

Mawer Canadian Equity Fund, Series A

Q3 2025 | Performance Commentary

Market Overview

Strong corporate earnings, falling interest rates, and record setting gold prices were some of the factors propelling the stock and bond markets ahead in the quarter. After a sharp market reaction to the initial round of U.S.-led tariffs in April of this year, the risks of a tariff-induced recession and spike in inflation have not, at least yet, come to pass.

Canadian Q2 GDP contracted 1.6% annualized because of a large drag from a decline in exports. Q1 growth was also revised lower from 2.2% to 2.0%. Household consumption remained solid but mostly driven by auto vehicle expenditure. The uncertainty from tariffs seems to have begun eroding confidence and delaying business investment.

Rates were cut 25 basis points to 2.5% in a unanimous decision by the Bank of Canada. Macklem cited three key factors: continued softening in employment, loss of upward inflation momentum, and reduced future inflation risks from Canada's removal of retaliatory tariffs. Underlying inflation (2.5%) remains above target, but there are signs of weakness spreading to less trade sensitive sectors, increasing downward price pressure and allowing the Bank to cut.

Except for Industrials, every sector in the S&P TSX was in the green this quarter. Materials were by far the standout sector, led by gold producers thanks to record high gold prices seen in the quarter. Information technology was the next best performing sector, though led largely by only two companies: e-commerce powerhouse Shopify and a name readers might recall for the dotcom era, Celestica (assemble computing and networking hardware systems), a company that is riding high from the current wave of technology enthusiasm.

Performance Summary

The portfolio underperformed the benchmark in the quarter.

Areas of strength included Shopify, our gold related exposure, and all four of our bank holdings.

Shopify reported that underlying gross merchandise value, which is Shopify's clients' sales, grew 30% annually. We, and likely other investors, had debated whether e-commerce adoption would moderate after COVID, but it is clearly still winning as a consumer choice. Shopify's recent success is also partially attributable to their market share gains as clients embrace their wider software features around accounting and marketing.

Our recently initiated gold royalty company **Franco-Nevada** posted strong results thanks to the continued sharp rises in spot gold prices. Meanwhile, all four of the banks in the portfolio—TD Bank, Royal Bank of Canada, Bank of Nova Scotia, and Bank of Montreal—posted strong stock performance. Earnings

were broadly ahead of expectations with similar trends from last quarter persisting: expanding net interest margins (higher deposit margin and business mix), lower provisions for credit losses, and robust wealth and capital markets earnings. Given the limited loan growth environment, particularly in Canada, banks have been actively returning excess capital to shareholders via buybacks. Key risks that we continue to evaluate are trade uncertainty, and valuations after very strong stock performance.

Despite the strong performance of portfolio holding Franco Nevada, the portfolio's overall underexposure to gold related stocks, particularly gold producers, has been the dominant driver of underperformance in the quarter.

Additionally, our underweight to Shopify, and exposure to **Constellation Software** and its related spinoff **Topicus** detracted from returns. Constellation announced Mark Leonard is going to be stepping down from the CEO role due to health reasons and will remain as a director on the Board. Constellation's Chief Operating Officer, Mark Miller, has been appointed president by the Board. Mark Miller has been with Constellation for over 30 years, and we would expect the strategy and M&A playbook will remain the same going forward.

Lastly, while banks were strong in the quarter, non-bank financials such as exchange operator **TMX Group** and insurer **Intact Financial** saw negative returns, giving back the strong gains they saw in the second quarter.

Looking Ahead

Markets are booming; what pockets of weakness exist are seemingly judged to be immaterial or benign. The juxtaposition of the generational rise in a commodity like gold, which is typically associated with periods of apprehension, while credit spreads grind ever tighter and equity markets set new record highs is admittedly curious.

The retail sales report in August was soft. In fact, the bigger spending picture shows no real growth in retail spending in 2025. Additionally, the anemic spending growth is playing out against the backdrop of slowing population growth and a souring job market. Although inflation has slowly started to edge down in Canada, it remains above target and the Bank of Canada still walks a delicate balance; at the margin, increasing downside growth risks while inflation is still not fully tamed.

Against this backdrop, we remain focused on the fundamentals. We prefer companies with meaningful competitive advantages, prudent balance sheets, and the ability to generate sustainable cash flows across a full cycle—not just on the upswing. While we are attentive to new opportunities and have spent the past quarter seeking out and adding potential long-term winners to the portfolio, we are equally mindful of the risks that can emerge when optimism runs high. The approach is balanced, steady, disciplined, and rooted in the belief that despite inevitable periods of underperformance, boring can be sensible ... especially when markets are anything but.

Performance Summary¹ (%)

As of September 30, 2025

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	13.8	5.0	16.2	15.6	12.9	9.2	9.4
BENCHMARK	23.9	12.5	28.6	21.3	16.7	11.8	9.2

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	17.7	9.4	-5.6	23.7	2.7	20.7	-9.8	8.7	15.8	-0.3
BENCHMARK	21.7	11.8	-5.8	25.1	5.6	22.9	-8.9	9.1	21.1	-8.3

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 Canadian Equity Fund Series A Inception: June 3, 1991

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Benchmarks:

FUND	BENCHMARK
Mawer Canadian Equity Fund	S&P/TSX Composite 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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