

**INCEPTION:**  
December 1985<sup>1</sup>

**BENCHMARK:**  
S&P/TSX Composite Total  
Return Index

**STRATEGY ASSETS:**  
C\$3,865 million

**LEAD PORTFOLIO MANAGER:**  
William Aldridge, MBA, CFA

## STRATEGY OVERVIEW

We seek to provide superior long-term capital appreciation by investing in a portfolio of undervalued Canadian equities across all market capitalizations

- The bottom-up, value philosophy and disciplined stock selection process have been firmly entrenched over the past 25+ years
- Entry and exit prices are guided by assessed fair market value, resulting in tight buy and sell disciplines

## APPROACH

- Utilizes a bottom-up investment strategy with a value oriented philosophy and process that provides a consistent, statistically grounded approach to the analysis of investment opportunities
- Employs a disciplined, consistent and repeatable approach to stock selection focusing on companies whose stock prices are trading below their intrinsic or fair market value
- Investment decisions are guided by the team's rigorous process and assessment of fair market value. The fair market value estimate seeks to provide a margin of safety by establishing a minimum discount to fair market value entry price
- The portfolio targets holding 35-65 securities and is well diversified by company, sector, and market capitalization

## INVESTMENT PROCESS

Canadian Equity  
Universe



### Initial Filters

- Liquidity considerations
- >C\$250 million market cap
- Industry-specific valuation screening
- Industry/Company reports

100  
Stocks



### In-Depth Fundamental Analysis

35-65  
Stocks

- Quantitative/Valuation Analysis
- Qualitative Analysis



### Portfolio Construction

- Well diversified
- Typical weight 0.5 – 5.0%
- Minimum of 7 GICS sectors represented
- Financial Profile/Monitoring

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 Canadian All Cap Value assets since December 1985. 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
Financials	35.79%	31.86%
Industrials	12.89%	11.46%
Energy	11.44%	13.06%
Materials	8.99%	11.22%
Consumer Staples	8.79%	3.72%
Consumer Discretionary	6.12%	3.60%
Utilities	4.98%	4.62%
Information Technology	4.27%	11.47%
Real Estate	4.12%	3.10%
Communication Services	2.33%	4.88%
Health Care	0.30%	1.02%
	<b>100.00%</b>	<b>100.00%</b>

## GEOGRAPHIC ALLOCATION (Ex. Cash & Equivalents)

COUNTRY	PORTFOLIO	BENCHMARK
Canada	100.00%	100.00%
	<b>100.00%</b>	<b>100.00%</b>

## WEIGHTINGS RELATIVE TO BENCHMARK

OVERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Alimentation Couche-Tard Inc	Cons. Staples	Canada	+2.36%
Boardwalk Real Estate Investment Trust	Real Estate	Canada	+2.16%
Loblaw Cos Ltd	Cons. Staples	Canada	+1.99%
iA Financial Corp Inc	Financials	Canada	+1.88%
Empire Co Ltd	Cons. Staples	Canada	+1.79%

UNDERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Shopify Inc	Info. Tech.	Canada	-6.71%
Canadian Imperial Bank of Commerce	Financials	Canada	-2.19%
BCE Inc	Comm. Services	Canada	-1.99%
Waste Connections Inc	Industrials	Canada	-1.44%
Constellation Software Inc	Info. Tech.	Canada	-1.41%

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

HOLDING	SECTOR	COUNTRY	WEIGHT
Royal Bank of Canada	Financials	Canada	7.5%
Toronto-Dominion Bank/The	Financials	Canada	6.7%
Canadian National Railway Co	Industrials	Canada	4.2%
Bank of Nova Scotia/The	Financials	Canada	3.9%
Alimentation Couche-Tard Inc	Cons. Staples	Canada	3.7%
Canadian Pacific Railway Ltd	Industrials	Canada	3.7%
Canadian Natural Resources Ltd	Energy	Canada	3.2%
Brookfield Asset Management Inc	Financials	Canada	2.9%
Sun Life Financial Inc	Financials	Canada	2.6%
Enbridge Inc	Energy	Canada	2.6%
<b>Total:</b>			<b>41.0%</b>
Cash & Equivalents			1.0%

