

**INCEPTION:**  
October 1992<sup>1</sup>

**BENCHMARK:**  
MSCI World Total Return Index

**STRATEGY ASSETS:**  
C\$5,988 million

**LEAD PORTFOLIO MANAGER:**  
Paul Musson, CFA

## STRATEGY OVERVIEW

We seek to provide long-term capital growth by investing in high quality, larger capitalization companies from anywhere in the world with a focus on maximizing risk-adjusted returns

We seek to create a portfolio with the following attributes:

- Low volatility relative to benchmark that seeks to achieve superior risk/return attributes
- Low correlation to benchmark providing improved diversification
- High conviction portfolio with higher concentration of holdings

## APPROACH

- Labor intensive, bottom-up investment approach focused on identifying high quality businesses around the world
- Intensive fundamental analysis of the company's competitive position, management strengths, expected profitability and financial position
- Once high quality companies are identified, proprietary valuation models determine appropriate entry prices for positions
- Portfolio will often not resemble the composition of its benchmark and due to its strict high quality criteria will have an emphasis on developed markets
- Target 35-55 securities from equity markets around the globe and typically with market capitalizations above US\$3 billion

## INVESTMENT PROCESS

Global Equity Universe



### Initial Filters

3000 Stocks

- Liquidity requirements: average daily trading value of US\$ 30 million



### Screening

900 Stocks

- Free Cash Flow > 50% of net earnings
- Net Debt/EBITDA < 3
- ROC > 10%
- ROE > 10%



### Fundamental Analysis

200 Stocks

- Labour intensive
- Analysts must be able to "understand" the company and its financials
- Uncover the quality of the business
- Rank names from A- to A+



### Fundamental Analysis II

35-55 Stocks

- Labour intensive
- Examine each name starting with A+
- Full models built for high quality names
- Target entry price determined
- Repeat for A and A-

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.

<sup>1</sup> Mackenzie Investments (the "Firm") has been managing Global Large Cap Quality Growth assets since October 1992. 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..

## SECTOR ALLOCATION (Ex. Cash & Equivalents)

SECTOR	PORTFOLIO	BENCHMARK
Consumer Staples	23.41%	7.18%
Information Technology	15.42%	21.34%
Health Care	14.61%	12.41%
Financials	12.55%	13.72%
Industrials	11.31%	10.86%
Consumer Discretionary	10.05%	12.06%
Communication Services	8.19%	9.05%
Materials	4.46%	4.54%
Energy	0.00%	3.16%
Real Estate	0.00%	2.69%
Utilities	0.00%	2.99%
	<b>100.00%</b>	<b>100.00%</b>

## GEOGRAPHIC ALLOCATION (Ex. Cash & Equivalents)

COUNTRY	PORTFOLIO	BENCHMARK
United States	48.85%	66.45%
United Kingdom	10.48%	4.33%
Canada	5.43%	3.26%
Japan	5.15%	7.52%
Switzerland	4.71%	2.78%
China	4.39%	0.00%
Germany	3.98%	2.88%
Australia	3.96%	2.13%
Hong Kong	3.69%	1.02%
Netherlands	3.40%	1.28%
Spain	1.59%	0.72%
Sweden	0.95%	1.09%
Taiwan	0.81%	0.00%
South Korea	0.79%	0.00%
Other	1.84%	6.54%
	<b>100.00%</b>	<b>100.00%</b>

## WEIGHTINGS RELATIVE TO BENCHMARK

OVERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Admiral Group PLC	Financials	United Kingdom	+3.23%
Reckitt Benckiser Group PLC	Cons. Staples	United Kingdom	+3.12%
Koninklijke Philips NV	Health Care	Netherlands	+2.84%
Seven & i Holdings Co Ltd	Cons. Staples	Japan	+2.32%
Oracle Corp	Info. Tech.	United States	+2.25%

UNDERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Apple Inc	Info. Tech.	United States	-3.86%
Amazon.com Inc	Cons. Disc.	United States	-2.45%
Facebook Inc	Comm. Serv.	United States	-1.32%
Tesla Inc	Cons. Disc.	United States	-0.94%
Microsoft Corp	Info. Tech.	United States	-0.94%

