STRATEGY PROFILE

Q2 | 2021

MACKENZIE

GLOBAL LARGE CAP QUALITY GROWTH CONSTRAINED | EUR

INCEPTION:
September 2012[1]

BENCHMARK:
MSCI World Total Return Index

STRATEGY ASSETS:
€830 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
- Constrained vehicle seeks to be fully invested. Maximum 10% cash weight

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.

[1] Mackenzie Investments (the "Firm") has been managing Global Large Cap Quality Growth Constrained assets since September 2012. 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
Consumer Staples	21.24%	7.05%
Information Technology	17.60%	22.11%
Health Care	14.81%	12.54%
Industrials	12.00%	10.60%
Financials	11.71%	13.55%
Consumer Discretionary	11.52%	12.03%
Communication Services	8.67%	9.12%
Materials	2.45%	4.40%
Energy	0.00%	3.15%
Real Estate	0.00%	2.71%
Utilities	0.00%	2.74%
	100.00%	100.00%

GEOGRAPHIC ALLOCATION (Ex. Cash & Equivalents)

COUNTRY	PORTFOLIO	BENCHMARK
United States	49.35%	67.39%
United Kingdom	11.65%	4.21%
Germany	5.47%	2.75%
Switzerland	5.20%	2.87%
Japan	5.00%	6.79%
China	4.75%	0.00%
Canada	4.29%	3.34%
Australia	3.83%	2.11%
Hong Kong	3.55%	0.95%
Netherlands	2.65%	1.27%
Spain	1.64%	0.72%
Sweden	0.97%	1.10%
Taiwan	0.84%	0.00%
South Korea	0.80%	0.00%
Other	0.00%	6.50%
	100.00%	100.00%

WEIGHTINGS RELATIVE TO BENCHMARK

OVERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Reckitt Benckiser Group PLC	Cons. Staples	United Kingdom	+3.70%
Admiral Group PLC	Financials	United Kingdom	+3.69%
Seven & i Holdings Co Ltd	Cons. Staples	Japan	+3.00%
Brookfield Asset Management Inc	Financials	Canada	+2.74%
Procter & Gamble Co/The	Cons. Staples	United States	+2.51%

UNDERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Apple Inc	Info. Tech.	United States	-3.97%
Amazon.com Inc	Cons. Disc.	United States	-2.54%
Facebook Inc	Comm. Services	United States	-1.44%
Tesla Inc	Cons. Disc.	United States	-0.90%
NVIDIA Corp	Info. Tech.	United States	-0.86%

TOP TEN HOLDINGS (Ex. Cash & Equivalents)

HOLDING	SECTOR	COUNTRY	WEIGHT
Reckitt Benckiser Group PLC	Cons. Staples	United Kingdom	3.8%
Alphabet Inc	Comm. Services	United States	3.8%
Admiral Group PLC	Financials	United Kingdom	3.7%
Procter & Gamble Co/The	Cons. Staples	United States	3.1%
Seven & i Holdings Co Ltd	Cons. Staples	Japan	3.1%
Brookfield Asset Management Inc	Financials	Canada	2.9%
Microsoft Corp	Info. Tech.	United States	2.7%
Danaher Corp	Health Care	United States	2.7%
Koninklijke Philips NV	Health Care	Netherlands	2.6%
Roche Holding AG	Health Care	Switzerland	2.6%
Total:			30.9%
Cash & Equivalents			2.6%

CHARACTERISTICS

	PORTFOLIO	BENCHMARK
Price/Earnings	27.5	24.6
Price/Book	3.9	3.1
Price/Sales	2.8	2.4
Debt/Equity	127.1	130.1
Net Debt/EBITDA	1.2	1.3
ROC	15.1	15.1
ROE	26.8	25.4
Dividend Yield	1.7	1.7
Turnover (1 year to December)	41.58%	N/A
Median Market Cap (EUR millions)	68,695	16,443
Weighted Market Cap (EUR millions)	243,234	312,097

RISK

	PORTFOLIO	BENCHMARK
Standard Dev. (3-yr Trailing)	13.0	17.0
Alpha (3-yr Trailing)	2.9	N/A
Beta (3-yr Trailing)	0.7	N/A
Sharpe Ratio (3-yr Trailing)	1.0	0.9
Tracking Error (3-yr Trailing)	6.4	N/A
Information Ratio (3-yr Trailing)	-0.2	N/A