## CHARACTERISTICS

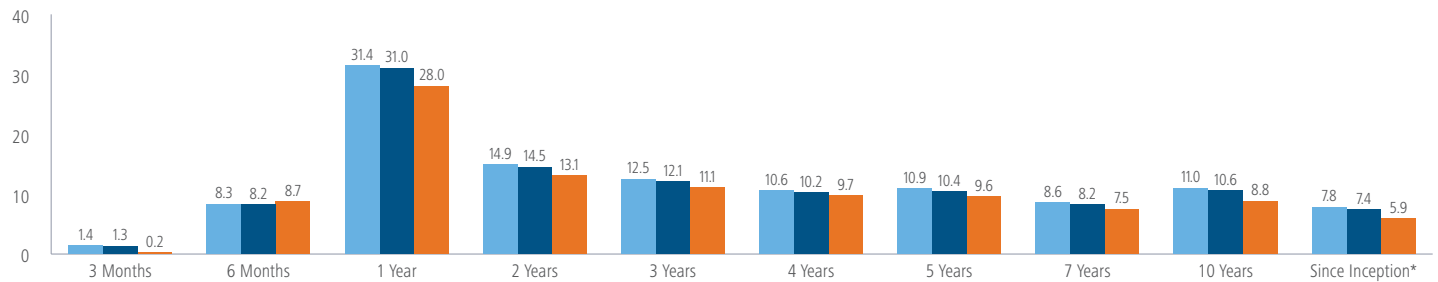
	PORTFOLIO	BENCHMARK
Price/Earnings	15.5	16.3
Price/Book	1.9	2.1
Price/Sales	1.6	2.0
Price/Cash Flow	8.5	9.0
Dividend Yield	2.6	2.6
Turnover (1 year to December)	9.19%	N/A
Median Market Cap (C\$ millions)	14,431	4,549
Weighted Market Cap (C\$ millions)	57,351	67,394

## RISK

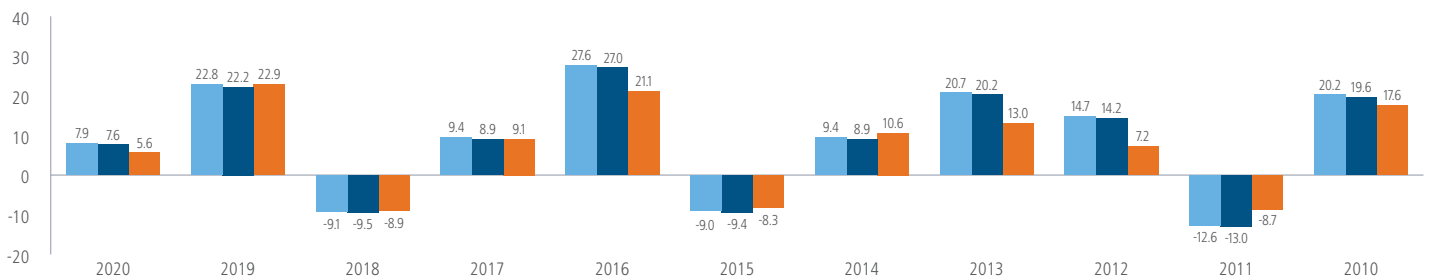
	PORTFOLIO	BENCHMARK
Standard Dev. (3-yr Trailing)	16.3	17.1
Alpha (3-yr Trailing)	1.6	N/A
Beta (3-yr Trailing)	0.9	N/A
Sharpe Ratio (3-yr Trailing)	0.7	0.6
Tracking Error (3-yr Trailing)	3.3	N/A
Information Ratio (3-yr Trailing)	0.3	N/A

## COMPOSITE PERFORMANCE (C\$)

### COMPOUND ANNUAL RETURNS (%)



### CALENDAR YEAR RETURNS (%)



■ Mackenzie Canadian All Cap Value (Gross) ■ Mackenzie Canadian All Cap Value (Net) ■ S&P/TSX Composite TR

## CONTRIBUTORS

### TOP 5 CONTRIBUTORS

	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q3 RETURNS
Boardwalk REIT	Real Estate	Canada	2.44%	0.35%
Shopify, Inc. Class A	Information Technology	Canada	-7.28%	0.35%
Loblaw Companies Limited	Consumer Staples	Canada	1.88%	0.24%
ECN Capital Corp.	Financials	Canada	1.66%	0.20%
Magna International Inc.	Consumer Discretionary	Canada	-0.98%	0.18%

## DETRACTORS

### TOP 5 DETRACTORS

	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q3 RETURNS
Canadian Pacific Railway Limited	Industrials	Canada	1.98%	-0.28%
Linamar Corporation	Consumer Discretionary	Canada	0.98%	-0.16%
Constellation Software Inc.	Information Technology	Canada	-1.40%	-0.14%
Canadian Tire Corporation, Limited Class A	Consumer Discretionary	Canada	1.35%	-0.13%
Agnico Eagle Mines Limited	Materials	Canada	0.99%	-0.13%

\*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.

## PERFORMANCE SUMMARY

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- In Q3 2021, Mackenzie Canadian Equity Fund returned 1.5%, outperforming the S&P/TSX Composite Total Return Index, which returned 0.2%.
- The portfolio outperformed the index due to stock selection and an underweight position in materials; stock selection and an overweight position in consumer staples; stock selection in real estate; and an underweight in technology.