## TOP TEN HOLDINGS (Ex. Cash & Equivalents)

HOLDING	SECTOR	COUNTRY	WEIGHT
Admiral Group PLC	Financials	United Kingdom	3.2%
Reckitt Benckiser Group PLC	Cons. Staples	United Kingdom	3.2%
Koninklijke Philips NV	Health Care	Netherlands	2.9%
Alphabet Inc	Comm. Serv.	United States	2.9%
Procter & Gamble Co/The	Cons. Staples	United States	2.9%
Oracle Corp	Info. Tech.	United States	2.5%
Comcast Corp	Comm. Serv.	United States	2.4%
Canadian National Railway Co	Industrials	Canada	2.4%
Seven & i Holdings Co Ltd	Cons. Staples	Japan	2.4%
Costco Wholesale Corp	Cons. Staples	United States	2.3%
<b>Total:</b>			<b>27.2%</b>
Cash & Equivalents			13.6%

## CHARACTERISTICS

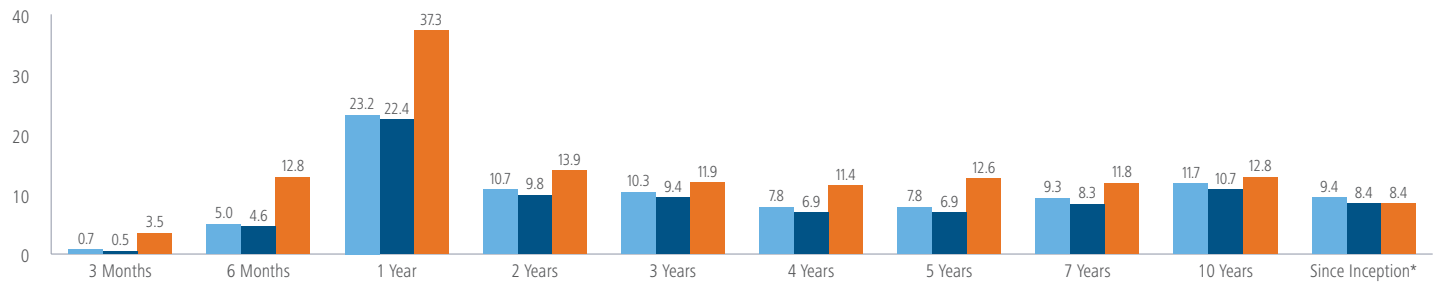
	PORTFOLIO	BENCHMARK
Price/Earnings	27.6	25.8
Price/Book	3.7	3.0
Price/Sales	2.6	2.3
Debt/Equity	131.8	145.2
Net Debt/EBITDA	1.3	1.4
ROC	13.5	13.6
ROE	23.8	22.1
Dividend Yield	1.8	1.7
Turnover (1 year to March)	42.20%	N/A
Median Market Cap (C\$ millions)	185,024	22,131
Weighted Market Cap (C\$ millions)	319,423	401,626

## RISK

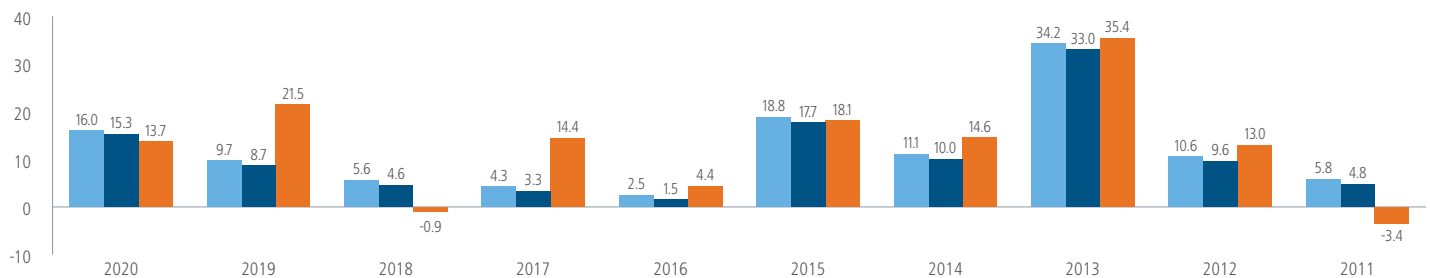
	PORTFOLIO	BENCHMARK
Standard Dev. (3-yr Trailing)	8.1	13.5
Alpha (3-yr Trailing)	3.7	N/A
Beta (3-yr Trailing)	0.5	N/A
Sharpe Ratio (3-yr Trailing)	1.1	0.8
Tracking Error (3-yr Trailing)	8.0	N/A
Information Ratio (3-yr Trailing)	-0.2	N/A

