

Mawer Quarterly

Second Quarter 2026

Market Overview

Headline returns in the second quarter looked strong, but the underlying drivers were AI-related technology companies, particularly semiconductors and memory manufacturers, many of which are concentrated in Asia (regional leadership from South Korea and Taiwan). Hyperscaler capex fueled global demand for memory and advanced logic chips which flowed through companies like TSMC, Samsung, and SK Hynix (to name a few) and beneath them, many parts of their respective supply chains. Importantly, this quarter was not just a story of valuation expansion but of strong fundamentals as corporate profit margins have been robust, nearing record levels. Capital spending is real, with hyperscalers committing to ever higher levels of investment, and many profit inflections are substantial.

The Initial Public Offering (IPO) market has also come alive in a way that warrants attention. SpaceX completed the largest IPO in U.S. history in June with other large IPOs planned—but not confirmed—for this year which has elevated both enthusiasm and potential risk. A hot IPO market is not, on its own, proof of a bubble, but it is one more data point in a broader mosaic of speculative enthusiasm that merits continued attention.

In Canada, inflation accelerated more than expected, driven by rising gasoline prices as the impact of the Iran conflict continued to filter through energy costs. At the time of writing, the picture has shifted again. A U.S.-Iran interim agreement signed in mid-June opened a 60-day window during which the Strait of Hormuz partially reopened, pushing crude prices sharply lower. That relief proved temporary as renewed military strikes between the two countries have reignited the conflict, and oil prices have moved back higher. A full return to pre-war oil production levels may be further out in the future depending on how this escalation unfolds.

Central banks navigated a materially more complicated quarter than the one before. The Bank of Canada held its overnight rate steady this quarter, choosing to look through what it views as a supply-driven inflation shock rather than tighten into an economy that contracted for a second consecutive quarter. In the United States, the Federal Reserve also held its rate steady, but the June meeting marked a significant shift in tone. The new Fed Chair delivered a hawkish message, with half of the Fed committee members projecting at least one rate increase this year, and inflation forecasts revised upward with an uncomfortable persistence into 2027. The Fed is not yet raising rates, but the committee seems to be less patient with inflation that has now run above target for five consecutive years. Elsewhere, the European Central Bank delivered a rate increase, and the Bank of Japan continued its gradual normalization.

How and What We Did

Our quality oriented portfolios delivered solid absolute returns this quarter but were mixed versus their benchmarks. Fixed income strategies generated modest positive returns, consistent with an environment where rates moved broadly sideways. It is worth reminding readers that bonds are held not to outperform in a strong equity market but to act as stabilizers during periods of volatility.

In Canada, financials were a major source of absolute return, with banks and insurers among the top contributors, while equipment dealers **Finning** and **Toromont** benefited from data center related demand. Offsetting these strengths, holdings in energy and materials, including **Canadian Natural Resources**, **Suncor**, **Agnico Eagle Mines**, and **Franco-Nevada** detracted as a late quarter peace framework in the Middle East helped cool commodity prices and gold retraced from record highs. In the U.S., a more measured stance toward semiconductors and mega cap technology, combined with greater exposure to exchanges, insurance brokers, and professional services, left results lagging an index still pulled forward by a handful of AI winners.

Investing in AI Infrastructure

In emerging markets and international equity, companies such as **Taiwan Semiconductor**, **Samsung Electronics**, **SK Hynix**, **Kioxia**, **King Slide Works**, **Delta Electronics**, and holding company **SK Square** were among the strongest contributors as demand for advanced logic, high bandwidth memory, and data center hardware surged.

In U.S. equity and U.S. mid cap equity, businesses including **Amphenol**, **Texas Instruments**, **KLA**, **AAON**, **Vertiv**, and **Sandisk** participated in the same trend, reflecting their roles in connectors, semiconductors, power systems, industrial equipment, and storage; here, too, we added selectively and then moderated position sizes as enthusiasm and share prices rose. On the smaller capitalization side, **Acter Group**, **Hammond Power Solutions**, and **Enerflex** contributed positively as cleanroom engineering, transformers, and broader infrastructure tied to AI and electrification saw stronger demand.

Managing AI Opportunity and Disruption

At the same time, we recognize that AI may create both winners and losers, and a significant part of our ongoing work involves separating durable beneficiaries from businesses whose economics may be eroded over time.

