STRATEGY PROFILE
Q2 | 2021

MACKENZIE
GLOBAL CORE EQUITY | USD

INCEPTION:
July 2013[1]

BENCHMARK:
MSCI ACWI Total Return Index
MSCI World Total Return Index

STRATEGY ASSETS:
US$5,648 million

LEAD PORTFOLIO MANAGER:
Darren McKiernan, CFA

STRATEGY OVERVIEW

We seek to provide long-term capital growth by constructing a well-diversified portfolio of compounder companies.

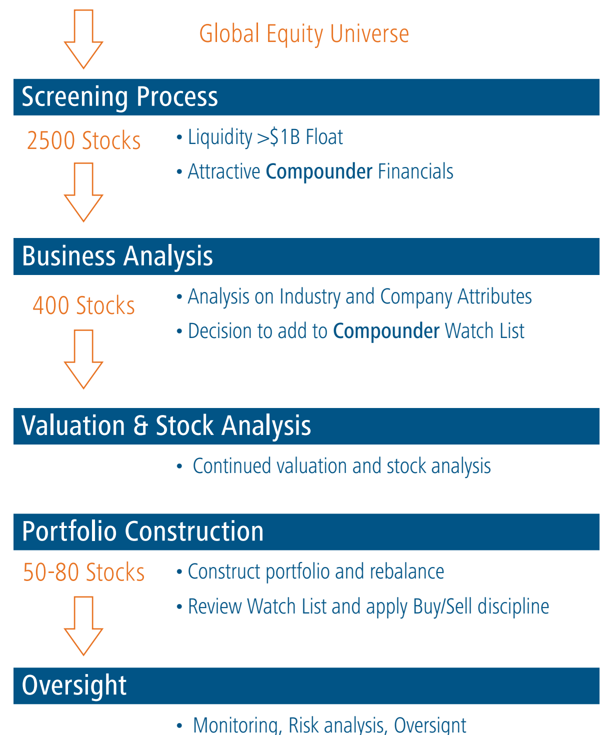
We aim to construct a portfolio with companies that are:

- Highly cash generative with a proven track record of generating high returns on capital and reinvesting retained earnings at similar high rates of return
- High up in their respective value chains and supported by a powerful intangible or tangible asset – a strong brand, exclusive patent, advantaged distribution or proprietary technology that is very difficult for competitors to replicate
- Carry manageable financial or business risk
- Often ignored by a short-sighted market fixated on quick gains

APPROACH

- Bottom-up, fundamental research-driven process, focused on a select group of high quality compounder companies that form a watch list of approximately 400 securities
- Companies must have predictable economics, high free cash flow conversion and returns on invested capital typically well in excess of their cost of capital
- Seek companies that have an economic moat in the form of high switching costs, network economics, intellectual property, privileged assets or regulatory barriers, among other
- Companies move from the watch list to the portfolio based on valuation, contribution to portfolio diversification and attractiveness relative to other positions
- Target 50-80 securities from around the globe and diversify by sector, industry and regional exposure.

INVESTMENT PROCESS



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 Global Core Equity assets since July 2013. 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	MSCI ACWI
Financials	21.94%	14.10%
Information Technology	17.84%	21.89%
Consumer Staples	12.22%	6.86%
Industrials	11.67%	9.86%
Health Care	11.36%	11.57%
Materials	7.52%	4.92%
Consumer Discretionary	6.35%	12.75%
Communication Services	4.67%	9.40%
Energy	3.54%	3.40%
Real Estate	2.35%	2.62%
Mutual & Pooled Funds	0.54%	0.00%
Utilities	0.00%	2.63%
	100.00%	100.00%

GEOGRAPHIC ALLOCATION (Ex. Cash & Equivalents)

COUNTRY	PORTFOLIO	MSCI ACWI
United States	60.88%	58.67%
Switzerland	6.80%	2.50%
Germany	5.98%	2.40%
France	4.86%	2.94%
Japan	4.07%	5.91%
Netherlands	3.05%	1.11%
Ireland	2.59%	0.18%
China	2.20%	4.85%
Taiwan	1.86%	1.80%
Hong Kong	1.80%	0.83%
Spain	1.36%	0.62%
Denmark	1.33%	0.66%
United Kingdom	1.27%	3.67%
Sweden	0.75%	0.96%
India	0.66%	1.28%
Other	0.54%	11.62%
	100.00%	100.00%

