

Market overview

The positive performance of global equities continued into the second quarter of 2021 and economic growth expectations picked up in parts of the world, though the recovery in some regions faced headwinds due to an uneven vaccine rollout. Expanding economic activity drove the continued oil price rally and the Canadian dollar gained against the U.S. dollar and numerous other major currencies.

Inflation remained top-of-mind for investors and central banks. While indicators of inflation rose over the quarter, pundits disagreed whether it is temporary or will be sustained. We also saw the level of long-term interest rates in Canada and the United States stabilize after moving higher in the first quarter. Given the economic recovery and signs of rising inflation, central banks in many countries have begun laying out timelines to normalize monetary policy, such as increasing policy rates and tapering asset purchase programs.

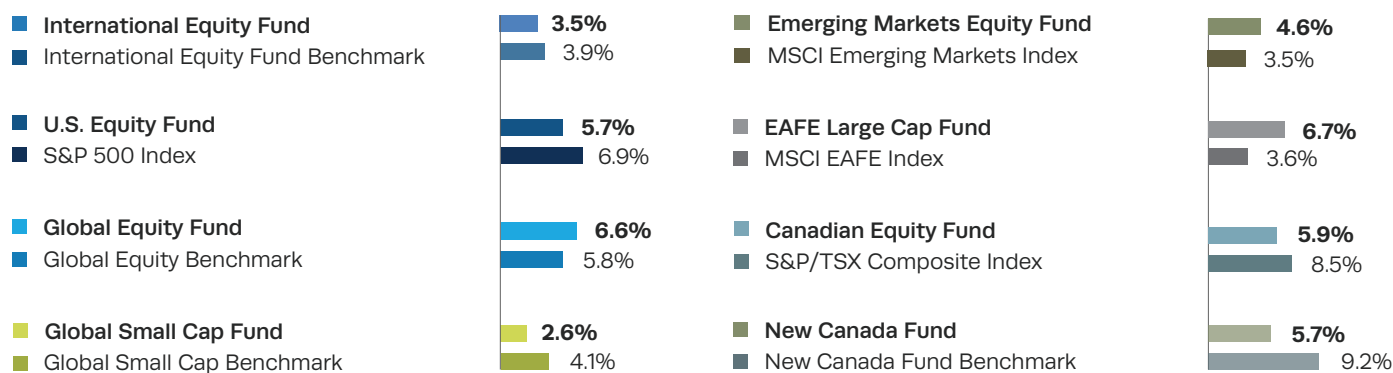
How did we do?

Performance has been presented for the A-Series Mawer Mutual Funds in Canadian dollars and calculated net of fees for the 3-month period of April 1 – June 30, 2021.

Equities

Our equity portfolios provided robust positive returns in the second quarter, while on a relative basis we received mixed results as some of our portfolios were not able to keep pace with their benchmarks.

Chart A: Q2 2021, Series A, Net of fees



How did we do? (cont'd)

Areas of strength during the quarter:

- Energy companies such as **Canadian Natural Resources** and **Suncor Energy** performed well driven by higher oil prices and the prospect of increased demand as the reopening of economies continued.
- Many higher growth companies reported strong results amid the pick-up in broad economic activity including **Shopify**, Taiwan e-commerce company **momo.com**, and **Alphabet**. These higher growth companies tend to have increased sensitivity to a change in discount rates and were supported as long-term interest rates stabilized over the period.
- Several higher-quality businesses that were not as well rewarded in the recovery were strong performers this quarter including publisher **Wolters Kluwer**, pharmaceutical company **Novo Nordisk** and insurance broker **Marsh & McLennan Companies**.

By contrast, areas of weakness highlighted the unevenness of the global recovery and the ongoing impact COVID-19 is having on business models.

- Our Japanese drug store holdings **Sundrug**, **Tsuruha**, and **Kusuri No Aoki** continued to languish as the bump in pandemic-related sales waned while the recovery in customer traffic, particularly in urban locations, is taking time.
- With ongoing travel restrictions and an uneven return of customers across regions, our travel booking companies **On The Beach** and **Booking Holdings** encountered headwinds during the period.

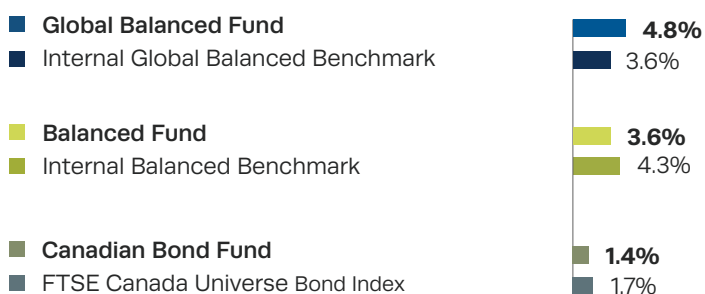
We are also noticing weakness in companies where the potential for a change in regulations could impact the industry in which they operate. After school tutoring service **New Oriental Education and Technology Group** and internet platform **Tencent**, are two companies that exhibited weakness this quarter given the potential for increased regulation impacting their business models.

