Lincluden Balanced Fund

Annual Management Report of Fund Performance
For the year ended December 31, 2016

Dear Investor,

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. You may receive a copy of the annual financial statements, at your request, and at no cost, by calling 905-273-4240 (1-844-373-4240), by writing to us at Lincluden Investment Management Limited, 201 City Centre Drive, Suite 201, Mississauga, Ontario, L5B 2T4 or by visiting our website at www.lincluden.com or SEDAR at www.sedar.com.

You may request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by contacting us using one of the methods offered above.

Lincluden Investment Management Limited
Manager of the Lincluden Balanced Fund

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The objective of the Lincluden Balanced Fund is to create long-term wealth for the Fund's investors using value-based, risk managed disciplines. Success at achieving the Fund's objective requires disciplined asset allocation and security selection approaches.

The development of tactical asset mix policy is an approach that has balanced inputs. It reflects a marrying of top down with bottom up inputs. We consider the valuation of equity markets relative to a risk free rate; which for purposes of the valuation represents long term Government of Canada bond yields. We give consideration to inflation and corporate profitability and the valuation of the bond market itself in this process.

Equally important in final asset allocation policy, and particularly so in the allocation of equities between Canadian equities and foreign equities, is the opportunity set of attractively priced equities that we are identifying on a global basis.

Our portfolio managers screen a broad universe of Canadian, U.S. and international stocks in our ongoing search for undervalued securities. Investment decisions are based on a thorough financial assessment of corporations and their management teams to identify securities that are trading at a substantial discount to our appraisal of their fair value.

Our fixed income portfolios are structured to achieve the most efficient combination of duration, credit, yield curve and foreign exposure from a long-term, risk-reward perspective.

In searching for the best value opportunities in fixed income markets, we consider both domestic and foreign securities. When we find better value opportunities in foreign markets, our preference is to eliminate foreign exchange risk through the use of hedging.

Risk

The overall level of risk of an investment in the Fund remained unchanged throughout the year ended December 31, 2016 and remains consistent with the discussion in the Fund's simplified prospectus dated May 18, 2016.

Results of Operations

Global stock markets ended the year on a positive note. Earlier in the year, markets were taken by surprise with the outcome of the U.K. Brexit vote and the uncertainty it will have on the European economies. The unexpected result of the U.S. elections with Donald Trump winning caught the markets off guard. In both instances, the equity markets had declined initially but were able to recover and continue their advance. In the U.S., the Federal Reserve increased their key lending rate in December and is projecting up to three additional rate hikes in 2017. The Canadian dollar finished the year on a weak note due to divergent monetary policies between the Bank of Canada and the U.S. Federal Reserve.

On the commodity front, the price of oil rebounded with OPEC reaching a deal with its members to limit the supply of oil in the market. Gold on the other hand advanced in the first half of the year due to uncertainties facing the global markets, only to decline in the latter half because of a strengthening U.S. and global economy, a stronger U.S. dollar, and more robust equity markets. Heading into 2017 markets are focused on the stronger global economic growth, particularly in the U.S., with the new administration focused on stimulating the economy with lower overall taxes and higher spending. There is a sense that central banks around the world will start to ease off on their unprecedented level of accommodative monetary policies.

North American bond yields were volatile during the period under review. Yields were generally lower in the first half of the year amid the uncertainty created with the result of the Brexit vote. However, they increased dramatically towards the end of the year following the U.S. presidential election and after the Federal Reserve hiked their key lending rate in December.

Net/net for the year the Fund posted a positive return and was ahead of its policy benchmark. Both the Canadian and foreign equity portfolios posted positive returns and were ahead of their comparative market indices. The overall performance of the bonds was ahead of its benchmark for the year due to yield curve positioning as well as incremental returns from both the corporate and provincial bond positions, which experienced spread tightening.

The Canadian equity portfolio was ahead of the benchmark S&P/TSX Composite posting strong returns. Holdings in the Financial sector produced strong double digit returns, with both the banks (Bank of Montreal, CIBC, Royal Bank, and TD Bank) and insurance companies (Intact Financial, Manulife, and Sun Life) marching higher. An absence of exposure to the Health Care sector was a positive as the sector experienced a large decline during 2016.

The foreign equity portfolio had a moderate positive return and was ahead of its benchmark (MSCI World) in Canadian dollar terms. The holdings in the Energy and Industrials sectors contributed to the overall performance with strong returns during the period. Having a lower exposure to the Materials sector was a detractor from the performance as the sector performed well.

