



# Mawer Quarterly

Fourth Quarter 2024

## Market Overview

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

The Canadian economy remained sluggish, with slowing GDP growth, cooling inflation, and rising unemployment driven by strong population increases. Ongoing interest rate cuts by the Bank of Canada were meant to counteract the economic softness, yet trade threats and political developments in Ottawa weighed heavily on confidence. The Canadian dollar weakened further in the quarter, on account of continued strength in the U.S. dollar and perhaps signaling market concerns about the country's economic trajectory.

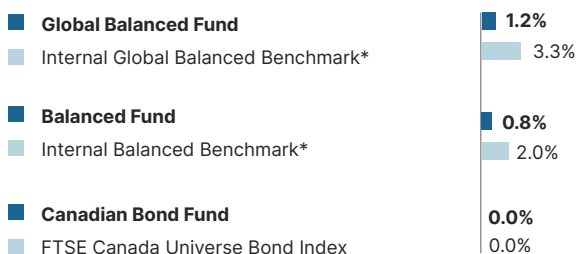
The final quarter of 2024 presented mixed market performances and evolving macroeconomic dynamics. U.S. equities continued to perform well, particularly large and mid-cap stocks, bolstered by optimism surrounding deregulation and a business-friendly environment under the re-elected administration. Meanwhile, Canadian equities showed modest performance, while small caps were negatively impacted as interest rates rose during the quarter. International and emerging market equities lagged the U.S. reflecting broader global challenges, including geopolitical fragmentation, a stronger U.S. dollar, and trade tensions.

## How Did We Do?

*Performance has been presented for the O-Series Mawer Mutual Funds in Canadian dollars and calculated gross of management fees and net of operating expenses for the 3-month period ending December 31, 2024.*

### Balanced and Canadian Bond

Chart A: Q4 2024, Series O, Gross of fees

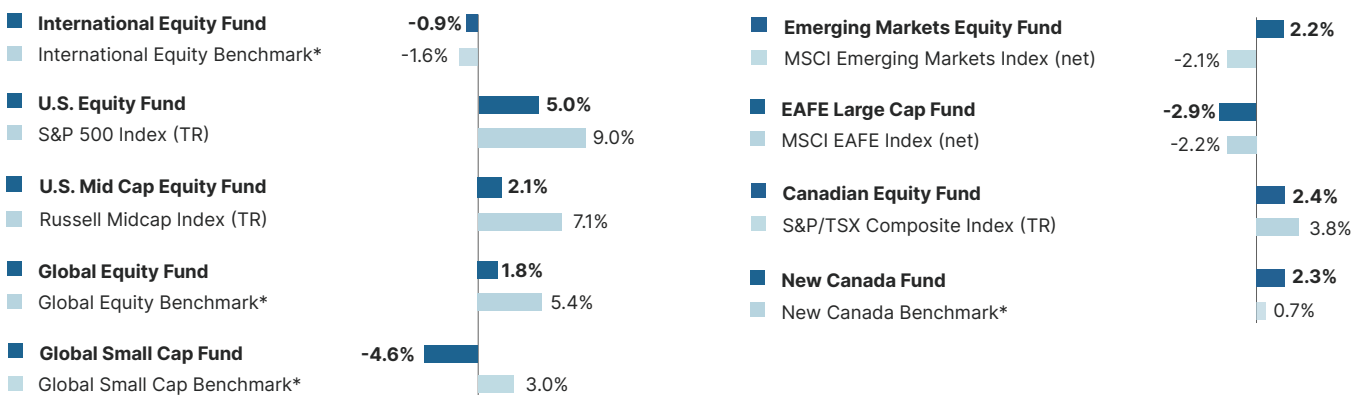


Absolute returns for our balanced investors were positive in the fourth quarter and for the previous 12 months given strong double-digit returns across most equity markets, and mid-single digit total returns from Canadian bonds.

Relative performance, however, did lag the benchmark due to the underperformance of some of our equity strategies over the quarter. Our U.S. equity strategy struggled to keep pace with a market driven by a few high-flying technology/consumer stocks (i.e. NVIDIA, Broadcom, Tesla, Meta, Netflix, and Apple). Performance for our global small cap equity strategy fell short of our expectations due to our underweight in U.S.—an area of the market that has experienced exuberance—and headwinds facing some holdings. That being said, we believe the portfolio is well-positioned for the future given our disciplined focus on valuation and that many of the headwinds may be temporary. On a positive note, our international equity strategy helped relative performance as it outperformed its benchmark over the quarter. Canadian bonds performed in line with the benchmark.

## Equities

Chart B: Q4 2024, Series O, Gross of fees



Many of our financial companies performed well this quarter, benefiting from steepening of the yield curve and general optimism in the outlook for capital markets. **Brookfield Asset Management** 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. Canadian life and health insurance company, **IA Financial**, exceeded 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 investment management.

