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2017 Annual Management Report
of Fund Performance

Brandes U.S. Small Cap Equity Fund

BRANDES U.S. SMALL CAP EQUITY FUND

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. The annual financial statements are in a separate booklet. You may obtain a copy of the annual financial statements at your request, and at no cost, by calling toll-free 1.888.861.9998, by writing to us at Bridgehouse Asset Managers, 33 Yonge Street, Suite 300, Toronto, ON, M5E 1G4, or by visiting our website: www.bridgehousecanada.com or the SEDAR website: www.sedar.com.

You may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Fund.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

Our objective for this Fund is to grow capital for investors over the long-term by investing in securities of smaller U.S. companies.

The portfolio sub-advisor in respect of this Fund, Brandes Investment Partners, L.P. ("Brandes LP") uses a Graham & Dodd value approach when selecting the actual securities to invest in the Fund. This means that, on behalf of the Fund, they select securities of companies which, in their estimation, have a higher value (intrinsic value) than is currently reflected in the stock market.

Brandes LP's intention is to create a portfolio of undervalued stocks available, in their estimation, diversified in ways described in the prospectus.

Risk

As an investor in this Fund, you should be prepared for short-term performance fluctuations, and be a patient, long-term holder.

There were no significant changes to the level or type of risk you would expect from the Fund over the course of the year. It continues to have a medium to high risk level. Refer to the Fund's simplified prospectus for a complete list of all risks.

Results of Operations from January 1, 2017 to December 31, 2017

Markets & Effect

Despite the strong absolute performance, 2017 overall was a difficult year for value investors on a relative basis, with the MSCI World Value index underperforming the MSCI World Growth Index by more than 1,000 basis points. In the United States, higher-than-expected earnings growth and low volatility propelled the S&P 500 Index to new all-time closing highs. Market returns for the year have been largely driven by growth sectors like technology, which accounted for nearly 40% of the S&P 500 Index returns. Non-U.S. market stocks rebounded well in 2017. Emerging markets advanced strongly, with the MSCI Emerging Markets Index posting a return of 28.3% for the year. Brandes LP believes there is still ample opportunity in the asset class, with valuations remaining attractive relative to developed market equities, especially the United States.

Performance

The Fund's Series A units trailed its benchmark, losing 3.3% versus a gain of 9.1% for the MSCI USA Small Cap Index (the "Index").

The Fund returns are after the deduction of fees and expenses while the benchmark returns do not include any costs of investing. See the "Past Performance" section for the returns of the other series, which may vary because of differences in management fees and expenses or timing of series introduction.

Holdings in household durables contributed to performance during the period. Holdings in electrical equipment detracted from performance for the period.

Asset Mix

Over the recent reporting period, the Fund's asset mix did not change significantly. At December 31, 2017, Canadian equities made up 2.7%, global equities made up 74.6% and approximately 22.7% was in cash and other net assets.

The Fund's most significant industry exposure change was an increase in holdings in oil, gas & consumable fuels to 5.8% from 1.5% at December 31, 2016.

In line with its bottom-up investment philosophy, Brandes LP continues to build the portfolio on a company-by-company basis. Brandes LP only compares the Fund to the Index in the course of ensuring that it remains appropriately diversified. As a result, the Fund's industry weightings were quite different from the Index during the period. For example, at June 30, 2017, the Fund's largest industry exposure was in household durables, which comprised 10.6% of the Fund's portfolio, versus 1.7% for the Index.

Flows & Fees

The Fund's Net Asset Value increased to \$208.5 million at December 31, 2017, from \$121.0 million at December 31, 2016. Of this change, an increase of \$0.5 million was due to positive investment performance (net of investment income), and an increase of \$87.0 million was due to inflows.

For Series A units, the annualized management expense ratio ("MER") at December 31, 2017 is 2.72%, unchanged from December 31, 2016.

Recent Developments

There are no known changes at this time to the strategic positioning of the Fund, the manager, or portfolio sub-advisor.

As noted in the simplified prospectus, this Fund is subject to large transaction risk because it has security holders who individually own more than 10% of the Fund. In order to reduce the impact of this risk to security holders, Bridgehouse asks, but does not require, large investors to provide notice when significant redemptions are being contemplated.

