

## Market overview

Equity markets were resilient in the first quarter of 2023, finishing with a strong positive return despite ongoing recession risks. Markets benefitted from a combination of factors including inflation falling in some regions, the anticipation by market participants that the U.S. Federal Reserve may be nearing the end of its rate hike cycle, and reduced fears of a hard landing for the economy. At the same time, corporate earnings have been quite resilient. In Canada, inflation continued to ease, and the Bank of Canada paused further hikes to allow the impacts of previous tightening to make their way through the economy. Canadian bonds also finished in positive territory as yields fell across the curve. That said, the market's advance was far from a straight line. Both equities and bonds experienced volatility, especially in connection to the bank collapses in the U.S. and Europe which sent reverberations across the world. While the possibility of further instability remains, swift intervention seemed to have restored confidence and prevented contagion across the broader banking industry.

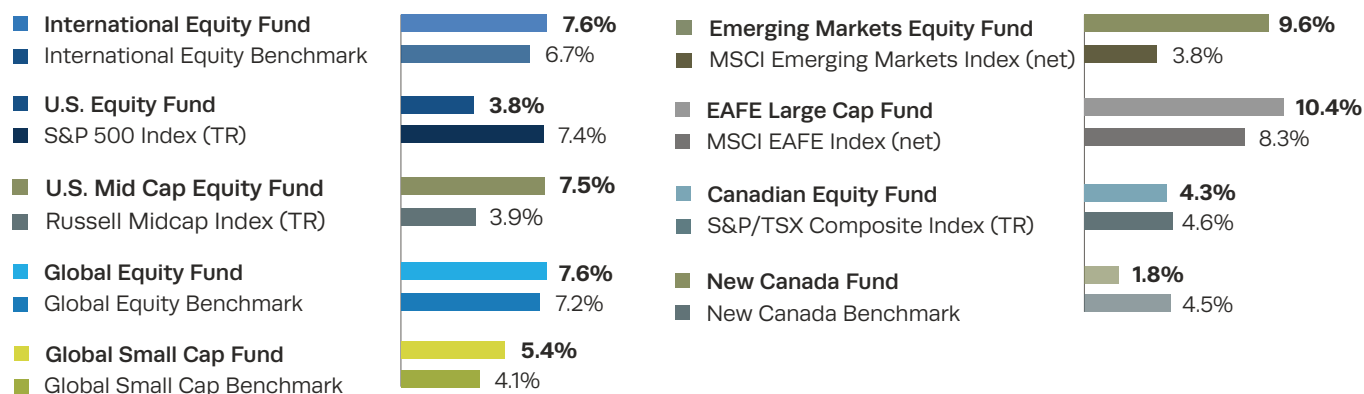
## How did we do?

*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, 2023 – March 31, 2023.*

Our equity strategies delivered positive returns in the first quarter, with European markets outperforming Canada and the U.S. after previously facing headwinds in 2022. While many equities were up in the quarter, significant strength in a handful of large, high growth technology-focused companies were a significant driver of the advance for equity markets.

### Equities

**Chart A: Q1 2023, Series O, Gross of fees**



Many of the companies that faced stock price headwinds in 2022 as interest rates were rising performed well in the first quarter of 2023. Higher growth technology-focused businesses were some of the strongest including **Microsoft**, **Alphabet**, and **Amazon**, backed by falling discount rates and enthusiasm tied to cost containment measures. Elsewhere, several high-quality stalwarts and long-standing holdings had strong returns including luxury goods conglomerate **LVMH**, and reference data providers **Wolters Kluwer** and **RELX**. Holdings in defense companies such as **Rheinmetall**, **Thales**, and **BAE Systems** also performed well reflecting expectations for structurally higher defense spending by NATO countries.