Another high-quality financial sector business, **Aon**, an insurance brokerage and consulting firm, reported robust results for its core business and recent acquisitions. **Visa**, the world’s largest payment network, continued its strong performance with revenue and profit guidance aligned with its historical track record reassuring shareholders. In addition, **CME Group**, a leading global exchange operator, benefited from strong trading volumes, rate volatility, and election uncertainty.

A recurring theme in the fourth quarter was a strong U.S. currency driven by relatively stronger growth and higher interest rates in the U.S. This benefited some of our international and long-time portfolio stalwarts with U.S. dollar revenue such as **Compass Group** and **Wolters Kluwer**.

Worthy of note, **TerraVest Industries**, which manufactures fuel storage tanks, performed exceptionally well over the past year. We believe the company has benefited from strong management execution and an increased capital market following. In fact, its strong return also led to its inclusion in the S&P/TSX Composite Index.

Regarding artificial intelligence (AI), we believe we are in the earlier stages of AI deployment and therefore long-term “winners” and “losers” are too difficult to predict. As such, we maintain diversified exposure toward companies that benefit from AI use cases as well as those focused on building AI infrastructure.

**Taiwan Semiconductor Manufacturing Co.** performed well this quarter on strong AI-driven demand and advanced chip technologies. In addition, **Amphenol**, a leading manufacturer of electrical interconnect products and sensors, continued its positive trajectory, with AI-related products driving significant growth.

However, shares of companies that supply critical tools for semiconductor manufacturing, **ASML** and **ASM International**, declined due to concerns over U.S. export restrictions, geopolitical tensions, and weakened demand in specific segments. In addition, **Converge Technology Solutions**, a services-led IT and cloud solutions provider, reported disappointing results due to a slower-than-expected device refresh cycle. However, we believe these headwinds are temporary, and the valuation remains attractive.

In the fourth quarter, some of our “boring” holdings like **Ashtead Group** and **Bunzl**, along with construction machine dealers **Finning International** and **Toromont Industries**, underwhelmed. 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, also saw shares pull back as tougher comparisons loom and management cited deflationary pressures amid a softer consumer outlook. **Stella-Jones**, a leading manufacturer of pressure-treated wood products, saw shares decline following 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.

Finally, the healthcare sector struggled this quarter, impacted by rising medical costs, reimbursement cuts, potential policy changes under the incoming Trump administration related to the Affordable Care Act, Medicaid, and drug pricing, as well as investor preference for growth stocks. Holdings like **Danaher**, **ICON PLC**, and **CVS Health**, along with global pharmaceutical names like **Novo Nordisk** and **AstraZeneca**, detracted from performance. Shares of Novo Nordisk also faced challenges due to weaker-than-expected results for a new treatment.

## Looking Ahead

Looking ahead, Canada faces a mixed outlook. Declining interest rates may stimulate consumer spending and business investment, but challenges such as low productivity, high housing costs, and trade uncertainties linked to the incoming U.S. administration policies could create economic turbulence. Tariffs targeting Canadian exports, despite a weaker Canadian dollar, add further pressure, particularly for industries reliant on cross-border trade. Yet, companies with U.S.-dollar revenues or global operations could capitalize on these dynamics, while a weaker Canadian dollar may drive a surge in M&A activity.

There are times when a quality style approach to investing may seem out of favor, especially in markets driven by speculative enthusiasm. However, we remain steadfast in our belief that disciplined adherence to our philosophy yields attractive, long-term results over entire economic cycles.

Our investment approach is about ignoring fads, staying grounded, and focusing on sustainable wealth-creation rather than getting swept up in market frothiness. In today’s environment, while much attention is concentrated on the “Magnificent 7,” we see compelling opportunities across the broader market—for instance, amongst the remaining 493 companies in the S&P 500 Index and the companies that differentiate themselves with durable business models.

At Mawer, we maintain a long-term investment perspective regardless of market conditions. Through careful analysis and selection of quality investments, we work to grow our clients’ capital over time, while acknowledging that market fluctuations are an inherent part of the investment journey.

