

Mawer Global Equity Fund, Series A

Q3 2025 | Performance Commentary

Market Overview

Strong corporate earnings, resilient economic growth, and falling interest rates 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. Meanwhile the job market has cooled in the U.S. but remained stable overall.

The Fed cut interest rates in September, which marked the first cut in 2025, but interest rates remain restrictive versus their long-term interest rate target and the market is expecting further cuts this year and into 2026. Gold, typically seen as a good inflation and risk off hedge, set an all-time high in the quarter.

AI-driven technology stocks continued their market leadership while the basket of stocks seen as potentially negatively affected by AI adoption like software and data providers saw weakness. Along with information technology, communication services (thanks to Google), and materials (thanks to gold producers) were the top performing sectors. Relatively more defensive sectors like consumer staples, healthcare, and utilities failed to keep up. Regionally, emerging markets were generally strong and led by Chinese equities, thanks to renewed confidence in technology platform giants and optimism for their investments in AI.

Performance summary

The portfolio underperformed its benchmark over the quarter. 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 Corporation (TSMC)** and social media platform **Tencent**.

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** 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.

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** (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** 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 portfolio 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, CGI, and Lululemon all fall into this category) and these efforts to adjust the portfolio, which are described below, is a large part of why we are optimistic about the go-forward prospects of the 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.

After a decade of concern about under-investment (recall some market commentators bemoaning the plethora of stock buybacks and lack of investment over the past 15 years?), we are now in an era of massive capital expenditures.

Estimates for corporate spending on data center infrastructure and semiconductors are projected to be several trillion dollars over the next three years, and those projections seem to rise every week. To borrow from a recent note from a JPMorgan strategist, since the introduction of ChatGPT in November 2022, AI related stocks are associated with 90% of capital spending growth, 80% of the earnings growth, and 75% of the returns for the S&P 500, a phenomenon that portfolios underexposed to this theme know all-too-well.

The (several) trillion-dollar question is: how will these investments be funded, and when will the return on investment take place? On the one hand, many of the tech 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 and have spent the past quarter seeking out and adding potential long-term technological winners to the portfolio, we are equally mindful of the risks that can emerge when optimism runs high, and this risk is reflected in our

generally modest position sizing in this area. 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	-2.2	2.9	-0.7	11.1	7.1	9.4	10.9
BENCHMARK	14.6	9.7	20.8	23.6	14.5	12.3	12.2

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	10.7	17.1	-11.2	21.3	9.8	20.7	4.3	17.5	-0.4	21.5
BENCHMARK	28.1	18.9	-12.4	17.5	14.2	20.2	-1.3	15.8	3.1	18.9

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 Global Equity Fund Series A Inception: October 22, 2009

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Benchmarks:

FUND	BENCHMARK
Mawer Global Equity Fund	Oct: 2009: MSCI World (net) Oct 2016: MSCI ACWI (net)

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