## How did we do? (cont'd)

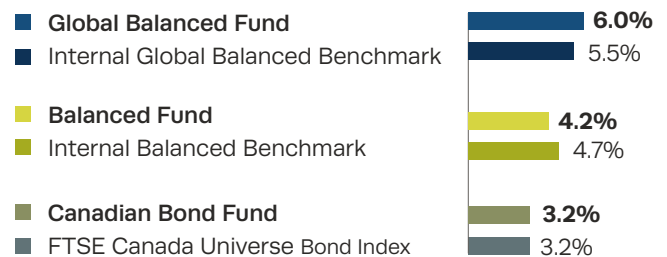
Conversely, many banks struggled in the quarter as the industry faced challenges as a result of the well-publicized collapse of Silicon Valley Bank and Credit Suisse. Generally, our equity portfolios have lower exposure to banks than their benchmarks, and we tend to focus on well-run, conservative banks that have clear competitive advantages in the markets in which they operate. Even so, several of our bank holdings lagged in the quarter including Italian bank **FinecoBank**, Swedish bank **Handelsbanken**, and Canadian bank **TD**.

After a challenging year in 2022, balanced investors benefitted from a rise in equity markets and Canadian bonds in the quarter. Canadian Bonds advanced as yields fell across the curve in the period with longer duration and high-quality bonds outperforming.

We made a change to our asset mix targets earlier in the quarter and increased modestly our Canadian bonds target, though we still remain underweight Canadian bonds relative to our benchmark until we feel there is a better sense of whether central banks' battle with inflation is over. Our overall equity weight also remains near neutral.

### Balanced and Canadian Bond

Chart B: Q1 2023, Series O, Gross of fees



## Looking ahead

We have often noted that one of the major risks facing markets is if something breaks when major macroeconomic variables shift quickly. And indeed, after one of the fastest periods of policy interest rate hikes by central banks, some less well-managed banks in the U.S. and Europe needed to be rescued. The possibility of further instability remains, although for now confidence in the banking system appears to be restored.

A high level of uncertainty remains not only with how high the U.S. Federal Reserve will go with the federal funds rate, but also how long it remains elevated. The tightening of credit as a result of U.S. regional bank turmoil may impact economic activity, and while a pause by the U.S. Federal Reserve may be near, challenges abating U.S. inflation partially caused by a tight employment market may require rates to stay higher. There is also often a lag between monetary policy and the resulting economic impact. We are not trying to predict the next move for policy makers, but rather ensuring our portfolios are resiliently positioned for a variety of scenarios.

With uncertainty as to the path forward, there are bound to be other unanticipated surprises on the horizon. Even the strongest businesses have vulnerabilities that can be exposed by the right trigger. This is why we tend to emphasize [non-predictive decision making](#) that focuses on steering away from areas where those vulnerabilities are sharpest as opposed to forecasting specific events. This requires a disciplined investment process, a culture in which different points of view are celebrated, and appropriate diversification that builds natural contradictions into the portfolios. And even though this “boring” approach may sacrifice possible short-term gains in certain market environments, we believe it should lead to better and more consistent outcomes over time.

As we often say it is difficult to predict when the tides will change for the better or for the worse. That is why we prepare, rather than predict.

## The Case for Non-Predictive Decision Making

Read our latest blog post at [mawer.com/theartofboring](https://mawer.com/theartofboring)

