

Mawer U.S. Mid Cap 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 rotated back to the 2024 theme of U.S. large-cap technology outperformance after they collectively posted generally strong earnings results. In the mid cap space, artificial intelligence (AI) and semiconductor-related holdings performed especially well commensurately. Despite the war between Israel and Iran as well as a weakening U.S. dollar, the energy sector was a laggard as OPEC announced increased production quotas which weighed on oil prices.

Performance Commentary

The portfolio underperformed its benchmark in the second quarter.

Several portfolio holdings bounced back strongly after weaker performance in Q1: defense-focused IT consultant **CACI**, niche electronic brokerage **Interactive Brokers**, household appliance maker **SharkNinja**, and **Donnelley Financial**, whose core business is in helping companies with their regulatory filings. All four benefitted from a shift in sentiment, albeit for different reasons: CACI as DOGE-related concerns subsided; Interactive Brokers and Donnelley Financial given their higher correlation to the economic outlook; and SharkNinja as trade policy moderated, given that it manufactures primarily in Asia. SharkNinja also released excellent results and raised its guidance for the remainder of the year.

The portfolio’s top performer in Q2 (and also over the past three years) was **Amphenol**, a manufacturer of interconnects used across a broad array of end markets, including AI servers. Amphenol has been a clear beneficiary of increased spending on AI infrastructure while its technological leadership, sterling reputation, and established relationships provide the competitive advantages to translate higher demand into genuine wealth creation.

Offsetting these positives, HR outsourcing firm **Insperity** reported a weak quarter, negatively impacted by continued elevated health care costs; kitchen cabinet manufacturer **MasterBrand** lowered its full year expectations as homebuying and renovation projects remain in a slump; and, **Charles River Labs** fell on the news that the Federal Drug Administration is encouraging biotech startups to eschew testing on animal models in pre-clinical work, particularly for monoclonal antibody drugs, potentially significantly altering the competitive dynamics of the industry in which Charles River Labs operates. The new information was noteworthy enough for both MasterBrand and Charles River Labs to prompt us to exit our positions.

Looking Ahead

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. In spite of this, many equity markets globally are nearing or reaching all-time highs, and therefore valuation risks appear heightened.

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	-1.5	2.5	7.3	13.5	-	-	4.3
BENCHMARK	-0.5	2.9	14.9	16.5	-	-	7.4

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	14.6	17.7	-14.5	-	-	-	-	-	-	-
BENCHMARK	25.8	14.1	-11.3	-	-	-	-	-	-	-

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 U.S. Mid Cap Equity Fund Series A Inception: September 27, 2021.

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.

When Tariff Waves Crash: Maintaining Course in Volatile Markets | EP 183

In this episode, U.S. mid cap equity portfolio manager, Jeff Mo, discusses the market's sharp sell-off following President Trump's announcement of widespread tariffs on nearly all U.S. trading partners. He provides both short and long-term perspectives on potential economic impacts, including reduced business investment and consumer spending, while explaining that Mawer's investment approach during this volatility remains focused on preparation as opposed to prediction.

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a result of new information, future events or otherwise, except as required by securities legislation. Certain information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but cannot be guaranteed to be current, accurate or complete and is subject to change without notice.

Benchmarks:

FUND	BENCHMARK
Mawer U.S. Mid Cap Equity Fund	Russell Midcap Index (TR)

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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