

## **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 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 owns positions in US corporations and is generally fully invested (less than 5% in cash).

The Fund was invested in nine of the eleven Global Industry Classification (GICS) sectors at December 31, 2017. The Fund's largest sector weightings were in Information Technology (25%), Financials (20%), and Consumer Discretionary (15%). Combined, the weight in the three largest sectors represented 60% of the portfolio which is an increase from 58% at the end of 2016. In aggregate, the ten largest individual holdings accounted for 38% of the portfolio which is up from 36% at the end of 2016.

### **Results of Operations**

The Fund's net assets increased 11.9% to \$2,961.4 million from \$2,646.1 million at the end of 2016. Of this change, \$377.1 million

is attributable to investment performance, while -\$61.8 million was due to net redemptions from the Fund.

The Fund returned gained 14.1% in 2017 versus 13.8% for the S&P 500 Index (in Canadian dollar terms). The Fund's return is before management fees.

The Fund's relative return was driven by sector allocation. The Fund benefitted primarily from its underweight exposure to Energy and, to a lesser extent, Consumer Staples, as these sectors were amongst the weakest performing sectors in the S&P. In contrast, security selection was negative over the period, mainly a result of underperformance of the Fund's Consumer Discretionary and Health Care holdings relative to their sector peers in the S&P. To the upside, positive security selection in Financials and Industrials partially offset the negative security selection overall.

The top contributors to the Fund's return over the year were: software company Ansys Inc. up 49.1%, capital markets data and analytics company, S&P Global Inc. up 48.8% and credit card provider Mastercard Inc. up 38.0%. Conversely, the biggest detractors from Fund performance were pharmaceutical company Allergan PLC down 26.3%, automotive retailer Autozone Inc. down 15.8%, and telecommunications company ATN International down 34.5%.

We added twelve new names to the portfolio over the year: Amazon.com Inc., AmerisourceBergen Corp., CSX Corp., Intercontinental Exchange Inc., Interpublic Group of Companies Inc., Paychex Inc., Sherwin-Williams Co., Texas Instruments Inc., West Pharmaceutical Services, Facebook Inc., FactSet Research Systems and International Speedway Corporation. Conversely, six holdings were eliminated from the portfolio: Franklin Resources Inc., QUALCOMM Inc., World Fuel Services Corp, Copart Inc., Mednax Inc., and Sabre Corp.

### **Recent Developments**

In December, the US Federal Reserve increased its benchmark rate from 1.25% to 1.50% as widely anticipated. The US sovereign yield curve flattened through the quarter, which may limit the ability for policymakers to continue hiking rates in 2018. 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. US inflation has remained persistently below target of 2%.

The US tax reform bill made its way through Congress in the fourth quarter. The legislation, which will bring the corporate tax rate down to 21% and allow a onetime repatriation of foreign profits for US companies, will represent the first major legislative victory for President Trump. The tax reform was viewed as largely positive.

As always, we continue to fortify the portfolio by diversifying across wealth generating 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 different scenarios.

## Mawer U.S. Equity Fund

### 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, 2017 the Fund owes Mawer \$38,596 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 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	40.01	37.94	33.84	28.62	20.28
<b>Increase (decrease) from operations:</b>					
Total revenue	0.60	0.59	0.63	0.53	0.49
Total expenses	(0.58)	(0.54)	(0.54)	(0.45)	(0.38)
Realized gains (losses) for the year	1.61	2.22	4.06	2.33	0.82
Unrealized gains (losses) for the year	3.45	(0.01)	2.23	3.64	7.49
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>5.08</b>	<b>2.26</b>	<b>6.38</b>	<b>6.05</b>	<b>8.42</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.05)	(0.02)	(0.12)	(0.10)	(0.14)
From dividends	-	-	-	-	-
From capital gains	-	-	(2.30)	(0.67)	-
Return of capital	-	-	-	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(0.05)</b>	<b>(0.02)</b>	<b>(2.42)</b>	<b>(0.77)</b>	<b>(0.14)</b>
<b>Net Assets, end of year</b>	<b>45.10</b>	<b>40.01</b>	<b>37.94</b>	<b>33.84</b>	<b>28.62</b>

SERIES O	2017	2016	2015	2014	2013
Net Assets, beginning of year	39.15	38.02	34.20	28.91	20.45
<b>Increase (decrease) from operations:</b>					
Total revenue	0.59	0.60	0.65	0.53	0.49
Total expenses	(0.09)	(0.10)	(0.11)	(0.09)	(0.08)
Realized gains (losses) for the year	1.59	2.25	4.12	2.36	0.80
Unrealized gains (losses) for the year	3.52	(0.20)	2.41	3.71	7.63
<b>Total increase (decrease)</b>	<b>5.61</b>	<b>2.55</b>	<b>7.07</b>	<b>6.51</b>	<b>8.84</b>

