

INCEPTION:
October 2002

BENCHMARK:
MSCI EAFE Small Cap TR Index

STRATEGY ASSETS:
€763 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/EBITDA
- EV/Capital Employed
- P/B
- Leverage Ratios
- ROC Employed
- Dividend Yield
- FCF Yield



Fundamental Analysis

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



Portfolio Construction

- 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%

Typically
70-100 Stocks



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	18.70%	23.40%
Consumer Discretionary	15.18%	13.43%
Information Technology	11.68%	10.01%
Financials	10.53%	10.48%
Health Care	10.10%	7.36%
Materials	8.36%	9.00%
Communication Services	7.98%	4.49%
Consumer Staples	7.50%	5.66%
Real Estate	4.88%	11.71%
Energy	4.45%	1.58%
Utilities	0.64%	2.89%
	100.00%	100.00%

GEOGRAPHIC ALLOCATION (Ex. Cash & Equivalents)

COUNTRY	PORTFOLIO	BENCHMARK
Japan	33.78%	27.99%
Germany	13.58%	5.25%
United Kingdom	12.50%	17.53%
Ireland	10.31%	0.55%
Australia	9.61%	9.03%
France	6.06%	3.33%
Netherlands	3.99%	2.43%
Hong Kong	3.02%	2.23%
Finland	1.68%	1.80%
Sweden	1.29%	7.39%
Singapore	1.03%	1.87%
Chile	0.89%	0.00%
Norway	0.68%	2.45%
Russia	0.59%	0.00%
Spain	0.52%	1.93%
Belgium	0.45%	1.61%
Other	0.00%	14.60%
	100.00%	100.00%

WEIGHTINGS RELATIVE TO BENCHMARK

OVERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Uniphar PLC	Health Care	Ireland	+4.15%
Vivoryon Therapeutics NV	Health Care	Germany	+3.28%
ASM International NV	Info. Tech.	Netherlands	+2.51%
Future PLC	Comm. Services	United Kingdom	+2.41%
Steadfast Group Ltd	Financials	Australia	+2.16%

UNDERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
IMCD NV	Industrials	Netherlands	-0.29%
VAT Group AG	Industrials	Switzerland	-0.28%
SIG Combibloc Group AG	Materials	Switzerland	-0.28%
Getinge AB	Health Care	Sweden	-0.27%
Intermediate Capital Group PLC	Financials	United Kingdom	-0.27%

TOP TEN HOLDINGS

HOLDING	SECTOR	COUNTRY	WEIGHT
Uniphar PLC	Health Care	Ireland	4.2%
Vivoryon Therapeutics NV	Health Care	Germany	3.3%
Future PLC	Comm. Services	United Kingdom	2.6%
ASM International NV	Info. Tech.	Netherlands	2.5%
Steadfast Group Ltd	Financials	Australia	2.3%
Games Workshop Group PLC	Cons. Disc.	United Kingdom	2.2%
Smurfit Kappa Group PLC	Materials	Ireland	2.0%
Total Produce PLC	Cons. Staples	Ireland	2.0%
Strix Group PLC	Info. Tech.	United Kingdom	1.9%
Otsuka Corp	Info. Tech.	Japan	1.8%
Total:			24.5%
Cash & Equivalents			1.0%

CHARACTERISTICS

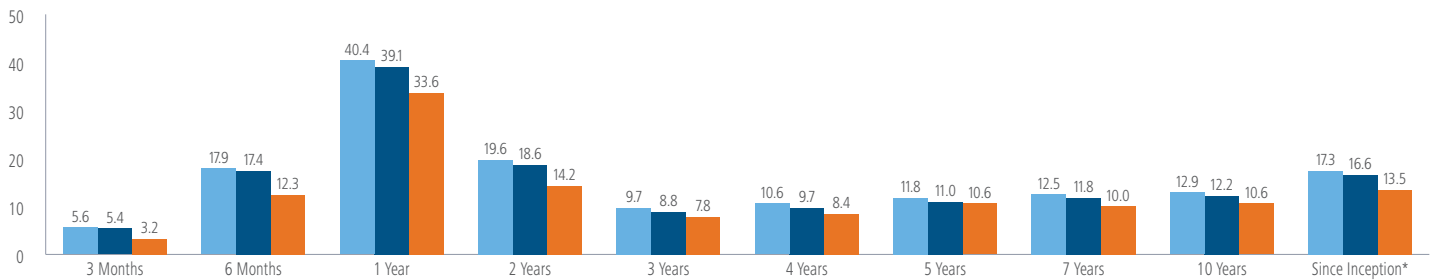
	PORTFOLIO	BENCHMARK
Price/Book	2.0	1.5
Price/Earnings (12M forward)	16.7	17.2
Dividend Yield (12M forward)	2.3	2.3
ROE	15.6	10.5
Active Share	95.3	N/A
Weighted Market Cap (EUR Millions)	3,673	2,764
Turnover (1 year to December)	53.93%	N/A

