MAWER quarterly

Second Quarter 2022

Market overview

Investors have had a punishing year so far in 2022, and in the second quarter there were even fewer places to hide. Many themes from the beginning of the year have persisted, most notably inflation continued to reach multi-decade highs. In the second quarter, the commitment by central banks (such as the U.S. Federal Reserve) to tame inflation and the increased probability of a recession had a profound effect on risk assets, with both bonds and equities once again experiencing significant declines. Commodity-heavy markets such as Canadian equities, that were able to weather the storm in the first quarter, were also unable to escape the fall as metals prices pulled-back from recent highs.

Despite a reversal toward the end of the quarter, bond yields moved higher in most major economies. Credit spreads also widened, and, in a further sign of heightened investor anxiety, both the euro and the Japanese yen slid to multi-decade lows relative to the U.S. dollar.

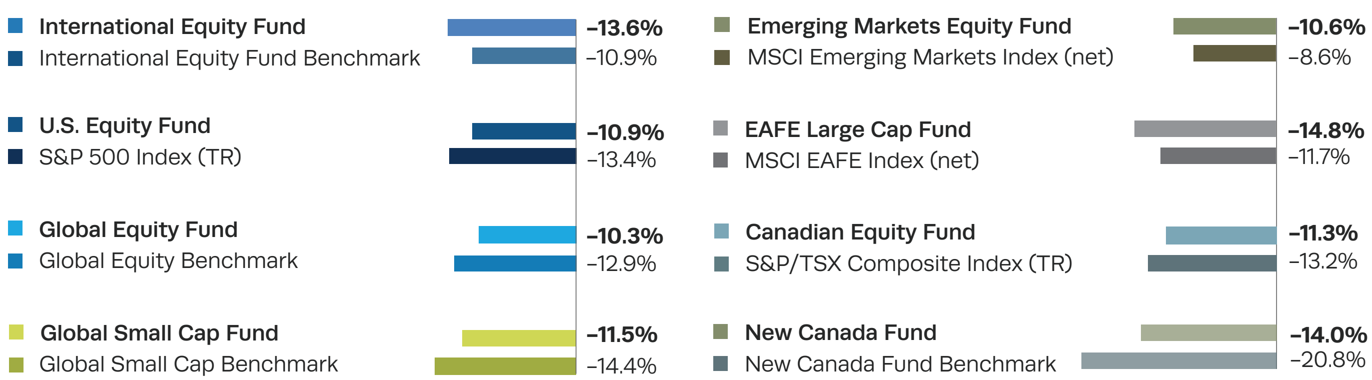
How did we do?

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, 2022.

This quarter saw another period of significant declines for equity markets as the combination of higher discount rates and a more muted outlook with respect to companies' top-line growth and margins have added further fuel to the sell-off.

Equities

Chart A: Q2 2022, Series A, Net of fees



Many of the same themes that played out in the early part of 2022 continued in the second quarter. Most notably, another move higher for discount rates has continued pressuring stock prices on businesses more sensitive to rising interest rates. Examples of higher growth holdings that had their stock prices pull back in the quarter include **Amazon.com**, payments processor **Adyen**, and IT value-added reseller **Converge Technology Solutions**.

How did we do? (cont'd)

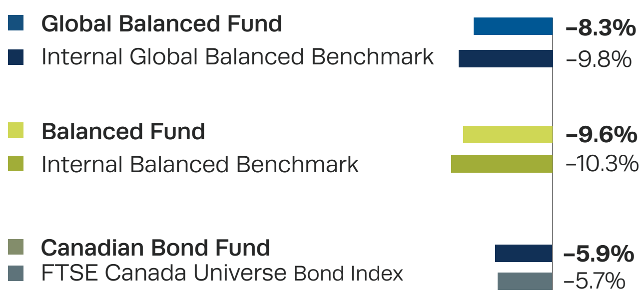
Overall, as the interest rate environment has evolved, we have been lowering our exposure to holdings more sensitive to rising interest rates, which is often also where valuations appear stretched.

More recently, as concerns about the economic outlook have grown, it is no longer just inflationary concerns and discount rate considerations that are impacting stock prices. Given an increasing probability of a recession, stock prices declined for holdings such as **Taiwan Semiconductor Manufacturing**, a business where end market demand could wane in a recessionary environment, and **Ashtead Group**, an economically sensitive construction equipment rental company. In both of these cases the pullback is due less from recent results, and more from uncertainty in the economic outlook. More cyclical businesses such as those within metals and mining also experienced sharp declines over the second quarter. Our general underweight exposure to such materials businesses, which we believe are typically less competitively advantaged, had a positive impact on relative performance.

