Mawer U.S. Mid Cap Equity Fund, Series F

Q2 2026 | Performance Commentary

Market Overview

Equities had a remarkable quarter, with the Russell Midcap Index advancing +15.7%, its best quarterly performance since 2020 when markets rebounded on enthusiasm for a reopening of the global economy following the outbreak of COVID-19. Whereas that advance in 2020 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. Nine of the top 10 contributors to the Index's return came from the information technology sector, and in an Index with approximately 800 constituents, these nine positions accounted for a full third of its overall return.

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, the only sector not to register a positive return in the quarter was energy, which completed a round trip: the surge on the Iran shock unwound almost entirely in Q2 as Brent fell back toward the low-$70s.

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, modestly outpacing the Index.

The largest contributors were, almost without exception, companies tied to the enablement of artificial intelligence. Our top holding, **Sandisk**, advanced more than +250% in the quarter alone and is up more than 10x since we initially bought it less than a year ago. While there has been some multiple expansion, the majority of the increase has been matched by earnings. Much of our discounted cash flow work in recent weeks has focused on the supply and demand bottlenecks at the heart of Sandisk's advance: how durable it is, 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, and day-to-day the stock has been volatile. We have continually trimmed the position over the past several months on its strength to keep it within our self-imposed 6% individual position limit.

Beyond Sandisk, other standouts included two companies we've held since the strategy's inception: semiconductor process control and inspection equipment maker **KLA** and interconnect manufacturer **Amphenol**. Newly introduced positions such as semiconductor probe card maker **FormFactor** and utility steel pole manufacturer **Valmont** also helped. Outside of the AI capex arena, appliance manufacturer **SharkNinja** advanced on consistently strong execution.

Offsetting these positives, the largest drags on performance came from a mix of positions we have since exited and a few we continue to hold through near-term weakness. **OSI Systems** and **Ensign Group** were both notable detractors; we discuss the reasoning behind exiting both positions in the next section of this report. Among names we still hold, **Northrop Grumman**, the defense prime, and **CACI**, a government IT and defense services contractor, both declined meaningfully as the market recalibrated growth and margin assumptions across the defense sector.

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.

The lesson we draw from this is not that one should chase whatever is winning. Our portfolios certainly do field strikers; Sandisk, our largest holding, 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: entrenched defense contractors, exchanges and payments companies that benefit from strong network effects, health care stalwarts 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	**16.2**	**19.9**	**22.6**	**14.7**			**7.9**
BENCHMARK	15.7	19.3	26.5	19.3			11.1

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	-	-	-	-	-	-	**-14.5**	**17.7**	**14.6**	**0.8**
BENCHMARK	-	-	-	-	-	-	-11.3	14.1	25.8	5.4

[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. Mid Cap Equity Fund Series F Inception: September 27, 2021.

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Benchmarks:

FUND	BENCHMARK
Mawer U.S. Mid Cap Equity Fund	Russell Midcap Index (TR)

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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