

Mawer Global Balanced Fund, Series A

Q2 2025 | Performance Commentary

Market Overview

The second quarter of 2025 was marked by a strong rebound in equity markets as global stocks recovered from April's tariff concerns. The market's strength suggested some investor optimism that trade negotiations could eventually yield results, such as less disruptive trade relationships. However, the complex interplay of trade policy tensions and renewed geopolitical risks—most notably the conflict in the Middle East—remains at the forefront. Protectionist measures continued to weigh on sentiment, with the expiration of the 90-day tariff reprieve looming in early July and the risk of new unilateral tariffs remaining elevated.

The intermittent nature of tariff threats from Washington, combined with the risk of further escalation in the Middle East, continued to create a challenging environment for global central banks and investors. The Bank of Canada (BoC) held rates steady at 2.75% this quarter, citing stronger-than-expected inflation and GDP, as well as ongoing trade uncertainty. The U.S. Federal Reserve also held rates steady throughout the second quarter, with ongoing strength in the labor market and the potential for inflationary pressures to grow.

Equity market leadership rotated back to the recurring 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. Despite the war between Israel and Iran, the energy sector was a laggard as OPEC announced increased production quotas which weighed on oil prices. The performance of healthcare stocks was also generally challenged after a decent start to the year.

Performance Commentary

The portfolio had negative returns this quarter and underperformed its benchmark. It was a difficult quarter for the equity holdings as the underweight to market leading U.S. large-cap technology was a headwind while at the same time some of the more traditionally stable businesses in the portfolio sold off in the quarter. Canadian bonds declined this quarter as yields increased.

UnitedHealth Group had a rough quarter on several fronts. A portion of their business, Medicare Advantage, has been under pressure from lower reimbursement by the U.S. government while it has seen higher costs due to increased claims. For now, UnitedHealth is holding the line on pricing so as not to lose market share. We agree with their reasoning (it is more difficult to gain new customers than maintain the ones it already has) and appreciate that they can always decide to increase pricing at a later date (while sacrificing market share) if they decide they want this business to be once again profitable. However, it was also revealed during the quarter that the company is under criminal investigation for Medicare fraud, replaced their CEO, and pulled 2025 guidance. Despite the more attractive valuation, we cut our position in half during the quarter to manage risk.

Insurance brokers **Aon** and **Marsh & McLennan** reported weaker than expected earnings. Pricing was not as strong as expected, potentially from insurers shifting focus somewhat from margins to growth (therefore lower prices in the market). This isn't great for brokers in the short term given they receive a cut of the insurance premiums, although it may be offset by more insurance sold at lower prices.

Throughout 2024, HR outsourcing services provider **Insperity** was impacted by higher benefit costs and their strategic investment in a partnership with Workday. We believe the Workday partnership will bring synergies and is likely to have a positive Net Present Value. Insperity offers short-tail insurance which reprices premiums annually and therefore we believe they should be able to offset the higher benefit costs. Over the long term, we continue to believe that Insperity will benefit from trends of businesses outsourcing HR/payroll management given increasing regulatory complexity.

Many of the top performers in Q2 were the stars of 2024 or recent 2025 additions that also fit the technology focused theme. These include software provider **Microsoft**, communication agency **Publicis Groupe**, and connector manufacturer **Amphenol** as well as recent additions such as semiconductor manufacturer **Taiwan Semiconductor Manufacturing Corporation** (TSMC) and social media platform **Meta**.

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 Summary¹ (%)

As of June 30, 2025

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	-2.7	-1.7	1.5	7.7	4.8	6.2	7.5
BENCHMARK	3.4	3.4	12.1	13.4	7.9	7.4	8.6

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	8.3	13.1	-10.9	12.9	9.4	14.1	3.5	11.0	-0.6	14.6
BENCHMARK	18.2	13.9	-11.3	8.1	12.4	13.5	1.3	9.9	2.0	12.9

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 Global Balanced Fund Series A Inception: July 3, 2013

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.

[The Long View: Global Equity Positioning in Uncertain Markets | EP 188](#)

In this episode, global equity co-manager, Manar Hassan-Agha, examines how tariff policies have created uncertainty for businesses, particularly impacting capital deployment decisions and supply chains. Manar explains how a focus on asset-light, service-oriented businesses with recurring revenue provides resilience during volatile periods, with limited direct exposure to tariff-vulnerable exports. Through specific company examples like Admiral Group, UnitedHealth, and a beauty products business, he illustrates how the team evaluates short-term price movements versus long-term intrinsic value, emphasizing the importance of disciplined position sizing and maintaining a balanced, diversified

portfolio across geographies and market caps during uncertain times.

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Benchmarks:

FUND	BENCHMARK
Mawer Global Balanced Fund	<p>Jul 2013: 5% FTSE Canada 91 Day TBill Index, 35% FTSE Canada Universe Bond, 60% MSCI World (net)</p> <p>Aug 2013: MSCI World (net) returns are used to calculate the blended benchmark from inception. Previously, MSCI World (gross) was used.</p> <p>Oct 2015: 20% FTSE Canada Universe Bond, 20% FTSE World Government Bond Index (WGBI), 60% MSCI World (net)</p> <p>Oct 2016: 20% FTSE Canada Universe Bond, 20% FTSE World Government Bond Index (WGBI), 60% MSCI ACWI (net)</p> <p>Jun 2021: 5% FTSE Canada 91 Day TBill Index, 35% FTSE Canada Universe Bond, 60% MSCI ACWI (net)</p>

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