# MAWER quarterly

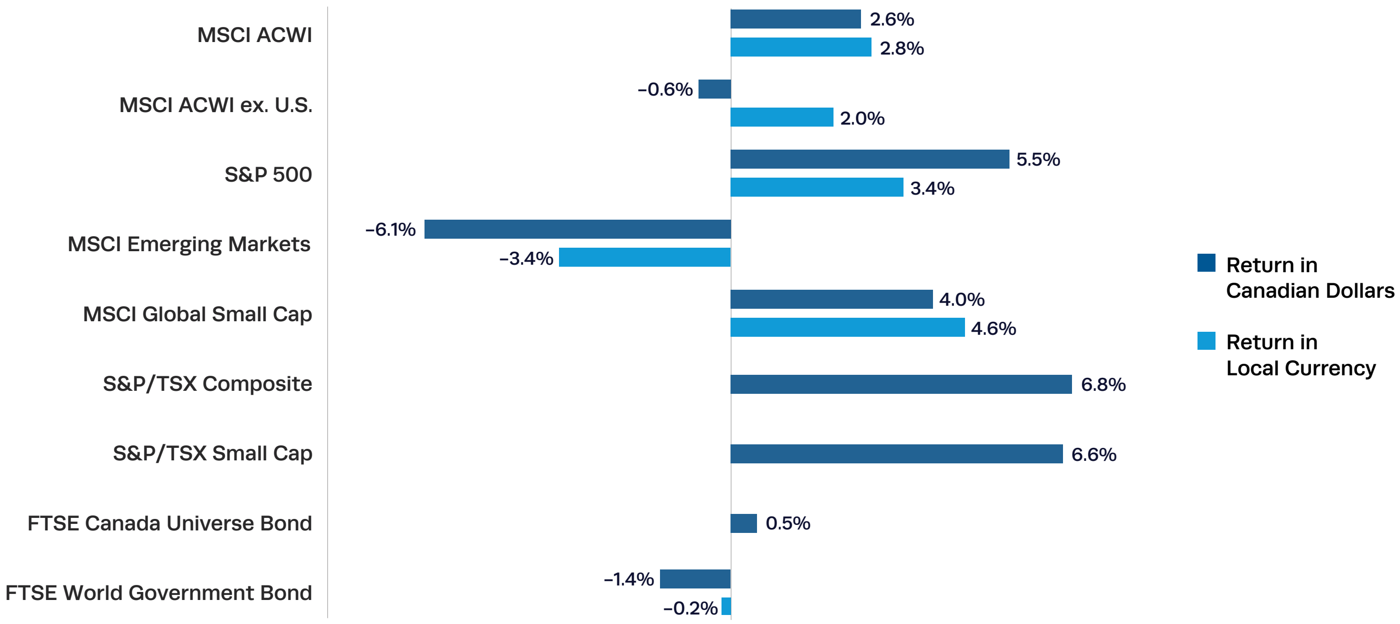
Second Quarter 2018

## Market Overview

The year began with a more volatile backdrop as rising interest rates and the price investors are willing to pay for investments turned into a bit of a tug-o-war. The second quarter of 2018 can be characterized as mostly positive for investment returns—perhaps surprisingly so, given the worries about escalating trade disputes and rising interest rates. A contributing factor was strong global economic growth. The U.S. performed well, and while regions such as Canada, Japan, UK, the Eurozone, and a number of emerging markets experienced a slower pace of growth, it was still positive—albeit less so than in previous quarters. In the U.S., strong fundamental results from companies, led by earnings growth and the flow through of lower tax rates, had a positive effect for equity prices. While the U.S. 10-year bond yield exceeded 3% in May, trepidation in markets caused it to fall back to February levels and the U.S. dollar to appreciate versus all major currencies. Oil prices also rose in Q2, primarily on a change in U.S. policy stance with Iran. The Canadian dollar lost value versus the U.S. dollar, but otherwise appreciated versus most other major currencies.

