis point rate hike, bringing the benchmark rate in the U.S. to 1 – 1.25%. The Fed also provided more details on unwinding their \$4.5 trillion USD balance sheet. Both of these moves amount to monetary tightening. Overseas, the European Central Bank (ECB) began tapering their monthly bond purchasing program on April 1st from €80 billion to €60 billion per month. Additionally, comments from Mario Draghi, President of the European Central Bank, in late June held a positive view on the recovery and strengthening of the Euro Area. The comments seemed to indicate that quantitative easing in the Euro area may be further reduced or reversed at some point. Following these comments, yields in the Eurozone increased and the Euro surged.

We continue to favor high quality and defensive holdings within the corporate allocation and continue to focus our efforts on the investment grade market. As in prior quarters, we plan to add selectively to the corporate exposure by diversifying the number of issuers further based on our internal credit analysis. The duration of the portfolio is positioned to be neutral in terms of the overall length versus the benchmark. We continue to actively trade across the Federal, Provincial and Corporate sectors of the portfolio when we identify opportunities to add value.

### 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 June 30, 2017 the Fund owes Mawer \$5,596 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 six-month period ended June 30, and for each of the past five years ended December 31 as applicable. This information is derived from the Fund’s unaudited interim financial statements and 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	2017	2016	2015	2014	2013	2012
Net Assets, beginning of period	12.91	13.12	13.04	12.36	12.89	12.93
<b>Increase (decrease) from operations:</b>						
Total revenue	0.16	0.34	0.36	0.37	0.35	0.39
Total expenses	(0.04)	(0.09)	(0.10)	(0.10)	(0.11)	(0.13)
Realized gains (losses) for the period	-	0.09	0.08	0.03	0.02	0.30
Unrealized gains (losses) for the period	0.10	(0.27)	0.03	0.65	(0.55)	(0.12)
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>0.22</b>	<b>0.07</b>	<b>0.37</b>	<b>0.95</b>	<b>(0.29)</b>	<b>0.44</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.13)	(0.25)	(0.27)	(0.27)	(0.24)	(0.27)
From dividends	-	-	-	-	-	-
From capital gains	-	(0.09)	(0.05)	(0.01)	(0.01)	(0.22)
Return of capital	-	-	-	-	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(0.13)</b>	<b>(0.34)</b>	<b>(0.32)</b>	<b>(0.28)</b>	<b>(0.25)</b>	<b>(0.49)</b>
<b>Net Assets, end of period</b>	<b>13.01</b>	<b>12.91</b>	<b>13.12</b>	<b>13.04</b>	<b>12.36</b>	<b>12.89</b>

SERIES O	2017	2016	2015	2014	2013	2012
Net Assets, beginning of period	12.14	12.33	12.26	11.62	12.12	12.16
<b>Increase (decrease) from operations:</b>						
Total revenue	0.15	0.32	0.33	0.34	0.33	0.36
Total expenses	-	-	-	-	-	-
Realized gains (losses) for the period	-	0.09	0.07	0.03	-	0.28
Unrealized gains (losses) for the period	0.09	(0.23)	0.02	0.60	(0.50)	(0.10)
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>0.24</b>	<b>0.18</b>	<b>0.42</b>	<b>0.97</b>	<b>(0.17)</b>	<b>0.54</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.17)	(0.32)	(0.33)	(0.34)	(0.32)	(0.36)
From dividends	-	-	-	-	-	-
From capital gains	-	(0.08)	(0.06)	(0.01)	(0.01)	(0.21)
Return of capital	-	-	-	-	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(0.17)</b>	<b>(0.40)</b>	<b>(0.39)</b>	<b>(0.35)</b>	<b>(0.33)</b>	<b>(0.57)</b>
<b>Net Assets, end of period</b>	<b>12.23</b>	<b>12.14</b>	<b>12.33</b>	<b>12.26</b>	<b>11.62</b>	<b>12.12</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 period (June 30<sup>th</sup>).

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

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### Ratios and Supplemental Data

SERIES A	2017	2016	2015	2014	2013	2012
Net Assets (000's) <sup>1</sup>	131,608	128,972	109,854	91,833	81,192	92,035
Number of units outstanding (000's) <sup>1</sup>	10,120	9,990	8,373	7,043	6,572	7,140
Management expense ratio <sup>2</sup>	0.69%	0.69%	0.74%	0.73%	0.84%	0.94%
Management expense ratio before waivers or absorptions	0.69%	0.69%	0.74%	0.73%	0.84%	0.94%
Portfolio turnover rate <sup>3</sup>	10.53%	44.10%	29.17%	38.71%	59.10%	71.84%
Trading expense ratio <sup>4</sup>	-	-	-	-	-	-
Closing market price or pricing NAV, (if applicable)	13.01	12.91	13.12	13.04	12.36	12.89

SERIES O	2017	2016	2015	2014	2013	2012
Net Assets (000's) <sup>1</sup>	2,011,646	1,794,145	1,504,061	1,147,391	790,424	556,145
Number of units outstanding (000's) <sup>1</sup>	164,544	147,814	121,965	93,583	68,032	45,880
Management expense ratio <sup>2</sup>	0.02%	0.01%	0.02%	0.03%	0.04%	0.04%
Management expense ratio before waivers or absorptions	0.02%	0.01%	0.02%	0.03%	0.04%	0.04%
Portfolio turnover rate <sup>3</sup>	10.53%	44.10%	29.17%	38.71%	59.10%	71.84%
Trading expense ratio <sup>4</sup>	-	-	-	-	-	-
Closing market price or pricing NAV, (if applicable)	12.23	12.14	12.33	12.26	11.62	12.12

(1) This information is for the period ended June 30, 2017 and December 31 of any other period(s) shown.