Within international equity, we harvested gains in **SK Hynix**, **Kioxia**, **Kokusai Electric**, and **King Slide** after a period of exceptional performance, reallocating part of the proceeds into entrenched specialists in Taiwan's server supply chain. We also exited long time holding **Wolters Kluwer**, a reference information provider whose current fundamentals remain strong, but whose future pricing power and terminal value we now see as more exposed to generative AI driven disruption.

U.S. companies such as **CACI**, **FTI Consulting**, **Tradeweb Markets**, **ResMed**, and **Ensign Group** faced either AI related concerns or sector specific headwinds and detracted from returns; we responded case by case, maintaining positions where competitive advantages remain rooted in proprietary data, deep workflow integration, client trust, and regulatory moats, and trimming where the balance of risk and reward became less favourable. In Canada, **Shopify** was also viewed as potential AI casualty by the market, we added to our positions on weakness after strong earnings and a positive growth outlook as AI is helping with onboarding and improving customer service.

Continued Broadening Diversification

Finally, we used this environment of narrow leadership to reinforce core principles around diversification and valuation, ensuring portfolios remain prepared for a wider range of potential outcomes than any single theme implies. We continue to believe that today's more contested global order warrants heightened diversification and valuation discipline.

This quarter, many decisions involved trimming or exiting positions where share prices had moved well ahead of fundamentals and reallocating to areas where prospective returns are more balanced. In international equity, we

exited **Kone** after its leveraged acquisition of German rival TKE altered the risk profile of the investment, judging that the higher financial risk and more demanding valuation no longer fit the portfolio's balance of risk and reward. We reduced **SK Hynix** on strength following extraordinary gains, locking in profits and managing position size.

In the U.S. we applied similar discipline by trimming **Amphenol** after a period of strong AI related performance and reducing **Interactive Brokers Group** in U.S. mid cap once its share price reached all time highs and valuation offered less margin of safety, even though the business continued to execute well.

Within Canada, strong performance from banks created an opportunity to crystallize gains and reallocate, leading us to trim **TD Bank** and **Royal Bank of Canada**, and redeploy capital to names such as **Onex** and **Intact Financial**, as well as diversified financials and infrastructure businesses that offer different risk exposures. Near term performance in gold related holdings such as **Agnico Eagle**, **Franco Nevada**, **OR Royalties**, **Sprott**, and **Skeena**, and energy producer **Canadian Natural Resources** was weak as commodity prices and gold pulled back from prior highs; these moves did not materially alter our longer term rationale for owning real assets as a hedge against de dollarization, fiscal indiscipline, and persistent geopolitical risk.

Within the balanced strategy, equity appreciation naturally drifted the asset mix higher; we trimmed back the areas of greatest strength and redirected proceeds into fixed income to bring the portfolio closer to its intended center. We retain a preference for international equity and emerging markets, where valuations remain more reasonable relative to the U.S., while U.S. equity's lower exposure to the most concentrated AI leaders serves as a partial hedge should those names come under pressure.

Looking Ahead

With the World Cup upon us, a soccer analogy feels timely. A winning team does not field eleven of the same position. Each player has a job, and how they work together matters as much as any individual's brilliance. A team built to win over a full season needs players for every role and every condition: goal scorers undoubtedly, but also midfielders who control the run of play and defenders who keep the ball out of the net when the opposition presses.

Since the release of ChatGPT in November 2022, the strikers have been running up the score. Artificial intelligence has become the single force pulling the market along, and in many cases, making portfolios that aren't fielding an overabundance of strikers look silly by comparison. The result is a market and a global economy where growth has been concentrated more than at almost any point in living memory. Profit inflections are lighting up the highlight reel as opposed to profit stability.

Markets have always produced a small number of giants, with the distribution of corporate success lopsided by nature: finance professor Hendrik Bessembinder's research covering a century of stock price returns demonstrates that there is a profound skewness in individual stock outcomes, with a relatively small proportion of companies driving the lion's share of the overall market's wealth creation over the long term. The lesson we draw from this is not that one should chase whatever is winning. Our portfolios certainly do field strikers; memory being the clearest example over the past year. We've been selective and disciplined: identifying terrific, wealth creating companies when the odds were in our favour and carefully managing position sizes thereafter.

