Mackenzie Ivy Canadian Fund

Strategy snapshot

Inception date	12/06/1999
AUM (millions in CAD)	717.9
Benchmark	60% TSX Comp + 30% S&P500 + 10% EAFE
Lead portfolio manager	James Morrison
Investment exp. since	2005
Target # of holdings	35-55

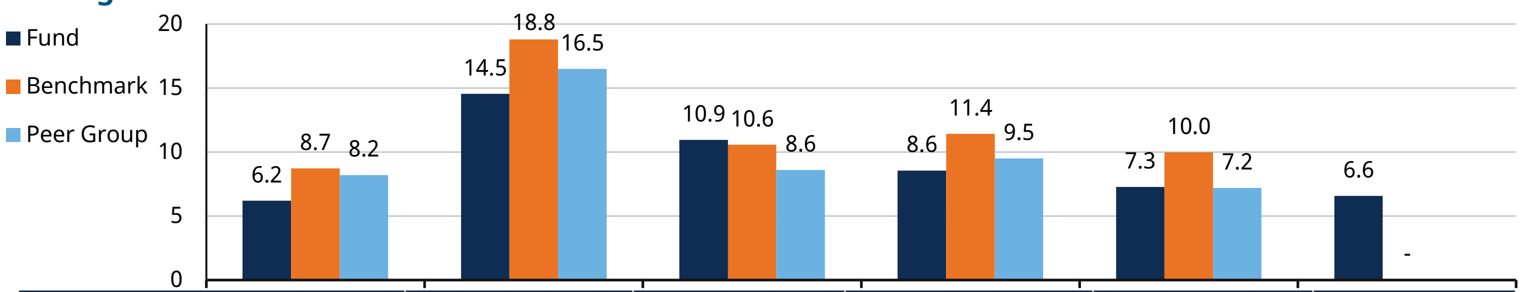
Strategy Overview

• Seeks to provide long-term capital appreciation by investing in a select group of high-quality companies

• Suitable as a long-term Canadian equity holding with lower-volatility characteristics and downside capture in volatile markets, the hallmark of Ivy's investment approach

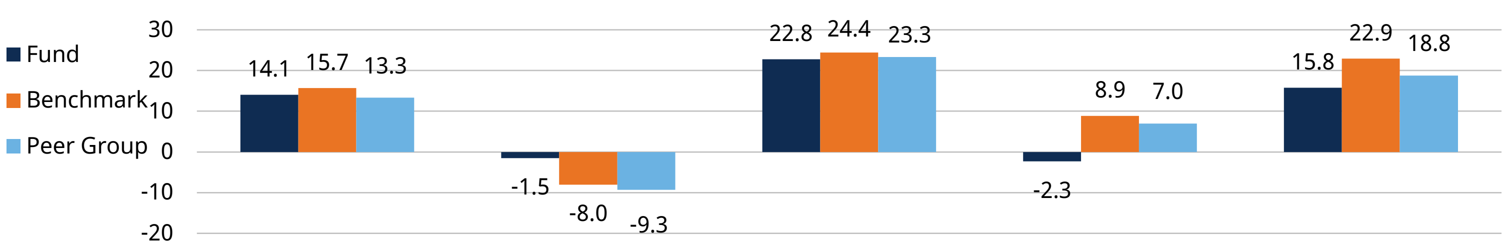
• Diversifies outside Canada including into sectors and businesses not well represented domestically

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-2.6	-4.3	0.4	-2.9	-2.7	6.6
% of peers beaten	20	42	81	30	43	-

Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-1.6	6.5	-1.6	-11.2	-7.1
% of peers beaten	59	85	46	14	21

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	41	1,495
% top 10 holdings	38.3	22.5
Weighted average market cap	334,436.2	380,107.2
EPS growth (FY E)	10.1	22.1
Dividend yield	2.3	2.5
FCF margin	14.2	14.6
P/E Trailing 12M	21.9	19.2
P/E (forecast)	17.9	16.5
Net debt/EBITDA	2.8	1.3
ROE (latest FY)	16.6	14.7

Sector allocation

Sector	Weight	Relative weight
Communication Services	6.2	1.2
Consumer Discretionary	11.6	5.1
Consumer Staples	7.4	2.3
Energy	7.9	-4.4
Financials	24.9	0.6
Health Care	8.0	2.8
Industrials	11.2	-1.8
Information Technology	10.2	-4.8
Materials	5.0	-3.1
Real Estate	0.0	-2.3
Utilities	7.3	4.1

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	10.4	12.6
Sharpe Ratio	0.8	0.6
Tracking Error	5.0	-
Information Ratio	0.1	-
Alpha	2.3	-
Beta	0.8	-
Upside Capture (%)	85.5	-
Downside Capture (%)	73.5	-

Country allocation

Country	Weight	Relative weight
Canada	68.5	8.2
United States	24.3	-5.5
United Kingdom	4.8	3.3
Germany	1.1	0.3
Switzerland	1.1	0.2
Australia	0.0	-0.7
Other	0.2	94.2

