



Mawer Quarterly

Second Quarter 2025

Market Overview

The second quarter of 2025 was defined by persistent volatility and shifts in global economic momentum, as markets navigated a challenging landscape of trade policy uncertainty, geopolitical risk, and evolving fiscal priorities. The quarter opened with lingering anxiety from extended losses in March and fears of a new round of protectionist measures from Washington.

However, despite persistent trade and geopolitical uncertainties, the S&P 500 Index posted a strong rebound this past quarter, surging more than 24% from its April lows in U.S. dollar terms, and reaching new record highs by late June. The rally was primarily fueled by investor optimism around falling inflation and growing expectations for Federal Reserve rate cuts, which for now have overshadowed concerns about tariffs and policy risks. Softer-than-expected inflation data for five consecutive months reinforced a view that monetary policy would turn more accommodative, prompting some investors to rotate back into growth sectors such as information technology and industrials. While headline risks from tariffs occasionally unsettled markets, they did not trigger sustained selloffs, as investors focused instead on the supportive backdrop of household spending, a relatively healthy labor market, and strong corporate balance sheets.

Europe and select emerging markets performed well, benefiting from coordinated fiscal expansion, infrastructure spending, a weakening U.S. dollar, and a perception of relative geopolitical stability during the height of the tariff threats during the quarter.

Canadian equities also performed well this quarter, with the S&P/TSX Composite Index and S&P/TSX Small Cap Index both reaching new highs in June, propelled by fairly broad-based sector gains, a surge in gold, and intra-quarter energy prices. Ottawa's post-election policy pivot, highlighted by the passage of Bill C-5 and a Throne Speech focused on reindustrialization and resource sector support, provided further tailwinds for Canadian markets. Despite new U.S. tariffs on Canadian steel and aluminum, sentiment improved as President Trump signaled openness to resolving trade tensions at the G7 summit.

The Canadian dollar strengthened over the quarter, supported by steady domestic economic data and somewhat stable oil prices, but especially by weakness in the U.S. dollar as expectations for Federal Reserve rate cuts grew and inflation pressures eased. Stronger-than-expected economic data also influenced Canadian interest rates.

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. Higher long bond yields are a potential sign that investors are concerned about rising government debt and deficits and as a result are demanding greater compensation for lending to governments.

How Did We Do?

Performance has been presented for the O-Series Mawer Mutual Funds in Canadian dollars and calculated gross of management fees and net of operating expenses for the 3-month period ending June 30, 2025.

Balanced

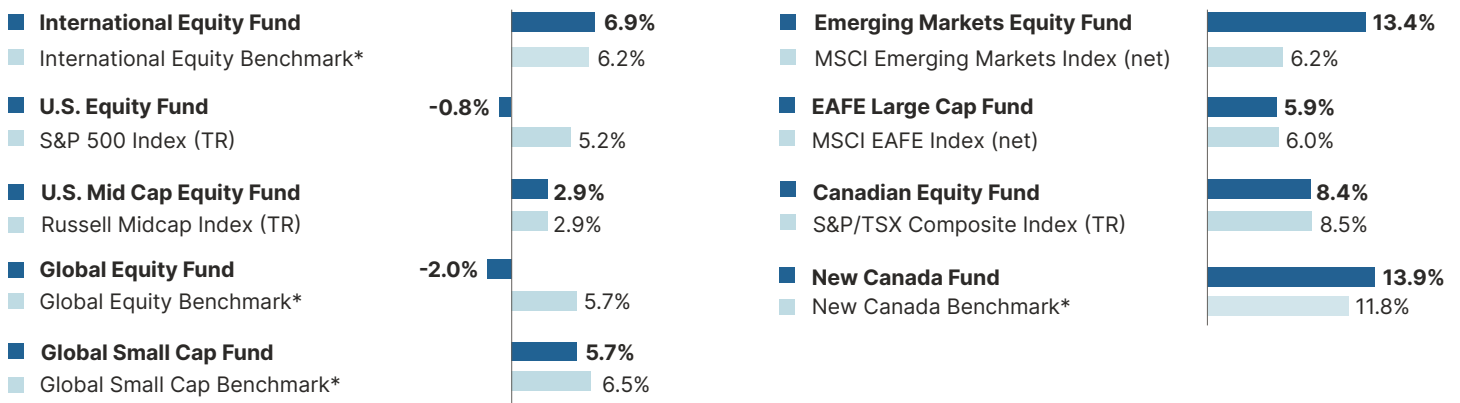
Chart A: Q2 2025, Series O, Gross of fees



Despite a sharp sell-off in early April, the Mawer balanced strategy experienced positive absolute returns this quarter, and year-to-date relative performance remains ahead of the benchmark.