## CONTRIBUTORS TO PERFORMANCE

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The largest contributors to relative performance at the security level included:

- **Shopify Inc.** – Shopify shares were relatively weak as technology stocks underperformed, particularly towards the end of the quarter. Yields rose on expectations that central bankers will begin to reduce supportive asset purchase programs. Higher risk-free yields tend to lead investors to apply higher discount rates, and therefore lower multiples, to future cash flows. For a high growth company like Shopify, which is expected to generate the majority of the cash flow that would support the current valuation in the future, higher yields have a stronger negative impact on fair value.
- **Boardwalk REIT** – Boardwalk is Canada’s second largest residential landlord, with rental properties across the country and a focus on Alberta. Recent strength in energy pricing is improving the fundamentals of the Alberta rental market, with pricing and occupancy stable and beginning to turn positive. Recent property transactions in the Alberta market suggest Boardwalk shares are trading well below private market value. The strong move seen in housing prices is also supportive for apartment fundamentals given a lack of affordability, particularly for first-time home buyers.
- **Loblaw Companies Ltd.** – Loblaw is Canada’s largest grocer operating under the Loblaw, No Frills, Provigo, Fortino’s and other banners. Loblaw also owns Shoppers Drug Mart. After a period of underperforming, Loblaw shares began to respond to improving fundamentals earlier this year. Loblaw management is focused on improving margins after several years of investment into its operations. Loblaw’s store mix, with strong representation in the discount channel, also positions the company for consumer shifts at a time when food inflation is increasing. A strong share buyback program has also supported the stock

## DETRACTORS FROM PERFORMANCE

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The largest detractors from relative performance at the security and sector level included:

- **Canadian Pacific Railway Ltd.** – CP shares faced several headwinds during the quarter. In the saga to acquire Kansas City Southern Railway, which CP’s main competitor Canadian National Railway was also pursuing, CP appears to have won the battle. That led short term investors to exit the stock given worries about whether the acquisition would be approved by the U.S. rail regulator and the resulting dilution and balance sheet deterioration upon consummating the acquisition. More fundamentally, ongoing supply chain issues such as port delays and a lack of shipping capacity have led to a slowdown in CP’s business compared to expectations earlier this year. We believe these issues are temporary in nature. Furthermore, assuming CP is successful in acquiring KCS the combined railway is well positioned to drive strong earnings growth from expense control and market share gains.
- **Linamar Corp.** – Linamar is a manufacturer operating in the auto parts, aerial work platform and agricultural machinery industries. Similar to CP Rail, Linamar’s business has suffered a slowdown resulting from the chip shortage and supply constraints that have led to reduced auto production. Linamar management believes this constraint on the industry will take several quarters to resolve as demand has remained strong. Linamar is one of the least expensive companies in the portfolio and is trading well below our estimate of fair value.
- **Constellation Software Inc.** – Constellation is a software company that has been built through the acquisition of many small niche software companies in a wide-ranging range of industries. The company has generated consistent returns on its investments and has been rewarded for its investing acumen with a strong multiple. We have been concerned that it will be difficult for Constellation to continue to “move the needle” without shifting to larger acquisitions, where we would imagine there to be greater competition and therefore higher prices to consummate deals. Constellation shares have experienced very strong multiple expansion, along with the majority of technology shares, something we believe is unsustainable, particularly in a rising rate environment.

## PORTFOLIO ACTIVITY

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We did not exit any positions during the quarter.

## MARKET OUTLOOK

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It is commonly held that the market climbs a wall of worry. So perhaps it should not come as a surprise that markets continue to trend higher and any weakness is rather quickly overcome as investors and speculators put cash to work even as the list of things to worry about seems to be getting longer. We have been awed at times by the resilience of this bull market. If we do have a worry it is that a prolonged bear market has never been experienced by a growing cohort of market participants. Investors typically try to anticipate market moves and collective behaviour by considering precedents. But if all one has ever known is that valuation multiples always expand (if they even matter at all), profit margins generally expand, and capital markets are always open to raise either debt or equity whenever it's needed, then why not be fully invested or even leveraged at all times? To be clear, our portfolios are fully invested and we believe in the long-term benefits of equities, but we feel now is not the time to ignore developments that may make it more challenging for certain companies and their stocks. There is no question that there is fairly rampant inflation at the moment in most things people and companies spend money on. This is likely to lead to margin pressure for consumers of those products and materials. Yet the expectation seems to be that most companies will sustain or continue to expand margins. We would not be surprised to see earnings estimates decline into next year as a result. Alongside higher interest rates, this may lead to multiple contraction. If markets do fail to push constantly higher, that may lead more recent entrants into equities to lose interest, particularly as life gets back to something like what used to be normal. With the S&P500, as an example, some 40% higher than it was just before the meltdown in early 2020 we would not be surprised to see several years of mediocre returns as margins, multiples and sentiment normalizes.

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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 0.30% from January 1, 2020 and 0.45% 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 Canadian All Cap Value Composite seeks to provide superior long-term capital appreciation by investing in a portfolio of undervalued Canadian equities across all market capitalizations.

## BENCHMARK DESCRIPTION

The benchmark is the S&P/TSX Composite Total Return Index. The S&P/TSX Composite Index is a capitalization-weighted index that represents some of the largest float-adjusted stocks trading on the Toronto Stock Exchange.

## REPORTING CURRENCY

Valuations are computed and composite performance reported in Canadian dollars.

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