

# Mawer EAFE Large Cap Fund, Series A

## Q1 2026 | Performance Commentary

### Market Overview

Headline returns for the first quarter masked a tremendous amount of dispersion across sectors, regions, and individual securities. International developed equity markets continued their torrid advance through the first two months of the year led by metals, semiconductors, cyclicals and defense. But the outbreak of war in the Middle East led to subsequent declines in virtually all sectors, energy the notable exception given the significant spike in oil and natural gas prices.

Yet this simple bifurcation masks additional turbulence beneath the surface: one of the sharper areas of reassessment during the quarter came in software and other asset-light business models, most acutely following the release of a thought piece by research firm Citrini contemplating the impacts of future AI developments. And some traditional safe havens bucked convention, with gold rising and falling with the overall market while bond yields moved higher on heightened fears around the impacts of war and lofty energy prices on inflation.

### Performance Summary

In the first two months of the year, the portfolio lagged the fervent advance of its benchmark primarily due to weakness in a number of software and asset-light businesses. Notable examples include Japanese consultant **Nomura Research Institute**, reference information providers **RELX** and **Wolters Kluwer**, and French advertising giant **Publicis**. Even financials such as Italy's **FinecoBank** and catering company **Compass Group**, which operates office canteens, were caught up in the sell-off. We've been discerning: while the market's response was swift and relatively indiscriminate, we've been deliberate in our reactions, reducing exposure where AI risks may erode competitive advantages while staying firm where we believe the reaction has been overblown.

As markets declined in March, the portfolio's defense holdings, led by the UK's **BAE** and Italy's **Leonardo**, played their role from a portfolio construction perspective in offering shelter in an increasingly fractured geopolitical world. And companies with a degree of inflation protection in their business models managed to avoid the full brunt of the sell-off: beyond the portfolio's position in **Shell**, this includes the likes of recurring consumables distributor **Bunzl**, exchange operator **Deutsche Boerse**, industrial gas giant **Air Liquide**, and grocer **Ahold Delhaize**.

Throughout, the portfolio's AI exposure has performed well: semiconductor manufacturing equipment makers **ASML**, **DISCO**, and **Tokyo Electron**. By contrast, luxury conglomerate **LVMH** and pharmaceutical company **Novo Nordisk** were hurt by weak outlooks.

### 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

	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception <sup>2</sup>
FUND	-1.1	-1.1	8.2	9.7	6.8	-	8.2
BENCHMARK	0.5	0.5	17.6	14.8	10.2	-	11.8

## Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	-	-	-	-	-	15.0	-17.1	17.4	7.8	15.9
BENCHMARK	-	-	-	-	-	10.3	-8.2	15.1	13.2	25.1



<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 EAFE Large Cap Fund Series A Inception: May 29, 2020

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**Benchmarks:**

FUND	BENCHMARK
Mawer EAFE Large Cap Fund	MSCI EAFE Index (net)

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