

Mawer Canadian Bond Fund, Series A

Q1 2025 | Performance Commentary

Market Overview

The first quarter of 2025 saw notable shifts in global economic momentum. Escalating tariff threats and compounding trade tensions during the 1st quarter crystallized on April 2nd into a full-blown crisis as the Trump Administration took a sledgehammer to the foundations of the global economic order. Fears of recession and skyrocketing inflation replaced previous expectations of a soft landing and a return to predictable modest price increases. Central banks find themselves in an unenviable position with the Oval Office demanding lower rates while their remit requires that they manage inflation while countering slowing growth.

The Bank of Canada (BoC) lowered their policy rate twice in the quarter to 2.75%. This was despite the uptick in Canadian growth and inflation numbers in the quarter, which would typically suggest a more hawkish posture. The Bank cited the impacts of the ongoing trade war as a primary driver of the latest cut in March.

Fixed income returns were strongly positive in the quarter, fulfilling their traditional role as a source of stability in volatile markets. Falling yields accounted for much of the return along with coupon income.

This quarter marked a reversal in the trend over the past few years of tightening credit spreads as uncertainty from escalating trade wars and increasing recession fears were enough to finally snap the tranquility of global credit markets.

Performance Summary

The portfolio marginally underperformed its benchmark during the quarter. With overall yields down in the quarter, our short duration position (which was closed intra-quarter) modestly detracted value. This was more than offset by added value from our curve steepening trade (shorter bonds outperforming longer bonds).

Our credit related positions were a slight drag on performance as our sector performance was offset by security selection. Although on average we owned higher quality names, they are also the more liquid names which underperformed first in the selloff. In addition, Ford Credit Canada was a negative contributor as spreads widened on the back of weaker results and increasing risks around auto tariffs and this caused the S&P to place the name on negative outlook. If the company gets that downgraded by S&P, they will fall to a high yield rating and out of investment grade indexes. Given this risk, we exited the name during the quarter.

The other negative contributor was telecommunications affecting portfolio holdings, Telus and Bell. Telus reported weaker than expected results and limited visibility on future deleveraging. Bell outperformed after the company announced they were tendering some of their long bonds in place of

hybrids and we're underweight the name. We continue to believe the tendering of long bonds along with reissuing hybrid security represents financial engineering versus true deleveraging and it will be difficult for Bell to meet their leverage targets.

Our underweight in REITS and overweight in banks both added to relative performance, with our JPMorgan and Bank of America maple bonds particularly contributing positively over the quarter.

Looking Ahead

Even though tariffs have just been put in place (therefore not meaningfully affecting the economy yet) the BoC sees a weak growth backdrop due to diminishing household and business confidence. This is already manifesting in higher savings rates, lower spending, and reduced business capex and hiring plans. It's also notable that in the Monetary Policy Report the BoC has pointed out that inflation expectations are rising and that at least 50% of businesses expect to pass on some sort of price increases.

Our view is that one of the key differences between the Trump 1.0 trade war and the Trump 2.0 trade war is the fact that inflation expectations are elevated this time around. This suggests the ability of businesses to pass through tariffs to consumer prices has increased.

This puts the BoC in a difficult position—on the one hand it needs to do whatever it can to help the growth side of the picture, but on the other hand it reiterated in their March rate announcements that their mandate is inflation and if they need to choose between inflation and growth, inflation wins.

We believe if the trade war continues the BoC will continue to ease policy (at least modestly) as the growth impact to inflation will outweigh the tariff impact. However, we are mindful that inflation/inflation expectations could come out higher than expected over the medium term which we believe could cause the BoC to pause. At this stage, we continue to view a hike as a low probability.

As always, we're considering a variety of scenarios and attempting to steer clear of risks that aren't well compensated.



Performance Summary¹ (%)
As of March 31, 2025

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	1.9	1.9	7.3	2.2	0.6	1.3	5.0
BENCHMARK	2.0	2.0	7.7	2.5	0.9	1.8	5.9

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	4.0	6.3	-12.0	-3.0	8.7	6.4	0.8	1.3	0.9	3.1
BENCHMARK	4.2	6.7	-11.7	-2.5	8.7	6.9	1.4	2.5	1.7	3.5

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 Canadian Bond Fund Series A Inception: June 14, 1991

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

[Quarterly Update | Q1 2025 | EP 185](#)

In this Quarterly episode, Crista Caughlin, lead portfolio manager for Canadian bonds, and Jeff Mo, lead portfolio manager for U.S. midcaps, discuss market performance through Q1 2025 and the significant volatility that followed in early Q2—particularly after "Liberation Day" when the Trump administration imposed sweeping tariffs, followed by retaliation from other countries, and then a partial pause. The discussion explores how these trade tensions have created uncertainty affecting business confidence, consumer spending, and investment decisions. Crista explains that the growth outlook has worsened due to this uncertainty, regardless of whether tariffs ultimately reach 10%, 25% or are delayed. Both emphasize the team’s investment approach during this volatility relies on maintaining a disciplined process, avoiding "hero trades," and carefully modeling potential impacts on individual companies.

[Navigating Tariff Tensions in Canada: Risks and Opportunities | EP179](#)

In this episode, we discuss the escalation of U.S./Canada tariff tensions with Mark Rutherford, co-manager of Mawer’s Canadian equity strategy. Mark provides historical context of how we got here; highlights the potential economic impact tariffs may have on the Canadian economy; provides specific portfolio holding examples of how businesses and industries may be affected; and mentions several potential benefits for Canada. Ultimately, he stresses that adhering to a disciplined, long-term investment approach is vital amid uncertainty.

[Dead Reckoning: Investing Lessons from the High Seas](#)

This article will illustrate several ideations and tools investors can incorporate into their processes to navigate the choppy, mercurial waters of investing.

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Benchmarks:

FUND	BENCHMARK
Mawer Canadian Bond Fund	FTSE Canada Universe Bond Index

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