Equities

Chart B: Q2 2025, Series O, Gross of fees



Our international equity strategy continued to benefit from exposure to high-quality, stable business models—particularly from defense contractors. Germany’s **Rheinmetall** which was up more than 40% in the quarter, and UK-based **BAE** also appreciated considerably amidst heightened geopolitical risks and rising defense spending. Within international and emerging markets, South Korea-based defense company, **LIG Nex1**, with a key strength in complex precision-guided missile systems, saw its share price rise considerably this quarter. Importantly, our investment process emphasizes identifying wealth-creating companies with strong management teams, while also recognizing that valuation is a critical consideration. As some global defense stocks have rallied recently, we remain attentive to valuation to ensure any potential additions to the portfolio continue to meet our disciplined criteria.

Unlike the previous quarter, our U.S. equity strategy underperformed the S&P 500 Index, largely due to an underweight exposure to high-flying technology and consumer names. Some healthcare holdings, including **UnitedHealth Group** and **Becton Dickinson**, experienced significant declines this past quarter. UnitedHealth’s shares fell primarily due to unexpectedly high medical costs in its Medicare Advantage business, which squeezed margins and led to a rare earnings miss and a substantial profit forecast cut. This was further exacerbated by leadership upheaval, including the sudden resignation of the CEO, and increased regulatory risk. Becton Dickinson’s shares dropped sharply following disappointing results and lowered guidance, driven by ongoing challenges in China and its Life Sciences segment, including reduced research funding and tariff-related cost pressures.

In Canada, global distributor of heavy equipment **Finning** has seen minimal direct impact from tariffs and stands to benefit from strong infrastructure and energy investment in Canada, as well as potential boosts from policy initiatives like Build Canada. Our Canadian small cap equity strategy had a strong quarter as **Kraken Robotics**, a provider of sensors, robotic systems, and batteries for autonomous underwater vehicles delivered healthy returns, driven by increased government defense spending. Fuel tank manufacturer **TerraVest Industries** also continued its impressive run, with management excelling at their growth-by-acquisition strategy and enhancing its product offerings.

Fixed Income

Chart C: Q2 2025, Series O, Gross of fees



Within Canadian bonds, credit related positions were a positive contributor as we saw a reversal in performance from last quarter with the higher quality, more liquid names that we own rebounding nicely. And those invested in our global credit opportunities strategy saw a positive return, benefitting from slightly lower short dated government bond yields, the addition of select high yield positions which experienced spread compression, and healthy carry from coupon income.

During the quarter, we made a modest reduction to U.S. equity holdings within the balanced strategy, reallocating some of the proceeds to our global small cap equity and emerging markets equity strategies. These adjustments were designed to slightly decrease our U.S. equity weight relative to our benchmark and enhance the geographic and currency diversification of our overall equity exposure.

Looking Ahead

As we move into the second half of 2025, the global outlook remains uncertain, shaped by ongoing trade tensions, fiscal challenges, and geopolitical risks. The upcoming expiration of the tariff reprieve is a key concern. However, there is a possibility that the deadline could be extended yet again, as the administration has signaled flexibility and suggested that productive negotiations may warrant further pauses—effectively kicking the can down the road, a scenario that would likely be welcomed by investors seeking to avoid immediate disruption. Alternatively, if the reprieve expires and higher tariffs are imposed, markets could react negatively, but recent history suggests the administration may quickly soften its stance or roll back tariffs in response to financial market turmoil, as has occurred previously. Although some tensions have eased, tariffs remain high, and the risk of escalation persists.

Canada faces a pivotal moment. The government's new focus on streamlining regulations and supporting the resource sector signals a shift toward reindustrialization, creating opportunities in infrastructure, energy, and defense. However, this also raises questions about fiscal sustainability and the potential for higher taxes as deficits grow. The Bank of Canada is expected to hold rates steady for now, with possible cuts later in the year if inflation cools or the job market weakens. The Canadian dollar is likely to remain volatile, influenced by interest rate moves and fiscal policy.