On July 7, 2017, Bridgehouse re-designated current investors in Series K to Series A, Series L to Series A, Series M to Series F and eliminated Series K, Series L and Series M. In anticipation of the Series re-designations, Series K, Series L and Series M were closed to new purchases as of July 4, 2017.

International Financial Reporting Standards

IFRS 9, "Financial Instruments" ("IFRS 9")—The International Accounting Standards Board (IASB) issued IFRS 9 to replace IAS 39, "Financial Instruments—Recognition and Measurement". IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is

held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss.

The new standard is effective for the Fund's for its fiscal year beginning January 1, 2018. On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements."

Related Party Transactions

Manager and Portfolio Advisor

The Fund is managed and advised by Brandes Investment Partners & Co., operating as Bridgehouse Asset Managers ("Bridgehouse") which provides (or arranges for) investment management, distribution, marketing and promotion of the Fund. Bridgehouse receives a monthly management fee based on the daily average net assets of each class of the Fund. In addition, Bridgehouse is entitled to be reimbursed by the Fund for certain operating expenses.

Brandes Investment Partners L.P. ("Brandes LP") continued to be the Manager's portfolio sub-advisor in respect of the Fund. Bridgehouse pays Brandes LP an investment management fee to provide the Fund with investment management services. Bridgehouse and Brandes LP are affiliates.

Forward-Looking Statements

This document may contain forward-looking statements relating to anticipated future events, results, performance, decisions, circumstances, opportunities, risks or other matters. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may", "will", "should", "could", "expect", "anticipate", "intend", "plan", "believe", or "estimate" or other similar expressions. These statements require us to make assumptions and are subject to inherent risks and uncertainties. Our predictions and other forward-looking statements may not prove to be accurate, or a number of factors could cause actual events, results, performance, etc. to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. These factors could include, among others, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic

and business areas in which the Fund may invest, and the risks detailed from time to time in the Fund's simplified prospectus. Forward-looking statements are not guarantees of future performance. For these reasons, it is important that readers do not place undue reliance on our forward-looking statements and should be aware that the Fund may not update any forward-looking statements whether as a result of new information, future events or otherwise.

Benchmark Index

Russell 2000 Index: This index measures the performance of 2000 of the smallest U.S. companies based on total market capitalization.

FINANCIAL HIGHLIGHTS

FOR PERIODS ENDED DECEMBER 31, 2013 TO 2017

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 periods ended December 31 or, if shorter, the period since the inception of the Fund. In the year a fund or Series is established, 'period' represents inception to December 31 of that year. In all other cases, 'period' represents year ended December 31.

The Fund's Net Assets per Unit (\$) (note 1)

		Increase (decrease) from operations						Distributions					Net assets, end of period (\$)
		Net assets, beginning of period (\$)	Total revenue (\$)	Total expenses (\$)	Realized gains (losses) for the period (\$)	Unrealized gains (losses) for the period (\$)	Total increase (decrease) from operations (\$) (note 2)	From net investment income excluding dividends (\$)	From dividends (\$)	From capital gains (\$)	Return of capital (\$)	Total annual distribution (\$) (note 3)	
Series A	2017	19.05	0.29	(0.51)	1.49	(2.01)	(0.74)	-	-	-	-	-	18.43
	2016	15.69	0.21	(0.44)	1.93	1.29	2.99	-	-	-	-	-	19.05
	2015	13.46	0.21	(0.41)	1.66	0.80	2.26	-	-	-	-	-	15.69
	2014	11.40	0.14	(0.33)	2.10	0.04	1.95	-	-	-	-	-	13.46
	2013	8.61	0.33	(0.27)	1.50	1.27	2.83	(0.07)	-	-	-	(0.07)	11.40
Series F	2017	21.46	0.34	(0.34)	1.74	(2.65)	(0.91)	-	-	-	-	-	20.99
	2016	17.48	0.23	(0.30)	3.09	2.14	5.16	-	-	-	-	-	21.46
	2015	14.83	0.26	(0.27)	1.78	0.87	2.64	-	-	-	-	-	17.48
	2014	12.43	0.16	(0.21)	2.23	(0.18)	2.00	-	-	-	-	-	14.83
	2013	9.39	0.39	(0.18)	1.65	1.28	3.14	(0.22)	-	-	-	(0.22)	12.43
Series I	2017	24.49	0.43	-	1.74	(1.95)	0.22	(0.13)	(0.02)	-	-	(0.15)	24.19
	2016	19.78	0.27	-	2.66	2.85	5.78	(0.18)	-	-	-	(0.18)	24.49
	2015	16.53	0.21	-	1.18	0.91	2.30	(0.02)	-	-	-	(0.02)	19.78
	2014	13.62	0.17	-	2.62	0.51	3.30	-	-	-	-	-	16.53
	2013	10.26	0.40	-	1.85	1.54	3.79	(0.41)	-	-	-	(0.41)	13.62

