

Mawer New Canada Fund, Series A

Q4 2025 | Performance Commentary

Market Overview

The S&P/TSX Small Cap Index furthered its advance in the fourth quarter, benefiting from strong gains led principally by precious metals companies. Gold has moved more than 60% higher this year (in USD). Significant movements in the price of gold are often associated with major disruption events that lead to a flight to safety such as the COVID-19 pandemic and the great financial crisis. In both of these cases, the magnitude of gains for gold did not come near the increase we have seen this year. The last time there were greater increases was in the 1970s and 1980, a period during which we saw significant inflation in the United States and the end of the U.S. dollar's convertibility to gold. The historic move in gold prices this year has been, in part, a result of global central banks and investors looking to insulate themselves from geopolitical uncertainty.

Central banks continued to support risk assets, with most major institutions either cutting rates earlier in the year or now on hold as inflation steadied, which kept financial conditions broadly supportive. In Canada, the Bank of Canada lowered its policy rate to 2.25% in late October and held it steady in December, viewing the current stance as broadly appropriate. In Canada, concerns remain around the strength of the consumer and weak business investment.

AI remained the dominant market narrative, yet the year's shift from a focus on computing power to concerns about data center profitability and power supply raised bubble concerns. History offers uncomfortable parallels with past technological booms, such as the late-1990s/early-2000s dot-com bust which developed over several years. Today, an AI arms race between the United States and China and relatively permissive regulatory attitudes are encouraging continued investment.

Performance Commentary

It was another challenging quarter in terms of relative performance for the portfolio. The significant underperformance is a continuation of many of the factors that have been playing out this year. The generational move higher in gold and surging silver prices has propelled metals and mining companies to extraordinary levels. We have had minimal exposure to this part of the market for a long time, as we have historically found that it was difficult to find wealth-creating businesses in this area with sustainable competitive advantages. Earlier this year, we initiated a position in **Sprott**, an alternative asset management company focused on precious metals and critical materials. While this company is not in the materials sector, the business provides exposure to precious metals through unconventional means. In the most recent quarter, we also initiated a new position in **McEwen**, a conventional gold, silver, and copper miner. At the historic prices for gold, we believe that miners have shifted to a potential period of wealth creation. Nonetheless, given the 36% weight of metals and mining companies in the S&P/TSX Small Cap Index, we have been challenged to keep pace, given the historic advance of these companies on the back of strong commodity prices. We continue to review the industry for potential opportunities.

Elsewhere, our holdings related to technology have continued to be challenged. The advancements in AI have led to an increased perception of disruption risk for software companies, as it may make it easier for new entrants to disrupt market share via cheaper software development. We continue to

view many of our technology holdings as high-quality businesses that are highly entrenched in their customers' processes. **Topicus.com**, **Vitalhub**, and **D2L** are several of our positions that have faced significant capital market headwinds; however, we believe the market may be over-discounting the AI risk. Industrial headwinds have also impacted our holding in **Mattr**, a manufacturer of industrial goods, as increased uncertainty has led to softer demand. **Stantec** has also declined on signs that growth for the business may be slowing in the U.S.

Areas in the portfolio that exhibited strength were fundamentally strong businesses that are benefiting from tailwinds. Recent initiation **Hammond Power Solutions** had a great quarter as the company is benefiting from the increase in demand for electrical transformers as part of the buildout of AI data centers. **Kraken Robotics** continued to be a strong performer, as the business, which specializes in technology for underwater autonomous vehicles, has benefited from an increase in government defense spending. **Calian Group** has also benefited from the increase in defense spending, with strong demand across Canada, the U.K., and Europe. **CES Energy Solutions**, a supplier of consumable chemical solutions for the oil and gas industry, had a strong quarter as the company is benefiting from an increase in demand for natural gas. **TerraVest Industries'** stock also bounced back after lagging in the last quarter.

Looking Ahead

As 2025 closes, investors find themselves confronting a familiar blend of optimism and doubt. The powerful combination of AI innovation, continued fiscal largesse, and gradually easing monetary policy has sustained both growth and market confidence longer than many thought possible. We should also give credit to management teams, who have generally navigated the uncertainty of the past year with incredible poise.

Yet, beneath the surface, the contours of this expansion are being rewired. While the rules-based global order that has presided since the end of World War II has been slowly waning for some time, the events of early 2026 remove any doubt that we are now in a very different geopolitical era. Nineteenth century concepts of spheres of influence, mercantilism, and power dynamics are much more germane than free trade agreements, multilateral institutions, or the presumption of ever-deeper integration. Trade is increasingly being rerouted through trusted corridors, policy is being used explicitly to steer capital for strategic intent, and supply chains are being redesigned not just for efficiency, but for resilience and control.

For investors, this shift matters less as a source of headline risk and more as a structural re-pricing of advantages and vulnerabilities, albeit likely toward higher risk premia overall. But in important ways, this environment plays to the strengths of genuinely long-term, bottom-up investors. A world of rewired trade routes, politicized supply chains, and uneven AI adoption is also a world in which differences in management quality, balance sheet discipline, governance, and capital allocation matter more, not less. Underneath, the fundamental questions remain surprisingly stable: Can this business sustainably create wealth by virtue of competitive advantages? Is it run by responsible stewards who can adapt to shifting fault lines accordingly? Are we being compensated for the risks we are taking? And is my overall portfolio resilient to a wide range of scenarios?

In a more contested and complex global order, there's a balancing act between patience and agility. Enduring results will come from patience anchored in first principles, paired with the agility to respond as facts evolve. Markets are sure to present us with surprises in 2026 and beyond, but genuine wealth creation has a reliable way of asserting itself over the long term.

Performance Summary¹ (%)

As of December 31, 2025

	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception ²
FUND	0.6	11.2	11.2	12.0	6.2	8.7	12.7
BENCHMARK	10.2	50.2	50.2	23.2	15.3	11.8	8.4

Calendar Year, as of December 31:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FUND	19.3	3.9	-10.2	28.8	19.3	18.1	-18.7	12.4	12.5	11.2
BENCHMARK	35.5	2.8	-18.2	15.8	12.9	20.3	-9.3	4.8	18.8	50.2

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 New Canada Fund Series A Inception: January 8, 1988

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Opinions and Forecasts:

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cannot be guaranteed to be current, accurate or complete and is subject to change without notice.

Benchmarks:

FUND	BENCHMARK
Mawer New Canada Fund	Jan 1988: BMO Weighted Small Cap (Blended) Oct 2016: S&P/TSX Small Cap

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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