Mawer Global Balanced Fund, Series A

Q1 2025 | Performance Commentary

Market Overview

The first quarter of 2025 saw notable shifts in global economic momentum. Escalating tariff threats and trade tensions—which have compounded even further since the end of the quarter—cloud the economic outlook globally while intensifying inflationary pressures. This creates a challenging environment for central banks tasked with managing inflation while countering slowing growth.

Enthusiasm for U.S. equities pulled back amid weaker economic data, a drop in consumer sentiment, trade policy, and scrutiny over the pace of AI adoption. Notably, last year's narrow group of U.S. technology focused companies that had an outsized influence on overall market gains reversed in the first quarter. By contrast, European equities have risen driven by expectations for increased fiscal spending tied to defense and infrastructure commitments, decent corporate earnings, and a low starting point given that valuations in Europe have been far less elevated than in the U.S. Meanwhile, Chinese equities were buoyed by rising private sector confidence and enthusiasm for AI advancements, in part tied to the noteworthy release of DeepSeek's Large Language Model.

Canadian equities outperformed U.S. equities this quarter, largely due to the continued surge in gold prices—a safe haven amongst global uncertainty—which significantly benefited Canada's mining sector. Despite this positive for many metals and mining companies, Canada faces challenges from U.S. tariffs and is in the midst of a federal election campaign. Business confidence has also been dampened as trade tensions dominate the headlines. In an attempt to counter economic headwinds, the Bank of Canada cut interest rates twice during the quarter.

Performance Commentary

The portfolio underperformed its benchmark this quarter driven by declines within global equities. Canadian bonds and money market delivered positive returns and helped provide stability amongst the equity market volatility. Overall results trailed the benchmark during the quarter, driven by the by the underperformance of the equity holdings compared to the MSCI ACWI Index (Net).

We saw a shift in sentiment related largely to U.S. based mega-cap technology stocks after DeepSeek's release of a new, cutting-edge open-sourced Large Language Model seemingly at a fraction of the cost. Our underweight to a concentrated U.S. tech market is not ideological; rather, we believe strongly in a diversified and resilient portfolio in part because we think it's prudent to have humility about predicting where the value capture of technology is over the long term.

Several boring businesses in the portfolio performed well this quarter. Within consumer staples, three stocks stood out. Coffee producer **JDE Peet's** new CEO outlined a capital allocation framework that emphasizes cash returns in the form of elevated share buybacks and increasing dividends with an explicit de-prioritization of M&A. **Orkla's** core consumer packaged goods business continued improving return on capital employed, the company sold a non-core asset to simplify the business, and they provided a second consecutive year of elevated cash returns via special dividends. Lastly, **Nestlé** appears to be benefiting from a renewed focus on winning market share lost during the pandemic, deleveraging, and restructuring their portfolio.

While in a different sector, pharmaceutical producer **Roche Holdings** also fits the theme of boring businesses doing well, as existing products continue gaining traction and margins are potentially set to expand as the company prioritizes their R&D spending.

We also saw a rebound in returns this quarter for some of the portfolios laggards in 2024. For example, Brazilian broker-dealer **XP Inc**, and outsourced HR and benefits provider **Insperity**. This served as a humble reminder of the randomness of short-term price action and the perils of relying on it as a basis for good, repeatable decision-making that creates value over the long-term.

Offsetting these positives, several of last year's top performers saw near-term downshifts in sentiment: communication agency **Publicis Groupe**, parcel delivery company **FedEx**, and technology and advertising platform **Alphabet**.

Robert Half reported staffing revenue declines in their temporary and permanent staffing placement business lines as the company continues feeling the impact of a slowing outsourced recruiting market. This trend was partially offset by their consulting arm, Protiviti, reporting its second consecutive quarter of revenue growth with further growth acceleration expected in 2025. Part of our investment thesis is that this mini-big four consulting practice may act as a more meaningful counterbalance relative to past cycles given it's a less cyclical business and now makes up approximately 50% of Robert Half's EBITA.

Looking Ahead

We are living through a period of substantial transition. Look no further than the steady stream of executive orders emanating from the Trump administration, the dramatic escalation in trade barriers, or Germany's recent commitment to spend €1 trillion on defense and infrastructure, forsaking its once unimpeachable debt brake.

