STRATEGY PROFILE

Q1 | 2021

MACKENZIE

CANADIAN ALL CAP VALUE | USD

INCEPTION:
December 1985[1]

BENCHMARK:
S&P/TSX Composite Total Return Index

STRATEGY ASSETS:
US$2,458 million

LEAD PORTFOLIO MANAGER:
William Aldridge, MBA, CFA

STRATEGY OVERVIEW

We seek to provide superior long-term capital appreciation by investing in a portfolio of undervalued Canadian equities across all market capitalizations

- The bottom-up, value philosophy and disciplined stock selection process have been firmly entrenched over the past 25+ years
- Entry and exit prices are guided by assessed fair market value, resulting in tight buy and sell disciplines

APPROACH

- Utilizes a bottom-up investment strategy with a value oriented philosophy and process that provides a consistent, statistically grounded approach to the analysis of investment opportunities
- Employs a disciplined, consistent and repeatable approach to stock selection focusing on companies whose stock prices are trading below their intrinsic or fair market value
- Investment decisions are guided by the team's rigorous process and assessment of fair market value. The fair market value estimate seeks to provide a margin of safety by establishing a minimum discount to fair market value entry price
- The portfolio targets holding 35-65 securities and is well diversified by company, sector, and market capitalization

INVESTMENT PROCESS

Canadian Equity Universe

↓

Initial Filters

100 Stocks

- Liquidity considerations
- >C$250 million market cap
- Industry-specific valuation screening
- Industry/Company reports

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In-Depth Fundamental Analysis

35-65 Stocks

- Quantitative/Valuation Analysis
- Qualitative Analysis

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Portfolio Construction

- Well diversified
- Typical weight 0.5 – 5.0%
- Minimum of 7 GICS sectors represented
- Financial Profile/Monitoring

Investing involves risk. Please read the important disclosures under "Disclaimer" which contain more information about the significance and the limitations of the information on this page.

[1] Mackenzie Investments (the "Firm") has been managing Canadian All Cap Value assets since December 1985. The Firm claims compliance with GIPS® starting January 1, 2008 and has been independently verified for the period of January 1, 2008 to December 31, 2018.

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SECTOR ALLOCATION (Ex. Cash & Equivalents)

SECTOR	PORTFOLIO	BENCHMARK
Financials	35.32%	31.57%
Industrials	13.98%	12.35%
Energy	10.50%	12.49%
Materials	8.69%	11.90%
Consumer Staples	8.68%	3.68%
Consumer Discretionary	6.17%	4.04%
Utilities	5.50%	4.84%
Real Estate	4.19%	3.13%
Information Technology	3.91%	9.65%
Communication Services	2.65%	4.82%
Health Care	0.40%	1.53%
	100.00%	100.00%

GEOGRAPHIC ALLOCATION (Ex. Cash & Equivalents)

COUNTRY	PORTFOLIO	BENCHMARK
Canada	100.00%	100.00%
	100.00%	100.00%

WEIGHTINGS RELATIVE TO BENCHMARK

OVERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Alimentation Couche-Tard Inc	Cons. Staples	Canada	+2.31%
Empire Co Ltd	Cons. Staples	Canada	+2.28%
Canadian Pacific Railway Ltd	Industrials	Canada	+2.21%
Boardwalk Real Estate Investment Trust	Real Estate	Canada	+2.14%
Toronto-Dominion Bank/The	Financials	Canada	+1.81%

UNDERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Shopify Inc	Info. Tech.	Canada	-5.82%
Canadian Imperial Bank of Commerce	Financials	Canada	-2.06%
BCE Inc	Comm. Serv.	Canada	-1.92%
Waste Connections Inc	Industrials	Canada	-1.33%
Constellation Software Inc/Canada	Info. Tech.	Canada	-1.31%

TOP TEN HOLDINGS (Ex. Cash & Equivalents)

