

# Mackenzie Global Tactical Bond Fund

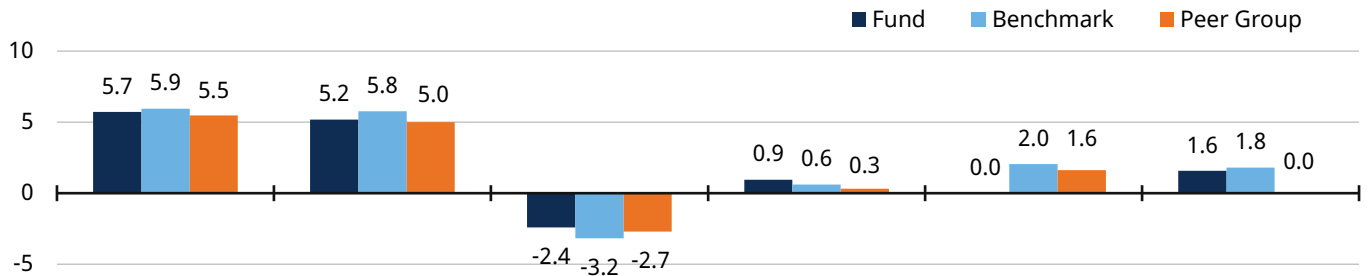
## Fund snapshot

Inception date	04/23/2014
AUM (millions in CAD)	265.8
Management fee	0.55%
MER	0.76%
Benchmark	ICE BofA Gbl Broad Mkt (Hgd to CAD)
CIFSC category	Global Fixed Income
Risk rating	Low
Lead portfolio manager	Steve Locke
Investment exp. since	1995

## Strategy overview

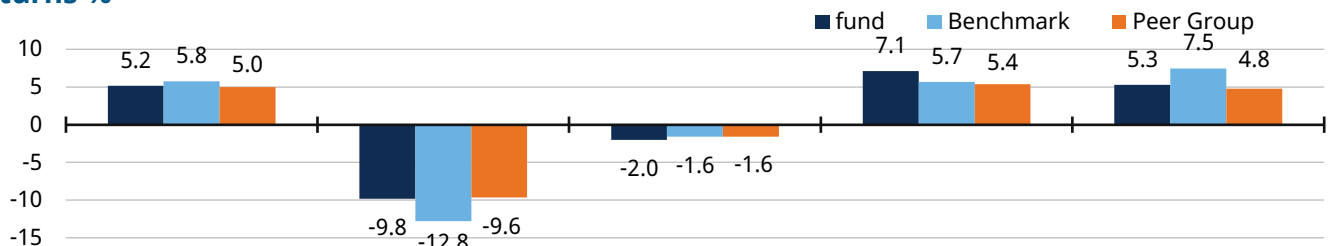
- An actively managed, benchmark agnostic global fixed income portfolio. Overall average credit quality can vary, but the portfolio manager expects it to remain almost always at BBB or higher.
- Given the size and complexity of its investible universe, uses a combination of qualitative insights, quantitative models and bottom-up security selection to access all five sources of alpha – country, duration, currency, sector and credit. The objective is to outperform the benchmark, with low volatility

## Trailing returns %



	3 Mth	1 Yr	3 Yr	5 Yr	10 Yr	SI
Excess return	-0.2	-0.6	0.8	0.3	-	-0.2
% of peers beaten	43	51	58	70	-	-

## Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-0.6	3.0	-0.4	1.5	-2.2
% of peers beaten	51	55	40	72	66

## Portfolio characteristics

Ratios & metrics	Portfolio	Benchmark
Fund Avg Yield	5.4	3.7
Fund Mod. Dur	5.6	6.8
Fund Rating	A	AA
Average Price	93.5	112.0
Average Coupon	4.1	2.5
Average Term	8.0	-

## Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	5.1	6.2
Sharpe Ratio	-1.0	-1.0
Tracking Error	4.1	-
Information Ratio	0.0	-
Alpha	-2.0	-
Beta	0.6	-
Upside Capture (%)	59.4	-
Downside Capture (%)	71.2	-

## Maturity breakdown

Bucket	Portfolio	Benchmark
0 to 3	24.4	-
3 to 7	35.6	-
7 to 12	26.5	-
12+	13.5	-

## Currency exposure

Currency	Gross	Net
CAD	35.7	88.4
USD	46.9	4.5
Other	17.4	7.1

## Asset allocation

	Portfolio	Benchmark
Investment Grade Corporate	29.0	19.9
Government	27.6	52.7
Emerging Markets	18.4	2.9
High Yield	5.9	-
Loans	2.1	-
Cash	3.2	-

