

Mawer International Equity 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 (think: memory chip companies) 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 alone 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.

Despite more tempered returns in the third quarter, we remain in a remarkably strong period for equity investors: the MSCI ACWI x U.S.'s return over the past four years has been its best stretch since the mid-2000s.

Performance Summary

The portfolio modestly outpaced its benchmark in Q3, and beneath the surface the drivers of returns provided validation for many of our recent decisions.

The introductions of Norway's **Equinor**, Brazil's **Prio**, and Australia's **Woodside Energy** to the portfolio earlier in the year—all well-managed energy producers with cost advantages—in addition to our existing position in **Shell**, have been beneficiaries of higher energy prices; they have collectively played their role from a portfolio construction perspective while their geographic breadth provides diversification in a world of supply shocks and potentially more energy insecurity. Our decisions to maintain our weights in Japanese management consultant **BayCurrent** and exchange operator **Deutsche Boerse** when their stock prices came under pressure earlier in the year given AI-related concerns, paid off as they rebounded in Q3 amid strong fundamentals. Conversely, though their returns weighed on the portfolio's returns in Q3, our repeated trims of memory chip companies **Kioxia** and **SK Hynix** earlier in the year when their stock prices were going parabolic helped to temper the impact of their reversals in Q3.

The best returning stock in the portfolio during the quarter was Taiwan-based precision rail-kit manufacturer **King Slide**, whose earnings surged on growth tied to the AI server buildout. By contrast, insurance broker **Aon** fell after announcing another significant acquisition of a mid-market broker. While Aon's business model continues to boast many ingredients that should lead to sustained wealth creation, we are wary of the price paid for this acquisition, the integration risks involved, and the additional debt that will need to be incurred; we reduced our position accordingly.

In the first two months of the year, the portfolio lagged the fervent advance of its benchmark primarily due to weakness in a number of software and asset-light businesses. Notable examples include

Japanese consultants **Nomura Research Institute** and **BayCurrent**, reference information providers **RELX** and **Wolters Kluwer**, and Chinese giant **Tencent**. Even insurance brokers such as **Aon**, payments platforms such as **Adyen**, and financials such as Italy's **FinecoBank** were caught up in the sell-off. As discussed later in this report, we've been discerning; while the market's response was swift and relatively indiscriminate, we've been deliberate in our reactions, reducing exposure where AI risks may erode competitive advantages while staying firm and taking advantage of opportunities where we believe the reaction has been overblown.

By contrast, as markets declined in March, the portfolio offered significant downside protection. The portfolio's energy exposure, including **Shell** and recent initiations in Brazil's **Prio**, Australian LNG leader **Woodside Energy**, and Norway's **Equinor**, provided ballast. The portfolio's defense holdings, led by South Korea's **LIG Nex1**, the UK's **BAE**, and Italy's **Leonardo** played their role from a portfolio construction perspective in offering shelter in an increasingly fractured geopolitical world. And companies with a degree of inflation protection in their business models managed to avoid the full brunt of the sell-off: beyond energy, this includes the likes of recurring consumables distributor **Bunzl**, exchange operator **Deutsche Boerse**, industrial component distributor **Diploma**, and grocer **Ahold Delhaize**.

Finally, throughout, the portfolio's AI exposure has performed well: **TSMC**, recently introduced **Tower Semi**, and memory manufacturers **sk Hynix** and **Kioxia** all posted solidly double-digit returns.

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, 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	0.7	16.7	14.6	19.6	9.1	8.6	8.3
BENCHMARK	0.5	18.3	22.4	22.5	12.1	10.1	6.4

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	-3.3	22.6	-4.0	14.4	12.4	7.3	-16.7	12.7	14.6	18.4
BENCHMARK	-3.0	18.8	-6.5	15.4	8.7	6.9	-9.9	12.5	15.1	26.2

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 International Equity Fund Series F Inception: November 6, 1987

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Benchmarks:

FUND	BENCHMARK
Mawer International Equity Fund	Jan 1988: MSCI EAFE (net) Oct 2016: MSCI ACWI ex-USA (net)

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