Mackenzie Income Fund

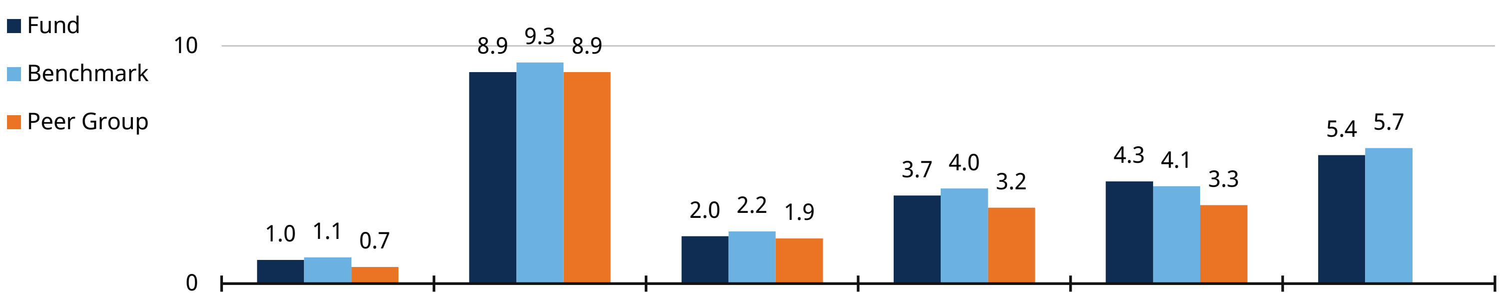
Fund snapshot

Inception date	10/22/2001
AUM (millions in CAD)	1212.6
Management Fee	0.65%
MER	0.89%
Benchmark	70% FTSE Univ + 30% TSX Comp
CIFSC Category	Canadian Fixed Income Balanced
Risk Rating	Low
Lead Portfolio Managers	Felix Wong

Strategy overview

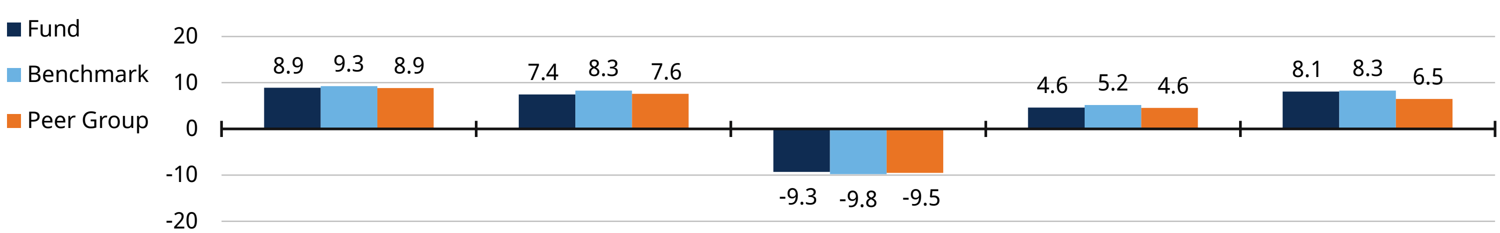
- Conservative asset allocation aims to safeguard capital, provide an income stream and moderate investment growth
- The Fund's fixed income investments are mainly in high quality securities but can include higher yielding, lower quality securities
- Equity portfolio of quality, dividend paying companies in Canada and globally contribute to the Fund's income stream

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-0.1	-0.4	-0.2	-0.3	0.2	-0.3
% of peers beaten	65	58	57	69	89	NA

Calendar returns %



	2024	2023	2022	2021	2020
Excess return	-0.4	-0.9	0.5	-0.6	-0.2
% of peers beaten	58	47	60	56	88

Portfolio characteristics

	Portfolio	Benchmark
Overall yield	4.2	3.5
Equity		
P/E 12m forward	17.5	16.3
Dividend yield	2.6	2.8
Net debt/EBITDA	1.9	2.3
EPS growth (FY E)	11.9	13.1
P/B	2.7	2.1
Fixed income		
Yield	4.4	3.6
Duration	7.2	7.3
Average credit quality	A	AA

Sector allocation

Sector	Portfolio (%)	Benchmark (%)	Relative weight (%)
Financials	8.6	9.9	-1.3
Energy	3.7	5.1	-1.4
Materials	2.5	3.4	-0.9
Industrials	4.0	3.8	0.2
Information Technology	4.3	3.0	1.3
Communication Services	1.5	0.7	0.8
Utilities	1.2	1.1	0.1
Consumer Staples	2.0	1.2	0.8
Consumer Discretionary	2.2	1.0	1.2
Real Estate	0.4	0.6	-0.2
Health Care	1.8	0.1	1.7
Other	1.5	0.1	1.4