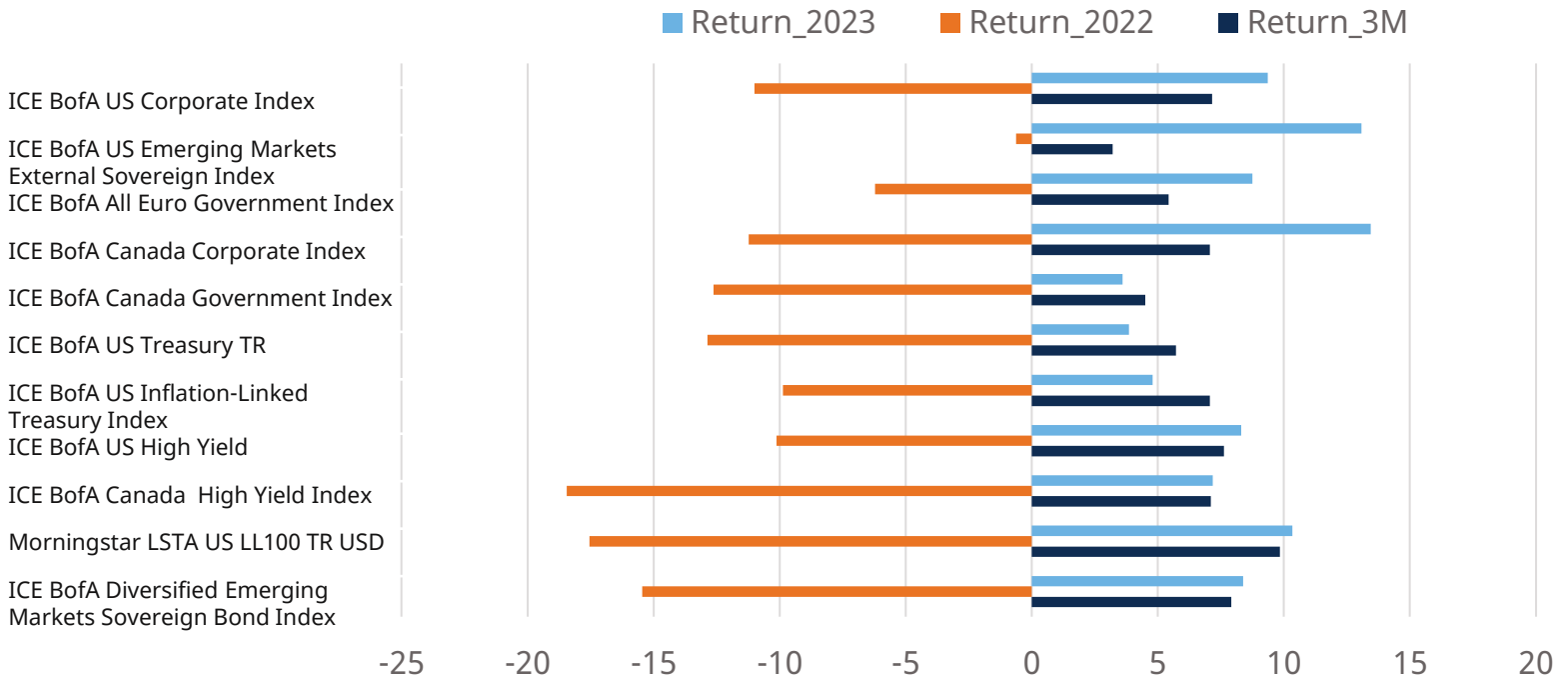
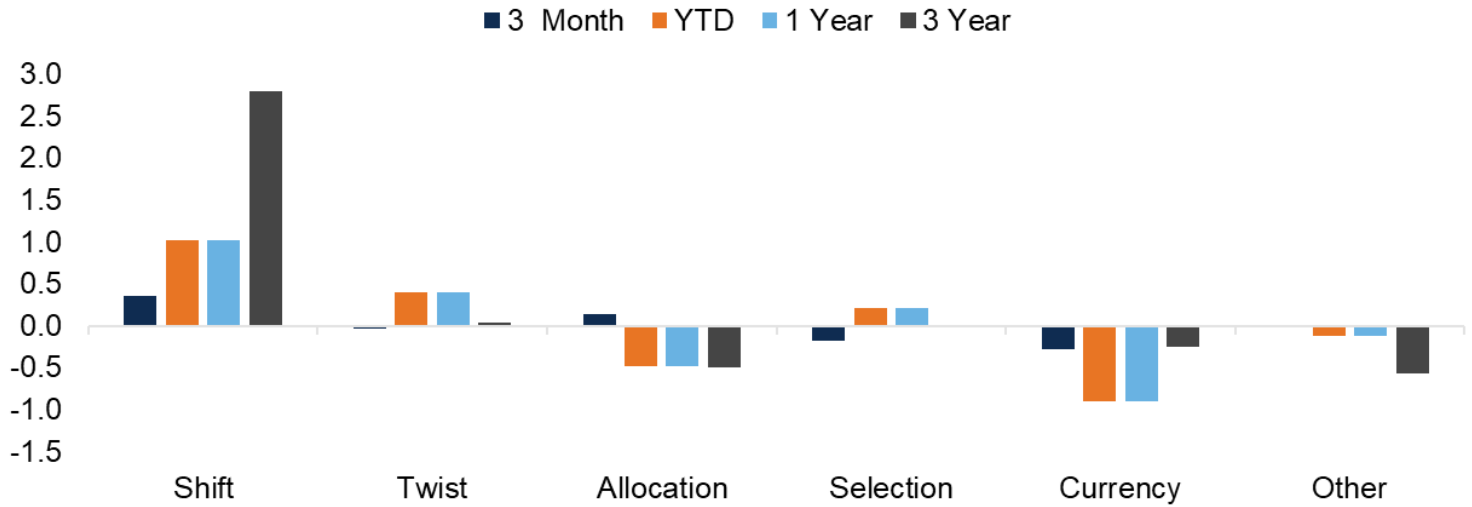
## Geographic allocation

