

Mawer New Canada Fund, Series A

Q1 2024 | Performance Commentary

Market Overview

The first quarter of 2024 saw a divergence in fortunes between equity and fixed income markets; equities continued surging forward thanks to resilient global economic data while bonds suffered from rising yields. Strong corporate earnings, positive sentiment around the potentially transformational impact of artificial intelligence, and expectations of eventual rate cuts also provided fuel to rocket risk assets higher.

The S&P/TSX Small Cap Index was up 7.9% in the first quarter of 2024 benefiting from strong performance from the benchmark's energy and materials sectors contributing to returns.

Performance Commentary

The portfolio performed in line with the S&P/TSX Small Cap Index for the first quarter of 2024.

The quarter's relative performance was driven by strong security selection among our information technology holdings. Some of our top performers included value-added IT resellers **Converge Technology Solutions** and **Softchoice**. Both companies have performed well as the outlook for their customers looking to acquire software services or hardware has improved with the economy's continued resilience. These companies additionally benefitted from exploration and deployment of artificial intelligence technology by their customers. It was also an excellent quarter for our holding in **Sangoma Technologies**, a technology provider for business communication systems, as the company has become viewed positively by the market after recent management changes.

Several of our holdings in other sectors had strong returns over the period as well. **TerraVest Industries**, a tank manufacturing company that we initiated back in 2020, performed well with strong earnings and a larger following by capital market participants. Our holding in **Trisura Group**, a specialty insurer, benefited as the fundamentals of the business are strong and market worries around a write-down on a reinsurance recoverable last year faded. **Mainstreet Equity**, an acquirer and operator of middle-market apartment buildings, benefitted from momentum in rents and the prospect of lower discount rates.

Despite the strong quarter for the portfolio, not all holdings were able to participate. **Neo Performance Materials**, a processor of rare earth metals, lagged from weakness in market prices for rare earth metals and economic challenges in China. **Jamieson Wellness**, a manufacturer of vitamins, minerals and supplements, faced headwinds from inventory changes by retailers and their continued investment in growth has pressured margins. Even with higher oil prices, oil producer **Parex Resources** lagged this quarter as the company updated their reserve volumes.

The benchmark's energy and materials sectors had strong returns over the quarter, benefiting from a move higher in gold and oil prices. The portfolio's holdings in these sectors, many of which are not tied directly to resource extraction, ultimately trailed their benchmark peers, having a negative effect on relative returns.

Looking Ahead

The current bull market is a sign of confidence in the durability of the global economy, the continued robustness of corporate earnings, and that central banks' actions against inflation are having their intended effect. During the last several years, macro factors have had an outsized influence on equity markets: e.g., the initial demand destruction caused by COVID-19, the impact of the ensuing stimulus in propelling markets higher, and the duration effects of inflation and higher discount rates that whipsawed stock prices in 2022 and 2023. But in 2024, investors have been unfazed by the influence of central banks: equities have marched higher despite a pullback in expectations for rate cuts. While there may indeed be some hype associated with artificial intelligence and uncertain future demand, it does appear to be backed by genuine earnings growth (which will need to persist in order to justify valuations) and many businesses exposed seem to enjoy strong moats.

With a higher cost of capital and an economy that seems to be coping reasonably well with that cost of capital, a greater discernment of fundamentals, genuine earnings potential, and ultimately long-term wealth creation is welcome. Big-picture risks to the outlook are always present, hence our focus on a well-balanced portfolio of defensible businesses that can withstand shocks. We continue to balance the risks, managing exposure to sharp edges by constructing portfolios we believe to be resilient under a variety of scenarios.

New Canada Fund

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Performance Summary¹ (%)
As of March 28, 2024

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	7.9	7.9	19.6	3.1	10.1	7.7	12.9
BENCHMARK	7.9	7.9	8.2	4.0	7.8	3.8	7.3

Calendar Year, as of December 31:

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
FUND	12.4	-18.7	18.1	19.3	28.8	-10.2	3.9	19.3	1.9	12.1
BENCHMARK	4.8	-9.3	20.3	12.9	15.8	-18.2	2.8	35.5	-13.8	-0.1

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:

[Quarterly Update | Q1 2024 | EP152](#)

As markets continue on a dynamic trend, fixed income portfolio manager Crista Caughlin discusses the economy and factors that drove markets in the first quarter of 2024. In addition, the reemergence of a more typical correlation pattern between stocks and bonds, getting central banks off the sidelines, and the concern that markets may be being too complacent.

[Why Position Size Matters in Investing | EP151](#)

Portfolio Manager Manar Hassan-Agha discusses the importance of position sizing in investing and how factors like behavioural biases, market structures, and optimal betting strategies under the Kelly Criterion can impact returns at varying position weights.

[The Power of Latent Earnings](#)

In today’s markets, most investors recognize that smaller start-up companies need to reinvest heavily in their businesses to accelerate growth and capture market share and scale, accepting lower profitability today for greater potential profits tomorrow.

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.

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