Mawer New Canada Fund, Series A

Q4 2024 | Performance Commentary

Market Overview

Global central banks continued to ease this quarter, though the pace of easing varied as diverging policies highlighted economic disparities between nations. In December, the U.S. Federal Reserve communicated a more cautious approach to future interest rate cuts given solid economic activity while inflation concerns remained. The Canadian economy remained sluggish, with slowing GDP growth, cooling inflation, and rising unemployment. Ongoing interest rate cuts by the Bank of Canada were meant to counteract the economic softness, while trade threats and political developments in Ottawa weighed heavily on confidence. The Canadian dollar weakened in the quarter, on account of continued strength in the U.S. dollar and diverging economic outlooks for the countries.

The final quarter of 2024 presented mixed market performances and evolving macroeconomic dynamics. U.S. equities continued to perform well, bolstered by optimism surrounding deregulation and a business-friendly environment under the incoming administration. Meanwhile, Canadian equities showed modest positive performance, while international and emerging market equities lagged the U.S. reflecting broader global challenges, including geopolitical fragmentation, a stronger U.S. dollar, and trade tensions.

Performance Commentary

The portfolio outperformed the S&P/TSX Small Cap Index in the fourth quarter of 2024, driven by strong performance from several of our holdings. **TerraVest Industries**, a manufacturer of fuel storage tanks, continues to be a top contributor for the portfolio and was recently added to the S&P/TSX Composite Index increasing demand for the stock. **Vitalhub**, a healthcare software company focused on hospitals and health authorities, has continued to scale by acquisition at multiples that are within historical ranges. Both companies have a growth by acquisition strategy, and the management teams have signaled that their acquisition pipelines are robust. **Parex Resources**, an oil and gas producer with operations in Columbia, had a partial recovery after a decline in the previous quarter and we continue to view the valuation as attractive. Earthmoving contractor, **North American Construction Group's** stock moved higher as they are executing on winning contracts in Australia and a competitor in the oil sands also filed for bankruptcy in the period. Our holding in **Softchoice** had a stock price bump towards the end of the year as it was announced that the company would be acquired by a large U.S. competitor.

Converge Technology Solutions, a value-added IT reseller, lagged this quarter after reported results outlined headwinds that we believe may be temporary as the new management team works on improving the business execution. Pressure treated lumber company, **Stella-Jones**, declined as the market was surprised by reported results that disrupted market sentiment. We took the opportunity to add to our position as we believe the runway for utility pole demand remains intact. Our holding in **Trisura Group** slightly declined over the quarter, as lower interest rates tend to impact insurance companies as they earn less interest on premiums invested. **Wajax**, the exclusive supplier of Hitachi branded machinery in Canada, faced headwinds as industrial activity in Canada has seen an abrupt slowdown. Our holding in **Mattr**, a diversified industrial company, also has faced headwinds as they are commissioning new plants. We believe the company's long-term fundamentals remain strong and we added to our position over the quarter.

This quarter's relative performance was not directly driven by the benchmark's significant weight in resource extraction companies tied to the price of oil and gold, as both commodities remained relatively flat over the period.

The portfolio underperformed the S&P/TSX Small Cap Index over the last year. Relative performance was driven by our zero weight in the metals and mining industry as the industry benefited from a notable move higher in gold prices over the last twelve months. This resulting environment where the benchmark is propelled higher by lower quality resource extraction companies is not a period in which we would expect to outperform (especially given their high weight in the S&P/TSX Small Cap Index). We continue to focus on investing for the long term in companies that meet our criteria of wealth creating business models, with excellent management teams, trading at a discount to our estimate of intrinsic value.

The top contributor for the portfolio this year was **TerraVest Industries**. As we noted in the performance commentary for the fourth quarter, we believe the company has benefited from strong management execution, and an increased capital market following this year. The strong return of the stock also led to their inclusion in the S&P/TSX Composite Index. **Softchoice**, a value-added IT reseller, was a strong contributor benefiting earlier in the year from an improved outlook on spending by their business customer, while also getting a year end boost from an announcement that the company was being acquired. **Element Fleet Management** has been a steady performer as the company has reported growth and is a relatively stable business with long-term contracts from its enterprise customers.

Parex Resources was the bottom contributor to portfolio performance this year, as the company reported production and exploration results that came in below expectations. After the decline in stock price, we took the opportunity to increase our weight in the company as we view the valuation of the business as notably attractive. Another detractor from relative performance was the underperformance of several of our industrial sector holdings. **Wajax**, a supplier of Hitachi branded machinery in Canada, faced headwinds from slower heavy equipment sales. **Boyd Group Services** also detracted as the company's stock price declined with weather conditions reducing the demand for their repair services. We also believe the company may be impacted by less vehicles being repaired post-accident as customers are concerned with rising insurance premiums.

