

Mawer New Canada Fund, Series A

Q1 2023 | Performance Commentary

Market overview

Equity markets were resilient in the first quarter of 2023 finishing with a positive return despite continued recession fears. Markets benefitted from a combination of factors including inflation falling in some regions and the anticipation by market participants that the U.S. Federal Reserve may be nearing the end of its rate hike cycle. The impact of higher policy interest rates was evident in the banking sector in the quarter.

In Canada, inflation continued to ease, and the Bank of Canada paused from further hikes to allow the impacts of previous tightening to make its way through the interest-rate-sensitive economy. Canadian bonds also finished in positive territory as yields fell. Meanwhile, strong performing gold prices had a significant impact on the S&P/TSX Small Cap Index.

Performance commentary

Over the first quarter, the Mawer New Canada Fund lagged the S&P/TSX Small Cap Index. As was the case last quarter, the portfolio's lack of exposure to gold producers notably detracted from performance. Our absence from gold stems from our investment philosophy that favours business models that are able to create wealth over the long-term through the virtue of enduring competitive advantages. While gold producers have recently benefited from higher gold prices in a higher inflation environment, such businesses' fate are often tied to the price of the underlying commodity rather than a sustainable advantage.

Aside from our absence to gold, our holdings in the Financials sector also notably detracted from our performance against the index. **Trisura**, which was among the portfolio's top performers last quarter, was the largest detractor over the first quarter. The specialty insurer announced a write-down on one of its reinsurance recoverables. We believe this write-down was an isolated event and appreciate management's financial conservatism in accounting for it.

Offsetting that, our energy holdings performed well, with top 5 holding **Parex Resources**, an oil & gas producer with operations in Colombia, rising over 20%. The real estate sector was also a brighter spot, with large holding **Mainstreet Equity** up in a sector that was down for the benchmark. We have held Mainstreet for over a decade and have been consistently impressed by the company's strong execution of its strategy to acquire middle-market apartment buildings and then renovate and operate them better than previous ownership.

Looking ahead

We have often noted that one of the major risks facing markets is if something "breaks" when major macroeconomic variables shift quickly, and after one of the fastest periods of policy interest rate hikes by central banks we've seen since modern central banks were established, some less well-managed banks in the U.S. and Europe needed to be rescued. While the possibility of further instability remains, swift intervention seemed to have restored confidence and prevented contagion across the broader banking industry. We tend to emphasize [non-predictive decision making](#)—while the world is often focused on predicting the triggers, we focus on identifying vulnerabilities and diversifying away from those vulnerabilities—in other words we prepare and don't predict.

Market participants' attempt to predict the path of the U.S. Federal Reserve was a significant driver of markets in the first quarter and may continue to be going forward. Aligned with our prepare, don't predict mantra, we are not trying to predict the next move for policymakers, but rather ensure the portfolio is resiliently positioned for a variety of scenarios. The tightening of credit as a result of U.S. regional bank failures may impact economic activity, and while a pause by the U.S. Federal Reserve may be near, challenges abating U.S. inflation partially caused by a tight employment market may require rates to stay higher. As we move forward into 2023,

New Canada Fund

Q1 2023 | Performance Commentary

we continue to believe in the same investment philosophy that the firm has ascribed to since our inception in 1974; that is, to focus on buying a diversified and resilient portfolio of wealth-creating companies, run by excellent management teams, trading at a discount to our estimate of intrinsic value.

Performance summary¹ (%)

As of March 31, 2023:

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	1.4	1.4	(8.6)	15.9	6.8	10.1	12.7
BENCHMARK	4.5	4.5	(12.6)	27.7	5.7	4.5	7.3

Calendar Year, as of December 31:

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
FUND	(18.7)	18.1	19.3	28.8	(10.2)	3.9	19.3	1.9	12.1	49.4
BENCHMARK	(9.3)	20.3	12.9	15.8	(18.2)	2.8	35.5	(13.8)	(0.1)	7.8

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

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

[The Case for Non-Predictive Decision Making](#)

How do investors figure out what a company is worth? (Especially in a higher inflationary and interest rate environment?)

[Inflation's one-two punch](#)

It's inflation's second punch that can deliver a blow that investors may not be expecting.

[Post-Mortem: Learnings from 2022 | EP128](#)

Chief Investment Officer Paul Moroz shares takeaways from the Research team's annual post-mortem discussions.

Disclaimer

Opinions and Forecasts:

This report includes certain statements that are "forward looking statements". 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, are forward looking statements. The words "may", "could", "would", "should", "believe", "plan", "anticipate", "expect", "intend", "forecast", "objective" and similar expressions are intended to identify forward looking statements. These forward looking statements are subject to various risks and uncertainties, including the risks described in the Simplified Prospectus of the Fund, uncertainties and assumptions about the Fund, capital markets and economic factors, which could cause actual financial performance and expectations to differ materially from the anticipated performance or

New Canada Fund

Q1 2023 | Performance Commentary

other expectations expressed. Economic 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.

All opinions contained in forward looking statements are subject to change without notice and are provided in good faith but without legal responsibility. The portfolio advisor has no specific intention of updating any forward looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation. Certain research and information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, 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.