

# Mawer U.S. Equity 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. U.S. equity markets were strong throughout January led by energy and metals, though currency movements negated most of this for Canadian investors. February brought a sharp reassessment in software and other asset-light business models, most acutely following the release of a thought piece by research firm Citrini that contemplated the destructive impacts of future AI developments. Then the outbreak of war in the Middle East led to declines in virtually all sectors with energy the notable exception given the significant spike in oil and natural gas prices.

Throughout the quarter, we also saw some traditional safe havens buck convention, with gold rising and falling with the overall market and bond yields rising on heightened fears around the impacts of war and higher energy prices on inflation.

### Performance Summary

During the quarter, the market experienced a sharp rotation, with capital flowing 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 telecommunications company **Verizon** and utilities **Southern Company** and **American Electric Power**. **Cognex** also delivered impressive growth; the company's leadership lies in manufacturing machine vision systems, hardware that ultimately complements and enables AI capabilities in industrial automation.

While the impact of geopolitical developments in the Middle East continues to make waves in global markets, defense-related companies have helped mitigate some of the risks. This includes our positions in defense manufacturer **Northrop Grumman** and supplier of nuclear reactors for departments of the U.S. government **BWX Technologies**.

Elsewhere, the market has pressured the hyperscalers this quarter—namely **Microsoft**, **Amazon**, and **Alphabet**—as investors have been digesting massive, reported capex commitments that could weigh on margins before revenue benefits are realized. Despite the near-term volatility and sentiment swings, we continue to hold all these companies at material weights and think they are attractively valued relative to their fundamental strength. Concerns in the market also grew around businesses that may be at risk of disruption by AI, which dragged down payment networks **Visa** and **Mastercard**, along with insurance brokers **Arthur J. Gallagher** and **Ryan Specialty**.

Finally, manufacturer of laboratory instruments **Waters** sold off because growth in Becton Dickinson's life sciences division, the asset Waters acquired from Becton last year, was below expectations. After

speaking with Waters' CEO and CFO, we remain comfortable that this weakness is temporary and they can improve the performance of the acquired business over time.

## 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	-2.7	-2.7	0.4	11.3	8.9	11.8	8.6
BENCHMARK	-2.6	-2.6	14.2	19.5	14.4	15.0	10.9

## Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	5.5	12.8	9.6	25.7	14.7	23.6	-12.1	14.4	21.7	5.4
BENCHMARK	8.1	13.8	4.2	24.8	16.3	27.6	-12.2	22.9	36.4	12.4

<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 U.S. Equity Fund Series A Inception: December 11, 1992



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## Benchmarks:

FUND	BENCHMARK
Mawer U.S. Equity Fund	S&P 500 Index

## 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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