

INCEPTION:
October 2002

BENCHMARK:
MSCI EAFE Small Cap TR Index

STRATEGY ASSETS:
US\$ 635 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.

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

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

INVESTMENT PROCESS

EAFE Small Cap Universe



Initial Filters



- Weighted average market cap screen: max 60% above market cap of benchmark

Criteria

- ROE
- EV/Capital Employed
- Leverage Ratios
- Dividend Yield
- EV/EBITDA
- P/B
- ROC Employed
- FCF Yield



Fundamental Analysis

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



Portfolio Construction

Typically
70-100 Stocks



- 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%

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 | 18.37% | 22.06% |
| Information Technology | 15.66% | 11.02% |
| Consumer Discretionary | 14.01% | 13.09% |
| Communication Services | 11.52% | 4.82% |
| Financials | 8.12% | 9.90% |
| Health Care | 7.94% | 7.70% |
| Real Estate | 6.78% | 12.25% |
| Materials | 6.63% | 8.14% |
| Consumer Staples | 6.04% | 6.79% |
| Energy | 2.89% | 1.51% |
| Utilities | 2.03% | 2.70% |
| | 100.00% | 100.00% |

GEOGRAPHIC ALLOCATION (Ex. Cash & Equivalents)

| COUNTRY | PORTFOLIO | BENCHMARK |
|----------------|----------------|----------------|
| Japan | 34.35% | 31.06% |
| United Kingdom | 16.57% | 16.29% |
| Ireland | 9.46% | 0.40% |
| Germany | 8.43% | 5.66% |
| Australia | 7.19% | 8.48% |
| France | 6.35% | 2.95% |
| Hong Kong | 3.35% | 2.16% |
| Netherlands | 2.87% | 2.24% |
| Sweden | 2.55% | 7.65% |
| Finland | 2.14% | 1.79% |
| Singapore | 1.92% | 1.88% |
| Switzerland | 1.80% | 5.56% |
| Norway | 0.95% | 2.02% |
| Belgium | 0.94% | 1.51% |
| Russia | 0.62% | 0.00% |
| Chile | 0.52% | 0.00% |
| Other | 0.00% | 10.36% |
| | 100.00% | 100.00% |

WEIGHTINGS RELATIVE TO BENCHMARK

| OVERWEIGHT | SECTOR | COUNTRY | ACTIVE WEIGHT |
|--------------------------|-------------|----------------|---------------|
| Uniphar PLC | Health Care | Ireland | +4.21% |
| Future PLC | Comm. Serv. | United Kingdom | +2.83% |
| Games Workshop Group PLC | Cons. Disc. | United Kingdom | +2.73% |
| SCSK Corp | Info. Tech. | Japan | +2.38% |
| Stillfront Group AB | Comm. Serv. | Sweden | +2.35% |

| UNDERWEIGHT | SECTOR | COUNTRY | ACTIVE WEIGHT |
|----------------|---------------|-------------|---------------|
| HelloFresh SE | Cons. Disc. | Germany | -0.34% |
| Kesko Oyj | Cons. Staples | Finland | -0.29% |
| IMCD NV | Industrials | Netherlands | -0.27% |
| Bechtle AG | Info. Tech. | Germany | -0.26% |
| Tecan Group AG | Health Care | Switzerland | -0.26% |

TOP TEN HOLDINGS (%)

| HOLDING | SECTOR | COUNTRY | WEIGHT |
|----------------------------------|---------------|----------------|--------------|
| Uniphar PLC | Health Care | Ireland | 4.2% |
| Future PLC | Comm. Serv. | United Kingdom | 2.9% |
| Games Workshop Group PLC | Cons. Disc. | United Kingdom | 2.9% |
| Stillfront Group AB | Comm. Serv. | Sweden | 2.5% |
| SCSK Corp | Info. Tech. | Japan | 2.4% |
| Strix Group PLC | Info. Tech. | United Kingdom | 1.9% |
| Bank of Kyoto Ltd/The | Financials | Japan | 1.9% |
| Steadfast Group Ltd | Financials | Australia | 1.8% |
| Matsumotokiyoshi Holdings Co Ltd | Cons. Staples | Japan | 1.8% |
| TechnoPro Holdings Inc | Industrials | Japan | 1.8% |
| Total: | | | 24.1% |
| Cash & Equivalents | | | 0.8% |

