

Market Overview

After starting off positive, global equity markets finished the quarter in negative territory as developments in the period took some wind out of the markets' sails. Market sentiment was impacted by the U.S. Federal Reserve indicating that interest rates may remain higher for longer, prompting a rise in bond yields across the curve. The U.S. dollar has also been strong, as the U.S. economy hasn't witnessed the degree of weakness seen in other parts of the world. The third quarter ultimately saw the return of simultaneous declines of bonds and equities.

After renewing the fight against inflation with rate hikes in June and July, the Bank of Canada paused in September as growth in the economy had slowed. However, persistent inflation remains a concern for policymakers as core measures are proving difficult to tame. Oil prices moving higher and a resilient employment market are also risks to inflationary pressures. The Bank of Canada has suggested that they may increase the policy interest rate again if needed.

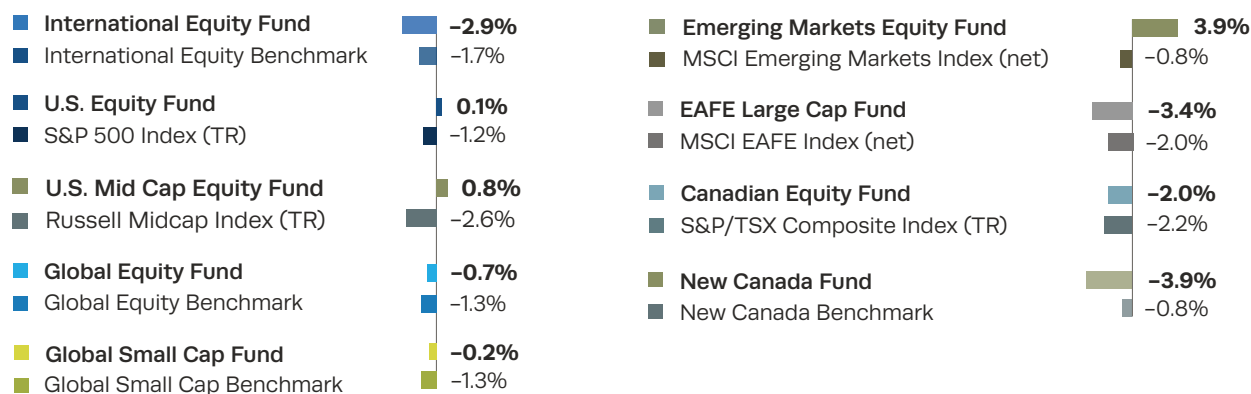
While the market appears hopeful that central banks can bring inflation down without a significant effect on growth, the move lower in equities and higher bond yields towards the end of the quarter are reminders that market sentiment can shift quickly.

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 July 1, 2023 - September 30, 2023.

Equities

Chart A: Q3 2023, Series O, Gross of fees



This quarter there was a divergence in the performance of holdings within our various portfolios, perhaps a sign of the fragile state of the economy and the vulnerabilities clouding the global growth outlook. We focus on well-run, resilient businesses, with strong competitive advantages and several of our holdings were able to perform well this quarter amongst the turbulence.

How did we do? (cont'd)

- **Novo Nordisk** had a strong quarter as its blockbuster obesity treatment was shown to result in markedly lower risk of cardiovascular events. Our initial investment thesis was predicated on what a strong culture and a focused research and development approach might deliver with respect to innovation. This appears to be playing out and is responsible for breakthroughs in diabetes-adjacent areas such as obesity.
- **CME Group**, an operator of derivatives and futures exchanges, posted a strong return. The company adds unique diversification as it tends to benefit during macro uncertainty which may lead to higher activity on its various platforms.
- Kazakhstan's **Kaspi.kz**, whose super-app is dominant with respect to digital payments, e-commerce, and fintech in its domestic market posted tremendous results. One of our portfolio managers recently visited Kazakhstan and was able to see firsthand the company's dominant market position.

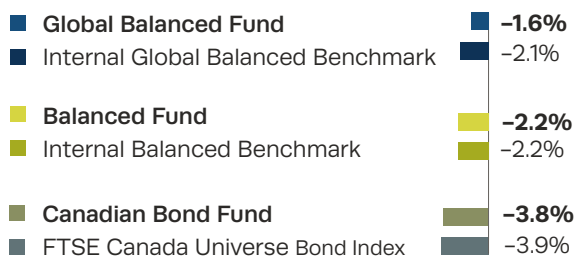
On the other hand, not all businesses were able to hold up well this quarter; certain names were hit by short-term market sentiment and expectations.

