

Mawer Canadian Equity Fund, Series A

Q1 2025 | Performance Commentary

Market Overview

The first quarter of 2025 has seen significant shifts in global economic momentum. Escalating tariff threats and trade tensions—which have compounded even further since the end of the quarter—cloud the economic outlook and intensify inflationary pressures. This creates a challenging environment for global central banks tasked with managing 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 guide to a more hawkish posture. The Bank cited the impacts of the ongoing trade war as a primary consideration during their latest cut in March.

The Materials sector returned an eye-popping 20% return thanks largely to a surge in gold prices. The sector dragged the rest of the S&P TSX index into positive territory, masking broad based weakness in other sectors. Enthusiasm for Canadian equities dimmed amid mixed economic data, a drop in consumer sentiment, and trade policy uncertainty.

Performance Summary

The portfolio underperformed the benchmark in the quarter.

The biggest factor that detracted from relative performance, both on a security selection and asset allocation basis, was the lack of exposure to gold miners, which rode the momentum of surging gold prices. We have several gold companies on our inventory list and continue monitoring the space.

We had a chance to speak with the new **TD Bank** CEO Raymond Chun. He's been with the bank over thirty years, and overall, he appears focused on simplifying the bank and focusing internal resources on the efficient allocation of capital and continually improving the customer experience. During the quarter, the Bank announced they were accelerating the new CEO transition by two months (February 1st instead of April 1st), five board members were retiring, and they named four new board nominees. In our assessment the board changes are improvements, and the positive stock action suggested the market agreed.

Three of 2024's top performers continued moving from strength-to-strength. Exchange operator **TMX Group** has been a beneficiary of greater interest rate volatility, growing volumes on its energy trading platform, and strong results in its professional software and data subscriptions. Utility operator and mid-streamer **AltaGas** continued to see strong returns in both of their primary business lines. Additionally, we think the upcoming expansion of their liquified petroleum gas exports to Asia, where they have a geographic cost advantage over the southern U.S., is a potential growth catalyst. Insurer **Intact Financial** generated good EPS growth as price increases outpaced elevated losses.

Offsetting these positives, some of our financial holdings took a breather after a very strong 2024: **Bank of Nova Scotia** and **Royal Bank** as well as **Brookfield Corporation**.

Trucking company **TFI International's** U.S. segment saw a slowdown in volumes while tariff uncertainty likely also weighed on the stock. We remain confident in management given their historical track record and immediate plan to fix the underperforming U.S. less-than-truckload segment.

CGI was also potentially affected by news south of the border as negative sentiment from potential DOGE cost cutting measures weighed on many consulting businesses. The company has shifted toward more European exposure over time, and the U.S. was recently only 31% of sales, with only 14% to all U.S. government functions.

Looking Ahead

As we wrote under this banner three months ago, we are living through a period of substantial transition. Look no further than the steady stream of executive orders emanating from the Trump administration, the dramatic escalation in trade barriers, or Germany's recent commitment to spend €1 trillion on defense and infrastructure, forsaking its once unimpeachable debt brake.

Further complicating matters, while a realignment of the world economic and geopolitical order is occurring rapidly, the degree of policy uncertainty evokes the image of a four-way traffic stop, each driver glancing at the other waiting for the next move. Consumers debating whether to spend, central banks deliberating over the appropriate course of action, and companies determining if/when/where to make investments may delay these decisions in the face of heightened policy uncertainty.

At times like these, temperament matters as much as analysis. The temptation to react impulsively—to slam on the brakes or to accelerate too quickly—can be costly. While transitions create uncertainty, they also generate opportunity for those who remain clear-eyed.

The road ahead will have its twists, but our approach remains the same: prioritize resilience over reaction and discipline over distraction. Our North Star: a focus on attractively valued, well-run businesses that can withstand turbulence by, quite simply, selling a good or a service their clients value at a price that more-than-covers the cost of capital by virtue of a competitive advantage, thereby creating wealth.

Just like at a busy intersection, the right balance of focus, patience, and decisiveness is required.



Performance Summary¹ (%)
As of March 31, 2025

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	0.3	0.3	10.6	6.1	13.6	7.4	9.2
BENCHMARK	1.5	1.5	15.8	7.8	16.8	8.5	8.7

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	17.7	9.4	-5.6	23.7	2.7	20.7	-9.8	8.7	15.8	-0.3
BENCHMARK	21.7	11.8	-5.8	25.1	5.6	22.9	-8.9	9.1	21.1	-8.3

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 Equity Fund Series A Inception: June 3, 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.

[Canadian Equity: 2024 Overview and Looking Ahead to 2025 | EP177](#)

In this episode, we discuss the Canadian equity market with Mark Rutherford, co-manager of Mawer’s Canadian equity strategy. Mark highlights the key drivers behind Canadian equities' strong 2024 performance, highlighting standout sectors like technology, financials, energy midstream, and gold. He

also examines challenges in telecommunications and real estate, discusses risks from slower economic growth, inflation, and higher mortgage rates, and emphasizes strategic portfolio adjustments.

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Benchmarks:

FUND	BENCHMARK
Mawer Canadian Equity Fund	S&P/TSX Composite Index

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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