

Mawer Global Balanced 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, as the war in the Middle East led to heightened volatility. 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 could slow global growth, compress margins, and keep monetary policy tighter than markets had hoped.

Canadian equities were a beneficiary of this environment, supported by surging energy prices and elevated levels in gold and base metals. Gold, which many investors view as a traditional hedge, has been less reliable than expected, underscoring how unusual this regime shift has been. U.S. mega-cap technology faced a reckoning with questions about the return on hyperscaler capital expenditure, and there are also fears that AI is disrupting the software industry faster than anticipated.

Central banks navigated a difficult backdrop. The Bank of Canada continued to hold its policy rate steady following cuts towards the end of last year, and the U.S. Federal Reserve stayed on hold as re-emerging inflation pressures from higher oil prices complicated the case for further easing. Bond yields moved higher on heightened fears around the inflationary impacts of war and lofty energy prices. The market also faced concerns about private credit quality rippling through the financial system.

Performance Commentary

The global balanced portfolio underperformed its benchmark this quarter as the equity holdings lagged the MSCI ACWI Index (Net). The Canadian bond strategy performed in line with the FTSE Canada Universe Bond Index over the quarter and our allocation to the global credit opportunities strategy enhanced the overall fixed income return.

The equity portfolio's relative performance was challenged in large part because of weakness in a number of software and asset-light businesses. Notable examples include technology giants **Microsoft**, **Tencent Holdings**, **Amazon.com**, and **Meta Platforms**, U.S. online travel agency **Booking Holdings**, French media agency **Publicis Groupe**, and Canadian IT consultant **CGI**. Even insurance brokers such as **Aon**, payments platforms such as **Visa**, and financials such as Italy's **FinecoBank** were caught up in the sell-off. As discussed later in this report, 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 and taking advantage of opportunities where we believe the reaction has been overblown.

While the equity portfolio's energy exposure to **Shell** provided ballast, our underweight to the energy sector overall was the other major headwind to relative returns.

By contrast, the equity portfolio's defense holdings, the U.S. based **Northrop Grumman**, UK's **BAE Systems**, 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 generate good returns in the period. Beyond energy, this includes

the likes of consumer-packaged goods producer **Orkla**, recurring consumables distributor **Bunzl**, and exchange operator **CME Group**.

Finally, throughout, the equity portfolio's AI exposure has performed well: **TSMC**, memory manufacturers **SK Hynix** and **Kioxia Holdings** all posted solidly double-digit returns. These are also all stocks we initiated or heavily added to over the past couple of quarters.

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. 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 the 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? Those questions still anchor our bottom-up equity process, even if the world around them 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. 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 Summary¹ (%)

As of March 31, 2026

	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception ²
FUND	-2.6	-2.6	-1.5	4.1	3.8	5.8	7.1
BENCHMARK	-0.7	-0.7	10.2	12.1	7.4	8.0	8.6

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	-0.6	11.0	3.5	14.1	9.4	12.9	-10.9	13.1	8.3	0.1
BENCHMARK	2.0	9.9	1.3	13.5	12.4	8.1	-11.3	13.9	18.2	11.1

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 Global Balanced Fund Series A Inception: July 3, 2013

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Benchmarks:

FUND	BENCHMARK
Mawer Global Balanced Fund	<p>July 2013: 5% FTSE Canada 91 Day Treasury Bill, 35% FTSE Canada Universe Bond, 60% MSCI World Net (Cdn\$)</p> <p>Aug 2013: MSCI World Net (Cdn \$) returns is used to calculate the blended benchmark from inception. Previously, MSCI World Gross (Cdn \$) was used.</p> <p>Oct 2015: 20% FTSE Canada Universe Bond, 20% FTSE WGBI, 60% MSCI World Net (Cdn\$)</p> <p>Oct 2016: 20% FTSE Canada Universe Bond, 20% FTSE WGBI, 60% MSCI ACWI (net)</p> <p>June 2021: 5% FTSE Canada 91 Day TBill Index, 35% FTSE Canada Universe Bond, 60% MSCI ACWI (Net)</p>

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