WEIGHTINGS RELATIVE TO MSCI ACWI

OVERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
JPMorgan Chase & Co	Financials	United States	+2.84%
Blackstone Group Inc/The	Financials	United States	+2.56%
Philip Morris International Inc	Cons. Staples	United States	+2.21%
US Bancorp	Financials	United States	+1.77%
Marathon Petroleum Corp	Energy	United States	+1.72%

UNDERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Apple Inc	Info. Tech.	United States	-1.66%
Amazon.com Inc	Cons. Disc.	United States	-1.20%
Tesla Inc	Cons. Disc.	United States	-0.78%
NVIDIA Corp	Info. Tech.	United States	-0.74%
Alphabet Inc	Comm. Services	United States	-0.66%

TOP TEN HOLDINGS (Ex. Cash & Equivalents)

HOLDING	SECTOR	COUNTRY	WEIGHT
JPMorgan Chase & Co	Financials	United States	3.6%
Microsoft Corp	Info. Tech.	United States	3.4%
Blackstone Group Inc/The	Financials	United States	2.7%
Philip Morris International Inc	Cons. Staples	United States	2.4%
Nestle SA	Cons. Staples	Switzerland	1.9%
US Bancorp	Financials	United States	1.9%
Johnson & Johnson	Health Care	United States	1.9%
Taiwan Semiconductor Manufacturing Co Ltd	Info. Tech.	Taiwan	1.8%
Visa Inc	Info. Tech.	United States	1.8%
Bank of America Corp	Financials	United States	1.8%
Total:			23.2%
Cash & Equivalents			0.7%

CHARACTERISTICS

	PORTFOLIO	MSCI ACWI
Price/Earnings	24.9	23.3
Forward Price/Earnings	20.8	18.3
EPS Growth	28.1	32.7
Forward EPS Growth Rate	14.3	16.2
Net Debt/EBITDA	2.1	1.1
Operating Margin	26.6	19.5
ROE	28.6	24.3
EBIT/Interest	38.8	33.5
Dividend Yield	1.9	1.7
Turnover (1 year to December)	28.96%	N/A
Median Market Cap (US$ millions)	108,623	13,082
Weighted Market Cap (US$ millions)	319,849	343,691

RISK

	PORTFOLIO	MSCI ACWI
Standard Dev. (3-yr Trailing)	16.3	18.0
Alpha (3-yr Trailing)	2.3	N/A
Beta (3-yr Trailing)	0.9	N/A
Sharpe Ratio (3-yr Trailing)	0.9	0.7
Tracking Error (3-yr Trailing)	3.4	N/A
Information Ratio (3-yr Trailing)	0.3	N/A

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.

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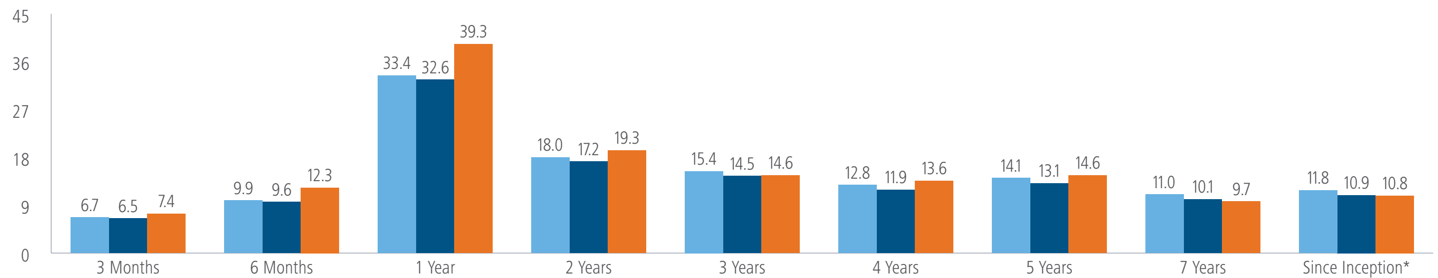
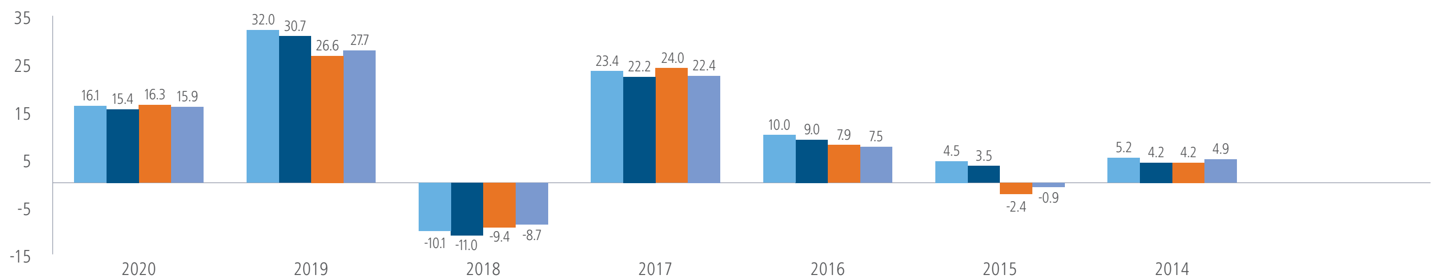
COMPOSITE PERFORMANCE (US$)

