# Mawer Global Balanced Fund, Series F

## Q2 2026 | Performance Commentary

### Market Overview

Headline returns in the second quarter looked strong, but the underlying drivers were AI-related technology companies, particularly semiconductors and memory manufacturers, many of which are concentrated in Asia (regional leadership from South Korea and Taiwan). Hyperscaler capital expenditures fueled global demand for memory and advanced logic chips which flowed through companies such as TSMC, Samsung, and SK Hynix (to name a few) and beneath them, many parts of their respective supply chains. Importantly, this quarter was not just a story of valuation expansion but of strong fundamentals. The capital spending is real, with hyperscalers committing to ever higher levels of investment.

The Initial Public Offering (IPO) market has also come alive in a way that warrants attention. SpaceX completed the largest IPO in U.S. history in June with other large IPOs planned—but not confirmed—for this year which has elevated both enthusiasm and potential risk. A hot IPO market is not, on its own, proof of a bubble, but it is one more data point in a broader mosaic of speculative enthusiasm that merits continued attention.

In Canada, inflation accelerated more than expected, driven by rising gasoline prices as the impact of the Iran conflict continued to filter through energy costs. A U.S.-Iran interim agreement opened a window during which the Strait of Hormuz partially reopened, pushing crude prices sharply lower. That relief proved temporary as renewed military strikes between the two countries have reignited the conflict, and oil prices have moved back modestly higher. A full return to pre-war oil production levels may be further out in the future depending on how this escalation unfolds.

Central banks navigated a materially more complicated quarter than the one before. The Bank of Canada held its overnight rate steady this quarter, choosing to look through what it views as a supply-driven inflation shock rather than tighten into an economy that contracted for a second consecutive quarter. In the United States, the Federal Reserve also held its rate steady, but the June meeting marked a significant shift in tone with roughly half of the Fed committee members projecting at least one rate increase this year. The Fed is not yet raising rates, but the committee seems to be less patient with persistent inflation. Elsewhere, the European Central Bank delivered a rate increase.

### Performance Summary

Despite underperforming the benchmark during the quarter, the portfolio captured a meaningful portion of the market's advance, resulting in strong absolute returns. Our Canadian bond and global credit opportunities strategies delivered modest positive returns, the component of the balanced strategy that is intended to be a stabilizer during periods of volatility.

A year ago, we made a portfolio manager change to our global equity strategy. We were disappointed with its performance in 2024 and the first half of 2025, given a portfolio that had become too defensive, narrow, and missing exposure to key areas of the market. For clients, this was most obvious in the results, with a collapse in the portfolio's upside participation.

A year later, despite the equity portfolio modestly lagging its benchmark in Q2 given our diversified investment approach and the exuberant nature of the environment, we were much more pleased with the equity portfolio's degree of upside participation. And in further evidence that our efforts to get back to the "middle of the net" were worthwhile, many of the strongest contributors to the portfolio's returns were positions that we introduced or meaningfully increased since the change in personnel.

The largest contributors to the equity portfolio were, almost without exception, companies tied to the building of artificial intelligence. All three of our memory related holdings more-than-doubled in the quarter: **SK Hynix**, **Kioxia Holdings**, and **Samsung Electronics**. Much of our discounted cash flow work 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 each 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 standouts included advanced foundry **TSMC**, data centre equipment supplier **Amphenol**, hyperscaler **Alphabet**, and chip designer **MediaTek**.

Offsetting these positives, our underweight in the information technology (IT) sector accounted for about half of the equity portfolio's relative underperformance. We have significant exposure to IT as highlighted in the preceding paragraphs, but our diversification-focused approach to portfolio construction means we don't have the same concentrated positioning as the index. This can be a source of underperformance in this type of market environment, but a tradeoff we're comfortable making to protect and grow client capital over the long run.

Most of the rest of the drags on performance came from three areas that lagged the broader market: energy, materials, and defense. Our oil and gas holding **Shell**, gave back ground as energy prices fell from their Middle East conflict-driven spike, while mining related stocks **Agnico-Eagle Mines** and **Franco-Nevada** traded lower in concert with lower gold prices. Our defense businesses **Northrop Grumman**, **Leonardo**, and **BAE Systems** all retreated.