In the U.S., policy uncertainty continues amid efforts to reshore manufacturing, expand fiscal spending, and debate taxes. While equity markets have been resilient, high valuations and a lower risk premium suggest a tougher road ahead, especially if long-term rates stay elevated or earnings slow. Investors are watching the Federal Reserve closely; the impact of any rate cuts will depend on the reasons behind them. If cuts respond to economic weakness, defensive sectors may outperform and the dollar could weaken. Conversely, cuts amid steady growth would support risk assets, but cuts despite rising inflation could undermine confidence and pressure the dollar.

Globally, central banks are moving at different speeds, with Europe, the UK, and many emerging markets further along in easing cycles. The risk of renewed conflict in the Middle East—and its impact on oil prices—remains a wildcard for global growth and inflation.

Events so far this year have reaffirmed the importance of diversification, quality, and adaptability in navigating today's markets. In this environment of ongoing uncertainty, our approach remains rooted in resilience and disciplined decision-making. Ultimately, when uncertainty is the only certainty, our strength comes not from trying to predict what lies ahead, but from preparing thoughtfully for a range of outcomes—always mindful that our response to the unknown is what determines lasting success.

Total Gross Returns (Series O)

For periods ending June 30, 2025

Equity Funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	17.5	6.9	24.9	20.3	10.3	9.3	9.8
International Equity Benchmark*	11.9	6.2	17.4	16.1	10.2	7.0	6.6
Mawer U.S. Equity Fund	1.6	-0.8	13.1	16.3	12.7	13.5	11.0
S&P 500 Index (TR)	0.8	5.2	14.8	22.0	16.7	14.7	11.2
Mawer U.S. Mid Cap Equity Fund	-0.8	2.9	8.9	15.0	-	-	5.8
Russell Midcap Index (TR)	-0.5	2.9	14.9	16.5	-	-	7.4
Mawer Global Equity Fund	-4.3	-2.0	0.4	11.2	9.1	10.4	12.3
Global Equity Benchmark*	4.4	5.7	15.8	19.6	13.7	11.0	11.8
Mawer Global Small Cap Fund	9.0	5.7	6.5	10.0	5.6	8.3	11.6
Global Small Cap Benchmark*	2.4	6.5	13.3	14.5	11.4	8.4	7.6
Mawer Emerging Markets Equity Fund	13.2	13.4	19.9	20.4	8.6	-	8.3
MSCI Emerging Markets Index (net)	9.4	6.2	15.0	11.8	6.8	-	6.7
Mawer EAFE Large Cap Fund	12.6	5.9	16.8	17.0	10.0	-	10.3
MSCI EAFE Index (net)	13.3	6.0	17.4	18.2	11.2	-	11.4
Mawer Canadian Equity Fund	9.0	8.4	21.7	14.6	14.2	9.6	10.6
S&P/TSX Composite Index	10.2	8.5	26.4	16.1	15.0	9.6	8.5
Mawer New Canada Fund	8.8	13.9	16.6	14.3	12.3	9.5	13.4
New Canada Benchmark*	12.7	11.8	23.1	14.1	15.1	6.9	6.8
Balanced Funds							
Mawer Global Balanced Fund	-2.2	-1.4	2.6	8.9	6.0	7.4	8.7
Internal Global Balanced Benchmark*	3.4	3.4	12.1	13.4	7.9	7.4	8.6
Mawer Balanced Fund	6.3	3.4	13.6	11.7	7.1	7.3	8.2
Internal Balanced Benchmark*	5.4	4.4	14.2	12.2	8.3	6.8	6.6
Mawer Tax Effective Balanced Fund	6.4	3.5	13.6	11.7	7.1	7.3	8.1
Internal Tax Effective Balanced Benchmark*	5.4	4.4	14.2	12.2	8.3	6.8	6.6
Income funds							
Mawer Global Credit Opportunities Fund	2.3	1.4	5.9	-	-	-	5.6
ICE BofA Global Corporate & High Yield Index	3.0	1.6	6.2	-	-	-	4.7
Mawer Canadian Bond Fund	1.5	-0.5	6.5	4.7	-0.1	2.1	3.8
FTSE Canada Universe Bond Index	1.4	-0.6	6.1	4.3	-0.4	1.9	3.7
Mawer Canadian Money Market Fund	1.4	0.7	3.6	3.9	2.4	1.7	1.5
FTSE Canada 91 Day TBill Index	1.5	0.6	3.8	4.2	2.6	1.8	1.8

*Refer to www.mawer.com/funds/performance/ for Fund Inception Dates and Benchmark History.

