Mawer U.S. 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; though within a few weeks the U.S. administration partly deferred the initial barrage of tariffs, causing markets to more-than-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.

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. 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 Summary

The portfolio underperformed its benchmark this quarter. It was a difficult quarter for the portfolio as the underweight to market leading tech-focused companies was a headwind while at the same time some of the more traditionally stable businesses in the portfolio sold off.

UnitedHealth 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. This came out while the company is under investigation for Medicare fraud, replaced their CEO, and missed guidance for the first time in over a decade, causing the market to lose confidence.

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

Provider of medical supplies **Becton Dickinson** saw its stock price impacted by tariff headwinds. However, margins have been steady—even after factoring in tariffs—and its valuation is rather undemanding for the growth we expect it could deliver. Also, an opportunistic focus of capital allocation going forward will be buybacks, rather than M&A, as its stock is trading near an all-time low. We believe this provides an attractive opportunity and have increased our position in the company. Uncertainty around tariffs also affected **Procter & Gamble** and the company noted signs of consumers pulling back spending.

Many of the top performers in Q2 were the stars of 2024. These include software provider **Microsoft**, connector manufacturer **Amphenol**, as well as hyperscalers **Amazon** and **Alphabet**. Robust demand for cloud computing continues to exceed the available supply, easing some recent concerns about a potential slowdown due to more efficient models. The market now anticipates that supply constraints will persist in the near term, reinforcing confidence in sustained AI-related demand.

Finally, elevated U.S. government spending on defense, modernization, and national security priorities initiated under the Trump administration has expanded the contract opportunities for defense contractor **CACI** and supplier of nuclear components and fuel **BWX Technologies**. CACI has gained from increased contracts in defense, cybersecurity, and intelligence, resulting in higher revenues and a stable backlog, while BWX Technologies has seen greater demand for its nuclear components and services, particularly for the U.S. Navy and nuclear modernization programs.

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 Summary[1] (%)

As of June 30, 2025

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception[2]
FUND	1.1	-1.1	11.9	15.0	11.4	12.2	8.8
BENCHMARK	0.8	5.2	14.8	22.0	16.7	14.7	10.9

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	21.7	14.4	-12.1	23.6	14.7	25.7	9.6	12.8	5.5	19.3
BENCHMARK	36.4	22.9	-12.2	27.6	16.3	24.8	4.2	13.8	8.1	21.6

[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 U.S. Equity Fund Series A Inception: December 11, 1992

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.

U.S. Equity Insights: The Impact of Policy Shifts and AI | EP182
In this episode, we discuss the early months of the new U.S. administration with Grayson Witcher, lead portfolio manager for the U.S. equity strategy at Mawer. Grayson touches on the impact of tariffs, including the practical and unpredictable aspects of tariffs and how they influence decision-making. Grayson also shares insights on the potential long-term effects of the AI boom and highlights recent portfolio adjustments in response to evolving market dynamics.

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Benchmarks:

FUND	BENCHMARK
Mawer U.S. Equity Fund	S&P 500 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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