Mawer New Canada Fund, Series A

Q1 2025 | Performance Commentary

Market Overview

The first quarter of 2025 has seen notable shifts in global economic momentum. Escalating tariff threats and compounding trade tensions could undermine expectations for a soft landing and intensify inflationary pressures. This creates a challenging environment for global central banks tasked with managing inflation while countering slowing growth.

In Canada, there is a real risk to the economy from tariffs and we have been hearing from management teams that there are headwinds from weaker consumers and industrial activity has been declining. We are also in the midst of a federal election which adds to the uncertainty. In the Canadian small cap universe, it has been a challenging quarter across many consumer and industrial oriented sectors, a reflection of the outlook. The exception has been materials sector businesses, notably metal and mining companies that have benefited from an increasing move higher in gold prices, a safe haven amongst global uncertainty.

Enthusiasm for U.S. equities dimmed amid weaker economic data, a drop in consumer sentiment, trade policy uncertainty, and scrutiny over the return on investments for AI infrastructure. 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 Commentary

The portfolio underperformed the S&P/TSX Small Cap Index in the first quarter of 2025. The relative underperformance was driven by the portfolio's zero weight in the metals and mining industry, as gold prices moved higher with investors searching for a safe haven amongst the uncertainty.

Our largest position in the portfolio, **TerraVest Industries**, continues to be one of the strongest contributors to performance. Since we initiated in this manufacturer of storage tanks in early 2020, the stock price has been on an impressive run and has most recently jumped higher after it was announced that the company would acquire EnTrans International, a manufacturer of tank trailers.

Converge Technology Solutions was another value-added technology company that received a stock price bump as it was announced it would be acquired. It is following a similar path to our prior holding in Softchoice which exited the portfolio over the quarter when its acquisition closed. Considering a deteriorating economic outlook and lower valuations, it comes as no surprise that many smaller cap companies have been targeted. Another technology holding, **Topicus.com**, was a strong performer over the quarter as they have accelerated their pace of acquisitions. We made a small addition to our position in this consolidator of software companies. Rare earth metal refiner and processor, **Neo Performance Materials**, was a strong contributor as the company's weaker results from last year appear to be subsiding. We trimmed our position slightly as the price advanced. **Stantec** also advanced higher, with results highlighting broad-based strength and an increased backlog.

With many smaller cap companies facing headwinds amongst an uncertain outlook, many of our holdings posted declines. **Dye & Durham** lagged as the new management team is faced with the

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opportunity to execute a turnaround for the business. Slower real estate volumes in Canada are also leading to headwinds for the business. Even though a large amount of earthmoving contractor **North American Construction Group's** operations is now in Australia—an area of the business that is doing well—the market has been worried about cost cutting in the Canadian oil sands which contributed to a decline. **Jamieson Wellness**, a manufacturer of vitamins and supplements, has lagged as the company potentially faces headwinds from a weaker consumer. **Trisura Group**, a specialty insurance company, declined as it announced an exit of unprofitable business lines in the U.S., a move that we see prudent in the long term. Finally, **Colliers International Group's** stock price fell as the company reported results that show an increase in hiring that is pressuring margins. We believe this strategy may lead to an increase in market share and we took the opportunity to add to the holding.

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	-4.8	-4.8	-0.7	2.8	13.1	7.0	12.5
BENCHMARK	0.9	0.9	11.1	7.1	20.1	5.8	7.4

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	12.5	12.4	-18.7	18.1	19.3	28.8	-10.2	3.9	19.3	1.9
BENCHMARK	18.8	4.8	-9.3	20.3	12.9	15.8	-18.2	2.8	35.5	-13.8

[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 New Canada Fund Series A Inception: January 8, 1988

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.
Navigating Tariff Tensions in Canada: Risks and Opportunities | EP179
In this episode, we discuss the escalation of U.S./Canada tariff tensions with Mark Rutherford, co-manager of Mawer's Canadian equity strategy. Mark provides historical context of how we got here; highlights the potential economic impact tariffs may have on the Canadian economy; provides specific portfolio holding examples of how businesses and industries may be affected; and mentions several potential benefits for Canada. Ultimately, he stresses that adhering to a disciplined, long-term investment approach is vital amid uncertainty.
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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Opinions and Forecasts:
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All opinions contained in forward looking information are subject to change without notice and are provided in good faith and are based on the estimates and opinions of the portfolio advisor at the time the information is presented. The portfolio advisor has no specific intention of updating any forward looking information whether as a result of new information, future events or otherwise, except as required by securities legislation. Certain information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but cannot be guaranteed to be current, accurate or complete and is subject to change without notice.

Benchmarks:

FUND	BENCHMARK
Mawer New Canada Fund	Jan 1988: BMO Weighted Small Cap (Blended) Oct 2016: S&P/TSX Small Cap

Performance Disclosure and Requirements:
Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the fund facts and the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Mawer Funds are managed by Mawer Investment Management Ltd.

The Funds mentioned in this document are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.

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