

**INCEPTION:**  
October 2002

**BENCHMARK:**  
MSCI EAFE Small Cap TR Index

**STRATEGY ASSETS:**  
US\$894 million

**LEAD PORTFOLIO MANAGER:**  
Martin Fahey, MBS, CFA

## INVESTMENT OBJECTIVE

The strategy aims to provide long-term capital growth by investing primarily in the common shares of small-capitalization corporations outside of Canada and the U.S.

## APPROACH

- Narrow the investment universe by market cap followed by proprietary screens by sector focusing primarily on factors based around earnings momentum, leverage and valuation
- Fundamental Analysis consists of identifying stock ideas through proprietary research (internal analysis) consisting of financial statement analysis, valuation modeling and meeting company management supplemented with sell-side analyst exchange
- Incorporate top down thematic trends at macroeconomic, sector and sub-sector levels
- Compare internal projections with both positive/negative sell-side estimates in order to gauge potential upside and identify potential investment risks
- Portfolio investments are typically made within the context of a 3-5 year time horizon and are continuously monitored for changes in company fundamentals, valuations and thematic changes

## PORTFOLIO ADVANTAGE

- Lead portfolio manager has been investing in the asset class for more than 25 years and has deep understanding of the investable universe
- Combine indepth fundamental research, thematic views, and industry expectations to identify investments that have a strong probability of outperforming over the next 3-5 yrs
- Construct a risk controlled portfolio to ensure that majority of relative returns are driven through stock selection, resulting in high Active Share while industry and country exposures are monitored to coincide with thematic views

## INVESTMENT PROCESS

### EAFE Small Cap Universe



### Initial Filters



- Weighted average market cap screen: max 60% above market cap of benchmark

### Criteria

- ROE
- EV/Capital Employed
- Leverage Ratios
- Dividend Yield
- EV/EBITDA
- P/B
- ROC Employed
- FCF Yield



### Fundamental Analysis

- Management focus
- Internal analyst discussion + sell-side
- Financial statement analysis
- Valuation modelling



### Portfolio Construction

Typically  
70-100 Stocks



- Sector and Country constraints
- Individual positions <10%, +/- 3% of BM
- EM max 15%, typically <10%
- Aims to be fully invested, typically cash is less than 5%

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.

## SECTOR ALLOCATION (Ex. Cash & Equivalents)

SECTOR	PORTFOLIO	BENCHMARK
Industrials	18.79%	23.63%
Consumer Discretionary	16.09%	13.47%
Information Technology	12.76%	9.92%
Financials	10.34%	10.94%
Materials	8.82%	9.25%
Health Care	8.52%	6.72%
Communication Services	7.80%	4.49%
Consumer Staples	6.96%	5.73%
Energy	4.77%	1.67%
Real Estate	4.07%	11.34%
Utilities	1.06%	2.84%
	<b>100.00%</b>	<b>100.00%</b>

## GEOGRAPHIC ALLOCATION (Ex. Cash & Equivalents)

COUNTRY	PORTFOLIO	BENCHMARK
Japan	35.21%	28.19%
United Kingdom	14.06%	18.14%
Germany	12.41%	5.33%
Australia	9.90%	8.76%
Ireland	8.88%	0.55%
France	5.43%	3.29%
Netherlands	3.09%	2.56%
Hong Kong	3.00%	2.14%
Finland	2.01%	1.68%
Sweden	1.02%	7.29%
Singapore	0.99%	1.82%
Norway	0.90%	2.35%
Chile	0.90%	0.00%
Belgium	0.81%	1.48%
Switzerland	0.56%	5.16%
Russia	0.46%	0.00%
Spain	0.38%	2.14%
Other	0.00%	9.14%
	<b>100.00%</b>	<b>100.00%</b>

## WEIGHTINGS RELATIVE TO BENCHMARK

OVERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Unipharm PLC	Health Care	Ireland	+3.56%
Vivoryon Therapeutics NV	Health Care	Germany	+2.83%
Bank of Kyoto Ltd/The	Financials	Japan	+2.18%
SCSK Corp	Info. Tech.	Japan	+2.11%
Steadfast Group Ltd	Financials	Australia	+1.96%

UNDERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
IMCD NV	Industrials	Netherlands	-0.27%
DS Smith PLC	Materials	United Kingdom	-0.27%
AerCap Holdings NV	Industrials	Netherlands	-0.26%
VAT Group AG	Industrials	Switzerland	-0.26%
Intermediate Capital Group PLC	Financials	United Kingdom	-0.26%

