

## Market Overview

Globally, equity markets continued to be resilient in the second quarter, with U.S. equities being among the stronger performers. U.S. equity strength was driven by a handful of large technology-focused companies, including some that have been in the spotlight as notable advancements in artificial intelligence dominated news headlines. Meanwhile, Chinese equities declined in the quarter as growth anticipated from the lift in COVID-19 restrictions fell short of expectations.

In Canada, headline inflation declined while GDP growth and the employment market remained resilient despite the challenging monetary policy environment. Ultimately, the Bank of Canada reconfirmed their commitment to fighting inflation as it raised the policy interest rate 0.25% in the quarter. With yields rising over the period, Canadian bonds declined.

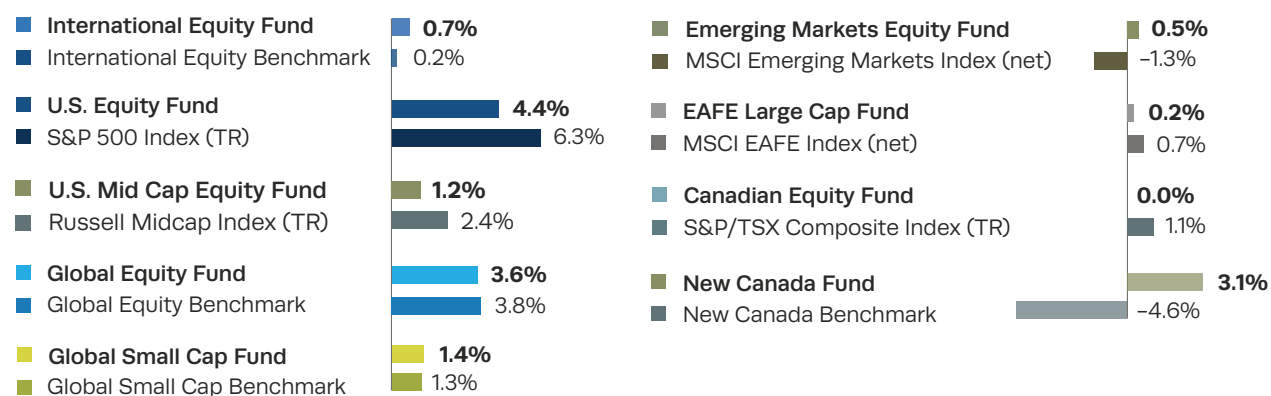
The Canadian dollar appreciated this quarter against many currencies, reducing the return of foreign asset classes. One notable exception was the British pound, which strengthened relative to the Canadian dollar as the Bank of England raised interest rates 0.50% in June. The Japanese yen also experienced notable weakness in the period.

## 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 April 1, 2023 – June 30, 2023.*

### Equities

**Chart A: Q2 2023, Series O, Gross of fees**



The recent advancements in artificial intelligence (AI) highlighted how technology continues to bring change, disruption, and new possibilities to the way people engage in everyday activities. Of significance is how fast AI is being integrated into common use. For example, how quickly Microsoft incorporated AI into their search engine, Bing. While the full impact of artificial intelligence's capabilities is yet to be seen, markets are forward-looking, and rewarded some of the companies potentially positioned to benefit from this advancement in the quarter such as Apple, Microsoft, NVIDIA, Amazon, Meta, Tesla, and Alphabet.

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

Of those listed, we hold **Microsoft**, **Amazon**, and **Alphabet**. While these technology businesses were some of our stronger performers, our relative underweight to the collective group was a headwind for relative performance.

In contrast to the businesses that may benefit from AI advancements, for others, the impact is less clear. One holding example is the call center operator, **Teleperformance**. While it may be positioned to leverage artificial intelligence to more efficiently serve customers, the driving concern is future, incredibly sophisticated chatbots which may reduce the need for call centers. Considering these potential risks and benefits, we have done scenario analysis around the company's revenue, margins, and their ultimate impact on the valuation of the company. Teleperformance was one of our weaker performers in the quarter after the market also negatively reacted to its offer to acquire a competitor.

