

Mackenzie Ivy Canadian Fund

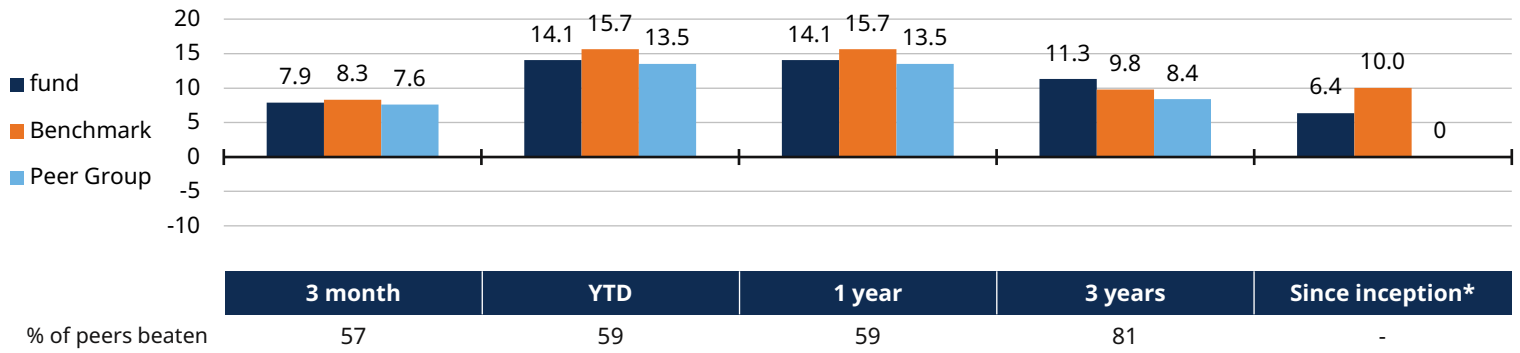
Strategy snapshot

Inception date	12/06/1999
AUM (millions in CAD)	695.3
Benchmark	60% TSX Comp + 30% S&P500 + 10% EAFE
Lead portfolio manager	James Morrison
Investment exp. since	2005
Target # of holdings	35-55

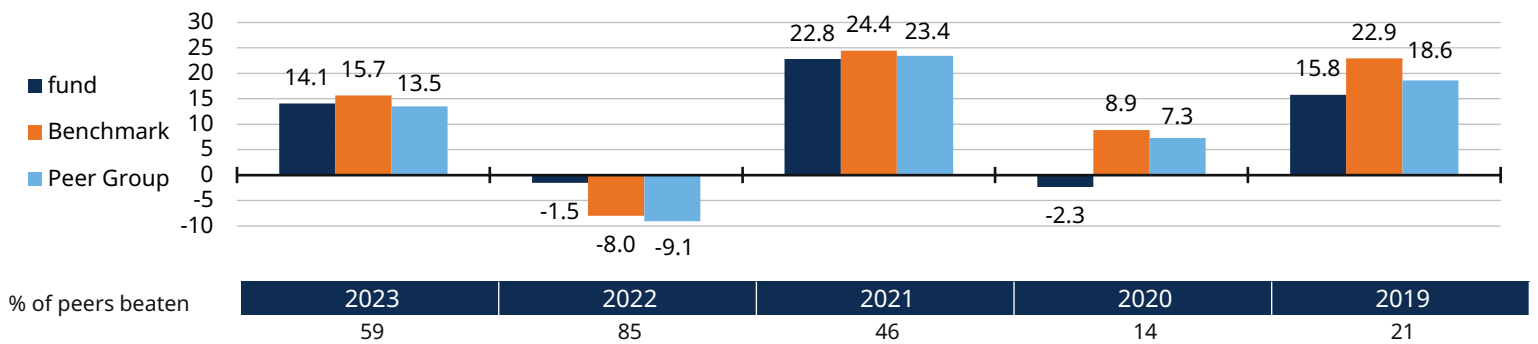
Strategy Overview

- Seeks to provide long-term capital appreciation by investing in a select group of high-quality companies
- Suitable as a long-term Canadian equity holding with lower-volatility characteristics and downside capture in volatile markets, the hallmark of Ivy's investment approach
- Diversifies outside Canada including into sectors and businesses not well represented domestically

Trailing returns %



Calendar returns %



Portfolio characteristics

	Portfolio	Benchmark
# of holdings	41	1,511
% top 10 holdings	38.6	23.3
Weighted average market cap	279,427	335,879.3
EPS growth (FY E)	10.2	8.4
Dividend yield	2.4	2.6
FCF margin	13.6	14.0
P/E Trailing 12M	20.3	17.4
P/E (forecast)	18.0	16.0
Net debt/EBITDA	2.8	2.1
ROE (latest FY)	19.1	15.8