Mawer Mutual Funds are managed by Mawer Investment Management Ltd. O-Series returns for the Mawer Mutual Funds are reported in Canadian dollars and calculated before management fees and after operating expenses have been deducted. In comparison, index returns do not incur management fees or operating expenses.

Total Net Returns (Series A)

For periods ending June 30, 2025

Equity Funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	16.7	6.5	23.3	18.7	8.8	7.8	8.1
International Equity Benchmark*	11.9	6.2	17.4	16.1	10.2	7.0	5.8
Mawer U.S. Equity Fund	1.1	-1.1	11.9	15.0	11.4	12.2	8.8
S&P 500 Index	0.8	5.2	14.8	22.0	16.7	14.7	10.9
Mawer U.S. Mid Cap Equity Fund	-1.5	2.5	7.3	13.5	-	-	4.3
Russell Midcap Index (TR)	-0.5	2.9	14.9	16.5	-	-	7.4
Mawer Global Equity Fund	-4.9	-2.3	-0.9	9.8	7.7	9.0	10.9
Global Equity Benchmark*	4.4	5.7	15.8	19.6	13.7	11.0	11.8
Mawer Global Small Cap Fund	8.1	5.3	4.7	8.1	3.8	6.5	9.7
Global Small Cap Benchmark*	2.4	6.5	13.3	14.5	11.4	8.4	7.6
Mawer Emerging Markets Equity Fund	12.3	13.0	18.1	18.6	6.9	-	6.6
MSCI Emerging Markets Index (net)	9.4	6.2	15.0	11.8	6.8	-	6.7
Mawer EAFE Large Cap Fund	11.8	5.6	15.3	15.5	8.5	-	8.9
MSCI EAFE Index (net)	13.3	6.0	17.4	18.2	11.2	-	11.4
Mawer Canadian Equity Fund	8.4	8.1	20.4	13.3	12.9	8.4	9.4
S&P/TSX Composite Index	10.2	8.5	26.4	16.1	15.0	9.6	8.9
Mawer New Canada Fund	8.1	13.5	15.0	12.7	10.8	8.0	12.8
New Canada Benchmark*	12.7	11.8	23.1	14.1	15.1	6.9	7.7
Balanced Funds							
Mawer Global Balanced Fund	-2.7	-1.7	1.5	7.7	4.8	6.2	7.5
Internal Global Balanced Benchmark*	3.4	3.4	12.1	13.4	7.9	7.4	8.6
Mawer Balanced Fund	5.9	3.2	12.5	10.7	6.2	6.4	8.1
Internal Balanced Benchmark*	5.4	4.4	14.2	12.2	8.3	6.8	7.8
Mawer Tax Effective Balanced Fund	6.0	3.3	12.6	10.8	6.2	6.4	7.7
Internal Tax Effective Balanced Benchmark*	5.4	4.4	14.2	12.2	8.3	6.8	7.9
Income Funds							
Mawer Global Credit Opportunities Fund	1.8	1.2	5.0	-	-	-	4.7
ICE BofA Global Corporate & High Yield Index	3.0	1.6	6.2	-	-	-	4.7
Mawer Canadian Bond Fund	1.2	-0.7	5.8	4.0	-0.8	1.4	4.9
FTSE Canada Universe Bond Index	1.4	-0.6	6.1	4.3	-0.4	1.9	5.9
Mawer Canadian Money Market Fund	1.2	0.5	3.1	3.5	2.1	1.3	3.0
FTSE Canada 91 Day TBill Index	1.5	0.6	3.8	4.2	2.6	1.8	3.8

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Mawer Mutual Funds are managed by Mawer Investment Management Ltd. A-Series returns for the Mawer Mutual Funds are reported in Canadian dollars and calculated after management fees and after operating expenses have been deducted. In comparison, index returns do not incur management fees or operating expenses.

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