

Mawer Canadian Bond Fund, Series A

Q1 2026 | Performance Commentary

Market Overview

Shifts in the macro environment dominated headlines and the Canadian bond market in the quarter. The escalation of conflict involving Iran has triggered a sharp energy shock, pushing oil materially higher, raising inflation concerns, and reversing the market's previous expectation of more Bank of Canada (BoC) rate cuts.

The FTSE Canadian Universe Index returned 0.2% over the quarter. Offsetting coupon income, interest rates increased with the 10-year moving from 3.4% to 3.5% and spreads also modestly widened amid the broader market turbulence.

The BoC held overnight rates at 2.25% at both its January and March meetings, with the tone of the most recent meetings being marginally dovish. They stated that "risks to growth tilted to the downside" but given that "inflation is close to target and the economy in excess supply, the risk that higher energy prices quickly spread to the prices of other goods and services looks contained". In other words, they need time to assess the impact of the war and will endeavor to not let the inflation effects broaden if energy prices stay high and become persistent.

Performance Summary

The portfolio modestly underperformed the benchmark during the quarter.

Owning high quality non-financial corporates helped shield the portfolio against spread widening, however our overweight in banks was the main contributor to the underperformance. The impact of curve and duration positions offset, causing our overall rates performance to be neutral.

Looking Ahead

For rest of 2026, the market implied probabilities are for more than two hikes from the BoC close to one cut priced in a month ago and half a hike for Federal Reserve versus two cuts as of a month ago. The BoC along with other central banks are trying to balance near term inflation concerns with the longer-term growth implications of sustained higher energy prices. Canada's starting point today is one of a weak economy characterized by excess supply, negative jobs, slowing growth, and trade uncertainty. This is a very different and more problematic backdrop compared to 2022 when there was a significant amount of excess demand in the economy (a massive savings build-up through COVID). This would suggest an inflation passthrough to consumers will be significantly more challenging. This tension between inflation and growth, along with consumers' ability to absorb further inflationary pressures will be a key dynamic to monitor and potentially trade around in the coming months.

Performance Summary¹ (%)

As of March 31, 2026

	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception ²
FUND	0.0	0.0	0.2	3.0	0.3	1.2	4.8
BENCHMARK	0.2	0.2	0.8	3.5	0.7	1.8	5.8

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	0.9	1.3	0.8	6.4	8.7	-3.0	-12.0	6.3	4.0	2.1
BENCHMARK	1.7	2.5	1.4	6.9	8.7	-2.5	-11.7	6.7	4.2	2.6

¹Performance figures are net of management fees and operating expenses. Periods greater than one year are annualized. Performance figures are in Canadian dollar terms.

²Mawer Canadian Bond Fund Series A Inception: June 14, 1991

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Benchmarks:

FUND	BENCHMARK
Mawer Canadian Bond Fund	FTSE Canada Universe Bond Index

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