

Mawer New Canada Fund, Series F

Q3 2026 | Performance Commentary

Market Overview

The S&P/TSX Small Cap Index continued its advance in the third quarter, building on its strong year-to-date performance. The energy sector led gains on higher oil prices spurred by conflict in the Middle East as well as optimism around new pipeline projects being greenlit in Canada. The materials sector also performed well, supported by rising precious metals prices during the quarter.

Long-term bond yields rose sharply in the quarter as the yield on the 10-year Government of Canada bond increased by 0.6% to near 4.0%. 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 capital expenditure 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

This quarter the portfolio underperformed the benchmark largely as a result of the benchmark's significant weighting in metals and mining companies, which delivered strong performance during the period. Our largest holding in the metals and mining industry, **Skeena Resources**, a gold miner developing the Eskay Creek project in British Columbia, generated steady gains in the period.

The market became more selective in its assessment of AI beneficiaries. Several of our holdings, including **Hammond Power Solutions**, a manufacturer of electrical transformers, and **Enerflex**, a provider of equipment for natural gas production, declined despite remaining strong performers on a year-to-date basis. We believe both companies are well-positioned to benefit from sustained demand driven by their exposure to the data centre infrastructure buildout.

Kraken Robotics, a provider of battery systems, sensors, and robotic technologies for autonomous underwater vehicles, underperformed during the quarter alongside many global defense-related companies. While the company has yet to be awarded a large contract, we believe its best-in-class technology positions it to benefit from governments' increasing focus on security and defense capabilities worldwide. We view the share price weakness as unwarranted and took the opportunity to add to our position during the quarter. **MDA Space** similarly declined during the quarter alongside many other space and defense-related companies, despite continuing to deliver organic growth. The company also completed what appears to be an expensive acquisition, increasing uncertainty and risks for the business.

Our holding in **Stella-Jones**, a provider of pressure-treated wood products for utility poles and railway ties, continued to face challenges across both of its end markets during the quarter. Demand for utility poles remained below expectations, while rail operators adopted a more cautious approach to maintenance and refurbishment programs, resulting in delays to capital expenditures on railway ties.

We have been positioning our portfolio for the Build Canada theme for some time, and we are beginning to see increasing evidence of momentum taking hold through the strong performance of several of our holdings. This momentum is being supported by infrastructure projects being considered in the national interest, the introduction of the Build Communities Strong Fund, and the announcement of a new pipeline to the West Coast. **Bird Construction** is our largest position, and we believe the company is among the most significant beneficiaries of the Build Canada theme. **Dexterra Group** and **Black Diamond Group** also performed well, supported by their expertise in providing accommodation and services for remote resource and infrastructure projects. **Aecon Group** continues to experience growth as a construction and infrastructure company involved in large-scale public and private sector projects.

Other strong performers in our portfolio this quarter include **Headwater Exploration** and **Kinaxis**. Headwater Exploration, an oil producer in Alberta, was up this quarter as it was announced it would be acquired by Tamarack Valley Energy. Our recent initiation in **Kinaxis**, a leading provider of supply chain optimization software, performed well as their growth continues to accelerate.

Looking Ahead

As we've written about in our past few quarterly commentaries, 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. 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	0.3	5.3	5.9	14.0	3.9	7.9	12.6
BENCHMARK	2.4	20.8	33.2	31.7	16.1	10.8	8.8

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	19.3	3.9	-10.2	28.8	19.3	18.1	-18.7	12.4	12.5	11.2
BENCHMARK	35.5	2.8	-18.2	15.8	12.9	20.3	-9.3	4.8	18.8	50.2

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 New Canada Fund Series F Inception: January 8, 1988

Disclaimer

Opinions and Forecasts:

This report includes certain statements that are “forward looking information” or “forward looking statements” (collectively, “forward looking information”) within the meaning of applicable securities legislation. All statements, other than statements of historical fact, included in this report that address activities, events or developments that the portfolio advisor, Mawer Investment Management Ltd., expects or anticipates will or may occur in the future, including such things as anticipated financial performance, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations, are forward looking information. The words “may”, “could”, “would”, “should”, “believe”, “plan”, “anticipate”, “expect”, “intend”, “forecast”, “objective”, “will” and similar expressions are intended to identify forward looking information. Undue reliance should not be placed on forward looking information. Forward looking information is subject to various risks described in the Simplified Prospectus, uncertainties, and assumptions about the Fund, capital markets and economic factors, which could cause actual results to vary and in some instances to differ materially from those anticipated by the portfolio advisor and expressed in this report. Material risk factors include, but are not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events. The foregoing list of risk factors is not exhaustive.

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Benchmarks:

FUND	BENCHMARK
Mawer New Canada Fund	Jan 1988: BMO Weighted Small Cap (Blended) Oct 2016: S&P/TSX Small Cap

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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