

Mawer U.S. Mid Cap 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. However, equity prices did not always follow those earnings as sentiment declined for semiconductor and other companies related to the AI buildout 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 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.

The impact of higher yields was felt by rate-sensitive sectors such as utilities and real estate, and smaller-cap companies, which often carry more leverage, fared worse than mid-caps, which correspondingly lagged their larger cap peers.

Performance Summary

The portfolio outpaced its benchmark in Q3 during a down market, reflecting the portfolio's balance, valuation discipline, and more conservative leverage profile. Further, beneath the surface, the drivers of returns provided validation for many of our recent decisions.

The introductions of **Par Pacific**, **Venture Global**, and **Diamondback Energy** to the portfolio earlier in the year—all well-managed energy companies—have benefited from higher energy prices and have collectively played their role from a portfolio construction perspective in providing ballast in a world of supply shocks and potentially more energy security concerns. We opportunistically added **Veeva Systems** in late February, a leading software platform for pharmaceutical companies, after a sell-off on AI-driven fears that we believed were overblown given the highly regulated nature of the industry; it has subsequently been rewarded for stellar fundamentals. Conversely, though they weighed on the portfolio's returns in Q3, our repeated trims of semiconductor-related companies **Sandisk** and **KLA** 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 **Twist Bioscience**, a manufacturer of synthetic DNA whose silicon chip-based platform produces DNA at a speed and cost that traditional methods struggle to match. While fundamentals remain strong, much of the stock's rise seems overly enthusiastic with the valuation toward the higher end of our fair value range; we have become sellers. By contrast, **Valmont Industries** pulled back after a strong run. While its utility transmission pole segment has performed strongly, sales in its agricultural irrigations systems and telecommunications divisions were lackluster.

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 uncertainty in a world already in the midst of a changing technological and geopolitical regimes. On the one hand, discount rates are the foundation for valuing all cash-producing assets, and equities certainly have had their valuations challenged when discount rates rise, such as in 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 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	-1.5	18.1	16.0	13.9	8.1	-	7.2
BENCHMARK	-2.9	15.8	14.3	19.1	10.5	-	9.9

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	-	-	-	-	-	-	-14.5	17.7	14.6	0.8
BENCHMARK	-	-	-	-	-	-	-11.3	14.1	25.8	5.4

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 U.S. Mid Cap Equity Fund Series F Inception: September 27, 2021.

Disclaimer

Opinions and Forecasts:

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Benchmarks:

FUND	BENCHMARK
Mawer U.S. Mid Cap Equity Fund	Russell Midcap Index (TR)

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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