

**INCEPTION:**  
November 2002<sup>1</sup>

**BENCHMARK:**  
MSCI Europe Total Return Index

**STRATEGY ASSETS:**  
US\$ 356 million

**LEAD PORTFOLIO MANAGER:**  
Matt Moody, MBA, CFA

### STRATEGY OVERVIEW

We seek to provide long-term capital growth by investing in high quality, larger capitalization European companies 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 European businesses
- 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 15-25 securities from European equity markets typically with market capitalizations above US\$1 billion

### INVESTMENT PROCESS

European Equity Universe



#### Initial Filters

1000 Stocks

- Liquidity requirements: average daily trading value of US\$2.5 million



#### Screening

150-200 Stocks

- Free Cash Flow > 50% of net earnings
- Net Debt/EBITDA < 3
- ROC > 10%
- ROE > 10%



#### Fundamental Analysis

- 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+

75-100 Stocks



#### Fundamental Analysis II

- Labour intensive
- Examine each name starting with A+
- Full models built for high quality names
- Target entry price determined
- Repeat for A and A-

15-25 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.

<sup>1</sup> Mackenzie Investments (the "Firm") has been managing European Large Cap Quality Growth assets since November 2002. 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
Consumer Staples	21.51%	14.84%
Industrials	18.02%	14.34%
Consumer Discretionary	14.86%	10.62%
Information Technology	14.51%	7.73%
Financials	10.97%	14.03%
Health Care	9.59%	16.30%
Communication Services	6.84%	3.95%
Materials	3.70%	8.05%
Energy	0.00%	3.81%
Real Estate	0.00%	1.37%
Utilities	0.00%	4.97%
	<b>100.00%</b>	<b>100.00%</b>

## GEOGRAPHIC ALLOCATION (Ex. Cash & Equivalents)

COUNTRY	PORTFOLIO	BENCHMARK
United Kingdom	38.38%	21.34%
Germany	20.74%	15.45%
Switzerland	11.78%	16.69%
Netherlands	8.49%	6.99%
Denmark	4.67%	4.08%
Sweden	4.59%	5.36%
Norway	3.55%	0.91%
United States	3.40%	0.00%
Italy	3.24%	3.58%
Belgium	1.16%	1.56%
Other	0.00%	24.05%
	<b>100.00%</b>	<b>100.00%</b>

## WEIGHTINGS RELATIVE TO BENCHMARK

OVERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Admiral Group PLC	Financials	United Kingdom	+6.48%
Henkel AG & Co KGaA	Cons. Staples	Germany	+5.79%
Reckitt Benckiser Group PLC	Cons. Staples	United Kingdom	+5.09%
Hennes & Mauritz AB	Cons. Disc.	Sweden	+3.81%
Spectris PLC	Info. Tech.	United Kingdom	+3.79%

UNDERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Novartis AG	Health Care	Switzerland	-2.26%
ASML Holding NV	Info. Tech.	Netherlands	-1.84%
AstraZeneca PLC	Health Care	United Kingdom	-1.68%
LVMH Moët Hennessy	Cons. Disc.	France	-1.52%
Louis Vuitton SE			
Novo Nordisk A/S	Health Care	Denmark	-1.40%

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

HOLDING	SECTOR	COUNTRY	WEIGHT
Admiral Group PLC	Financials	United Kingdom	6.6%
Henkel AG & Co KGaA	Cons. Staples	Germany	6.1%
Reckitt Benckiser Group PLC	Cons. Staples	United Kingdom	5.9%
Vestas Wind Systems A/S	Industrials	Denmark	4.0%
Hennes & Mauritz AB	Cons. Disc.	Sweden	4.0%
Spectris PLC	Info. Tech.	United Kingdom	3.8%
Roche Holding AG	Health Care	Switzerland	3.7%
Nestle SA	Cons. Staples	Switzerland	3.7%
SAP SE	Info. Tech.	Germany	3.6%
FUCHS PETROLUB SE	Materials	Germany	3.2%
<b>Total:</b>			<b>44.6%</b>
Cash & Equivalents			13.5%