HOLDING	SECTOR	COUNTRY	WEIGHT
Toronto-Dominion Bank/The	Financials	Canada	7.4%
Royal Bank of Canada	Financials	Canada	7.3%
Canadian Pacific Railway Ltd	Industrials	Canada	4.6%
Bank of Nova Scotia/The	Financials	Canada	4.5%
Canadian National Railway Co	Industrials	Canada	4.4%
Alimentation Couche-Tard Inc	Cons. Staples	Canada	3.6%
Enbridge Inc	Energy	Canada	2.8%
Canadian Natural Resources Ltd	Energy	Canada	2.7%
Manulife Financial Corp	Financials	Canada	2.7%
Sun Life Financial Inc	Financials	Canada	2.7%
Total:			42.7%
Cash & Equivalents			0.4%

CHARACTERISTICS

	PORTFOLIO	BENCHMARK
Price/Earnings	18.3	20.2
Price/Book	1.8	2.0
Price/Sales	1.5	1.9
Price/Cash Flow	6.4	7.3
Dividend Yield	2.8	2.8
Turnover (1 year to March)	16.92%	N/A
Median Market Cap (US$ millions)	10,227	3,287
Weighted Market Cap (US$ millions)	44,430	48,008

RISK

	PORTFOLIO	BENCHMARK
Standard Dev. (3-yr Trailing)	21.0	21.7
Alpha (3-yr Trailing)	0.9	N/A
Beta (3-yr Trailing)	1.0	N/A
Sharpe Ratio (3-yr Trailing)	0.5	0.4
Tracking Error (3-yr Trailing)	3.2	N/A
Information Ratio (3-yr Trailing)	0.1	N/A

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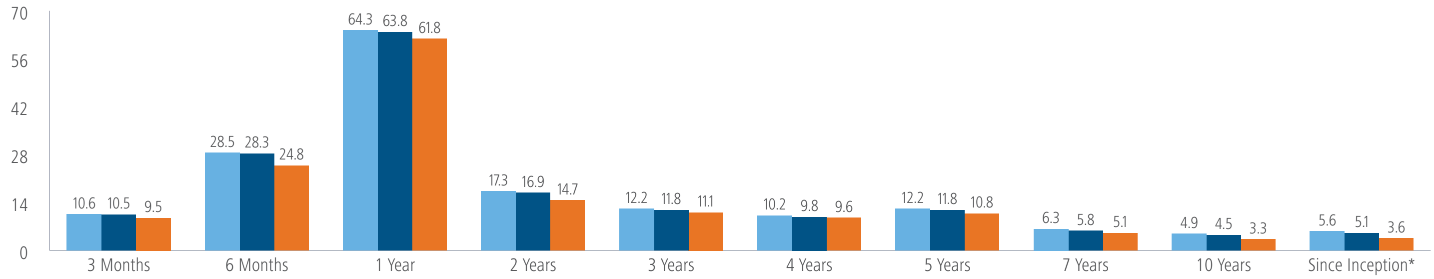
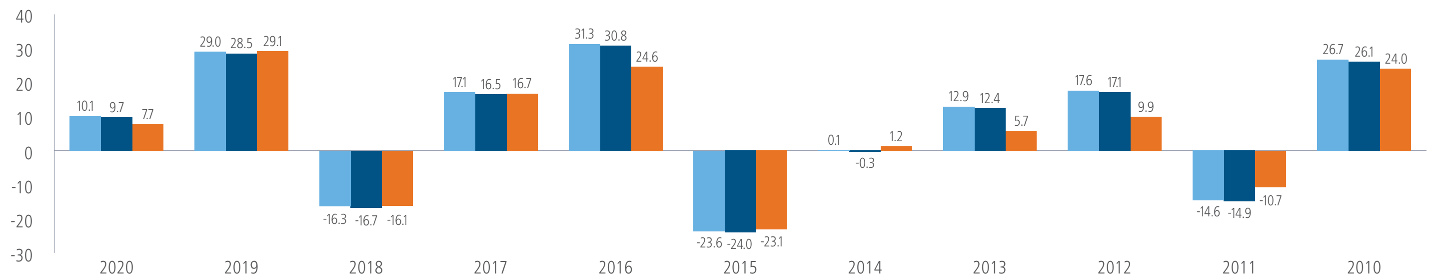
COMPOSITE PERFORMANCE (US$)

COMPOUND ANNUAL RETURNS (%)



CALENDAR YEAR RETURNS (%)



