# Mackenzie Canadian Equity Fund

## Fund snapshot

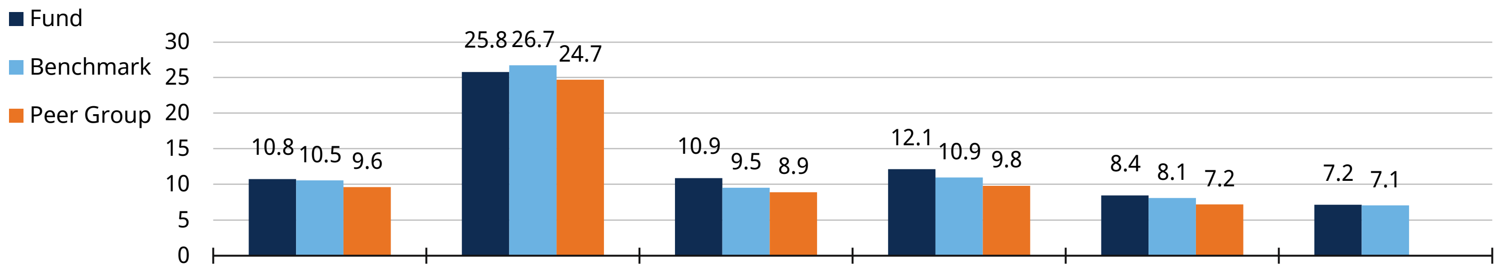
| | |
|---|---|
| Inception date | 05/15/2006 |
| AUM (millions in CAD) | 671.5 |
| Management Fee | 0.75% |
| MER | 0.99% |
| Benchmark | S&P/TSX Composite |
| CIFSC Category | Canadian Equity |
| Risk Rating | Medium |
| Lead portfolio manager | William Aldridge |
| Investment exp. Since | 2002 |
| Target # of holdings | 45-65 |

## Strategy Overview

• The all-cap Canadian equity universe offers more opportunities and potentially enhances diversification

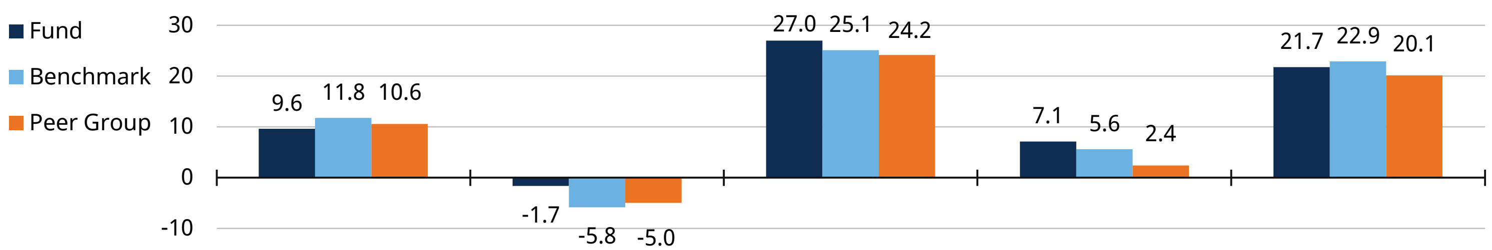
• Time-tested and market-proven investment process run by experienced managers

## Trailing returns %




| | 3 Mth | 1 Yr | 3 Yr | 5Yr | 10Yr | SI |
|---|---|---|---|---|---|---|
| Excess return | 0.3 | -0.9 | 1.4 | 1.2 | 0.3 | 0.1 |
| % of peers beaten | 77 | 55 | 84 | 93 | 85 | NA |

## Calendar returns %




| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Excess return | -2.2 | 4.2 | 1.9 | 1.5 | -1.1 |
| % of peers beaten | 37 | 79 | 80 | 91 | 73 |