# Total Gross Returns (Series O)

For periods ending December 31, 2024

Equity Funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
<b>Mawer International Equity Fund</b>	<b>16.2</b>	<b>-0.9</b>	<b>16.2</b>	<b>3.9</b>	<b>6.8</b>	<b>8.8</b>	<b>9.2</b>
International Equity Benchmark*	15.1	-1.6	15.1	5.3	6.3	7.2	6.2
<b>Mawer U.S. Equity Fund</b>	<b>23.1</b>	<b>5.0</b>	<b>23.1</b>	<b>8.2</b>	<b>12.9</b>	<b>14.3</b>	<b>11.2</b>
S&P 500 Index (TR)	36.4	9.0	36.4	13.8	16.9	15.6	11.5
<b>Mawer U.S. Mid Cap Equity Fund</b>	<b>16.2</b>	<b>2.1</b>	<b>16.2</b>	<b>6.3</b>	-	-	<b>6.9</b>
Russell Midcap Index (TR)	25.8	7.1	25.8	8.4	-	-	8.7
<b>Mawer Global Equity Fund</b>	<b>12.2</b>	<b>1.8</b>	<b>12.2</b>	<b>6.2</b>	<b>10.3</b>	<b>12.1</b>	<b>13.1</b>
Global Equity Benchmark*	28.1	5.4	28.1	10.1	12.4	11.7	11.8
<b>Mawer Global Small Cap Fund</b>	<b>-2.0</b>	<b>-4.6</b>	<b>-2.0</b>	<b>-1.7</b>	<b>3.4</b>	<b>9.2</b>	<b>11.4</b>
Global Small Cap Benchmark*	17.4	3.0	17.4	5.2	8.9	9.6	7.6
<b>Mawer Emerging Markets Equity Fund</b>	<b>26.2</b>	<b>2.2</b>	<b>26.2</b>	<b>2.7</b>	<b>6.2</b>	-	<b>7.1</b>
MSCI Emerging Markets Index (net)	17.3	-2.1	17.3	2.4	3.8	-	6.0
<b>Mawer EAFE Large Cap Fund</b>	<b>9.2</b>	<b>-2.9</b>	<b>9.2</b>	<b>2.9</b>	-	-	<b>8.7</b>
MSCI EAFE Index (net)	13.2	-2.2	13.2	6.1	-	-	9.7
<b>Mawer Canadian Equity Fund</b>	<b>19.0</b>	<b>2.4</b>	<b>19.0</b>	<b>8.0</b>	<b>10.3</b>	<b>9.0</b>	<b>10.4</b>
S&P/TSX Composite Index	21.7	3.8	21.7	8.6	11.1	8.6	8.2
<b>Mawer New Canada Fund</b>	<b>14.1</b>	<b>2.3</b>	<b>14.1</b>	<b>2.3</b>	<b>9.2</b>	<b>9.2</b>	<b>13.3</b>
New Canada Benchmark*	18.8	0.7	18.8	4.1	8.9	5.7	6.3
<b>Balanced Funds</b>							
<b>Mawer Global Balanced Fund</b>	<b>9.4</b>	<b>1.2</b>	<b>9.4</b>	<b>4.0</b>	<b>7.3</b>	<b>8.4</b>	<b>9.3</b>
Internal Global Balanced Benchmark*	18.2	3.3	18.2	6.1	7.7	7.8	8.7
<b>Mawer Balanced Fund</b>	<b>11.9</b>	<b>0.8</b>	<b>11.9</b>	<b>3.2</b>	<b>6.2</b>	<b>7.3</b>	<b>8.0</b>
Internal Balanced Benchmark*	15.2	2.0	15.2	5.0	7.1	6.8	6.5
<b>Mawer Tax Effective Balanced Fund</b>	<b>12.0</b>	<b>0.8</b>	<b>12.0</b>	<b>3.2</b>	<b>6.2</b>	<b>7.3</b>	<b>8.0</b>
Internal Tax Effective Balanced Benchmark*	15.2	2.0	15.2	5.0	7.1	6.8	6.5
<b>Income funds</b>							
<b>Mawer Global Credit Opportunities Fund<sup>1</sup></b>	-	-	-	-	-	-	-
ICE BofA Global Corporate & High Yield Index	-	-	-	-	-	-	-
<b>Mawer Canadian Bond Fund</b>	<b>4.7</b>	<b>0.0</b>	<b>4.7</b>	<b>-0.3</b>	<b>1.1</b>	<b>2.2</b>	<b>3.8</b>
FTSE Canada Universe Bond Index	4.2	0.0	4.2	-0.6	0.8	2.0	3.7
<b>Mawer Canadian Money Market Fund</b>	<b>4.7</b>	<b>1.0</b>	<b>4.7</b>	<b>3.6</b>	<b>2.3</b>	<b>1.6</b>	<b>1.5</b>
FTSE Canada 91 Day TBill Index	4.9	1.1	4.9	3.8	2.5	1.7	1.7

<sup>1</sup> Funds with less than 1 year of performance cannot be shown.

\* Refer to [www.mawer.com/funds/performance/](http://www.mawer.com/funds/performance/) for Fund Inception Dates and Benchmark History.