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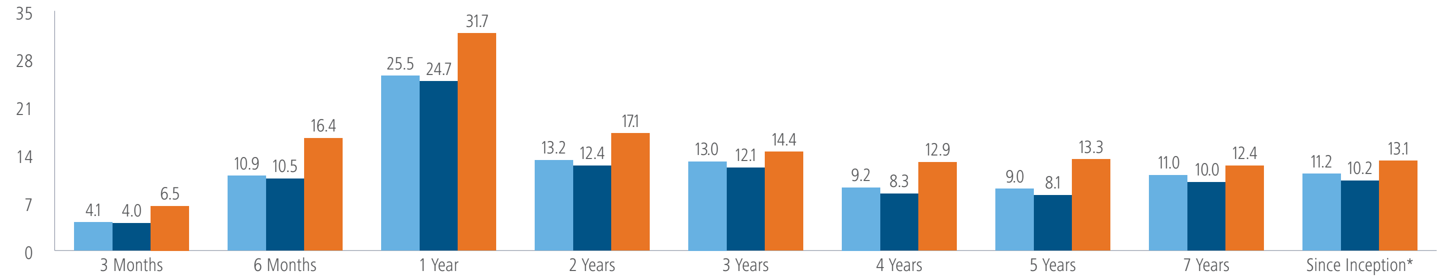
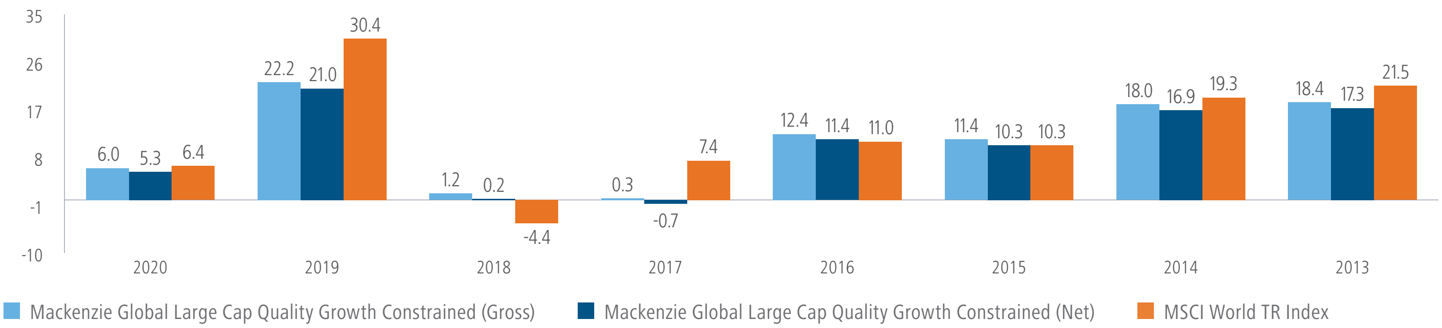
COMPOSITE PERFORMANCE (€)

COMPOUND ANNUAL RETURNS (%)



CALENDAR YEAR RETURNS (%)



CONTRIBUTORS

TOP 5 CONTRIBUTORS	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q2 RETURNS
United Parcel Service, Inc. Class B	Industrials	United States	2.07%	0.30%
Seven & I Holdings Co., Ltd.	Consumer Staples	Japan	2.73%	0.25%
Danaher Corporation	Health Care	United States	2.04%	0.22%
Brookfield Asset Management Inc. Class A	Financials	Canada	2.56%	0.18%
Roche Holding Ltd	Health Care	Switzerland	1.91%	0.16%

DETRACTORS

TOP 5 DETRACTORS	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q2 RETURNS
Koninklijke Philips N.V.	Health Care	Netherlands	2.91%	-0.56%
Canadian National Railway Company	Industrials	Canada	1.53%	-0.34%
Reckitt Benckiser Group plc	Consumer Staples	United Kingdom	3.61%	-0.27%
Kao Corp.	Consumer Staples	Japan	1.82%	-0.27%
Tencent Holdings Ltd.	Communication Services	China	2.09%	-0.26%

*Since Composite Inception on October 1, 2012

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CONTRIBUTORS TO PERFORMANCE

- From a sector perspective, lack of exposure utilities benefited performance.
- Exposure to Japan and Switzerland were helpful to the mandate's performance.
- Among the mandates top contributors to performance during the quarter were UPS, Seven & I, and Danaher.
- UPS released strong first quarter results at the end of April. While the results were strong across the board, the US domestic margin showed particular strength in what is typically a seasonally weak quarter. The strength in the US domestic segment adds credibility to CEO Carol Tome's stated strategy of "better, not bigger". While the stock market was enthused by UPS results, we have some caution as the small parcel delivery market is currently very robust, and such a strong environment is unlikely to persist over our entire ten-year forecast period.
- Seven & I Holdings was a key contributor once again, as its stock continued the strong run it has had since late December last year. Second quarter stock performance was driven by several factors, including the long-awaited closure of the Speedway acquisition, continued normalization of business performance, and also news that an activist US investor has taken a meaningful position in the company. Despite the strong run of late, we believe the stock continues to offer reasonably good value over the medium-term.
- Danaher's share price increased significantly in June due to the announced $10b acquisition of Aldevron, a producer of consumables used in the research and production of biologics and advanced therapies. This fits well with Danaher's existing life sciences businesses which focus on the tools and equipment used in bioprocessing. Typically, an acquisition of this size and at a high multiple would cause the share price of the acquirer to decline but given Danaher's M&A integration track record, the strategic fit, and very high growth prospects for Aldevron, this should create meaningful value for Danaher over time.

