

Mawer Quarterly

Third Quarter 2026

Market Overview

Equity markets continued to advance in the third quarter, supported by resilient economic growth and generally strong corporate earnings. In the U.S., profit margins improved across a broad portion of the market, while AI infrastructure and large technology platforms remained important contributors to expected earnings growth. Energy, materials, and industrials also participated in the year-to-date advance, suggesting that market strength was not limited entirely to a small group of technology companies.

Energy was among the stronger areas of the market. Disruption around the Strait of Hormuz raised concerns about energy security, pushed oil prices higher, and added to the risk that elevated inflation could remain persistent. While higher energy prices supported traditional energy companies, they also increased pressure on consumers and businesses already facing elevated borrowing costs.

Fixed income markets were more challenging. Longer-term government bond yields in developed markets rose meaningfully as investors demanded greater compensation for holding long-term debt. Persistent inflation, stronger growth expectations, widening fiscal deficits, and a higher term premium all contributed to the move. The Bank of Canada held its overnight rate steady, while the Federal Reserve, European Central Bank, and Bank of Japan raised rates during the quarter. As yields rose, bond prices declined, with longer-duration government bonds most affected.

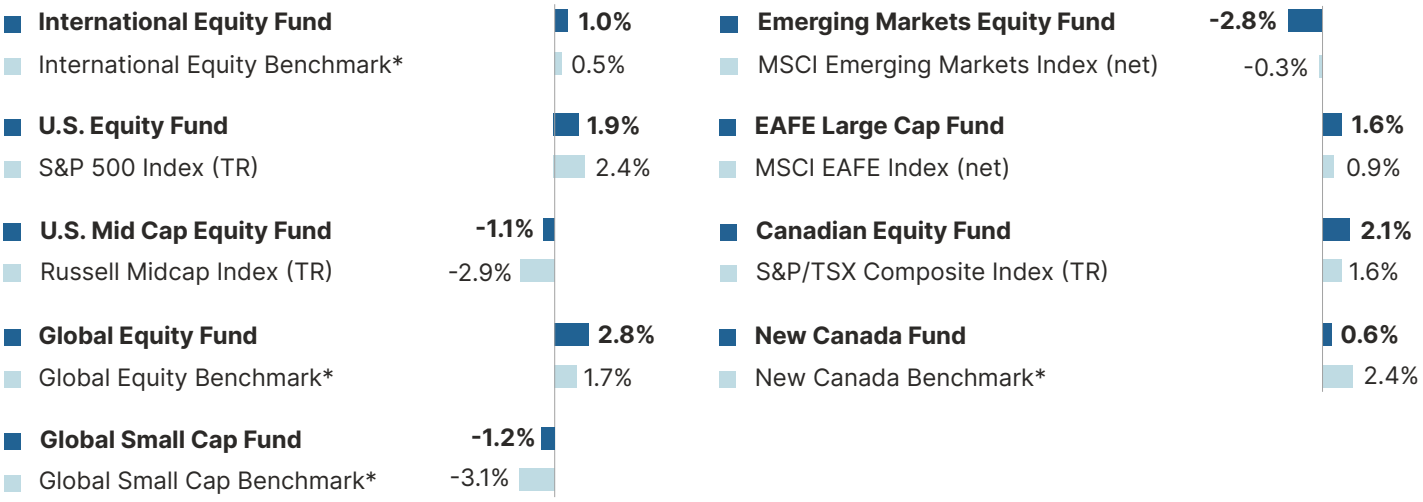
The balancing act between a resilient economic backdrop and numerous risks continues to persist. Healthy nominal growth and corporate earnings can continue to support equities, particularly if interest rates stabilize. At the same time, higher yields are tightening financial conditions through mortgage costs and debt-service burdens, while early signs of strain have emerged in lower-quality areas of credit markets.

How Did We Do?

