Mawer Global Equity Fund, Series A

Q1 2025 | Performance Commentary

Market Overview

The first quarter of 2025 has seen significant 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 and intensify inflationary pressures. This creates a challenging environment for global 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 companies that had an outsized influence on overall market gains reversed in Q1. 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.

Performance summary

The portfolio underperformed its benchmark this quarter. 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** 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**, 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

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. We stay open-minded to themes, but not as a function of when they are hot in the market, but rather with respect to our investment philosophy. Think of all the themes we have seen—cannabis, biotech, BRICS, FAANG. As long-term business owners for 8-10 years, many of these investment themes expressed in acronyms haven't had the suitable staying power we require.

The average year of foundation for our portfolio companies at year-end was 1928. Collectively, they are almost a century old, standing the test of time. The lindy effect suggests the longer something has survived, the longer its remaining life expectancy. The most important key to compounding is time and durability. As Warren Buffett reminds us, a snowball growing very fast (i.e., a higher rate of return) down a short hill doesn't compound as well as a snowball rolling more slowly down a long hill.

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.

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

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception[2]
FUND	-2.7	-2.7	0.8	6.7	10.7	9.2	11.2
BENCHMARK	-1.3	-1.3	14.0	12.1	15.4	10.3	11.5

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	10.7	17.1	-11.2	21.3	9.8	20.7	4.3	17.5	-0.4	21.5
BENCHMARK	28.1	18.9	-12.4	17.5	14.2	20.2	-1.3	15.8	3.1	18.9

[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 Equity Fund Series A Inception: October 22, 2009

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.

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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[Dead Reckoning: Investing Lessons from the High Seas]
This article will illustrate several ideations and tools investors can incorporate into their processes to navigate the choppy, mercurial waters of investing.

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Benchmarks:

FUND	BENCHMARK
Mawer Global Equity Fund	Oct: 2009: MSCI World (net) Oct 2016: MSCI ACWI (net)

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