With this backdrop, global equities as measured by the MSCI ACWI Index rose 2.6% in Canadian dollar terms (CAD), helped by U.S. equities, with the S&P 500 Index climbing 5.5% (CAD) in the quarter. Emerging Markets were the poorest performing asset class, with the MSCI Emerging Markets Index dropping 6.1% (CAD) primarily due to the rising U.S. dollar and as countries like Argentina and Turkey experienced considerable economic turmoil. Canadian equities, as measured by the S&P/TSX Composite Index gained 6.8% this quarter. Rising oil prices were an important catalyst for this advance. Yield curves appear to be adjusting to higher interest rates and continued economic growth, with the FTSE World Government Bond Index falling 1.4% while the FTSE Canada Universe Bond Index posting a slight gain of 0.5%.

Q2 2018 – Canadian dollar translation effect



# How did we do?

*All performance is for Series A Funds, net of fees and expressed in Canadian dollars for the period of April 1 – June 30, 2018.*

## Mawer Balanced Fund: 1.9%
## Mawer Global Balanced Fund: 1.9%

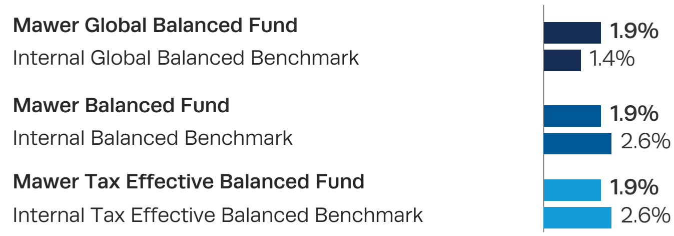
Our balanced strategies continued to deliver on their purpose of prudently compounding wealth, offering positive single-digit returns during the second quarter. It was a mixed period for the underlying components of our balanced funds: generally speaking, in those equity markets that offered stronger returns such as Canada and the U.S., our portfolios could not keep up with the pace set by their benchmarks. However, in those markets that suffered negative returns such as international equities and global bonds, our underlying strategies outperformed their respective indices.

This had an impact on the performance of our two balanced funds relative to their benchmarks. The Mawer Balanced Fund, underperformed its benchmark due to the underweight and underperformance in its Canadian equity components. By contrast, the Mawer Global Balanced Fund, which has less exposure to Canadian equity and is built for investors seeking greater global diversification, beat its benchmark thanks to the outperformance of its global equity component and the preference for Canadian over global bonds.

More details on the underlying components of each fund can be found below.

### Balanced Funds performance relative to Index (C$)

(Q2 2018 – A Series, Net of Fees)




## Mawer Global Equity Fund: 3.1%

Our global equity strategy delivered a positive return over the quarter, and many of the top contributing stocks are likely to be familiar names to those who have been invested in the Fund for several years. These included medical equipment manufacturer Becton Dickinson, financial services company S&P Global, certification and testing provider Intertek, as well as a number of technology companies: Constellation Software, Alphabet (a.k.a. Google), and Visa. These companies keep popping up as standout contributors because they are wealth-creating; in other words, they earn a return on invested capital that is greater than their cost of capital. We believe they have durable business models in dominant market positions with significant competitive advantages. They are run by competent managers who are disciplined in their capital allocation and work to expand their companies' competitive moats.

Over time, these benefits have flowed through to shareholders.

We're sometimes asked why we still hold these high-quality companies. If they've done so well, aren't they now *too* expensive? While valuation is certainly something we're watching with these six companies—and admittedly, we have reduced our exposure to a few of them over of the past year due to this very concern—it highlights another benefit of focusing on wealth-creating companies. A company that can invest capital at a higher rate than its cost of capital should see its intrinsic value increase over time. So long as the company's stock price doesn't run too far ahead of our assessment of a fair value range for its intrinsic value, we're happy to hold it for long periods of time.