Further complicating matters, while a realignment of the world economic and geopolitical order is occurring rapidly, the degree of policy uncertainty evokes the image of a four-way traffic stop, each driver glancing at the other waiting for the next move. Consumers debating whether to spend, central banks deliberating over the appropriate course of action, and companies determining if/when/where to make investments may delay these decisions in the face of heightened policy uncertainty.

At times like these, temperament matters as much as analysis. The temptation to react impulsively—to slam on the brakes or to accelerate too quickly—can be costly. While transitions create uncertainty, they also generate opportunity for those who remain clear-eyed.

The road ahead will have its twists, but our approach remains the same: prioritize resilience over reaction and discipline over distraction. Our North Star: a focus on attractively valued, well-run businesses that can withstand turbulence by, quite simply, selling a good or a service their clients value at a price that more-than-covers the cost of capital by virtue of a competitive advantage, thereby creating wealth.

Just like at a busy intersection, apply the right balance of focus, patience, and decisiveness.

Performance Summary[1] (%)
As of March 31, 2025

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception[2]
FUND	-1.0	-1.0	3.1	5.2	7.0	6.3	7.9
BENCHMARK	0.0	0.0	11.4	8.4	9.0	6.9	8.5

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	8.3	13.1	-10.9	12.9	9.4	14.1	3.5	11.0	-0.6	14.6
BENCHMARK	18.2	13.9	-11.3	8.1	12.4	13.5	1.3	9.9	2.0	12.9

[1]Performance figures are net of management fees and operating expenses. Periods greater than one year are annualized. Performance figures are in Canadian dollar terms.
[2]Mawer Global Balanced Fund Series A Inception: July 3, 2013

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Selections from Mawer's Art of Boring blog and podcast:

Quarterly Update | Q1 2025 | EP 185

In this Quarterly episode, Crista Caughlin, lead portfolio manager for Canadian bonds, and Jeff Mo, lead portfolio manager for U.S. midcaps, discuss market performance through Q1 2025 and the significant volatility that followed in early Q2—particularly after "Liberation Day" when the Trump administration imposed sweeping tariffs, followed by retaliation from other countries, and then a partial pause. The discussion explores how these trade tensions have created uncertainty affecting business confidence, consumer spending, and investment decisions. Crista explains that the growth outlook has worsened due to this uncertainty, regardless of whether tariffs ultimately reach 10%, 25% or are delayed. Both emphasize the team's investment approach during this volatility relies on maintaining a disciplined process, avoiding "hero trades," and carefully modeling potential impacts on individual companies.

A "Balanced" Perspective Amid High Uncertainty | EP180

In this episode, balanced portfolio manager, Steven Visscher, covers 2024 performance, asset allocation decisions, trade uncertainty, potential tariffs, and AI-driven productivity growth. Above all, he emphasizes long-term discipline, diversification, and avoiding emotional investment decisions in an unpredictable market environment.

An AI Efficiency Breakthrough: DeepSeek's Impact

A sudden release from a Chinese AI start-up rocked markets last week. DeepSeek, a new large-language model (LLM), has demonstrated performance comparable to OpenAI's ChatGPT while dramatically reducing compute and power costs through innovative design and optimizations. This news has the potential to upend the current AI narratives and surrounding technology ecosystem that have been driving financial markets this cycle. This article delves into a number of technological, financial market, and portfolio construction implications from this AI-related news.

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Opinions and Forecasts:

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Benchmarks:

FUND	BENCHMARK
Mawer Global Balanced Fund	July 2013: 5% FTSE Canada 91 Day Treasury Bill, 35% FTSE Canada Universe Bond, 60% MSCI World Net (Cdn$) Aug 2013: MSCI World Net (Cdn $) returns is used to calculate the blended benchmark from inception. Previously, MSCI World Gross (Cdn $) was used. Oct 2015: 20% FTSE Canada Universe Bond, 20% FTSE WGBI, 60% MSCI World Net (Cdn$) Oct 2016: 20% FTSE Canada Universe Bond, 20% FTSE WGBI, 60% MSCI ACWI (net) June 2021: 5% FTSE Canada 91 Day TBill Index, 35% FTSE Canada Universe Bond, 60% MSCI ACWI (Net)

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