

Mawer New Canada Fund, Series A

Q1 2026 | Performance Commentary

Market Overview

The S&P/TSX Small Cap Index was up 11.4% this quarter. 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.

The escalation of the war in the middle east has triggered a sharp energy shock, pushing oil materially higher, lifting inflation concerns, and reversing the market's previous expectation of further Bank of Canada (BoC) rate cuts. The BoC held the policy interest rate at 2.25% at both its January and March meetings.

In turn, this potentially weaker economic backdrop weighed on consumer discretionary companies, while AI concerns continued to pressure many information technology stocks this quarter. Gold, which many investors view as a traditional hedge, has also been less reliable than expected, underscoring how unusual this regime shift has been.

Performance Commentary

The portfolio underperformed the S&P/TSX Small Cap Index in the first quarter of 2026. After underperforming in January and February, the portfolio flipped to outperformance in March as the price of gold moderated, bringing down many of the metals and mining companies in the S&P/TSX Small Cap Index. Our holdings in the industry were not immune to the decline in March, including **Skeena Resources**, **McEwen**, and **Wesdome Gold Mines** (we exited during the quarter). Although our holding in **Sprott**, an alternative asset management company focused on precious metals and critical materials, similarly faced a decline in March, it still delivered a stellar return over the quarter, supported by inflows into its products and strong performance in its underlying funds.

The continued perception of disruption risk from advancements in AI has led to a decline in several high-quality technology holdings. **Topicus.com**, **Vitalhub**, and **D2L** were among the bottom-performing stocks in the portfolio; however, we believe the market may be over-discounting the AI risk. Another holding that faced market headwinds despite reporting resilient earnings was **Colliers International Group**, as market participants believe the business model may be vulnerable to AI disruption, and there have been concerns around the commercial real estate recovery. Elsewhere, **TerraVest Industries** declined this quarter, giving back some of the gains from late last year.

Several of our energy holdings were strong performers including **CES Energy Solutions**, **Enerflex**, **Parex Resources**, and a recent initiation in **International Petroleum Corp**. The market has favoured this sector given higher oil and gas prices as a result of the war in the middle east.

Kraken Robotics has continued an incredible advance as governments look to increase military investments in autonomous underwater systems. The company is well-positioned, given its strong technology in underwater batteries. **Calian Group** also benefited from defense sector tailwinds and posted a strong return this quarter.

We continue to focus on investing in high-quality businesses that meet our philosophy of wealth creating companies, with excellent management teams, trading at a discount to our estimate of intrinsic value.

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 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	2.1	2.1	19.2	12.3	5.3	8.7	12.7
BENCHMARK	11.4	11.4	65.8	25.8	15.7	12.1	8.7

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	19.3	3.9	-10.2	28.8	19.3	18.1	-18.7	12.4	12.5	11.2
BENCHMARK	35.5	2.8	-18.2	15.8	12.9	20.3	-9.3	4.8	18.8	50.2

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 New Canada Fund Series A Inception: January 8, 1988

Disclaimer

Opinions and Forecasts:

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cannot be guaranteed to be current, accurate or complete and is subject to change without notice.

Benchmarks:

FUND	BENCHMARK
Mawer New Canada Fund	Jan 1988: BMO Weighted Small Cap (Blended) Oct 2016: S&P/TSX Small Cap

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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