Mawer Canadian Equity 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. Within a few weeks the U.S. administration tempered and partly deferred the initial barrage of tariffs, and markets recovered.

The Bank of Canada (BoC) took a pause in its easing policy this quarter, keeping the overnight rate 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.

After a lackluster April, Canadian equity markets posted strong returns in May and June; this positive performance was broad based with all sectors in the green for the quarter. The three standout sectors were the more cyclically oriented Information Technology, Consumer Discretionary, and Financials sectors which all posted double digit returns.

Performance Summary

The portfolio modestly underperformed the benchmark in the quarter.

Caterpillar equipment dealer **Finning International** reported strong earnings with the higher margin Product Support segment posting 11% year-over-year growth, while new equipment sales were also strong at 7% for the year. Dollar store operator **Dollarama** also posted strong earnings with 4.9% same-store sales growth. This served as a good indicator for investors that Dollarama’s continued expansion has not come at the expense of existing store profitability. Income from Dollarcity, a 60%-owned subsidiary present in four Latin American countries, now contributes over 10% of operating income. Dollarcity will soon open its first stores in Mexico.

Canadian bank earnings started with investors reacting positively to **TD Bank**. Revenue and net income margin grew, expenses were controlled, and credit loss provisions remain ahead of actual experienced losses. It seems that the worst of TD's legal issues in the U.S. are behind them, with additional compliance spending near its peak and regulatory asset limits not as severe as initially expected. **Royal Bank of Canada** was also a top performer in the portfolio as investors looked past higher provisioning on performing loans in the commercial banking segment. Contingent on additional policy/trade certainty, bank management teams remain optimistic they will benefit from higher loan demand, M&A and capital markets activity.

Topicus continues to accelerate capital deployment into new software businesses. Q1 results showed strong free cash flow growth year-over-year.

The announcement of increased OPEC production was a drag on oil prices and as a result, the stocks of our integrated producers **Suncor** and **Canadian Natural Resources** traded lower in the quarter. Despite the commodity price pressure, both companies reported healthy results, with higher throughput driving lower operating costs.

There were concerns that **Manulife's** Asian business would suffer from weak sales, however the opposite was the case, with Asia sales up nearly 50% year-over-years thanks to strong growth in Hong Kong. The company also saw steady book value growth. Despite the strong results, the stock traded off very modestly in the quarter. This compares to **Alimentation Couche-Tard** where results were largely in-line, albeit against more modest market expectations; better than anticipated fuel and merchandising growth were offset by heightened costs. It seemed that uncertainty over the Seven & I prospective acquisition continued to weigh on the stock.

Restaurant Brands, owners of Tim Hortons, Burger King, and Popeyes, felt weakness in consumer spending with flat comparable sales year-over-year. We continue to believe that there is strong potential for management to revitalize the Burger King brand over the medium term, which should add value for shareholders.

Looking Ahead

Despite many equity markets nearing or reaching all-time highs, we are in a period of significant uncertainty as we navigate a complex geopolitical environment. Escalating tariff and trade tensions cloud the economic outlook and may intensify inflationary pressures. Ultimately, the secular themes of de-globalization, protectionism, increased geopolitical conflict, stretched government finances, and a multi-polar world continue to gain momentum.

Last quarter, we noted that the degree of policy uncertainty evokes the image of a four-way traffic stop, with each driver glancing at the others, waiting for the next move. This dynamic continues, as businesses delay investment decisions until a more certain future becomes apparent. Consumers face a similar challenge as they debate whether to spend, amid uncertainty around how their finances will evolve. Returning to the four-way traffic stop analogy, it appears that, for now, businesses and consumers don't mind waiting if it means avoiding a crash in the intersection.

In times like these, we are reminded of the importance of having strong management teams at the helm of our portfolio companies—teams that we believe are positioned not only to navigate through uncertainty but also to capitalize on opportunities as they arise. We believe that maintaining a high-quality, diversified portfolio with prudent risk management is as important as ever, especially as new market dynamics continue to emerge.

Performance Summary[1] (%)
As of June 30, 2025

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception[2]
FUND	8.4	8.1	20.4	13.3	12.9	8.4	9.4
BENCHMARK	10.2	8.5	26.4	16.1	15.0	9.6	8.9

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	17.7	9.4	-5.6	23.7	2.7	20.7	-9.8	8.7	15.8	-0.3
BENCHMARK	21.7	11.8	-5.8	25.1	5.6	22.9	-8.9	9.1	21.1	-8.3

[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 Canadian Equity Fund Series A Inception: June 3, 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.

Energy, Gold, and Growth: Current Insights on Canadian Markets | EP 191

Mark Rutherford, co-manager of Mawer's Canadian large cap strategy, discusses the ongoing volatility in oil, the unique role of gold, the outlook for Canadian banks, and the potential impact of recent political changes. Mark also shares how the Mawer team is leveraging AI to enhance their investment process and decision-making.

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Benchmarks:

FUND	BENCHMARK
Mawer Canadian Equity Fund	S&P/TSX Composite 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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