

Exploring opportunities in China

Our experts discuss this under-exposed economy

Mackenzie's newest solutions provide Canadian investors with unparalleled direct access to Chinese investment opportunities

In a webinar held on October 19, announcing our new *Mackenzie ChinaAMC Multi-Asset Fund* and *Mackenzie ChinaAMC All Bond Fund*, four Mackenzie experts discussed the Chinese economy, opportunities within the Chinese market now available to Canadian investors, and how these funds can fit into Canadian portfolios.

Below is a summary of what was covered in the webinar:

Mike Evans, VP, National Sales Initiatives, Mackenzie Investments, kicked off proceedings with a quick summary of the growth potential of investing in China and the funds themselves:

- \$13 trillion in annual GDP
- The world's second-largest economy
- China's stock market outperformed global peers by an average of 3% per year over the last 15 years
- Most Canadian portfolios have zero exposure to this lucrative market

Mackenzie took a stake in ChinaAMC as a local partner for several reasons:

- It is the leading investment manager in China
- 23 years of experience
- CA\$326 billion AUM
- 1,100 employees, of which 250 are investment professionals

With the introduction of the two new funds, Mackenzie now offers the Canadian investment industry's most complete suite of direct investment options in China.

A breakdown of the Mackenzie ChinaAMC Multi-Asset Fund:

The first of its type in Canada, a single-ticket solution for enhanced diversification.

The target asset allocation is 65% equity and 35% fixed income (which has a target allocation of 25% high-quality bonds and 10% high-yield bonds).

Growth-oriented equity portfolio, containing China A shares, H shares and ADRs.

Onshore investment grade government bonds and offshore high yield markets.

A breakdown of the Mackenzie ChinaAMC All China Bond Fund:

This is composed of 70% high quality bonds and 30% high yield bonds, providing the potential for higher income and returns.

Low correlation to developed economies and diversified sources of return.

Considerably higher yielding than developed country bond markets.

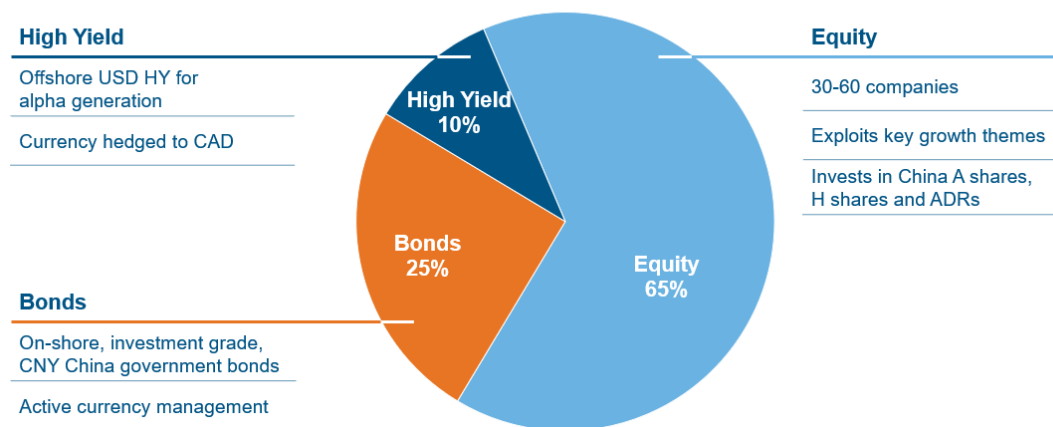
ChinaAMC's local knowledge and expertise give the company an edge in the bond market.

Marcus Jiang, Senior VP of ChinaAMC, discussed the Chinese equity market, starting off by addressing some hot Chinese topics that have featured in international news and giving them a local perspective. These included:

- Power cuts and the Chinese government's move towards carbon neutrality
- Evergrande's debt and the outlook for Chinese real estate
- Under-regulated companies

A closer look: Mackenzie ChinaAMC Multi-Asset Fund

Mackenzie ChinaAMC Multi-Asset Fund: 65% equity, 35% fixed income



The fund follows a consistent investment process that integrates considerations of long-term trends and bottom-up fundamental research.

The fund focuses on equities within four themes, adjusting exposures to those themes depending on market conditions:

- Carbon neutrality, new energy
- Consumption upgrade
- High end manufacturing
- Internet-enabled economy

The advantages of exposure to A-shares, H-shares and ADRs, including having access to a broader spectrum of industries and sectors and generating additional alpha by investing in businesses that are not widely known. The newly proposed Beijing stock exchange will add another dimension and further growth opportunities.