Across portfolios, performance reflected sentiment around AI-related capital spending, shifting interest-rate expectations, rising commodity prices, and company-specific developments. We continue to focus on businesses benefiting from structural growth, while remaining disciplined on valuation and reassessing our risk exposure after strong share-price gains in several areas.

Equities

Chart A: Q3 2026, Series O, Gross of fees



AI Theme

Technology-related holdings remained an important influence on results, particularly companies connected to computing infrastructure and data-centre investment. However, returns were more mixed than in the previous quarter, underscoring that AI-related performance is neither uniform nor linear. The theme continues to create opportunities across semiconductors, memory, server components, power equipment, and software.

Within our international, global small cap, and emerging markets equity strategies, **King Slide**, a Taiwan-based manufacturer of server rail kits, and **ASPEED Technology**, a Taiwan-based supplier of server-management semiconductors were positive contributors. Both companies have benefited from aggregate investment in AI and general-purpose data-centre capacity. These two positions were trimmed across most strategies during the quarter, reflecting both valuation considerations and our desire to manage our overall semiconductor and AI exposure.

Memory-related holdings were detractors after a strong first-half advance. The decline appeared to reflect a repricing of elevated expectations rather than a material change in industry fundamentals. **Kioxia Holdings**, a Japanese supplier of flash-memory products held in the international equity strategy, was affected alongside **SK Hynix** and **Samsung Electronics**, which are held across both the international equity and emerging markets strategies. All of these companies were a source of strength in the previous quarter.

In the U.S., **Microsoft** and **NVIDIA** continued to contribute positively, although the portfolio's underweight position to these names and in the information technology sector overall detracted relatively to a benchmark that remains concentrated in a small number of technology companies. In U.S. mid cap equity, **Sandisk**, a producer of flash memory and storage products, and **KLA Corp**, a supplier of semiconductor manufacturing equipment, detracted as investors reassessed the pace of the memory upcycle, the semiconductor-equipment cycle, and China-related risk. We reduced exposure to both positions as part of our ongoing effort to rebalance AI-related risk.

Other AI-linked holdings produced more mixed results. **Hammond Power Solutions**, a Canadian manufacturer of electrical transformers held in the Canadian small cap and global small cap equity strategies, and **Acter Group**, a Taiwanese engineering and construction-services company serving semiconductor manufacturers held in the emerging markets and global small cap equity strategies, detracted despite continued demand for data-centre power infrastructure and semiconductor production capacity.

In Canadian equity, **Shopify** supported absolute returns following strong financial results. We trimmed our position as its valuation became more demanding and as we continued to assess the pace of change in agentic AI and the

potential for new competitive threats. We also added to **Topicus.com**, a provider of vertical-market software, in both the Canadian and Canadian small cap equity strategies where we saw a more attractive valuation and a constructive environment for software businesses.

Diversification Matters as Energy and Interest Rates Rise

Sector leadership broadened this quarter, reinforcing the value of diversification. While technology and AI-related businesses led returns earlier in the year, health care, energy, and select financials contributed more strongly as commodity prices rose and interest-rate expectations evolved. We continue to maintain exposure to real assets and financial businesses that can benefit from higher yields, while remaining cautious in areas where elevated discount rates may weigh more heavily on valuations.

Canadian equity holdings **Canadian Natural Resources**, **Suncor**, and **Gibson Energy** benefited from higher crude oil prices, and international equity holdings **Shell** and **Equinor**, both integrated energy companies, also benefited from the stronger commodity-price environment.

Gold-related holdings in Canadian equity, including **Franco-Nevada**, a royalty and streaming company, and **Agnico Eagle Mines**, a gold producer, were supported by higher gold prices. We continue to view real assets as useful diversifiers in an environment shaped by fiscal pressure, geopolitical uncertainty, and changing expectations for interest rates and inflation.

U.S. equity holdings, **Intercontinental Exchange** and **CME Group**, operators of leading financial exchanges and market infrastructure, were positive contributors given strong trading activity and recurring market-data revenue. **Visa** and **Mastercard**, global payments networks, buoyed results as resilient consumer spending, cross-border activity, and continued growth in digital payments and value-added services supported strong operating results.

