

Market Overview

The last quarter of 2023 was a stellar period for equity and bond markets with strong returns across both asset classes. Equities and bonds moved higher as bond yields decreased and market participants became increasingly optimistic about the possibility of central banks achieving a soft landing. At this point we have seen inflation wane without a significant effect on economic growth, the goldilocks scenario for markets, though the delayed effects of monetary policy may still be working their way through the economy. Central banks such as the Bank of Canada and U.S. Federal Reserve kept policy interest rates steady during the period and while it is by no means a foregone conclusion, the market is anticipating interest rate cuts in Canada and the U.S. in 2024.

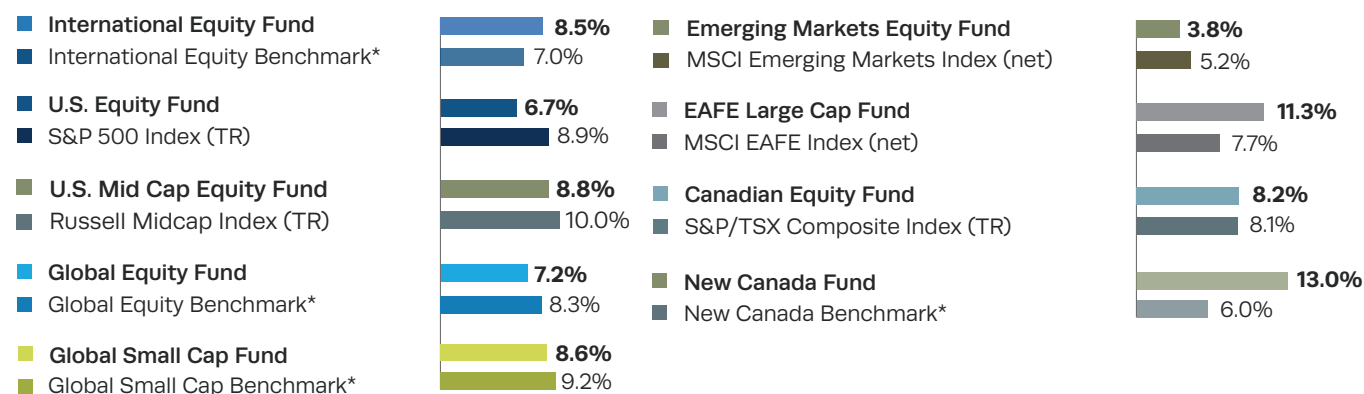
With this backdrop, strong equity performance was broad-based as many sectors delivered positive returns. Growth-oriented technology focused stocks were among the greatest beneficiaries of lower discount rates, while the energy sector was held back by falling energy prices. From a regional perspective, China was a notable point of weakness globally given domestic economic challenges.

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 of October 1, 2023 - December 31, 2023.

Equities

Chart A: Q4 2023, Series O, Gross of fees



How Did We Do?

With an exuberant period for equity markets, the majority of our holdings posted positive returns in the quarter.

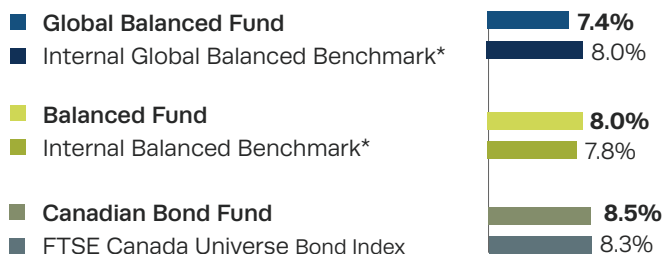
- Technology focused companies such as **Amazon.com** and **Microsoft** as well as semiconductor companies such as **TSMC** moved higher on the prospect of discount rates falling and continued fundamental execution.
- Two real estate-related holdings, commercial real estate broker **Colliers International Group** and asset manager **Brookfield Corporation**, performed strongly as bond yields fell and the market's expectations for a soft landing increased.
- Many of our bank holdings performed well including **JP Morgan Chase**, Swedish bank **Svenska Handelsbanken**, **Bank of Montreal**, and **Royal Bank of Canada**. Despite the positive quarter for banking stocks, we continue to closely monitor the industry as high rates can hurt loan demand and increase funding costs, while provisions for loan losses remain a concern.
- Another strong performing company was manufacturer of premium coffee machines **De'Longhi**, as declining freight and production costs expanded margins and helped its earnings.

