



Mawer Quarterly

First Quarter 2024

Market Overview

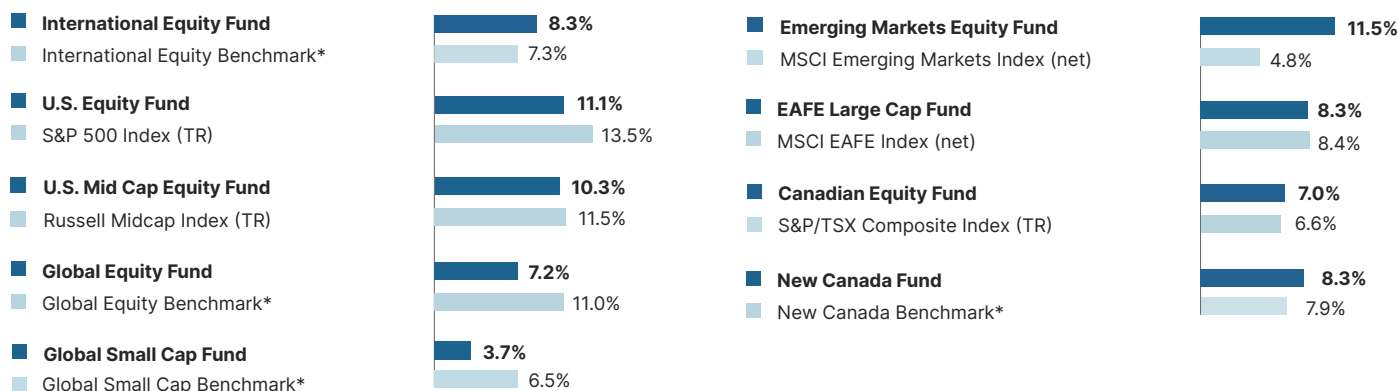
The first quarter of 2024 saw a divergence in fortunes between equity and fixed income markets. Equities continued surging forward thanks to resilient global economic data while bonds suffered from rising yields. Strong corporate earnings, positive sentiment around the potentially transformational impact of artificial intelligence, and expectations of eventual rate cuts also provided fuel to rocket equities higher. From a regional perspective, developed markets continued to outperform their emerging market peers mainly due to continued economic challenges in China.

How Did We Do?

Performance has been presented for the O-Series Mawer Mutual Funds in Canadian dollars and calculated gross of management fees and net of operating expenses for the 3-month period of January 1, 2024 - March 28, 2024.

Equities

Chart A: Q1 2024, Series O, Gross of fees



Technology focused businesses were some of the strongest performers in the first quarter, especially among those positioned to benefit from artificial intelligence and semiconductor demand.

- Our holdings in **TSMC**, a leading semiconductor manufacturer, along with **ASML** and **ASM International**, suppliers of critical tools in the sophisticated semiconductor manufacturing process, all benefitted from the explosive growth in demand expectations for the industry. All three companies possess robust competitive advantages largely tied to technological know-how, reputation, high barriers to entry—both financially and with respect to learning curves—and significant market shares. ASML, for instance, is the only company in the world capable of making EUV lithography machines used in the production of the most technologically advanced chips.

How Did We Do? (cont'd)

- Some of our other top technology focused performers included value-added resellers **Converge Technology Solutions**, **Softchoice**, and **Softcat**. These companies' stocks performed well as the economy's continued resilience has improved the outlook for their customers looking to acquire software services or hardware. They additionally are positioned to benefit from exploration and deployment of artificial intelligence technologies by their customers.

However, our lack of exposure to NVIDIA and Meta was a hindrance on relative performance this quarter as the market has continued to look at these companies favorably.

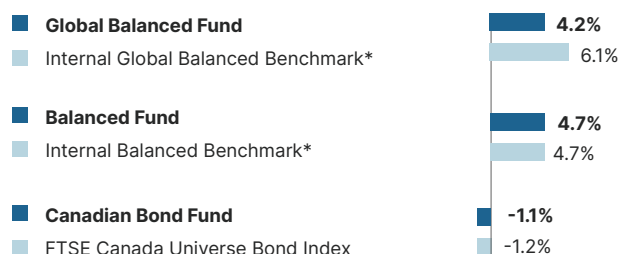
While the advancements in artificial intelligence have helped propel many technology companies higher, not all companies have been winners from this development—businesses models that may be disrupted by this technology were some of our weaker performing holdings over the quarter including a provider of contact center software, **Enghouse Systems**, and contact center operator, **Teleperformance**.

Elsewhere, momentum continued for some of our stronger performing holdings from 2023.

- The stocks for defense-oriented companies such as **Rheinmetall**, **BAE Systems**, and **BWX Technologies** moved higher on continued geopolitical concerns and higher defense spending.
- Microsoft**, **Amazon**, and **Alphabet** had another strong quarter, as they continued to report strong fundamentals and are also positioned to benefit from artificial intelligence advancements.