## CHARACTERISTICS

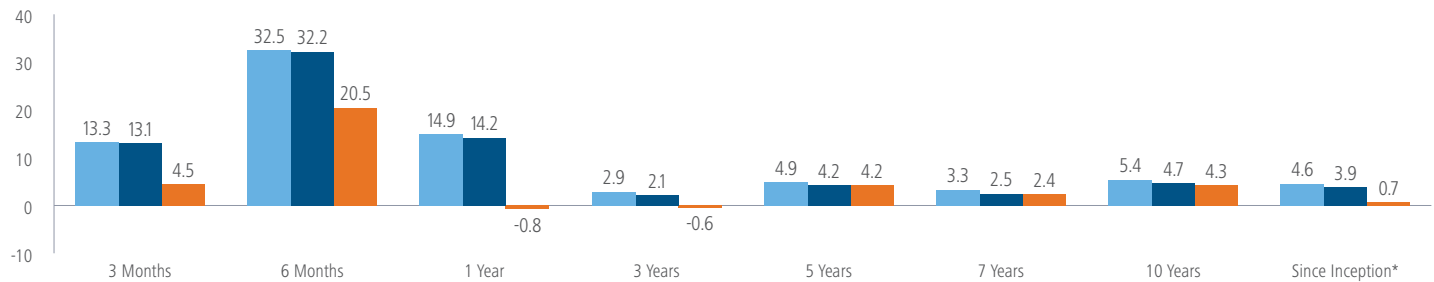
	PORTFOLIO	BENCHMARK
Price/Earnings	23.2	20.9
Price/Book	4.0	1.7
Price/Sales	1.6	1.2
Debt/Equity	85.5	138.4
Net Debt/EBITDA	0.8	1.6
ROC	15.0	9.4
ROE	28.8	15.1
Dividend Yield	2.0	2.7
Turnover (1 year to September)	79.1	N/A
Median Market Cap (US\$ millions)	10,710	14,133
Weighted Market Cap (US\$ millions)	54,420	79,938

## RISK

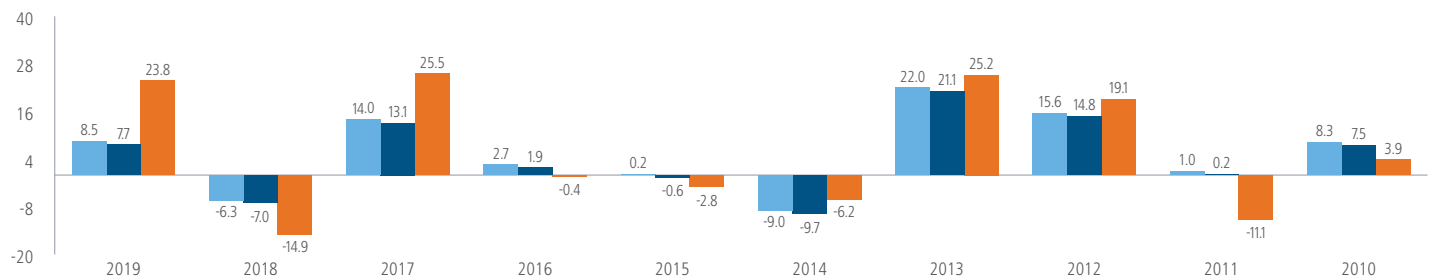
	PORTFOLIO	BENCHMARK
Standard Dev. (3-yr Trailing)	13.7	16.5
Alpha (3-yr Trailing)	2.8	N/A
Beta (3-yr Trailing)	0.8	N/A
Sharpe Ratio (3-yr Trailing)	0.1	-0.1
Tracking Error (3-yr Trailing)	7.0	N/A
Information Ratio (3-yr Trailing)	0.5	N/A

## COMPOSITE PERFORMANCE (US\$)

### COMPOUND ANNUAL RETURNS (%)



### CALENDAR YEAR RETURNS (%)



■ Mackenzie European Large Cap Quality Growth (Gross) ■ Mackenzie European Large Cap Quality Growth (Net) ■ MSCI Europe Total Return Index

## CONTRIBUTORS

### TOP 5 CONTRIBUTORS

	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q3 RETURNS
Vestas Wind Systems A/S	Industrials	Denmark	4.28%	1.83%
De'Longhi S.p.A.	Consumer Discretionary	Italy	4.11%	1.01%
Admiral Group plc	Financials	United Kingdom	6.84%	0.98%
Burford Capital Limited	Financials	United Kingdom	2.61%	0.80%
Atea ASA	Information Technology	Norway	3.12%	0.64%

