Mackenzie Bluewater Global Growth Balanced Fund

Fund snapshot

Inception date	1/31/2019
AUM (millions in CAD)	801.8
Management Fee	0.75%
MER	1.01%
Benchmark	65% MSCI World + 35% GBMI (Hgd CAD)
CIFSC Category	Global Equity Balanced
Risk Rating	Low-Med
Lead Portfolio Managers	Dina DeGeer, David Arpin, Steve Locke

Strategy overview

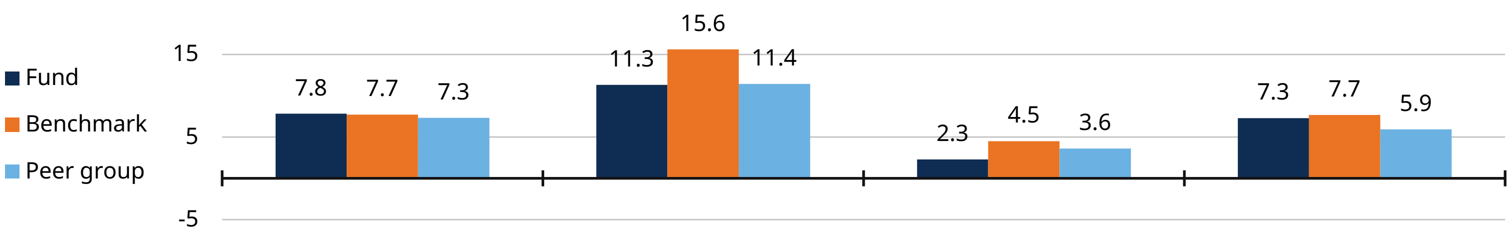
• The Fund seeks capital growth and current income by investing primarily in equity and/or fixed income securities anywhere around the world.

• The Fund will pursue this objective by investing in securities directly and/or by investing in other mutual funds. The asset allocation portfolio manager will adjust the percentage of the Fund invested in each asset class based on changes in the market outlook for each asset class.

• The equity portfolio manager employs a company-focused investment style, seeking companies with strong management, good growth prospects, and a solid financial position. Emphasis is placed on paying reasonable prices for the free cash flow growth that companies in the portfolio is expected to achieve. • The fixed-income portfolio manager employs a flexible approach to meet its fixed-income objectives, allocating across credit quality, yields, structures, sectors, currencies, and countries.

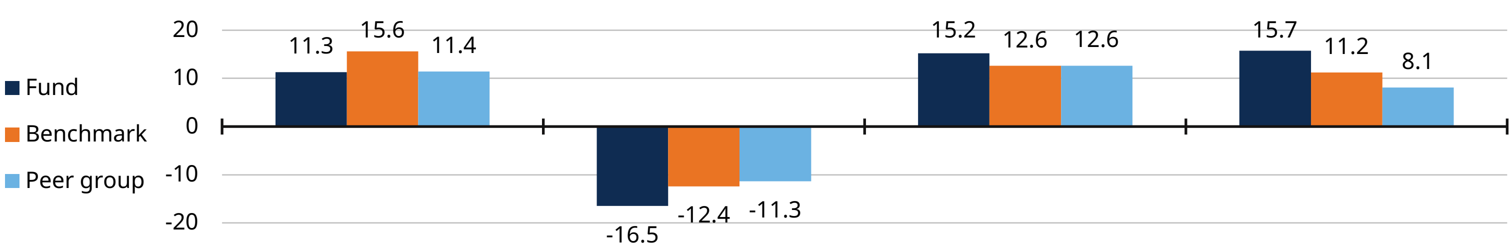
• The Fund may invest up to 100% of its fixed-income exposure in any one sector, and can invest in all of its fixed-income exposure in all types of fixed income securities from around the world, including, but not limited to, high-yield corporate and government bonds, which are bonds that have a credit rating below investment grade (rated “BBB-” by a recognized credit rating organization) and are sometimes non-rated, investment-grade corporate and government bonds, convertible bonds, loans, and floating-rate instruments.

Composite trailing returns %



	3 Mth	1 Yr	3 Yr	SI
% of peers beaten	63	49	25	83

Composite calendar returns %



	2023	2022	2021	2020
% of peers beaten	49	7	83	99

Portfolio characteristics

	Portfolio	Benchmark
Overall yield	4.1	2.7
Equity		
P/E 12m forward	28.4	18.5
Dividend yield	0.9	1.9
Net debt/EBITDA	1.0	1.2
EPS growth (FY E)	9.5	12.9
P/B	6.3	3.0
Fixed income		
Yield	5.0	3.7
Duration	6.2	6.8
Average credit quality	A	AA

