Quarterly commentary | December 31, 2023
Series F

Mackenzie Canadian Equity Fund

Strategy snapshot

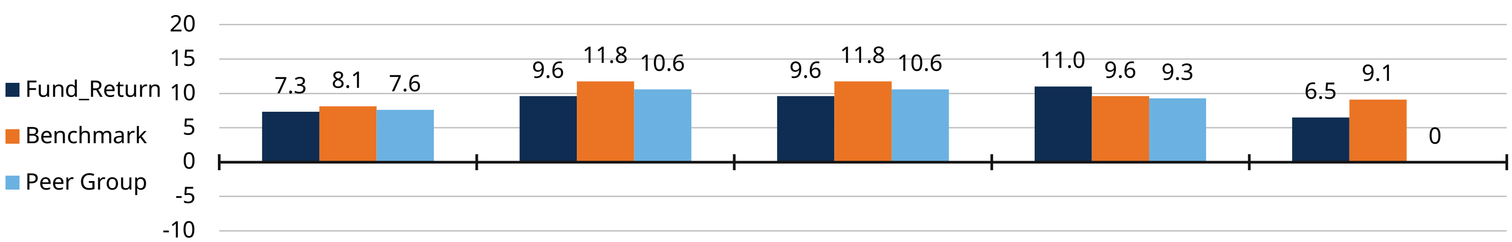
Inception date	05/15/2006
AUM (millions in CAD)	567.6
Benchmark	S&P/TSX Composite
Lead portfolio manager	Will Aldridge, Anthony Del Vecchio
Investment exp. since	2022, 2011
Target # of holdings	-

Strategy Overview

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

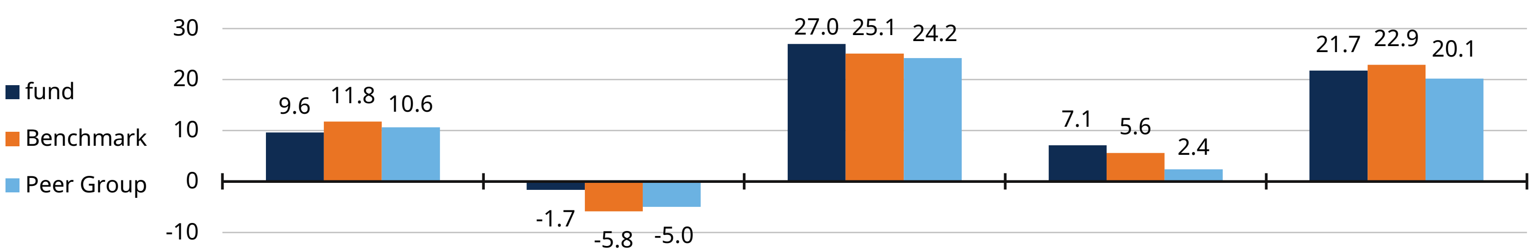
• Time-tested and market-proven investment process run by experienced managers

Trailing returns %



	3 month	YTD	1 year	3 years	Since inception*
% of peers beaten	35	37	37	77	-

Calendar returns %



	2023	2022	2021	2020	2019
% of peers beaten	37	79	80	91	73

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	562.0	225.0
% top 10 holdings	39.2	37.0
Weighted average market cap	102,345.7	64,314.2
EPS growth (FY E)	11.5	4.9
Dividend yield	3.1	3.1
FCF margin	10.1	12.0
P/E Trailing 12M	14.4	15.8
P/E (forecast)	12.9	14.5
Net debt/EBITDA	2.7	2.9
ROE (latest FY)	13.7	14.0

Sector allocation

Sector	Weight	Relative weight
Communication Services	3.0	-0.7
Consumer Discretionary	6.7	3.1
Consumer Staples	8.0	3.8
Energy	12.4	-4.7
Financials	33.8	2.5
Health Care	1.6	1.3
Industrials	12.1	-1.7
Information Technology	6.1	-2.6
Materials	9.9	-1.1
Real Estate	3.6	1.2
Utilities	3.0	-1.0

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	10.7	13.46
Sharpe Ratio	0.7	0.56
Tracking Error	7.2	-
Information Ratio	0.0	-
Alpha	2.6	-
Beta	0.7	-
Upside Capture (%)	74.7	-
Downside Capture (%)	58.4	-