CHARACTERISTICS

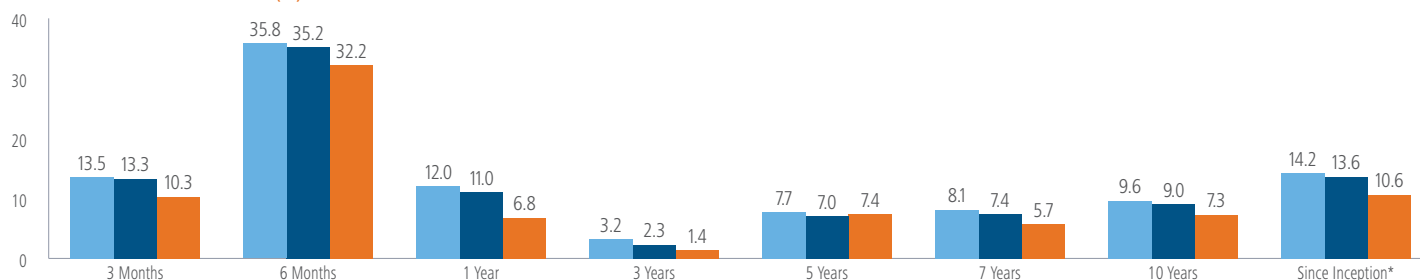
| | PORTFOLIO | BENCHMARK |
|-------------------------------------|-----------|-----------|
| Price/Book | 1.8 | 1.3 |
| Price/Earnings (12M forward) | 16.3 | 16.8 |
| Dividend Yield (12M forward) | 2.2 | 2.5 |
| ROE | 16.6 | 10.9 |
| Active Share | 95.3 | N/A |
| Weighted Market Cap (US\$ Millions) | 3,905 | 2,634 |
| Turnover (1 year to September) | 57.1 | N/A |

RISK

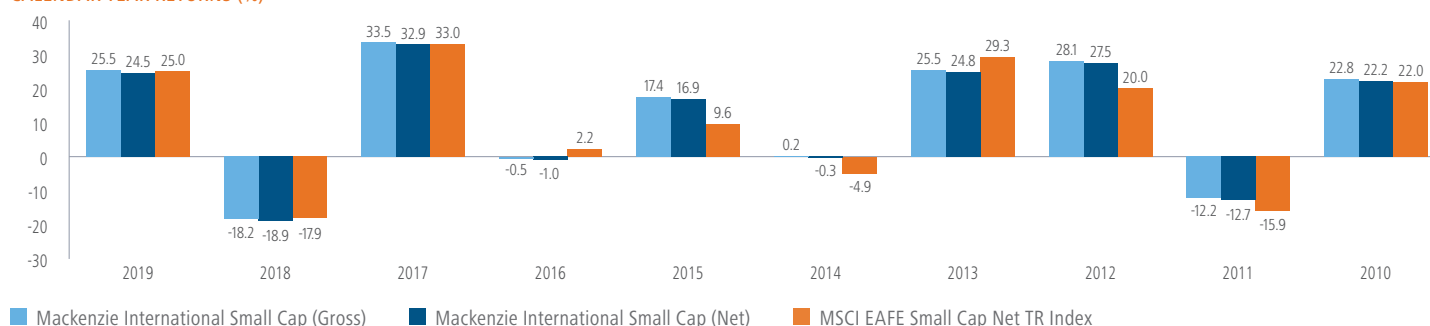
| | PORTFOLIO | BENCHMARK |
|-------------------------|-----------|-----------|
| Standard Deviation (3Y) | 18.3 | 18.6 |
| Beta (3Y) | 1.0 | N/A |
| Sharpe Ratio (3Y) | 0.1 | 0.0 |
| Tracking Error (3Y) | 3.7 | N/A |
| Information Ratio (3Y) | 0.5 | N/A |

COMPOSITE PERFORMANCE (US\$)

COMPOUND ANNUAL RETURNS (%)



CALENDAR YEAR RETURNS (%)



CONTRIBUTORS

TOP 5 CONTRIBUTORS

| | SECTOR | COUNTRY | AVG. ACTIVE WEIGHT | CONTRIBUTION TO Q3 RETURNS |
|--------------------------|------------------------|----------------|--------------------|----------------------------|
| Uniphar PLC | Health Care | Ireland | 3.71% | 1.15% |
| Future plc | Communication Services | United Kingdom | 2.25% | 0.86% |
| Games Workshop Group PLC | Consumer Discretionary | United Kingdom | 2.45% | 0.51% |
| Capcom Co., Ltd. | Communication Services | Japan | 1.17% | 0.47% |
| Stillfront Group AB | Communication Services | Sweden | 1.83% | 0.47% |