## TOP TEN HOLDINGS

HOLDING	SECTOR	COUNTRY	WEIGHT
Unipharm PLC	Health Care	Ireland	3.6%
Vivoryon Therapeutics NV	Health Care	Germany	2.8%
Bank of Kyoto Ltd/The	Financials	Japan	2.2%
SCSK Corp	Info. Tech.	Japan	2.1%
Steadfast Group Ltd	Financials	Australia	2.1%
Games Workshop Group PLC	Cons. Disc.	United Kingdom	2.0%
ASM International NV	Info. Tech.	Netherlands	1.9%
Strix Group PLC	Info. Tech.	United Kingdom	1.9%
Future PLC	Comm. Serv.	United Kingdom	1.9%
TechnoPro Holdings Inc	Industrials	Japan	1.9%
<b>Total:</b>			<b>22.2%</b>
Cash & Equivalents			1.2%

## CHARACTERISTICS

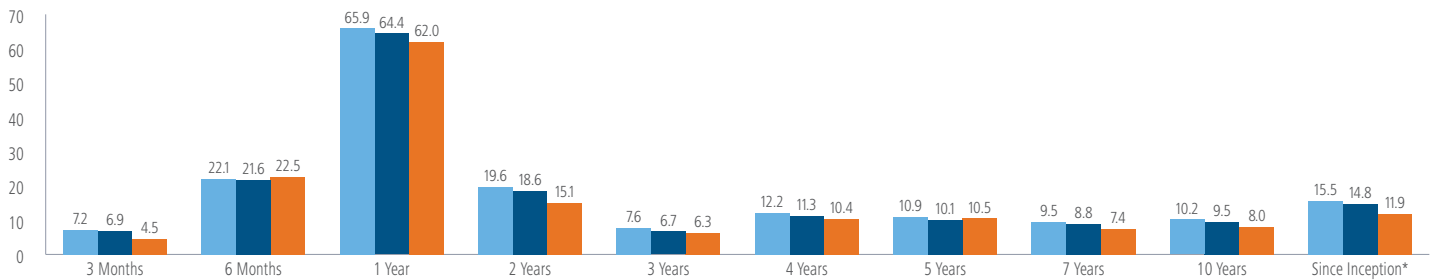
	PORTFOLIO	BENCHMARK
Price/Book	2.0	1.5
Price/Earnings (12M forward)	17.5	17.6
Dividend Yield (12M forward)	2.2	2.2
ROE	15.7	9.7
Active Share	95.4	N/A
Weighted Market Cap (US\$ Millions)	4,045	3,118
Turnover (1 year to March)	60.41%	N/A

## RISK

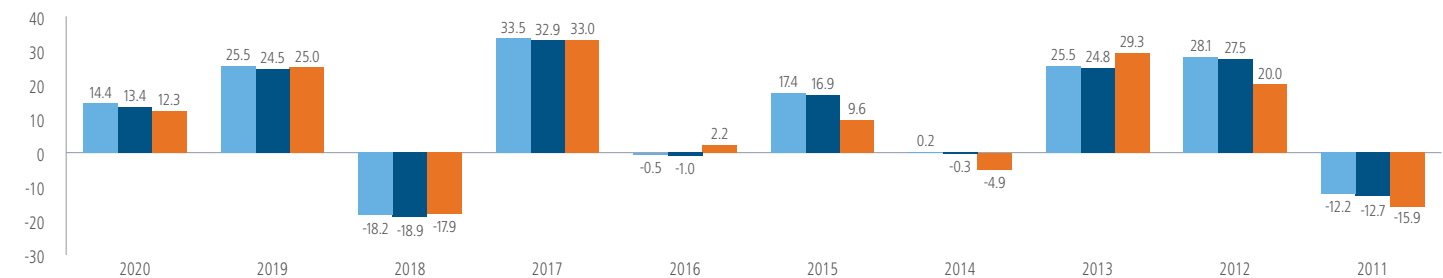
	PORTFOLIO	BENCHMARK
Standard Deviation (3Y)	19.4	20.3
Beta (3Y)	0.9	N/A
Sharpe Ratio (3Y)	0.3	0.3
Tracking Error (3Y)	4.2	N/A
Information Ratio (3Y)	0.3	N/A

## COMPOSITE PERFORMANCE (US\$)

### COMPOUND ANNUAL RETURNS (%)



### CALENDAR YEAR RETURNS (%)



■ Mackenzie International Small Cap (Gross) ■ Mackenzie International Small Cap (Net) ■ MSCI EAFE Small Cap Net TR Index