Beyond the Dominant AI Theme

Health care was a a source of strength in the U.S. and U.S. mid cap equity strategies. **Veeva Systems**, a provider of cloud software for life-sciences companies, performed well, as did **Waters Corp**, a leader in mass-spectrometry instruments used in pharmaceutical quality assurance and drug analysis. **Waters** benefited from investor confidence in its acquisition of Becton Dickinson's life-sciences business, which broadened its portfolio and created an opportunity to apply its operational expertise to an under-managed asset.

U.S. equity holding, **BWX Technologies**, a provider of nuclear components and services for the U.S. government and commercial customers, detracted as investors became more cautious about the pace and visibility of future growth. We believe the valuation remains supportive relative to the company's exposure to long-term military, nuclear, and AI-related power-demand tailwinds.

Brookfield Corporation, in Canadian equity, was also a detractor despite solid quarterly results, reflecting broader market concerns around alternative asset managers and private credit. We continue to hold the company given its fundraising momentum and long-term growth opportunities in credit and insurance, with recent share-price weakness creating a more attractive valuation.

In Canadian small cap equity, **Bird Construction**, a construction and maintenance-services company, benefitted the portfolio as investors responded positively to accelerating growth, improving profitability, and an expanding project pipeline. **Kraken Robotics**, a Canadian provider of subsea technology for defence and commercial customers, detracted as investors reacted to softer quarterly growth and integration risk, despite a strong order base and unchanged full-year profit growth guidance.

Balanced Strategy Positioned for a Wider Range of Outcomes

Balanced and Fixed Income

Chart B: Q3 2026, Series O, Gross of fees



Our balanced strategy was roughly flat versus its benchmark during the quarter, as gains in equities largely offset pressure from fixed income. Rising global bond yields weighed on Canadian bonds, although our lower-duration positioning, our underweight to Canadian bonds, and the inclusion of an allocation to global credit which outperformed domestic fixed income helped cushion the impact.

The quarter showed the practical benefit of diversification which does not eliminate short-term volatility but helps ensure that portfolio results are not overly dependent on one asset class, region, or market narrative. Equity returns varied across regions and market segments, which reinforces the case for maintaining exposure across geographies and company sizes rather than relying on any single market or theme to drive returns.

Balanced strategy investors also benefited from our modest overweight to equities through most of the quarter before we reduced toward neutral in late August. Proceeds were directed primarily to shorter-duration fixed income and cash, which provided greater resilience as equity markets weakened into September.

Looking Ahead

As we've written in the last few quarters, in addition to well-publicized headline challenges (inflation, war, upcoming elections), the investment landscape is shifting rapidly: the recent sharp rise in bond yields is just another question in a world already in the midst of a changing technological and geopolitical regime.

On the one hand, discount rates are the foundation for valuing all cash-producing assets, and equities certainly have duration (think: 2022). On the other hand, investors have been willing to pay less for each dollar of profit, but growing earnings have helped cushion the impact, leading to a gradual decline in share prices rather than a sharp drop. The question now is whether that adjustment is complete.

This environment presents genuine opportunities and real challenges; portfolio turnover that has been higher than historical norms is a natural outcome given the environment, especially given outsized stock price movements. While higher rates have provided opportunities for attractive entry points for many steady compounders, the pace of technological change and capital redeployment is accelerating and genuine wealth-creators solving novel problems still deserve meaningful exposure. The discipline lies in careful position sizing and, at a portfolio level, how much we commit to each.

That balance and humility—preparation without overconfidence, conviction without rigidity—is both our sword and our shield.

