

# Mackenzie Betterworld Canadian Equity Fund

## Fund snapshot

Inception date	09/09/2021
AUM (millions in CAD)	12.6
Management Fee	0.75%
MER	0.99%
Benchmark	S&P/TSX Composite
CIFSC Category	Canadian Equity
Risk Rating	Medium
Lead portfolio manager	Andrew Simpson
Investment exp. Since	2001
Target # of holdings	45-55

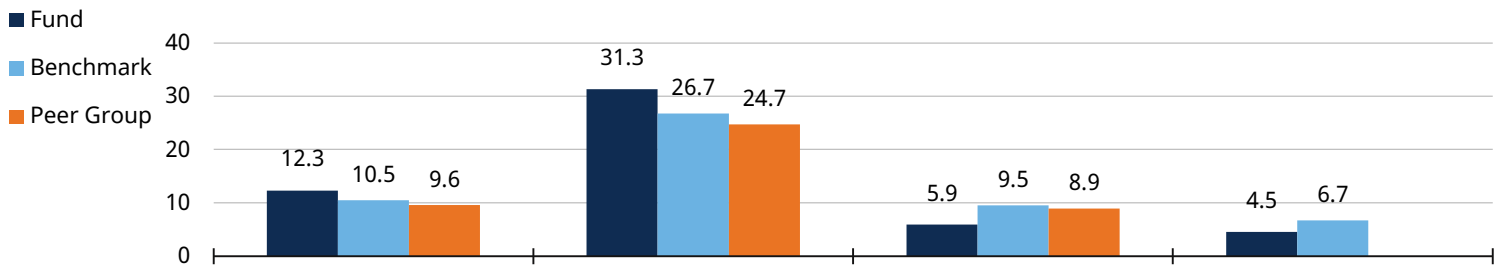
## Strategy Overview

A core, benchmark aware and diversified equity portfolio designed to deliver competitive returns and steer capital to sustainable business generating value for all stakeholders and are active owners and encourage good companies to become even better.

Canadian all cap strategy with a specific focus on large cap companies.

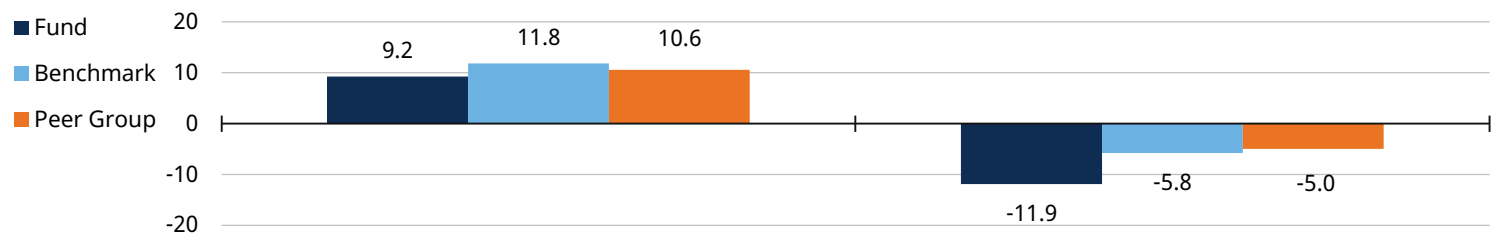
Expert team cumulating decades of experience and a proprietary investment process that combines fundamental and sustainability research along with an active engagement program with companies.

## Trailing returns %



	3 Mth	1 Yr	3 Yr	SI
Excess return	1.8	4.6	-3.6	-2.2
% of peers beaten	96	98	8	NA

## Calendar returns %



	2023	2022
Excess return	-2.6	-6.1
% of peers beaten	31	4

## Portfolio characteristics

	Portfolio	Benchmark
# of holdings	49	223
% top 10 holdings	40.4	35.3
Weighted average market cap	70,209.2	72,748.3
EPS growth (FY E)	15.2	10.6
Dividend yield	2.0	2.8
FCF margin	7.3	10.9
P/E Trailing 12M	23.6	19.4
P/E (forecast)	18.2	16.1
Net debt/EBITDA	3.3	2.9
ROE (latest FY)	9.8	11.8

## Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	14.1	13.7
Sharpe Ratio	0.2	0.5
Tracking Error	5.2	-
Information Ratio	-0.8	-
Alpha	-3.8	-
Beta	1.0	-
Upside Capture (%)	85.6	-
Downside Capture (%)	101.4	-

## Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
Canada	97.4	100.0	-2.6
United States	1.3	-	1.3
Other	1.3	-	1.3

## Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	32.6	32.3	0.3
Energy	-	16.7	-16.7
Materials	12.8	12.5	0.3
Industrials	18.9	13.0	5.9
Information Technology	10.0	8.5	1.5
Communication Services	3.5	3.1	0.4
Utilities	3.9	4.0	-0.1
Consumer Staples	5.7	4.1	1.6
Consumer Discretionary	5.3	3.4	1.9
Real Estate	3.7	2.3	1.4
Health Care	2.3	0.3	2.0
Other	1.3	-0.2	1.5

## Country allocation

Country	Portfolio	Benchmark	RelativeWeight
Canada	97.4	100.0	-2.6
United States	1.3	-	1.3
Other	1.3	-	1.3

## Currency exposure

Region	Gross	Benchmark
CAD	98.7	100.0
USD	1.3	-

## Top 10 holdings

Security name	Country	Sector	Weight
Royal Bank of Canada	Canada	Financials	7.9
Shopify, Inc. Class A	Canada	Information Technology	4.0
Bank of Montreal	Canada	Financials	4.0
Brookfield Corporation	Canada	Financials	3.9
National Bank of Canada	Canada	Financials	3.7
Canadian Pacific Kansas City Limited	Canada	Industrials	3.6
Agnico Eagle Mines Limited	Canada	Materials	3.6
Manulife Financial Corporation	Canada	Financials	3.3
Constellation Software Inc.	Canada	Information Technology	3.2
Wheaton Precious Metals Corp	Canada	Materials	2.6

## Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Royal Bank of Canada	0.8	1.3
	Shopify, Inc. Class A	1.1	1.0
	Brookfield Corporation	1.0	0.9
Detractors	Atkinsrealis Group Inc.	1.2	-0.1
	Nutrien Ltd.	0.1	-0.1
	Waste Connections, Inc.	-0.9	-0.1

## Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Energy	-17.5	1.6	0.0	1.6
	Consumer Staples	1.4	-0.1	0.6	0.5
	Consumer Discretionary	1.9	-0.1	0.3	0.2
Detractors	Financials	1.5	0.1	-0.3	-0.2
	Materials	0.1	0.0	-0.2	-0.2
	Communication Services	-0.7	0.0	-0.1	-0.1

## Commentary

### **Highlights**

The fund outperformed its prospectus benchmark (S&P/TSX) during the quarter.

### **Fund performance**

The fund returned 12.3% during the quarter, outperforming the prospectus benchmark return of 10.5%. Underweight allocation to the energy sector along with stock selection in consumer staples, industrials and consumer discretionary contributed to fund performance. Stock selection in the financials and materials sectors were the largest detractors from performance.

### **Security contributors**

On an absolute basis, positions in Royal Bank, Shopify, Brookfield Corporation, Agnico Eagle Mines Ltd and National Bank were the largest contributors over the quarter. On a relative basis, not holding Canadian Natural Resources Ltd, Suncor Energy, Cenovus and Alimentation Couche-Tard in the fund contributed to performance relative to the benchmark. Positions in Aritzia, National Bank, Chartwell Retirement Residences and Jamieson Wellness were top contributors to fund performance versus the benchmark during the quarter.

### **Security detractors**

On an absolute basis, positions in Atkinsrealis, Nutrien, Waste Connections, WELL Health Technologies, and Canadian National Railway were the five detractors over the quarter. On a relative basis, not holding Canadian Imperial Bank of Commerce, TC Energy, Bank of Nova Scotia and Toronto-Dominion Bank in the fund detracted in performance relative to the benchmark. Position in Atkinsrealis was a top detractor to fund performance versus the benchmark during the quarter.