COMPOUND ANNUAL RETURNS (%)



CALENDAR YEAR RETURNS (%)



Mackenzie Global Core Equity (Gross) | Mackenzie Global Core Equity (Net) | MSCI ACWI Total Return Index

CONTRIBUTORS

TOP 5 CONTRIBUTORS	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q2 RETURNS
Blackstone Group Inc.	Financials	United States	2.61%	0.55%
Equifax Inc.	Industrials	United States	1.23%	0.27%
Novo Nordisk A/S Class B	Health Care	Denmark	1.14%	0.17%
Wolters Kluwer NV	Industrials	Netherlands	1.35%	0.11%
SAP SE	Information Technology	Germany	1.31%	0.11%

DETRACTORS

TOP 5 DETRACTORS	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q2 RETURNS
New Oriental Education & Technology Group, Inc. Sponsored ADR	Consumer Discretionary	China	0.80%	-0.46%
Sony Group Corporation	Consumer Discretionary	Japan	1.45%	-0.22%
NVIDIA Corporation	Information Technology	United States	-0.61%	-0.21%
Altria Group Inc	Consumer Staples	United States	1.38%	-0.18%
Corteva Inc	Materials	United States	1.35%	-0.16%

*Since Composite Inception on August 1, 2013

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CONTRIBUTORS TO PERFORMANCE

- At the sector level, stock selection in Industrials and Consumer Staples contributed positively to relative performance over the quarter.
- From a geographic perspective, stock selection in Switzerland, Denmark, and an underweight exposure to Japan contributed to relative performance.
- At a security level, the greatest contributors were Blackstone, Equifax, and Novo Nordisk.
- Blackstone (BX) was again a top performer as the company continues beating fundraising targets on the way toward its goal of $2.8B in annualized fee-related earnings (FRE) before the end of the year. The company collected $741m of FRE during the first quarter of 2021, an increase of 40% compared to the first quarter of 2020, on record assets under management of $649B. We firmly believe that this success is due to BX being regarded as a best-in-class alternative asset manager, allowing it to capture a disproportionate percentage of industry growth owing to its size, track record and longevity. Given BX's success in building out a Private Wealth platform we are interested to watch the company progress toward building a retail franchise. With alternative investment penetration rates in retail less than 5% (compared to 28% with institutions) we believe that retail could represent up to a $7 trillion opportunity. Even with the strong share price performance of 52% this year, the dividend yield is still in excess of 3% and the company remains a cornerstone of the portfolio.
- Equifax (EFX) led the way for the portfolio in Q2. The company printed a fantastic first quarter in April growing revenues by 27% year over year and materially increasing 2021 guidance. The biggest contributor was EFXs Workforce Solutions, which we view as the best business in the Information Services sector, through increased penetration, new product innovation and records growth on route to a 62% year over year revenue growth. US Information Solutions non-mortgage growth also accelerated 16% year over year with strength across several different loan categories. An added bonus was the company guided for its Vitality Index (percentage of current years revenue delivered from products introduced over the last three years) expected to exceed 8% in 2021. We continue to be happy shareholders of EFX and are looking forward to CEO Mark Begor's continued transformation of the company.
- Novo Nordisk was one of the top contributors in Q2. The stock move reflected a very good development: semaglutide, Novo's flagship GLP1 compound, was approved in the US on June 4th for the treatment of obesity. The drug was already an impressive innovation and commercially successful for the treatment of diabetes, but it had shown very strong promise as a treatment for obesity. The company will launch the drug, renamed "Wegovy", as an obesity treatment on June 10th. Novo shared its commercial strategy for this very large untapped market. Wegovy users often typically lose over 20% of their body weight. After two years, the average user maintains a 17% loss, with 40% of the users keeping a loss of more than 20% of initial bodyweight off. Currently, there is a lack of drugs to treat obesity. The alternatives for the obese are diet and exercise, which are hard and take time, or an expensive bariatric surgery, where the majority of the patients put the weight back on within one year. Our investment case for Novo Nordisk in 2016 identified semaglutide as a key driver, and we were fortunate to invest at a valuation where we did not pay for the potential. However, even our best case didn't anticipate what the company is now preparing to achieve in obesity. We continue to own the shares.