Mackenzie Canadian All Cap Value (Gross) Mackenzie Canadian All Cap Value (Net) S&P/TSX Composite TR

CONTRIBUTORS

TOP 5 CONTRIBUTORS	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q1 RETURNS
Shopify, Inc. Class A	Information Technology	Canada	-6.55%	0.67%
iA Financial Corporation Inc.	Financials	Canada	1.67%	0.25%
ECN Capital Corp.	Financials	Canada	1.61%	0.21%
Canadian Natural Resources Limited	Energy	Canada	0.95%	0.18%
Barrick Gold Corporation	Materials	Canada	-0.75%	0.18%

DETRACTORS

TOP 5 DETRACTORS	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q1 RETURNS
Alimentation Couche-Tard Inc. Class B	Consumer Staples	Canada	2.34%	-0.38%
Agnico Eagle Mines Limited	Materials	Canada	1.19%	-0.33%
Aphria Inc	Health Care	Canada	-0.23%	-0.17%
Magna International Inc.	Consumer Discretionary	Canada	-1.07%	-0.15%
Shaw Communications Inc. Class B	Communication Services	Canada	-0.44%	-0.15%

*Since Composite Inception on January 1, 2008

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CONTRIBUTORS TO PERFORMANCE

The largest contributors to relative performance at the security level included:

- IA Financial Corp. – IA Financial, formerly known as Industrial Alliance, is one of Canada's largest insurance and wealth management companies, providing both individual and group insurance products and wealth management solutions to Canadians. IA shares benefited from continued multiple expansion and rising earnings estimates as drivers of earnings growth continued to improve. IA management has consistently grown earnings and book value through a mix of organic growth and accretive acquisitions. The company has a conservative capital structure and is poised to continue to grow earnings and cash flow.
- ECN Capital Corp. – ECN provides credit portfolio solutions to its bank, insurance and other financial institution partners. ECN is focused on home improvement loans, manufactured home financing and credit card management programs. ECN's Service Finance division has benefited from strong originations in residential improvement funding as homeowners have taken advantage of low borrowing costs and reduced spending in other areas. Similarly, ECN's Triad division, which focuses on manufactured homes, has benefited from existing clients refinancing at attractive rates and increased new home activity.
- CCL Industries Inc. – CCL is a global materials science company operating in a number of related businesses, including consumer and industrial packaging, consumer labeling and digital printing solutions, and RFID inventory management solutions. CCL had been on our watch list and was added to the portfolio in 2020 near the market bottom. The company has a strong track record of consistent top and bottom line growth, generated both organically and through acquisition. The acquisition strategy has been on hold during the COVID disruption, which has led to a very strong balance sheet as cash has built up. CCL is therefore well positioned for further acquisitions once borders open to enable prudent due diligence on targets.

DETRACTORS FROM PERFORMANCE

The largest detractors from relative performance at the security and sector level included:

- Alimentation Couche-Tard Inc. – Couche-Tard is a global operator of convenience stores and gas bars. The management team surprised investors with the announcement that they intended to acquire French grocer Carrefour. The company has generated strong earnings growth from its history of disciplined and thoughtful acquisitions, but investors deemed this move to be a step too far. Having seen how shareholders reacted, the company decided to shelve its plans. As North American and European economies continue to open, and consumers increase driving mileage partly from stay-near-home vacations, the company is poised to continue to grow.
- Agnico Eagle Mines Ltd. – Gold stocks were among the worst performers during the quarter. Gold stocks tend to underperform during periods of increasing economic confidence, strong stock markets, strengthening U.S. currency and rising interest rates (with little inflation), all of which characterized the first quarter of the year. We hold a portfolio weight in gold stocks that is less than half the benchmark as we were selling down our gold weight throughout 2020, reallocating the proceeds into names with much greater returns to fair value.
- Shaw Communications Inc. – Rogers Communications launched a takeover bid for Shaw Communications at a significant premium. Shaw is not owned in the portfolio. Shaw had achieved some success growing its Freedom wireless business but had struggled with a stagnant core wireline business (internet and TV). The proposed tie-up of Rogers/Shaw will be under heavy scrutiny by the Canadian regulator, which has pushed for greater, not less, competition in the telco space. The current consensus view is that the deal will be consummated, but that Rogers will likely have to divest the wireless business in order to continue to facilitate healthy competition in favour of Canadian consumers and businesses.