## COMPOSITE PERFORMANCE (C\$)

### COMPOUND ANNUAL RETURNS (%)



### CALENDAR YEAR RETURNS (%)



■ Mackenzie Global Large Cap Quality Growth (Gross) ■ Mackenzie Global Large Cap Quality Growth (Net) ■ MSCI World Total Return Index

## CONTRIBUTORS

### TOP 5 CONTRIBUTORS

	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q1 RETURNS
Apple Inc.	Information Technology	United States	-4.16%	0.53%
Amazon.com, Inc.	Consumer Discretionary	United States	-2.56%	0.25%
Seven & I Holdings Co., Ltd.	Consumer Staples	Japan	2.44%	0.23%
CK Hutchison Holdings Ltd	Industrials	Hong Kong	1.99%	0.17%
Admiral Group plc	Financials	United Kingdom	3.52%	0.10%

## DETRACTORS

### TOP 5 DETRACTORS

	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q1 RETURNS
Kao Corp.	Consumer Staples	Japan	1.91%	-0.38%
Colgate-Palmolive Company	Consumer Staples	United States	1.95%	-0.25%
W.W. Grainger, Inc.	Industrials	United States	2.35%	-0.23%
Alibaba Group Holding Ltd.	Consumer Discretionary	NA	2.11%	-0.17%
Costco Wholesale Corporation	Consumer Staples	United States	1.72%	-0.16%

\*Since Composite Inception on January 1, 2008

Past performance does not guarantee or indicate future results. Mackenzie Portfolio Analytics Group is responsible for calculating the non-benchmark information shown above. That information, which does not constitute formal investment guidelines/restrictions, is subject to change from time to time and over time.

## CONTRIBUTORS TO PERFORMANCE

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- From a sector perspective, security selection in communication services and healthcare contributed to performance.
- At a regional level, overweight to Netherlands as well as stock selection in Spain and Denmark slightly contributed to performance.
- The largest active contributors to performance during Q1 were: **Alphabet**, **Seven & I Holdings**, and **CK Hutchison Holdings**.
- Alphabet was a top contributor to our portfolio return during Q1/21. Most of the outperformance came post the Q4/20 earnings report. The numbers were exceptional with top-line growth of 23% year over year (YOY) and lvy adjusted earnings before interest and taxes (EBIT) growth of 73% YOY. We do not expect such results to persist as the operating leverage Alphabet is currently experiencing will be offset by an increased pace in hiring as COVID-related uncertainty wanes. Nonetheless, we continue to believe Alphabet is a very strong company with attractive growth prospects over the medium to long-term.
- Seven & I Holdings' share price continued to show good recovery during Q1 after underperforming meaningfully during the second half of 2020. Recent share price strength has been driven by improved performance in Seven & I's Japanese convenience store (c-store) business and continued strong performance in the US c-store business. Seven & I continues to work towards completing its large acquisition of Speedway, which is expected to significantly bolster its presence in the US and lead to material operational synergies.
- CK Hutchison Holdings' (CKHH) valuation also continued to recover in Q1 from depressed levels. CKHH closed the first tranche of the sale of its European telecom tower assets to Cellenex in late Q4 and early Q1, with the remaining tranches expected to close later in 2021. CKHH is selling these assets at a high valuation and expects to re-deploy the proceeds into other business growth opportunities, debt reduction, and share repurchases. CKHH's business is also showing good recovery after being negatively impacted by COVID-related closures.

## DETRACTORS FROM PERFORMANCE

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- From a sector perspective, security selection in financials and industrials detracted from performance
- At a regional level, Security selection in the US detracted significantly from performance
- Cash weighting in the portfolio detracted from relative performance as the benchmark had a strong performance during the period.
- The largest active detractors for the quarter were: **Kao**, **Colgate**, and **Costco**
- Kao reported soft Q4 2020 results and offered weaker than expected 2021 guidance in January, as its cosmetics and professional hair care segments continue to be impacted by COVID-related movement restrictions. The remainder of Kao's segments are performing reasonably well, and we expect the segments that have been negatively impacted due to COVID to show improved performance over time.
- There was no news in the quarter for Costco or Colgate that materially impacted our investment theses around quality or growth. Our investment in Colgate is supported by its high market shares in attractive categories, well known brands, strong balance sheet, and a corporate culture that is collective in nature and drives execution. Our investment in Costco is based on what we view as a unique low-cost business model supported by a corporate culture that emphasizes taking care of members and employees, with returns to shareholders an outcome of doing the preceding extraordinarily well.