Regional breakdown

Region	Weight	Relative weight
International	7.0	-3.0
Canada	68.5	8.5
United States	24.3	-5.7

Currency exposure

Region	Gross	Benchmark
CAD	68.4	60.0
USD	24.6	30.1
Other	7.0	9.9

Top 10 holdings

Security name	Country	Sector	Weight
Brookfield Corporation	Canada	Financials	4.7
Intact Financial Corporation	Canada	Financials	4.6
Restaurant Brands International, Inc.	Canada	Consumer Discretionary	4.1
Royal Bank of Canada	Canada	Financials	4.0
CCL Industries Inc. Class B	Canada	Materials	3.8
Toronto-Dominion Bank	Canada	Financials	3.5
Visa Inc. Class A	United States	Financials	3.5
Emera Incorporated	Canada	Utilities	3.5
Microsoft Corporation	United States	Information Technology	3.4
Dollarama Inc.	Canada	Consumer Discretionary	3.2

Security level contributors and detractors

	Security	Average Relative weight (%)	Allocation Effect (%)	% contribution to return
Contributors	CCL Industries Inc. Class B	3.3	0.4	0.6
	Waste Connections, Inc.	1.8	0.2	0.3
	Suncor Energy Inc.	1.3	0.1	0.2
Detractors	TELUS Corporation	2.6	-0.4	-0.2
	ATS Corporation	1.0	-0.3	-0.2
	Reckitt Benckiser Group plc	2.3	-0.6	-0.3

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)
Contributors	Materials	-3.1	0.2	0.4
	Consumer Discretionary	5.0	-0.1	0.4
	Real Estate	-2.4	0.2	0.0
Detractors	Consumer Staples	2.8	-0.1	-0.8

Commentary

- The Canadian equities market performed positively in the first quarter, being driven primarily by the ongoing moderation in inflation, the potential for the Bank of Canada to cut interest rates later in 2024, and an expectation of growth re-acceleration in the second half of this year. The US equities market experienced strong gains in the first quarter, with the S&P 500 posting its best first quarter performance for the index since Q1 2019. The main contributors to the US equity market performance include the Federal Reserve's pivot to a dovish monetary policy at the end of 2023, strong economic data that has reinforced the Fed's anticipated rate cuts, continued artificial intelligence enthusiasm, and broad-based sector performance with ten of the eleven sectors of the S&P 500 ending the quarter with positive returns. Global equities rallied in the first quarter, continuing their strong performance from 2023. Earnings growth and other improved global growth indicators were some of the factors that helped to drive stock prices higher. Despite relatively high inflation persisting above baseline or target levels in many regions, expectations remain that central banks such as the United States Federal Reserve will begin to cut interest rates later this year. The energy, information technology, and industrials sectors were the strongest performers within the blended benchmark over the quarter, while the utilities, real estate, and consumer staples were the weakest. From a country perspective, Ireland, the Netherlands, and Denmark were the strongest performing markets in the blended benchmark, while Portugal, Hong Kong, and Norway were the weakest.
- The fund returned 6.1% during the quarter, underperforming the benchmark return of 8.7%. Stock selection in the materials and consumer discretionary sectors contributed to fund performance, along with underweight allocations to the materials and real estate sectors. Stock selection in the consumer staples, industrials, healthcare, and financials sectors were the largest detractors from performance. From a country perspective, stock selection in Germany contributed to performance. Stock selection in the United States, Canada, and the United Kingdom, along with an underweight allocation to the United States and overweight allocations to Canada and the United Kingdom were detractors from performance. On an absolute basis, positions in CCL Industries, Waste Connections, Suncor Energy, Microsoft, and Williams Companies were the largest contributors over the quarter. On a relative basis, positions in CCL Industries, Aritzia, SAP, and Williams Companies were top contributors to fund performance versus the benchmark. Not holding Apple in the fund during the quarter also contributed to performance relative to the benchmark.
- On an absolute basis, positions in Reckitt, ATS, TELUS, Toronto-Dominion Bank, and Emera were the largest detractors over the quarter. On a relative basis, positions in Reckitt, TELUS, Emera, and ATS were top detractors from fund performance versus the benchmark. Not holding NVIDIA in the fund during the quarter accounted for approximately 1/3 of the total underperformance relative to the benchmark.
- We made modest changes to the fund during the quarter. There were no new positions initiated and no positions exited during the quarter. Largest increases in weight were CCL Industries, Microsoft, and Bank of Nova Scotia. Largest decreases in weight were SAP, Toronto-Dominion Bank, and Alimentation Couche-Tard.
- During the quarter, positive economic data out of the United States coupled with continued expectations of monetary easing led to an increase in risk appetite and outperformance of cyclical businesses. Meanwhile, defensive businesses and longer duration stocks underperformed. The fund’s underperformance during the quarter was a result of our defensive positioning and reinforces our view that we are well positioned to protect in a risk-off environment. From a long-term perspective, we expect that owning high-quality businesses and applying our valuation discipline positions the fund to adapt to changing environments while compounding at attractive rates.