Looking at the rest of the team, or those businesses that have appeared dull of late (think: distributors that quietly pass rising costs through, exchanges and payments companies that benefit from strong network effects, the grocers and insurance brokers that simply keep compounding) are not players we have forgotten to substitute. They are on the pitch by design. Their ballast carries a cost in a market currently shaped by a few extraordinary winners. But we regard it as a price worth paying.

In investing, matches aren't won by the side that attacks most furiously for only twenty minutes, nor by the one so afraid of conceding that it never ventures forward. Both are required. Our intention is to keep fielding a team that can play well across a full season with room for genuine stars, but anchored by businesses with durable advantages, sound balance sheets, and the ability to generate sustainable cash flows across a full cycle.

Total Gross Returns (Series O)

For periods ending June 30, 2026

Equity Funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	**16.7**	**16.4**	**19.2**	**19.7**	**10.5**	**10.5**	**10.2**
International Equity Benchmark*	17.7	16.4	32.7	21.6	11.8	10.9	7.6
Mawer U.S. Equity Fund	**3.5**	**6.0**	**8.5**	**13.2**	**10.1**	**13.4**	**10.8**
S&P 500 Index (TR)	14.1	17.1	27.2	23.4	16.5	16.5	11.9
Mawer U.S. Mid Cap Equity Fund	**20.7**	**16.6**	**24.3**	**16.3**	**-**	**-**	**9.4**
Russell Midcap Index (TR)	19.3	15.7	26.5	19.2	-	-	11.1
Mawer Global Equity Fund	**9.7**	**14.1**	**14.9**	**9.5**	**8.1**	**11.1**	**12.5**
Global Equity Benchmark*	15.1	16.8	28.6	22.5	14.0	13.7	12.7
Mawer Global Small Cap Fund	**7.6**	**13.2**	**10.7**	**8.6**	**2.8**	**9.0**	**11.6**
Global Small Cap Benchmark*	20.2	16.8	33.9	20.2	10.4	11.8	8.8
Mawer Emerging Markets Equity Fund	**27.5**	**29.8**	**43.8**	**30.3**	**11.2**	**-**	**11.6**
MSCI Emerging Markets Index (net)	28.2	26.1	49.2	25.9	10.2	-	10.6
Mawer EAFE Large Cap Fund	**11.1**	**12.0**	**16.0**	**15.3**	**9.2**	**-**	**11.3**
MSCI EAFE Index (net)	13.3	12.7	25.0	19.2	12.1	-	13.5
Mawer Canadian Equity Fund	**8.2**	**5.4**	**18.3**	**17.6**	**12.0**	**11.2**	**10.9**
S&P/TSX Composite Index	11.2	7.0	32.9	23.5	14.9	12.8	9.5
Mawer New Canada Fund	**5.7**	**3.2**	**9.5**	**13.9**	**6.2**	**9.9**	**13.2**
New Canada Benchmark*	18.0	5.9	57.2	30.3	15.0	11.3	8.6
Balanced Funds							
Mawer Global Balanced Fund	**7.1**	**9.7**	**10.8**	**7.8**	**5.8**	**7.7**	**8.9**
Internal Global Balanced Benchmark*	9.8	10.6	18.0	15.1	8.9	8.8	9.3
Mawer Balanced Fund	**7.7**	**7.5**	**11.5**	**11.9**	**6.6**	**7.9**	**8.3**
Internal Balanced Benchmark*	10.2	8.4	21.4	15.8	9.0	8.6	7.3
Mawer Tax Effective Balanced Fund	**7.7**	**7.5**	**11.6**	**12.0**	**6.7**	**7.9**	**8.3**
Internal Tax Effective Balanced Benchmark*	10.2	8.4	21.4	15.8	9.0	8.6	7.3
Income Funds							
Mawer Global Credit Opportunities Fund	**2.3**	**1.3**	**3.9**	**-**	**-**	**-**	**4.9**
ICE BofA Global Corporate & High Yield Index	0.7	1.6	3.0	-	-	-	4.0
Mawer Canadian Bond Fund	**2.3**	**2.1**	**3.5**	**4.7**	**1.0**	**1.9**	**3.8**
FTSE Canada Universe Bond Index	2.2	2.0	3.5	4.4	0.8	1.7	3.6
Mawer Short Term Bond Fund	**-**	**-**	**-**	**-**	**-**	**-**	**-**
FTSE Canadian Short Term Bond Index	-	-	-	-	-	-	-
Mawer Canadian Money Market Fund	**1.1**	**0.6**	**2.4**	**3.7**	**2.9**	**1.9**	**1.6**
FTSE Canada 91 Day TBill Index	1.1	0.6	2.5	3.8	3.1	2.0	1.8