1. The financial information presented in the Net Assets per Unit table is derived from the Fund's audited annual financial statements. The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014. The 2013 numbers have been restated for comparative purposes to comply with IFRS 13, which came into effect January 1, 2014.

2. Net Assets and distributions are per Unit of a series are based on the actual number of units outstanding for that series at the relevant time. The Increase (Decrease) from Operations per Unit of a series is based on the weighted average number of units outstanding for that series during the financial period.

3. Distributions per Unit of a series are based on the number of units outstanding for the series on the record dates for the distributions. Distributions were paid in cash/reinvested in additional units of the Fund or both.

Ratios and Supplemental Data

		Total net asset value (\$000) (note 4)	Number of units outstanding (000) (note 4)	Management expense ratio (MER) (%) (note 5)	MER before waivers or absorption (%) (note 5)	Portfolio turnover rate (%) (note 6)	Trading expense ratio (%) (note 7)	Net asset value per unit (\$)
Series A	2017	8,299	450	2.72	2.77	63.34	0.10	18.43
	2016	12,962	680	2.72	2.86	52.50	0.07	19.05
	2015	9,182	585	2.73	2.96	45.06	0.11	15.69
	2014	8,712	647	2.73	3.19	34.90	0.06	13.46
	2013	9,125	800	2.74	3.17	48.93	0.07	11.40
Series F	2017	6,705	320	1.62	1.63	-	-	20.99
	2016	10,942	510	1.61	1.73	-	-	21.46
	2015	1,961	112	1.62	1.83	-	-	17.48
	2014	1,536	104	1.63	2.07	-	-	14.83
	2013	1,649	133	1.64	2.05	-	-	12.43
Series I	2017	193,449	7,996	0.00	0.00	-	-	24.19
	2016	93,898	3,834	0.00	0.00	-	-	24.49
	2015	41,415	2,094	0.00	0.00	-	-	19.78
	2014	1,900	115	0.00	0.00	-	-	16.53
	2013	1,553	114	0.00	0.00	-	-	13.62

- The financial information presented in the Ratios and Supplemental Data table is derived from the Fund's Net Asset Value and is provided as at December 31 of the previous years shown.
- The management expense ratio ("MER") is calculated as the total management fees and operating expenses paid by each series of the Fund, including GST/HST and interest and excluding commissions and other portfolio transaction costs, and is expressed as a percentage of the average daily Net Asset Value of each series of the Fund on an annualized basis. Any management fee distributions paid by a series of the fund that effectively reduced management fees payable by some unitholders are not deducted from expenses to determine the overall MER of that series. The Manager, at its sole discretion, waives management fees or absorbs expenses. Such waivers and absorptions can be terminated at any time. The MERs of the Fund are shown both with and without the waiver and absorptions.
- Portfolio turnover rate is calculated at the Fund level based on the lesser of purchases or proceeds of sales of securities for the period, excluding cash, short term notes and bonds having maturity dates at acquisition of one year or less, divided by the average value of the portfolio securities for the period. 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 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.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value of the Fund. The trading expense ratio is calculated at the Fund level and applies to all series of the Fund.

MANAGEMENT FEES

Bridgehouse Asset Managers, the Manager, provides or arranges for investment management, distribution, marketing and promotion of the Fund. In consideration for the services provided, Bridgehouse Asset Managers receives a monthly management fee based on the daily average Net Asset Value of Series A and Series F. Management fees for Series I are negotiated and paid directly by the unitholders of Series I, not by the Fund.

