

## **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 objective of the Mawer New Canada Fund (the "Fund") is to invest for above average long-term returns in securities of smaller Canadian companies. 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**

The risks of investing in the Fund remain as discussed in the Prospectus. The Manager has not changed the overall risk exposure of this Fund in the last twelve months. The major risks for the Fund are stock market risk, specific issuer risk, and liquidity risk. In general, this Fund is suitable for investors seeking long-term above-average growth who can tolerate significant volatility. Although the Manager does take measures to mitigate and manage risk, this Fund should be considered a higher risk fund due to its focus on a higher-risk asset class.

### **Results of Operations**

The Fund's net assets increased 2.3% to \$1,255.6 million from \$1,227.8 million at the end of 2016. Of this change, \$59.9 million was attributable to positive investment performance and -\$32.1 million was due to net redemptions from the Fund.

The relative performance of the Fund's equity holdings versus the New Canada Fund Benchmark can be attributed to (i) sector allocation, and (ii) security selection. A residual (or unallocated performance contribution) may occur as a result of cash flow and timing issues.

Overall, the Fund's outperformance relative to its benchmark over the period was primarily due to favourable sector allocation and, most notably, to the portfolio's significant underweight to the Energy sector as well as being overweight in the market's three best performing sectors: Information Technology, Real

Estate, and Industrials. The impact on the Fund's relative performance from sector allocation was mostly positive; in fact, only the Fund's underweight to the strong performing materials sector had an adverse effect. The Fund detracted value in security selection within the Fund's holdings in Financials, Materials and Health Care, partially offset by positive security selection within Energy, Real Estate and Consumer Discretionary.

Within the Materials sector, we held no positions in the strong-performing Metals and Mining industry, which represents a large portion of the benchmark. Within Health Care, our position in CRH Medical Corporation declined by half. The company is acquiring anaesthesia practices focused on servicing gastrointestinal physicians, and its revenue prospects dimmed after the Center for Medicare and Medicaid Services in the U.S. released a new fee schedule that dropped CRH's reimbursement fees. Within the Financials sector, there was a well-publicized example of weak stock selection. Home Capital Group Inc.'s stock declined dramatically in late April due to a combination of regulatory enforcement, management changes, and, most crucially, acute funding risk. We sold our holdings when those funding risks became apparent as we ultimately lost confidence in the viability of the company's business model, but not without suffering a meaningful drawdown in our position. While we are disappointed with the outcome of our investment, a well-diversified portfolio provided ballast to the large drop in Home Capital's stock price.

On a positive note, eight out of nine of the Fund's Energy holdings beat their market peers. Within Consumer Discretionary sector, the Fund benefitted from not holding Aimia Inc., which declined by over half in the period. Within the Real Estate sector, five of the Fund's six holdings outperformed the sector, benefitting especially from the holdings in Colliers International Group Inc. and Altus Group Limited.

The Fund's largest weighted sectors at the end of the period were the Industrials, Information Technology, and Energy sectors. In the TSX Small Cap Index, the Materials, Energy, and Industrials sectors, respectively, carried the largest weights. Overall, the Fund had exposure to ten of the eleven GICS sectors with no exposure to the Telecom Services sector.

Additions to the portfolio over the past twelve months were:

- 1Q: AcuityAds Holdings Inc.
- 2Q: Firan Technology Group Corp., Tecsys Inc., Jamieson Inc.
- 3Q: Cogeco Inc, People Corp., Richards Packaging Income Fund.
- 4Q: None.

Deletions from the portfolio over the past twelve months were:

- 1Q: Computer Modelling Group Ltd., DirectCash Payments Inc.
- 2Q: Home Capital Group Inc., Innergex Renewable Energy Inc., New Look Vision Group Inc.
- 3Q: None.

## Mawer New Canada Fund

4Q: AcuityAds Holdings Inc., Newalta Corporation.

### Recent Developments

2017 was a strong year for equity markets globally. Fundamentals across the world were generally healthy, synchronized, and backed by positive sentiment. Among developed markets, Canadian equities lagged in 2017 and small-cap Canadian stocks did not keep up with their larger-cap peers, though the results were still in positive territory.

Three of the more notable themes that impacted the Canadian small cap market over the course of the year were central bank actions, U.S. economic policy, and the wobble in confidence in Canada's housing market. The Bank of Canada raised its key rate twice during the year, as did several other central banks globally. The fact that central banks began to normalize its monetary policy without causing major economic weakness or asset price volatility was a positive sign. In the US, Donald Trump finished the year with a legislative victory on tax policy, a likely near-term positive for Canadian companies with US operations. However, the direction around NAFTA renegotiations are still unclear and their impact on competitive dynamics are even less well-defined. Finally, the Canadian housing market were impacted by the well-publicized troubles in the spring affecting Home Capital Group Inc. and other mortgage lenders which weighed on the Financials sector for the first half of the year, while a number of government measures were announced in hopes of cooling key housing markets such as Toronto.

