Mawer U.S. 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, remained historically strong. Energy stocks thrived on higher commodity prices, related closely to 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 with the S&P 500 reaching new all-time highs.

Performance Summary

Market exuberance momentarily tempered at the start of the quarter, as the S&P 500 pulled back in July amid renewed geopolitical tensions, surging oil prices, rising inflation concerns, and a sharp increase in global borrowing costs. During this short-lived period, we were pleased with the portfolio's performance as it proved resilient and generated a positive return.

These concerns continued to weigh on much of the market for the remainder of the quarter. However, technology-related companies, from semiconductors to software, lifted the S&P 500's return and accounted for the lion's share of its gain, masking a far more selective rally beneath the surface. This includes several of our largest contributors, including hyperscaler **Microsoft**, recently initiated software provider **Veeva Systems**, and consulting firm **CACI**. After being perceived as vulnerable to AI-driven disruption earlier this year, the businesses delivered strong results backed by greater AI adoption. Given our diversified investment approach, though, the portfolio lagged during this narrow, momentum-driven rally.

Elsewhere, financial exchange operators **Intercontinental Exchange** and **CME Group** were facing concerns related to perpetual futures earlier this year, potentially opening new fronts of competition against the exchanges. However, fears dissipated and both companies benefited from elevated market volatility, which tends to drive higher hedging activity and trading volumes. Laboratory equipment manufacturer **Waters** is going strength-to-strength, as organic growth accelerated well above its typical run rate, reinforcing our confidence in management's ability to turn around the life sciences business acquired from Becton Dickinson last year.

Finally, amid a steep increase in borrowing costs, valuations re-rated for data center cooling systems provider **AAON** and manufacturer of nuclear components **BWX Technologies**, paring back some gains following a strong run over the past year. Rate-sensitive businesses were notably impacted as well,

including utilities **American Electric Power** and **Southern Company**. Finally, rising mortgage rates posed headwinds for aggregates supplier **Martin Marietta Materials**, given its exposure to residential and commercial construction.

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 Summary[1] (%)

As of September 30, 2026

	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception[2]
FUND	**1.6**	**4.6**	**3.7**	**12.5**	**8.3**	**11.8**	**8.7**
BENCHMARK	2.4	16.8	18.1	24.9	16.4	16.2	11.3

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	**5.5**	**12.8**	**9.6**	**25.7**	**14.7**	**23.6**	**-12.1**	**14.4**	**21.7**	**5.4**
BENCHMARK	8.1	13.8	4.2	24.8	16.3	27.6	-12.2	22.9	36.4	12.4

[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 U.S. Equity Fund Series F Inception: December 11, 1992

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Opinions and Forecasts:

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Benchmarks:

FUND	BENCHMARK
Mawer U.S. Equity Fund	S&P 500 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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