Mawer Emerging Markets Equity 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. Emerging equity markets continued their torrid advance through the first two months of the year led by semiconductors, metals, and cyclicals. 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

The portfolio's relative performance was similarly bifurcated to that of the overall market.

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 Polish software and IT services company **Asseco**, video game developers **Netease** and **IGS**, and India's **Blackbuck**, a telematic and tolling payment software provider for trucking companies. Even Chinese giant **Tencent** was impacted along with listed subsidiary **Tencent Music**, albeit the latter also suffered due to guidance on future subscription growth that failed to meet the market's high expectations amid greater competition.

By contrast, as markets declined in March, the portfolio offered downside protection. The portfolio's energy exposure, including Brazil's **Prio** and Kazakhstani uranium miner **Kazatomprom**, provided ballast. South Korean defense company **LIG Nex1** played its role from a portfolio construction perspective in offering shelter in an increasingly fractured geopolitical world.

Throughout, the portfolio's AI exposure has performed well: **TSMC**, memory manufacturer **sk Hynix**, power electronics company **Delta Electronics**, and recently-introduced **Samsung**, **Unimicron**, and **Lotes** all posted solidly double-digit returns. By contrast, Indian financials such as **HDFC Bank** and **Bajaj Finance** were among the portfolio's weaker performers given an Indian economy that is exposed to higher oil prices and the potential for AI-related disruption to impact IT employment in the country.

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.

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Performance Summary[1] (%)
As of March 31, 2026

	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception[2]
FUND	**-2.1**	**-2.1**	**23.8**	**17.9**	**5.0**	-	**7.1**
BENCHMARK	1.6	1.6	25.6	16.0	5.9	-	8.1

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	-	-	**-6.2**	**9.7**	**20.4**	**0.8**	**-28.9**	**17.1**	**24.3**	**25.7**
BENCHMARK	-	-	-6.9	12.4	16.2	-3.4	-14.3	6.9	17.3	27.3

[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 Emerging Markets Equity Fund Series A Inception: January 31, 2017

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Benchmarks:

FUND	BENCHMARK
Mawer Emerging Markets Equity Fund	MSCI Emerging Markets Index (net)

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