

**INCEPTION:**  
May 2018

**BENCHMARK:**  
MSCI EM Small Cap Index

**STRATEGY ASSETS:**  
€111 million

**LEAD PORTFOLIO MANAGER:**  
Arup Datta, MBA, CFA

# MACKENZIE

EMERGING MARKETS SMALL CAP | EUR

## STRATEGY OVERVIEW

We seek to provide long-term capital appreciation by applying a quantitative, bottom-up stock selection investment process, based on fundamental insights, to a broad emerging market universe.

- Focus on Stock Selection
- Core focus that aims to add value across a variety of market conditions, both growth and value
- Nimble – incorporating daily changes in stock alpha rankings
- Daily rebalancing & trading, predictive transaction cost modelling, focus on capacity
- Mid and small cap focus

## APPROACH

- Bottom-up, quantitative stock selection process applied to a broad investable universe of over 6,000 securities from 26 emerging markets countries and a select number of frontier countries.
- Stocks are analyzed through a region/sector relative model framework.
- Individual stock weights are assigned based upon sub-factors, which are grouped into four "super factors", Value, Revisions, Quality and Informed Investor.
  - **Value:** focuses on value metrics, consisting of cash flow, dividend, book, revenue and earnings based sub-factors.
  - **Revisions:** focuses on analyst revisions in forecasts.
  - **Quality:** incorporates sub-factors based upon capital allocation, operating efficiency and the application of accounting principles.
  - **Informed Investor:** analyzes investor activity, such as short interest and option pricing
- Contextual modeling is utilized to further refine the weights of factors assigned to stocks.
- The priority in executing the investment process is to remain nimble in seeking to generate alpha for clients. To retain this advantage, the team uses a proprietary transaction cost model, rebalances daily and maintains a strict focus on capacity.

## INVESTMENT PROCESS

### Universe



- Proprietary data warehouse
- Investable universe of 6,000 securities
- Emerging Markets
- Select Frontier Markets

### Stock selection



- Bottom-up
- Region and sector relative
- Alpha Factors
- Contextual

### Portfolio construction



- Return Forecast
- Constraint-based optimization
- Proprietary risk models
- PM review

### Implementation

- Transaction cost estimates
- Pre/Post trade analysis
- Capacity limits
- CIO/Compliance review

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
Information Technology	20.19%	18.64%
Materials	14.74%	12.90%
Industrials	14.29%	15.46%
Consumer Discretionary	9.88%	11.25%
Financials	9.52%	10.48%
Health Care	8.60%	8.71%
Real Estate	7.67%	6.44%
Communication Services	4.53%	3.95%
Consumer Staples	4.26%	5.88%
Energy	3.25%	2.21%
Utilities	3.07%	4.08%
	<b>100.00%</b>	<b>100.00%</b>

## GEOGRAPHIC ALLOCATION (Ex. Cash & Equivalents)

COUNTRY	PORTFOLIO	BENCHMARK
Taiwan	21.31%	21.11%
South Korea	20.37%	17.51%
India	18.05%	20.54%
China	11.30%	8.70%
Brazil	5.14%	6.02%
South Africa	4.63%	3.81%
Indonesia	2.71%	1.58%
Thailand	2.28%	3.36%
Mexico	2.01%	1.75%
Russia	1.72%	0.98%
Philippines	1.65%	0.94%
Turkey	1.52%	1.31%
Malaysia	1.51%	3.11%
Greece	1.45%	0.93%
Chile	1.13%	0.71%
Saudi Arabia	0.69%	2.45%
Pakistan	0.66%	0.32%
Egypt	0.60%	0.28%
Argentina	0.37%	0.44%
Peru	0.25%	0.07%
Poland	0.24%	1.46%
Nigeria	0.24%	0.00%
Kuwait	0.11%	0.87%
Vietnam	0.06%	0.00%
Other	0.00%	1.75%
	<b>100.00%</b>	<b>100.00%</b>

## WEIGHTINGS RELATIVE TO BENCHMARK

OVERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Hindustan Petroleum Corp Ltd	Energy	India	+1.65%
LG Uplus Corp	Comm. Services	South Korea	+1.63%
Innolux Corp	Info. Tech.	Taiwan	+1.58%
AU Optronics Corp	Info. Tech.	Taiwan	+1.58%
Cia Brasileira de Distribuicao	Cons. Staples	Brazil	+1.53%

UNDERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
eMemory Technology Inc	Info. Tech.	Taiwan	-0.41%
Parade Technologies Ltd	Info. Tech.	Taiwan	-0.41%
SRF Ltd	Materials	India	-0.40%
Voltronic Power Technology Corp	Industrials	Taiwan	-0.34%
Zee Entertainment Enterprises Ltd	Comm. Services	India	-0.32%

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

HOLDING	SECTOR	COUNTRY	WEIGHT
Hindustan Petroleum Corp Ltd	Energy	India	1.7%
LG Uplus Corp	Comm. Services	South Korea	1.6%
KCC Corp	Materials	South Korea	1.6%
Sitronix Technology Corp	Info. Tech.	Taiwan	1.6%
Innolux Corp	Info. Tech.	Taiwan	1.6%
AU Optronics Corp	Info. Tech.	Taiwan	1.6%
HannStar Display Corp	Info. Tech.	Taiwan	1.6%
Cia Brasileira de Distribuicao	Cons. Staples	Brazil	1.5%
ChipMOS Technologies Inc	Info. Tech.	Taiwan	1.5%
Danaos Corp	Industrials	Greece	1.4%
<b>Total:</b>			<b>15.7%</b>
Cash & Equivalents			1.8%