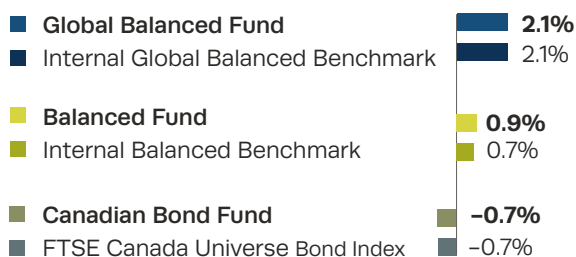
When assessing the AI theme and considering our investment horizon, the full, possible impact of artificial intelligence developments is difficult to ascertain. That said, in our experience, rapid technological change tends to drive a wedge between high-quality management teams and weaker ones. To use a surfing analogy, artificial intelligence has the potential to be a monster wave—great management teams will catch it and surf it by improving their value proposition to customers and reducing their costs. Thus, a continued focus on great management teams—as opposed to forecasting specific winners and losers associated with a given theme—will help guide our approach.

Elsewhere, **Compass Group**, the world's largest catering company, continued their strong post-pandemic recovery. Despite the many challenges facing the catering industry, the company now earns more revenue than it did pre-pandemic. A more difficult operating environment has hurt many of its less-adept competitors, while customers are also choosing to outsource more of their catering—a combination that has provided Compass Group with opportunities to gain market share, thereby strengthening its competitive advantage.

Several of our weaker performers include those impacted by lower demand from both larger pharmaceutical customers and smaller biotech firms. **Sartorius Stedim Biotech**, which provides equipment and consumables used at various stages in the production of biologic drugs, cut its guidance for the year ahead, and two life sciences companies also faced headwinds—**Waters** and **Bio-Rad**.

### Balanced and Canadian Bond

**Chart B: Q2 2023, Series O, Gross of fees**



The Mawer Balanced Fund delivered slightly positive returns in the quarter and narrowly outperformed its benchmark, supported by the outperformance of our Canadian small cap equity strategy. Meanwhile, the Mawer Global Balanced Fund delivered positive returns and performed in line with its benchmark. While our balanced strategies benefitted from positive returns from equities in the quarter, our Canadian bond strategy experienced modest declines as rising yields impacted bond prices.

Within our balanced strategies, we trimmed our target equity weight on two occasions during the quarter as equities rallied from their lows. We offset the trims by increasing our target allocation to Canadian bonds and cash. Overall, we believe this adds resilience, given the many scenarios that may unfold. Even though the market consensus appears to be calling for a soft landing, the macro picture remains very uncertain: inflation is moderating but still elevated, labour markets are resilient, the recovery in China's economy seems lackluster, and geopolitical tensions remain.

# Looking Ahead

The yield curves in many major economies remain inverted, likely signalling we are heading towards a recession, the severity and timing of which is still highly uncertain. With the market remaining hopeful for a soft landing, any perceived deviation from this path could result in volatility for equities. The renewed fight against inflation after a previous pause by the Bank of Canada also points to a potential prolonged period of higher interest rates ahead, an outcome that is also likely in Europe and the United States.

While the banking sector appears to have stabilized for now, the risk of something breaking remains. One well-reported area of concern is commercial real estate, a segment that is experiencing high vacancies and an uncertain outlook given the work-from-home theme.

To prepare against the risks, we've leaned into our bottom-up approach. Our investment philosophy naturally leads us to businesses with more stable demand given the criticality of the products and services they provide to their customers. Our forensic accounting checklist is designed to ensure that we avoid getting caught up in narrative and instead, methodically comb through financial statements for clues with respect to changes in business or management quality. In the current environment, and especially as COVID-19 supply shocks have encouraged many companies to build up their inventories, companies with excess inventory levels may face margin pressures in the coming quarters should demand abate from its current trend. As such, in addition to continuing to understand how companies are coping with inflation, we're looking closely at cash conversion and days of inventory, especially when coupled with valuation levels that, year-to-date, have outpaced earnings.

With recession uncertainty still clouding the outlook, we continue to focus on maintaining the course, sticking with the key tenets of our investment philosophy, being balanced, and prepared for a variety of different scenarios.

