Mackenzie Bluewater Global Growth Balanced Fund

Fund snapshot

Inception date	01/31/2019
AUM (millions in CAD)	808.6
Management Fee	0.75%
MER	1.01%
Benchmark	65% MSCI World + 35% GBMI (HgdCAD)
CIFSC Category	Global Equity Balanced
Risk Rating	Low-Med
Lead Portfolio Managers	David Arpin

Strategy overview

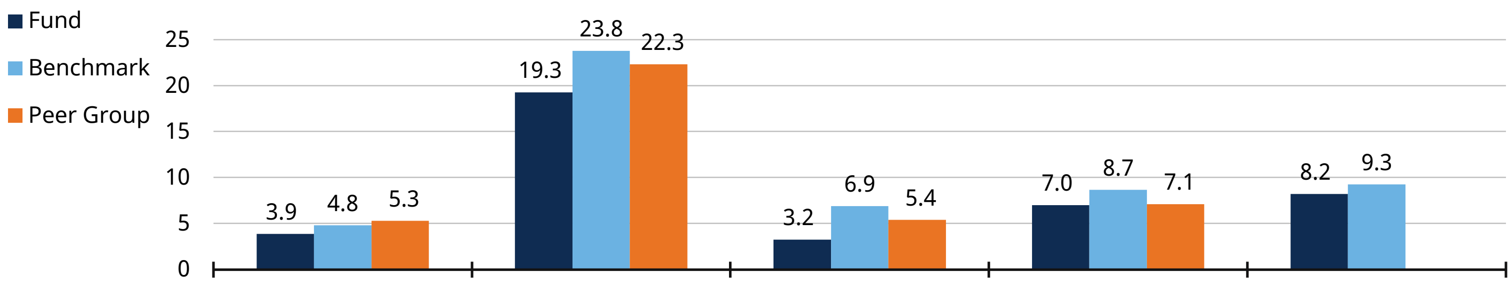
• The Fund seeks capital growth and current income by investing primarily in equity and/or fixed income securities anywhere around the world.

• 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.

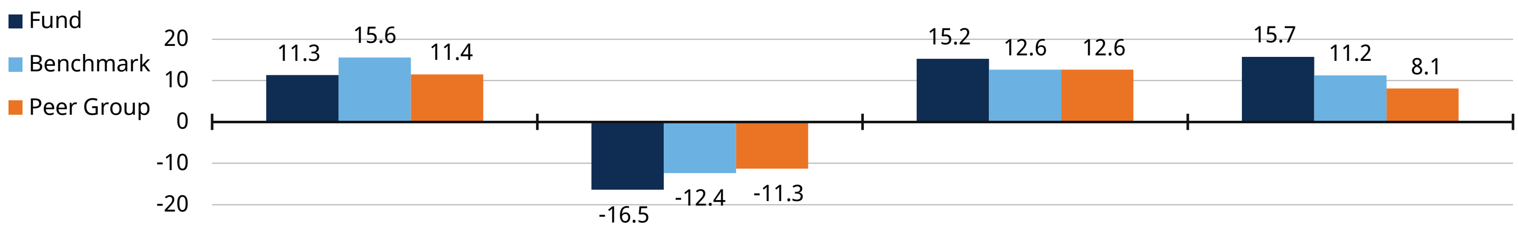
• The Fund may invest up to 100% of its fixed-income exposure in any one sector, and can invest in all of its fixed-income exposure in all types of fixed income securities from around the world, including, but not limited to, high-yield corporate and government bonds, which are bonds that have a credit 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.

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	SI
Excess return	-0.9	-4.5	-3.7	-1.7	-1.1
% of peers beaten	11	17	12	45	NA

Calendar Returns %



	2023	2022	2021	2020
Excess return	-4.3	-4.1	2.6	4.4
% of peers beaten	49	7	83	99

Portfolio characteristics

	Portfolio	Benchmark
Overall yield	4.0	2.9
Equity		
P/E 12m forward	31.4	20.4
Dividend yield	0.8	1.7
Net debt/EBITDA	1.1	1.0
EPS growth (FY E)	12.7	36.8
P/B	7.3	3.4
Fixed income		
Yield	4.3	3.5
Duration	6.4	6.7
Average credit quality	A	AA