Looking Ahead

Admittedly, there are important transitions occurring in the world today. Election results in 2024 can be broadly summarized as a resounding rejection of status quo incumbents and a swing to the right. A shift toward the G-Zero model coined by Ian Bremmer—a multipolar world devoid of global leadership—appears to have accelerated, with mercantilist trade policies and conflict on the ascendency. There's the promise of artificial intelligence. And bond investors appear increasingly wary of stretched government coffers.

In the 50 years of managing public equities at Mawer, we've lived through many transitions before: the fall of the Berlin wall; the advent of the Internet; China's accession to the WTO; the global financial crisis; the European sovereign debt crisis; and COVID-19. Each has produced winners and losers, albeit not always immediately obvious in the moment.

Throughout, we've abided by and iterated on a process designed to level temperament in the face of greed and fear. We've employed a risk management framework focused on guarding against the permanent impairment of capital—an absolute metric. And we've adhered to a philosophy focused on businesses that can withstand turbulence by, quite simply, selling a good or service their clients value at a price that more-than-covers the cost of capital by virtue of a competitive advantage, thereby creating wealth.

Investment firms traditionally mark their year-end commentary with forecasts for the coming year, and your news feeds will likely feature numerous predictions for 2025. Only one from us here at Mawer: that our commitment to the systematic application of our philosophy and process will remain.

Thank you for your continued trust and partnership.

Performance Summary[1] (%)
As of December 31, 2024

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception[2]
FUND	12.5	2.0	12.5	0.9	7.7	7.8	12.7
BENCHMARK	18.8	0.7	18.8	4.1	8.9	5.7	7.4

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	12.5	12.4	-18.7	18.1	19.3	28.8	-10.2	3.9	19.3	1.9
BENCHMARK	18.8	4.8	-9.3	20.3	12.9	15.8	-18.2	2.8	35.5	-13.8

[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 New Canada Fund Series A Inception: January 8, 1988

Selections from Mawer's Art of Boring blog and podcast:

Quarterly Update | Q4 2024 | EP178
We discuss 2024's economic landscape and what to expect in 2025, with Crista Caughlin, lead portfolio manager of the Mawer Canadian bond strategy. Crista highlights U.S. and Canadian growth trends, central bank rate adjustments, housing market dynamics, equity and fixed-income performance, and political uncertainties. She also discusses Mawer's asset allocation strategy, balancing risks with opportunities amidst shifting fiscal policies, trade tensions, and global economic developments heading into 2025.

Navigating the Canadian Equity Landscape: Dispersion, Energy Transition, and Opportunities | EP163

Mark Rutherford, Co-Manager of the Canadian large-cap equity strategy, discusses the current investment landscape in Canada, highlighting the wide dispersion in sector performance and the impact of central bank policies. He delves into the long-term theme of the global energy transition and its far-reaching effects on various market sectors in Canada. Insights into insurance and banking sector performance are provided, as well as examples of specific portfolio holdings within the Canadian equity strategy.

Banks Around the World: What Makes Top Financial Institutions Stand Out | EP171

Mawer portfolio managers and analysts discuss what they fundamentally look for in a bank as an investment. Specifically, how they view banks and the industry trends, as well as local dynamics, and ultimately what makes each of these businesses both unique and attractive.

Skyscrapers and Storefronts: Insights on the Commercial Real Estate Market in 2024 | EP165

Credit analyst Curtis Elkington provides a comprehensive overview of the $50 trillion global commercial real estate market. He covers the current headwinds facing various property sectors, such as pandemic-induced challenges in the office sector and touches on the surprising resilience of the retail segment. Elkington sheds light on the complexities of the commercial mortgage-backed securities market and details the credit analysis process his team uses to evaluate potential investments with examples.

Disclaimer

Opinions and Forecasts:

This report includes certain statements that are “forward looking information” or “forward looking statements” (collectively, “forward looking information”) within the meaning of applicable securities legislation. All statements, other than statements of historical fact, included in this report that address activities, events or developments that the portfolio advisor, Mawer Investment Management Ltd., expects or anticipates will or may occur in the future, including such things as anticipated financial performance, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations, are forward looking information. The words “may”, “could”, “would”, “should”, “believe”, “plan”, “anticipate”, “expect”, “intend”, “forecast”, “objective”, “will” and similar expressions are intended to identify forward looking information. Undue reliance should not be placed on forward looking information. Forward looking information is subject to various risks described in the Simplified Prospectus, uncertainties, and assumptions about the Fund, capital markets and economic factors, which could cause actual results to vary and in some instances to differ materially from those anticipated by the portfolio advisor and expressed in this report. Material risk factors include, but are not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events. The foregoing list of risk factors is not exhaustive.

All opinions contained in forward looking information are subject to change without notice and are provided in good faith and are based on the estimates and opinions of the portfolio advisor at the time the information is presented. The portfolio advisor has no specific intention of updating any forward looking information whether as 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 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.

The Funds mentioned in this document are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.