# Total Gross Returns (Series O)

For periods ending June 30, 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>8.4</b>	<b>0.7</b>	<b>21.1</b>	<b>4.3</b>	<b>4.2</b>	<b>9.3</b>	<b>8.8</b>
International Equity Benchmark*	6.9	0.2	15.6	6.2	3.6	7.4	5.6
<b>Mawer U.S. Equity Fund</b>	<b>8.3</b>	<b>4.4</b>	<b>17.8</b>	<b>10.7</b>	<b>12.3</b>	<b>15.4</b>	<b>10.5</b>
S&P 500 Index (TR)	14.2	6.3	22.7	13.5	12.4	15.4	10.2
<b>Mawer U.S. Mid Cap Equity Fund</b>	<b>8.8</b>	<b>1.2</b>	<b>20.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1.4</b>
Russell Midcap Index (TR)	6.5	2.4	17.9	-	-	-	-1.5
<b>Mawer Global Equity Fund</b>	<b>11.5</b>	<b>3.6</b>	<b>20.5</b>	<b>10.6</b>	<b>10.7</b>	<b>13.7</b>	<b>13.2</b>
Global Equity Benchmark*	11.3	3.8	19.5	9.9	8.2	11.5	10.7
<b>Mawer Global Small Cap Fund</b>	<b>6.9</b>	<b>1.4</b>	<b>14.9</b>	<b>4.2</b>	<b>5.8</b>	<b>12.9</b>	<b>12.2</b>
Global Small Cap Benchmark*	5.5	1.3	15.9	9.8	4.7	9.8	6.8
<b>Mawer Emerging Markets Equity Fund</b>	<b>10.2</b>	<b>0.5</b>	<b>13.4</b>	<b>-0.7</b>	<b>1.5</b>	<b>-</b>	<b>3.7</b>
MSCI Emerging Markets Index (net)	2.4	-1.3	4.4	1.3	1.0	-	4.1
<b>Mawer EAFE Large Cap Fund</b>	<b>10.6</b>	<b>0.2</b>	<b>21.2</b>	<b>6.7</b>	<b>-</b>	<b>-</b>	<b>7.5</b>
MSCI EAFE Index (net)	9.1	0.7	21.8	7.9	-	-	8.3
<b>Mawer Canadian Equity Fund</b>	<b>4.4</b>	<b>0.0</b>	<b>9.5</b>	<b>12.2</b>	<b>7.4</b>	<b>9.9</b>	<b>9.9</b>
S&P/TSX Composite Index (TR)	5.7	1.1	10.4	12.4	7.6	8.4	7.4
<b>Mawer New Canada Fund</b>	<b>4.9</b>	<b>3.1</b>	<b>10.7</b>	<b>9.9</b>	<b>8.7</b>	<b>11.4</b>	<b>13.1</b>
New Canada Benchmark*	-0.3	-4.6	5.3	12.7	3.4	4.9	5.6
<b>Balanced Funds</b>							
<b>Mawer Global Balanced Fund</b>	<b>8.2</b>	<b>2.1</b>	<b>14.1</b>	<b>5.7</b>	<b>7.2</b>	<b>-</b>	<b>9.2</b>
Internal Global Balanced Benchmark*	7.8	2.1	13.0	4.2	5.2	-	7.6
<b>Mawer Balanced Fund</b>	<b>5.1</b>	<b>0.9</b>	<b>10.8</b>	<b>3.9</b>	<b>5.2</b>	<b>8.2</b>	<b>7.7</b>
Internal Balanced Benchmark*	5.5	0.7	10.4	5.2	4.7	6.7	5.9
<b>Mawer Tax Effective Balanced Fund</b>	<b>5.1</b>	<b>0.9</b>	<b>10.8</b>	<b>3.8</b>	<b>5.2</b>	<b>8.1</b>	<b>7.7</b>
Internal Tax Effective Balanced Benchmark*	5.5	0.7	10.4	5.2	4.7	6.7	5.8
<b>Income Funds</b>							
<b>Mawer Canadian Bond Fund</b>	<b>2.5</b>	<b>-0.7</b>	<b>3.6</b>	<b>-3.5</b>	<b>0.9</b>	<b>2.1</b>	<b>3.6</b>
FTSE Canada Universe Bond Index	2.5	-0.7	3.1	-3.7	0.6	2.1	3.5
<b>Mawer Canadian Money Market Fund</b>	<b>1.9</b>	<b>1.0</b>	<b>3.2</b>	<b>1.2</b>	<b>1.3</b>	<b>1.0</b>	<b>1.2</b>
FTSE Canada 91 Day TBill Index	2.1	1.0	3.7	1.4	1.5	1.1	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 June 30, 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>7.7</b>	<b>0.4</b>	<b>19.5</b>	<b>2.9</b>	<b>2.8</b>	<b>7.9</b>	<b>7.5</b>
