

# Mawer Global Small Cap Fund, Series A

## Q1 2026 | Performance Commentary

### Market Overview

Global equity markets ended the first quarter in a far more fragile state than investors expected at the start of the year, as geopolitics, inflation risk, and shifting rate expectations combined to drive sharp volatility.

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

But this simple bifurcation also 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 rose on heightened fears around the impacts of war and higher energy prices on inflation.

### Performance Summary

The market experienced a sharp rotation as capital rotated towards areas of the market perceived as less vulnerable to disruption from AI, reflecting a growing preference for steady, cash flowing businesses with physical assets. This has created tailwinds for some of our investments, including operator of quick lube store **Valvoline**, cleaning, security and maintenance company **GPS**, HVAC/electrical contractor **Bravida** (whose positive outlook also helped the stock) and pressure-treated wood products producer **Stella-Jones**.

While the impact of geopolitical developments in the Middle East continues to make waves in global markets, the shock to oil and gas prices has been substantial and may affect inflation and future interest rate decisions from central banks. Recently added to the portfolio **Parex Resources** and **Prio**, oil & gas producers operating in South America, have helped mitigate some of these risks.

Elsewhere, concerns grew around businesses that may be at risk of disruption by AI and the market indiscriminately dragged down a multitude of software providers and capital-light businesses. The premise being that these companies could see their revenue streams be threatened by new entrants or see their pricing power erode. We hold a number of these businesses in the portfolio, as they generally tend to be attractive under our investment philosophy, and it has been the main source of relative underperformance this quarter. Share prices of human resources companies **Barrett Business Services** and **Insperity**, as well as consulting firms **Alten** and **XPS Pensions Group**, declined as their business models are perceived by the market as potentially being negatively affected by AI.

## 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	-5.3	-5.3	1.7	2.9	-0.8	5.8	9.1
BENCHMARK	2.9	2.9	22.2	14.6	7.9	10.3	8.0

### Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	-0.7	20.8	-2.6	24.4	14.8	4.8	-17.7	13.9	-3.7	10.2
BENCHMARK	8.3	15.7	-6.7	18.4	14.3	15.1	-12.8	13.7	17.4	14.1

<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 Global Small Cap Fund Series A Inception: October 2, 2007

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**Benchmarks:**

FUND	BENCHMARK
Mawer Global Small Cap Fund	Oct 2007: Russell Global Small Cap Oct 2016: MSCI ACWI Small Cap (net)

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