## CHARACTERISTICS

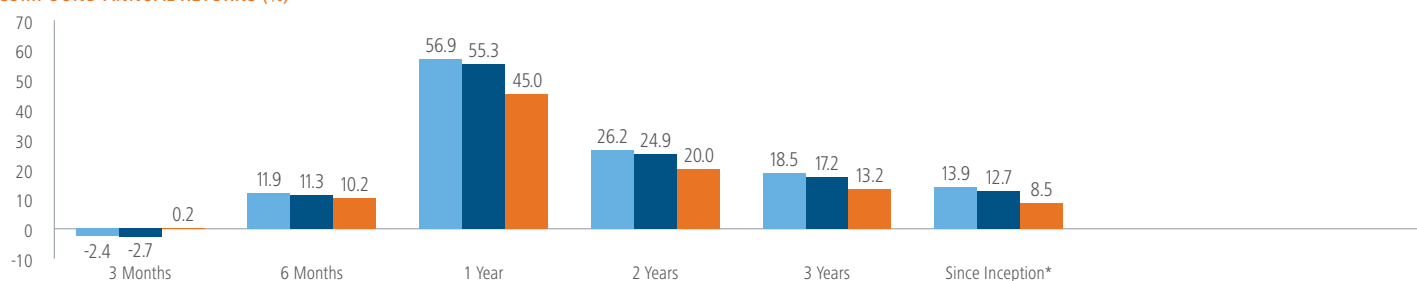
	PORTFOLIO	BENCHMARK
Forward Price/Earnings	5.9	11.5
Price/Tangible Book	0.9	1.8
Price/Cash Flow	2.6	2.9
Price/Sales	0.4	1.0
% Net Earnings Revisions (3MO)	30.50%	9.20%
% Net Sales Revisions (3MO)	28.30%	14.10%
Predicted Beta	1.1	1.0
Dividend Yield	4.2	2.1
Turnover (1 year to December)	259.96%	N/A
Median Market Cap (EUR millions)	591	832
Weighted Market Cap (EUR Millions)	1,666	1,706

## RISK

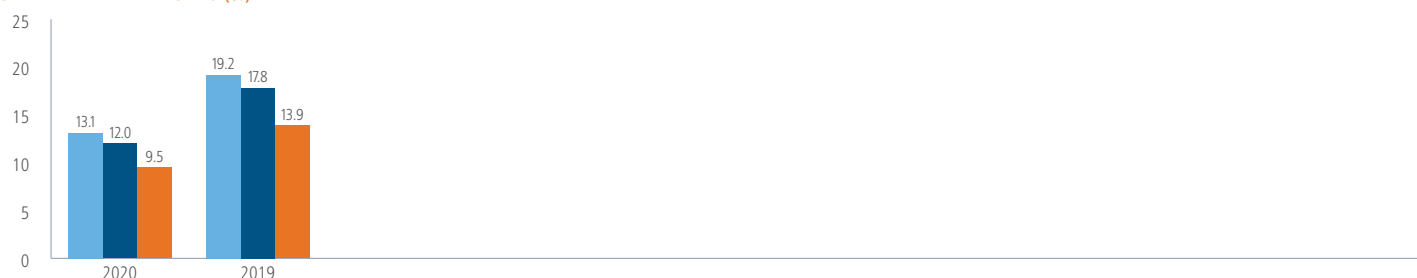
	PORTFOLIO	BENCHMARK
Standard Dev. (3-yr Trailing)	23.5	21.2
Alpha (3-yr Trailing)	4.6	N/A
Beta (3-yr Trailing)	1.1	N/A
Sharpe Ratio (3-yr Trailing)	0.8	0.6
Tracking Error (3-yr Trailing)	6.2	N/A
Information Ratio (3-yr Trailing)	0.9	N/A

## COMPOSITE PERFORMANCE (€)

### COMPOUND ANNUAL RETURNS (%)



### CALENDAR YEAR RETURNS (%)



■ Mackenzie Emerging Markets Small Cap (Gross) ■ Mackenzie Emerging Markets Small Cap (Net) ■ MSCI Emerging Markets Small Cap Index

\*Since Composite Inception on May 1, 2018

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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 1.00% from January 1, 2020 and 1.20% 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 Emerging Markets Small Cap Composite seeks to provide long-term capital appreciation and outperform its benchmark (MSCI EM Small Cap Index). The strategy applies a quantitative, bottom-up stock selection investment process, based on fundamental insights, to emerging and selected frontier markets across small-cap stocks. The investment process focuses on a succinct, high conviction set of factors, which are applied within the context of a region/sector/industry relative model.

## BENCHMARK DESCRIPTION

The benchmark is the MSCI Emerging Markets Small Cap Index, net of withholding taxes. The MSCI Emerging Markets Small Cap Index includes small-cap representation across 24 emerging markets countries. 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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## MACKENZIE INVESTMENTS

180 Queen Street West, Toronto, Ontario M5V 3K1  
T (437) 229-1120  
E [MIClientReporting@mackenzieinvestments.com](mailto:MIClientReporting@mackenzieinvestments.com)  
[mackenzieinvestments.com](http://mackenzieinvestments.com)