

Mawer EAFE Large Cap Fund, Series A

Q4 2024 | Performance Commentary

Market Overview

The fourth quarter of 2024 marked significant shifts in global markets, economic trends, and the political landscape. U.S. equities demonstrated particular strength amid robust economic fundamentals and momentum-driven fund flows reflecting surging investor confidence, especially regarding potential policies from the incoming Trump administration around deregulation, corporate tax reform, and the ensuing impacts on growth.

International and emerging market equities lagged the U.S. given broader global challenges, including geopolitical fragmentation, the potential for further trade tensions, and an incredibly strong U.S. dollar.

Global central banks continued to ease this quarter, though the pace of easing varied. In December, the U.S. Federal Reserve communicated a more cautious approach to future interest rate cuts given solid economic and labour market activity while inflation concerns remained. Diverging policies highlighted economic disparities between nations, as growth indicators in Europe, China, and Japan are less robust.

Performance Summary

The portfolio lagged its benchmark in the fourth quarter and for the year overall.

Absolute returns for the full calendar year were very respectable, driven by strength at Singaporean bank **DBS**, reference information providers **Wolters Kluwer** and **RELX**, and caterer **Compass Group**. But weaker stock selection within the industrials sector was the main driver of relative underperformance, particularly within our European holdings. The two biggest culprits were freight forwarder **Kuehne + Nagel**, whose revenues are tied to global trade, and chemicals distributor **Brenntag**. Both companies experienced weaker volumes than anticipated given ongoing de-stocking efforts globally. The portfolio's underexposure to banks and insurance companies was an additional drag, two parts of the market that have thrived in an environment of non-zero rates and a better-than-expected economy.

Specific to the fourth quarter, several companies with U.S. dollar revenue exposure profited from the pronounced strength of the greenback. RELX and Compass Group are two good examples, both deriving more than 50% of their revenues from the U.S. Even DBS was an indirect beneficiary of a stronger U.S. dollar: as opposed to North American banks that lend long, most of DBS's business is in floating rate loans sensitive to the U.S. Federal Funds rate for which, as noted in the market overview, expectations shifted during the quarter.

But just as with the full year, these positives were outweighed in Q4 by weaker share price performance from among our European industrials. Mining equipment manufacturer **Sandvik**, construction rental equipment company **Ashtead**, and plumbing and HVAC distributor **Ferguson**, all reported margin normalization in a tougher operating environment and muted demand. We continue to

believe their competitive advantages remain intact and that their management teams will execute effectively on those elements they control.

Performance Summary¹ (%)
As of December 31, 2024

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception ²
FUND	7.8	-3.2	7.8	1.6	-	-	7.3
BENCHMARK	13.2	-2.2	13.2	6.1	-	-	9.7

Calendar Year, as of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	7.8	17.4	-17.1	15.0	-	-	-	-	-	-
BENCHMARK	13.2	15.1	-8.2	10.3	-	-	-	-	-	-

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 EAFE Large Cap Fund Series A Inception: May 29, 2020

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.

[Why Invest Outside of the U.S.? The Benefits of EAFE Large Cap | EP176](#)

We discuss Mawer's EAFE large cap portfolio with Ian Turnbull, an equity analyst at Mawer. Ian explores the portfolio's diversification benefits, offering exposure to resilient, high-quality companies in 21 markets such as the Nordics, Switzerland, and Singapore. The team targets proven companies with strong moats and global leadership. Key holdings include Wolters Kluwer, BAE, and Chugai. AI's potential in healthcare R&D is highlighted, though regulatory hurdles persist. The team emphasizes balancing risks, leveraging themes like pharma innovation, defense, electrification, and AI, and addressing geopolitical uncertainties for a resilient, long-term portfolio.

[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. David Ragan discusses Scandinavian banks, highlighting Handelsbanken's smart lending and DNB's stability. Josh Samuel analyzes DBS in Singapore, emphasizing its low cost of funds and high ROE. Grayson Witcher focuses on J.P. Morgan in the U.S., noting its strong management and unique financial assets, while Alex Romaines examines First Citizens Bank in the U.S., which capitalized on market turmoil. Mark Rutherford covers Canadian banks, noting their conservative strategies and high ROE. Siying Li discusses HDFC Bank in India, and Asim Hussain explores Mitsubishi UFJ in Japan, emphasizing their unique upward-sloping yield curve.

[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. He provides examples of companies that he and his team properly exited based on changing fundamentals as well as those they may have held onto for a bit too long, proving the power of the endowment bias.

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Benchmarks:

FUND	BENCHMARK
Mawer EAFE Large Cap Fund	MSCI EAFE Index (net)

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