SERIES O	2017	2016	2015	2014	2013
<b>from operations<sup>1</sup></b>					
<b>Distributions:</b>					
From income (excluding dividends)	(0.53)	(0.45)	(0.54)	(0.44)	(0.38)
From dividends	-	-	-	-	-
From capital gains	-	(1.00)	(2.72)	(0.68)	-
Return of capital	-	-	-	-	-
<b>Total Distributions<sup>2</sup></b>	<b>(0.53)</b>	<b>(1.45)</b>	<b>(3.26)</b>	<b>(1.12)</b>	<b>(0.38)</b>
<b>Net Assets, end of year</b>	<b>44.17</b>	<b>39.15</b>	<b>38.02</b>	<b>34.20</b>	<b>28.91</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	2014	2013
Net Assets (000's) <sup>1</sup>	353,092	296,680	243,107	175,332	125,440
Number of units outstanding (000's) <sup>1</sup>	7,829	7,414	6,407	5,182	4,383
Management expense ratio <sup>2</sup>	1.16%	1.19%	1.18%	1.22%	1.21%
Management expense ratio before waivers or absorptions	1.16%	1.19%	1.18%	1.22%	1.21%
Portfolio turnover rate <sup>3</sup>	15.92%	26.13%	30.28%	22.09%	15.64%
Trading expense ratio <sup>4</sup>	0.01%	0.02%	0.02%	0.02%	0.02%
Closing market price or pricing NAV, (if applicable)	45.10	40.01	37.94	33.84	28.62

SERIES O	2017	2016	2015	2014	2013
Net Assets (000's) <sup>1</sup>	2,608,349	2,349,443	2,121,758	1,772,466	1,354,474
Number of units outstanding (000's) <sup>1</sup>	59,046	60,004	55,805	51,820	46,848
Management expense ratio <sup>2</sup>	0.01%	0.01%	0.02%	0.03%	0.04%
Management expense ratio before waivers or absorptions	0.01%	0.01%	0.02%	0.03%	0.04%
Portfolio turnover rate <sup>3</sup>	15.92%	26.13%	30.28%	22.09%	15.64%
Trading expense ratio <sup>4</sup>	0.01%	0.02%	0.02%	0.02%	0.02%
Closing market price or pricing NAV, (if applicable)	44.17	39.15	38.02	34.20	28.91

## Mawer U.S. Equity Fund

- (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.

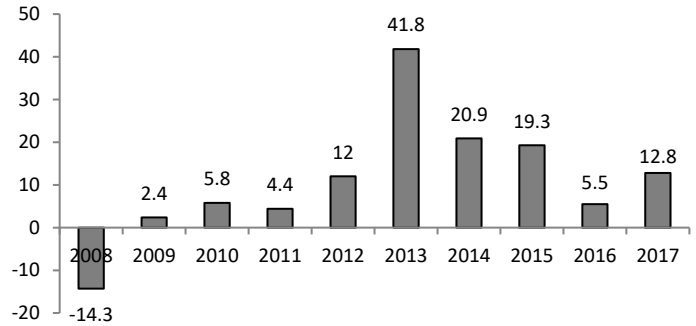
The Fund's performance numbers assume that all distributions are reinvested in additional units of the Fund. If you hold this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested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

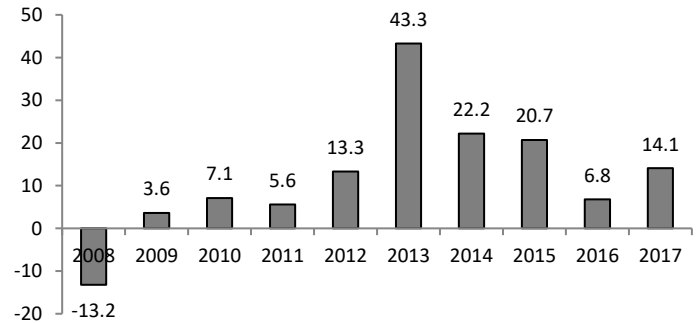
### Year-by-Year Returns

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



### Annual Compound Returns

The following table shows the historical annual compound total return of the Fund for the periods shown ending on December 31, 2017. 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	12.8	14.1	13.8
Three Years	12.4	13.7	14.4
Five Years	19.5	20.8	21.2
Ten Years	10.2	11.5	11.1

## Mawer U.S. Equity Fund

### 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	2.1
<b>Total Short-Term</b>	<b>2.1</b>
<b>U.S. Equities</b>	
Consumer discretionary	15.5
Consumer Staples	2.3
Energy	0.3
Financials	20.3
Health care	15.3
Industrials	12.0
Information technology	25.4
Materials	4.2
Telecommunication services	2.6
<b>Total Equities</b>	<b>97.9</b>
<b>Total Portfolio</b>	<b>100.0</b>

The following table lists the 25 largest holdings of the Fund as at December 31, 2017.

Issuer	Percentage of Transactional Net Asset Value
Alphabet Inc.	5.4%
Becton, Dickinson and Company	4.5%
Marsh & McLennan Companies, Inc.	4.0%
Comcast Corporation Cl. A	4.0%
MasterCard Incorporated Cl. A	3.8%
Verisk Analytics, Inc. Cl. A	3.8%
Ansys Inc.	3.5%
LKQ Corporation	3.4%
Visa Inc. Cl. A	3.1%
JPMorgan Chase & Co.	2.9%
S&P Global, Inc.	2.7%
Wells Fargo & Company	2.7%
CME Group Inc. Cl. A	2.7%
Willis Towers Watson PLC	2.7%
AMETEK, Inc.	2.6%
Oracle Corporation	2.5%
Waters Corporation	2.4%
Intuit Inc.	2.3%
Nike Inc. Cl. B	2.1%
Johnson & Johnson	2.1%
Paychex, Inc.	1.7%
Allergan PLC	1.6%
Gilead Sciences, Inc.	1.5%
United Technologies Corporation	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).