One of the key elements of our investment philosophy is to seek wealth-creating companies that exhibit sustainable competitive advantages. As recession worries grow, boring businesses with more stable and recurring revenues—those with competitive advantages that allow them to exert pricing power in the face of inflationary pressures without impairing demand for their products or compromising their competitive position—may be in a better place to endure. More recent relative performance has reflected this trend, as businesses fitting this category have weathered the storm comparatively better this quarter. Examples of holdings that have managed to outperform include **Novo Nordisk**, a Danish pharmaceutical company that focuses on treatments for diabetes, **Hydro One**, a Canadian utility, and **Essity**, a Swedish hygiene and health company.

Balanced and Canadian Bond

Chart B: Q2 2022, Series A, Net of fees



Mawer's balanced funds declined over the second quarter as both bond and equities finished with negative returns. With Canadian bonds' notable fall in the first half of 2022, their long-term return potential has improved as yields are no longer hovering near historic lows.

From an asset mix perspective, we continued to trim our equity target weight in the quarter, while electing to increase the cash target. Higher cash weights help lower the overall sensitivity to rising rates and give us greater optionality to reinvest moving forward. Overall, we have steadily reduced our equity weight in the last six months.

Looking ahead

While predicting the economy's future is an exceptionally tough task, as we have mentioned above, the probability of a recession has grown as it appears increasingly difficult to get inflation under control without impairing economic growth. The risk that inflation becomes entrenched could also rise as we see signs of changing inflation expectations with workers demanding higher wages. On top of being impacted by rising interest rates, global growth is also facing headwinds from higher food and energy prices that are eroding consumer purchasing power and the COVID-19 lockdowns in China that are dampening economic activity.

Looking ahead (cont'd)

Even though the possibility of a soft landing appears increasingly challenging for central banks to achieve, nothing is a foregone conclusion. And despite the plethora of economic and geopolitical challenges, there is a possibility of positive surprises that the market may have overlooked including the potential for subsiding inflationary pressures, China relaxing its zero COVID-19 policy, and a resolution to the war in Ukraine.

While the risks may appear heavily one-sided, we have been focused on ensuring that our emotions stay balanced. Our philosophy and process orient us toward businesses that are enduring, that have the ability to exercise pricing power through the value propositions they provide to their customers, and that are run by able and honest managers. We have been revisiting our discounted cash flow models to ensure that they reflect the economic scenarios that many of these businesses may face, and we've been speaking with management teams to understand how they're planning to tackle a potentially more challenging environment.

Considering the many risks facing the economy, our own path continues to be playing the plan: focusing on the fundamentals of the businesses we own and adhering to our investment process. We also see market volatility as a potential opportunity to invest in many high-quality businesses that we have previously passed on due to valuation.

Total net returns (Series A)

For periods ending June 30, 2022

MAWER
Canada • U.S. • Singapore

t 403 262 4673
800 889 6248
e info@mawer.com
w mawer.com

Equity funds	YTD	3–Mo	1–Yr	3–Yr	5–Yr	10–Yr	Since Inception*
Mawer International Equity Fund	**–24.9**	**–13.6**	**–21.7**	**–2.0**	**1.2**	**7.9**	**7.2**
International Equity Benchmark*	–16.7	–10.9	–16.1	0.9	2.4	8.0	4.9
Mawer U.S. Equity Fund	**–18.7**	**–10.9**	**–6.2**	**7.7**	**10.8**	**15.2**	**8.3**
S&P 500 Index (TR)	–18.3	–13.4	–6.9	10.1	11.2	15.6	9.8
Mawer U.S. Mid Cap Equity Fund[1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Russell Midcap Index (TR)	–	–	–	–	–	–	–
Mawer Global Equity Fund	**–17.3**	**–10.3**	**–7.7**	**5.6**	**8.2**	**12.7**	**11.4**
Global Equity Benchmark*	–18.5	–12.9	–12.2	5.8	6.9	11.8	10.2
Mawer Global Small Cap Fund	**–22.8**	**–11.5**	**–23.2**	**0.1**	**4.1**	**12.7**	**10.1**
Global Small Cap Benchmark*	–20.6	–14.4	–18.6	3.9	4.5	10.5	6.4
Mawer Emerging Markets Equity Fund	**–30.4**	**–10.6**	**–33.3**	**–5.3**	**–1.6**	**–**	**0.5**
MSCI Emerging Markets Index (net)	–15.9	–8.6	–22.2	0.1	2.0	–	4.0
Mawer EAFE Large Cap Fund	**–23.8**	**–14.8**	**–17.4**	**–**	**–**	**–**	**0.1**
MSCI EAFE Index (net)	–17.9	–11.7	–14.3	–	–	–	2.4
Mawer Canadian Equity Fund	**–9.5**	**–11.3**	**–2.2**	**6.6**	**5.8**	**9.6**	**9.1**
S&P/TSX Composite Index (TR)	–9.9	–13.2	–3.9	8.0	7.6	8.2	8.3
Mawer New Canada Fund	**–22.4**	**–14.0**	**–18.4**	**6.6**	**5.7**	**11.7**	**12.8**
New Canada Benchmark*	–14.2	–20.8	–13.8	6.9	3.4	4.5	7.2