For the year ended December 31, 2017, the Fund paid Bridgehouse Asset Managers management fees of \$433,854. Bridgehouse uses these management fees to pay for commission payments to registered brokers and dealers and general investment management expenses. The breakdown (commission payments / investment management, administration and other) as a proportion of the management fee for each Series are:

- Series A (45% / 55%)
- Series F (0% / 100%)
- Series I (0% / 100%)

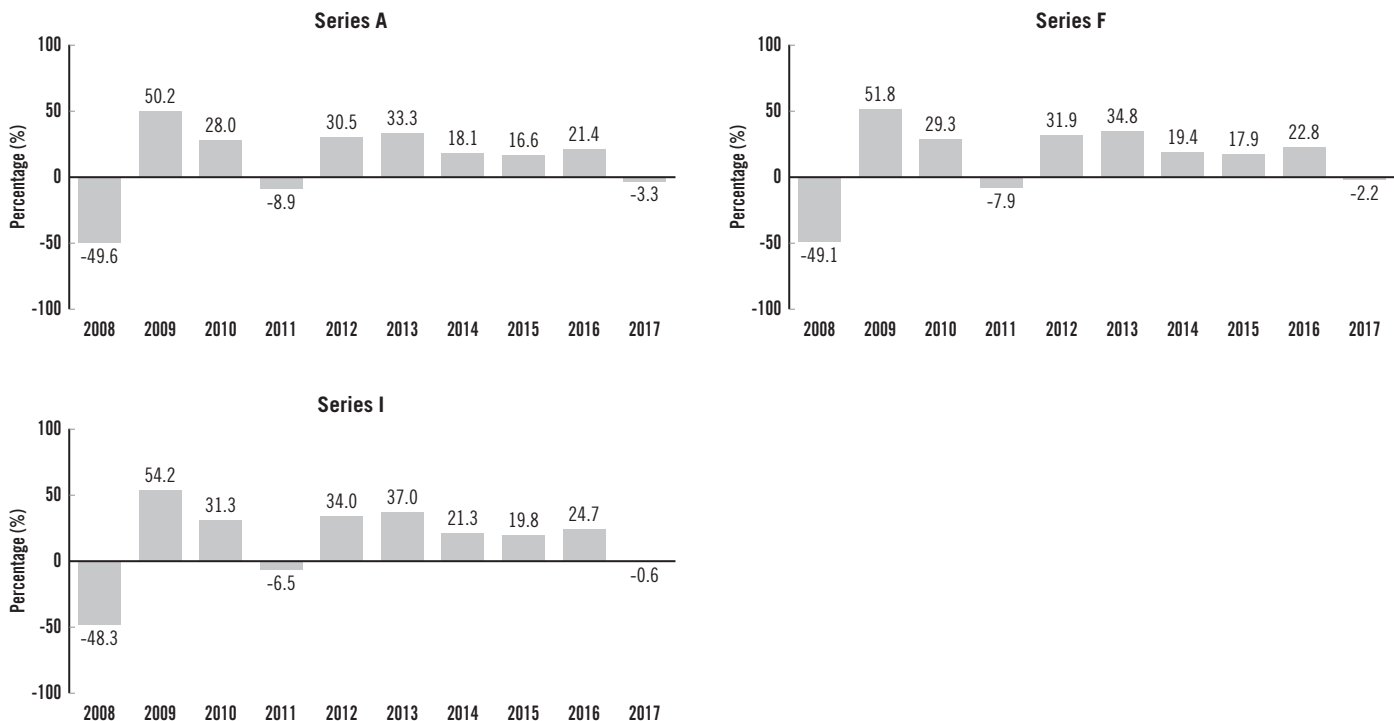
Commission payments represent cash commissions paid by Bridgehouse Asset Managers to registered brokers and dealers during the period and includes upfront deferred sales charge and trailing commissions. This amount may, in certain circumstances, exceed 100% of the fees earned by the Bridgehouse Asset Managers during the period. For new Funds or Series the amount presented may not be indicative of longer term operating periods.

PAST PERFORMANCE

This section shows the historical performance for each series of the Fund for the periods ended December 31. Historical performance is based on the change in Net Asset Value per unit, assuming reinvestment of all distributions. Management fees and operating expenses have been taken into account before calculating performance, except in the case of Series I units where the management fee is calculated outside of the Fund. Historical performance does not take into account the potential impact on returns of purchases, redemptions, distribution fees or other optional charges or income taxes payable by an investor. Keep in mind that past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns (%)

The bar chart shows the Fund's annual performance for each of the years shown. The bar chart shows how the performance of each series of the Fund has changed from year to year. It illustrates in percentage terms how much an investment in each series of the Fund made on January 1 of each year, or on the inception dates, would have grown or decreased by the last day of each financial year.