Country allocation

Country	Weight	Relative weight
Canada	100	-4.6
United States	0	4.6

Regional breakdown

Region	Weight	Relative weight
Canada	95.4	-4.6
United States	4.6	4.6

Currency exposure

Region	Gross	Benchmark
CAD	95.4	100.0
USD	4.6	0.0

Top 10 holdings

Security name	Country	Sector	Weight
Royal Bank of Canada	Canada	Financials	6.8
Toronto-Dominion Bank	Canada	Financials	6.1
Canadian Natural Resources Limited	Canada	Energy	3.9
Bank of Montreal	Canada	Financials	3.9
Canadian Pacific Kansas City Limited	Canada	Industrials	3.8
Canadian National Railway Company	Canada	Industrials	3.6
Alimentation Couche-Tard Inc.	Canada	Consumer Staples	3.0
CGI Inc. Class A	Canada	Information Technology	2.8
Suncor Energy Inc.	Canada	Energy	2.7
Bank of Nova Scotia	Canada	Financials	2.6

Security level contributors and detractors

	Security	Average Relative weight (%)	Allocation Effect (%)	% contribution to return
Contributors	Royal Bank of Canada	0.6	0.05	0.9
	Bank of Montreal	0.7	0.06	0.6
	Brookfield Corporation	-0.3	-0.06	0.5
Detractors	Nutrien Ltd.	-0.1	0.01	-0.1
	Cenovus Energy Inc.	-0.3	0.09	-0.2
	Suncor Energy Inc.	0.9	-0.15	-0.3

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)
Contributors	Financials	2.4	0.1	-0.4
	Information Technology	-2.2	-0.3	-0.6
	Materials	-1.6	0.1	0.6
Detractors	Energy	-5.2	0.5	-0.1

Commentary

We increased positions in the consumer staples, gold and telco sectors and reduced positions in the energy, industrial and financials sectors.

We were surprised by investor and consumer resilience last year in the face of what we felt was a challenging setup for equities and the economy in the higher interest rate environment. Earnings multiples remained elevated, margins remained strong across most industries, companies continued to hire, and consumers continued to spend. However, given the novel experience of living through a pandemic and its resolution, it perhaps should not be surprising that forecasting has felt even more challenging than usual over the past couple of years. Nothing has felt normal. As a result, when considering the very wide range of potential outcomes we can see for 2024, we don’t feel particularly confident in adding thoughts to the endless debates about how the year will shake out. And yet, what do we know? We know markets have run hard and fast since inflation fears abated in November; we know valuation levels are high relative to history; we know that by the end of the year we will (hopefully) see the results of elections in some 40% of voting populations; we know two horrific wars continue to rage on; we know many investors are sitting on high levels of cash; and we know many consumers will begin to struggle with the high cost of debt if rates remain elevated. What we know, though, leads to further questions. Will falling rates push market multiples higher, even though rising rates had a modest impact on multiples for many stocks? For that matter, will rates fall as much as consensus believes – we’ve already seen wavering in this belief early in the year. Will earnings growth be the key driver of markets, even if multiples are mostly static? Will earnings growth be driven primarily by top line growth or expense management? Will investors drive multiple expansion by putting cash on the sidelines to work, or will bonds attract increasing investor attention? Will the resolution of elections lead to the typical resolution rally, or will the journey to those resolutions be so ugly as to undermine consumer and corporate confidence? If there are any takeaway to be had, perhaps it is simply that the wall of worry is a constant, and barring outsized surprises, investors appear prepared to support companies with reasonable earnings growth and stable operations. Valuations do not feel particularly attractive across most sectors, however, so it likely would not take much to dent confidence.

Allied Properties REIT – Allied owns office real estate across Canada, with a focus in urban centres. Most of Allied’s properties are differentiated from traditional office product by their low profile “Class I” brick and beam construction, and are typically located off the downtown business core. Allied caters to creative and knowledge-based industries. We are beginning to see stabilization of the office market after the uncertainly created by the pandemic. Our conversations with office landlords suggest tenants are solidifying their office needs and are encouraging employees back to office. While older undifferentiated office real estate product will struggle in this new normal, Allied’s properties are typically located in thriving and vibrant neighborhoods that meet the live-work-play needs of its tenants’ employees. Allied REIT units are trading at what we believe is a significant discount to its private market value. As occupancy stabilizes, fundamentals begin to improve, and capital markets open, we believe the discount to net asset value will narrow. Telus International Canada Inc. – Telus International is a global IT services company that is focused on building digital solutions that help clients manage customer experience. Telus International was spun out of Telus Corporation in 2021. As TI’s large technology company clients began to reduce cost structures as the tech sector sold off following the euphoria of 2021, TI experienced a deceleration in growth and profitability and the stock underperformed. Our conversations with TI’s management suggest the company is highly focused on managing expenses and is seeking growth in more traditional industries that should lead to more stable results. Investor expectations for the company are low and we believe the company will only need to deliver modest results for the stock to work.

