

# Mawer International 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 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 outpaced its benchmark in the fourth quarter but lagged slightly in the year overall.

For the full calendar year, performance was primarily driven by a few key exposures. Shares of German defense contractor **Rheinmetall** rose sharply due to geopolitical uncertainty, expectations for greater European defense spending, and strong internal execution. Advanced semiconductor manufacturer **TSMC** continued to benefit from increasing spending on AI infrastructure while its technological leadership provides the competitive advantage to translate higher demand into genuine wealth creation. And long-time portfolio stalwarts continued to perform reliably: reference information providers **Wolters Kluwer** and **RELX** and insurance broker **Aon**. These helped to offset the negative impact on relative performance tied to the portfolio's underexposure to banks and traditional insurance companies, which have thrived in an environment of non-zero rates and a better-than-expected economy.

Conveniently for the author of this commentary, all of these same drivers apply specifically to Q4 as well! In addition, during the last quarter of the year, several companies with U.S. dollar revenue exposure profited from the pronounced strength of the greenback. TSMC, Wolters Kluwer, and RELX are among them, each deriving more than 50% of their revenues from the U.S. Others included **Compass Group** which, as a global caterer, has a substantial U.S. business. Even Singaporean bank **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.

Partially offsetting the quarter's positives, pharmaceutical company **Novo Nordisk**'s shares plunged in December after reporting weaker-than-expected results for a new treatment, highlighting the rising competitive intensity in the obesity industry that it helped pioneer. Finally, construction rental equipment company **Ashtead**, plumbing and HVAC distributor **Ferguson**, and recurring consumables distributor **Bunzl** all reported margin normalization in a tougher operating environment. We continue to believe their competitive advantages remain intact and that their management teams will execute effectively on those elements they control.

## 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 close to 40 years of managing international 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 Summary<sup>1</sup> (%)**  
**As of December 31, 2024**

	YTD	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception <sup>2</sup>
FUND	14.6	-1.2	14.6	2.5	5.3	7.3	7.7
BENCHMARK	15.1	-1.6	15.1	5.3	6.3	7.2	5.5

**Calendar Year, as of December 31:**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND	14.6	12.7	-16.7	7.3	12.4	14.4	-4.0	22.6	-3.3	20.3
BENCHMARK	15.1	12.5	-9.9	6.9	8.7	15.4	-6.5	18.8	-3.0	19.0

<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 International Equity Fund Series A Inception: November 6, 1987

**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.

[Semiconductors, GLP-1s, and Defense Companies: Powering the International Equity Strategy | EP167](#)

Peter Lampert, lead portfolio manager of the International Equity Strategy, provides insights on the team’s investment process, the state of the portfolio, and the main drivers that are currently having an outsized impact on performance, namely, semiconductors, obesity medicines, and defense companies. He details his team’s rigorous approach to evaluating management teams from both a quantitative and qualitative standpoint, providing an in-depth example of Hitachi. The conversation concludes with a brief discussion of the current macro environment.

[China in Focus: Traversing the Emerging Markets Landscape | EP170](#)

Peter Lampert, lead portfolio manager of the International Equity Strategy, discusses the recent Chinese stimulus and its effects on emerging markets. He highlights key long-term risks in China,

including weak sentiment, regulatory challenges, and geopolitical tensions, while emphasizing the potential of companies like Tencent and Tencent Music. The conversation also covers Turkey's Bim, a discount retailer thriving amid economic uncertainty. Peter explains how the portfolio's success stems from stock selection, especially with stealth performers like Vietnam's FPT and Taiwan's IGS, and the importance of balancing macro risks with company-specific growth potential.

## **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.

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**Benchmarks:**

FUND	BENCHMARK
Mawer International Equity Fund	Jan 1988: MSCI EAFE (net) Oct 2016: MSCI ACWI ex-USA (net)

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