The Fund size increased during the year to $94.68 million from $46.88 million at the beginning of the year. Operations increased net assets by approximately $6.89 million; net contributions and distributions, including reinvested distributions, had a positive impact of approximately $40.91 million.

Recent Developments

Several Canadian and foreign stocks were sold as they reached their target price. A few new positions were initiated taking advantage of pricing opportunities as they presented themselves.

The bond portfolio continues to maintain an overweight position in high quality corporate bonds. The overweight position in provincial bonds was reduced to take advantage of the outperformance that occurred in this sector. Overall portfolio duration remained shorter than the benchmark, with the strategy having contributed to the outperformance towards the end of the year as interest rates increased dramatically following the U.S. presidential election.

Asset mix continues to be targeted at the long-term policy benchmark with 60% in equities and 40% in fixed income, which is represented by only small percentage exposure to cash.

In the Canadian equity portfolio, Great West Life and Superior Plus were recently eliminated. Recent additions include Computer Modelling Group and Pason Systems, both high quality companies with exposure to the energy sector.

The position in Great West Life was sold as its outlook vis a vis the other insurance stocks in the portfolio is less favourable in a rising interest rate environment.

Superior Plus was eliminated as the shares had performed well. There are several concerns facing the company including its level of debt, the sale of one of its divisions that materially changes the profile of the stock, declining earnings, and the increase in issuance of equity, which dilutes existing shareholders.

Computer Modelling Group was added to the portfolio. It is a computer software and consulting firm which develops and licenses oil and gas reservoir simulation software to the global energy market. The company is very profitable, has no debt on the balance sheet, and operates in a duopolistic market. The dividend yield is very attractive. The shares should benefit from a continued recovery in the oil price as well as the rise of non-conventional oil and gas which is a market that the company's software is geared towards. Furthermore, in a sustained lower oil and gas environment their software becomes critical to maximize the recovery of resources.

Pason Systems was also a new position in the portfolio. The company designs and manufactures specialized data management systems and instrumentation for use on oil and gas drilling rigs. The company's dominant market share position in North America, Australia and South America, has contributed to a debt free balance sheet, large cash position and attractive profitability characteristics. The industry in which it operates has high barriers to entry.

In the Foreign equity portfolio, HSBC and Komatsu were recently eliminated while Washington Prime Group was added.

HSBC was sold amid the post Brexit uncertainty across the UK and Europe. The shares had performed relatively well versus its peers when they were sold.

The position in Komatsu was eliminated as the shares had rallied strongly on the back of the upswing in commodity prices, the acquisition of competitor Joy Global, and a weakened Yen.

Washington Prime Group was added to the portfolio. The company owns 'B' quality malls and grocery store anchored strip centres in the U.S. The stock trades at a deep discount to the value of its properties due to investor concerns regarding trends in the U.S. retail space. The market is being overly critical of the portfolio quality. There is significant upside potential in this stock and it also offers a very attractive yield.

Related Party Transactions

Lincluden Investment Management Limited ("Lincluden") is the Trustee, Portfolio Advisor and Manager of the Fund, receiving a fee for the services the firm provides as Portfolio Advisor. Lincluden pays commissions to investment dealers who transact in buy and sell activity in the Fund's investments at a rate that is reflective of the general service provided to Lincluden by the dealer. The quality of service is generally measured related to the execution capabilities of the dealer but may also reflect the quality of investment research made available by the dealer. Lincluden provides, or arranges for the provision of, all general management and administrative services required by the Fund in its day to day operations.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Lincluden Balanced Fund and are intended to help you understand the Fund's financial performance for the past 5 years. This information is derived from the Fund's audited annual financial statements.

Net Assets per Unit– Series A (Series A units established July 20, 2007)					
	2016	2015	2014	2013	2012
Net Assets, beginning of period[1, 2,]	$14.67	$14.47	$14.04	$12.46	$11.72
Increase (decrease) from operations:					
Total revenue	$0.44	$0.43	$0.46	$0.42	$0.39
Total expenses	($0.33)	($0.34)	($0.31)	($0.30)	($0.22)
Realized gains (losses) for the period	$0.21	$0.56	($0.05)	$0.22	$0.09
Unrealized gains (losses) for the period	$0.77	($0.26)	$0.63	$1.43	$0.89
Total increase (decrease) from operations[1]	$1.09	$0.39	$0.73	$1.77	$1.15
Distributions:					
From income (excluding dividends)	$0.07	$0.10	$0.10	$0.08	$0.18
From dividends	$0.04	$0.04	$0.04	$0.05	$0.11
From capital gains	NIL	$0.06	$0.13	NIL	NIL
Return of capital	NIL	NIL	NIL	NIL	NIL
Total annual distributions[3, 4]	$0.11	$0.20	$0.27	$0.13	$0.29
Net Assets, end of period[1, 2, 5]	$15.71	$14.67	$14.47	$14.04	$12.44

