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Mawer Global Balanced Fund, Series A

Q3 2025 | Performance Commentary

Market Overview

Equity markets continued their upward trajectory in the third quarter, advancing despite a backdrop of geopolitical uncertainty. While markets reacted sharply to the initial round of U.S.-led tariffs back in April, the anticipated risks of a tariff-driven recession or a spike in inflation have not yet materialized as originally feared. U.S. equities set new records, buoyed by investor optimism from strong earnings, AI enthusiasm, and a friendlier policy backdrop.

Canadian equities joined the rally, outpacing many global peers as metal and mining companies surged and expectations for lower rates took hold. Gold producers benefitted from a powerful gold rally driven by geopolitical uncertainty, continued central bank buying, and the prospect of further interest rate cuts. International equities also had positive returns overall, primarily led by Asian markets where Chinese equities benefitted from renewed confidence in technology platform giants and optimism for their investments in AI.

Central banks responded to weaker labour markets and restrained inflation with cautious steps toward monetary easing. The Federal Reserve delivered its first rate cut of the year in September, with markets now betting on more to come. The Bank of Canada also trimmed its overnight rate to 2.5% and signaled a data-dependent approach going forward. Canadian bonds posted positive returns, supported by the Bank of Canada rate cut in September.

Performance Commentary

The portfolio had positive returns this quarter and underperformed its benchmark. Relative performance was driven by the equity holdings underperforming the MSCI ACWI Index (Net). Within Canadian bonds, positive absolute returns over the quarter were driven primarily by declines in short and intermediate term government bond yields. Our recent addition to the portfolio, the global credit opportunities strategy, saw a positive return, benefitting from slightly lower short-dated government bond yields, and slightly tighter credit spreads.

Within the equity holdings, positive contributors in the quarter were focused on technology and adjacent stocks. These include technology and advertising platform **Alphabet** and connector manufacturer **Amphenol,** as well as 2025 additions to the portfolio such as semiconductor manufacturer **Taiwan Semiconductor Manufacturing Company (TSMC)** and social media platform **Tencent Holdings**.

Additionally, two company-specific events were the source of outsized positive returns. Coffee producer **JDE Peet's** was subject to a takeover by Keurig Dr Pepper at a substantial price premium to current trading levels. Shares of contract research organization (outsourced pharmaceutical R&D and clinical trial operator) **Medpace Holdings** were up more than 50% post-earnings after the company announced better-than-expected results, accelerating growth guidance, and a large share buyback, which seemingly triggered a "short squeeze" given high short interest going into the results. We think the results are incremental validation of the strength of the management team, but made a small trim given the large pull forward of returns.

Within the equity holdings, the sources of underperformance in the quarter are largely attributable to less exposure to the AI theme than the market coupled with some holdings where the market is speculating that their business models may be negatively impacted by AI adoption. On the first point, this would be a lack of exposure to strong technology performers in the quarter such as Apple, Broadcom, and NVIDIA. On the second point, this would be primarily several software, data, or IT consulting related companies: **Wolters Kluwer** and **RELX** (reference data providers), **Publicis Groupe** (communications agency), and **CGI** (IT consultant). We continue to hold all these stocks but have trimmed all four to account for this AI risk.

Two other detractors were Lululemon Athletica and Marsh & McLennan. Athletic apparel company **Lululemon Athletica** has been impacted by tariffs in the near term but is also suffering from higher competitive uncertainty as U.S. and Chinese consumers tighten their belts. We exited the position in the quarter on concerns of higher competitive intensity. **Marsh & McLennan** is an insurance broker; the industry is seeing a softer market after a persistent hard market which has weighed on Marsh and its competitors. We continue to hold a material position in the stock due to its economies of scale, highly recurring revenue streams, and the importance of service provided to their clients while being a small part of their clients' cost structure.

The transition of the global equity strategy this quarter led to the trimming or outright elimination of several stocks where we thought their weights were too large for the quality they provided. Many of those stocks have been a drag on near-term performance (RELX, Publicis Groupe, CGI, and Lululemon Athletica all fall into this category) and these efforts to adjust the equity holdings, which are described below, is a large part of why we are optimistic about the go-forward prospects of the global equity strategy.

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. But even a significant shift lower in the U.S. dollar this year doesn't seem to have bothered the exuberant sentiment globally. The potential for significant disruption persists, and there is still a risk that unexpected policy shifts could amplify economic strain. While markets have shown little sign of slowing, we are closely monitoring changes in spending, borrowing, and risk appetite, as these factors could rapidly reshape the market landscape.

After a decade of concern about under-investment, we are now in an era of massive capital expenditures. Estimates for corporate spending on data center infrastructure and semiconductors seem to rise every week. The question is: how will these investments be funded, and when will the return on investment take place? On the one hand, many of the technology giants making these capital expenditures are tremendously cash generative, governments are getting more involved given strategic imperatives, and the long-term potential of AI is indeed transformative. On the other, history reminds us that periods of rapid investment can invite excess. Elevated spending, even when well-intentioned, can lead to overcapacity or misallocation, especially if expectations for future demand prove too optimistic. While the current wave of enthusiasm for AI infrastructure is grounded in real technological progress, the path from investment to realized returns is rarely smooth or predictable.

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, 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 Summary[1] (%)
As of September 30, 2025

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception[2]
FUND	-0.4	2.3	0.5	8.6	4.6	6.4	7.6
BENCHMARK	10.0	6.4	13.6	15.9	8.4	8.1	9.0

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

[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 Global Balanced Fund Series A Inception: July 3, 2013

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Opinions and Forecasts:

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Benchmarks:

FUND	BENCHMARK
Mawer Global Balanced Fund	July 2013: 5% FTSE Canada 91 Day Treasury Bill, 35% FTSE Canada Universe Bond, 60% MSCI World Net (Cdn$) Aug 2013: MSCI World Net (Cdn $) returns is used to calculate the blended benchmark from inception. Previously, MSCI World Gross (Cdn $) was used. Oct 2015: 20% FTSE Canada Universe Bond, 20% FTSE WGBI, 60% MSCI World Net (Cdn$) Oct 2016: 20% FTSE Canada Universe Bond, 20% FTSE WGBI, 60% MSCI ACWI (net) June 2021: 5% FTSE Canada 91 Day TBill Index, 35% FTSE Canada Universe Bond, 60% MSCI ACWI (Net)

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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