But we're also constantly searching for new investment opportunities that meet our investment criteria. One of the relatively newer positions in the portfolio that has already had a materially positive impact on the portfolio's performance (including over the past quarter) is a company called Wolters Kluwer, a publisher based in the Netherlands. The company provides critical reference information and tools to various professionals: software for tax preparation, software to provide doctors with recommendations at point-of-care, and reference material such as legal, tax, and medical journals. The importance of the information and services they provide to their customers—and the need for that information to constantly be refreshed—means that the majority of revenues are recurring in nature. It also means that Wolters Kluwer has pricing power, or the ability to set the price at which it sells its products to its customers. This is why we believe Wolters Kluwer has a wealth-creating business model which, coupled with what we believe to be a relatively attractive valuation, justifies its position as one of the top 10 largest weights in the portfolio.

## Mawer International Equity Fund: 1.2%

Focusing on wealth-creating businesses also means avoiding those that have the potential to destroy wealth, or whose competitive advantages are meagre, fleeting, or non-existent. Our international equity portfolio, which produced a positive return during a negative period for its benchmark, has generally avoided the European banking sector for this reason: the competitive environment is fierce, which has caused profitability to be unsatisfactory, and which has in turn prompted the region's banks to take on increasingly risky loans in an attempt to outbid their competition. In other words, their business models continue to fall short of our criteria for wealth-creation. There have been periods when the European banking sector has thrived and we haven't participated in that upside, but in this particular quarter, spooked by political uncertainty in Italy, many of these European financials declined in value and we were happy to avoid these losses.

But the financials sector wasn't simply an area of relative strength because of what we didn't own. Several of our holdings performed strongly and one example is HDFC Bank, one of India's largest private sector banks. As opposed to many of the European banks, HDFC Bank has a long history of wealth-creation as the same management team has been executing on a clear and consistent strategy over the past 40 years. HDFC Bank's scale, relationships, and AAA rating all reinforce its key competitive advantage: its prudent management team's proven ability to assess risk and to make intelligent loans.

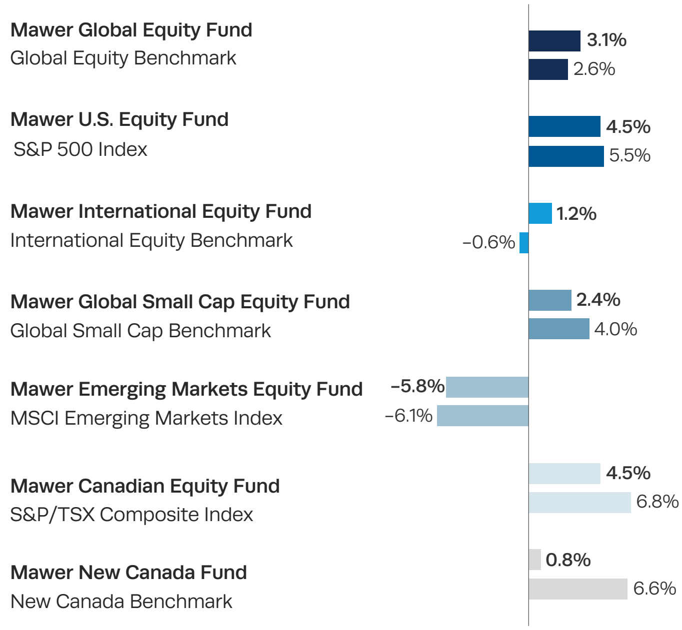
## Mawer U.S. Equity Fund: 4.5%

Our U.S. equity strategy produced a positive return but lagged its benchmark. Two of the larger culprits—both of which are in the consumer discretionary sector—serve to highlight that investing in wealth-creating businesses isn't enough and that management decisions can, and do, have an impact on our experience as shareholders.

