

Mawer New Canada Fund, Series A

Q2 2024 | Performance Commentary

Market Overview

The S&P/TSX Small Cap Index finished the second quarter slightly in positive territory as there was a divergence in performance among the sectors. The materials sector led the way benefiting from strong performance from metals and mining businesses. Real estate had the largest decline in the benchmark as the sector contends with high interest rates.

The Bank of Canada diverged from the U.S. Federal Reserve and began reducing policy interest rates during the quarter. The U.S. Federal Reserve remains paused as they grapple with stubborn inflation that has yet to be fully tamed. Ultimately, market participants reduced expectations for U.S. interest rate cuts this year. In Canada, a surprise move higher for inflation near the end of the quarter makes the job of the Bank of Canada harder given the stagnating economy.

Performance Commentary

The portfolio underperformed the benchmark over the quarter.

Several of the portfolio's information technology companies lagged this quarter relative to their benchmark peers. Value-added IT reseller **Converge Technology Solutions** traded lower after being a strong performer last period as it faces opposing forces: tailwinds from customers looking to explore AI technologies and headwinds from caution around business spending. **Dye and Durham** also lagged during the quarter, as this real estate transaction software provider has generally been a higher volatility holding. The portfolio's lack of weight in the metals and mining industry was also a headwind for relative performance as this industry had a strong quarter.

There were several other holdings that lagged in the period. **Wajax**, a heavy equipment dealer and service center, declined on slower heavy equipment sales in construction and forestry. The business's recurring revenues remained resilient, and we believe the overall outlook remains positive. **Mainstreet Equity** also pulled back after having a strong start to the year.

The portfolio's outperformance of holdings in the financials sector had a positive effect on relative performance. **Goeasy** has benefited as a non-prime lender serving borrowers who are often unable to obtain credit through banks, as consumers are struggling with inflation and large banks have tightened their underwriting standards. Similarly, **EQB**, an alternative bank to Canada's large financial institutions has been able to gain market share. We believe both EQB and goeasy have done a great job in underwriting their customers in an area of the market that has been underserved by the large banks.

We had several other holdings perform well including **Element Fleet Management**, a company focused on vehicle fleet management that has benefitted from new client gains. Another company that carried on with strong momentum from the previous quarter was **TerraVest Industries**, a manufacturer of storage tanks (heating oil, propane), as they have gained a larger following by capital market participants.

Looking Ahead

During the last quarter, several equity markets reached highs driven by a few technology focused companies that have benefited from investor excitement for artificial intelligence-related advancements. Despite this, the overall outlook remains less upbeat, as other areas of the market have not been as robust.

Consumer weakness has been a growing concern as the eroding of purchasing power from high inflation has the potential to impact discretionary spending. Geopolitics also plays a role in shaping the economic environment and there are many key elections in 2024 that may lead to political shifts. The general shift away from a globalized world to protectionism may also have highly uncertain impacts on many businesses with international operations. Conversely, growth has generally remained positive, although has moderated in some regions, and central banks have the ability to ease monetary policy to spur economic activity if required.

In light of the outlook, we continue to play the plan, focusing on what we can control and following our investment process.

New Canada Fund

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Performance Summary¹ (%)
As of June 28, 2024

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	5.8	-2.0	14.1	0.5	8.5	6.8	12.7
BENCHMARK	8.8	0.8	14.4	1.3	8.1	3.1	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 | Q2 2024 | EP161](#)

Portfolio Manager Crista Caughlin discusses the economy and factors that drove markets in the second quarter of 2024.

[Navigating the U.S. Mid-Cap Landscape: Resilience Amid Uncertainty | EP160](#)

In this episode, Portfolio Manager Jeff Mo makes the case for investing in U.S. mid-cap equities, highlighting the country's strong business environment, large domestic market, and GDP growth. He discusses current market trends, including artificial intelligence, and his team's risk management evaluation, especially with a pivotal U.S. election looming on the horizon.

[From Buy to Bye: Sell Discipline and Overcoming Behavioral Biases | EP159](#)

Portfolio Manager Jeff Mo discusses common behavioral biases that can hinder clear sell decisions, and the tools, such as checklists and trigger points, that can help slow down emotional thinking.

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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