

Mawer Canadian Equity Fund, Series F

Q3 2026 | Performance Commentary

Market Overview

After a torrid first half of the year, Canadian equity markets delivered more muted returns in the third quarter despite corporate earnings remaining historically strong. Market leadership was quite narrow with just three sectors advancing: information technology led on the back of the AI-driven rally, materials followed as gold and precious metals strengthened, and energy rounded out the gainers on higher oil prices spurred by conflict in the Middle East as well as optimism around new pipeline projects being greenlit in Canada.

Bond investors suffered losses in the third quarter as long-term bond yields rose sharply: the yield on t10-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 outperformed the benchmark in Q3, with top performers largely dominated by energy and gold-related stocks, areas we have deliberately added to over the past few years.

Energy producing companies were the main source of relative outperformance and majors **Canadian Natural Resources** and **Suncor** represented the bulk of our outperformance. The producers are levered to the price of oil and gas and thus directly benefit from elevated pricing. Being underweight the pipeline companies was also additive as higher bond yields reduce the relative appeal of pipeline stocks' dividend yields and increases its debt servicing costs. Gold producer **Agnico-Eagle** and streamer **Franco-Nevada** also posted excellent returns amid a bounce back in the gold price.

Brookfield Corporation was a detractor despite solid quarterly results, reflecting broader market concerns around alternative asset managers and private credit. We continue to hold the company given its fundraising momentum and long-term growth opportunities in credit and insurance, with recent share-price weakness creating a more attractive valuation.

Lastly, results at property and casualty insurer **Intact** were weighed down by a softer pricing market, particularly in its U.S. unit. The company should see some offsets to this over time through scaling its specialty insurance business.

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.

On the one hand, discount rates are the foundation for valuing all cash-producing assets, and equities certainly have duration (think: 2022). On the other hand, multiple compression and earnings growth have been working in opposite directions, producing a slow grind rather than an abrupt drop. The question now is whether that adjustment is complete.

This environment presents genuine opportunities and real challenges; portfolio turnover that has been higher than historical norms is a natural outcome given the environment, especially given outsized stock price movements. While higher rates have provided opportunities for attractive entry points for many steady compounders, the pace of technological change and capital redeployment is accelerating and genuine wealth-creators solving novel problems still deserve meaningful exposure. The discipline lies in careful position sizing and, at a portfolio level, how much we commit to each.

That balance and humility—preparation without overconfidence, conviction without rigidity—is both our [sword and our shield](#).

Performance Summary¹ (%)

As of September 30, 2026

	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception ²
FUND	1.8	9.5	13.4	17.9	10.8	9.5	9.6
BENCHMARK	1.6	13.0	20.0	25.0	15.2	12.4	9.5

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	15.8	8.7	-9.8	20.7	2.7	23.7	-5.6	9.4	17.7	17.8
BENCHMARK	21.1	9.1	-8.9	22.9	5.6	25.1	-5.8	11.8	21.7	31.7

¹Performance figures are net of management fees and operating expenses. Periods greater than one year are annualized. Performance figures are in Canadian dollar terms.

²Mawer Canadian Equity Fund Series F Inception: June 3, 1991

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Opinions and Forecasts:

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Benchmarks:

FUND	BENCHMARK
Mawer Canadian Equity Fund	S&P/TSX Composite 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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