- Macroeconomic uncertainty impacted sentiment in luxury conglomerate **LVMH**. The company has been on an exceptional growth path over the last few years but has begun to see demand subside.
- Most companies tied to the semiconductor industry were impacted by demand concerns, including holdings in **TSMC**, **Texas Instruments**, and **ASML Holding**. Ongoing geopolitical risks also remain for the industry.
- **Dollar General's** reported lower operating margins, suggesting that the company's ability to pass along additional price increases appears limited given the pressures facing its customers.

Another theme during the quarter was strength amongst many energy companies that are positioned to benefit from the higher oil prices—**Canadian Natural Resources**, **Suncor Energy**, **Equinor**, and **Shell** were some of our stronger performing holdings. Elsewhere, many telecommunication companies declined including **Telus**, **Verizon Communications**, and **Cogeco**. Telcos face headwinds from their ability to exercise pricing power and generally a less favourable growth outlook.

Balanced and Canadian Bond

Chart B: Q3 2023, Series O, Gross of fees



For balanced investors, some of the gains from the earlier half of the year were given back as both bonds and equities declined in the quarter. From an asset mix perspective, our current tactical target is overweight cash and underweight bonds. With the yields we are getting on treasury bills, we believe we are being adequately compensated for our patience holding cash, especially with the uncertainty surrounding the future path of interest rates. We also remain near neutral in equities and are comfortable with our stance at this time, given the macroeconomic uncertainties on the horizon. At some point, we may feel more confident in deviating as occasionally the odds can shift, and collectively our conviction to position our equity weight further from neutral.

Looking Ahead

There are several vulnerabilities clouding the outlook for global growth including the effects of previous monetary policy tightening working its way through the economy, signs of softer consumer spending, and continued weakness in China. On the inflation front, the path forward for policy interest rates is highly uncertain, and market participants will be paying close attention to whether future inflation data warrants additional rate hikes.

One area of focus from our recent risk management meetings has been on valuation risks, as valuations appear stretched in certain areas of the market, especially with more signs that the global economy is weakening. Sharply higher bond yields further muddy the outlook for equities, as inflation has slowed over the past year causing real yields—which tend to be negatively correlated with equity prices—to edge higher. Yet despite the pullback late in the quarter, we worry that valuations may still be reflecting investors putting too much faith in a soft landing.

That said, our equity strategies do not seek to mimic the broader market. We've been very focused on ensuring an appropriate margin of safety in our discounted cash flow models and leaning into our stochastic approach to prepare for a variety of scenarios. After all, policymakers have been able to avoid doing too much harm to the economy so far, and the combination of high employment levels and huge infrastructure spending are both supportive of aggregate demand. With the global economy in a delicate state, a focus on sound, well-run businesses with sustainable competitive advantages, that generate recurring revenues, that have flexibility in their cost base, that maintain strong industry positions, that refrain from taking undue risk from a leverage perspective, and that trade at a discount to their intrinsic value may prove important in the months ahead.

Total Gross Returns (Series O)

For periods ending September 30, 2023

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Equity Funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	5.3	-2.9	18.5	0.6	4.0	8.3	8.5
International Equity Benchmark*	5.1	-1.7	18.5	4.2	3.5	6.3	5.5
Mawer U.S. Equity Fund	8.5	0.1	17.9	8.5	11.2	15.0	10.3
S&P 500 Index (TR)	12.8	-1.2	19.7	10.6	10.9	15.0	10.0
Mawer U.S. Mid Cap Equity Fund	9.6	0.8	17.3	-	-	-	-0.8
Russell Midcap Index (TR)	3.7	-2.6	11.6	-	-	-	-2.6
Mawer Global Equity Fund	10.6	-0.7	20.1	8.2	9.8	13.0	12.8
Global Equity Benchmark*	9.8	-1.3	18.9	7.3	7.4	10.8	10.3
Mawer Global Small Cap Fund	6.7	-0.2	18.5	1.1	5.2	11.5	12.0
Global Small Cap Benchmark*	4.1	-1.3	13.4	7.3	4.5	8.9	6.6
Mawer Emerging Markets Equity Fund	14.5	3.9	23.5	-2.2	2.8	-	4.2
MSCI Emerging Markets Index (net)	1.6	-0.8	9.9	-1.3	1.5	-	3.8
Mawer EAFE Large Cap Fund	6.9	-3.4	19.2	3.0	-	-	5.8
MSCI EAFE Index (net)	6.8	-2.0	23.6	6.2	-	-	7.0
Mawer Canadian Equity Fund	2.3	-2.0	8.2	9.5	6.6	9.0	9.6
S&P/TSX Composite Index (TR)	3.4	-2.2	9.5	9.9	7.3	7.5	7.2
Mawer New Canada Fund	0.8	-3.9	8.5	4.0	6.3	9.6	12.7
New Canada Benchmark*	-1.1	-0.8	7.2	10.0	3.8	4.0	5.5
Balanced Funds							
Mawer Global Balanced Fund	6.4	-1.6	12.2	3.9	6.5	8.8	8.8
Internal Global Balanced Benchmark*	5.5	-2.1	10.9	2.1	4.6	7.1	7.2
Mawer Balanced Fund	2.9	-2.2	8.7	1.5	4.6	7.4	7.5
Internal Balanced Benchmark*	3.2	-2.2	8.5	3.3	4.3	6.1	5.6
Mawer Tax Effective Balanced Fund	2.9	-2.1	8.6	1.5	4.6	7.4	7.4
Internal Tax Effective Balanced Benchmark*	3.2	-2.2	8.5	3.3	4.3	6.1	5.6
Income Funds							
Mawer Canadian Bond Fund	-1.4	-3.8	-1.1	-5.0	0.3	1.7	3.3
FTSE Canada Universe Bond Index	-1.5	-3.9	-1.4	-5.2	0.1	1.6	3.3
Mawer Canadian Money Market Fund	3.1	1.2	3.9	1.6	1.5	1.1	1.3
FTSE Canada 91 Day TBill Index	3.4	1.2	4.4	1.8	1.7	1.2	1.5