## CONTRIBUTORS

### TOP 5 CONTRIBUTORS

	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q1 RETURNS
Vivoryon Therapeutics N.V.	Health Care	Netherlands	2.77%	1.03%
Gamesys Group PLC	Consumer Discretionary	United Kingdom	1.27%	0.72%
ASM International N.V.	Information Technology	Netherlands	1.96%	0.47%
Tsubaki Nakashima Co., Ltd	Industrials	Japan	1.43%	0.46%
Pacific Basin Shipping Limited	Industrials	Hong Kong	1.15%	0.42%

## DETRACTORS

### TOP 5 DETRACTORS

	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q1 RETURNS
Games Workshop Group PLC	Consumer Discretionary	United Kingdom	2.14%	-0.35%
Stillfront Group AB	Communication Services	Sweden	1.19%	-0.35%
Mynaric AG	Industrials	Germany	1.36%	-0.29%
Gaztransport & Technigaz SA	Energy	France	1.15%	-0.26%
Evolution Mining Limited	Materials	Australia	1.17%	-0.25%

\*Since Composite Inception on January 1, 2009

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, stock selection in Health Care, Information Technology, and Industrials were the largest contributors to relative performance.
- At the country level, stock selection in Japan, Netherlands and an overweight exposure to Ireland were the largest contributors to relative performance.
- The largest stock contributors included **Vivoryon Therapeutics**, a Netherlands-based health care company, **Gamesys Group PLC**, a United Kingdom-based online software development and gaming company and **ASM International N.V.**, a Dutch-based information technology company.
- **Vivoryon Therapeutics**, a Netherlands-based health care company
- **Gamesys Group PLC**, a United Kingdom-based online software development and gaming company
- **ASM International N.V.**, a Dutch-based information technology company

### DETRACTORS FROM PERFORMANCE

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- From a sector perspective, stock selection in Energy, Communication Services, and Financials were the largest detractors from relative performance.
- At a country level, stock selection in France, Germany and Sweden were the largest detractors from relative performance.
- The largest stock detractors included **Stillfront Group**, a Sweden-based communications services company, **Games Workshop Group PLC**, a UK-based manufacturer of miniature wargames company, and **Mynaric AG**, a German-based communications equipment company.
- **Stillfront Group**, a Sweden-based communications services company
- **Games Workshop Group PLC**, a UK-based manufacturer of miniature wargames company
- **Mynaric AG**, a German-based communications equipment company

### MARKET OUTLOOK

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- The portfolio management team continues to believe the pace of the recovery from the unprecedented shock on the global economy of COVID-19 will be the main factor affecting equity prices for the next several quarters. The rapid spread of COVID-19 during the northern hemisphere winter months across the US, Europe and parts of Asia Pacific, particularly Japan, will have a negative impact on upcoming earnings. This is against a backdrop of global vaccine approvals and distribution. We expect the market to look through short-term earnings weakness toward a recovery of economic activity in the second half of the year.
- Many large economies in Asia Pacific have been more successful than their Western counterparts in COVID-19 containment, and case counts continue to remain low generally. However, it is becoming apparent that vaccination rollout in the region is lagging most Western countries and this may have implications for international travel and the ability of some economies to fully normalize.
- China's 14th five-year plan was released in March and includes ambitious environmental targets to reduce greenhouse gas emissions, with important regional implications within the energy and materials sectors, and particularly for electric vehicle adoption. In the short-term, Chinese policymakers appear more concerned about the formation of speculative bubbles in asset markets than their peers globally, and the degree to which a policy of deleveraging is pursued could have meaningful implications later in the year.
- In the US, Democratic Party control of both houses of Congress under President Biden ushered in a USD1.9tn round of fiscal stimulus in March, with a larger infrastructure package likely to gain passage over the summer. With vaccine rollout in the US proceeding rapidly, this is raising expectations for growth and driving cyclical sectors to outperform while pushing bond yields higher. It has also driven a countertrend rally in the US dollar, after a sharp decline last year, which could fade as growth in the rest of world picks up later in 2021. The strategy has added exposure to cyclical sectors, including energy, materials and financials, which we see benefitting from this macroeconomic backdrop.

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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 International Small Cap 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 within 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 0.90% from January 1, 2020 and 0.80% 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 International Small Cap Composite seeks to provide significant long-term capital growth by investing in a diversified portfolio of smaller International companies with below average market capitalization. The investment approach of the strategy is based on the principles of value investing. The Composite will primarily invest in developed markets but may also invest in emerging markets and will generally be fully invested.

## BENCHMARK DESCRIPTION

The benchmark is the MSCI EAFE (Europe Australasia, Far East) Small Cap Index. The MSCI EAFE (Europe Australasia, Far East) Small Cap Index is an equity index which captures small cap representation across Developed Markets countries around the world, excluding the US and Canada. With 2,218 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country.

## 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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