Partners | QUARTERLY PROFILE

3rd Quarter 2023

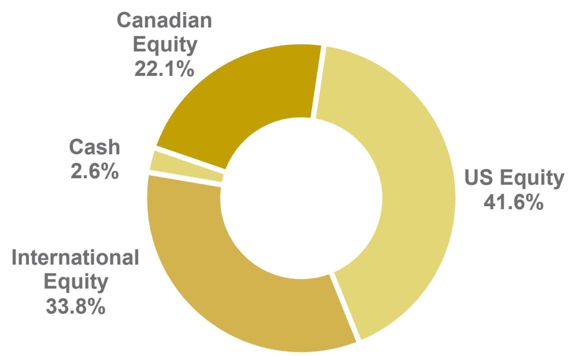
MAWER INVESTMENT MANAGEMENT LTD

TAX-EFFICIENT GLOBAL EQUITY

PORTFOLIO OBJECTIVE

To achieve a long-term, value added total return on both a pre-tax and after-tax basis. In taxable accounts the manager maximizes pre-tax returns through application of a “growth at the right price” strategy and minimizes taxes through the application of tax-efficient trading strategies and portfolio construction techniques.

ASSET ALLOCATION



MAJOR HOLDINGS

COMPANY	% OF PORTFOLIO
MAW INTL EQ FD -NL	33.87%
MARSH & MCLENNAN COS INC	4.08%
VERISK ANALYTICS INC	3.75%
MICROSOFT CORP	3.73%
AMPHENOL CORP CL A	2.75%
VISA INC	2.62%
PROCTER & GAMBLE CO	1.94%
ALPHABET INC CL C	1.93%
BECTON DICKINSON & CO	1.78%
ALPHABET INC CL A	1.54%

3rd Quarter 2023	QTD	1YR	3YR	5YR	10YR
Mawer Tax-Efficient Global Equity*	**-0.6%**	**17.4%**	**6.6%**	**8.0%**	**11.5%**
Customized Benchmark	-1.8%	18.7%	8.8%	7.4%	9.9%

*Return Data Source: Inception to present are RJ Partners Program composite, gross returns in C$. All performance data represents past performance and is not necessarily indicative of future performance. Benchmark: 40% MSCI EAFE, 35% S&P 500, 25% S&P/TSX Comp.

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PORFOLIO REVEW

After starting off positive, global equity markets finished the quarter in negative territory as developments in the period took some wind out of the markets' sails. Market sentiment was impacted by the U.S. Federal Reserve indicating that interest rates may remain higher for longer, prompting a rise in bond yields across the curve. The Bank of Canada has also suggested that they may increase the policy interest rate again if needed. The third quarter ultimately saw the return of simultaneous declines of bonds and equities.

Persistent inflation remains a concern for policymakers as core measures are proving difficult to tame. Oil prices moving higher and a resilient employment market are also risks to inflationary pressures. While the market appears hopeful that central banks can bring inflation down without a significant effect on growth, the move lower in equities and higher bond yields towards the end of the quarter are reminders that market sentiment can shift quickly. As policymakers try to achieve a soft landing, the global economy remains in a delicate state. A focus on sound, well-run businesses may prove important in the months ahead.

The Blended Benchmark was down -1.8% over the third quarter [Consisting of: 35% S&P 500 Index (the "S&P 500"), 40% MSCI EAFE (net) Index (the "EAFE"), and 25% S&P/TSX Composite Index (the "TSX")]. Negative performance for the benchmark was driven by Canadian equities, international equities, and U.S. equities as the TSX, the EAFE and the S&P 500 were down -2.2%, -2.0% and -1.2%, respectively. All performance values provided are in Canadian dollar terms (unless otherwise stated).

The portfolio outperformed the benchmark due to both security selection and asset allocation. Positive selection over the period was driven by the outperformance of U.S. equities and Canadian equities relative to the S&P 500 and the TSX, respectively, while security selection among international equities detracted from overall positive security selection. Asset allocation had a positive impact to relative return due to the portfolio's exposure to cash and overweight to U.S. equities.