# Total gross returns (Series O)

For periods ending March 31, 2023

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Equity funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
<b>Mawer International Equity Fund</b>	<b>7.6</b>	<b>7.6</b>	<b>4.2</b>	<b>7.6</b>	<b>4.4</b>	<b>9.3</b>	<b>8.9</b>
International Equity Benchmark*	6.7	6.7	2.9	9.9	3.5	7.7	5.7
<b>Mawer U.S. Equity Fund</b>	<b>3.8</b>	<b>3.8</b>	<b>0.8</b>	<b>14.0</b>	<b>12.4</b>	<b>15.7</b>	<b>10.4</b>
S&P 500 Index (TR)	7.4	7.4	0.0	16.6	12.3	15.5	9.9
<b>Mawer U.S. Mid Cap Equity Fund</b>	<b>7.5</b>	<b>7.5</b>	<b>5.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2.4</b>
Russell Midcap Index (TR)	3.9	3.9	-1.2	-	-	-	-3.3
<b>Mawer Global Equity Fund</b>	<b>7.6</b>	<b>7.6</b>	<b>4.7</b>	<b>13.7</b>	<b>10.7</b>	<b>13.8</b>	<b>13.1</b>
Global Equity Benchmark*	7.2	7.2	0.3	13.5	8.0	11.6	10.6
<b>Mawer Global Small Cap Fund</b>	<b>5.4</b>	<b>5.4</b>	<b>0.6</b>	<b>9.2</b>	<b>6.1</b>	<b>13.5</b>	<b>12.3</b>
Global Small Cap Benchmark*	4.1	4.1	-2.0	16.0	5.2	9.9	6.8
<b>Mawer Emerging Markets Equity Fund</b>	<b>9.6</b>	<b>9.6</b>	<b>1.3</b>	<b>4.7</b>	<b>0.2</b>	<b>-</b>	<b>3.8</b>
MSCI Emerging Markets Index (net)	3.8	3.8	-3.2	6.0	0.1	-	4.5
<b>Mawer EAFE Large Cap Fund</b>	<b>10.4</b>	<b>10.4</b>	<b>3.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.1</b>
MSCI EAFE Index (net)	8.3	8.3	6.9	-	-	-	8.8
<b>Mawer Canadian Equity Fund</b>	<b>4.3</b>	<b>4.3</b>	<b>-2.6</b>	<b>16.4</b>	<b>8.4</b>	<b>10.0</b>	<b>10.0</b>
S&P/TSX Composite Index (TR)	4.6	4.6	-5.2	18.0	8.8	7.9	7.5
<b>Mawer New Canada Fund</b>	<b>1.8</b>	<b>1.8</b>	<b>-7.3</b>	<b>17.5</b>	<b>8.2</b>	<b>11.6</b>	<b>13.1</b>
New Canada Benchmark*	4.5	4.5	-12.6	27.7	5.7	4.5	6.0
<b>Balanced funds</b>							
<b>Mawer Global Balanced Fund</b>	<b>6.0</b>	<b>6.0</b>	<b>2.7</b>	<b>8.2</b>	<b>7.2</b>	<b>-</b>	<b>9.2</b>
Internal Global Balanced Benchmark*	5.5	5.5	-0.2	6.5	5.0	-	7.6
<b>Mawer Balanced Fund</b>	<b>4.2</b>	<b>4.2</b>	<b>-0.4</b>	<b>7.0</b>	<b>5.5</b>	<b>8.2</b>	<b>7.8</b>
Internal Balanced Benchmark*	4.7	4.7	-1.7	9.1	5.1	6.6	5.9
<b>Mawer Tax Effective Balanced Fund</b>	<b>4.2</b>	<b>4.2</b>	<b>-0.3</b>	<b>6.9</b>	<b>5.5</b>	<b>8.2</b>	<b>7.7</b>
Internal Tax Effective Balanced Benchmark*	4.7	4.7	-1.7	9.1	5.1	6.6	5.9
<b>Income funds</b>							
<b>Mawer Canadian Bond Fund</b>	<b>3.2</b>	<b>3.2</b>	<b>-1.7</b>	<b>-1.2</b>	<b>1.2</b>	<b>1.9</b>	<b>3.7</b>
FTSE Canada Universe Bond Index	3.2	3.2	-2.0	-1.7	0.9	1.9	3.6
<b>Mawer Canadian Money Market Fund</b>	<b>0.9</b>	<b>0.9</b>	<b>2.5</b>	<b>0.9</b>	<b>1.2</b>	<b>0.9</b>	<b>1.2</b>
FTSE Canada 91 Day TBill Index	1.1	1.1	2.8	1.1	1.3	1.0	1.4

\* Refer to [www.mawer.com/funds/performance/](http://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 31, 2023