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	10.0	12.65
Sharpe Ratio	0.8	0.61
Tracking Error	7.8	-
Information Ratio	0.0	-
Alpha	2.6	-
Beta	0.6	-
Upside Capture (%)	73.8	-
Downside Capture (%)	59.1	-

Regional breakdown

Region	Weight	Relative weight
Canada	68.3	8.4
United States	23.2	-6.8
International	8.2	-1.8

Sector allocation

Sector	Weight	Relative weight
Communication Services	6.3	1.1
Consumer Discretionary	11.5	4.9
Consumer Staples	8.3	3.0
Energy	7.3	-4.6
Financials	25.1	0.5
Health Care	8.2	3.0
Industrials	10.9	-1.6
Information Technology	10.8	-3.9
Materials	4.3	-3.9
Real Estate	0.0	-2.4
Utilities	7.2	3.7

Country allocation

Country	Weight	Relative weight
Canada	68.3	8.4
United States	23.2	-6.8
United Kingdom	5	3.6
Germany	2	1.0
Switzerland	1	0.3
Australia	-	-0.8
Other	1	94.3

Currency exposure

Region	Gross	Benchmark
CAD	68.3	60
USD	23.4	30.1
Other	8.3	9.9

Top 10 holdings

Security name	Country	Sector	Weight
Brookfield Corporation	Canada	Financials	4.6
Intact Financial Corporation	Canada	Financials	4.5
Restaurant Brands International, Inc.	Canada	Consumer Discretionary	4.4
Toronto-Dominion Bank	Canada	Financials	4.1
Royal Bank of Canada	Canada	Financials	4.0
Visa Inc. Class A	United States	Financials	3.5
Alimentation Couche-Tard Inc.	Canada	Consumer Staples	3.4
TELUS Corporation	Canada	Communication Services	3.4
Emera Incorporated	Canada	Utilities	3.3
Dollarama Inc.	Canada	Consumer Discretionary	3.3

Security level contributors and detractors

	Security	Average Relative weight (%)	Allocation Effect (%)	% contribution to return
Contributors	Brookfield Corporation	2.7	0.4	1.0
	Restaurant Brands International, Inc.	3.4	0.3	0.7
	Royal Bank of Canada	0.2	0.0	0.5
Detractors	Reckitt Benckiser Group plc	2.4	-0.4	-0.1
	Suncor Energy Inc.	1.3	-0.2	-0.2
	Franco-Nevada Corporation	0.6	-0.2	-0.3

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)
Contributors	Financials	0.3	0.0	0.0
	Information Technology	-2.7	-0.2	-0.5
	Consumer Discretionary	5.0	0.0	0.0
Detractors	Materials	-4.4	0.3	-0.3

Commentary

- Over half of the blended benchmark's full year return was realized in the fourth quarter, as the market started to bake in a soft landing with rate cuts as its base case. Cyclical outperformed defensives and the TSX underperformed global indices. With this backdrop, Mackenzie Ivy Canadian modestly underperformed the benchmark. The fund was up 7.9% in the quarter, versus the benchmark return of 8.3%. Beyond our more defensive positioning, the key detractor was our lower level of exposure to technology and in particular, Shopify, which we do not own. This was partly offset by our lower level of exposure to energy and our higher mix within energy to infrastructure, which was less impacted by the decline in the price of oil. For the full-year, Ivy Canadian performed well, modestly underperforming its benchmark but with substantially lower volatility, resulting in strong returns per unit of risk.
- Positions in Brookfield, Restaurant Brands International, and Microsoft were the largest contributors over the quarter.
- Positions in Franco-Nevada, Suncor Energy, and Reckitt Benckiser Group were the largest detractors over the quarter.
- We eliminated our positions in Fortive and Alibaba Group.
- Over the course of 2023, we saw a significant shift in sentiment from fear of a looming recession to optimism over the prospects of a soft landing. While the market appears to be leaning toward a soft landing and looking forward to rate cuts, this is by no means a guarantee and we mustn't forget that the economy is still absorbing the historic rise in rates that has already occurred. Although we don't position the fund for any particular macro-economic outcome, we consistently maintain a balanced portfolio of high-quality businesses that we believe will create value over time while being able to adapt to unforeseen challenges along the way. While we view this as an evergreen approach, it feels particularly relevant today.