The Canadian equity portfolio outperformed the TSX over the quarter due to selection. Positive security selection was driven by the relative outperformance of holdings in Information Technology, Consumer Discretionary, and Energy. Meanwhile, underperformance of holdings in Consumer Staples and Financials offset overall positive security selection. Sector allocation had an overall negative impact due to the portfolio's underweight to Energy and overweight to Communication Services, while being underweight Utilities and Materials offset an overall negative sector allocation. The top contributors for the quarter included Suncor Energy Inc., Canadian Natural Resources Limited, and Nutrien, Ltd., which were up 21.6%, 19.2%, and 8.2%, respectively. In contrast, the largest detractors over the quarter included BCE Inc., TELUS Corporation, and CCL Industries Inc., which were down -12.7%, -12.6%, and -12.1%, respectively.

The U.S. equity portfolio outperformed the S&P 500 over the quarter due to selection. Positive security selection was driven by the relative outperformance of holdings in Industrials, Information Technology, and Financials. Meanwhile, underperformance of holdings in Consumer Staples and Consumer Discretionary offset overall positive security selection. Sector allocation had a neutral impact on relative performance, with positive allocation from an overweight to Financials and an underweight to Information Technology while offsetting positive allocation due to zero weight to Energy and an overweight to Consumer Staples. The top contributors for the quarter included Intuit Inc., Alphabet Inc., and Verisk Analytics Inc, which were up 14.1%, 11.4%, and 6.9%, respectively. In contrast, the largest detractors over the quarter included Dollar General Corporation, NIKE, Inc., and Microsoft Corporation which were down -36.1%, -11.2%, and -5.1%, respectively. In terms of portfolio construction, Accenture Plc was initiated over the period.

The international equity portfolio underperformed the EAFE over the quarter due to security selection. Negative security selection was driven by the relative underperformance of holdings in Financials, Consumer Discretionary, and Consumer Staples. Meanwhile, outperformance of holdings in Health Care, Information Technology, and Industrials offset overall negative security selection. Sector allocation had an overall positive impact due to the portfolio's underweight to Consumer Discretionary and overweight to Financials, while an overweight to Industrials and underweight to Energy offset an overall positive sector allocation. From a regional perspective, security selection within Europe Ex. U.K., and Asia Pacific Ex. Japan had a negative effect on relative performance, although this was offset by positive selection from Japan. Regional allocation also had a negative impact due to the portfolio's underweight to Japan, while an overweight to the United Kingdom and overweight to Latin America offset an overall negative regional allocation. The top contributors for the quarter included Equinor ASA, Novo Nordisk A/S, and Shell Plc, which were up 18.3%, 16.4%, and 10.1%, respectively. In contrast, the largest detractors over the quarter included Adyen NV, LVMH Moet Hennessy Louis Vuitton SE, and Compass Group PLC which were down -55.9%, -17.7%, and -10.9%, respectively.

OUTLOOK

The market's sell-off toward the end of the quarter suggests that investors have perhaps acknowledged that valuations have been running hot this year, especially as there are more signs that the global economy is weakening (e.g., weaker consumer spending, lower IT spending, PMI data, slower earnings growth, continued weakness in China, etc.). Sharply higher bond yields further muddy the outlook for equities, especially as inflation has slowed over the past year causing real yields—which tend to be negatively correlated with equity prices—to edge higher. Yet despite the pullback late in the quarter, we worry that valuations may still be putting too much faith in a soft landing. After all, rudimentary measures of valuation such as price-to-earnings multiples have typically been quite a bit lower when real yields have been at comparable levels historically.

That said, while the focus of recent risk management meetings has often centered on valuation risks, this is not a portfolio that seeks to mimic the broader market. We've been very focused on ensuring an appropriate margin of safety in our discounted cash flow models and leaning into our stochastic approach to prepare for a variety of scenarios. After all, policymakers have been able to avoid doing too much harm to the economy so far, and the combination of high employment levels and huge infrastructure spending are both supportive of aggregate demand. With the global economy in a delicate state, a focus on sound, well-run businesses that generate recurring revenues, that have flexibility in their cost base, that maintain strong industry positions, that refrain from taking undue risk from a leverage perspective, and that trade at a discount to their intrinsic value may prove important in the months ahead.

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