Sector allocation

Sector	Portfolio (%)	Benchmark (%)	Relative weight (%)
Financials	7.6	10.0	-2.4
Energy	0.0	2.6	-2.6
Materials	4.6	2.5	2.1
Industrials	16.2	7.2	9.0
Information Technology	16.7	16.1	0.6
Communication Services	1.9	4.9	-3.0
Utilities	-	1.8	-1.8
Consumer Staples	2.1	4.2	-2.1
Consumer Discretionary	6.9	6.7	0.2
Real Estate	-	1.5	-1.5
Health Care	8.9	7.6	1.3
Other	0.9	0.0	0.9

Performance metrics (3-year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	12.5	9.9
Sharpe Ratio	-0.0	0.4
Tracking Error	4.2	-
Information Ratio	-0.9	-
Alpha	-4.3	-
Beta	1.2	-
Upside Capture (%)	102.3	-
Downside Capture (%)	133.3	-

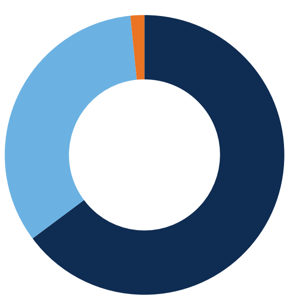
Country allocation

Country	Weight	Benchmark (%)	Active weight (%)
United States	54.5	59.4	-4.9
Canada	19.0	3.4	15.6
United Kingdom	5.7	4.1	1.6
France	5.7	3.9	1.8
Switzerland	3.1	1.9	1.2
Netherlands	2.3	1.5	0.8
Other	9.7	25.8	-16.1

Credit breakdown

Rating	Portfolio	Benchmark
AAA	13.9	12.9
AA	34.5	49.9
A	16.5	23.5
BBB	26.8	13.7
BB	5.2	-
B	2.4	-
CCC & Below	0.4	-
NR	0.4	-

Asset allocation



	Portfolio (%)
Equity	64.7
Fixed Income	33.5
Cash	2.1

Top 10 equity holdings

Security name	Country	Sector	Weight
Microsoft Corporation	United States	Information Technology	2.7
Aon Plc Class A	United States	Financials	2.6
Apple Inc.	United States	Information Technology	2.5
Schneider Electric SE	France	Industrials	2.4
Alcon AG	Switzerland	Health Care	2.4
Roper Technologies, Inc.	United States	Information Technology	2.4
Linde plc	United States	Materials	2.3
Waste Connections, Inc.	United States	Industrials	2.2
S&P Global, Inc.	United States	Financials	2.1
Gartner, Inc.	United States	Information Technology	2.0

Equity - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Financials	8.2	1.2
	Health Care	7.7	0.6
	Industrials	14.4	0.6
Detractors	Information Technology	18.9	-0.2
	Communication Services	2.9	-0.3

Fixed Income - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Government	15.9	0.8
	Corporate	16.5	0.7
Detractors	Bank Loan	0.4	-0.0

Commentary

QFR Highlights

- U.S stock market maintained their upward trajectory in Q3 where S&P 500 index returned 5.9%. This quarter saw a rotation in market leadership away from the Mag 7 stocks, with only 3 of the Mag 7 beat the index return. The Federal Reserve's change in tone and policy provided an extra lift to more rate-sensitive pockets of the market like the utility, real estate, and financial sectors, as well as smaller cap stocks. Evolving interest rate policy by central banks around the world was a significant factor in global markets as well. While the combination of cooling inflation and labor markets motivated central banks to cut rates from excessively restrictive levels, we continue to believe that the path forward for monetary policy is more uncertain given the combination of sticky services inflation and two geopolitical conflicts, which continue to support energy prices.

Fund Performance

- During the period the fund returned .2% underperformed its benchmark by 0.5%. Security selection Financials and Healthcare contributed to relative performance while stock selection in industrials and consumer discretionary detracted from performance. From a geographic standpoint, security selection in Switzerland and Italy contributed to performance whereas stock selection in Netherland detracted from performance.
- On the fixed income side, the Fund's underweight allocation to Govt bonds contributed to performance and overweight corporate bonds detracted from relative performance.

Security contributors

- There were a few holdings in the Financial and healthcare sector that added meaningful returns to the fund. Aon Plc, Accenture Plc and Trane technologies were top performers in the quarter. Short duration provincial bonds contributed to performance in fixed income.