DETRACTORS FROM PERFORMANCE

- From a sector perspective, stock selection in healthcare detracted from the mandates performance as did an underweight to information technology and security selection in that sector.
- Exposure to the UK, Netherlands and China detracted from performance.
- Cash weighting in the portfolio detracted from relative performance as the benchmark achieved positive return during the period.
- Among the mandate's largest detractors from our performance during the quarter were Philips, CN Rail, and Kao.
- Philips was the portfolio's largest detractor during the quarter. The company issued a voluntary recall for many of its sleep apnea machines in April and doubled the expected cost of the recall in June. Uncertainty about the cost, associated market share losses, and potential litigation weighed on Philips shares in the quarter. While this is certainly not a welcome development, and we have adjusted our views accordingly, we remain focused on the long-term prospects for the company rather than near-term earnings uncertainties. At less than 10% of total sales, the sleep business is material but not central to Philips, which has a broad portfolio of healthcare technologies, from CT scanners to electric toothbrushes.
- CN Rail's share price declined in the quarter due to its announced acquisition of Kansas City Southern Railway in April, which topped CP Rail's March bid. The strategic and financial merits are clear – a much larger network with faster and more reliable end to end service for customers throughout Canada, the US, and Mexico. However, CN has committed to take on significant debt and the approval process is complicated, lengthy, and may incur political influence. The risk lies in the approval timeline with the Surface Transportation Board – CN Rail would close on the acquisition and pay KCS shareholders before the acquisition is approved by the Surface Transportation Board. If the deal is not approved, CN would be forced to sell KCS at an unknown price. Despite that, we are comfortable holding this high quality company as the decline in the share price has been greater than our estimate of the risk.
- Kao was a detractor once again this quarter, as the stock weakened on the back of soft first quarter results, which were reported in May. Some segments, such as domestic cosmetics and overseas professional hair care, are continuing to see negative impacts due to COVID-related restrictions, while other segments were up against a strong prior year comparable (due to stocking of household and personal cleaning products in Q1 last year). The stock has underperformed materially over the past several months; however, we believe the impacted segments will normalize over time and therefore the current share price offers an attractive valuation opportunity.

MARKET OUTLOOK

- Looking forward, we believe our portfolio is conservatively positioned and it is prudent to maintain such positioning. In Ivy Foreign, we also currently hold 10% of the portfolio in cash and 4% in gold. Our conservative positioning is not a result of predicting a market correction around the corner; we have no idea when the next market correction will occur. We do know that valuations in terms of market-wide earnings multiples are near record highs, and only rivaled by the tech boom of late 90s / early 00s.
- High valuations in and of themselves do not foretell an inevitable market collapse. But high valuations do reflect high expectations and make the market vulnerable to disappointments on either growth levels or monetary policy. We know that growth has been boosted by governments that have dramatically expanded balance sheets to fund deficits and sustain demand during the pandemic (in other words, they've borrowed from the future). But, we do not know if GDP growth will become self-sustaining, of if GDP growth will wane along with government spending into 2022. Another thing we know is that interest rates are low relative to history. But, we do not know if interest rates are appropriate because inflation is transitory, or if inflation could prove more than transitory and force central banks to accelerate interest rate "lift-off". In addition, we acknowledge neither dynamic is a binary choice and there is a spectrum of probabilities and outcomes associated with each.
- In short, our defensive positioning reflects high valuations and the inherent uncertainty associated with future GDP growth and inflation levels. Rather than predict the future path of GDP growth and inflation and position our portfolio accordingly, we instead remain focused on identifying great businesses with strong competitive advantages that support long-term growth and investing in such businesses when valuation opportunities present themselves. We believe this strategy will provide our unitholders with good relative and absolute returns over the long term, while also being accompanied with a smoother return profile.
- 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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Past performance does not guarantee or indicate future results. Information under "Composite and Benchmark Performance (EUR)" reflects the performance of the Mackenzie Global Large Cap Quality Growth Constrained 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 Large Cap Quality Growth Constrained 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. This strategy differs from the Global Large Cap Quality Growth strategy in that cash weights will generally be limited to less than 10%..

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 and composite performance are reported in Euros. The composite includes Canadian dollar and U.S. dollar portfolios that have been converted to Euros. 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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