

# Fixed Income investing with active ETFs

Mackenzie Investments  
Exchange Traded Funds



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# A new way of Fixed Income investing with active ETFs

Fixed income assets are a core component of every investor's portfolio. With bond markets exceeding \$100 trillion (USD) globally<sup>1</sup>, there are many investments to consider, including individual bonds, mutual funds and fixed-income exchange traded funds (ETFs). Today, ETFs are an innovative way to access fixed income markets because they have evolved beyond their passive roots and are also available with actively-managed strategies. Active fixed income ETFs can give investors and advisors expanded access to this core asset class.

Fixed income investing is complex and resource-intensive, and buying individual bonds can often be complicated. Portfolio managers, like the Mackenzie Fixed Income Team, are equipped to implement a wide range of strategies with various instruments and securities, using research to develop macroeconomic and granular views across sectors, and they have trading expertise to implement these strategies.

ETFs offer a broad opportunity in active fixed income investing. Investors and advisors get the benefit of the portfolio manager's investment skills and process, including credit analysis, risk management, portfolio level diversification and trade execution. These factors can enable an active manager to construct a portfolio with the potential for additional return, or alpha, as compared to the index.

## Navigating the Fixed Income market with ETFs

The fixed income market attracts investors ranging from retail investors to large institutions. Direct participation in the market is mainly institutional, and retail investors tend to participate indirectly through pension plans or mutual funds.

The fixed income market is more opaque than equity markets and many bonds, such as corporate or municipal bonds, trade less frequently than their equity counterparts. As a result, retail investors have limited access to pricing and trade volume information, making it more difficult to determine the components of the retail price, which in turn limits their access to many bonds.

Fixed income ETFs offer a new way to access this asset class since they have full visibility and trade publicly on an exchange. Larger fixed income ETFs can trade millions of shares per day. With this type of volume, liquidity providers need to know what the portfolio of bonds is worth, regardless of how frequently the underlying bonds have traded. The ETF may act as a price-discovery vehicle for the underlying basket of bonds, as the liquidity providing community determines fair value for the basket.

Active ETFs are a complementary addition to the line-up of fixed income vehicles in the marketplace, as they reflect the portfolio manager's investment insight. Managers can target specific investment strategies, making it easier for advisors and investors to select those that align with their goals. Mackenzie Investments' active fixed income ETFs, managed by Mackenzie's Fixed Income Team, add value by providing the deep expertise of our portfolio managers in analysing securities, currencies and credit quality across the global fixed-income spectrum.

<sup>1</sup> Source: ETF Global Investing, November 2019

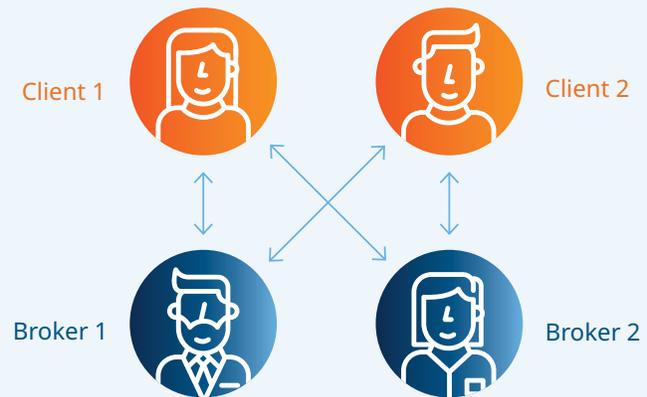
# OTC Fixed Income market compared to Equity and ETF markets

The fixed income over-the-counter (OTC) market is structured where trades are often negotiated privately between parties and trade data may not be as readily available as it is for equities. Participants can have different viewpoints on pricing based on inventory, and the same instrument may trade at multiple prices in a short period of time.

## Fixed Income markets

The fixed income market is an over-the-counter market

- Securities are not traded on an exchange
- Dealers act as market makers, directly negotiating buy/sell prices
- Limited transparency into transaction costs



## Equity and ETF markets

Equities and ETFs trade on exchanges

- Securities are bought and sold on exchanges
- Two-sided market is supported by market maker
- Observable bid/offer spreads
- Direct measurement of transaction costs



While investors and advisors may purchase individual bonds based on their needs, fixed income ETFs can provide an alternative by offering the benefits of equity markets with fewer complexities than buying/selling specific securities. This is the value of efficiency provided by an exchange: transparency of cost and better ability to obtain best execution.

## **Mackenzie's suite of active fixed income ETFs combines our innovation and experience to help investors reach their goals:**

**MKB**

### **Mackenzie Core Plus Canadian Fixed Income ETF**

Mackenzie Core Plus Canadian Fixed Income ETF seeks to provide a steady flow of income with an emphasis on capital preservation by investing primarily in investment-grade Canadian government, corporate fixed-income and/or asset-backed securities with maturities of more than one year.

**MGB**

### **Mackenzie Core Plus Global Fixed Income ETF**

Mackenzie Core Plus Global Fixed Income ETF seeks to provide a steady flow of income with an emphasis on capital preservation by investing primarily in investment-grade fixed-income securities, denominated in Canadian or foreign currencies, which are issued by companies or governments.

**MUB**

### **Mackenzie Unconstrained Bond ETF**

Mackenzie Unconstrained Bond ETF seeks to provide positive total returns over a market cycle, by investing primarily in fixed income securities of issuers in the global marketplace.

**MFT**

### **Mackenzie Floating Rate Income ETF**

Mackenzie Floating Rate Income ETF seeks to generate current income by investing primarily in floating rate debt instruments and/or high yield debt securities of issuers located anywhere in the world.

**MHYB**

### **Mackenzie Global High Yield Fixed Income ETF**

Mackenzie Global High Yield Fixed Income ETF seeks to provide a steady flow of income with potential for long-term capital growth by investing primarily in higher yielding fixed-income securities and other fixed-income securities issued by companies or governments of any size, anywhere in the world.

**MCSB**

### **Mackenzie Canadian Short Term Fixed Income ETF**

Mackenzie Canadian Short Term Fixed Income ETF seeks to provide a steady flow of income with an emphasis on capital preservation by investing mainly in fixed-income securities issued in Canada by governments, government-related entities and corporations.

**For more information about Mackenzie active ETFs,  
please contact your financial advisor or Mackenzie's Sales Team.**

[mackenzieinvestments.com/ETFs](http://mackenzieinvestments.com/ETFs)

Commissions, management fees, brokerage fees and expenses all may be associated with Exchange Traded Funds. Please read the prospectus before investing. Exchange Traded Funds are not guaranteed, their values change frequently and past performance may not be repeated. To the extent the Fund uses any currency hedges, share performance is referenced to the applicable foreign country terms and such hedges will provide the Fund with returns approximating the returns an investor in a foreign country would earn in their local currency.



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