* 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 September 30, 2023

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Equity Funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	4.2	-3.2	16.9	-0.8	2.5	6.9	7.4
International Equity Benchmark*	5.1	-1.7	18.5	4.2	3.5	6.3	5.1
Mawer U.S. Equity Fund	7.5	-0.1	16.5	7.3	10.0	13.7	8.4
S&P 500 Index (TR)	12.8	-1.2	19.7	10.6	10.9	15.0	10.1
Mawer U.S. Mid Cap Equity Fund	8.5	0.5	15.8	-	-	-	-2.1
Russell Midcap Index (TR)	3.7	-2.6	11.6	-	-	-	-2.6
Mawer Global Equity Fund	9.6	-1.1	18.6	6.8	8.4	11.6	11.4
Global Equity Benchmark*	9.8	-1.3	18.9	7.3	7.4	10.8	10.3
Mawer Global Small Cap Fund	5.3	-0.6	16.5	-0.6	3.5	9.7	10.0
Global Small Cap Benchmark*	4.1	-1.3	13.4	7.3	4.5	8.9	6.6
Mawer Emerging Markets Equity Fund	13.2	3.5	21.6	-3.6	1.3	-	2.6
MSCI Emerging Markets Index (net)	1.6	-0.8	9.9	-1.3	1.5	-	3.8
Mawer EAFE Large Cap Fund	5.9	-3.7	17.7	1.7	-	-	4.4
MSCI EAFE Index (net)	6.8	-2.0	23.6	6.2	-	-	7.0
Mawer Canadian Equity Fund	1.4	-2.3	6.9	8.3	5.4	7.8	8.8
S&P/TSX Composite Index (TR)	3.4	-2.2	9.5	9.9	7.3	7.5	8.1
Mawer New Canada Fund	-0.2	-4.2	7.1	2.6	4.9	8.1	12.5
New Canada Benchmark*	-1.1	-0.8	7.2	10.0	3.8	4.0	7.0
Balanced Funds							
Mawer Global Balanced Fund	5.6	-1.9	11.0	2.8	5.4	7.7	7.6
Internal Global Balanced Benchmark*	5.5	-2.1	10.9	2.1	4.6	7.1	7.2
Mawer Balanced Fund	2.2	-2.4	7.7	0.7	3.7	6.5	7.8
Internal Balanced Benchmark*	3.2	-2.2	8.5	3.3	4.3	6.1	7.4
Mawer Tax Effective Balanced Fund	2.2	-2.3	7.7	0.6	3.7	6.5	7.4
Internal Tax Effective Balanced Benchmark*	3.2	-2.2	8.5	3.3	4.3	6.1	7.4
Income Funds							
Mawer Canadian Bond Fund	-1.9	-4.0	-1.8	-5.6	-0.3	1.0	4.7
FTSE Canada Universe Bond Index	-1.5	-3.9	-1.4	-5.2	0.1	1.6	5.8
Mawer Canadian Money Market Fund	2.7	1.1	3.4	1.3	1.1	0.7	3.0
FTSE Canada 91 Day TBill Index	3.4	1.2	4.4	1.8	1.7	1.2	3.7

* 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 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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