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	7.6	8.5
Sharpe Ratio	-0.2	-0.2
Tracking Error	1.5	-
Information Ratio	-0.1	-
Alpha	-0.4	-
Beta	0.9	-
Upside Capture (%)	90.1	-
Downside Capture (%)	90.0	-

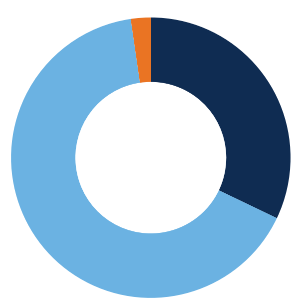
Country allocation

Country	Weight	Benchmark (%)	Relative weight
Canada	69.2	99.2	-30.0
United States	18.6	0.5	18.1
New Zealand	2.2	-	2.2
United Kingdom	1.9	-	1.9
Germany	1.0	-	1.0
Japan	0.8	-	0.8
Other	6.3	0.3	6.0

Credit breakdown

Rating	Portfolio	Benchmark
AAA	10.1	42.3
AA	33.1	31.5
A	18.4	15.3
BBB	29.9	10.9
BB	6.1	-
B	1.6	-
CCC & Below	0.2	-
NR	0.6	-

Asset allocation



	Portfolio (%)
Equity	32.1
Fixed Income	65.6
Cash	2.3

Top 10 equity holdings

Security name	Country	Sector	Weight
Royal Bank of Canada	Canada	Financials	1.3%
Bank of Montreal	Canada	Financials	0.8%
The Toronto-Dominion Bank	Canada	Financials	0.8%
Microsoft Corp.	United States	Information Technology	0.7%
Apple Inc.	United States	Information Technology	0.7%
Canadian Natural Resources Ltd.	Canada	Energy	0.7%
Canadian Pacific Kansas City Ltd.	Canada	Industrials	0.6%
Enbridge Inc.	Canada	Utilities	0.6%
Sun Life Financial Inc.	Canada	Financials	0.6%
Amazon.com Inc.	United States	Consumer Discretionary	0.5%

Equity - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Financials	8.2	0.6
	Information Technology	4.1	0.4
	Energy	3.8	0.2
Detractors	Health Care	1.9	-0.1
	Industrials	3.9	-0.1
	Materials	2.4	-0.2

Fixed Income - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Corporate	38.6	0.8
	Bank Loan	0.8	0.1
Detractors	Federal	26.2	-0.2

Commentary

QFR Highlights

The fund underperformed its blended benchmark index comprising of 30% S&P/TSX Composite Index and 70% FTSE Canada Universe Bond Index.

Market Overview

Q4 was impacted by significant macroeconomic developments, geopolitical events, as well as shifting monetary policy expectations. Overall, global equities had mixed performance in the fourth quarter. Investor sentiment fluctuated as economic data revealed slowing growth in some countries and regions, particularly in Europe and China, which was divergent with more robust economic data in the US. The US market outperformed its global peers, fueled by optimism around lower inflation, leading the Federal Reserve to make two additional 25 basis point cuts to its key interest rate in November and December. Growth stocks, particularly large-cap growth, outperformed value stocks. The “Magnificent Seven” stocks, such as NVIDIA and Tesla, were major contributors to the US market’s strength. Canadian equities experienced positive performance but lagged behind the US. European equity markets weakened in Q4 due in part to declining macroeconomic data such as slowing GDP growth and persistent inflation pressures for the region. Asian equities had mixed results, with China, Hong Kong and South Korea declining, while Japan and Singapore posted positive results for the quarter, all in local terms. Global bond markets experienced a lackluster quarter, driven by robust US economic data, concerns about the stickiness of inflation and the Federal Reserve’s indication of a slower pace of interest rate cuts in 2025. This led to rising yields and declining bond prices across major economies, including the US and Canada.

For the quarter, the S&P 500 returned 2.4% (9.0% in CAD). The S&P/TSX Composite returned 3.8%. Globally, the MSCI ACWI returned 1.4% in local terms (5.5% in CAD). Bond returns were relatively weak compared to equity markets. The FTSE Canada Universe Bond Index returned 0.0%. The ICE BofA Global Broad Market Bond Index (Hedged to CAD) returned -2.0%. The ICE BofA U.S. High Yield Bond Index (Hedged to CAD) returned -0.2%.