## PORTFOLIO ACTIVITY

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- We initiated small new positions in Halma late in Q4 2020, and Texas Instruments in the first quarter of this year.
- Halma is a UK business that includes several operating companies involved with fire detectors, elevator door sensors, ophthalmic instruments, and a variety of other products. Though they generally enjoy strong market positions and resilient demand, what Halma does is less important than how they do it. The company has struck a difficult balance between the entrepreneurialism of a decentralized structure and the benefits of centralized resources in areas such as talent development, cross-company collaboration, and international expansion. Basically, Halma buys small companies for reasonable prices, largely leaves them alone, but encourages them to invest in themselves and provides the means for them to do so. The result of the consistent execution and fine tuning of this model has been an impressive track record of growth and profitability, and we believe the model can be sustained for several years into the future.
- Texas Instruments (TI) is a diversified, integrated semiconductor manufacturer that is focused on the analog and embedded processing (EP) segments. The key end markets for TI, within analog and EP, are auto and industrial. Both of these end markets have seen a significant increase in the use of semiconductors over the last several years – this trend is expected to continue well into the future. TI has an excellent management team with a long track record of disciplined capital allocation and good strategic and operational execution. TI's competitive advantage lies in its superior scale, product breadth, and distribution reach and infrastructure – these have been developed over time through focused investment and astute M&A. These advantages are reinforced by TI's corporate culture, which shows clear evidence of long-term thinking, counter-cyclical investment, and discipline.

**PORTFOLIO ACTIVITY** (cont'd)

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- We exited our positions in Vestas Wind Systems and EOG Resources during Q1. We had been trimming Vestas for some time, and fully exited the position during the quarter for valuation reasons; we continue to view Vestas as a high-quality business. EOG was also sold for valuation reasons. The stock was initially purchased when oil prices were near their low point in 2020, and with oil prices recovering significantly in late 2020 and early 2021, we felt there were more compelling opportunities elsewhere.

**MARKET OUTLOOK**

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- Looking back at the past year, the strategy has underperformed the benchmark by a wide margin, however this performance trend is inline with our expectations given the starting point (which is essentially the bottom of the market) and is consistent with the historical performance trend of the strategy (and quality in general) when exiting a bear market.
- The strategy remains conservatively positioned overall, but with a good balance of high-quality defensive names, businesses that have compelling long-term growth potential, and stocks whose valuations are rather depressed but where we feel the long-term remains sound. We also hold some higher quality cyclical businesses whose valuations are relatively attractive, and who we believe can grow at attractive rates through economic cycles.
- The consensus view is that ultra supportive monetary policy and much more supportive fiscal policy, combined with continued economic re-opening, will lead to a global economic boom that will in turn drive a strong persistent bull market. We are generally not comfortable making these types of bets; instead, we focus on trying to find high quality businesses with enduring competitive advantages that can grow at attractive rates over time. We try to own these businesses at reasonable valuations. Our aim is to hold a collection of these businesses, in varying proportions, such that the portfolio overall will deliver good absolute and relative returns over time, while producing a smoother path for clients. Our performance is bound to diverge from the benchmark throughout various intervals within the cycle, however over the long-term we remain confident that this approach will serve our clients well.

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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 0.65% from January 1, 2020 and 0.95% 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 Global Large Cap Quality Growth Composite seeks to provide long-term capital growth by investing in high quality, larger capitalization companies from anywhere in the world with a focus on maximizing risk-adjusted returns.

## BENCHMARK DESCRIPTION

The benchmark is the MSCI World Total Return Index, net of withholding taxes. The MSCI World Index is a free float adjusted, market capitalization weighted index that is designed to measure the equity market performance of developed markets. It consists of 23 developed market country indices.

## REPORTING CURRENCY

Valuations are computed and composite performance reported in Canadian dollars.

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