Finally, financial exchange and data providers **CME Group** and **Intercontinental Exchange** detracted as well: the former on the news of an unexpected executive departure, the latter for its mortgage software business which is being perceived as an AI loser.

We've used the recent price weakness in many of the stocks noted above to scale our positions.

## Looking Ahead

With the World Cup capturing the world's attention, 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.

The lesson we draw from this is not that one should chase whatever is winning. Our portfolios certainly do 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 equity holding, 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: distributors that quietly pass rising costs through, exchanges and payments companies that benefit from strong network effects, the insurance brokers and credit card providers 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. Our intention is to keep fielding a team that can play well across a full season with room for genuine stars, but anchored by businesses with durable advantages, sound balance sheets, and the ability to generate sustainable cash flows across a full cycle.

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

| | 3-Mo | YTD | 1-Yr | 3-Yr | 5-Yr | 10-Yr | Since Inception[2] |
|---|---|---|---|---|---|---|---|
| FUND | **9.4** | **6.5** | **9.6** | **6.7** | **4.7** | **6.6** | **7.7** |
| BENCHMARK | 10.6 | 9.8 | 18.0 | 15.1 | 8.9 | 8.8 | 9.3 |

### Calendar Year, as of December 31:

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| FUND | **-0.6** | **11.0** | **3.5** | **14.1** | **9.4** | **12.9** | **-10.9** | **13.1** | **8.3** | **0.1** |
| BENCHMARK | 2.0 | 9.9 | 1.3 | 13.5 | 12.4 | 8.1 | -11.3 | 13.9 | 18.2 | 11.1 |

[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 Global Balanced Fund Series F Inception: July 3, 2013

## Disclaimer

**Opinions and Forecasts:**

This report includes certain statements that are “forward looking information” or “forward looking statements” (collectively, “forward looking information”) within the meaning of applicable securities legislation. All statements, other than statements of historical fact, included in this report that address activities, events or developments that the portfolio advisor, Mawer Investment Management Ltd., expects or anticipates will or may occur in the future, including such things as anticipated financial performance, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations, are forward looking information. The words “may”, “could”, “would”, “should”, “believe”, “plan”, “anticipate”, “expect”, “intend”, “forecast”, “objective”, “will” and similar expressions are intended to identify forward looking information. Undue reliance should not be placed on forward looking information. Forward looking information is subject to various risks described in the Simplified Prospectus, uncertainties, and assumptions about the Fund, capital markets and economic factors, which could cause actual results to vary and in some instances to differ materially from those anticipated by the portfolio advisor and expressed in this report. Material risk factors include, but are not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events. The foregoing list of risk factors is not exhaustive.

All opinions contained in forward looking information are subject to change without notice and are provided in good faith and are based on the estimates and opinions of the portfolio advisor at the time the information is presented. The portfolio advisor has no specific intention of updating any forward looking information whether as a result of new information, future events or otherwise, except as required by securities legislation. Certain information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but cannot be guaranteed to be current, accurate or complete and is subject to change without notice.

**Benchmarks:**

| FUND | BENCHMARK |
|---|---|
| Mawer Global Balanced Fund | July 2013: 5% FTSE Canada 91 Day Treasury Bill, 35% FTSE Canada Universe Bond, 60% MSCI World Net (Cdn$)<br>Aug 2013: MSCI World Net (Cdn $) returns is used to calculate the blended benchmark from inception. Previously, MSCI World Gross (Cdn $) was used.<br>Oct 2015: 20% FTSE Canada Universe Bond, 20% FTSE WGBI, 60% MSCI World Net (Cdn$)<br>Oct 2016: 20% FTSE Canada Universe Bond, 20% FTSE WGBI, 60% MSCI ACWI (net)<br>June 2021: 5% FTSE Canada 91 Day TBill Index, 35% FTSE Canada Universe Bond, 60% MSCI ACWI (Net) |



**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.

Mawer Mutual Funds do not have trailing commissions. If you purchased units of the Mawer Mutual Funds through a third-party dealer, you may be subject to commissions or additional sales charges. Please contact your dealer for more information.

The Funds mentioned in this document are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.