

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

*For the Year Ended December 31, 2017*

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 decreased by 11.2% to \$244.7 million from \$275.5 million at the end of 2016. Of this change, \$0.4 million was attributable to positive investment performance and -\$31.2 million was due to net redemptions to the Fund.

For the twelve-month period ending December 31, 2017, the Mawer Global Bond Fund's (the "Fund") Series A units posted a return of -1.08% compared to 0.43% 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 Fund's negative absolute total return was driven primarily by its exposure to the U.S dollar. Despite the Fund's US denominated security holdings recording a positive local return of 2.62%, a 6.57% depreciation of the US dollar against the Canadian dollar weighed heavily on the performance. The Fund's Japanese Yen position detracted from performance as the Japanese Yen depreciated by 3.26% against the Canadian dollar. The Fund benefitted from its exposure to the Euro as the Euro appreciated by 6.37% against the Canadian dollar.

## Mawer Global Bond Fund

From a relative perspective, the Fund underperformed the WGBI by 1.51% over the last twelve months. The main driver of underperformance was currency exposure where the highlight was a lower relative weight in the Euro. In local currency terms the Fund benefitted, but to a lesser degree, by holding a relatively shorter duration and lower weight in Europe as government bond yields shifted higher in the Eurozone.

### Recent Developments

Markets continued their yearlong upward trajectory in the final quarter. Synchronized growth in advanced economies and tepid inflation environment contributed to another year of mostly stellar performance in global asset markets. Despite steps that central banks continue to take to gradually tighten monetary policy, as well as risks in the system, volatility was low overall.

Central bankers in many advanced economies managed to prepare investors for a tightening path. In October, the ECB extended its asset purchase programme until September 2018 but halved its monetary purchases. In November, after ten years of the same rate, the Bank of England raised its policy rate by 25 basis points to 0.50%. The Federal Reserve increased its benchmark rate from 1.25% to 1.50% in December as widely anticipated. Meanwhile, the Bank of Canada maintained the benchmark rate at 1.00%, having already hiked interest rates twice in 2017. Japan is one of the few advanced economies not on some sort of tightening path. The Mexican Peso and government bond market weakened due to uncertainty surrounding NAFTA negotiations, upcoming Federal election and increasing inflation mainly due to currency volatility and the removal of the gasoline subsidy by the government.

Sovereign yield curves in both Canada and the U.S. flattened through the quarter, which may limit the ability for policymakers to continue hiking rates next year. Without greater inflation or growth expectations, long-term yields are unlikely to move significantly higher, which may put market expectations in conflict with policymaker plans. Preferred inflation measures in both countries have remained persistently below the target of 2%.

Red flags emerged within China's financial system. Credit growth has supported overall economic growth in China over the last few years, as the growth burden has shifted somewhat from China's export market to domestic markets. But concerns have mounted over the quality of credit to local governments and large corporations, especially in industrial sectors that have been burdened by overcapacity, as well as property markets. Chinese leaders were more vocal this quarter in naming financial stability and debt as areas they will seek to control in 2018.

A new tax bill made its way through U.S. Congress. The legislation, which will bring the corporate tax rate to 21%, will represent the first major legislative victory for President Trump. Investors expected some sort of tax bill since early in the year.

UK Prime Minister Theresa May was able to break some ground in Brexit negotiations, which offered some hope to those in the "soft" Brexit camp. Having agreed to payments in the divorce bill, stalled negotiations were able to proceed. Discussions around Ireland also moved negotiations along. However, the Prime Minister suffered a defeat when the UK parliament passed a law that guarantees Parliament will get a "meaningful vote" on the final Brexit deal at the end of negotiations in 2019.

Global oil prices rose, with WTI trading near \$60 and Brent surpassing that level. While the recovered oil price was good news for OPEC, the IEA estimated that U.S. shale producers are staging a comeback.

### 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, 2017 the Fund owes Mawer \$3,226 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 since its inception. 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	2017	2016	2015
Net Assets, beginning of period	10.23	10.84	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	0.20	0.12
Total expenses	(0.10)	(0.08)	(0.05)
Realized gains (losses) for the period	(0.12)	(0.04)	(0.01)
Unrealized gains (losses) for the period	(0.05)	(0.74)	0.66
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>(0.11)</b>	<b>(0.66)</b>	<b>0.72</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.08)	(0.11)	(0.06)
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	-	-

## Mawer Global Bond Fund

SERIES A	2017	2016	2015
Total Distributions <sup>2</sup>	(0.08)	(0.11)	(0.06)
Net Assets, end of year	10.03	10.23	10.84

SERIES O	2017	2016	2015
Net Assets, beginning of period	10.23	10.85	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	0.20	0.13
Total expenses	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	(0.14)	(0.07)	(0.02)
Unrealized gains (losses) for the period	0.01	(0.61)	0.72
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>0.02</b>	<b>(0.49)</b>	<b>0.82</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.14)	(0.18)	(0.08)
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(0.14)</b>	<b>(0.18)</b>	<b>(0.08)</b>
<b>Net Assets, end of year</b>	<b>10.04</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	2017	2016	2015
Net Assets (000's) <sup>1</sup>	11,256	12,002	8,511
Number of units outstanding (000's) <sup>1</sup>	1,122	1,174	785
Management expense ratio <sup>2</sup>	0.75%	0.75%	0.75%
Management expense ratio before waivers or absorptions	0.83%	0.85%	0.81%
Portfolio turnover rate <sup>3</sup>	26.89%	63.49%	20.66%
Trading expense ratio <sup>4</sup>	-	-	-
Closing market price or pricing NAV, (if applicable)	10.03	10.23	10.84