DETRACTORS FROM PERFORMANCE

- At the sector level, stock selection in Information Technology and Consumer Discretionary detracted.
- From a geographic perspective, stock selection in the United States and China detracted from relative performance.
- At a security level, the greatest detractors were New Oriental Education and Philips
- New Oriental Education our worst performing position. It sold off due to fears over tougher regulations on after-school education and tutoring institutions, specifically a policy change by the Chinese government that would significantly reduce the hours of operation allowed by tutoring companies (banning all weekend and holiday services). After quarter-end, rules emerged from the Chinese government that would order for-profit education companies to become non-profit organizations – an entirely unexpected scenario that would prevent access to capital markets and very likely wipe out profits of private education companies. The moves are believed to be related to China's goal of increasing its birthrate, as government officials have been taking steps in recent months to reduce education costs to incentivize parents to have more children. Previously, we believed that New Oriental's long-standing leading position in private education in China positioned it well to capitalize on rapidly increasing demand for tutoring services, and any regulatory changes would be to their advantage relative to the smaller, more questionable industry operators that only recently have emerged. Given the new regulations, the thesis is no longer valid, and we have sold out of our position in New Oriental Education (after quarter end). Unfortunately, this was a reminder of the regulatory risks in China and that Chinese officials will take any steps necessary to meet policy goals. We are reassessing our companies in the region to ensure the risks inherent from investing in China are commensurate with the potential reward. Approximately 3% of the Fund is currently invested directly in Chinese and Hong Kong listed securities.
- Philips was one of the detractors in Q2. The reason was the recall of their Dream Station 1 sleep apnea and ventilator devices. The recall will cause an immediate financial cost in the expense of refunding and replacing equipment and will also lead to litigation. Finally, it will drive future market share losses, despite the new iteration of the product, Dream Station 2, not suffering from the same issue. The issue in questions was that a foam in the product in < 0.3% of instances could degrade enough to pose a health risk. Specifically, the risk is that the degraded particles enter the air pathway of the

machine, which could then be inhaled or digested by the user. The second risk is that the degraded foam also may release small amounts of chemicals in gas form, which are not safe to inhale. The recall was voluntary after patients complained, and Philips has offered to repair/exchange any Dream Station 1 with an upgraded foam that will not degrade. The longer-term potential for market share loss is probably the most important financial consideration, as competitors will look to take advantage of Dream Station's impaired brand equity. The carcinogenic element of the degradable foam exacerbates the health risk for exposed users, and the potential litigation costs for Philips. The issue is a very serious one, and the stock has an overhang due to the unpredictability of US juries. Mitigating the financial impact, is that sleep apnea and consumables represent an estimated ~5% of company revenues. It is small part of the medical device conglomerate, which is otherwise developing very favorably in line with our long-term thesis.

MARKET REVIEW & OUTLOOK

The last few quarters we have commented on the role money printing, stimulus activity, and the eventual reopening of the world's economies may have on GDP growth and, by extension, inflation. The last several months have been interesting in that we have moved from no evidence of inflation, to emerging signs, to some of the highest rates of inflation (at least in major economies) that we have seen in over 20 years. Despite all this, 10-year government bonds across many developed markets recently approached 3-month lows. Part of this is probably due to the waves of COVID-19 variants continuing to spread around the globe despite increasing vaccination rates for most major economies. As of this writing, almost 3.9 billion vaccine doses have been administered worldwide, equal to 51 doses for every 100 people. Record low US loan-to-deposit ratios also does not support the inflation narrative, although our US bank managements believe this will change once the stimulus check money rolls off in the fall. In short, many investors are skeptical about how long-lasting these pressures will be ("transient" is the word that is often used). The market is also taking the US Federal Reserve, by far the most influential central bank, at its word that it will be able to thread the needle between keeping the economy expanding at a healthy clip while keeping a lid on runaway inflation.