## Portfolio characteristics

| | Portfolio | Benchmark |
|---|---|---|
| # of holdings | 62 | 223 |
| % top 10 holdings | 36.4 | 35.3 |
| Weighted average market cap | 128,917.3 | 72,748.3 |
| EPS growth (FY E) | 1.6 | 10.6 |
| Dividend yield | 2.8 | 2.8 |
| FCF margin | 11.7 | 10.9 |
| P/E Trailing 12M | 17.8 | 19.4 |
| P/E (forecast) | 14.6 | 16.1 |
| Net debt/EBITDA | 2.8 | 2.6 |
| ROE (latest FY) | 12.3 | 11.8 |

## Sector allocation

| Sector | Portfolio | Benchmark | Relative Weight |
|---|---|---|---|
| Financials | 33.7 | 32.3 | 1.4 |
| Energy | 12.4 | 16.7 | -4.3 |
| Materials | 10.8 | 12.5 | -1.7 |
| Industrials | 11.3 | 12.9 | -1.6 |
| Information Technology | 5.9 | 8.2 | -2.3 |
| Communication Services | 3.0 | 3.1 | -0.1 |
| Utilities | 3.2 | 4.0 | -0.8 |
| Consumer Staples | 7.2 | 4.1 | 3.2 |
| Consumer Discretionary | 7.7 | 3.4 | 4.3 |
| Real Estate | 3.2 | 2.3 | 0.9 |
| Health Care | 1.5 | 0.3 | 1.2 |
| Other | -0.2 | -0.2 | 0.0 |

## Performance metrics (3 year trailing)

| Metrics | Portfolio | Benchmark |
|---|---|---|
| Standard Dev. | 12.7 | 13.6 |
| Sharpe Ratio | 0.6 | 0.5 |
| Tracking Error | 2.9 | - |
| Information Ratio | 0.5 | - |
| Alpha | 1.9 | - |
| Beta | 0.9 | - |
| Upside Capture (%) | 96.7 | - |
| Downside Capture (%) | 86.9 | - |

## Country allocation

| Country | Portfolio | Benchmark | RelativeWeight |
|---|---|---|---|
| Canada | 95.1 | 100.0 | -4.9 |
| United States | 4.9 | - | 4.9 |

## Regional breakdown

| Region | Portfolio | Benchmark | Relative Weight |
|---|---|---|---|
| Canada | 95.3 | 100.0 | -4.9 |
| United States | 4.9 | - | 4.9 |

## Currency exposure

| Region | Gross | Benchmark |
|---|---|---|
| CAD | 95.1 | 100.0 |
| USD | 4.9 | - |

## Top 10 holdings

| Security name | Country | Sector | Weight |
|---|---|---|---|
| Royal Bank of Canada | Canada | Financials | 7.4 |
| Toronto-Dominion Bank | Canada | Financials | 5.1 |
| Canadian Pacific Kansas City Limited | Canada | Industrials | 3.7 |
| Canadian Natural Resources Limited | Canada | Energy | 3.6 |
| Agnico Eagle Mines Limited | Canada | Materials | 2.9 |
| Bank of Montreal | Canada | Financials | 2.9 |
| Suncor Energy Inc. | Canada | Energy | 2.8 |
| Canadian National Railway Company | Canada | Industrials | 2.8 |
| CGI Inc. Class A | Canada | Information Technology | 2.7 |
| Brookfield Corporation | Canada | Financials | 2.7 |

## Security level contributors and detractors

| | Security | Average Relative weight (%) | % Contribution to return |
|---|---|---|---|
| Contributors | Royal Bank of Canada | 0.4 | 1.2 |
| | Toronto-Dominion Bank | 0.7 | 0.8 |
| | Brookfield Corporation | -0.3 | 0.6 |
| Detractors | Cenovus Energy Inc. | -0.2 | -0.1 |
| | DRI Healthcare Trust | 0.9 | -0.2 |
| | Canadian Natural Resources Limited | 0.9 | -0.3 |

## Sector attribution relative to the benchmark

| | Sector | Average Relative weight (%) | Allocation Effect (%) | Selection Effect (%) | Total Effect (%) |
|---|---|---|---|---|---|
| Contributors | Consumer Discretionary | 4.0 | -0.1 | 0.5 | 0.4 |
| | Energy | -4.3 | 0.4 | 0.0 | 0.4 |
| | Real Estate | 1.0 | 0.1 | 0.1 | 0.2 |
| Detractors | Consumer Staples | 3.2 | -0.2 | 0.1 | 0.0 |
| | Information Technology | -2.3 | -0.1 | -0.2 | -0.3 |
| | Health Care | 1.2 | 0.1 | -0.5 | -0.4 |