Looking ahead, there are many reasons to believe that global growth should continue unabated. However, two potential headwinds in Canada include the unknown impact from tighter mortgage rules and a NAFTA renegotiation. We remain confident in our portfolio of wealth-creating companies and the portfolio's metrics have improved slightly over the past year with respect to both corporate returns and valuations. As a result, we feel the portfolio is well positioned for the medium- to long-term, while acknowledging the often-unpredictable nature of small capitalization stocks over shorter time horizons.

As always, we continue to fortify the portfolio by diversifying across wealth-creating companies, with excellent management teams, trading at what we estimate to be attractive valuations. This, in our view, builds a level of resiliency into the portfolio in the face of many potential future economic scenarios unfolding.

### 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, 2017 the Fund owes Mawer \$15,714 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.

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

SERIES A	2017	2016	2015	2014	2013
Net Assets, beginning of year	74.21	64.50	73.42	69.92	47.98
<b>Increase (decrease) from operations:</b>					
Total revenue	1.53	1.58	1.78	1.68	1.29
Total expenses	(1.00)	(0.96)	(1.09)	(1.13)	(0.83)
Realized gains (losses) for the year	2.34	3.89	10.88	11.00	4.77
Unrealized gains (losses) for the year	(0.17)	7.86	(10.09)	(2.87)	18.31
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>2.70</b>	<b>12.37</b>	<b>1.48</b>	<b>8.68</b>	<b>23.54</b>
<b>Distributions:</b>					
From income (excluding dividends)	-	-	-	(0.58)	(0.38)
From dividends	(0.54)	(0.58)	(0.69)	-	-
From capital gains	-	(2.09)	(9.53)	(4.34)	(1.38)
Return of capital	-	-	-	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(0.54)</b>	<b>(2.67)</b>	<b>(10.22)</b>	<b>(4.92)</b>	<b>(1.76)</b>
<b>Net Assets, end of year</b>	<b>76.54</b>	<b>74.21</b>	<b>64.50</b>	<b>73.42</b>	<b>69.92</b>

SERIES O	2017	2016	2015	2014	2013
Net Assets, beginning of year	76.50	65.40	73.06	69.60	47.77
<b>Increase (decrease) from operations:</b>					
Total revenue	1.59	1.61	1.78	1.67	1.28
Total expenses	(0.01)	(0.01)	(0.03)	(0.07)	(0.04)
Realized gains (losses) for the year	2.39	3.92	10.97	11.19	4.83
Unrealized gains (losses) for the year	0.01	8.06	(10.33)	(2.66)	18.25
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>3.98</b>	<b>13.58</b>	<b>2.39</b>	<b>10.13</b>	<b>24.32</b>
<b>Distributions:</b>					
From income (excluding dividends)	-	-	-	(1.66)	(1.16)
From dividends	(1.56)	(1.61)	(1.71)	-	-
From capital gains	(0.29)	(0.95)	(8.28)	(4.32)	(1.37)
Return of capital	-	-	-	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(1.85)</b>	<b>(2.56)</b>	<b>(9.99)</b>	<b>(5.98)</b>	<b>(2.53)</b>
<b>Net Assets, end of year</b>	<b>78.67</b>	<b>76.50</b>	<b>65.40</b>	<b>73.06</b>	<b>69.60</b>

## Mawer New Canada Fund

- (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	2014	2013
Net Assets (000's) <sup>1</sup>	226,302	236,058	207,201	223,054	211,780
Number of units outstanding (000's) <sup>1</sup>	2,957	3,181	3,212	3,038	3,029
Management expense ratio <sup>2</sup>	1.35%	1.40%	1.45%	1.40%	1.41%
Management expense ratio before waivers or absorptions	1.35%	1.40%	1.45%	1.40%	1.41%
Portfolio turnover rate <sup>3</sup>	21.36%	25.46%	17.97%	15.13%	18.23%
Trading expense ratio <sup>4</sup>	0.04%	0.05%	0.04%	0.05%	0.04%
Closing market price or pricing NAV, (if applicable)	76.54	74.21	64.50	73.42	69.92

SERIES O	2017	2016	2015	2014	2013
Net Assets (000's) <sup>1</sup>	1,029,335	991,719	879,029	932,950	1,014,909
Number of units outstanding (000's) <sup>1</sup>	13,084	12,964	13,440	12,770	14,582
Management expense ratio <sup>2</sup>	0.02%	0.02%	0.03%	0.04%	0.03%
Management expense ratio before waivers or absorptions	0.02%	0.02%	0.03%	0.04%	0.03%
Portfolio turnover rate <sup>3</sup>	21.36%	25.46%	17.97%	15.13%	18.23%
Trading expense ratio <sup>4</sup>	0.04%	0.05%	0.04%	0.05%	0.04%
Closing market price or pricing NAV, (if applicable)	78.67	76.50	65.40	73.06	69.60

- (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.

