

Mawer Canadian Equity Fund, Series A

Q4 2024 | Performance Commentary

Market Overview

The fourth quarter of 2024 marked significant shifts in global markets, economic trends, and the U.S. political landscape. Canadian equities set a record high with information technology strongly leading the charge, followed by financials and energy while communication services and real estate posted the lowest returns. Additionally, the election of Trump and the Republicans capturing majorities in both the House and Senate creates significant policy uncertainty for Canada; President Trump has called for sizable tariffs on Canada which would be highly disruptive to an already slowing Canada economy if enacted.

In Canada, the labour market continued deteriorating with negative knock-on effects to consumer confidence and activity. In response to the slowing economic data and uncertain political backdrop, the Bank of Canada cut the overnight interest rate by 50 basis points twice in the quarter, bringing the total cuts to 175 basis points in 2024 in the hopes of spurring growth. This compares with the U.S. where the Federal Reserve cut a more modest 75 basis points in 2024, a reflection of the relative strength of the U.S. economy and less of a slowdown in inflationary pressure seen there.

Performance Summary

The portfolio underperformed the benchmark in the quarter.

The biggest factor that detracted from relative performance in the quarter was arguably the Trump election and his sabre rattling around imposing tariffs on Canadian goods which impacted some of the more industrial focused businesses in the portfolio. For example, **Canadian Pacific Kansas City** rail generates 5% of revenue from Mexico-to-U.S. traffic and 16% from Canada to the U.S.. While tariffs could impact volumes traveling to the U.S., one mitigating factor is how hard it is to re-route supply chains. Potash from Saskatchewan isn't going to be trucked to Kansas anytime soon. Post COVID-19, we also saw how quickly U.S. ports can become a major bottleneck, so re-routing goods this way may not be operationally feasible which is supportive for rail volumes.

Caterpillar equipment dealers **Finning International** and **Toromont Industries** underwhelmed this quarter. These companies are experiencing margin normalization in a tougher operating environment with subdued spending. However, their management teams continue to execute well on controllable factors.

CCL Industries, the world's largest printer of commercial-use labels, saw shares pull back after a strong run-up in the stock price earlier in the year and with the softer consumer outlook. Despite this, we remain positive on CCL, supported by a strong balance sheet and the growth potential in its Checkpoint RFID segment. **Stella-Jones**, a leading manufacturer of pressure-treated wood products, experienced a decline following a robust performance earlier in the year. Earnings projections

suggested slower utility pole growth, but our research and recent due diligence reaffirm confidence in the company's long-term potential.

Like last quarter, many of the top performers in the portfolio were in the financials sector, potentially boosted by falling overnight interest rates and signs the yield curve may continue normalizing. For example, life and health insurance company, **iA Financial**, performed well, exceeding earnings expectations with solid results across its insurance and wealth management divisions. The company has a strong track record of consistent performance driven by its technology platforms and conservative underwriting standards and investment management.

Brookfield Asset Management also delivered solid fee-related earnings across multiple segments. Management noted an improved outlook for asset sales as interest rates decline and liquidity returns to markets. In November, Brookfield relocated its head office to New York to attract a broader institutional investor base, which could enhance the stock's valuation over time.

E-commerce provider **Shopify** continued making operational execution improvements in our view, controlling costs while sustaining high growth in a competitive market. Lastly, **RB Global**, a leader in used commercial equipment auctions, also delivered strong results as it gained market share in its auto salvage segment while growing its core heavy equipment business.

Overall, for the year, we would characterize the current market as exuberant—the market, as defined by S&P TSX was up 22% over the past year. The portfolio largely kept up with the torrid returns of the market falling short of the benchmark largely due to our underweight in pipelines, gold miners, and Shopify.

Mawer has been investing on our client's behalf for over fifty years, always with the same investment approach, discipline, and humility. While market sentiment can shift quickly and unpredictably in the short run, we feel that the portfolio is resilient and well set up for a multitude of alternative histories. We are not resting on our laurels, as we continuously seek to improve our process, stay open-minded and seek disconfirming evidence to adjust our priors, and turn over a lot of stones for new investment ideas.

Looking Ahead

Admittedly, there are important transitions occurring in the world today. Election results in 2024 can be broadly summarized as a resounding rejection of status quo incumbents and a swing to the right. A shift toward the G-Zero model coined by Ian Bremmer—a multipolar world devoid of global leadership—appears to have accelerated, with mercantilist trade policies and conflict on the ascendency. There's the promise of artificial intelligence. And bond investors appear increasingly wary of stretched government coffers.

In the 50 years of managing public equities at Mawer, we've lived through many transitions before: the fall of the Berlin wall; the advent of the Internet; China's accession to the WTO; the global financial crisis; the European sovereign debt crisis; and COVID-19. Each has produced winners and losers, albeit not always immediately obvious in the moment.

Throughout, we've abided by and iterated on a process designed to level temperament in the face of greed and fear. We've employed a risk management framework focused on guarding against the permanent impairment of capital—an absolute metric. And we've adhered to a philosophy focused on businesses that can withstand turbulence by, quite simply, selling a good or service their clients value at a price that more-than-covers the cost of capital by virtue of a competitive advantage, thereby creating wealth.

Investment firms traditionally mark their year-end commentary with forecasts for the coming year, and your news feeds will likely feature numerous predictions for 2025. Only one from us here at Mawer: that our commitment to the systematic application of our philosophy and process will remain.

Thank you for your continued trust and partnership.

Performance Summary¹ (%)
As of December 31, 2024

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	17.7	2.1	17.7	6.7	9.1	7.8	9.2
BENCHMARK	21.7	3.8	21.7	8.6	11.1	8.6	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 | Q4 2024 | EP178](#)

We discuss 2024's economic landscape and what to expect in 2025, with Crista Caughlin, lead portfolio manager of the Mawer Canadian bond strategy. Crista highlights U.S. and Canadian growth trends, central bank rate adjustments, housing market dynamics, equity and fixed-income performance, and political uncertainties. She also discusses Mawer’s asset allocation strategy, balancing risks with opportunities amidst shifting fiscal policies, trade tensions, and global economic developments heading into 2025.

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

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. He delves into the long-term theme of the global energy transition and its far-reaching effects on various market sectors in Canada. Insights into insurance and banking sector performance are provided, as well as examples of specific portfolio holdings within the Canadian equity strategy.

[Banks Around the World: What Makes Top Financial Institutions Stand Out | EP171](#)

Mawer portfolio managers and analysts discuss what they fundamentally look for in a bank as an investment. Specifically, how they view banks and the industry trends, as well as local dynamics, and ultimately what makes each of these businesses both unique and attractive.

[Skyscrapers and Storefronts: Insights on the Commercial Real Estate Market in 2024 | EP165](#)

Credit analyst Curtis Elkington provides a comprehensive overview of the \$50 trillion global commercial real estate market. He covers the current headwinds facing various property sectors, such as pandemic-induced challenges in the office sector and touches on the surprising resilience of the retail segment. Elkington sheds light on the complexities of the commercial mortgage-backed securities market and details the credit analysis process his team uses to evaluate potential investments with examples.

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 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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