Stock Stories

Brookfield:

- Brookfield is one of the world's largest investors in alternative assets and one of our largest holdings. In Q4, it was a top contributor to performance as the market began to factor in rate cuts.
- Although we understand the sensitivity of earnings to interest rates, which can lead to some short-term volatility, we view it as a secondary driver, likely to be overshadowed by strong competitive advantages that we believe will allow it to capitalize on a significant market opportunity.
- The business is positioned at the nexus of a number of secular tailwinds, including the energy transition, aging infrastructure, underfunded pension system, and cash strapped governments.
- Its global scale, operational capabilities, and privileged access to capital allow it to participate in transactions that few others in the world can compete for. The business has a well-established track record of superior investment performance.
- Although it employs high levels of leverage in its business, this is supported by non-recourse debt structures and stable, inflation-linked, contractual cash flows from essential infrastructure.

Emera:

- Emera operates transmission and distribution assets across North America. Its stable earnings and yield are often considered bond-like, and therefore rising bond yields have weighed on valuation.
- Despite the rate inspired flow of funds out of the sector, the fundamentals for the business remain strong. In the short-term, rising interest expenses are a headwind to earnings, however, regulators are beginning to incorporate higher rates into allowed ROEs, providing a modest benefit to the earnings power of the business.
- Looking ahead, we expect sustained growth to be supported by the essential role of transmission in the electrification and decarbonization of the economy. As a result of its share price underperformance, we view Emera as offering a compelling combination of growth, income, and downside protection

Dollarama:

- Dollarama is a world-class retailer that offers a compelling combination of value and convenience to customers that span a wide demographic.
- Despite its dominance in the Canadian market, we believe it still has a long growth runway based upon our regional density analysis and new store paybacks of less than 2 years.
- The strength of Dollarama's leadership and business model has been on clear display since the pandemic as it has successfully navigated its way through supply chain challenges, labour inflation and labour shortages, while servicing record demand from inflation related trade-down.
- Looking ahead, we expect Dollarama to continue to perform well but in a more normalized fashion with some medium-term risk that new customers won from trade-down revert to old habits. However, this risk could be mitigated by high retention of new customers due to exceptional value and convenience.
- Dollarama was a top contributor in 2023. In the fourth quarter, we trimmed our position from a top holding but maintain a meaningful position.

CCL Industries:

- CCL Industries designs and produces labels and related forms of specialty packaging. The business serves a global set of customers across various sectors including household names such as Proctor and Gamble, Walmart, and Johnson and Johnson.
- CCL has experienced weaker organic growth in the last few quarters, partly due to the consumer packaged goods division, which has been facing a lack of volume growth as several large customers in the space are seeing a lack of volume growth themselves. Although this is hurting CCL's business in the short term we believe this is largely a cyclical phenomenon and we expect will normalize in the fulness of time. We focus on the fundamentals of the business and believe they remain sound: CCL has competitive advantages in their niches, a resilient cash flow profile, and attractive returns on capital.
- Given the temporary challenges, CCL is offering a strong expected return which provided us with the opportunity to add to the position during the quarter given the compelling risk/reward profile. Additionally, CCL has a strong history of disciplined acquisitions which have helped augment organic growth. Armed with a strong balance sheet we believe the company is well placed to continue to execute on acquisitions over a medium-term time frame, which could provide further optionality and add to the potential return of the stock.

Alimentation Couche-Tard:

- Alimentation Couche-Tard has grown organically and through disciplined acquisitions to become one of the largest convenience store chains globally. The company stands out given its strong operational expertise and decentralized culture.
- From time to time, fuel margins can cause some volatility in the business and noise in the stock. More recently, fuel margins have increased meaningfully as shifting industry dynamics have made it more difficult for small operators to run their businesses. In addition to this, Couche-Tard has undertaken a number of internal initiatives to optimize fuel procurement which has added significantly to their margin profile – a factor which is a structural improvement. While we are cautious around normal cyclicity in fuel margins, our process focuses on their internal structural improvements and the steadily increasing fuel margins in the industry over longer periods of time. Our thesis is also grounded in the company's recession resilient merchandise store sales where we believe there is opportunity to continue to grow, particularly in areas such as private label and food.
- At the company's recent investor day, management laid out a plan to achieve a 12% compounded growth in EBITDA over the next 5 years backed by initiatives on the organic and inorganic side. As we look forward, we believe the company has multiple avenues to grow and strong balance sheet optionality to continue to participate in industry consolidation. Couche-Tard has been a strong contributor to our performance over the year; while we've trimmed the position into strength, we continue to believe the long-term opportunity remains attractive.

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