SERIES O	2017	2016	2015
Net Assets (000's) <sup>1</sup>	233,411	263,456	126,682
Number of units outstanding (000's) <sup>1</sup>	23,243	25,749	11,679
Management expense ratio <sup>2</sup>	0.05%	0.07%	0.10%
Management expense ratio before waivers or absorptions	0.05%	0.07%	0.11%
Portfolio turnover rate <sup>3</sup>	26.89%	63.49%	20.66%
Trading expense ratio <sup>4</sup>	-	-	-
Closing market price or pricing NAV, (if applicable)	10.04	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.

### Past Performance

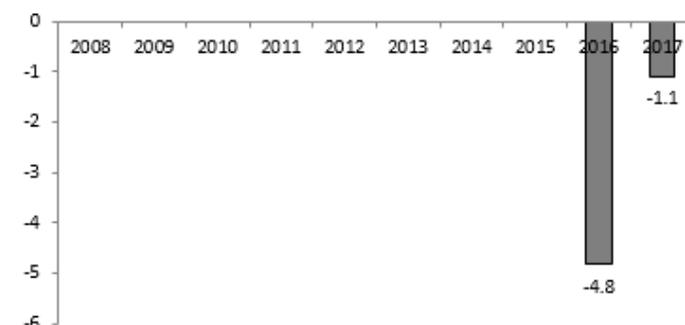
Sales commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the Prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all 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

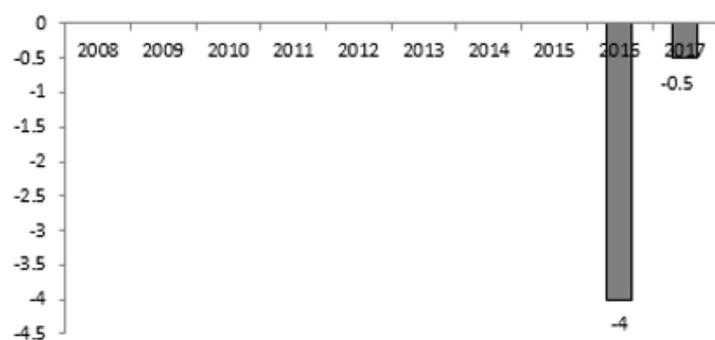
The bar charts show the Fund's annual performance in each of the past 10 years to December 31, 2017. The charts show in percentage terms how an investment made on January 1 would have increased or decreased by December 31 of the fiscal year. The fund's inception date was June 15, 2015.

#### Series A



## Mawer Global Bond Fund

### Series O



### 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, 2017. 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	-1.1	-0.5	0.4
Since Inception	0.9	1.5	3.9

\* Series A and Series O start date was June 15, 2015.

### Summary of Investment Portfolio

A summary of the Fund as at December 31, 2017 is as follows:

	%
Cash	28.1
<b>Total cash</b>	<b>28.1</b>
Treasury bills	2.1
<b>Total Short term</b>	<b>2.1</b>
<b>Fixed Income</b>	
Asia	2.0
Europe	10.7
North America	46.7
South Pacific	2.2
Supranational	8.2
<b>Total Fixed Income</b>	<b>69.8</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, 2017.

Issuer	Percentage of Transactional Net Asset Value
United States Treasury Bond 2.13% May 15/25	6.8%
United States Treasury Note 2.75% Nov 15/23	6.4%
United States Treasury Note 1.75% May 15/22	5.2%
Province of Ontario 1.88% May 21/24	4.6%
European Investment Bank 1.38% Sep 15/21	4.6%
Province of Quebec 2.50% Apr 20/26	4.4%
United States Treasury Note 1.50% Mar 31/19	4.4%
United Kingdom Treasury 0.50% Jul 22/22	3.6%
United Kingdom Treasury 1.50% Jul 22/26	3.3%
United States Treasury Note 1.38% Mar 31/20	3.1%
United States Treasury Bond 2.50% Feb 15/46	3.0%
Province of Quebec 2.25% Jul 17/23	2.3%
United Mexican States 6.50% Jun 09/22	1.8%
International Bank for Reconstruction & Development 0.13% Oct 23/20	1.5%
Kingdom of Norway 1.75% Mar 13/25	1.4%
European Investment Bank 3.50% Jan 14/21	1.4%
Republic of Singapore 2.75% Jul 01/23	1.3%
Kingdom of Sweden 1.50% Nov 13/23	1.3%
Province of Ontario 4.00% Dec 03/19	1.3%
United States Treasury Note 0.75% Apr 15/18	1.2%
Province of Quebec 5.00% Apr 29/19	1.1%
Government of New Zealand 2.75% Apr 15/25	1.0%
Kingdom of Norway 2.00% May 24/23	1.0%
Government of Australia 2.75% Apr 21/24	1.0%
Province of Ontario 2.50% Sep 10/21	0.9%

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).