We continue to see and hear a somewhat different picture from the companies we own and follow. Fast moving consumer goods providers, industrial manufacturers, paint companies, and quick service restaurants are all are seeing various forms of cost pressure, much of which they believe will stick. From raw material inputs to labor to logistics costs. This is the reason we try to build a portfolio of companies that can withstand such pressures, price their products and services appropriately in the face of such pressures, and ultimately come out the other side in a better competitive position. For example, in a sign of the times, McDonald's is boosting hourly pay in corporate owned stores from $11 to $17 an hour, giving workers more paid time off, and even will begin offering employees backup child and elderly care and broader tuition benefits for those that qualify. The company does not have to compete with Apple or Google trying to hire a software engineer, but rather the independent restaurant of coffee shop that is facing the same labor shortage. And this is before going into the benefits of its scale advantages across its supply chain and media buying. For us, this is where the rubber hits the road. Do our companies have the ability to pass increased costs to their customers and not lose share? In that context, we feel good about McDonald's ability to compete in a world that is experiencing real price pressure for the first time in years, as we do with almost all our investments.

"The difficulty lies, not in the new ideas, but in escaping from the old ones" John Maynard Keynes

Before getting into our company specific comments, we have made a slight adjustment to investment universe of the fund but want to emphasize that this does not impact how we are going to manage the portfolio. As a dividend fund, we are committed to staying true to our mandate i.e. striving to maintain a dividend yield above our MSCI World benchmark. That will not change. We previously stated our intention to only own dividend paying equities. This is where the nuance comes in. Going forward we will own – selectively – some non-dividend paying companies, while still aiming to maintain the above benchmark yield for our unitholders. We have been considering this for a while. The bedrock of our investment philosophy is to own superior businesses across all industries and geographies. With ~20% of our benchmark now consisting of non-dividend paying companies – some of which we consider among the world's best businesses – we felt we should introduce some more flexibility with how we achieve an above average dividend yield. So why now? The catalyst was the global pandemic, which caused some of our long-held investments such as Heineken and Safran to temporarily suspend their dividend payments, all for what we believed to be correct reasons. We were not going to sell these stock's (and burden our unitholders with unnecessary capital gains) because they temporarily stopped dividend payments in order to preserve capital in the face of a once-in-a-lifetime global health crisis. That helped guide our thinking to the next logical step: if we are willing to own companies like Amadeus and Disney that suspended their dividends, as well as long-held positions like Nike that historically only made marginal payouts, why can't we take it a step further and own extraordinary businesses that are still in that part of their lifecycle where reinvesting in their business makes more sense than distributing a cash coupon to shareholders? Despite not paying dividends, these companies will all have durable business models that generate strong free cash flow and earn superior ROIC's – key traits we have always looked for in stocks we want to own. We will continue to look for great, long-lasting franchises that maintain and reinvest at high rates of return on equity or capital for extended periods of time, so that we own them for long enough that the compounding of cash flows inherent to the business becomes the dominant force in the accretion of handsome absolute returns. We will remain true to our dividend mandate but recognize that some of the best businesses in the world do not pay dividends and want the flexibility to invest in these companies if they meet our "Dream Team" criteria.

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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 Global Core Equity 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 0.65% 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 Core Equity Composite aims to achieve a combination of long-term capital growth and current income by primarily investing in dividend paying companies around the world or in companies that are expected to pay dividends in the future. The approach to stock selection is bottom-up fundamental analysis including the examination of the company's financial position, revenue growth, profitability, the competitive landscape and management.

Effective December 6, 2013, a new portfolio management team was appointed for the Global Core Equity Composite.

BENCHMARK DESCRIPTION

† Benchmark (1) is the MSCI AC (All Country) World Total Return Index, net of withholding taxes. The MSCI AC World Index is a free float adjusted, market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The index consists of 23 developed and 24 emerging market country indices.

‡ Benchmark (2) 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.

On Jan 1, 2017, the benchmark was changed from the MSCI World High Dividend Yield Index to the MSCI All Country World and MSCI World Index Indices. This change was made retroactively as the new benchmarks better reflect the composite's investment universe and historical and ongoing portfolio management.

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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