Balanced and Canadian Bond

Chart B: Q1 2024, Series O, Gross of fees



Despite the divergence in the returns of equities and fixed income, balanced investors have benefited from another notable quarter of strong performance from equities. While some central banks have communicated the possibility of lower policy rates, the timing and extent remain uncertain as the economy, notably in the U.S., has remained resilient and inflation has been difficult to fully tame. This uncertainty has led to a tempering in expectations for the number of possible policy rate cuts to come this year. Ultimately, yields slightly increased and Canadian bonds finished the quarter in negative territory.

We made a few adjustments to our target asset mix weights in the quarter. For clients in our Balanced and Tax Effective Balanced strategies, as equities have continued to climb, we trimmed back our weight in U.S. equity and added to Canadian bonds. We also reallocated a portion of our U.S. equity weight to our [U.S. Mid Cap equity strategy](#) as we believe this will improve the overall diversification of the portfolio. For clients in our Global Balanced strategy, we also trimmed back our equity weight and added to Canadian bonds.

We remain mindful that the strong returns in many regional equity markets may be vulnerable to a deviation in the current path of policy rates or economic outlook—although it's also possible that current enthusiasm may prevail.

Looking Ahead

The current bull market is a sign of confidence in the durability of the global economy, the continued robustness of corporate earnings, and that central banks' actions against inflation are having their intended effect. During the last several years, macro factors have had an outsized influence on equity markets: e.g., the initial demand destruction caused by COVID-19, the impact of the ensuing stimulus in propelling markets higher, and the duration effects of inflation and higher discount rates that whipsawed stock prices in 2022 and 2023. But in 2024, investors have been unfazed by the influence of central banks: equities have marched higher despite a pullback in expectations for rate cuts. While there may indeed be some hype associated with artificial intelligence and uncertain future demand, it does appear to be backed by genuine earnings growth (which will need to persist in order to justify valuations) and many businesses exposed seem to enjoy strong moats.

With a higher cost of capital and an economy that seems to be coping reasonably well with that cost of capital, a greater discernment of fundamentals, genuine earnings potential, and ultimately long-term wealth creation is welcome. Big-picture risks to the outlook are always present, hence our focus on a well-balanced portfolio of businesses that can withstand shocks.

We continue to balance the risks, managing exposure to sharp edges by constructing portfolios we believe to be resilient.

Total Gross Returns (Series O)

For periods ending March 28, 2024

Equity funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	8.3	8.3	14.9	4.5	6.9	8.6	9.2
International Equity Benchmark*	7.3	7.3	13.1	4.4	6.2	6.4	6.1
Mawer U.S. Equity Fund	11.1	11.1	23.8	12.0	13.5	14.9	11.0
S&P 500 Index	13.5	13.5	29.9	14.3	15.3	15.3	10.9
Mawer U.S. Mid Cap Equity Fund	10.3	10.3	22.4	-	-	-	6.9
Russell Midcap Index (TR)	11.5	11.5	22.3	-	-	-	6.2
Mawer Global Equity Fund	7.2	7.2	18.2	11.2	11.6	12.6	13.5
Global Equity Benchmark*	11.0	11.0	23.1	9.6	11.2	11.0	11.4
Mawer Global Small Cap Fund	3.7	3.7	14.0	1.3	7.3	10.4	12.4
Global Small Cap Benchmark*	6.5	6.5	16.3	4.1	8.3	8.8	7.4
Mawer Emerging Markets Equity Fund	11.5	11.5	20.9	-1.0	4.0	-	6.0
MSCI Emerging Markets Index (net)	4.8	4.8	7.8	-2.8	2.4	-	4.9
Mawer EAFE Large Cap Fund	8.3	8.3	16.7	8.1	-	-	10.3
MSCI EAFE Index (net)	8.4	8.4	15.2	7.4	-	-	10.5
Mawer Canadian Equity Fund	7.0	7.0	13.5	9.3	9.7	8.9	10.2
S&P/TSX Composite Index	6.6	6.6	14.0	9.1	10.0	7.7	7.8
Mawer New Canada Fund	8.3	8.3	21.2	4.5	11.6	9.2	13.5
New Canada Benchmark*	7.9	7.9	8.2	4.0	7.8	3.8	6.1
Balanced funds							
Mawer Global Balanced Fund	4.2	4.2	12.4	7.0	7.8	8.7	9.5
Internal Global Balanced Benchmark*	6.1	6.1	14.5	5.2	6.8	7.4	8.2
Mawer Balanced Fund	4.7	4.7	11.7	4.2	6.4	7.5	8.0
Internal Balanced Benchmark*	4.7	4.7	11.3	4.5	6.4	6.3	6.2
Mawer Tax Effective Balanced Fund	4.8	4.8	11.7	4.2	6.4	7.4	7.9
Internal Tax Effective Balanced Benchmark*	4.7	4.7	11.3	4.5	6.4	6.3	6.2
Income funds							
Mawer Global Credit Opportunities Fund¹	-	-	-	-	-	-	-
ICE BofA Global Corporate & High Yield Index	-	-	-	-	-	-	-
Mawer Canadian Bond Fund	-1.1	-1.1	2.5	-1.3	0.6	2.1	3.6
FTSE Canada Universe Bond Index	-1.2	-1.2	2.1	-1.5	0.3	2.0	3.5
Mawer Canadian Money Market Fund	1.2	1.2	4.8	2.5	1.8	1.3	1.4
FTSE Canada 91 Day TBill Index	1.2	1.2	4.8	2.6	2.0	1.4	1.6

¹ Funds with less than 1 year of performance cannot be shown.