International Equity Benchmark*	6.9	0.2	15.6	6.2	3.6	7.4	5.2
<b>Mawer U.S. Equity Fund</b>	<b>7.7</b>	<b>4.1</b>	<b>16.5</b>	<b>9.5</b>	<b>11.1</b>	<b>14.1</b>	<b>8.5</b>
S&P 500 Index (TR)	14.2	6.3	22.7	13.5	12.4	15.4	10.2
<b>Mawer U.S. Mid Cap Equity Fund</b>	<b>8.0</b>	<b>0.9</b>	<b>18.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2.7</b>
Russell Midcap Index (TR)	6.5	2.4	17.9	-	-	-	-1.5
<b>Mawer Global Equity Fund</b>	<b>10.7</b>	<b>3.3</b>	<b>18.9</b>	<b>9.1</b>	<b>9.3</b>	<b>12.3</b>	<b>11.7</b>
Global Equity Benchmark*	11.3	3.8	19.5	9.9	8.2	11.5	10.7
<b>Mawer Global Small Cap Fund</b>	<b>6.0</b>	<b>1.0</b>	<b>12.9</b>	<b>2.5</b>	<b>4.1</b>	<b>11.1</b>	<b>10.2</b>
Global Small Cap Benchmark*	5.5	1.3	15.9	9.8	4.7	9.8	6.8
<b>Mawer Emerging Markets Equity Fund</b>	<b>9.4</b>	<b>0.2</b>	<b>11.7</b>	<b>-2.2</b>	<b>0.0</b>	<b>-</b>	<b>2.2</b>
MSCI Emerging Markets Index (net)	2.4	-1.3	4.4	1.3	1.0	-	4.1
<b>Mawer EAFE Large Cap Fund</b>	<b>9.9</b>	<b>-0.1</b>	<b>19.6</b>	<b>5.3</b>	<b>-</b>	<b>-</b>	<b>6.0</b>
MSCI EAFE Index (net)	9.1	0.7	21.8	7.9	-	-	8.3
<b>Mawer Canadian Equity Fund</b>	<b>3.8</b>	<b>-0.2</b>	<b>8.3</b>	<b>10.9</b>	<b>6.2</b>	<b>8.6</b>	<b>9.0</b>
S&P/TSX Composite Index (TR)	5.7	1.1	10.4	12.4	7.6	8.4	8.3
<b>Mawer New Canada Fund</b>	<b>4.2</b>	<b>2.8</b>	<b>9.2</b>	<b>8.4</b>	<b>7.2</b>	<b>9.9</b>	<b>12.7</b>
New Canada Benchmark*	-0.3	-4.6	5.3	12.7	3.4	4.9	7.1
<b>Balanced Funds</b>							
<b>Mawer Global Balanced Fund</b>	<b>7.6</b>	<b>1.8</b>	<b>12.9</b>	<b>4.6</b>	<b>6.1</b>	<b>-</b>	<b>8.0</b>
Internal Global Balanced Benchmark*	7.8	2.1	13.0	4.2	5.2	-	7.6
<b>Mawer Balanced Fund</b>	<b>4.7</b>	<b>0.6</b>	<b>9.8</b>	<b>3.0</b>	<b>4.3</b>	<b>7.2</b>	<b>7.9</b>
Internal Balanced Benchmark*	5.5	0.7	10.4	5.2	4.7	6.7	7.5
<b>Mawer Tax Effective Balanced Fund</b>	<b>4.7</b>	<b>0.6</b>	<b>9.9</b>	<b>3.0</b>	<b>4.3</b>	<b>7.2</b>	<b>7.5</b>
Internal Tax Effective Balanced Benchmark*	5.5	0.7	10.4	5.2	4.7	6.7	7.6
<b>Income Funds</b>							
<b>Mawer Canadian Bond Fund</b>	<b>2.2</b>	<b>-0.9</b>	<b>2.9</b>	<b>-4.2</b>	<b>0.3</b>	<b>1.5</b>	<b>4.9</b>
FTSE Canada Universe Bond Index	2.5	-0.7	3.1	-3.7	0.6	2.1	5.9
<b>Mawer Canadian Money Market Fund</b>	<b>1.7</b>	<b>0.9</b>	<b>2.8</b>	<b>1.0</b>	<b>1.0</b>	<b>0.6</b>	<b>3.0</b>
FTSE Canada 91 Day TBill Index	2.1	1.0	3.7	1.4	1.5	1.1	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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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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