

# Mawer Canadian Equity Fund, Series A

## Q1 2026 | Performance Commentary

### Market Overview

Shifts in the macro environment dominated both headlines and the Canadian equity 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 S&P TSX posted strong positive results overall; the energy sector was the big winner thanks to the surge in oil and gas prices. Despite support from a narrow set of commodity-linked companies, the broader risk is that a sustained energy shock slows global growth, compresses corporate profitability, and keeps monetary policy tighter than markets had hoped. In turn, this potentially weaker economic backdrop weighed on financial stocks while AI disruption pressured many incumbent information technology stocks this quarter. Gold, which many investors view as a traditional hedge to the broad stock market, has also been less reliable than expected, underscoring how unusual this regime shift has been.

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 underperformed the benchmark in the quarter, with our underweight to energy and material stocks accounting for the vast majority of negative tracking. This was partially offset by strong security selection, particularly in the energy, materials, and industrials sectors.

The largest positive contributors to returns in the portfolio were our commodity-related exposures which were generally beneficiaries of both rising geopolitical conflict and the market swing towards "hard asset" companies that are less likely to be disrupted by AI. This included standouts such as **Canadian Natural Resources** and **Suncor** (energy producers), **Sprott** and **Franco-Nevada**

(commodities-focused asset manager and royalty streamer), **Gibson Energy** (energy storage and transportation), **Nutrien** (fertilizer), and **AltaGas** (energy pipeline and utility operator).

As has been the case the past few quarters, Caterpillar equipment dealers **Finning** and **Toromont** both once again reported strong growth acceleration in their higher margin product support segments and saw positive operating leverage.

The primary underperforming stocks in the portfolio have been software business models which are being pressured by AI enthusiasm. These include stocks such as **Shopify** (ecommerce software), **Constellation Software** and **Topicus** (vertical software), and **CGI** (IT consultant). We have underwritten all these investments and added to Shopify and Topicus on share price weakness as these businesses generally have high operational entrenchment in their customers' workflows. We trimmed Constellation in favour of Topicus, and we also continued trimming CGI due to concerns that AI efficiencies may lead to future pricing and sales growth headwinds.

Our position in **Brookfield Corporation** was negatively impacted by a confluence of factors, namely higher interest rates (effects investment values), the risk-off market tone, and market-wide concerns around private credit fund redemptions and asset marks. Despite the near-term headwinds from broader market issues, the core businesses remain well-positioned and recent results have been strong.

## Looking Ahead

The most immediate question facing markets concerns the war in the Middle East. Several paths remain plausible: a relatively brief and contained conflict; a more prolonged disruption to energy supply that keeps oil prices elevated and complicates the job of central banks as inflation re-emerges; or a broader escalation that weighs more heavily on the global economy and reshapes the energy and security landscape for longer than markets currently expect.

Stepping back, however, this is not an isolated shock. As we have written in prior letters, the rules-based global order and the period of relative peace that followed the Second World War have been weakening for some time. Assumptions that once felt durable—stable globalization, low inflation, and low capital intensity—look less reliable today. Supply chains are being tested by geopolitics. Energy, input costs, and other “harder” assets have reasserted their economic importance.

At the same time, AI is accelerating competitive change across industries while also amplifying market narratives in ways that can detach short-term pricing from underlying business value. When market movements are broader and more thematic, periods of under-performance have historically proven to be longer-lasting and more acute. But it also means the payoff for investors who continue to adhere to a sensible investment strategy can be larger.

Our focus remains on familiar questions: where are the real competitive advantages, how durable are they, what returns can be earned on incremental capital, and are management teams allocating that capital with discipline? These questions still anchor our bottom-up process, even as the world has become more noisy and more complex.



But it also means adapting; to borrow from Canadian Prime Minister Mark Carney, “Nostalgia is not a strategy.” There is a relentless need to be forward-looking in assessing business quality. A different regime calls for refinements to the playbook: broader diversification, careful position sizing, and a willingness to respond as probabilities shift rather than anchoring on yesterday’s conditions. Patience remains essential, but so does agility when the facts change.

If there is a steadying thought in all of this, it is that the core drivers of long-term investment results have not changed. Markets will continue to swing between fear and greed. The short-term “voting machine” will often overshadow the long-term “weighing machine.” Narratives will periodically run ahead of evidence. Our task isn’t to predict every headline, but to build resilient portfolios of wealth-creating businesses, bought with discipline, and managed with a clear-eyed view of risk. In a world that is asking more of investors than it did a few years ago, that discipline matters more, not less.

**Performance Summary<sup>1</sup> (%)**

**As of March 31, 2026**

	<b>3-Mo</b>	<b>YTD</b>	<b>1-Yr</b>	<b>3-Yr</b>	<b>5-Yr</b>	<b>10-Yr</b>	<b>Since Inception<sup>2</sup></b>
FUND	2.4	2.4	20.3	14.3	10.9	9.4	9.5
BENCHMARK	3.9	3.9	34.8	21.2	15.2	12.6	9.3

**Calendar Year, as of December 31:**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
FUND	15.8	8.7	-9.8	20.7	2.7	23.7	-5.6	9.4	17.7	17.8
BENCHMARK	21.1	9.1	-8.9	22.9	5.6	25.1	-5.8	11.8	21.7	31.7

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

<sup>2</sup>Mawer Canadian Equity Fund Series A Inception: June 3, 1991

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**Benchmarks:**

FUND	BENCHMARK
Mawer Canadian Equity Fund	S&P/TSX Composite 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.

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