### **Portfolio activities**

During the quarter, we initiated three new positions, one in the industrials sector, one in the utilities sector and one in the communication services sector. We exited three positions, one in the industrials sector, one in the utilities sector and one in the financials sector. Largest increases in weight were Royal Bank, National Bank, and Innergex Renewable Energy. Largest decreases in weight were Shopify, Canadian National Railway, and Ag Growth International.

### **Market overview**

Overall, the Betterworld Canadian Equity Fund had a strong third quarter, outperforming gains in the Canadian market (S&P/TSX) in August and September and performing largely in line with the broader index in July. There were several positive developments for the strategy during the quarter. Consumer Staples holdings broadly rallied, as the sector gained favour amid a decrease in the pace of inflation in Canada benefiting end consumers.

The Monetary policy easing from the BoC that began in May 2024 provided a firmer pace on loans growth outlook, an area that had been challenged over the last two years. Additionally, a re-steepening of the yield curve positively impacts net interest margins for these banks as the spread earned on those loans increases. Finally, the Big Six banks continued to maintain sound liquidity and adequate capital levels, thereby providing some comfort in the outlook for the sector.

### **Outlook and positioning**

The team continues to invest with a sustainability core mindset. We aim to be benchmark aware and diversified across sectors (excepting energy). We apply an active bottom-up security process to generate alpha in our portfolio's. Our goal is to steer capital to sustainable businesses generating value for all stakeholders and being active owners to encourage good companies to become even better.

## Commentary

The Betterworld team continues to believe that there are opportunities for continued outperformance within Canadian stocks as we are still early in the Bank of Canada's (BoC) easing cycle. As of the end of the quarter, the TSX composite index traded at 14.7x on a twelve-month forward earnings basis, which is in line with long-run historical averages. At this stage, we believe that this valuation expansion momentum can persist given the mentioned reasons on the BoC easing cycle.

### **Stock stories**

#### **Aritzia:**

- Aritzia is an apparel retailer and designer, with 90% of products coming from in-house designed brands, targeting women aged 15 to 45. The company has 119 stores across North America and an e-commerce business through Aritzia.com.
- New stores continue to bring in new customers and carry excellent economics boding well for the material network growth coming in the second half of the year. Solid inventory management supplements earnings growth, setting the stage for significant cash generation towards the end of F25 and through F26.
- New store economics have beaten expectations implying paybacks of less than a year (vs. management's 12-18 month estimates).

#### **Shopify**

- Shopify is a Canadian multinational e-commerce company.
- The company is one of the most widely used e-commerce platforms globally, serving over 1.75 million merchants across roughly 175 countries.
- Shopify has positioned itself as the leading e-commerce enabler by offering an all-in-one platform enabling businesses to easily create, manage, and scale their online stores. Its comprehensive suite of services caters to businesses of all sizes.
- Shopify's ability to streamline the e-commerce process has made it the global go-to platform for merchants.

#### **Well Health Technologies**

- WELL's Canadian Clinic strategy continues to bear fruit as they look to consolidate the market and drive efficiencies for healthcare providers that improve patient experience.
- WELL, today, is the clear market share leader in Canada, owning more than 185 omni-channel clinics representing ~1% market share (~20,000 clinics in Canada), larger than the 4 next-largest competitors combined.
- Management confirmed their ambition to grow a 5-10% share of this hyper-fragmented market: a generational opportunity to participate in a \$40 bln annual market.

#### **Innergex Renewable Energy Inc**

- Innergex operates as a leading independent power producer (IPP) with renewable operations in Canada, the United States, France, and Chile from development stage to operation.
- The firm's approach is to build shareholder value, to generate sustainable cash flows and provide an attractive risk-adjusted return on invested capital.
- The company currently operates over 3 600 MW of renewable capacity with a pipeline of over 8 GW spanning hydro, solar, wind, and battery storage assets contributing to decarbonization of the global energy system.

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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 Betterworld 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 Betterworld 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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