DETRACTORS

TOP 5 DETRACTORS

| | SECTOR | COUNTRY | AVG. ACTIVE WEIGHT | CONTRIBUTION TO Q3 RETURNS |
|------------------------------|------------------------|----------------|--------------------|----------------------------|
| Rubis SCA | Utilities | France | 1.51% | -0.42% |
| Barco NV | Information Technology | Belgium | 0.97% | -0.36% |
| ASM International N.V. | Information Technology | Netherlands | 1.90% | -0.36% |
| City Chic Collective Limited | Consumer Discretionary | Australia | 0.87% | -0.21% |
| TP ICAP plc | Financials | United Kingdom | 0.52% | -0.20% |

*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, Communication Services, Industrials and Health Care were the largest contributors to relative performance.
- At the country level, United Kingdom, Ireland and Japan were the largest contributors to relative performance.
- The largest stock contributors included **Uniphar**, an Irish-based health care company, **Future**, a UK-based media company and **Games Workshop Group**, a UK-based tabletop game company.
- **Uniphar**, an Irish-based diversified health care company, which has three main businesses, the distribution of pharmaceutical products to pharmacies within Ireland; distribution of various types of equipment for cardiology, oncology, radiology and neurological medical equipment to hospitals in Ireland as well as a drug products access division which operates in Ireland, the UK and Continental Europe. The company performed strongly due to stronger than expected first half results combined with two accretive acquisitions which the market viewed very favorably.
- **Future**, a global specialist media platform with diversified revenue streams, including: e-commerce, digital ad display, programmatic ads, events and subscription. Over the quarter Future delivered a material upgrade to consensus numbers on the back of very strong audience growth and a better than expected performance from its acquisition TI media. Whilst the stock has been a strong performer and rerated substantially since we first initiated a position, its valuation still screens as attractive on a growth adjusted basis and with its core end markets remaining buoyant and the group having plenty of firepower to execute on earnings accretive M&A, we remain happy holders.

DETRACTORS FROM PERFORMANCE

- From a sector perspective, Consumer Staples, Utilities and Information Technology were the largest detractors from relative performance.
- At a country level, Australia, Belgium and Sweden were the largest detractors from relative performance.
- The largest stock detractors included **Rubis**, a France-based gas utilities company, **Barco**, a Belgium-based IT company and **ASM International**, a Netherlands-based semiconductor equipment company.
- **Rubis**, a France-based energy distribution company. The group released H1 numbers over the quarter that were broadly in line with consensus expectations, however managements guidance implied a slower than anticipated recovery, which disappointed the market. The group was also reclassified (incorrectly according to the company) by Dow Jones as a energy stock, which led to forced selling by some holders due to ESG restrictions. The company is working on getting its sector classification corrected. Whilst the performance has been disappointing, the company's valuation remains attractive and we believe execution on earnings accretive M&A could act as a catalyst for the stock in the short to medium term.
- **Barco**, a Belgium-based company which is a market leader in cinema projection, wireless meeting room technology and displays for healthcare. The company continues to be negatively impacted by covid-19 related lockdowns in both of its core revenue driving business segments. Whilst a market leader in the provision of cinema projectors, the industry has faced a very challenging backdrop with Covid-19 resulting in closures and weak attendance numbers. In addition, the sales of its clickshare office conferencing solutions have been negatively impacted by the short-term shift to home working. We believe Barco's combination of a strong net cash position, good track record of execution and leading market shares should enable it to thrive once lockdowns are unwound.

MARKET OUTLOOK

The team believes the pace of the recovery from the unprecedented shock on the global economy of COVID-19 will be the main factor affecting equity prices going forward. Such a recovery is likely to take time, requiring a difficult balancing act involving economic growth, public health and individual freedoms until such time as a vaccine is widely available, most likely in the first half of 2021. Other key issues include the outcome of the US Presidential elections in early November, continued Brexit uncertainty, US-China trade relations, the policy priorities of Japan's new Prime Minister, and the possibility of further countries and regions locking down all or parts of their economies over the next 6 months. On balance we are cyclically constructive, as we expect the thrust of fiscal and monetary policy to remain supportive for the foreseeable future.

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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 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 U.S. dollars. The composite includes Canadian 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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