In Q4 2023, Mackenzie Canadian Equity Fund returned 7.7% compared with the S&P/TSX Composite Total Return Index return of 8.1%. The portfolio underperformed the benchmark due to an underweight and stock selection in the IT sector, and stock selection in the financials, industrials and consumer discretionary sectors. The fund benefited from stock selection in the materials and health care sectors and underweight positions in the materials and energy sectors.

Commentary

The largest contributors to relative performance at the security level include: First Quantum Minerals Ltd. and Franco-Nevada Corp. – First Quantum is a mining company focused on copper development and production. We do not own First Quantum in the portfolio. The company's most important asset is a copper mine in Panama called Cobre Panama. Franco-Nevada is a gold royalty company that generates a cash flow stream on the precious metals produced from the mine. Social unrest in Panama relating to the project led the government to order First Quantum to suspend operations at the mine indefinitely. As a result of the buildout of the mine, First Quantum carries significant debt, which has led to questions about the company's solvency. A resolution to the situation is unlikely in the near term. Kinross Gold Corp. – Kinross is a gold mining company with key assets in the Americas and West Africa. As interest rates peaked toward the end of the third quarter, gold experienced a precipitous decline, only to rebound as rates turned and the trade-weighted U.S. dollar began to weaken. Kinross shares had a strong rebound from September lows as the gold price increased and the company demonstrated impressive cost and production metrics. Exploration results from the key Great Bear development asset suggested potential resource growth. After initial disappointment with this acquisition, investors have begun to see the upside potential of this mine. Onex Corp. – Onex is a private equity and credit investor that invests across a diverse range of industries. Onex has a strong track record of generating growth in net asset value. The operating environment for the private equity industry has been challenging over the past couple of years for several reasons. Generally strong private equity returns amid difficult public market returns has led to difficulties raising capital for the private equity industry as the weight of private equity investments across the industry's limited partners has exceeded target levels. This so-called "denominator effect" has meant Onex has struggled to raise new capital. As interest rates began to fall, and the expectation that the capital markets, including the IPO market, would begin to open, Onex shares began to outperform. Onex has been able to realize profits on several investments and has used the proceeds to buy back shares at a discount to its net asset value, which has been favourable for the stock.

The largest detractors from relative performance at the security level include: Shopify Inc. – Shopify shares were highly volatile during 2023. Given our underweight position, the stocks' strong performance was a headwind to our relative returns through the first half of the year. This became a tailwind as the stock sold off in the third quarter and then once again became a headwind as the shares rallied strongly into the end of the year on impressive quarterly results in early November. Shopify continues to gain market share of overall e-commerce spending. Importantly, the company appears to be managing expenses well, which has led to improving margins and an expectation of positive cash flows. Any slowdown in global economies may impact results, however, which could lead to underperformance given high expectations embedded in the shares today. Canadian Imperial Bank of Commerce – The Canadian bank sector experienced a strong rebound in the quarter, as the U.S. Federal Reserve indicated it was likely to reduce interest rates in 2024 and markets rallied on enthusiasm for a soft landing for the economy. Canadian banks had performed poorly during the first three quarters of the year as high interest rates led to concerns about the Canadian housing market, mortgages, and the credit cycle. With recession risk top of mind for investors, particularly those invested in banks, the realization that rates have most likely peaked, coupled with attractive valuations and dividend yields, led investors to begin thinking about more optimistic outcomes. We do not own CIBC in the portfolio, though we hold a significant weight in Canadian banks overall. Constellation Software Inc. – Constellation Software owns a diversified collection of software businesses across several verticals. Constellation has grown primarily through acquisitions over many years, mostly using internally generated cash flow to acquire targets. The company has been rewarded by investors for consistent growth and a predictable earnings stream. We do not own Constellation in the portfolio as we have questioned the continued pace of acquisitions required to justify the multiple at which the stock trades. Moreover, we believe it will be challenging for the company to continue to generate returns on capital at the level it has historically as deal size increases and the multiples paid on acquisitions expand.

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, 2023 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.

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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 Equity category and reflect the performance of the Mackenzie Canadian Equity A for the 3-month, 1-, 3-, 5-, and 10-year periods as of December 31, 2023 . 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 funds for Mackenzie Canadian Equity A for each period are as follows: one year –609; three years –520 ; five years – 459 ; ten years – 285 .

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.

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