Net Assets per Unit – Series O					
	2016	2015	2014	2013	2012
Net Assets, beginning of year[1, 2]	$15.44	$15.20	$14.73	$13.07	$12.15
Increase (decrease) from operations:					
Total revenue	$0.47	$0.46	$0.48	$0.44	$0.39
Total expenses	($0.04)	($0.04)	($0.04)	($0.04)	($0.02)
Realized gains (losses) for the period	$0.23	$0.59	$0.04	$0.23	$0.09
Unrealized gains (losses) for the period	$1.03	($0.26)	$0.53	$1.43	$0.82
Total increase (decrease) from operations[1]	$1.69	$0.74	$1.01	$2.06	$1.28
Distributions:					
From income (excluding dividends)	$0.27	$0.28	$0.31	$0.26	$0.24
From dividends	$0.13	$0.14	$0.14	$0.15	$0.14
From capital gains	NIL	$0.08	$0.12	NIL	$0.01
Return of capital	NIL	NIL	NIL	NIL	NIL
Total annual distributions[3, 4]	$0.40	$0.50	$0.57	$0.41	$0.38
Net Assets, end of period[1, 2, 5]	$16.56	$15.44	$15.20	$14.73	$13.05

[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 number of units outstanding over the financial period.

[2] Information from 2016, 2015, 2014 and 2013 is in accordance with IFRS. Information for 2012 is reported under Canadian GAAP. Specifically, Canadian GAAP Section 3855 results in a difference between the Transactional NAV and the GAAP NAV due to the differences in valuation techniques of certain investments. For investments that are traded in an active market where quoted prices are readily and regularly available, Canadian GAAP Section 3855 requires bid prices (for investments held) to be used in the fair valuation of investments, rather than the use of closing sale prices used for the purpose of determining Transactional NAV. This difference was eliminated upon adoption of IFRS.

[3]Distributions were reinvested in additional units of the Fund.

[4]The Fund's prospectus provides that, "Each calendar year, the Fund distributes net income and net realized capital gains to Unitholders of the Fund to the extent necessary to ensure the Fund does not pay ordinary income tax. Distributions of income may be made periodically throughout the year on a schedule to be determined by the Manager. Distributions of capital gains are normally made in December of each year. At a minimum, the Fund will effect a distribution on the last business day of the year. Distributions from the Fund will be automatically reinvested in Units of the Fund." Currently net income is distributed on a quarterly basis and net capital gains during the month of December.

[5]The financial highlights are not intended to act as a continuity of the opening and closing net assets per unit.

Ratios and Supplemental Data – Series A (Series A units established July 20, 2007)					
	2016	2015	2014	2013	2012
Total net asset value ($) (000s)	$1,196	$1,264	$1,223	$851	$959
Number of units outstanding	76,113	86,144	84,554	60,648	77,305
Management expense ratio (%)[1]	2.03%	2.10%	2.10%	2.12%	1.82%
Management expense ratio before absorptions (%)[1]	2.31%	2.50%	2.50%	2.60%	2.26%
Portfolio turnover rate (%)[2]	31.56%	33.99%	57.09%	41.80%	42.30%
Trading expense ratio (%)[3]	0.05%	0.03%	0.05%	0.06%	0.05%
Net asset value per unit	$15.71	$14.67	$14.47	$14.04	$12.46

Ratios and Supplemental Data – Series O					
	2016	2015	2014	2013	2012
Total net asset value ($) (000s)	$93,483	$45,617	$41,232	$38,062	$38,198
Number of units outstanding	5,644,495	2,954,688	2,713,148	2,584,414	2,922,758
Management expense ratio (%)[1]	0.06%	0.12%	0.13%	0.14%	0.15%
Management expense ratio before absorptions (%)[1]	0.32%	0.51%	0.52%	0.61%	0.60%
Portfolio turnover rate (%)[2]	31.56%	33.99%	57.09%	41.80%	42.30%
Trading expense ratio (%)[3]	0.05%	0.03%	0.05%	0.06%	0.05%
Net asset value per unit	$16.56	$15.44	$15.20	$14.73	$13.07

[1] Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The Series O management expense ratio has been restated for the years 2012-2015. The Fund is not charged a management fee directly by Lincluden. The MER was previously calculated including the highest possible management fee rate charged by Lincluden.