Total Gross Returns (Series O)

For periods ending September 30, 2026

Equity Funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	**17.9**	**1.0**	**16.2**	**21.3**	**10.6**	**10.1**	**10.1**
International Equity Benchmark*	18.3	0.5	22.4	22.5	12.1	10.1	7.6
Mawer U.S. Equity Fund	**5.5**	**1.9**	**4.9**	**13.8**	**9.6**	**13.1**	**10.8**
S&P 500 Index (TR)	16.8	2.4	18.1	24.9	16.4	16.2	11.9
Mawer U.S. Mid Cap Equity Fund	**19.4**	**-1.1**	**17.6**	**15.5**	**9.6**	**-**	**8.7**
Russell Midcap Index (TR)	15.8	-2.9	14.3	19.1	10.5	-	9.9
Mawer Global Equity Fund	**12.8**	**2.8**	**14.4**	**10.8**	**7.8**	**10.9**	**12.5**
Global Equity Benchmark*	17.1	1.7	19.1	23.7	14.1	13.3	12.6
Mawer Global Small Cap Fund	**6.3**	**-1.2**	**6.2**	**8.2**	**2.0**	**7.8**	**11.4**
Global Small Cap Benchmark*	16.4	-3.1	17.8	19.4	9.5	10.4	8.5
Mawer Emerging Markets Equity Fund	**23.9**	**-2.8**	**25.6**	**27.5**	**11.4**	**-**	**10.9**
MSCI Emerging Markets Index (net)	27.8	-0.3	31.9	26.1	11.5	-	10.3
Mawer EAFE Large Cap Fund	**12.9**	**1.6**	**15.0**	**17.2**	**8.9**	**-**	**11.1**
MSCI EAFE Index (net)	14.3	0.9	18.1	20.3	11.8	-	13.1
Mawer Canadian Equity Fund	**10.5**	**2.1**	**14.7**	**19.2**	**12.1**	**10.7**	**10.9**
S&P/TSX Composite Index	13.0	1.6	20.0	25.0	15.2	12.4	9.5
Mawer New Canada Fund	**6.4**	**0.6**	**7.4**	**15.6**	**5.3**	**9.4**	**13.1**
New Canada Benchmark*	20.8	2.4	33.2	31.7	16.1	10.8	8.6
Balanced Funds							
Mawer Global Balanced Fund	**8.0**	**0.8**	**8.9**	**8.7**	**5.4**	**7.5**	**8.8**
Internal Global Balanced Benchmark*	9.8	0.0	10.9	15.9	8.7	8.4	9.1
Mawer Balanced Fund	**7.3**	**-0.3**	**7.5**	**12.6**	**6.2**	**7.4**	**8.2**
Internal Balanced Benchmark*	9.8	-0.3	12.5	16.5	8.9	8.1	7.2
Mawer Tax Effective Balanced Fund	**7.3**	**-0.4**	**7.5**	**12.7**	**6.3**	**7.4**	**8.2**
Internal Tax Effective Balanced Benchmark*	9.8	-0.3	12.5	16.5	8.9	8.1	7.2
Income Funds							
Mawer Global Credit Opportunities Fund	**1.4**	**-0.9**	**1.9**	**-**	**-**	**-**	**4.1**
ICE BofA Global Corporate & High Yield Index	-2.7	-3.4	-2.3	-	-	-	2.3
Mawer Canadian Bond Fund	**-0.8**	**-3.0**	**-1.2**	**5.0**	**0.5**	**1.4**	**3.6**
FTSE Canada Universe Bond Index	-0.8	-3.0	-1.1	4.7	0.3	1.3	3.5
Mawer Short Term Bond Fund[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**
FTSE Canadian Short Term Bond Index	-	-	-	-	-	-	-
Mawer Canadian Money Market Fund	**1.7**	**0.6**	**2.4**	**3.5**	**3.0**	**1.9**	**1.6**
FTSE Canada 91 Day TBill Index	1.7	0.6	2.3	3.6	3.2	2.1	1.8

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

[1] Funds with less than 1 year of performance cannot be shown.

