Mawer U.S. 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 substantially outperformed its benchmark in the first quarter.

Boring and antifragile stalwarts were the main drivers behind the resilience—and positive return—exhibited by the portfolio as the benchmark tumbled. The persistence of volatility, uncertainty, and financialization may continue to fuel strong volumes observed during the quarter by financial exchange operators **CME Group** and **Intercontinental Exchange**. In addition, lower growth expectations combined with sticky inflation in the United States has led investors towards businesses with defensible revenue streams and relatively low economic sensitivity. These elements are foundational to insurance brokers **Arthur J Gallagher** and **Marsh & McLennan**; both delivered strong returns this quarter, while providing a hedge against inflation. Finally, some companies left out of last year's exuberance have done relatively well this quarter, including **Cencora**, a wholesaler of generic and specialty pharmaceutical products which reported strong growth and raised guidance, partially driven by its sale of weight loss drugs as supply shortages have been resolved.

Throughout the uncertainty, the market rotated towards companies less reliant on future growth (to justify their market value) and as such, tech-focused companies pulled back. While a net positive for the portfolio as we have a lower exposure to this theme than the broader market, hyperscalers **Alphabet**, **Microsoft**, and **Amazon** reported a slowdown in their cloud solutions, generally overshadowing other segments of their businesses. Elsewhere, policy uncertainty and budget cuts—notably at the National Institutes of Health—have been weighing on the biotech industry, including manufacturer of life science tools **Bio-Rad Laboratories** and **Danaher**, despite robust bioprocessing related orders. Finally, management consultant **FTI Consulting** reported disappointing results due to a weaker utilization rate and headwinds to its economic consulting segment as a former employee started a competing firm within the space. However, results in its core business—restructuring and bankruptcy—have been decent and more difficult economic times are generally favorable for FTI.

Looking Ahead

As we wrote under this banner three months ago, 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	2.2	2.2	12.3	11.1	14.5	12.0	8.9
BENCHMARK	-4.2	-4.2	15.1	14.3	18.9	13.9	10.8

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	21.7	14.4	-12.1	23.6	14.7	25.7	9.6	12.8	5.5	19.3
BENCHMARK	36.4	22.9	-12.2	27.6	16.3	24.8	4.2	13.8	8.1	21.6

[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 U.S. Equity Fund Series A Inception: December 11, 1992

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.

U.S. Equity Insights: The Impact of Policy Shifts and AI | EP182

In this episode, we discuss the early months of the new U.S. administration with Grayson Witcher, lead portfolio manager for the U.S. equity strategy at Mawer. Grayson touches on the impact of tariffs, including the practical and unpredictable aspects of tariffs and how they influence decision-making. Grayson also shares insights on the potential long-term effects of the AI boom and highlights recent portfolio adjustments in response to evolving market dynamics.

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.

Disclaimer

exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events. The foregoing list of risk factors is not exhaustive.

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 U.S. Equity Fund	S&P 500 Index

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.