Balanced funds	YTD	3–Mo	1–Yr	3–Yr	5–Yr	10–Yr	Since Inception*
Mawer Global Balanced Fund	**–15.0**	**–8.3**	**–8.3**	**3.1**	**5.2**	**–**	**7.5**
Internal Global Balanced Benchmark*	–15.4	–9.8	–11.2	2.5	4.2	–	6.9
Mawer Balanced Fund	**–16.5**	**–9.6**	**–12.1**	**1.7**	**3.7**	**7.7**	**7.8**
Internal Balanced Benchmark*	–13.6	–10.3	–10.3	3.2	4.1	6.7	7.4
Mawer Tax Effective Balanced Fund	**–16.5**	**–9.4**	**–12.1**	**1.6**	**3.7**	**7.7**	**7.5**
Internal Tax Effective Balanced Benchmark*	–13.6	–10.3	–10.3	3.2	4.1	6.7	7.5

Income funds	YTD	3–Mo	1–Yr	3–Yr	5–Yr	10–Yr	Since Inception*
Mawer Canadian Bond Fund	**–12.7**	**–5.9**	**–12.0**	**–2.7**	**–0.3**	**1.1**	**5.0**
FTSE Canada Universe Bond Index	–12.2	–5.7	–11.4	–2.3	0.2	1.7	6.0
Mawer Canadian Money Market Fund	**0.2**	**0.2**	**0.2**	**0.3**	**0.5**	**0.3**	**3.0**
FTSE Canada 91 Day TBill Index	0.3	0.1	0.4	0.7	0.9	0.8	3.7

* Refer to www.mawer.com/funds/performance/ for Fund Inception Dates and Benchmark History.

[1] Fund performance is not available for funds with a history of less than one year. The Fund launched on September 27, 2021.

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.

Non-performance related material in this document reflects the opinions of the writer, and does not reflect fact or predictions of actual events or impacts, and cannot be relied upon for investing purposes or as investment advice or guarantees of any kind.

This document is for information purposes only. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the fund facts and the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including 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. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Mawer Funds are managed by Mawer Investment Management Ltd. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer.

This Mawer Quarterly includes certain statements that are "forward looking statements." All statements, other than statements of historical fact, included in this report that address activities, events or developments that the portfolio advisor, Mawer Investment Management Ltd., expects or anticipates will or may occur in the future, including such things as anticipated financial performance, are forward looking statements. The words "may", "could", "would", "should", "believe", "plan", "anticipate", "expect", "intend", "forecast", "objective" and similar expressions are intended to identify forward looking statements. These forward looking statements are subject to various risks and uncertainties, including the risks described in the Simplified Prospectus of the Fund, uncertainties and assumptions about the Fund, capital markets and economic factors, which could cause actual financial performance and expectations to differ materially from the anticipated performance or other expectations expressed. Economic factors include, but are not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

All opinions contained in forward looking statements are subject to change without notice and are provided in good faith but without legal responsibility. The portfolio advisor has no specific intention of updating any forward looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation. Certain research and information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, and is subject to change without notice.

MSCI Disclaimer:

The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

FTSE Disclaimer:

London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2022. FTSE Russell is a trading name of certain of the LSE Group companies. FTSE® is a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. "TMX®" is a trade mark of TSX, Inc. and used by the LSE Group under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.