Despite the vast strength across markets, not all companies were able to ride the wave.

- Energy producers lagged as oil prices fell during the quarter including holdings in **Equinor**, **Suncor Energy**, and **Canadian Natural Resources**.
- Some of our holdings in insurance brokerage and consulting firms such as **Arthur J. Gallagher** and **Marsh & McLennan** lagged at the end of the period as bond yields fell. The decline in bond yields impacts the return they can earn on their float, and lower inflation expectations impacts potential future revenue growth from new insurance plans. Another insurance broker, **AON**, saw declines as they announced an acquisition of a privately held mid-market broker.

Balanced and Canadian Bond

Chart B: Q4 2023, Series O, Gross of fees



The strong return for balanced investors is a testament to the power of discount rates, as market expectations changed for central bank policy rate cuts in 2024, both bonds and equities delivered strong positive returns.

At the end of November, we updated our asset mix targets and trimmed equities while also deploying some additional cash to bonds. With equities rallying at the time, we were concerned about the lagging effect of higher interest rates, and we felt a larger allocation to bonds would provide more resilience against a potential recession or period of economic weakness. While the market has become increasingly optimistic, we believe the prudent approach is to stay balanced and not be overly exposed to any one outcome.

Looking Ahead

A very simple model is that equity markets are driven in the short-term by four factors: earnings, rates, events, and investor sentiment. Looking ahead to 2024, war, regulatory actions, geopolitics, and new technologies have the potential to move markets. Investors seem hyper-focused on how central banks will manage rates and whether economic demand will remain as resilient as it has so far. Seven of the world's ten most populous countries are headed to the polls in 2024. And to borrow from Benjamin Graham, Mr. Market's notoriously fickle sentiment can change quickly.

Investing is often a humbling experience; so too is providing forward-looking commentary! Three months ago, the contents of this Looking Ahead section focused mainly on valuations and the risk that they had become rich amid signs that the global economy was weakening. In the short-term, given the fourth-quarter's stellar returns, those comments have aged rather poorly.

Thankfully, our investment process doesn't solely rely on such broad-based macro assessments, and we are very mindful of keeping a balanced stance in the portfolio. Our focus is much longer-term and more bottom-up in nature. More precisely: identifying companies that can create wealth by generating returns on capital in excess of their cost of capital for many years by virtue of sustainable competitive advantages. When led by excellent management teams, the wealth-creating nature of these business models can be enhanced and extended. By focusing on companies whose goods and services provide genuine value to their customers, we inherently reduce (though can never eliminate) the risk that events or shocks fatally impair their business models.

We remain wary of valuation levels; though market expectations are pointing to a soft landing, history suggests this is not the only, nor the most probable, scenario that can play out. Monetary policy often works with a substantial delay and the full effects of this tightening cycle may not have been felt yet. We continue to ensure an appropriate margin of safety in our discounted cash flow models and lean into our stochastic approach to prepare for a variety of scenarios.

And regardless of how rates, events and sentiment evolve, over the long term, stock prices tend to follow genuine wealth-creation. As such, we continue to lean heavily into the durability of our philosophy and process in an effort to responsibly steward our clients' investments through uncertainty.

Total Gross Returns (Series O)