Sector allocation

Sector	Portfolio (%)	Benchmark (%)	Relative weight (%)
Communication Services	1.5	4.7	-3.2
Consumer Discretionary	6.0	7.1	-1.1
Consumer Staples	5.9	4.5	1.4
Energy	-	2.9	-2.9
Financials	7.4	9.9	-2.5
Health Care	7.4	7.9	-0.5
Industrials	10.7	7.2	3.5
Information Technology	20.4	15.0	5.4
Materials	3.2	2.7	0.6
Real Estate	-	1.6	-1.6
Utilities	-	1.7	-1.7
Other	0.6	4.9	-4.3

Performance metrics (3-year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	12.7	9.9
Sharpe Ratio	0.0	0.3
Tracking Error	4.4	-
Information Ratio	-0.4	-
Alpha	-2.7	-
Beta	1.2	-
Upside Capture (%)	112.6	-
Downside Capture (%)	133.8	-

Country allocation

Country	Weight	Benchmark (%)
United States	52.4	62.5
Canada	10.4	3.4
United Kingdom	10.2	4.3
Switzerland	3.9	2.1
Japan	3.7	8.2
Germany	2.9	3.3
Other	16.5	16.2

Credit breakdown

Rating	Portfolio	Benchmark
AAA	11.9	12.6
AA	37.3	49.6
A	16.5	23.7
BBB	24.9	13.9
BB	5.9	-
B	2.8	-
CCC & Below	0.3	-
NR	-	-

Asset allocation

	Portfolio (%)
Equity	62.5
Fixed Income	33.2
Cash	4.3

Top 10 equity holdings

Security name	Country	Sector	Weight
Schneider Electric SE	France	Industrials	2.7
Microsoft Corporation	United States	Information Technology	2.7
Roper Technologies, Inc.	United States	Information Technology	2.6
Linde plc	United States	Materials	2.5
Accenture Plc Class A	United States	Information Technology	2.3
Aon Plc Class A	United States	Financials	2.3
Alcon AG	Switzerland	Health Care	2.2
S&P Global, Inc.	United States	Financials	2.0
Trane Technologies plc	United States	Industrials	1.9
Thermo Fisher Scientific Inc.	United States	Health Care	1.9

Equity - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Information Technology	20.0	2.6
	Industrials	10.4	0.9
	Consumer Staples	6.2	0.5
Detractors	Health Care	7.9	-0.1

Fixed Income - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Government	15.24	1.36
	Corporate	16.96	1.03
Detractors	Bank Loan	0.33	-0.01

Commentary

U.S markets delivered some strong gains in the final quarter of the year, buoyed by expectations that interest rate cuts may be approaching. The S&P 500 index ended the year just short of its record high set in early 2022.Top performing sectors were those most sensitive to interest rates, including information technology, real estate and consumer discretionary. The energy sector posted a negative return with crude oil prices weaker over the quarter.

As the impact of rate increases work their way through the economy, the companies that we invest in should perform better due to the less cyclicality and more resilient nature.

Fund performance
During the period the fund underperformed its benchmark .Security selection in Information technology and Consumer discretionary detracted from performance while stock selection in Industrials and communication services added to performance. From a geographic standpoint, security selection in France and Sweden.

In fixed income, the fund was significant overweight Canadian duration, significant overweight New Zealand (10y), overweight corporate bond risk, and long EM Local Rates (open currency: Mexico, Brazil, South Africa) contributed to performance. The Fund's short US 30y duration, short UK 10y duration, and short JPY duration detracted from performance.

Security contributors
Gartner Inc, Microsoft Corporation, Schneider Electric SE

Security detractors
Rentokil Initial plc, Aon Plc, ON Semiconductor Corporation

Portfolio activities
We exited our position in Estee Lauder Companies Inc and Rentokil Initial plc. We added new positions in the consumer discretionary space.

Market overview
Over the past three years, the global investment landscape has been heavily influenced by the trajectory of interest rates and inflation. It wasn't until late 2023 that the narrative pivoted towards the anticipation of a decline in policy rates. This shift signaled a reversal in the trajectory of interest rates, resulting in a subsequent upwards spike in stock prices. Investors began recalibrating their strategies as the prospect of easing monetary policy hinted at the possibility of a more favorable interest rate environment for equities. Another striking development was the concentration of returns within the S&P 500, where the “Magnificent 7” (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta Platforms, and Tesla) contributed over 60% of index performance in 2023.

Outlook and positioning
<u>Equity</u>
As we continue to transition into the post-pandemic era, we are seeing increasing evidence of the impact of higher interest rates on overall economic growth. Economic growth remains sluggish, particularly in China. The nation continues to grapple with challenges associated with transitioning to a more consumer-oriented economy amidst a complex demographic landscape. Despite near-term uncertainties, several longer-term opportunities remain on the horizon. The energy transition stands out as one of the most significant structural changes, requiring substantial investments over the next couple of decades. Additionally, digitization continues to reshape industries, driven by artificial intelligence, factory automation, and the Internet of Things. Our investment strategy remains anchored in focusing on industry leaders that can enable these changes. In an environment marked by macroeconomic uncertainty, these companies are poised to thrive as they are positioned to capitalize on emerging opportunities.