PORTFOLIO ACTIVITY

We initiated positions in Transcontinental Inc. – TCL operates two businesses - packaging solutions and commercial printing. The stock is attractively valued given the growth opportunities in packaging, which we expect will become a greater proportion of the company's cash flow and which should lead to a higher earnings multiple for the stock.

MARKET OUTLOOK

- Markets have generally put up returns in the first 90 days of the year that would satisfy most investors for the full year. So, where do we go from here? With forward earnings multiples at their highest point in a generation and interest rates more likely heading higher than lower, it is difficult to argue for continued multiple expansion. Excluding the dotcom era of peak exuberance, we are trading at market multiples not seen in lifetimes. Certainly, investor sentiment is optimistic in the extreme with polls we have seen suggesting peak levels of bullishness. There seems to be a degree of complacency as well, or rather a belief that pandemic-related worries should be put to bed, as evidenced by the VIX volatility gauge hitting levels considered normal pre-COVID. What about the other market driver, earnings growth? Current expectations are for S&P500 earnings to grow nearly by half year-over-year and then some 10 percent per year in the following couple of years. This compares to median growth of about 7% over the past couple of decades, a period during which aggressive stock buybacks provided a strong tailwind to earnings per share. Outside of certain industries, like travel, most companies are not emerging from this recession over-levered. Cost management and deferred capital expenditures have led to generally strong balance sheets, so renewed buyback activity could provide support to share prices. Whether this proves to be a prudent use of cash with earnings yields near all-time lows remains to be seen.
- In general, we are finding fewer and fewer interesting opportunities. Those sectors that had struggled for much of last year - energy and financials in particular - have seen renewed investor interest and are no longer as compelling. Many of the names in the portfolio are trading above our estimate of fair value, with several priced closer to our best-case scenario. We remain fully invested though and are positioned to take advantage of opportunities as they are presented.

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Past performance does not guarantee or indicate future results. Information under "Composite and Benchmark Performance (USD)" reflects the performance of the Mackenzie Canadian All Cap Value Composite and does not necessarily reflect the performance that any particular account investing in the same or similar securities may have had during the period. The performance of other accounts is likely to differ from the performance shown for a variety of reasons, including, but not limited to: differences in market conditions, portfolio turnover and in the number, types, availability and diversity of securities that can be purchased; economies of scale, regulations and other factors applicable to the management of large separate accounts and funds; client-imposed investment restrictions; the timing of client investments and withdrawals; the deduction of taxes; tax considerations; and other factors. Information regarding portfolio characteristics relates to a representative account with-in the composite.

Gross and net returns do not include the deduction of custody fees. The returns assume the reinvestment of dividends, interest, and realized and unrealized capital gains and losses. Gross performance results also do not reflect the deduction of management fees and other fees and expenses. Net performance results reflect the deduction of the maximum standard fee 0.30% from January 1, 2020 and 0.45% until December 31, 2019 charged to institutional clients without considering breakpoints, calculated daily and invoiced quarterly, as well as the transaction costs and other fees and expenses, including certain taxes. Index returns do not reflect transaction costs or the deduction of other fees and expenses and it is not possible to invest directly in an index.

COMPLIANCE STATEMENT

Mackenzie Investments claims compliance with the Global Investment Performance Standards (GIPS®).

COMPOSITE DESCRIPTION

The Canadian All Cap Value Composite seeks to provide superior long-term capital appreciation by investing in a portfolio of undervalued Canadian equities across all market capitalizations.

BENCHMARK DESCRIPTION

The benchmark is the S&P/TSX Composite Total Return Index. The S&P/TSX Composite Index is a capitalization-weighted index that represents some of the largest float-adjusted stocks trading on the Toronto Stock Exchange.

REPORTING CURRENCY

Valuations and composite performance are reported in U.S. dollars. The composite includes Canadian dollar portfolios that have been converted to U.S. dollars. Returns were converted at the end of each month based on the 4:00 PM spot rate on the last business day of the month as reported by StatPro to our system vendor CGI StarSource.

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