Security detractors

- Although the overall market rose, a few holdings declined. ASML holdings, Alphabet Inc and Candence Design systems detracted from performance. On the fixed income side, overweight Latin American local debt was a detractor

Portfolio activities

- Over the last year we have aligned our portfolios to focus on consumer facing companies targeting either the very high-end consumer, those that are virtually unimpacted by macro economic conditions, or those companies that offer a unique value proposition.
- At the high end, extreme luxury brands like Hermes and Ferrari remain highly resilient. Founded in 1837, Hermes is a European luxury business known for its signature handbags and luxury items and a business model that is based around scarcity value and desirability of its hand-crafted leather goods. This unique value proposition has resulted in methodical scaling of its hand-crafted artisanal production while maintaining considerable pricing power, allowing the company to compound its revenues at 12% since 1991, virtually unheard of in an industry known for its cyclicality and fads that come in and out of favour.
- At the other end of the spectrum, companies such as Costco and Amazon all benefit from unique strategies that provide real value for consumers. We have avoided traditional retail companies targeting the middle market consumer. In our view, this large segment of the market faces increasing risks from large industry players such as Wal-Mart and Amazon that compete by providing value, selection, convenience and speed, all at massive scale, giving them a growing logistics and shipping competitive advantage.
- We increased our position size in few holdings in Communication services sector and exited a position in Consumer discretionary

Market overview

- Markets continued to show strength during the third quarter as the rally that began in the fourth quarter of 2023 continued into the first nine months of 2024. While some market participants are excited by the prospect of lower interest rates, significantly lower rates likely imply that economic conditions have deteriorated beyond current expectations. While there inevitably will be considerable ink spilled about the 'average return' after policy rates begin declining, it is important to remember that the economic environment around rate cuts tends to be highly idiosyncratic, making the usefulness of these statistics less than useful. There have only been 3 easing policy rate cycles in the past 25 years in the US, and they were marked by a historic stock market bubble bursting, a global financial crisis and a global pandemic, none of which even faintly resemble the current environment, which poses a large challenge for looking at the past as a guide to the future.

Commentary

Outlook, Positioning

Equity

- From a global GDP standpoint, economic growth continues to be uneven, with the United States showing relatively healthy levels, while Canada, Europe, and Asia are generally softer. China remains challenging driven by numerous structural issues that we have written on previously such as demographics and a decline in the working age population, maturing urbanization trends, overbuilding, and a slowdown in global outsourcing. While recent stimulus announcements from the Chinese government may help from cyclical perspective, the challenges that we have highlighted are all structural in nature and are unlikely to be solved through financial stimulus.
- With unemployment in North America rising from very low levels, we are not anticipating the beginning of a new economic cycle. Rather, we anticipate one of two scenarios: either a standard slowdown propelled by rising unemployment (4.1% currently, up from 2023 lows of 3.4%) or a prolonged period of stable, albeit anemic, economic growth. In either case, we anticipate that global growth is likely to be at levels that are below average for the next several years, which is an environment that tends to be supportive of the Bluewater investment process, focused on identifying resilient businesses that can grow their free-cash-flow at higher rates than the market and are less reliant on the broader economic landscape for such growth.

Fixed Income

- The third quarter of 2024 was marked by slowing inflation and slowing economic growth in both Canada and the US. In terms of rate moves, US 2y rates fell a whopping 111 bps during the quarter from 4.75% to 3.64%. Yields on 5s, 10s and 30s fell 82bps, 62bps and 44bps respectively implying an aggressive re-steepening of the curve as is typical at the beginning of rate cutting cycles. This price action was largely mirrored in Canada with 2-year yields falling 108bps, 5-year yields falling 78bps, 10s 55bps and 30s 25bps.
- The similar shift in yields is not unusual for Canadian and US rates, which are generally highly correlated, but strikes us as perhaps unrealistic in today’s environment. Economic data in Canada continues to be considerably weaker than in the more resilient US. The unemployment rate remains historically low in the US but has risen to over 6.5% in Canada. Similarly, inflation continues to surprise to the downside in Canada and is close to the 2% target, whereas in the US, services inflation remains above 4%. Considering this, we think more of a divergence in yields, certainly in the short end of the curve, is warranted, making shorter maturity Canadian bonds more attractive than similar maturity US bonds.
- Credit spreads remain tight, and we prefer to be invested in high-grade (low beta) Corporate Bonds at the short end of the curve. We prefer the Canadian curve over the US curve in this sector. Continued rate cuts are the base case for Canada and so there is still further potential for significant price appreciation of these securities. We remain negative on the long end of the Canadian market with 30y Canadian bonds offering almost no additional yield to 2-year bonds, but substantially more price risk.

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 September 30, 2024 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 for the 3-month, 1-, 3-, 5- and 10-year periods as of September 30, 2024 . 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 for each period are as follows: one year - 1,197 ; three years - 1,058 ; five years - 933 ; ten years - 516.

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