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 F)

For periods ending September 30, 2026

Equity Funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	**16.7**	**0.7**	**14.6**	**19.6**	**9.1**	**8.6**	**8.3**
International Equity Benchmark*	18.3	0.5	22.4	22.5	12.1	10.1	6.4
Mawer U.S. Equity Fund	**4.6**	**1.6**	**3.7**	**12.5**	**8.3**	**11.8**	**8.7**
S&P 500 Index	16.8	2.4	18.1	24.9	16.4	16.2	11.3
Mawer U.S. Mid Cap Equity Fund	**18.1**	**-1.5**	**16.0**	**13.9**	**8.1**	**-**	**7.2**
Russell Midcap Index (TR)	15.8	-2.9	14.3	19.1	10.5	-	9.9
Mawer Global Equity Fund	**11.7**	**2.5**	**12.9**	**9.3**	**6.4**	**9.5**	**11.0**
Global Equity Benchmark*	17.1	1.7	19.1	23.7	14.1	13.3	12.6
Mawer Global Small Cap Fund	**4.9**	**-1.7**	**4.4**	**6.4**	**0.3**	**5.9**	**9.4**
Global Small Cap Benchmark*	16.4	-3.1	17.8	19.4	9.5	10.4	8.5
Mawer Emerging Markets Equity Fund	**22.5**	**-3.2**	**23.7**	**25.6**	**9.8**	**-**	**9.3**
MSCI Emerging Markets Index (net)	27.8	-0.3	31.9	26.1	11.5	-	10.3
Mawer EAFE Large Cap Fund	**11.8**	**1.2**	**13.5**	**15.7**	**7.5**	**-**	**9.6**
MSCI EAFE Index (net)	14.3	0.9	18.1	20.3	11.8	-	13.1
Mawer Canadian Equity Fund	**9.5**	**1.8**	**13.4**	**17.9**	**10.8**	**9.5**	**9.6**
S&P/TSX Composite Index	13.0	1.6	20.0	25.0	15.2	12.4	9.5
Mawer New Canada Fund	**5.3**	**0.3**	**5.9**	**14.0**	**3.9**	**7.9**	**12.6**
New Canada Benchmark*	20.8	2.4	33.2	31.7	16.1	10.8	8.8
Balanced Funds							
Mawer Global Balanced Fund	**7.1**	**0.5**	**7.7**	**7.5**	**4.3**	**6.4**	**7.6**
Internal Global Balanced Benchmark*	9.8	0.0	10.9	15.9	8.7	8.4	9.1
Mawer Balanced Fund	**6.6**	**-0.5**	**6.6**	**11.6**	**5.3**	**6.5**	**8.1**
Internal Balanced Benchmark*	9.8	-0.3	12.5	16.5	8.9	8.1	8.1
Mawer Tax Effective Balanced Fund	**6.6**	**-0.6**	**6.6**	**11.7**	**5.4**	**6.5**	**7.7**
Internal Tax Effective Balanced Benchmark*	9.8	-0.3	12.5	16.5	8.9	8.1	8.1
Income Funds							
Mawer Global Credit Opportunities Fund	**0.8**	**-1.1**	**1.0**	**-**	**-**	**-**	**3.2**
ICE BofA Global Corporate & High Yield Index	-2.7	-3.4	-2.3	-	-	-	2.3
Mawer Canadian Bond Fund	**-1.2**	**-3.1**	**-1.8**	**4.3**	**-0.1**	**0.8**	**4.7**
FTSE Canada Universe Bond Index	-0.8	-3.0	-1.1	4.7	0.3	1.3	5.7
Mawer Short Term Bond Fund[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**
FTSE Canadian Short Term Bond Index	-	-	-	-	-	-	-
Mawer Canadian Money Market Fund	**1.4**	**0.5**	**1.9**	**3.0**	**2.6**	**1.5**	**3.0**
FTSE Canada 91 Day TBill Index	1.7	0.6	2.3	3.6	3.2	2.1	3.7

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

[1] Funds with less than 1 year of performance cannot be shown.

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