LKQ is North America's largest provider of alternative collision auto parts. LKQ reported results that fell well short of investor expectations: even as organic revenue growth stayed positive, profitability declined due to higher personnel and freight costs. To us, this is yet another sign that a relatively new management team is continuing to execute poorly. Late last year,

### Equity Funds performance relative to Index (C$)

(Q2 2018 – A Series, Net of Fees)




LKQ announced the acquisition of a German auto parts distributor, a decision that makes strategic sense but that came at a high cost, both in terms of price paid as well as what it means for LKQ's balance sheet taking on more debt. We continue to think the business model has legitimately attractive qualities—mostly due to their market position and the associated economies of scale—but have become less confident in management's ability to capitalize on the business model's strengths. As a result, both through market movement and through active trimming, LKQ no longer commands the same weight in the portfolio that it did a year ago.

Comcast, the U.S.'s largest cable company, provides a similar example. Comcast is the leading operator of the "pipes" that enable internet usage, an attractive business model at scale that is very cash generative. We love cash-generative businesses, but management has to make good use of that cash! Lately, Comcast has been engaged in a bidding war with Disney for 21st Century Fox, with Comcast now having to decide whether or not to top Disney's $71 billion offer. There are genuine reasons why Comcast would benefit from the acquisition, but at what cost? We have not been impressed by Comcast's aggressive behaviour, and neither has the market. We are therefore left weighing the very attractive aspects of Comcast's business model against the financial risks that such a bid, if successful, might introduce.

## Mawer Global Small Cap Fund: 2.4%

The discussion of LKQ and Comcast (U.S. Equity Fund) highlights a few of the themes discussed in other parts of this newsletter: the rising levels of M&A activity and potential complacency around debt. As we travel the world evaluating businesses and speaking with management teams, it strikes us that the U.S. seems to be the global leader on both fronts. And broadly speaking, we don't believe that valuations in the U.S. appreciate the potential severity of some of these risks.

In general, when comparing U.S. small cap companies to those in other parts of the world, we feel that businesses of similar quality are more expensively priced in the U.S. As a corollary, stocks with similar valuations appear to be of lower quality in the U.S. than in other parts of the world. And so, despite the U.S. making up roughly half of the global investment universe for small cap stocks, our portfolio has less than a 10% weight in U.S. domiciled companies.

As a result, when U.S. small caps outperform their global peers, especially when buoyed by an appreciating U.S. dollar, it's not surprising that our strategy might lag its benchmark, as it did in Q2. With that said, the absolute return in our global small cap strategy was positive.

Currency impacts seem to come up frequently when discussing quarterly results—and yes, they can and do have an impact in the short-term. But consider the following: when the euro first went into circulation in 1999, the EUR/USD exchange rate was 1.18. Almost twenty years later, at the end of the second quarter, it stood virtually unchanged at 1.17. The lesson is that over the long-term, stock price movements matter far more to investors than short-term exchange rate fluctuations.

## Mawer Emerging Markets Equity Fund: -5.8%

Emerging markets equities often come under pressure during periods of U.S. dollar strength. For example, the Brazilian real lost over 10% of its value relative to the U.S. dollar in the second quarter, which was naturally felt by the stocks of domestically-oriented businesses like portfolio holding Itau Unibanco, Brazil's second largest bank, which suffered a double-digit decline in Canadian dollar terms. Despite the drop in prices and the macro-economic headwinds facing Brazil, we believe that Itau Unibanco will be able to deliver solid results over time. It is more conservatively managed than many of its peers and has emerged from past recessions in a position to gain share from its weakened competitors, similar to what HDFC Bank has managed to do repeatedly in India.

While emerging markets equities were the weakest performing asset class over the period and suffered negative returns, it wasn't all bad news. Many of our portfolio holdings performed quite well, which allowed the Fund to fall less in value than its benchmark. One of the portfolio's largest holdings, Hong Kong-based AIA, enjoyed a boost as the life insurer benefitted from an earlier-than-expected relaxing of restrictions around its ability to operate in mainland China which we expect will allow AIA to expand into new jurisdictions. These are typically areas with low penetration of life insurance alongside rising per capita income and an increasingly aging population that should increase demand for AIA's services.