* Refer to www.mawer.com/funds/performance/ for Fund Inception Dates and Benchmark History.

Mawer Mutual Funds are managed by Mawer Investment Management Ltd. O-Series returns for the Mawer Mutual Funds are reported in Canadian dollars and calculated before management fees and after operating expenses have been deducted. In comparison, index returns do not incur management fees or operating expenses.

Total Net Returns (Series A)

For periods ending March 28, 2024

Equity funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	7.9	7.9	13.4	3.0	5.5	7.1	7.7
International Equity Benchmark*	7.3	7.3	13.1	4.4	6.2	6.4	5.4
Mawer U.S. Equity Fund	10.8	10.8	22.5	10.8	12.2	13.6	8.8
S&P 500 Index	13.5	13.5	29.9	14.3	15.3	15.3	10.6
Mawer U.S. Mid Cap Equity Fund	9.9	9.9	20.8	-	-	-	5.5
Russell Midcap Index (TR)	11.5	11.5	22.3	-	-	-	6.2
Mawer Global Equity Fund	6.9	6.9	16.7	9.8	10.2	11.1	12.0
Global Equity Benchmark*	11.0	11.0	23.1	9.6	11.2	11.0	11.4
Mawer Global Small Cap Fund	3.2	3.2	12.1	-0.4	5.5	8.6	10.5
Global Small Cap Benchmark*	6.5	6.5	16.3	4.1	8.3	8.8	7.4
Mawer Emerging Markets Equity Fund	11.1	11.1	19.1	-2.5	2.4	-	4.5
MSCI Emerging Markets Index (net)	4.8	4.8	7.8	-2.8	2.4	-	4.9
Mawer EAFE Large Cap Fund	7.9	7.9	15.2	6.7	-	-	8.8
MSCI EAFE Index (net)	8.4	8.4	15.2	7.4	-	-	10.5
Mawer Canadian Equity Fund	6.7	6.7	12.3	8.1	8.5	7.7	9.1
S&P/TSX Composite Index	6.6	6.6	14.0	9.1	10.0	7.7	8.5
Mawer New Canada Fund	7.9	7.9	19.6	3.1	10.1	7.7	12.9
New Canada Benchmark*	7.9	7.9	8.2	4.0	7.8	3.8	7.3
Balanced funds							
Mawer Global Balanced Fund	3.9	3.9	11.2	5.8	6.7	7.5	8.3
Internal Global Balanced Benchmark*	6.1	6.1	14.5	5.2	6.8	7.4	8.2
Mawer Balanced Fund	4.5	4.5	10.7	3.3	5.5	6.5	8.0
Internal Balanced Benchmark*	4.7	4.7	11.3	4.5	6.4	6.3	7.7
Mawer Tax Effective Balanced Fund	4.6	4.6	10.7	3.3	5.5	6.5	7.6
Internal Tax Effective Balanced Benchmark*	4.7	4.7	11.3	4.5	6.4	6.3	7.7
Income funds							
Mawer Global Credit Opportunities Fund¹	-	-	-	-	-	-	-
ICE BofA Global Corporate & High Yield Index	-	-	-	-	-	-	-
Mawer Canadian Bond Fund	-1.3	-1.3	1.8	-2.0	-0.1	1.4	4.9
FTSE Canada Universe Bond Index	-1.2	-1.2	2.1	-1.5	0.3	2.0	5.9
Mawer Canadian Money Market Fund	1.1	1.1	4.3	2.1	1.5	0.9	3.0
FTSE Canada 91 Day TBill Index	1.2	1.2	4.8	2.6	2.0	1.4	3.8

¹ Funds with less than 1 year of performance cannot be shown.

* Refer to www.mawer.com/funds/performance/ for Fund Inception Dates and Benchmark History.

Mawer Mutual Funds are managed by Mawer Investment Management Ltd. A-Series returns for the Mawer Mutual Funds are reported in Canadian dollars and calculated after management fees and after operating expenses have been deducted. In comparison, index returns do not incur management fees or operating expenses.

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Performance returns for the Mawer Mutual Funds and benchmarks are calculated by Mawer Investment Management Ltd. These returns are historical simple returns for the 3 month, YTD, and 1 year periods, and annualized compounded total returns for periods after 1 year.

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