Mawer Emerging Markets Equity Fund, Series F

Q2 2026 | Performance Commentary

Market Overview

Equities had a remarkable quarter, with the MSCI Emerging Markets Index advancing an astounding +26%, its best quarterly performance since mid-2009 when markets began to rebound off their Global Financial Crisis lows. Whereas that advance in 2009 was fairly widespread, market leadership today has been extraordinarily narrow, concentrated in the machinery of artificial intelligence: semiconductors, the hardware around them, and the equipment that makes them. Regional leadership (think: South Korea, Taiwan) closely followed this trend as global demand for memory and advanced logic has flowed through to behemoths such as Samsung, SK Hynix, TSMC, and, beneath, many parts of their respective supply chains.

To be fair, this momentum hasn't been unmoored from fundamentals; corporate earnings have been robust with net margins near record levels. The capital spending is real, with hyperscalers committing to ever higher levels of investment, and many of the profit inflections are substantial: look no further than memory companies where bottlenecks in supply have radically reshaped the nature of pricing and contracts with their customers.

On the other hand, energy completed a round trip: the surge on the Iran shock unwound almost entirely in Q2 as Brent fell back toward the low-$70s. The mining industry fared similarly as other key commodity prices moderated. Finally, several consumer-oriented businesses experienced weakness, tied in part to the energy shock caused by war in the Middle East.

Performance Summary

We were pleased with the portfolio's degree of upside participation during the quarter as it outpaced its benchmark.

The largest contributors were, almost without exception, companies tied to the building of artificial intelligence. Eight of our holdings delivered returns in excess of +80%, some much more, and many of them memory-related: e.g., **Samsung**, **SK Hynix**, and **SK Square**. Much of our discounted cash flow work in recent weeks has focused on the supply and demand bottlenecks at the heart of this theme: how durable they are, what incremental capex and capacity look like, and what it means for pricing, cash flows, and wealth creation. The honest answer is that the range of plausible outcomes is exceptionally wide. We have trimmed several of these holdings into their strength as we weigh the probabilities alongside their aggregate weight, but the portfolio has certainly benefited from our decisions to introduce many of them over the past year.

Other holdings with eye-watering returns fell much further down the capitalization spectrum included **King Slide**, which makes the rail kits that hold servers in their racks, **Acter Group**, an engineering firm that specializes in clean room design, and recently introduced positions such as **Unimicron** and **Elite Material**. Finally, though AI and semiconductor-related companies comprised the majority of the portfolio's standouts, results from Indian petrochemical storage company **Aegis Logistics** suggests that its gas terminal business is firing on all cylinders, while investments to continue expanding its infrastructure augur well for future growth.

Offsetting these positives, the largest drags on performance came from areas that lagged the broader market: energy and China. Oil and gas holdings such as Brazil's **Prio** and Malaysia's **Hibiscus Petroleum** gave back ground as energy prices fell from their Middle East-driven spike. Several Chinese companies detracted as well: **Tencent** on negative sentiment towards Chinese internet stocks and the perception of being an AI loser; **Tencent Music** in the face of greater competition, and mall operator **MIXC** amid a slowdown in national consumption in China.

Looking Ahead

With the World Cup this summer, 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.

Since the release of ChatGPT in November 2022, the strikers have been running up the score. Artificial intelligence has become the single force pulling the market along, and in many cases making portfolios that aren't fielding an overabundance of strikers look silly by comparison. The result is a market and a global economy where growth has been concentrated more than at almost any point in living memory. Profit inflections are lighting up the highlight reel as opposed to profit stability.

Markets have always produced a small number of giants, 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.

Our portfolios certainly field strikers; memory being the clearest example over the past year. We've been selective and disciplined: identifying terrific, wealth-creating companies when the odds were in our favour and carefully managing position sizes thereafter. **TSMC**, our largest holding and one that we've owned throughout the strategy's history, is the first name on the team sheet:a business whose dominance of advanced chip manufacturing, in our assessment, is still available at a discount to what it is intrinsically worth.

But this brings us back to the rest of the team. The businesses that have appeared dull of late (think: **Tencent**, India's **Bajaj Finance**, Eastern European industrial real estate company **CTP**) 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.

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Performance Summary[1] (%)
As of June 30, 2026

	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception[2]
FUND	**29.3**	**26.6**	**41.7**	**28.4**	**9.6**		**9.9**
BENCHMARK	26.1	28.2	49.2	25.9	10.2		10.6

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	-	-	**-6.2**	**9.7**	**20.4**	**0.8**	**-28.9**	**17.1**	**24.3**	**25.7**
BENCHMARK	-	-	-6.9	12.4	16.2	-3.4	-14.3	6.9	17.3	27.3

[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 Emerging Markets Equity Fund Series F Inception: January 31, 2017

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Benchmarks:

FUND	BENCHMARK
Mawer Emerging Markets Equity Fund	MSCI Emerging Markets Index (net)

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