

Mawer New Canada Fund, Series A

Q3 2024 | Performance Commentary

Market Overview

In the third quarter of 2024, the S&P/TSX Small Cap Index advanced to all time highs for the benchmark. In September, the U.S. Federal Reserve made its first interest rate cut this cycle, joining the Bank of Canada and other central banks who had already begun reducing rates due to retreating inflation. While the path of inflation and interest rates are never certain, it seems we are now on the easing side of this cycle with increasing concerns around slowing economic growth.

Performance Commentary

The portfolio underperformed the S&P/TSX Small Cap Index in the third quarter. Relative underperformance was driven by the portfolio's zero weight to the metals and mining industry as gold prices advanced higher in the period. Our investment philosophy favours businesses that are wealth creating with sustainable competitive advantages. So far, we have found it challenging to invest in gold producers that meet our investment criteria.

Several of our holdings had strong returns over the quarter. **TerraVest Industries**, a manufacturer of fuel storage tanks, has been repeatedly among our top contributors this year. We believe the company is led by an excellent management team and has benefited from being followed more closely by capital market participants. As a rate sensitive sector, real estate companies have benefitted from declining interest rates. Our holding in **Colliers International Group**, a diversified service provider for commercial real estate, performed strongly with an improved outlook for the industry. Colliers also benefits from a growing share of its revenues coming from stable parts of the business such as investment management services. **Mainstreet Equity**, a residential rental company that operates in western Canada, also performed well as interest rates have eased.

It was announced during the period that our long time holding, **Sleep Country Canada**, would be acquired at a premium over the traded price leading it to be one of our top performing holdings in the period. We have been trimming our position to deploy capital to more attractive opportunities ahead of the anticipated close date.

Our holding in **Parex Resources** was a notable detractor in the quarter as the company faced a decline in well productivity and had exploration results that came in below expectations. As the share price declined, we took the opportunity to increase our weight in the company as we view the valuation of the business as notably attractive. Another energy holding, **Pason Systems**, which provides software for drilling rigs, suffered from weakening North American rig counts. While we believe the long-term fundamentals of **Boyd Group Services** remain strong, the company's stock price declined with weather conditions reducing the demand for their repair services. **Calian Group**, a diversified services and products company, lagged as the company faces headwinds from government budget constraints.

Looking Ahead

During the first half of this year, the big theme was strength in public equity markets largely led by artificial intelligence related companies. This quarter, as inflation further slowed and interest rates



declined, we have seen a broadening out of sector leadership to include the more interest rate sensitive areas of the economy. We are mindful that the path of inflation and interest rates is never certain, and the start of a rate cutting cycle hasn't necessarily provided any ability to predict a recession or the near-term direction of the stock market.

Looking ahead, there will undoubtedly be no shortage of events to preoccupy markets; war and the upcoming U.S. election spring immediately to mind. This is why "Prepare, don't predict" is such an important mindset at Mawer and lies at the heart of our investment process. Investing in a diversified portfolio of real businesses with strong competitive advantages, that generate recurring revenues, that have flexibility in their cost base, that maintain dominant industry positions, that are run by competent managers, and that refrain from taking undue risk from a leverage perspective, should lead to genuine wealth creation. While market sentiment can shift quickly and unpredictably in the short run, attractive risk-adjusted returns over the long term are the real prize.

Performance Summary¹ (%)
As of September 30, 2024

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	10.4	4.4	24.3	0.4	8.7	7.1	12.8
BENCHMARK	18.0	8.4	25.1	4.9	10.1	4.9	7.5

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 | Q3 2024 | EP168**](#)

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

[**Navigating the Canadian Equity Landscape: Dispersion, Energy Transition, and Opportunities | EP163**](#)

In this episode of the podcast, Mark Rutherford, Co-Manager of the Canadian large-cap equity strategy, discusses the current investment landscape in Canada, highlighting the wide dispersion in sector performance and the impact of central bank policies.

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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