## Commentary

**Fund Performance**

- In Q3 2024, Mackenzie Canadian Equity Fund returned 11.0% compared with the S&P/TSX Composite Total Return Index return of 10.5%.
- The portfolio outperformed the benchmark due to stock selection in consumer discretionary, communication services, and materials; an overweight position in real estate; and underweight positions in energy and industrials. Stock selection in health care and financials, an overweight in consumer staples and an underweight in IT detracted from performance.

**Security contributors**

- The largest contributors to relative performance at the security level include:
- **Boardwalk REIT –** After underperforming in the second quarter, the interest sensitive REIT sector performed strongly in the third quarter as central banks began to lower rates. Lower interest rates tend to lead to lower "cap rates" applied to the cash flow streams generated by real estate assets, which boosts their value. Boardwalk is a strong operator of apartment assets, with the majority of its properties in Alberta, where there are no rent controls. Demand for Boardwalk's suites has been strong as a result of immigration and the relatively lower cost of living in Alberta. Boardwalk's portfolio is effectively fully occupied and is generating strong increases in rents as the tenant base turns over.
- **Sleep Country Canada Holdings Inc. –** Sleep Country, a national retailer of mattresses and sleep products, was subject to a takeover by Fairfax Financial Holdings Ltd., an insurance company that has invested in several Canadian retailers in past. Fairfax saw attractive value in Sleep Country shares, which had suffered from investor's short-term concerns relating to consumer discretionary spending. Having been privatized once in past, we had always felt an exit from the public markets was a potential upside scenario. Sleep Country dominates the sleep industry in Canada and had built a strong portfolio of retail brands through acquisition. This outcome highlights the merits of both our valuation discipline (shares were purchased in 2019/20 near trough levels) and our patient approach and willingness to ignore short-term volatility.
- **IA Financial Corp. –** IA is a Quebec-based insurance company focused on individual and group insurance and wealth solutions to Canadians, as well as a developing U.S. business. Through a mix of organic and acquisition growth, IA has consistently grown book value per share over many years, while maintaining a strong capital position. IA has also consistently rewarded shareholders with increasing dividends and share buybacks given the company's strong cash flow generation. With strong capital generation, IA is poised to continue its growth trajectory and the development of its U.S. business.

**Security detractors**

- The largest detractors from relative performance at the security level include:
- **Canadian Imperial Bank of Commerce –** Canadian banks were strong performers in general in the third quarter as investors began to price in a soft economic landing and the benefits of lower interest rates on indebted bank clients. The Canadian banks mostly reported strong quarterly earnings results as expanding net interest margins, improving capital markets, disciplined expense management and strong capital generation suggested to investors that the banks had turned the corner on macro concerns. CIBC was particularly weak through 2023 as investors had been concerned about the state of the Canadian consumer and the impact of higher interest rates on residential mortgages, as CIBC is the most exposed of the Big 6 banks to the Canadian consumer. However, as those worries began to wane, and CIBC delivered strong earnings, the shares outperformed.
- **DRI Healthcare Trust –** DRI is a drug royalty company with a portfolio of royalties across many indications. Despite growing the portfolio and building a strong business since its IPO four years ago, DRI's CEO was forced to resign from his leadership role following the discovery of irregularities relating to expense filings. The stock weakened on the announcement as investors questioned the likelihood of continued growth given the vacancy at the top. Since then, investigations have concluded that there are no further issues. More importantly, the existing team has recommenced acquisitions of royalty streams. The stock is currently trading near the discounted value of cash flows from the current portfolio, with little value in the stock for potential future royalty acquisitions.
- **Shopify Inc. –** Shopify offers a suite of products and solutions to support e-commerce merchants. Shopify shares were volatile during the quarter, initially falling with the market overall in early August and on concerns relating to consumer spending, before rebounding strongly following the release of its second quarter results. Shopify surprised investors with stronger than expected growth and free cash flow generation. Guidance for the following quarter was also a positive surprise. We own shares in the portfolio but are underweight the benchmark.