Fund Performance

The equity portion of the fund underperformed the equity component of the blended benchmark, while the fixed income portion of the fund outperformed the fixed income component of the blended benchmark. From an equity perspective, stock selection in communication services and consumer discretionary, along with an underweight allocation to materials contributed the most to relative performance. Stock selection in information technology, health care and industrials detracted the most from relative performance. From a country perspective, holdings in the US contributed to relative performance, while stock selection in Canada and an overweight allocation to the United Kingdom detracted from relative performance. From a fixed income perspective, an overweight allocation to corporate bonds, particularly in the financial, industrial and communication sectors contributed to relative performance. Holdings in term loans, particularly in the industrial and financial sectors also contributed to relative performance. Holdings in government bonds detracted from relative performance, due in part to a longer duration in federal and provincial bonds.

Security Contributors

Alphabet Inc., Meta Platforms Inc. and Amazon.com Inc. were the largest contributors to relative performance over the quarter.

Security Detractors

Microsoft Corporation, Oracle Corporation and Motorola Solutions Inc. were the largest detractors from relative performance over the quarter.

Portfolio Activities

Within North American Equities, the portfolio management team continues to seek out the best overall reward to risk opportunities within our Canadian investment universe which led to some changes in the portfolio in the quarter. The changes were driven primarily by stock specific opportunities which resulted in increased positions in the materials and industrials sectors, while positions in the financial services and communication sectors were reduced. Overall, the changes resulted in one new position being added in the materials sector. The Canadian portion of the portfolio ended the period with 51 unique stock positions.

Within Global Equity & Income Equities, we initiated a position in Morgan Stanley, a global financial services giant. Morgan Stanley is one of the largest wealth managers in the world, overseeing more than $5TN in assets under management. The company has focused on shifting its business towards asset management (now half of sales), given its consistent, fee-based income, while reducing reliance on more volatile trading and investment banking segments. That said, Morgan Stanley holds a prominent position as a top tier investment bank where it excels in equity underwriting and M&A advisory – areas that are well below historical trend levels and expected to benefit from increased M&A activity driven by U.S. President-elect Trump's promise of less regulation, lower corporate taxes, and broadly pro-business stance. We sold our position in ConocoPhillips and added AT&T. While we remain constructive on Conoco's quality relative to other E&P's, we are concerned that changes in White House philosophy could lead to higher energy production and consequently lower energy prices. We view AT&T and Conoco as businesses of similar quality, but AT&T trades at a lower valuation. In our opinion, the switch will increase portfolio yield and decrease portfolio valuation, without sacrificing on business quality.

Outlook & Positioning

Fixed Income Team: The new US administration's threat to implement 25% tariffs poses significant risks for Canada, potentially leading to inflation and currency weakening if the Bank of Canada responds with rate cuts. The uncertainty around long-term rates, with 30-year Canadian yields significantly lower than US yields, adds to the sector's unattractiveness amid potential inflation. A prolonged trade war with the US could further impact Canadian credit spreads, which are currently well bid but considered expensive. Until there is more clarity on the geopolitical situation, the focus remains on improving credit quality and liquidity rather than increasing credit holdings.

North American Equities Team: The portfolio management team is optimistic about Canadian equities in 2025, expecting economic growth to accelerate in the latter half of the year. Despite softened unemployment rates, record-high employment levels have bolstered consumer spending. Strong immigration trends have allowed for only a small correction in housing prices and affordability. Lower interest rates are anticipated to boost economic activity by easing consumer interest burdens, increasing investor confidence, and encouraging business growth. However, the risk of new US tariffs on Canadian goods poses significant uncertainty. The team remains focused on investing in high-quality stocks with a margin of safety to our estimate of fair value.

Global Equity & Income Team: The global economic outlook for 2025 is marked by diverging growth paths and policy uncertainty. The U.S. shows resilience but may face potential growth slowdowns due to higher interest rates and a loosening labor market. China's growth may decelerate without new stimulus, while Japan anticipates gradual GDP growth and possible real wage gains. The Federal Reserve's slow rate cut approach contrasts with the ECB's aggressive plan. U.S. immigration restrictions and potential tariffs add unpredictability, risking inflation and supply chain disruptions. This complex landscape requires careful navigation, balancing moderating inflation and growth uncertainties, with opportunities and risks shaped by evolving trade and immigration policies.

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, 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 Canadian Fixed Income Balanced category and reflect the performance of the Mackenzie Income Fund for the 3-month, 1-, 3-, 5- and 10-year periods as of December 31, 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 Fixed Income Balanced category funds for Mackenzie Income Fund for each period are as follows: one year - 373 ; three years - 349 ; five years - 312 ; ten years - 214.

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. For more fund information, click the POS Documents link.

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