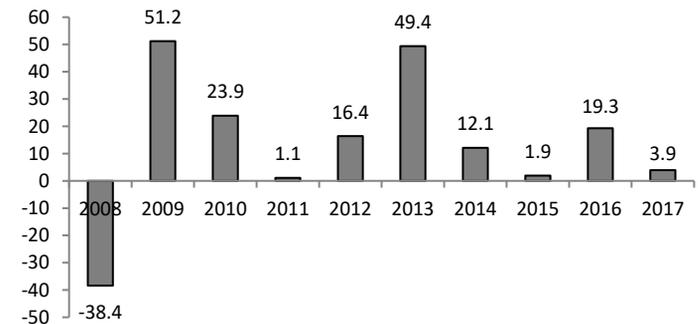
The Fund's performance numbers assume that all distributions are reinvested in additional units of the Fund. If you hold this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested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

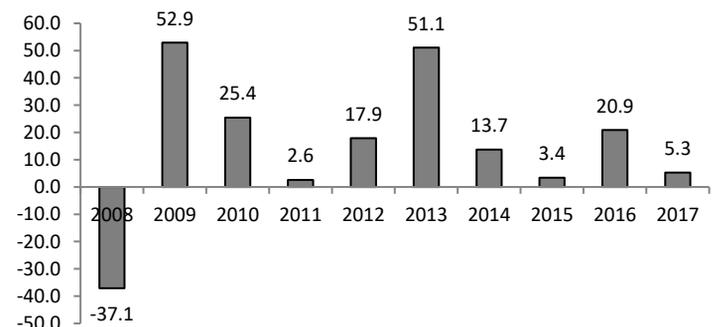
#### Year-by-Year Returns

The bar charts below 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.

Series A



Series O



## Mawer New Canada Fund

### Annual Compound Returns

The following table shows the historical annual compound total return of Fund for the periods shown ending on December 31, 2017. The annual compound total return is benchmarked to the Mawer New Canada Benchmark (NC Benchmark) and calculated on the same compound basis. The NC Benchmark is a composite return stream consisting of the BMO Small Cap Index (Blended, Weighted) from inception to September 30, 2016 and the S&P/TSX Small Cap Index, as of September 30, 2016. 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 (%)	New Canada Benchmark (%)
One Year	3.9	5.3	2.8
Three Years	8.1	9.6	6.3
Five Years	16.2	17.7	5.3
Ten Years	11.1	12.7	3.9

### Summary of Investment Portfolio

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

	%
Cash	0.0
<b>Total Cash</b>	<b>0.0</b>
Treasury bills	1.6
<b>Total Short-Term</b>	<b>1.6</b>
<b>Canadian Equities</b>	
Consumer discretionary	13.3
Consumer Staples	0.6
Energy	13.5
Financials	11.0
Health care	0.8
Industrials	22.3
Information technology	13.9
Materials	11.9
Real Estate	11.0
Utilities	0.1
<b>Total Equities</b>	<b>98.4</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
Altus Group, Ltd.	5.0%
New Flyer Industries Inc.	4.5%
Boyd Group Income Fund	4.4%
Winpak, Ltd.	4.3%
Stella-Jones Inc.	4.2%
Enghouse Systems Limited	4.0%
Morneau Shepell, Inc.	4.0%
CES Energy Solutions Corp.	3.9%
Stantec Inc.	3.9%
Richelieu Hardware, Ltd.	3.5%
Canadian Western Bank	3.5%
Equitable Group Inc.	3.4%
Sleep Country Canada Holdings Inc.	3.0%
MTY Food Group Inc.	3.0%
AltaGas, Ltd.	3.0%
The Descartes Systems Group Inc.	2.8%
Enercare, Inc.	2.8%
Solium Capital Inc.	2.8%
Parkland Fuel Corporation	2.7%
Intertape Polymer Group Inc.	2.3%
Cara Operations Limited, Sub. Voting	2.1%
Mainstreet Equity Corp.	2.0%
Alaris Royalty Corp.	1.5%
Colliers International Group Inc.	1.5%
GDI Integrated Facility Services Inc., Sub. Voting	1.4%

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).