Mawer Canadian Bond Fund, Series F

Q3 2026 | Performance Commentary

Market Overview

Bond investors suffered losses in the third quarter as the FTSE Canada Universe Bond Index returned -3.0%. While investment grade corporate spreads were modestly tighter, long-term bond yields rose sharply: the yield on 10-year Government of Canada bond, for example, increased 0.6% in the quarter alone to reach levels not seen in two decades. Higher yields are being driven by a combination of the Iran War stoking pressure on energy costs and inflation, fiscal spending concerns, a wave of expected corporate borrowing to fund the AI capex boom, influential central banks that have begun to raise rates, and a global economy that continues to roar ahead.

Against this backdrop, the Bank of Canada left its policy rate unchanged at 2.25% in early September, noting that while the economy had strengthened in the second quarter, uncertainty remained elevated and the combination of higher oil prices and tariffs had increased upside risks to inflation.

Performance Summary

The portfolio marginally underperformed the benchmark. Our corporate exposure added value as spreads tightened, however this was offset by our curve positioning. The curve was volatile over the quarter and ended flatter. Although we had been reducing the steepener and ultimately ended the quarter in a flattener, our timing was off. We continue to believe the curve will flatten as central banks embark on a modest tightening cycle (see activity section below for more details on positioning changes).

Looking Ahead

As we've written about in our past few quarterly letters, in addition to well-publicized headline challenges (inflation, war, upcoming elections), the investment landscape is shifting rapidly: the recent sharp rise in bond yields is just another question in a world already in the midst of a changing technological and geopolitical regime.

This quarter marked a meaningful change in our curve positioning, one prompted by what we believe will be a reengagement by the Bank of Canada on its quest to try and rein in inflation which has been above target for four years now. We think current evidence suggests hikes to come, though less than the market is pricing in. It's a challenging time for fixed income investors, though this shouldn't cause us to lose sight of the risk-off protection bonds can provide a well-constructed portfolio.

Performance Summary[1] (%)

As of September 30, 2026

	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception[2]
FUND	**-3.1**	**-1.2**	**-1.8**	**4.3**	**-0.1**	**0.8**	**4.7**
BENCHMARK	-3.0	-0.8	-1.1	4.7	0.3	1.3	5.7

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	**0.9**	**1.3**	**0.8**	**6.4**	**8.7**	**-3.0**	**-12.0**	**6.3**	**4.0**	**2.1**
BENCHMARK	1.7	2.5	1.4	6.9	8.7	-2.5	-11.7	6.7	4.2	2.6

[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 Canadian Bond Fund Series F Inception: June 14, 1991.

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Benchmarks:

FUND	BENCHMARK
Mawer Canadian Bond Fund	FTSE Canada Universe Bond Index

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