Mawer Canadian Equity Fund, Series F

Q2 2026 | Performance Commentary

Market Overview

Canadian equities delivered another strong quarter in Q2 2026, with the S&P/TSX Composite climbing to all-time highs and posting an eighth consecutive quarter of gains. The quarter was defined by a sharp but fleeting geopolitical shock: the outbreak of conflict in Iran drove the index down almost 10% in a few weeks, but the market recovered quickly before resuming its uptrend. Most sectors were in the green led by outsized returns across much of the financials complex as concerns around oil-driven inflation moderated, credit sentiment improved, and capital markets activity was heightened. On the other hand, energy completed a round trip as the surge from the Iran shock unwound almost entirely as Brent fell back toward the low-$70s, and energy stocks followed a similar price pattern. Technology and other asset-light businesses saw a wider dispersion in outcomes as investors weighed the implications of AI across business models.

The Bank of Canada, meanwhile, held its overnight rate at 2.25% at both its April and June meetings as it weighed firmer headline inflation against still-soft economic activity. While higher oil prices and geopolitical tensions added to near-term inflation pressure, policymakers suggested there was limited evidence that these effects were becoming broadly embedded across consumer prices. At the same time, growth remained subdued, leaving monetary policy caught between inflation risks and a still-fragile economy.

Performance Summary

Financials were a strong positive source of absolute return in the portfolio: the top 6 performers were all banks and insurers. Bank stocks—including our holdings in **TD Bank**, **Royal Bank of Canada**, **Bank of Montreal**, and **Bank of Nova Scotia**—thrived in Q2 2026 due to expanding net interest margins, strong capital markets activity, good wealth management results from higher stock markets, and resilient credit quality. Insurers **IA Financial** and **Manulife** rounded out the top six with both posting solid operating results. Despite our overweight to the financial sector contributing to positive relative value, our underweight to banks in favour of more a diversified basket of financial holdings detracted from relative returns.

The familiar theme of strong performance from our two Caterpillar equipment dealers, **Finning** and **Toromont,** continued this quarter. Data-centre demand was a notable driver with both companies benefiting from the servicing of power systems and construction equipment for data centres.

The stocks that detracted the most from the portfolio all fell within the energy and materials sectors. After the geopolitical conflict in the Middle East roiled markets in Q1, the news of a peace framework that emerged towards the end of Q2 helped moderate spiking commodity prices. Gold producer **Agnico Eagle Mines** and streamers **Franco-Nevada** and **OR Royalties** were negatively impacted from the fall in gold prices while energy majors **Canadian Natural Resources** and **Suncor** also gave back gains from earlier in the year.

Looking Ahead

With the World Cup upon us, a soccer analogy feels timely. A winning team does not field eleven of the same position. Each player has a job, and how they work together matters as much as any individual's brilliance. A team built to win over a full season needs players for every role and every condition: goal scorers undoubtedly, but also midfielders who control the run of play and defenders who keep the ball out of the net when the opposition presses.

Over the past few years, Canadian equity investors would have been well rewarded by focusing on banks, commodity producers, and a couple of technology stocks. The index is getting very concentrated with a small handful of forces pulling the market along, and in many cases making portfolios that aren't fielding an overabundance of one or two positions look silly by comparison. Markets have always produced a small number of big winners, with the distribution of corporate success lopsided by nature: finance professor Hendrik Bessembinder's fascinating research covering a century of stock price returns demonstrates that there is a profound skewness in individual stock returns, with a relatively small proportion of companies driving the lion's share of the overall market's wealth-creation over the long term. The lesson we draw from this is not that we should chase whatever is winning; rather, we've been selective and disciplined: identifying terrific, wealth-creating companies when the odds were in our favour and carefully managing position sizes thereafter.

But this brings us back to the rest of the team. The businesses that have appeared dull of late (think: exchanges and data companies that benefit from strong network effects and grocers that simply keep compounding) are not players we have forgotten to substitute. They are on the pitch by design. Their ballast carries a cost in a market currently shaped by a few extraordinary winners. But we regard it as a price worth paying.

In investing, matches aren't won by the side that attacks most furiously for only twenty minutes, nor by the one so afraid of conceding that it never ventures forward. Both are required.

Performance Summary[1] (%)

As of June 30, 2026

	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception[2]
FUND	**5.1**	**7.6**	**17.0**	**16.3**	**10.8**	**9.9**	**9.6**
BENCHMARK	7.0	11.2	32.9	23.5	14.9	12.8	9.5

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	**15.8**	**8.7**	**-9.8**	**20.7**	**2.7**	**23.7**	**-5.6**	**9.4**	**17.7**	**17.8**
BENCHMARK	21.1	9.1	-8.9	22.9	5.6	25.1	-5.8	11.8	21.7	31.7

[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 Canadian Equity Fund Series F Inception: June 3, 1991

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Benchmarks:

FUND	BENCHMARK
Mawer Canadian Equity Fund	S&P/TSX Composite 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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