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

Mawer Mutual Funds are managed by Mawer Investment Management Ltd. 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 June 30, 2026

Equity Funds	YTD	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Mawer International Equity Fund	**15.9**	**16.0**	**17.6**	**18.1**	**9.0**	**9.0**	**8.3**
International Equity Benchmark*	17.7	16.4	32.7	21.6	11.8	10.9	6.4
Mawer U.S. Equity Fund	**2.9**	**5.7**	**7.3**	**11.9**	**8.9**	**12.1**	**8.8**
S&P 500 Index	14.1	17.1	27.2	23.4	16.5	16.5	11.3
Mawer U.S. Mid Cap Equity Fund	**19.9**	**16.2**	**22.6**	**14.7**	**-**	**-**	**7.9**
Russell Midcap Index (TR)	19.3	15.7	26.5	19.2	-	-	11.1
Mawer Global Equity Fund	**9.0**	**13.8**	**13.4**	**8.1**	**6.7**	**9.7**	**11.0**
Global Equity Benchmark*	15.1	16.8	28.6	22.5	14.0	13.7	12.7
Mawer Global Small Cap Fund	**6.7**	**12.7**	**8.8**	**6.8**	**1.1**	**7.1**	**9.7**
Global Small Cap Benchmark*	20.2	16.8	33.9	20.2	10.4	11.8	8.8
Mawer Emerging Markets Equity Fund	**26.6**	**29.3**	**41.7**	**28.4**	**9.6**	**-**	**9.9**
MSCI Emerging Markets Index (net)	28.2	26.1	49.2	25.9	10.2	-	10.6
Mawer EAFE Large Cap Fund	**10.4**	**11.7**	**14.5**	**13.8**	**7.8**	**-**	**9.8**
MSCI EAFE Index (net)	13.3	12.7	25.0	19.2	12.1	-	13.5
Mawer Canadian Equity Fund	**7.6**	**5.1**	**17.0**	**16.3**	**10.8**	**9.9**	**9.6**
S&P/TSX Composite Index	11.2	7.0	32.9	23.5	14.9	12.8	9.5
Mawer New Canada Fund	**5.0**	**2.9**	**8.0**	**12.3**	**4.8**	**8.5**	**12.7**
New Canada Benchmark*	18.0	5.9	57.2	30.3	15.0	11.3	8.8
Balanced Funds							
Mawer Global Balanced Fund	**6.5**	**9.4**	**9.6**	**6.7**	**4.7**	**6.6**	**7.7**
Internal Global Balanced Benchmark*	9.8	10.6	18.0	15.1	8.9	8.8	9.3
Mawer Balanced Fund	**7.2**	**7.2**	**10.5**	**10.9**	**5.7**	**6.9**	**8.1**
Internal Balanced Benchmark*	10.2	8.4	21.4	15.8	9.0	8.6	8.2
Mawer Tax Effective Balanced Fund	**7.2**	**7.3**	**10.6**	**11.0**	**5.8**	**6.9**	**7.8**
Internal Tax Effective Balanced Benchmark*	10.2	8.4	21.4	15.8	9.0	8.6	8.2
Income Funds							
Mawer Global Credit Opportunities Fund	**1.9**	**1.1**	**2.9**	**-**	**-**	**-**	**4.0**
ICE BofA Global Corporate & High Yield Index	0.7	1.6	3.0	-	-	-	4.0
Mawer Canadian Bond Fund	**1.9**	**1.9**	**2.8**	**4.0**	**0.4**	**1.2**	**4.8**
FTSE Canada Universe Bond Index	2.2	2.0	3.5	4.4	0.8	1.7	5.8
Mawer Short Term Bond Fund	**-**	**-**	**-**	**-**	**-**	**-**	**-**
FTSE Canadian Short Term Bond Index	-	-	-	-	-	-	-
Mawer Canadian Money Market Fund	**0.9**	**0.5**	**2.0**	**3.2**	**2.5**	**1.5**	**3.0**
FTSE Canada 91 Day TBill Index	1.1	0.6	2.5	3.8	3.1	2.0	3.7

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

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Index returns are supplied by third parties—we believe the data to be accurate, however, cannot guarantee its accuracy.

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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