(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 period. 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 advisor 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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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 period.

### 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.

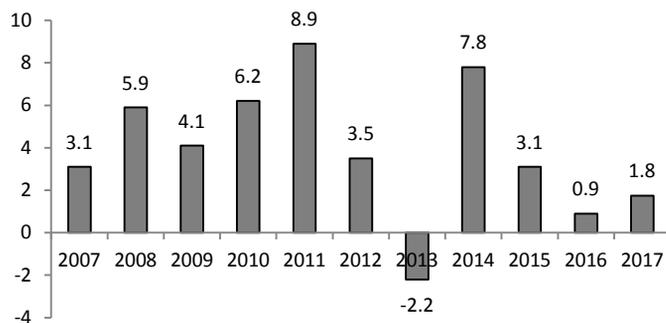
The Fund's performance numbers assume that all distributions are reinvested in additional units of the Fund. If you hold this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested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

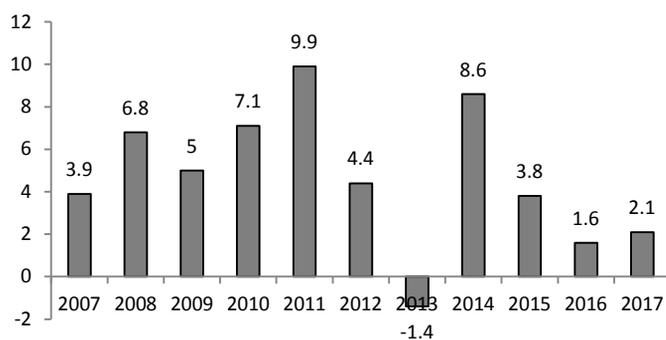
### Year-by-Year Returns

The bar charts show the Fund's annual performance in each of the past 10 years to June 30, 2017. 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 O start date was July 6, 2006.

#### Series A



#### Series O



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(1) This information is for the period ended June 30, 2017 and December 31 of any other period(s) shown.

### Annual Compound Returns

The following table shows the historical annual compound total return of units of the Fund for the periods shown ending on June 30, 2017. The annual compound total return is also compared to the FTSE TMX Canada Universe 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 (%)	FTSE Index (%)
One Year	-1.2	-0.6	0.0
Three Years	3.0	3.7	3.8
Five Years	2.5	3.3	3.3
Ten Years	4.4	5.2	5.1

The FTSE TMX Canada Universe Bond Index is designed to be a broad measure of the performance of the Canadian investment-grade fixed income market, covering bonds with term to maturity of more than one year. Its history dates from December 1979. The FTSE TMX Canada Universe Bond Index contains approximately 1,300 marketable Canadian bonds. The average term is 10.00 years and the average duration is 7.39 years as of June 30, 2017. The purpose of this index is to reflect performance of the broad Canadian bond market in a manner similar to the way the S&P/TSX Composite Index represents the Canadian equity market.

### Summary of Investment Portfolio

A summary of the Fund as at June 30, 2017 is as follows:

	%
Cash	0.0
<b>Total cash</b>	<b>0.0</b>
Treasury bills	1.0
<b>Total Short term</b>	<b>1.0</b>
<b>Fixed Income</b>	
Federal	33.7
Provincial	26.6
Corporate	38.7
<b>Total Fixed Income</b>	<b>99.0</b>
<b>Total Portfolio</b>	<b>100.0</b>

Totals may not add to 100% due to rounding.

The following table lists the holdings of the Fund as at June 30, 2017.

Issuer	Percentage of Transactional Net Asset Value
Government of Canada 1.00% Jun 01/27	5.8%
Canada Housing Trust No. 1 1.08% Sep 15/21	4.8%
Province of Quebec 3.00% Sep 01/23	4.3%
Government of Canada 3.50% Dec 01/45	3.9%
Government of Canada 1.50% Jun 01/23	3.9%
Government of Canada 4.00% Jun 01/41	3.8%
Province of Ontario 4.65% Jun 02/41	3.0%
Canada Housing Trust No. 1 2.55% Mar 15/25	2.9%
Province of British Columbia 3.30% Dec 18/23	2.6%
Province of British Columbia 2.85% Jun 18/25	2.4%
Province of Quebec 3.50% Dec 01/45	2.4%
Government of Canada 2.75% Jun 01/22	2.3%
Province of Alberta 2.55% Dec 15/22	2.0%
Province of Ontario 2.85% Jun 02/23	2.0%
The Toronto-Dominion Bank 2.62% Dec 22/21	1.8%
Province of Ontario 3.50% Jun 02/24	1.6%
Province of Ontario 2.60% Jun 02/25	1.6%
Province of Ontario 1.95% Jan 27/23	1.6%
Canada Housing Trust No. 1 1.07% Mar 15/22	1.5%
Royal Bank of Canada 2.86% Mar 04/21	1.2%
PSP Capital Inc. 2.09% Nov 22/23	1.2%
Province of Alberta 2.35% Jun 01/25	1.2%
The Manufacturers Life Insurance Company 2.64% Jan 15/25	1.2%
Royal Bank of Canada 1.59% Mar 23/20	1.2%
Hydro One Inc. 2.77% Feb 24/26	1.1%

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 1-888-889-6248 or by e-mail at [info@mawer.com](mailto:info@mawer.com).