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

# Total Net Returns (Series A)

For periods ending December 31, 2024

Equity funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
<b>Mawer International Equity Fund</b>	<b>14.6</b>	<b>-1.2</b>	<b>14.6</b>	<b>2.5</b>	<b>5.3</b>	<b>7.3</b>	<b>7.7</b>
International Equity Benchmark*	15.1	-1.6	15.1	5.3	6.3	7.2	5.5
<b>Mawer U.S. Equity Fund</b>	<b>21.7</b>	<b>4.7</b>	<b>21.7</b>	<b>7.0</b>	<b>11.6</b>	<b>13.0</b>	<b>8.9</b>
S&P 500 Index	36.4	9.0	36.4	13.8	16.9	15.6	11.0
<b>Mawer U.S. Mid Cap Equity Fund</b>	<b>14.6</b>	<b>1.7</b>	<b>14.6</b>	<b>4.9</b>	<b>-</b>	<b>-</b>	<b>5.5</b>
Russell Midcap Index (TR)	25.8	7.1	25.8	8.4	-	-	8.7
<b>Mawer Global Equity Fund</b>	<b>10.7</b>	<b>1.5</b>	<b>10.7</b>	<b>4.8</b>	<b>8.9</b>	<b>10.6</b>	<b>11.6</b>
Global Equity Benchmark*	28.1	5.4	28.1	10.1	12.4	11.7	11.8
<b>Mawer Global Small Cap Fund</b>	<b>-3.7</b>	<b>-5.0</b>	<b>-3.7</b>	<b>-3.4</b>	<b>1.6</b>	<b>7.4</b>	<b>9.5</b>
Global Small Cap Benchmark*	17.4	3.0	17.4	5.2	8.9	9.6	7.6
<b>Mawer Emerging Markets Equity Fund</b>	<b>24.3</b>	<b>1.8</b>	<b>24.3</b>	<b>1.1</b>	<b>4.6</b>	<b>-</b>	<b>5.5</b>
MSCI Emerging Markets Index (net)	17.3	-2.1	17.3	2.4	3.8	-	6.0
<b>Mawer EAFE Large Cap Fund</b>	<b>7.8</b>	<b>-3.2</b>	<b>7.8</b>	<b>1.6</b>	<b>-</b>	<b>-</b>	<b>7.3</b>
MSCI EAFE Index (net)	13.2	-2.2	13.2	6.1	-	-	9.7
<b>Mawer Canadian Equity Fund</b>	<b>17.7</b>	<b>2.1</b>	<b>17.7</b>	<b>6.7</b>	<b>9.1</b>	<b>7.8</b>	<b>9.2</b>
S&P/TSX Composite Index	21.7	3.8	21.7	8.6	11.1	8.6	8.7
<b>Mawer New Canada Fund</b>	<b>12.5</b>	<b>2.0</b>	<b>12.5</b>	<b>0.9</b>	<b>7.7</b>	<b>7.8</b>	<b>12.7</b>
New Canada Benchmark*	18.8	0.7	18.8	4.1	8.9	5.7	7.4
<b>Balanced funds</b>							
<b>Mawer Global Balanced Fund</b>	<b>8.3</b>	<b>0.9</b>	<b>8.3</b>	<b>2.9</b>	<b>6.2</b>	<b>7.2</b>	<b>8.1</b>
Internal Global Balanced Benchmark*	18.2	3.3	18.2	6.1	7.7	7.8	8.7
<b>Mawer Balanced Fund</b>	<b>10.9</b>	<b>0.6</b>	<b>10.9</b>	<b>2.3</b>	<b>5.3</b>	<b>6.4</b>	<b>8.0</b>
Internal Balanced Benchmark*	15.2	2.0	15.2	5.0	7.1	6.8	7.8
<b>Mawer Tax Effective Balanced Fund</b>	<b>11.0</b>	<b>0.6</b>	<b>11.0</b>	<b>2.3</b>	<b>5.3</b>	<b>6.4</b>	<b>7.7</b>
Internal Tax Effective Balanced Benchmark*	15.2	2.0	15.2	5.0	7.1	6.8	7.8
<b>Income funds</b>							
<b>Mawer Global Credit Opportunities Fund<sup>1</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
ICE BofA Global Corporate & High Yield Index	-	-	-	-	-	-	-
<b>Mawer Canadian Bond Fund</b>	<b>4.0</b>	<b>-0.2</b>	<b>4.0</b>	<b>-0.9</b>	<b>0.5</b>	<b>1.5</b>	<b>4.9</b>
FTSE Canada Universe Bond Index	4.2	0.0	4.2	-0.6	0.8	2.0	5.9
<b>Mawer Canadian Money Market Fund</b>	<b>4.2</b>	<b>0.8</b>	<b>4.2</b>	<b>3.1</b>	<b>1.9</b>	<b>1.1</b>	<b>3.0</b>
FTSE Canada 91 Day TBill Index	4.9	1.1	4.9	3.8	2.5	1.7	3.8

<sup>1</sup> Funds with less than 1 year of performance cannot be shown.

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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.

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