## Mawer Canadian Equity Fund: 4.5%

As mentioned in the Market Overview, oil prices rose during the quarter which meant that the energy sector was one of the standout performers in the Canadian equity market, returning 16%. As of the end of the quarter, we had just shy of 12% of the Fund invested in energy companies which, in the context of a well-diversified portfolio, we consider to be a pretty healthy weight. However, given the structure of the Canadian equity market that has a disproportionate number of commodity-linked companies, this falls well short of the benchmark's 20% weight. Given our substantial underweight, we're not terribly surprised to have lagged the benchmark when the energy sector rises meaningfully in a single quarter.

Digging a bit deeper, there were also some divergences within the stocks we owned in the energy sector. Several of our holdings actually generated negative returns despite the rise in oil prices. One example was Kinder Morgan Canada, which dominated headlines throughout April and May as the Canadian government eventually agreed to purchase the Trans-Mountain Pipeline following Kinder Morgan's May 31st ultimatum to have the expansion project approved. We thought the price tag was reasonably fair to all parties, but the market reacted negatively to the saga as this effectively converts the company into a cash position with a few remaining assets. Put otherwise, this is now quite a defensive energy investment…not one that should be expected to keep pace as oil hits multi-year highs.

On the flip side, two of our largest holdings, Suncor and Canadian Natural Resources, responded favourably to the rise in oil prices. But the reason we own these companies isn't due to a speculative forecast around oil prices—far from it. Rather, it harkens back to our earlier discussion around wealth-creation. For a company to have a durable competitive advantage, it needs to be able to sell its products and services at a higher price than that of its competitors or be able to produce its goods at a lower cost. (Ideally, both!) Clearly, energy companies aren't able to differentiate much on the price at which they sell their oil; they have no pricing power. But we own Suncor and Canadian Natural Resources because they are two of the lowest cost operators in the oil sands, having significantly increased their capacity utilization and driven down their costs of production in recent years. Additionally, due to the large capital expenditures they've made over the past decade, they now stand to benefit from significant cash flow generation which can be used to pay down debt, increase dividends, repurchase stock, or acquire additional assets. If managed well, this should be wealth-creating for shareholders. And so despite our overall underweight in energy, these two companies thoroughly deserve their place among some of the larger weights in the portfolio.

## Mawer New Canada Fund: 0.8%

It was a very similar story for our Canadian small cap portfolio. Both our stock selections and the sectors in which we were positioned led to our significant underperformance in the quarter—but it was largely energy. In addition to being underweight this top-performing sector, many exploration and production (E&P) companies in the index performed very well, whereas our energy holdings did not keep up with rising crude prices. Two examples include CES Energy Solutions and ZCL Composites, which were each down over 20%, which contrasted sharply with the sector as a whole which was up 18%. CES, as with many other energy services companies, performed poorly in the quarter as rising oil prices did not translate into better margins for service companies. Fiberglass storage tank manufacturer ZCL sells to fuel retailers, a segment of the industry that did not benefit from rising oil prices. It also reported a shrinking backlog and a decline in its gross profits. The ripple effects extended beyond the energy sector. Within materials, Winpak and Intertape Polymer Group, two plastics manufacturers, reported weaker margins as hydrocarbons are an input to their manufacturing process.

## Mawer Global Bond Fund: –1.3%

The Mawer Global Bond Fund return was slightly negative this quarter. The Fund's negative absolute total return was primarily due to its exposure to the euro as the Canadian dollar strengthened against the euro. The Fund's U.S. dollar denominated bond exposure partially offset the negative impact of the euro as the U.S. dollar appreciated against the Canadian dollar. Potential reasons for U.S. dollar strength include supportive economic data, solid earnings, increasing interest rates and safe-haven demand during a period of rising uncertainty due to escalating trade war rhetoric and geopolitical developments. From a relative perspective, the Fund outperformed its benchmark. The main driver of the outperformance was the underweight and outperformance in euro denominated bonds. In local currency terms, the Fund's euro denominated holdings benefitted from our lower relative duration and lack of exposure to Italian and Spanish government bonds. These were the worst performing countries in the Eurozone as the Italian Sovereign bond market continued to face pressure following the formation of a populist coalition government in Italy.

