

Mawer EAFE Large Cap 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 partly deferred the initial barrage of tariffs, causing markets to more-than-recover.

Equity market leadership globally rotated back to the 2024 theme of U.S. large-cap technology stock outperformance after they collectively posted generally strong earnings results. Easing trade tensions also supported European and Asian equities, and returns for U.S.-based investors were bolstered by a weaker U.S. dollar. Despite the war between Israel and Iran, the energy sector was a laggard as OPEC announced increased production quotas which weighed on oil prices.

Performance Summary

The portfolio marginally underperformed its benchmark in the second quarter but was particularly resilient during the first few weeks of April when tariff-related concerns were most acute.

Shares of defense contractors such as Germany’s **Rheinmetall** and the UK’s **BAE** continued to rise due to geopolitical uncertainty, expectations for greater European defense spending, and strong internal execution. **Tokyo Electron** and **DISCO**, both of which are critical components of the semiconductor supply chain, benefitted from increasing spending on AI infrastructure while their technological leadership provides the competitive advantage to translate higher demand into genuine wealth creation.

Partially offsetting these positives, two companies in the portfolio had more disappointing quarters. Luxury goods conglomerate **LVMH** declined among macro uncertainty and softer demand from American, Chinese, and Japanese consumers. And recurring consumables distributor **Bunzl** fell sharply on a profit warning, with management citing increased competition and internal execution issues. Historically a management team we have held in high regard, we believe Bunzl is taking the appropriate actions along with the right degree of urgency to address the underlying issues. We were also encouraged to see the CEO invest a material amount of his own money in shares, a positive signal.

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 and macroeconomic 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 protect in a recessionary scenario 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 Summary¹ (%)

As of June 30, 2025

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	11.8	5.6	15.3	15.5	8.5	-	8.9
BENCHMARK	13.3	6.0	17.4	18.2	11.2	-	11.4

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	7.8	17.4	-17.1	15.0	-	-	-	-	-	-
BENCHMARK	13.2	15.1	-8.2	10.3	-	-	-	-	-	-

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 EAFE Large Cap Fund Series A Inception: May 29, 2020

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.

[Investment Opportunities in a Changing Military Landscape | EP 187](#)

In this episode, we discuss the defense industry's evolution with equity analyst Joshua Samuel. He highlights the historical underinvestment in European defense, the recent increase in defense spending, particularly Germany's program, and the strategic importance of land systems. The conversation highlights how the current geopolitical environment has transformed defense from an underperforming sector to an investment opportunity, and valuations for companies like Rheinmetall now reflect much of this potential.

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Benchmarks:

FUND	BENCHMARK
Mawer EAFE Large Cap Fund	MSCI EAFE Index (net)

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