Overall, equity markets were strong in the second quarter of 2021 as a result of a combination of positive factors including a favourable economic outlook and strong consumer confidence. Despite many positives, we are mindful of contrary forces such as the signs of inflationary pressures. Input cost inflation was a common theme during conference calls and investors were aware of the impact interest rate expectations can have on longer duration equities. As we transition to a post pandemic world with ample uncertainties, increasingly difficult to interpret economic data, and conflicting signals we are focused on remaining balanced and not overly exposed to any specific outcome.

Balanced and Canadian Bonds

Canadian bonds recovered in the second quarter of 2021 benefiting from a slight decline in long-term interest rates as the rise in interest rates that contributed to first quarter losses stabilized. For balanced investors, even with positive bond returns, our relative overweight in equities and underweight in bonds continued to support performance from an asset mix perspective.

Chart B: Q2 2021, Series A, Net of fees



Looking ahead

As global markets have continued to be pulled forward by investor optimism, we are aware of the ongoing threats of setbacks. Potential risks include COVID-19 variants influencing reopening plans, geopolitical risks such as rising U.S.-China tensions, and uncertainty around inflation and the extent to which it will persist above target levels. With macroeconomic news dominating the headlines, it is important to remember that we do not make predictions from a top-down perspective. We think the best way to handle macro risks is to stay grounded in the middle, not shifting one way or the other due to factors outside of our control. As we navigate the transition to a post-pandemic world, our focus remains on adhering to our investment philosophy and process. We believe this focus can create resiliency and attractive, long-term results for our clients.

Total net returns (Series A)

For periods ending June 30, 2021

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Equity funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	2.8	3.5	16.3	7.1	9.0	10.0	8.2
International Equity Benchmark*	6.1	3.9	23.4	7.2	9.9	8.9	5.6
Mawer U.S. Equity Fund	7.1	5.7	20.2	15.7	15.4	16.9	8.9
S&P 500 Index	12.0	6.9	28.0	16.3	16.5	17.7	10.4
Mawer Global Equity Fund	8.7	6.6	18.4	12.4	12.8	13.9	13.2
Global Equity Benchmark*	9.2	5.8	26.6	12.3	13.4	13.3	12.4
Mawer Global Small Cap Fund	5.4	2.6	24.1	12.1	13.5	16.2	13.0
Global Small Cap Benchmark*	12.2	4.1	40.1	10.0	13.3	12.1	8.5
Mawer Emerging Markets Equity Fund	5.1	4.6	25.6	10.2	–	–	10.3
MSCI Emerging Markets Index	4.4	3.5	28.1	9.1	–	–	11.1
Mawer EAFE Large Cap Fund	6.1	6.7	18.3	–	–	–	19.5
MSCI EAFE Index (net)	5.8	3.6	20.3	–	–	–	20.7
Mawer Canadian Equity Fund	14.5	5.9	28.8	8.4	9.1	9.5	9.5
S&P/TSX Composite Index	17.3	8.5	33.9	10.8	10.8	7.4	8.7
Mawer New Canada Fund	12.3	5.7	42.8	16.7	12.3	14.0	13.9
New Canada Benchmark*	19.8	9.2	57.7	9.2	7.6	4.3	7.9
Balanced funds							
Mawer Global Balanced Fund	4.6	4.8	10.6	9.1	8.6	–	9.7
Internal Global Balanced Benchmark*	3.0	3.6	12.8	8.7	8.8	–	9.5
Mawer Balanced Fund	3.7	3.6	13.0	8.5	8.2	9.4	8.5
Internal Balanced Benchmark*	6.0	4.3	17.7	8.4	8.3	8.1	8.0
Mawer Tax Effective Balanced Fund	3.6	3.6	12.9	8.5	8.2	9.3	8.1
Internal Tax Effective Balanced Benchmark*	6.0	4.3	17.7	8.4	8.3	8.0	8.1
Income funds							
Mawer Canadian Bond Fund	-3.7	1.4	-2.8	3.8	2.0	3.3	5.6
FTSE Canada Universe Bond Index	-3.5	1.7	-2.4	4.2	2.6	3.9	6.7
Mawer Canadian Money Market Fund	0.0	0.0	0.0	0.6	0.4	0.3	3.1
FTSE Canada 91 Day TBill Index	0.1	0.0	0.1	1.1	1.0	0.9	3.8

* Refer to www.mawer.com/funds/performance/ for Fund Inception Dates and 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 are sourced from FTSE Russell, FactSet, and BMO Capital Markets.

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.

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