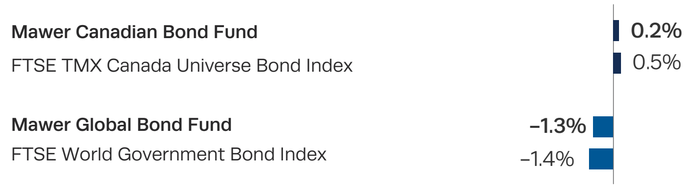
## Mawer Canadian Bond Fund: 0.2%

The Mawer Canadian Bond Fund's return was positive while slightly underperforming the benchmark. Over the period, the Canadian sovereign yield curve flattened as yields on short-term securities increased while yields on long-term securities decreased. The primary driver of the Fund's positive return was its exposure to government bonds, with the provincial sector its largest contributor. The Fund underperformed the benchmark mainly due to positions in the infrastructure and financial sectors.

Despite increasing uncertainty potentially caused by tighter financial conditions, escalating trade war rhetoric, elevated Canadian consumer debt, and equity market volatility, the Canadian bond market appears to be functioning well. The Canadian new issue bond market had one of the busiest quarters on record. The Fund participated in ten new issues over this period. Notably, three new issuers were added to the Fund: The Province of Saskatchewan, CCL Industries Inc. and Canadian Tire Corporation.

### Income Funds performance relative to Index (C$)

(Q2 2018 – A Series, Net of Fees)



# Looking Ahead

As we look ahead, there appear to be three prevailing themes that could impact asset valuations. An escalation of trade sanctions could disrupt the growth dynamic that we have been experiencing for an extended period of time; rising corporate debt levels could choke off profitability and add risk to the financial system; and, rising interest rates could lead to rising costs, slowing revenues, lower corporate profitability, and ultimately a recession.

### 1, 2, 3, 4, I declare a trade war

Currently, tariffs, duties, and general economic friction in the form of more red tape for trade conditions are the key issue in the financial press. We acknowledge this as a growing risk. If it continues to escalate and it culminates in a global trade war, we anticipate asset prices will react negatively across the board. That said, we do not anticipate making any speculative portfolio changes in an attempt to predict the winners and losers of new trade policies. What we have been doing is checking in with the management teams of the companies we own and asking for their thoughts. Thus far, we are hearing a lot of "not much," "it is difficult to say until we actually see policy enacted," or simply a description of the flexibility they have in their business models to adjust to new rules. Tariffs are not necessarily a permanent shift of competitive dynamics if a company has the ability to shift production. Without wanting to speculate, we believe our best defense against a global trade war is to own a diverse set of businesses that can adjust to varying conditions over time—that is the essence of a quality wealth-creating business run by a strong management team. As a result, we continue to own companies like Saputo which is likely to be in the cross-hairs of trade issues between Canada and the U.S. but has a global network and operations in both countries that offer management the levers to adjust to new conditions.

Of course, should some of these trade disputes be resolved, it may act as a catalyst for asset prices to continue to climb. This is yet another reason why we feel a diversified approach is sensible rather than making significant changes to our strategy.

### Risk radar flashing on corporate debt levels

While the trade war rhetoric steals the headlines, what is perhaps a bit in the background but much more relevant to us as fundamental, bottom-up investors, is the rising debt levels of corporations. Both the Federal Reserve and the Bank of England have voiced rising corporate debt as a key indicator they are watching. According to Moody's Investor Service, the debt of nonfinancial companies in the U.S. sits at a record 74% of GDP and it has grown faster than corporate earnings, with balance sheet leverage now 20% higher than it was before the financial crisis of 2008-2009. The worry as fundamental investors is that when growth slows while interest rates rise at a time of peak leverage, it puts pressure on companies to service debt. We are not against a company having a reasonable amount of leverage to efficiently pursue returns-on-capital above its cost-of-capital. However, a business with too much debt, large investments in projects that have yet to produce positive cash flow, and a rising cost of capital is a situation we prefer to avoid.