For periods ending December 31, 2023

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Equity Funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	14.2	8.5	14.2	1.6	6.7	8.3	8.9
International Equity Benchmark*	12.5	7.0	12.5	2.7	6.3	6.1	5.8
Mawer U.S. Equity Fund	15.7	6.7	15.7	8.7	13.7	14.2	10.6
S&P 500 Index (TR)	22.9	8.9	22.9	11.3	14.9	14.5	10.3
Mawer U.S. Mid Cap Equity Fund	19.3	8.8	19.3	-	-	-	3.1
Russell Midcap Index (TR)	14.1	10.0	14.1	-	-	-	1.9
Mawer Global Equity Fund	18.6	7.2	18.6	9.5	12.3	12.4	13.2
Global Equity Benchmark*	18.9	8.3	18.9	7.0	11.0	10.4	10.8
Mawer Global Small Cap Fund	15.9	8.6	15.9	1.1	8.8	10.9	12.3
Global Small Cap Benchmark*	13.7	9.2	13.7	4.5	9.1	8.8	7.1
Mawer Emerging Markets Equity Fund	18.9	3.8	18.9	-4.3	3.6	-	4.6
MSCI Emerging Markets Index (net)	6.9	5.2	6.9	-4.0	3.0	-	4.4
Mawer EAFE Large Cap Fund	19.0	11.3	19.0	5.2	-	-	8.6
MSCI EAFE Index (net)	15.1	7.7	15.1	5.2	-	-	8.7
Mawer Canadian Equity Fund	10.7	8.2	10.7	9.8	10.9	8.8	10.0
S&P/TSX Composite Index (TR)	11.8	8.1	11.8	9.6	11.3	7.6	7.5
Mawer New Canada Fund	13.9	13.0	13.9	4.0	12.2	9.2	13.3
New Canada Benchmark*	4.8	6.0	4.8	4.6	8.4	3.9	5.8
Balanced Funds							
Mawer Global Balanced Fund	14.3	7.4	14.3	5.5	8.4	8.7	9.3
Internal Global Balanced Benchmark*	13.9	8.0	13.9	3.0	6.9	7.2	7.8
Mawer Balanced Fund	11.1	8.0	11.1	2.7	7.0	7.5	7.8
Internal Balanced Benchmark*	11.2	7.8	11.2	3.4	6.9	6.3	6.0
Mawer Tax Effective Balanced Fund	11.1	7.9	11.1	2.6	6.9	7.4	7.8
Internal Tax Effective Balanced Benchmark*	11.2	7.8	11.2	3.4	6.9	6.3	6.0
Income Funds							
Mawer Canadian Bond Fund	7.0	8.5	7.0	-2.6	1.6	2.5	3.7
FTSE Canada Universe Bond Index	6.7	8.3	6.7	-2.8	1.3	2.4	3.6
Mawer Canadian Money Market Fund	4.4	1.3	4.4	2.0	1.7	1.2	1.3
FTSE Canada 91 Day TBill Index	4.7	1.3	4.7	2.2	1.8	1.3	1.5

* Refer to 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, 2023

MAWER

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Equity Funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	12.7	8.1	12.7	0.2	5.3	6.8	7.6
International Equity Benchmark*	12.5	7.0	12.5	2.7	6.3	6.1	5.3
Mawer U.S. Equity Fund	14.4	6.3	14.4	7.5	12.4	12.9	8.5
S&P 500 Index (TR)	22.9	8.9	22.9	11.3	14.9	14.5	10.3
Mawer U.S. Mid Cap Equity Fund	17.7	8.5	17.7	-	-	-	1.7
Russell Midcap Index (TR)	14.1	10.0	14.1	-	-	-	1.9
Mawer Global Equity Fund	17.1	6.8	17.1	8.1	10.8	11.0	11.7
Global Equity Benchmark*	18.9	8.3	18.9	7.0	11.0	10.4	10.8
Mawer Global Small Cap Fund	13.9	8.2	13.9	-0.6	7.0	9.0	10.4
Global Small Cap Benchmark*	13.7	9.2	13.7	4.5	9.1	8.8	7.1
Mawer Emerging Markets Equity Fund	17.1	3.4	17.1	-5.7	2.1	-	3.0
MSCI Emerging Markets Index (net)	6.9	5.2	6.9	-4.0	3.0	-	4.4
Mawer EAFE Large Cap Fund	17.4	10.9	17.4	3.9	-	-	7.1
MSCI EAFE Index (net)	15.1	7.7	15.1	5.2	-	-	8.7
Mawer Canadian Equity Fund	9.4	7.9	9.4	8.6	9.6	7.6	9.0
S&P/TSX Composite Index (TR)	11.8	8.1	11.8	9.6	11.3	7.6	8.3
Mawer New Canada Fund	12.4	12.6	12.4	2.6	10.7	7.7	12.7
New Canada Benchmark*	4.8	6.0	4.8	4.6	8.4	3.9	7.2
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FTSE Canada 91 Day TBill Index	4.7	1.3	4.7	2.2	1.8	1.3	3.7

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Mawer Mutual Funds are managed by Mawer Investment Management Ltd. A-Series returns for the Mawer Mutual Funds 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.

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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 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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