Region	Weight
Canada	33.0
US	36.1
Europe	10.9
Other	20.0

## Credit breakdown

Rating	Portfolio	Benchmark
AAA	13.3	12.6
AA	31.8	49.5
A	9.9	24.2
BBB	26.2	13.7
BB	11.7	-
B	5.6	-
CCC & Below	0.9	-
NR	0.7	-

### Attribution



## Commentary

The final quarter of 2023 presented a tale of two halves in the global rate markets. Initially, there was an extension of the bearishness from Q3, propelling rates upward. However, this trajectory reversed in the latter part of the quarter, leading bonds to erase previous losses and deliver annual-like returns over the quarter. Two pivotal factors drove this shift: a continued deceleration in inflation, edging towards the central bank's target, and indications of a potential inflection point in the rate cycle. This adjustment fostered a bid for most fixed income sectors and risk assets alike. A notable pivot point occurred in mid-December when the Federal Reserve's unexpectedly dovish stance at their year-end meeting accelerated the rate rally. The US Treasury market witnessed a remarkable recovery, closing the year with returns north of 3%. The yield curve, especially at the front end, moved lower, reflecting market anticipations of a first rate cut as early as March 2024.

The global policy landscape remains diverse, influenced by varying regional inflation trajectories, different economic states, and the nuanced approaches of central banks to their primary mandate of price stability.

In Canada, concerns about the over-leveraged household sector and a gradually weakening economy persist, yet Canadian bond yields, coordinated with the global downtrend, outperformed US rates. The Bank of Canada, attuned to the housing market and the broader economy, stands at a critical juncture, potentially spearheading a rate-cutting cycle.

The Eurozone's economic challenges persist, with inflation proving more stubborn, partly driven by wage pressures. Yet, German 10-year bunds mirrored the global rate movements, ending the quarter with a higher return than US Treasuries. The European Central Bank, while engaging in quantitative tightening and acknowledging strides in core inflation, clearly stated that rate cuts were not discussed during their year-end meeting, indicating it is premature for such actions.

Japan continues its divergence from global trends, maintaining an accommodative monetary stance.

TIPS have continued to perform well, buoyed by ongoing economic resilience and inflation figures still lingering above the central bank's 2% target. Despite this, TIPS underperformed nominal bonds, a somewhat anticipated outcome as investors favored nominal bonds in anticipation of the Fed's policy pivot. Our stance remains overweight on TIPS, underpinned by the view that inflation will sustain levels above historical averages for a prolonged period. We attribute the recent deflationary pressures and the rapid retreat from post-COVID inflation peaks to temporary forces, rather than structural ones.

Emerging markets local rate bonds thrived in the last quarter, propelled by a weakening US dollar, lower US rates, and a 'risk-on' sentiment. Notably, Brazil and Mexico witnessed double-digit quarterly returns. Currencies like the Mexican Peso and Brazilian Real also performed robustly, albeit not matching their stellar performance in past quarters. Looking ahead, we continue to favor commodity-exporting nations in Latin America and expect them to continue outperforming, though political instability remains a significant risk factor, with 2024 marking a pivotal political year with elections across the globe. The distinction between commodity importers and exporters in the EM sphere has become increasingly pronounced, suggesting a potential divergence in outcomes.

### Contributors:

- Significant Overweight Canadian duration
- Significant Overweight New Zealand (10y)
- Overweight Corporate bond risk
- Long EM Local Rates (open currency: Mexico, Brazil, South Africa)

### Detractors:

- Short US 30y duration
- Short UK 10y duration
- Short JPY duration

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