Mawer International Equity Fund, Series F

Q2 2026 | Performance Commentary

Market Overview

Equities had a remarkable quarter, with the MSCI ACWI ex US Index advancing an astounding +16.4%, 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. Perhaps surprisingly, given what feels like a world of greater conflict, the defense industry stumbled in Q2, most notably as Germany signaled it may abandon a warship program.

Performance Summary

Given our diversified investment approach and the exuberant nature of the environment, we were pleased with the portfolio's degree of upside participation during the quarter.

The largest contributors were, almost without exception, companies tied to the building of artificial intelligence. Four of our holdings more-than-doubled in the quarter, three of them memory related: **Kioxia**, **SK Hynix**, and **Kokusai Electric**. 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 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 last year.
The fourth holding with a triple-digit return was **King Slide**, which makes the rail kits that hold servers in their racks, evidence that outsized strength wasn't purely in memory. Other standouts included advanced foundry **TSMC** and equipment makers such as lithography leader **ASML** and atomic layer deposition specialist **ASM International**.

Offsetting these positives, the largest drags on performance came from two areas that lagged the broader market: energy and defense. Our oil and gas holdings **Shell**, **Equinor**, **Prio**, and **Woodside** gave back ground as energy prices fell from their Middle East-driven spike, while defense businesses such as **BAE**, **Leonardo**, and **Rheinmetall** retreated. Rheinmetall's fall provides some validation to our decision to dramatically reduce our position a year ago on concerns that its valuation may underestimate that rearmament budgets are merely intentions before they become earnings. Finally, **Tencent** and **Ahold Delhaize** detracted as well: the former on a negative sentiment towards Chinese internet stocks and the perception of being an AI loser, the latter for the unremarkable reason that a steady grocer holds little appeal in a quarter when investors are enthralled by silicon.

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.

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 holding and one that we've owned for nearly ten years, 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 grocers and insurance brokers 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.

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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	**16.0**	**15.9**	**17.6**	**18.1**	**9.0**	**9.0**	**8.3**
BENCHMARK	16.4	17.7	32.7	21.6	11.8	10.9	6.4

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	**-3.3**	**22.6**	**-4.0**	**14.4**	**12.4**	**7.3**	**-16.7**	**12.7**	**14.6**	**18.4**
BENCHMARK	-3.0	18.8	-6.5	15.4	8.7	6.9	-9.9	12.5	15.1	26.2

[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 International Equity Fund Series F Inception: November 6, 1987

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Benchmarks:

FUND	BENCHMARK
Mawer International Equity Fund	Jan 1988: MSCI EAFE (net) Oct 2016: MSCI ACWI ex-USA (net)

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