Mawer Global Small Cap Fund, Series F

Q3 2026 | Performance Commentary

Market Overview

After a torrid spring, equity markets delivered more muted returns in the third quarter. Corporate earnings, and especially those tied to the AI buildout, remain historically strong. Energy stocks thrived on higher commodity prices, related closely to the ongoing conflict in the Middle East. But these were offset by a pullback in sentiment for some of the year's highest-flyers while consumer-oriented parts of the market weakened in the face of rising costs.

Bond investors suffered losses in the third quarter as long-term bond yields rose sharply: the yield on 10-year U.S. Treasuries, for example, increased 0.9% in the quarter to reach levels not seen in over 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 soldier ahead.

Performance Summary

The portfolio finished ahead of its benchmark this quarter, providing downside protection as the market pulled back.

The largest contributor was Taiwan-based precision rail-kit manufacturer **King Slide**, whose earnings surged on growth tied to the AI server buildout. Elsewhere in the AI complex, **Bravida**, an electrical and HVAC company, delivered strong results and was awarded data center installation contracts in the Nordics, an emerging end market that could become a meaningful secular tailwind.

Brazil's **Prio** and Canada's **Enerflex**, both well-managed energy companies with cost advantages, benefited from higher energy prices. Added to the fund earlier in the year, they have played their intended role from a portfolio construction perspective, and their geographic breadth provides diversification in a world of supply shocks and potentially greater energy insecurity.

Consulting and engineering services company **Alten** delivered strong results, driven by structural growth in its defense and aerospace segment. Industrial and electrical products distributor **RS Group** continued to improve its business.

Elsewhere, a steep increase in borrowing costs led to valuation de-ratings for **Acter Group**, an engineering firm specializing in clean room design, and **Hammond Power Solutions**, a provider of electrical transformers serving data centers. Both gave back some gains after a strong run over the past year. Infrastructure-related companies also faced pressure. Higher interest rates likely weighed on sentiment toward **Valmont Industries**, a manufacturer of infrastructure and irrigation products, and, to a lesser extent, **Stella-Jones**, a producer of pressure-treated wood products for utility and rail networks.

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 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 Summary[1] (%)

As of September 30, 2026

	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception[2]
FUND	**-1.7**	**4.9**	**4.4**	**6.4**	**0.3**	**5.9**	**9.4**
BENCHMARK	-3.1	16.4	17.8	19.4	9.5	10.4	8.5

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	**-0.7**	**20.8**	**-2.6**	**24.4**	**14.8**	**4.8**	**-17.7**	**13.9**	**-3.7**	**10.2**
BENCHMARK	8.3	15.7	-6.7	18.4	14.3	15.1	-12.8	13.7	17.4	14.1

[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 Global Small Cap Fund Series F Inception: October 2, 2007

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Benchmarks:

FUND	BENCHMARK
Mawer Global Small Cap Fund	Oct 2007: Russell Global Small Cap Oct 2016: MSCI ACWI Small Cap (net)

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