RISK

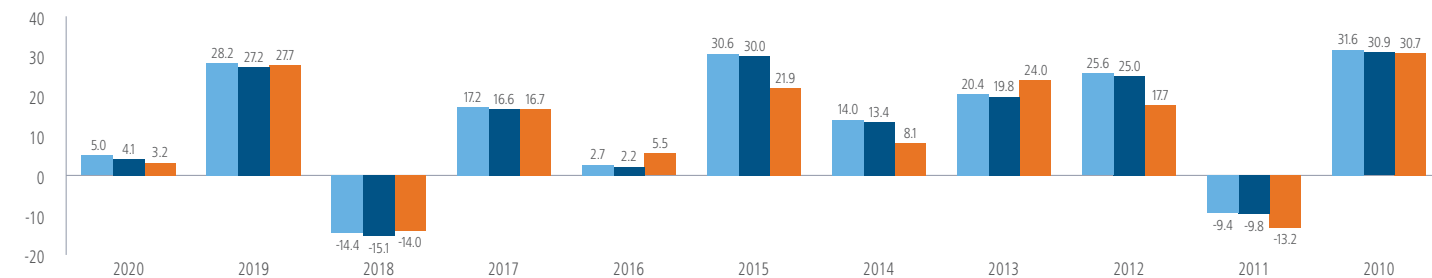
	PORTFOLIO	BENCHMARK
Standard Deviation (3Y)	18.0	18.7
Beta (3Y)	0.9	N/A
Sharpe Ratio (3Y)	0.6	0.4
Tracking Error (3Y)	4.4	N/A
Information Ratio (3Y)	0.4	N/A

COMPOSITE PERFORMANCE (€)

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

COMPANY	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q2 RETURNS
Uniphar PLC	Health Care	Ireland	3.96%	1.07%
Future plc	Communication Services	United Kingdom	2.16%	0.98%
Roland Corporation	Consumer Discretionary	NA	1.82%	0.55%
Pacific Basin Shipping Limited	Industrials	Hong Kong	1.17%	0.42%
Total Produce Plc	Consumer Staples	Ireland	1.75%	0.41%

DETRACTORS

TOP 5 DETRACTORS

COMPANY	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q2 RETURNS
Bank of Kyoto, Ltd.	Financials	Japan	1.79%	-0.69%
Beach Energy Limited	Energy	Australia	0.90%	-0.36%
Zeon Corporation	Materials	Japan	1.55%	-0.32%
TechnoPro Holdings Inc.	Industrials	Japan	1.52%	-0.29%
Nufarm Limited	Materials	Australia	1.05%	-0.22%

*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

- From a sector perspective, stock selection in Health Care, Consumer Discretionary, and Communication Services were the largest contributors to relative performance.
- At the country level, stock selection in the United Kingdom, Ireland, and Netherlands were the largest contributors to relative performance.
- The largest stock contributors included **Uniphar PLC**, an Irish-based health care company, **Future plc**, a United Kingdom-based media company, and **Roland Corporation**, a Japan-based musical instrument manufacturing company.

DETRACTORS FROM PERFORMANCE

- From a sector perspective, stock selection in Financials and Materials as well as an underweight exposure to Real Estate detracted from relative performance.
- At a country level, underweight exposure to Sweden and stock selection within the country detracted from relative performance the most. Stock selection in Japan and an overweight exposure to the country also detracted from relative performance.
- The largest stock detractors included **Bank of Kyoto Ltd.**, a Japan-based financial company, **Beach Energy Limited**, an Australian-based energy company, and **Zeon Corporation**, a Japan-based manufacturing company.

MARKET OUTLOOK

- 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 economic recovery in Europe continues as more economies open-up with the vaccination programs gaining momentum, although more recently there is increasing uncertainty about the pace of the re-opening following the increasing incident rate of the more infectious Delta variant.
- European equity markets, like global markets have rebounded strongly driven by the rebound in economic growth helped by massive government stimulus and Central Bank supports. European central bank guidance indicates loose monetary policy for some time yet, while fiscal policy, courtesy of the EU's €750bn recovery fund will lend further support. However, given the substantial re-rating of equity markets over the past 15 months, we believe risks are more evenly balanced here.
- While much of the Western world appears set to enjoy a summer of reopening, regardless of the spread of the Delta variants, much of Asia Pacific remains with borders hermetically sealed amid low vaccination rates. Japan and Australia have most recently borne the impact of lockdown measures due to their unnecessarily slow vaccination rollouts, while much of Emerging Asia ex China has suffered due to limited vaccine access. This partly explains Asian market malaise for the first half of this calendar year, but daily vaccination rates in the region have been accelerating rapidly since May and should continue to do so as we move through the year.

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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 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 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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