With corporate leverage generally high, we have been emphasizing those businesses with lower leverage levels than peers (e.g., in the U.S. we trimmed LKQ due, in part, to its higher leverage levels). Our portfolios are not absent leverage, but we tend to decrease our rating of quality for companies as debt levels rise. This quarter, our interactions with company management teams—of both companies we own and many we do not—revealed some evidence that there is an attitude toward debt that suggests the risks are not properly understood. And warning signs of this can be seen in many places, whether it be a surge in mergers and acquisition activity, financing of new projects solely with debt, "new" financial ratios that make high leverage somehow sound like low leverage, or issuing debt just to buyback shares. However, making a judgment on the amount of debt a company utilizes is embedded in our research process. What we tend to find is the businesses best positioned to succeed over the long-term well understand the risks of leverage and therefore tend to not feature access to debt as a key component of their execution strategy.

### Central to the way forward

Central Banks globally have been a key reason behind the duration of the current market cycle. The so-called central bank put—the expectation that if markets hit a rough patch, central banks will simply move in to provide accommodative conditions—could be coming to an end. The U.S. Federal Reserve is the most widely followed and this quarter saw its new Governor communicate to markets that the path forward is for continued increases—two more in 2018, three in 2019, and one in 2020. Bloomberg's indicator of interest rate expectations reveals that among the 35 countries in the measure, only Turkey is expected to have lower short-term interest rates over the next year. What this means is that central banks are signalling a gradual path to higher interest rates. While this can be achieved alongside continued GDP and corporate profit growth, higher rates could also choke off growth.

One measure the market uses as a litmus test of the appropriate level of interest rates is to calculate the spread between the U.S. 2-year and the U.S. 10-year bond yield. This is called the 2-10 curve and it ended the quarter at its lowest point since 2007 at 33 basis points (0.33%). The 2-10 curve has been a reasonable predictor of U.S. economic recessions since the 1950s: after it has turned negative (i.e., inverted) a U.S. economic recession has followed anywhere between one month and eighteen months. This is one reason why it gets so much attention and the reason we highlight it here. Should the Fed get its tightening path wrong, asset prices are at risk along with continued economic growth. Our defence against such an occurrence is two-pronged:

1. We tend to avoid highly leveraged companies (as previously discussed in the section on corporate leverage).
2. We also tend to have less exposure to highly cyclical companies. Companies that are highly cyclical have less room to manoeuvre during recessions and even less so if they happen to be overindebted.

## Conclusion: Worry macro, think micro.

Perhaps it is best to sum up by saying we worry macro, and think micro. In practice this means we are aware that at any point in time a macro-economic event could be problematic for portfolios. However, we take the stance that these events are far more difficult to predict, and our ability to consistently put the odds in clients' favour is of such low probability, that the best way to address the worry is to ensure we have a well-diversified portfolio. On the micro level, we believe that by following our investment philosophy and process we are in a better position to add value over the long-term. Each quarter, we have hundreds of conversations with management teams, suppliers, customers and competitors of the businesses we own in order to better understand the fundamentals and make the most informed decisions possible. All of this is put into practice to improve our bottom up approach while supporting the construction of resilient diversified portfolios.