Current advantages for Chinese equity include domestic energy prices being somewhat capped, so increases are limited, and the Chinese government and the PBoC still having room to ease measures.

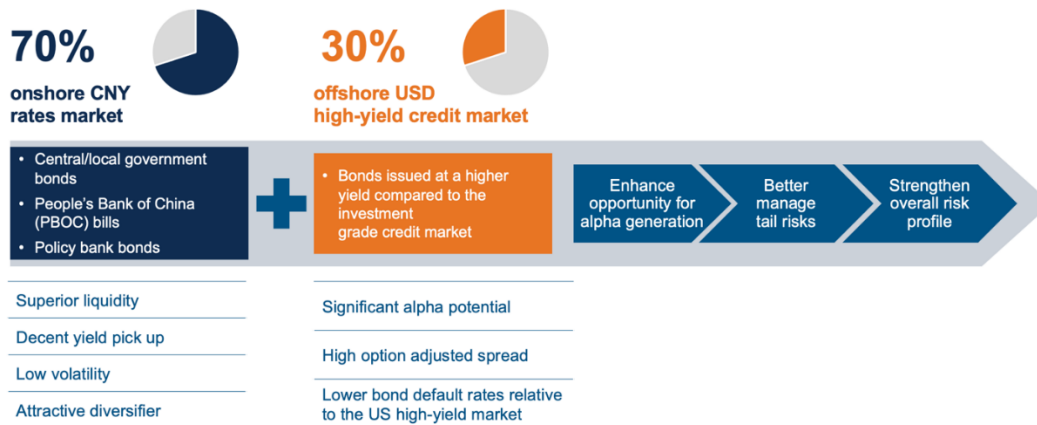
Frank Zheng, Head of International Fixed Income, ChinaAMC, discussed:

Insights into the Chinese bond market

The Mackenzie ChinaAMC All China Bond Fund is comprised of two key markets:
70% onshore CNY rates market, 30% offshore US-dollar high yield credit market

- China is the second-largest bond market globally
- China government bonds give excellent value: investment grade with a ~3% yield
- The credit market's higher yield is poised to deliver higher returns relative to the US
- A combination approach is the best way to capture the value of fixed income market
- The highly levered real estate market can be avoided with active management

The Mackenzie ChinaAMC All China Bond Fund captures value in China bonds by combining two key markets:



Brent Joyce, Mackenzie Investments Investment Strategist, discussed:

What are the benefits of direct exposure to China for Canadian investors' portfolios?

Canadian home bias means Canadians have portfolios with less than 1% in China and less than 3% in emerging markets.

China delivers massive diversification benefits that can increase returns and reduce risk.

Benefits of China's economy:

- Potential of huge growing Chinese middle class
- Opportunities from China's carbon-reduction initiatives
- Massive research and development potential
- Talented scientists and engineers driving innovation in Chinese companies

What makes Chinese fixed income so attractive?

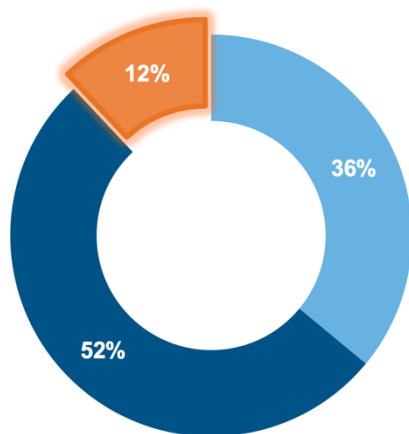
- China's monetary policy not synchronized with the rest of the world
- Higher yields and shorter duration
- Low correlation to Canadian and global bonds

Why consider these opportunities NOW?

Reasons why China is ideal for long-term investors, including the large number of companies exhibiting high growth.

What is the right amount of exposure to China for Canadian investors?

We recommend investors to slice 5-9% off their equity sleeve and 4-6% off their fixed income sleeve, and then allocate that 10-15% to Chinese fixed income and equities.



■ Fixed income ■ Equity ■ Mackenzie ChinaAMC Multi-Asset Fund

Portfolio construction?

3-15% allocation in a 60/40 global balanced portfolio

Funding?

It can be funded from traditional global developed bond and equity markets

Impact?

Mackenzie ChinaAMC Multi-Asset Fund seeks to enhance risk adjusted returns



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