## Commentary

**Portfolio activities**

- We increased select positions in the materials, consumer discretionary, and industrials sectors during the quarter and reduced select positions in the financials and real estate sectors.

**Market Overview/ Outlook**

- Markets continued to rally in Q3/24 on the presumption that an economic "soft landing" is underway, guided by the steady hand of central bankers. It may very well be. However, this consensus view is beginning to feel more than reflected in stock valuations after very strong moves in markets. The S&P/TSX forward price-to-earnings multiple has shot through its historical midpoint range and is pushing towards more fully valued levels. Canada still trades at a significant discount to the U.S. market, however - as it should, given the different sector mix - and there is still room for Canada to narrow that gap somewhat. But we are generally struggling to identify reasonably valued segments of the market to deploy capital, other than areas where there are legitimate questions about a company's strategy or direction, particularly in industries where the range of potential outcomes is wide. We have begun to see smaller cap stocks performing again, after a period of malaise. This improving breadth, while typically a sign of market health, can also suggest there are fewer opportunities to be had. As always, valuation discipline is our key focus and we are making subtle shifts to position for less optimistic times, while acknowledging there is likely much pent-up demand for equities in a lower rate environment with capital still sitting in high-rate cash accounts.

**Stock Stories**

- **Capital Power Corp. –** Capital Power is a leading North American power producer, recognized for having one of the largest non-regulated natural gas generation portfolios on the continent. Historically concentrated in Alberta, the company has strategically expanded its footprint in recent years by acquiring undervalued mid-life natural gas assets across North America. This positions the company uniquely to meet the evolving demands of the North American power markets. After more than two decades of stagnant power demand growth across the continent, the rapid growth of artificial intelligence is driving a significant increase in power demand expectations, particularly from data centers with high energy requirements. This shift presents a substantial opportunity for power producers, especially those equipped with flexible and reliable generation sources like natural gas. Recent investments in the power sector have favoured renewable energy sources while there has been limited new gas-fired generation developed. However, reliability challenges with renewables have led to a growing recognition that gas-fired generation has an essential role to play in ensuring stable power supply. As demand improves, Capital Power is poised to benefit from anticipated increases in power prices and contracting opportunities for its existing fleet, alongside low-cost brownfield expansion possibilities.
- **AtkinsRealis Group Inc. –** AtkinsRealis, formerly SNC Lavalin, has successfully stabilized its operations after navigating several challenging years marked by company-specific headwinds and has emerged as a more focused global engineering services firm. The company specializes in end-markets such as nuclear, infrastructure, and transportation. AtkinsRealis is benefiting from several favourable trends, including increased fiscal support for infrastructure and power projects, rising demand for increasingly complex environmental initiatives, and margin improvements as it develops a globally connected workforce. AtkinsRealis also has a core business focused on nuclear power, which, like Capital Power via its gas assets, is well positioned to benefit from shifts in power markets. Nuclear power produces consistent baseload power, which blends well with the intermittent supply provided by renewables. The company's nuclear services span the entire lifecycle, from initial concept and design to asset management and eventually to decommissioning and remediation. Currently, Atkins is experiencing strong growth from life-extension and servicing projects. Through its CANDU reactor technology, AtkinsRealis should be well positioned to participate in the global buildout of new reactors. The stock has been a strong performer in the portfolio for the past couple of years, as investors have come to recognize the strong tailwinds at work in the engineering industry. Yet, the stock remains relatively attractively priced and should benefit from continued execution of its strategic initiatives.

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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Percentile rankings are from Morningstar Research Inc., an independent research firm, based on the Canada Fund Canadian Equity category and reflect the performance of the Mackenzie Canadian Equity 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 Canadian Equity category funds for Mackenzie Canadian Equity Fund for each period are as follows: one year - 590 ; three years - 526 ; five years - 450 ; ten years - 305.



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