**MAWER**

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Equity funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
<b>Mawer International Equity Fund</b>	<b>7.3</b>	<b>7.3</b>	<b>2.8</b>	<b>6.2</b>	<b>3.0</b>	<b>7.9</b>	<b>7.6</b>
International Equity Benchmark*	6.7	6.7	2.9	9.9	3.5	7.7	5.2
<b>Mawer U.S. Equity Fund</b>	<b>3.5</b>	<b>3.5</b>	<b>-0.3</b>	<b>12.7</b>	<b>11.1</b>	<b>14.4</b>	<b>8.4</b>
S&P 500 Index (TR)	7.4	7.4	0.0	16.6	12.3	15.5	10.0
<b>Mawer U.S. Mid Cap Equity Fund</b>	<b>7.1</b>	<b>7.1</b>	<b>4.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3.6</b>
Russell Midcap Index (TR)	3.9	3.9	-1.2	-	-	-	-3.3
<b>Mawer Global Equity Fund</b>	<b>7.2</b>	<b>7.2</b>	<b>3.4</b>	<b>12.3</b>	<b>9.3</b>	<b>12.4</b>	<b>11.7</b>
Global Equity Benchmark*	7.2	7.2	0.3	13.4	8.0	11.6	10.6
<b>Mawer Global Small Cap Fund</b>	<b>5.0</b>	<b>5.0</b>	<b>-1.1</b>	<b>7.4</b>	<b>4.3</b>	<b>11.6</b>	<b>10.3</b>
Global Small Cap Benchmark*	4.1	4.1	-2.0	16.0	5.2	9.9	6.8
<b>Mawer Emerging Markets Equity Fund</b>	<b>9.2</b>	<b>9.2</b>	<b>-0.2</b>	<b>3.1</b>	<b>-1.3</b>	<b>-</b>	<b>2.3</b>
MSCI Emerging Markets Index (net)	3.8	3.8	-3.2	6.0	0.1	-	4.5
<b>Mawer EAFE Large Cap Fund</b>	<b>10.1</b>	<b>10.1</b>	<b>2.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6.6</b>
MSCI EAFE Index (net)	8.3	8.3	6.9	-	-	-	8.8
<b>Mawer Canadian Equity Fund</b>	<b>4.0</b>	<b>4.0</b>	<b>-3.7</b>	<b>15.1</b>	<b>7.1</b>	<b>8.8</b>	<b>9.0</b>
S&P/TSX Composite Index (TR)	4.6	4.6	-5.2	18.0	8.8	7.9	8.3
<b>Mawer New Canada Fund</b>	<b>1.4</b>	<b>1.4</b>	<b>-8.6</b>	<b>15.9</b>	<b>6.8</b>	<b>10.1</b>	<b>12.7</b>
New Canada Benchmark*	4.5	4.5	-12.6	27.7	5.7	4.5	7.3
<b>Balanced funds</b>							
<b>Mawer Global Balanced Fund</b>	<b>5.7</b>	<b>5.7</b>	<b>1.7</b>	<b>7.0</b>	<b>6.1</b>	<b>-</b>	<b>8.0</b>
Internal Global Balanced Benchmark*	5.5	5.5	-0.2	6.5	5.0	-	7.6
<b>Mawer Balanced Fund</b>	<b>4.0</b>	<b>4.0</b>	<b>-1.3</b>	<b>6.0</b>	<b>4.6</b>	<b>7.3</b>	<b>7.9</b>
Internal Balanced Benchmark*	4.7	4.7	-1.7	9.1	5.1	6.6	7.6
<b>Mawer Tax Effective Balanced Fund</b>	<b>4.0</b>	<b>4.0</b>	<b>-1.2</b>	<b>6.0</b>	<b>4.6</b>	<b>7.3</b>	<b>7.6</b>
Internal Tax Effective Balanced Benchmark*	4.7	4.7	-1.7	9.1	5.1	6.6	7.6
<b>Income funds</b>							
<b>Mawer Canadian Bond Fund</b>	<b>3.0</b>	<b>3.0</b>	<b>-2.4</b>	<b>-1.9</b>	<b>0.5</b>	<b>1.2</b>	<b>5.0</b>
FTSE Canada Universe Bond Index	3.2	3.2	-2.0	-1.7	0.9	1.9	6.0
<b>Mawer Canadian Money Market Fund</b>	<b>0.7</b>	<b>0.7</b>	<b>2.0</b>	<b>0.7</b>	<b>0.8</b>	<b>0.5</b>	<b>3.0</b>
FTSE Canada 91 Day TBill Index	1.1	1.1	2.8	1.1	1.3	1.0	3.7

\* Refer to [www.mawer.com/funds/performance/](http://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 operating expenses have been deducted. In comparison, index returns do not incur management fees or operating expenses.

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