Commentary

Fixed Income

The fourth quarter of 2023 was marked by a significant reversal of the rising-yield trend that had defined 2024 up to that point. In Canada we entered the fourth quarter with yields at their cycle highs across the curve. The reversal was immediate and precipitous. Before the end of the quarter all sectors – 2s, 5s, 10s and 30s – had rallied more than 100bps and retraced to levels seen back in January 2023. The price action was mirrored in the US albeit with a slight delay. US yields peaked in the middle of October before rallying a similar magnitude.

Despite the fall in yields in Q4, some of our previous investment preferences remain in place. We prefer high-grade (low-beta) Corporate Bonds at the short end of the curve (2-5y but especially 2-3y). We prefer the Canadian curve over the US curve in this sector. With fragilities seemingly on the horizon in the Canadian market, led by the growing strains on consumers caused by mortgage resets, there is, in addition to the elevated yield, the potential for significant price appreciation of these securities. The longer end of the Canadian market is less convincing. 30y Canadian bonds yield 100bps less than their US equivalents, making the US more attractive. Should the two central banks indeed pivot away somewhat from their laser focus on inflation, this could have a positive effect on inflation linked-bonds relative to nominal bonds.

Stock Stories

Schneider Electric: The company is a France based focused on providing a complete range of light switches, electrical sockets and boxes and is the world's largest provider of products and services tied to electrification. The company is positioned to be a clear beneficiary of the drive to build a more sustainable, efficient, and digital energy infrastructure. The current electricity grid operates on a “hub-and-spoke” type of model, the future involves a system that resembles more of a decentralized “mesh style” network involving wind farms, private solar systems and solar farms, battery storage and other forms of generation that are spread out across different areas of the network. Schneider uses advanced software and AI and is now in a highly advantageous position to act as a key enabler of the energy transition as the world moves into the next generation of electrification.

ON Semiconductor -One of the key features of EV’s is a much higher semiconductor content per vehicle than internal combustion vehicles which has driven considerable market expansion for ON. In addition, over the past decade, semiconductors based on materials other than silicon have begun to enter the mainstream. These new materials have with different properties than traditional semis. Semiconductors based on silicon carbide have proven to be far superior for high power applications like EV’s, allowing for faster charging and greater battery range. ON is one of a small group of semiconductor companies that produce silicon carbide-based semis.

Linde - Is a global leader in the production of industrial gases, including hydrogen, oxygen, argon, and nitrogen, which are used across industry and healthcare. Linde co-locates an industrial gas facility with a major anchor customer, creating a guaranteed source of demand and return on Linde’s capital. The facility is then used to also supply other, smaller, local customers as well as regional consumer demand for packaged gases. This creates a much higher overall return on capital plus strong free cash generation for Linde, as the incremental sales are highly profitable. Historically, Linde has growth above GDP through a combination of steady volume growth, plus pricing power. We believe that hydrogen gas will be a key future fuel used for both decarbonization and for heavy transportation (trains, large trucks). From the perspective of Linde, any material expansion of hydrogen production globally will be additive to overall growth, as Linde will be a key global supplier.

Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns as of December 31, 2023 including changes in share value and reinvestment of all distributions and does not take into account sales, redemption, distribution, or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Index performance does not include the impact of fees, commissions, and expenses that would be payable by investors in the investment products that seek to track an index.

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Standard deviation provides a measure of the variability of returns that have occurred relative to the average return. The higher the standard deviation, the greater is the range of returns that has been experienced. Standard deviation is commonly used as a measure of risk.

Percentile rankings are from Morningstar Research Inc., an independent research firm, based on the Canada Fund Global Equity Balanced category and reflect the performance of the Mackenzie Bluewater Global Growth Balanced Fund F for the 3-month, 1-, 3-year, and Since Inception periods as of December 31, 2023 . The percentile rankings compare how a fund has performed relative to other funds in a particular category and are subject to change monthly. The number of Canada Fund Global Equity Balanced category funds for Mackenzie Bluewater Global Growth Balanced Fund F for each period are as follows: one year – 1,195; three years – 1,036.

Morningstar data is shown as of the most recent reporting period by each fund family. Allocations may not equal 100% and will vary overtime. Assets contained within “Other” category are not classified by Morningstar. All information presented in this tool is for informational purposes only and is not intended to be investment advice. The information is not meant to be an offer to sell or a recommendation to buy any investment product. Unless otherwise noted, performance is shown before sales charge.

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