[2] 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 gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

[3] 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.

Management Fees & Dealer Compensation

Series O

The Fund pays no management fees to Lincluden. For management services provided by Lincluden, in its role of portfolio advisor to the Fund, the Fund's Series O investors will pay a management fee directly to Lincluden.

The maximum annual management fee before GST/HST (expressed as a percentage of assets under management by Lincluden) payable to Lincluden is 1.75%. A lower fee may apply to larger account balances.

The management fee payable is calculated and accrued on the last valuation date of each month, based on the value of the investor's units on that date, and is payable on the last valuation date in each month. Payment of the investment management fee is generally effected by redemption of units held by the investor in the Fund in the amount of the applicable management fee.

Series A

Lincluden is entitled to an annual management fee from the series A units of the Fund of 1.75%. A lower fee of 1.25% may apply to larger account balances in the form of a management fee rebate. The management fee for the series A units of the Fund is based on the average daily net asset value of the series A units of the Fund and is payable monthly, in arrears.

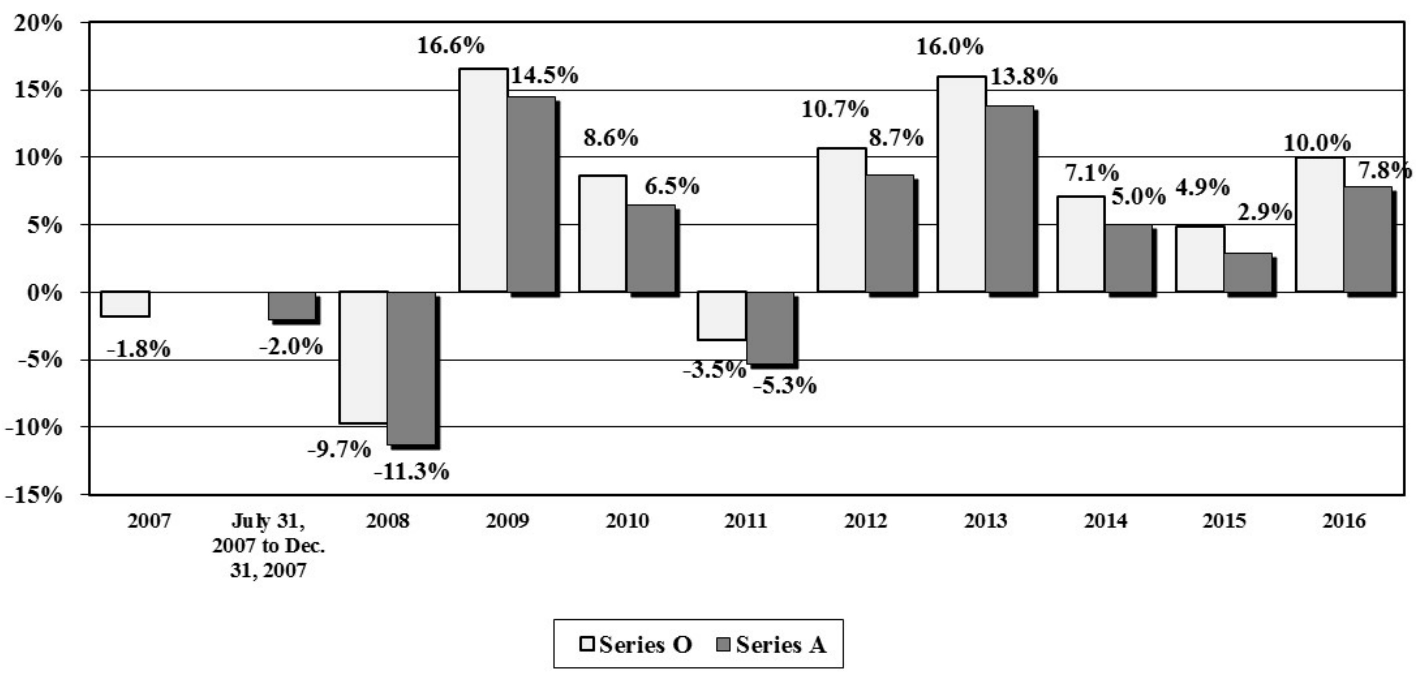
To assist with distribution, administration and other client services, Lincluden pays dealers a trailer fee out of the management fees received. The trailer fee is a percentage of the total NAV per unit of all Class A and Class O units held by each dealer's clients. For the year ended December 31, 2016, approximately 15.5% of the management fees paid to Lincluden were used to fund commissions to dealers.