## DETRACTORS

### TOP 5 DETRACTORS

	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q3 RETURNS
Greggs plc	Consumer Discretionary	United Kingdom	1.33%	-0.48%
DCC Plc	Industrials	United Kingdom	3.39%	-0.30%
Heineken NV	Consumer Staples	Netherlands	2.28%	-0.19%
EVS Broadcast Equipment SA	Information Technology	Belgium	1.07%	-0.17%
Siemens AG	Industrials	Germany	-1.18%	-0.15%

\*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.

### CONTRIBUTORS TO PERFORMANCE

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- From a sector perspective, the strategy significantly outperformed the benchmark MSCI Europe Index primarily because of strong stock selection in Financials, Industrials and Health Care. A lack of exposure to the worst performing Energy sector, also contributed to relative performance.
- At the regional level, stock selection in the United Kingdom, Denmark, and Germany contributed to relative performance.
- The largest active contributors included: **Vestas Wind Systems**, **De'Longhi**, **Admiral**, and **Burford Capital**.
- The economic environment has proved challenging for many companies, but a handful have benefited from the changed world of 2020. One such business is **De'Longhi**. De'Longhi makes small domestic appliances, notably espresso machines, a category where it is a global leader. Demand for De'Longhi's products was resilient in the first half of the year, as people working from home sought a quality alternative to their usual morning Starbucks. Interestingly, rather than see a drop-off in recent months, De'Longhi this week disclosed that demand accelerated significantly over the summer, causing them to raise their full-year expectations. There is clearly an element of good luck at play, but as the saying goes, "luck is what happens when preparation meets opportunity", and De'Longhi has been preparing for years: they invest consistently in product innovation, they increased their brand investment to record levels last year, and they operate with no debt. De'Longhi has been a significant positive contributor to the portfolio this year.

### DETRACTORS FROM PERFORMANCE

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- From a sector perspective, an underweight exposure to Materials detracted from relative performance but it was offset by positive stock selection of the same sector.
- At the regional level, an underweight exposure and stock selection in Netherlands, as well as stock selection in Germany, detracted from relative performance.
- The cash weight in the portfolio detracted from relative performance as the benchmark rebounded strongly during the period.
- The largest active detractors included: **DCC**, **Heineken**, **EVS Broadcast** and **Spectris**.
- **EVS** is a global leader in technology for live sports broadcast and studio production. Demand tends to spike every four years due to the summer Olympics, which obviously didn't happen this year. Sports cancellations and general recession make for a very poor environment for EVS. However, we believe recent results are decent under the circumstances, and we are encouraged by the strategic clarity and direction under the new CEO. The company has no debt and is trading at what we believe is a very undemanding valuation, so we believe patience will pay off over the long term.

### MARKET OUTLOOK

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In general, we continued to be more active traders than usual, as 2020 has produced some big price swings that have presented us with opportunities for both buying and selling. During the quarter (and not for the first time in 2020) we sold our entire position in a stock that we had added earlier in the year as the valuation no longer presented us with an attractive return. Normally we are content to hold positions in high quality businesses for several years, but high volatility can compress that time period. When volatility falls back to lower levels, we would expect our trading activity to revert to its historical rhythm.

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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 European Large Cap Quality Growth 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 0.55% from January 1, 2020 and 0.75% 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 European Large Cap Quality Growth Composite seeks long-term growth of capital by investing in equity securities of European companies. Portfolios within the composite will invest in established European markets and, to a lesser extent, in emerging European markets. The strategy follows a blended growth and value investment style and seeks companies having prospects for long-term growth with lower volatility. Generally, once an investment is made, it is held for the long-term. Currency exposure is left unhedged.

## BENCHMARK DESCRIPTION

The benchmark is the MSCI Europe Total Return Index, net of withholding taxes. The MSCI Europe Index is a free float adjusted, market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. It consists of 15 developed market country indices.

## REPORTING CURRENCY

Valuations and composite performance are reported in U.S. dollars. The composite includes Canadian dollar and U.S. 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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