Stock Stories

Aritzia:

- Last year we began to build a position in Aritzia, a high-quality women's apparel retailer with a well-established business in Canada and an attractive growth runway in the United States.
- The timing of this purchase is demonstrative of how we apply a through-cycle approach to investing. At the time of our first purchase, the stock was down over 40% from its previous peak, due to concerns for a potential recession in Canada and what we believed to be temporary margin headwinds. After further due diligence, we were able to build conviction that these headwinds were temporary, and the underlying fundamentals remained solid.
- Despite recession concerns, we believed that the stock offered an exceptional return for those willing to take a longer-term view. While a recession would certainly weigh on demand, we believed the depressed valuation would likely serve to dampen the impact of a recession on the stock. We were also prepared to add further if the stock traded lower, which in fact turned out to be the case.
- Long-term, we believe Aritzia has the opportunity to continue to expand their presence in the United States, leveraging their strong brand, differentiation, and compelling store economics. The company has a unique model that is vertically integrated, quick to adapt, and remains focused on their niche (affordable luxury). The founder continues to be involved in the business, ensuring continuity of the culture.

CCL Industries:

- CCL Industries was the top contributor to the fund's return in Q1 2024 and serves as a good example of how we leverage our long-term approach to capitalize on near-term dislocations in the market.
- CCL designs and produces labels and related forms of specialty packaging, serving a diverse set of global customers. It has competitive advantages in its niches, a resilient cash flow profile, and attractive returns on capital.
- Throughout 2023, the organic growth softened, partly due to the consumer-packaged goods division, which was facing a lack of volume growth as several large customers in the space were seeing a lack of volume growth themselves. We believed this was largely a cyclical phenomenon with limited impact on the long-term fundamentals of the business.
- We felt that the setup of short-term headwinds and attractive long-term prospects was creating an asymmetric return profile and meaningfully increased our position.
- The volume headwinds appear to be subsiding, which led to strong performance in the quarter. We continue to believe that CCL is well positioned for the long term, with attractive organic growth prospects and defensive attributes, and additional inorganic optionality.

Dollarama:

- Dollarama has been a top holding and a consistent strong performer for years, making it a top contributor to our long-term performance.
- We believe it is a world-class retailer that offers a compelling combination of value and convenience to customers that span a wide demographic.
- Despite its dominance in the Canadian market, we believe it still has a long growth runway based upon our regional density analysis and new store paybacks of less than 2 years.
- The strength of Dollarama's leadership and business model has been on clear display since the pandemic as it has successfully navigated its way through supply chain challenges, labour inflation and labour shortages, while servicing record demand from inflation-related trade-down.

- Looking ahead, we expect Dollarama to continue to perform well but in a more normalized fashion with some medium-term risk that new customers won from trade-down revert to old habits. However, it's likely that this risk is mitigated by high retention of new customers due to exceptional value and convenience.
- We continue to hold Dollarama but have pared it back to a mid-sized position in our fund, which reflects high conviction in the growth prospects and a reasonable return.

Alimentation Couche-Tard:

- Alimentation Couche-Tard has grown organically and through disciplined acquisitions to become one of the largest convenience store chains globally. The company stands out given its strong operational expertise and decentralized culture.
- From time to time, fuel margins can cause volatility in the stock, but we view this as short-term noise, which often provides us with opportunities to capitalize on changes in sentiment. Our approach uses a normalized long-term fuel margin to look through the noise and focus on the total growth and returns on the business.
- Throughout 2023, fuel margins had been very strong and the sentiment around the stock followed suit – this reduced our expected long-term return, so we trimmed the position. Recently, fuel margins have softened causing weakness in the stock, but the long-term picture has not changed, so our expected return is now looking more attractive.
- At the company's recent investor day, management laid out a plan to achieve a 12% compounded growth in EBITDA over the next 5 years backed by initiatives on the organic and inorganic side. As we look forward, we believe the company has multiple avenues to grow and strong balance sheet optionality to continue to participate in industry consolidation.

Emera:

- Emera operates transmission and distribution assets across North America.
- Its stable earnings and yield are often considered bond-like, and therefore rising bond yields have presented a headwind to valuation through the rising rate environment.
- Although we have seen expectations for rate cuts increase, strong economic data in the United States has kept long-term rates elevated, and therefore valuation has remained depressed.
- Although we don't have a view as to where short- or long-term interest rates will stabilize, we believe that Emera represents a compelling combination of growth, income, and downside protection from its current trading price.
- The company has a highly visible growth runway supported by a low-risk capital plan. This growth is supported by the essential role of transmission in the electrification and decarbonization of the economy and the need for grid-resilience in the face of climate change.

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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 Focused Equity category and reflect the performance of the Mackenzie Ivy Canadian Fund for the 3-month, 1-, 3-, 5-, and 10-year periods as of March 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 Focused Equity funds for Mackenzie Ivy Canadian Fund for each period are as follows: one year –518; three years –503 ; five years – 487 ; ten years – 339 .

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