PAST PERFORMANCE

The performance information shown below assumes that all distributions made by the Fund were reinvested in additional units of the Fund. It does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance.
The return on mutual funds is not guaranteed. How the Fund performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

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



Annual Compound Returns

The following table compares the historical annual compound total return of the Series A and Series O units of the Fund with a broad-based benchmark index which has been reflective of the Fund's primary investment universe. This benchmark index, through June 30, 2006, was comprised of 35% S&P/TSX Composite Index (measures the total return of those Canadian incorporated companies that have generally been listed on the Toronto Stock Exchange for at least 12 full months and which satisfy certain liquidity criteria), 25% Standard & Poor's 500 Composite Index (measures the return of 500 of the largest companies by market capitalization listed on U.S. stock exchanges), and 40% DEX Universe Bond Index (measures the total return of Government of Canada, Provincial, Municipal and corporate issues that mature in more than one year). Effective July 1, 2006, the Morgan Stanley Capital International World Index replaced the Standard & Poor's 500 Composite Index in the benchmark. Effective January 1, 2009 the benchmark index was revised to 30% S&P/TSX Composite Index, 30% Standard & Poor's 500 Composite Index and 40% DEX Universe Bond Index. Effective January 1, 2011 the 40% DEX Universe Bond Index allocation was revised to 20% DEX Mid Term Bond Index and 20% DEX Short Term Bond Index.

The returns on the broad-based benchmark do not assume the payment of any fees, including commissions.

	10 years	5 years	3 Years	1 Year
Lincluden Balanced Fund Series O/Series A	5.6%/n/a	9.7%/7.6%	7.3%/5.2%	10.0%/7.8%
Broad-Based Benchmark	5.3%	8.9%	7.5%	8.2%

SUMMARY OF INVESTMENT PORTFOLIO as at December 31, 2016

Sector Mix	% of Fund's Net Asset Value		
Fixed Income	38.4%		
Canadian		38.4%	
Federal			9.1%
Provincial			12.9%
Municipal			0.4%
Corporate			16.0%
Equities	60.3%		
Canadian		29.6%	
Capital Goods			0.7%
Consumer			2.6%
Energy			6.3%
Financials			12.5%
Info Tech			2.1%
Materials			2.2%
Telecom. Services			1.9%
Transportation			1.3%
United States		18.8%	
Consumer			3.4%
Energy			2.2%
Financials			5.5%
Health Care			2.0%
Industrials			2.0%
Info Tech			2.8%
Telecom. Services			0.9%
International		11.9%	
France			2.4%
Germany			2.2%
Hong Kong			0.3%
Israel			0.2%
Japan			0.9%
Netherlands			1.5%
Switzerland			1.4%
United Kingdom			3.0%
Other Net Assets	1.3%		
	100.0%		

Top 25 Positions	% of Fund's Net Asset Value
Government of Canada, 0.750%, 2021/03/01	4.9%
Province of Ontario, 4.200%, 2020/06/02	3.7%
Government of Canada, 2.250%, 2025/06/01	2.8%
Province of Ontario, 3.150%, 2022/06/02	2.5%
Royal Bank of Canada	2.2%
Toronto-Dominion Bank	2.2%
Bank of Nova Scotia	2.2%
Province of Quebec, 4.250%, 2021/12/01	1.6%
Husky Energy Inc.	1.6%
Home Capital Group Inc.	1.4%
Cenovus Energy Inc.	1.4%
Province of Quebec, 2.750%, 2025/09/01	1.4%
Bank of Montreal, 2.430%, 2019/03/04	1.3%
Canadian National Railway Co.	1.3%
Canadian Natural Resources Ltd.	1.2%
Canadian Imperial Bank of Commerce	1.1%
Manulife Financial Corp.	1.1%
Canadian Imperial Bank of Commerce, 1.850%, 2020/07/14	1.1%
CGI Group Inc., Class 'A'	1.1%
Suncor Energy Inc.	1.1%
Province of British Columbia, 3.250%, 2021/12/18	1.0%
Brookfield Property Partners L.P.	1.0%
Chevron Corp.	1.0%
BCE Inc.	0.9%
Government of Canada, 1.750%, 2019/09/01	0.9%

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates on the Fund's holdings may be obtained free of charge by calling us at 905-825-9000 (1-800-532-7071), or by writing us at Lincluden Investment Management Limited, 1275 North Service Road West, Suite 607, Oakville, Ontario, L6M 3G4, or by visiting our website at www.lincluden.com or SEDAR at www.sedar.com.