Annual Compound Returns (%)

The table shows the historical annual compound total return for each series of the Fund as compared to the benchmarks listed below. The returns are for periods ended December 31, 2017. For a discussion of the relative performance of the Fund as compared to the index, please refer to the “Results of Operations” section in the “Management Discussion of Fund Performance”.

	1 year	3 years	5 years	10 years	Since Inception
Series A	(3.28)	11.03	16.58	9.51	4.29
Series F	(2.21)	12.26	17.88	10.70	5.41
Series I	(0.62)	14.09	19.80	12.47	7.12
Russell 2000 Index ¹	6.70	12.42	19.02	10.88	7.96

¹“Since inception” corresponds to inception date for Series A, F, and I of July 2, 2002

SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2017

Top 25 Positions

The portfolio does not contain any short positions. The investment portfolio may change due to ongoing portfolio transactions of the investment fund. An updated listing is available on a quarterly basis.

Security	Fund (%)
1. Cash & Cash Equivalent	22.1
2. Edgewell Personal Care Company	3.6
3. Resources Connection Incorporated	3.5
4. World Fuel Services Corporation	3.5
5. Owens & Minor, Inc.	3.2
6. Briggs & Stratton Corporation	3.2
7. The St. Joe Company	3.1
8. Avnet, Inc.	3.0
9. FTI Consulting Inc.	2.8
10. Dorel Industries Inc. Cl. B	2.7
11. Taylor Morrison Home Corporation	2.5
12. Chesapeake Energy Corporation*	2.3
13. Orion Marine Group, Inc.	2.2
14. Rent-A-Center, Inc.	2.2
15. Movado Group, Inc.	2.0
16. M.D.C. Holdings, Inc.	2.0
17. Invacare Corporation	1.9
18. Beazer Homes USA, Inc.	1.9
19. NETGEAR, Inc.	1.8
20. Houston Wire & Cable Company	1.8
21. Cal-Maine Foods, Inc.	1.8
22. Digi International, Inc.	1.6
23. Speedway Motorsports, Inc.	1.5
24. EVERTEC, Inc.	1.5
25. CSS Industries, Inc.	1.5
% of Fund	79.2
Total Number of Companies	45
Total Net Asset Value (\$MM)	\$208

* 1.28% in Chesapeake Energy Corporation Preferred Convertible & 1.05% in Chesapeake Energy Corporation

Asset Mix

Asset Class	Fund (%)
Canadian Equity	2.7
Global Equity	74.6
Cash & Cash Equivalent	22.1
Other Net Assets	0.6
% of Total	100.0

Industry Exposure

Industry	Fund (%)
Equities	
Household Durables	10.6
Commercial Services & Supplies	6.3
Oil, Gas & Consumable Fuels	5.8
Health Care Providers & Services	5.3
Electronic Equipment, Instruments & Components	4.0
Personal Products	4.0
Communications Equipment	3.4
Machinery	3.2
Real Estate Management & Development	3.1
Hotels, Restaurants & Leisure	3.0
Specialty Retail	2.9
Insurance	2.7
Food Products	2.7
Commercial Banks	2.6
Pharmaceuticals	2.4
Construction & Engineering	2.2
Software	2.1
Textiles, Apparel & Luxury Goods	2.0
Health Care Equipment & Supplies	1.9
Trading Companies & Distributors	1.8
IT Services	1.5
Biotechnology	1.4
Diversified Financial Services	1.0
Thrifts & Mortgage Finance	0.7
Marine	0.7
Cash & Cash Equivalent	22.1
Other Net Assets	0.6
% of Total	100.0
Total Number of Industries	25

Country Exposure

Country	Fund (%)
United States	72.1
Canada	2.7
Puerto Rico	1.5
Israel	1.0
Cash & Cash Equivalent	22.1
Other Net Assets	0.6
% of Total	100.0
Total Number of Countries	4

Note: Rounding to one decimal place may result in individual figures totalling more or less than 100%



Bridgehouse Funds are managed by Bridgehouse Asset Managers® and are available through registered dealers.

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Bridgehouse Asset Managers | www.bridgehousecanada.com
33 Yonge Street | Suite 300 | Toronto, ON | M5E 1G4 | 416.306.5700 | 888.861.9998