MAWER
Be Boring. Make Money.™

# Total Net Returns (Series A)

**For periods ending June 30, 2018**

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| Equity Funds | 3-Mo | YTD | 1-Yr | 3-Yr | 5-Yr | 10-Yr |
|---|---|---|---|---|---|---|
| **Mawer International Equity Fund** | **1.2** | **3.3** | **10.4** | **9.7** | **13.1** | **8.1** |
| International Equity Benchmark* | -0.6 | 1.0 | 8.7 | 6.8 | 11.3 | 5.6 |
| **Mawer U.S. Equity Fund** | **4.5** | **9.4** | **15.1** | **12.7** | **17.3** | **12.1** |
| S&P 500 Index | 5.5 | 7.8 | 15.8 | 13.9 | 18.5 | 13.1 |
| **Mawer Global Equity Fund** | **3.1** | **5.8** | **13.1** | **11.0** | **15.3** | **–** |
| Global Equity Benchmark* | 2.6 | 4.5 | 12.2 | 10.3 | 14.8 | – |
| **Mawer Global Small Cap Fund** | **2.4** | **4.1** | **12.9** | **11.3** | **18.5** | **15.2** |
| Global Small Cap Benchmark* | 4.0 | 6.5 | 15.3 | 11.2 | 15.2 | 10.2 |
| **Mawer Emerging Markets Equity Fund** | **-5.8** | **-2.7** | **3.3** | **–** | **–** | **–** |
| MSCI Emerging Markets Index | -6.1 | -2.0 | 9.6 | – | – | – |
| **Mawer Canadian Equity Fund** | **4.5** | **0.5** | **6.3** | **7.2** | **11.2** | **8.3** |
| S&P/TSX Composite Index | 6.8 | 1.9 | 10.4 | 7.0 | 9.2 | 4.2 |
| **Mawer New Canada Fund** | **0.8** | **-2.5** | **2.0** | **5.1** | **12.6** | **11.5** |
| New Canada Benchmark* | 6.6 | -1.7 | 5.4 | 5.4 | 6.3 | 4.0 |
| **Balanced Funds** | | | | | | |
| **Mawer Global Balanced Fund** | **1.9** | **4.0** | **8.1** | **7.1** | **–** | **–** |
| Internal Global Balanced Benchmark* | 1.4 | 3.7 | 8.1 | 7.0 | – | – |
| **Mawer Balanced Fund** | **1.9** | **2.9** | **6.8** | **6.7** | **10.2** | **8.2** |
| Internal Balanced Benchmark* | 2.6 | 2.4 | 7.2 | 6.2 | 8.8 | 6.4 |
| **Mawer Tax Effective Balanced Fund** | **1.9** | **2.8** | **6.7** | **6.7** | **10.1** | **8.1** |
| Internal Tax Effective Balanced Benchmark* | 2.6 | 2.4 | 7.2 | 6.2 | 8.8 | 6.3 |
| **Income Funds** | | | | | | |
| **Mawer Global Bond Fund** | **-1.3** | **3.1** | **1.1** | **1.8** | **–** | **–** |
| FTSE World Government Bond Index | -1.4 | 4.0 | 3.2 | 4.6 | – | – |
| **Mawer Canadian Bond Fund** | **0.2** | **0.2** | **-0.2** | **1.2** | **2.7** | **3.7** |
| FTSE Canada Universe Bond Index | 0.5 | 0.6 | 0.8 | 2.0 | 3.5 | 4.5 |
| **Mawer Canadian Money Market Fund** | **0.1** | **0.2** | **0.3** | **0.1** | **0.2** | **0.3** |
| FTSE 91 Day T-Bill Index | 0.3 | 0.6 | 1.0 | 0.6 | 0.7 | 0.9 |

* Refer to www.mawer.com/funds/performance/ for Benchmark History.

Mawer Mutual Funds are managed by Mawer Investment Management Ltd. Mawer Mutual Fund returns are reported in Canadian dollars and calculated after management fees and operating expenses have been deducted. In comparison, index returns do not incur management fees or operating expenses.

Index returns are supplied by a third party—we believe the data to be accurate, however, cannot guarantee its accuracy. Index returns sourced from FTSE Russell, FactSet and BMO Capital Markets.

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Performance returns for the Mawer Mutual Funds and benchmarks are calculated by Mawer Investment Management Ltd. These returns are historical simple returns for the 3 month, YTD and 1 year periods, and annualized compounded total returns for periods after 1 year. They include 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.