Mawer U.S. Equity Fund, Series F

Q2 2026 | Performance Commentary

Market Overview

Equities had a remarkable quarter, with the S&P 500 advancing an astounding +17.1%. Market leadership has been extraordinarily narrow, concentrated in the machinery of artificial intelligence: semiconductors, the hardware around them, and the equipment that makes them. Global demand for memory and advanced logic has flowed through to behemoths such as Micron, AMD, and Intel. The Information Technology sector represents now 38% of the S&P 500, the highest sector concentration it has ever been for the index.

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 lo -$70s.

Performance Summary

Market exuberance reached new heights this quarter, with the S&P 500 posting its strongest three-month return since 1998. Led by rising investment in artificial intelligence infrastructure, the 10 largest contributors to the index were IT-related, and responsible for over half of its performance. Given our diversified investment approach, risk management, and the S&P 500's narrow concentration, the portfolio lagged during this exceptional period.

Several of our largest contributors were companies tied directly to AI infrastructure buildout. **Amphenol** benefited from demand for its interconnect products, which NVIDIA uses to connect GPUs; **AAON** from its data center cooling systems; and **Texas Instruments** from its power-management components used in data centers.

The hyperscalers in the portfolio—**Alphabet**, **Amazon**, and **Microsoft**—all delivered strong cloud growth, but investor reactions hinged on capex discipline rather than headline results. Alphabet was rewarded despite signaling higher spending ahead, while Microsoft's more ambitious capex guidance pressured its share price. Our observation is that markets are increasingly punishing capex growth that outpaces sales and profits.

Waters, the laboratory equipment manufacturer, saw its shares sell off earlier this year after growth in the BD Biosciences division—the life sciences business acquired from Becton Dickinson last year—fell short of expectations. After speaking with management, we remained confident the weakness was temporary. This view was validated, as organic growth accelerated well above its typical run rate, reinforcing our confidence in management's ability to turn around the acquired business.

Elsewhere, valuations of our defense-related businesses (e.g., **Northrop Grumman** and **CACI**) retreated following a strong run and a potential resolution to the conflict in the Middle East. These positions remain an important hedge in the portfolio against geopolitical risk, and we used the share price weakness as an opportunity to add to both.

Finally, the market continued to penalize businesses perceived as vulnerable to AI-driven disruption, including **Intercontinental Exchange**, due to its mortgage software business, and **FTI Consulting**, on concerns over eroding pricing power. **CME Group** faced a distinct headwind: the CFTC approved the first fully regulated perpetual futures in the U.S. on the merging prediction market platform Kalshi, leading to competitive concerns.

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.

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.

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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	**5.7**	**2.9**	**7.3**	**11.9**	**8.9**	**12.1**	**8.8**
BENCHMARK	17.1	14.1	27.2	23.4	16.5	16.5	11.3

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

[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 U.S. Equity Fund Series F 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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