

Mawer Canadian Bond Fund, Series A

Q2 2025 | Performance Commentary

Market Overview

The second quarter of 2025 saw elevated volatility as markets were rocked by an escalation in global trade tensions, particularly after the “Liberation Day” tariff announcement by the U.S. on April 2. In response to the ensuing global tariff brinksmanship, risk assets sold off aggressively, though within a few weeks the U.S. administration tempered and partly deferred the initial barrage of tariffs causing markets to recover. Amidst all this, the U.S. Federal Reserve held rates steady throughout Q2, citing ongoing strength in the labor market and only gradual progress on inflation.

The Bank of Canada (BoC) took a pause in its easing policy this quarter, keeping the overnight rates at 2.75% citing firmer than expected inflation, unknown outcomes of ongoing trade negotiations, and stronger than expected Q1 GDP. Inflation came in relatively strong in Canada in Q2 with headline running above the BoC’s Q2 forecasts and core remains elevated.

Canadian universe fixed income returns were negative in the quarter, as tightening corporate credit spreads after the early spike in April and earned income were not enough to offset longer yields moving higher.

Performance Summary

The portfolio performed roughly in line with its benchmark during the quarter.

Our yield curve steepener position continued to add value (shorter bonds outperforming longer bonds).

Our credit related positions were positive contributors as we saw a reversal in performance from last quarter with the higher quality, more liquid names that we own rebounding nicely. The security selection contributions were broad based with Province of Quebec, CPKC Rail, CN Rail, and North West Redwater bonds leading the way.

Looking Ahead

Although the BoC noted that tariffs have not had a direct impact on prices yet, their statement noted a concern about upside risk to future inflation: *Recent surveys indicate that households continue to expect that tariffs will raise prices and many businesses say they intend to pass on the costs of higher tariffs.* Our view is inflation expectations are different today versus Trump 1.0, increasing companies’ ability to pass through higher prices to consumers. This will keep inflation sticky in the short term. The question over the medium term is will growth slow enough to bring prices down and potentially warrant more cuts? On this front the BoC is providing minimal forward guidance as the uncertainty around trade/trade policies continues to be elevated, thus making policy more reactive vs. proactive.

Our view is the BoC will remain on hold until they see more evidence of a growth slowdown (which would lead to lower prices via lower demand). Given the change in the inflationary backdrop—and change in inflation expectations—we think increased employment losses (which translate into income declines) are required before rates are cut. We place a larger probability on growth slowing due to increased uncertainty, therefore we believe continued rate cuts will eventually happen—but for now its wait and see.

Performance Summary¹ (%)

As of June 30, 2025

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	1.2	-0.7	5.8	4.0	-0.8	1.4	4.9
BENCHMARK	1.4	-0.6	6.1	4.3	-0.4	1.9	5.9

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	4.0	6.3	-12.0	-3.0	8.7	6.4	0.8	1.3	0.9	3.1
BENCHMARK	4.2	6.7	-11.7	-2.5	8.7	6.9	1.4	2.5	1.7	3.5

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 Canadian Bond Fund Series A Inception: June 14, 1991

Selections from Mawer's Art of Boring blog and podcast:

[Quarterly Update | Q2 2025 | EP 193](#)

In this episode Canadian bond portfolio manager, Crista Caughlin, and balanced portfolio manager, Steven Visscher discuss Q2's market and economic activity. Topics covered include "Liberation Day's" tariff shocks, central bank policies, inflation, and other themes.

[Customizing the Last Mile: AI, Innovation, and Mawer's Tech Evolution | EP 192](#)

In this episode, Justin Anderson, Mawer's Chief Technology Officer, sits down to discuss the evolving "build-in vs. build-out" technology framework. Justin explains how Mawer approaches technology decisions—balancing vendor solutions with in-house customization—and shares practical examples from the firm, including proprietary solutions such as trade&MAWER and M42. The conversation explores how advances in AI and large language models are accelerating the shift toward more tailored, efficient solutions. He also offers insights for investors on what to look for in management teams as organizations adapt to rapid technological change.

Disclaimer

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Benchmarks:

FUND	BENCHMARK
Mawer Canadian Bond Fund	FTSE Canada Universe Bond Index

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