

# Mawer U.S. Equity Fund, Series A

## Q4 2022 | Performance Commentary

### Market overview

Equity markets attempted to add a bit of polish in the fourth quarter to an otherwise brutal year, the worst calendar year return for the MSCI ACWI since 2008. In Q4, markets were bolstered by signs that inflation may finally be peaking and the hope that central banks may not need to be as aggressive as feared in tightening monetary policy, potentially softening the negative impact on the global economy. European stocks, which had been hardest hit through the first nine months of the year, led the advance globally in Q4, outpacing both emerging markets and U.S. equities. The S&P 500 Index during the fourth quarter saw broad-based advances in every sector except Consumer Discretionary and Communication Services with Energy leading the way followed by Industrials

### Performance commentary

The Mawer U.S. Equity Fund outperformed its benchmark during the fourth quarter.

Companies that added value to the portfolio during the quarter include laboratory instrument and software company **Waters Corporation** that saw double-digit growth across all regions led by instrument sales. The company's high growth initiatives are gaining interest with customers especially in battery testing and bioanalytical characterization.

**Procter & Gamble** also rose on quarterly earnings and revenue that topped analysts' estimates as higher pricing helped offset lower sales volume and currency headwinds. Elsewhere, credit card company **Visa** advanced on higher revenues as payments volume and processed transactions grew during the quarter. The company continues to benefit from its resilience in e-commerce and the ongoing recovery in cross-border travel.

Companies that detracted from performance include **Amazon** as the company issued a disappointing fourth quarter forecast and missed on revenue estimates. In addition, the company continues to confront macroeconomic headwinds, soaring inflation, and rising interest rates. Similarly, Google parent company **Alphabet** experienced some bearishness, as the company reported weaker than expected earnings and revenue and said it would decrease headcount growth. The company is continuing to focus on a specific set of product and business opportunities while working to realign resources to fuel their highest growth priorities.

### Looking ahead

Looking ahead to 2023, given the delay between the implementation of monetary policy and the ultimate impact on the broader economy, the path forward for inflation, central bank resolve in continuing to tighten policy, and the associated earnings and economic impacts remain hotly debated topics. All signs point to a global recession, with higher real rates, inverted yield curves, and contracting PMIs occurring in many of the world's major economies. However, the consensus view—reinforced late in the year by moderating inflation data—currently anticipates a softer landing and a milder recession.

Of course, the world could evolve in different ways. Inflation may prove to be more stubborn, or central banks misjudge those policy lags prompting a deeper recession. Geopolitical flare-ups are always a risk. On the other hand, inflation might temper more quickly than anticipated: incredibly, natural gas prices in Europe are currently lower than prior to Russia's invasion of Ukraine.

On this last point, if we are indeed likely to enter a recession, companies that can generate consistently profitable cash flows—through strong pricing power backed by competitive advantages, by providing valuable products and services to their clients, and through excellent management—may be rewarded. In other words, the return of a genuine cost of capital may prove to be fruitful for a "Be Boring" investment approach.

# U.S. Equity Fund

Q4 2022 | Performance Commentary

## Performance summary<sup>1</sup> (%)

As of December 31, 2022:

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception <sup>2</sup>
FUND	(12.1)	8.3	(12.1)	7.6	11.4	15.4	8.5
BENCHMARK	(12.2)	6.1	(12.2)	9.2	11.2	16.1	9.9

Calendar Year, as of December 31:

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
FUND	(12.1)	23.6	14.7	25.7	9.6	12.8	5.5	19.3	20.9	41.8
BENCHMARK	(12.2)	27.6	16.3	24.8	4.2	13.8	8.1	21.6	23.9	41.3

<sup>1</sup>Performance figures are net of management fees and operating expenses. Periods greater than one year are annualized. Performance figures are in Canadian dollar terms.

<sup>2</sup>Mawer U.S. Equity Fund Series A Inception: December 11, 1992

## Selections from Mawer's Art of Boring blog and podcast:

### [Inflation's one-two punch](#)

It's inflation's second punch that can deliver a blow that investors may not be expecting

### [The art of discount rates | EP122](#)

How do investors figure out what a company is worth? (Especially in a higher inflationary and interest rate environment?)

### [What the end of Moore's Law means for the semiconductor industry | EP121](#)

A deep dive—right to the atomic level—of how semiconductors work and the potential implications for the industry when Moore's Law comes to an end.

### [Beware the linearity bias](#)

We tend to think of our world in linear terms, where the output of a system is proportional and directly correlated to its inputs.

## Disclaimer

### Opinions and Forecasts:

This report includes certain statements that are "forward looking statements". 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, are forward looking statements. The words "may", "could", "would", "should", "believe", "plan", "anticipate", "expect", "intend", "forecast", "objective" and similar expressions are intended to identify forward looking statements. These forward looking statements are subject to various risks and uncertainties, including the risks described in the Simplified Prospectus of the Fund, uncertainties and assumptions about the Fund, capital markets and economic factors, which could cause actual financial performance and expectations to differ materially from the anticipated performance or other expectations expressed. Economic 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.

# U.S. Equity Fund

## Q4 2022 | Performance Commentary

All opinions contained in forward looking statements are subject to change without notice and are provided in good faith but without legal responsibility. The portfolio advisor has no specific intention of updating any forward looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation. Certain research and information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, and is subject to change without notice.

### Benchmarks:

FUND	BENCHMARK
Mawer U.S. Equity Fund	S&P 500 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.

The Funds mentioned in this document are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.