

**INCEPTION:**  
October 2002

**BENCHMARK:**  
MSCI EAFE Small Cap TR Index

**STRATEGY ASSETS:**  
€ 686 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/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	19.06%	23.14%
Consumer Discretionary	16.63%	12.86%
Information Technology	15.13%	10.48%
Materials	8.50%	9.12%
Communication Services	8.32%	4.57%
Financials	7.92%	10.35%
Health Care	7.91%	7.11%
Consumer Staples	5.96%	5.75%
Real Estate	5.46%	11.99%
Energy	4.19%	1.67%
Utilities	0.93%	2.95%
	<b>100.00%</b>	<b>100.00%</b>

## GEOGRAPHIC ALLOCATION (Ex. Cash & Equivalents)

COUNTRY	PORTFOLIO	BENCHMARK
Japan	34.23%	28.65%
United Kingdom	14.70%	17.62%
Germany	10.59%	5.32%
Australia	8.83%	9.07%
Ireland	7.93%	0.49%
France	5.95%	3.25%
Hong Kong	3.41%	1.86%
Netherlands	3.24%	2.65%
Finland	3.10%	1.67%
Singapore	2.00%	1.83%
Sweden	1.61%	7.54%
Switzerland	1.35%	5.25%
Chile	1.07%	0.00%
Russia	0.86%	0.00%
Norway	0.79%	2.27%
Belgium	0.33%	1.51%
Other	0.00%	11.04%
	<b>100.00%</b>	<b>100.00%</b>

## WEIGHTINGS RELATIVE TO BENCHMARK

OVERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
Uniphar PLC	Health Care	Ireland	+3.74%
Games Workshop Group PLC	Cons. Disc.	United Kingdom	+2.61%
Steadfast Group Ltd	Financials	Australia	+2.17%
SCSK Corp	Info. Tech.	Japan	+2.14%
Metso Outotec Oyj	Industrials	Finland	+1.97%

UNDERWEIGHT	SECTOR	COUNTRY	ACTIVE WEIGHT
SIG Combibloc Group AG	Materials	Switzerland	-0.27%
Weir Group PLC/The	Industrials	United Kingdom	-0.25%
DS Smith PLC	Materials	United Kingdom	-0.25%
Intermediate Capital Group PLC	Financials	United Kingdom	-0.24%
VAT Group AG	Industrials	Switzerland	-0.24%

## TOP TEN HOLDINGS

HOLDING	SECTOR	COUNTRY	WEIGHT
Uniphar PLC	Health Care	Ireland	3.8%
Games Workshop Group PLC	Cons. Disc.	United Kingdom	2.8%
Steadfast Group Ltd	Financials	Australia	2.3%
ASM International NV	Info. Tech.	Netherlands	2.2%
SCSK Corp	Info. Tech.	Japan	2.1%
Future PLC	Comm. Serv.	United Kingdom	2.0%
TechnoPro Holdings Inc	Industrials	Japan	2.0%
Metso Outotec Oyj	Industrials	Finland	2.0%
Bank of Kyoto Ltd/The	Financials	Japan	1.9%
Ryohin Keikaku Co Ltd	Cons. Disc.	Japan	1.9%
<b>Total:</b>			<b>22.9%</b>
Cash & Equivalents			0.5%

## CHARACTERISTICS

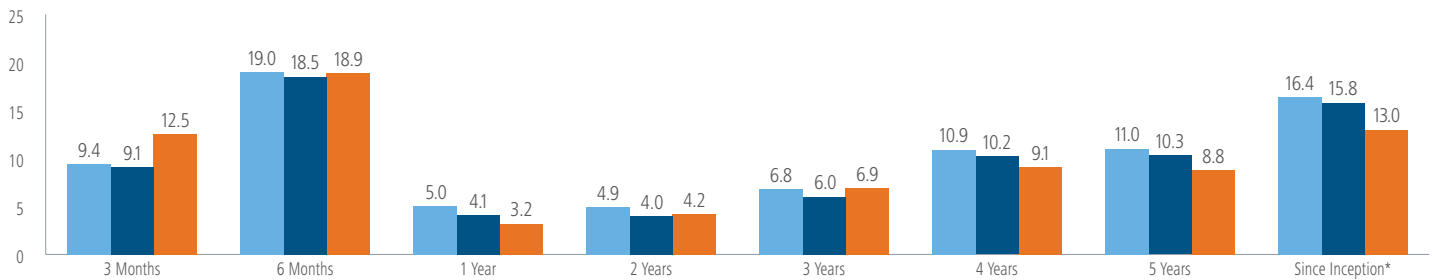
	PORTFOLIO	BENCHMARK
Price/Book	2.0	1.3
Price/Earnings (12M forward)	18.3	17.3
Dividend Yield (12 M forward)	2.1	2.3
ROE	13.6	9.8
Active Share	95.8	N/A
Weighted Market Cap (EUR Millions)	3,597	2,426
Turnover (1 year to December)	54.6	N/A

## RISK

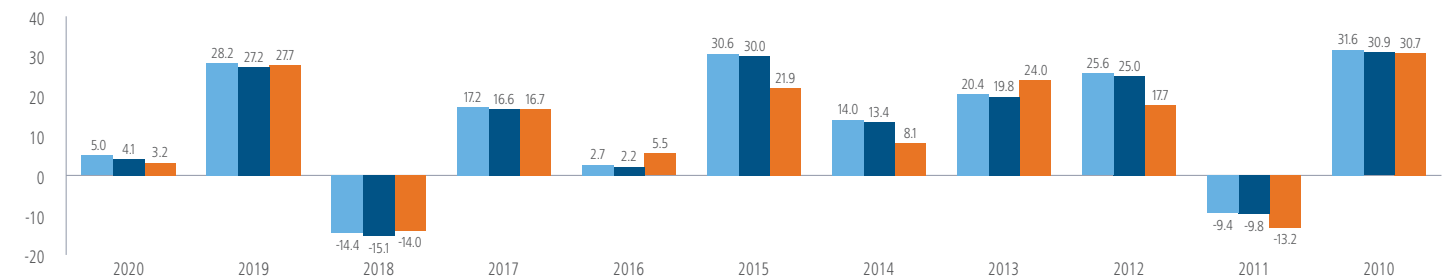
	PORTFOLIO	BENCHMARK
Standard Deviation (3Y)	15.1	15.7
Beta (3Y)	0.9	N/A
Sharpe Ratio (3Y)	0.3	0.3
Tracking Error (3Y)	4.2	N/A
Information Ratio (3Y)	0.1	N/A

## 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

	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q4 RETURNS
Vivoryn Therapeutics AG	Health Care	Netherlands	1.21%	0.66%
ASM International N.V.	Information Technology	Netherlands	1.52%	0.44%
Westwing Group AG	Consumer Discretionary	Germany	0.89%	0.37%
City Chic Collective Limited	Consumer Discretionary	Australia	1.08%	0.34%
Metso Outotec Oyj	Industrials	Finland	1.63%	0.34%

## DETRACTORS

### TOP 5 DETRACTORS

	SECTOR	COUNTRY	AVG. ACTIVE WEIGHT	CONTRIBUTION TO Q4 RETURNS
Unipharm PLC	Health Care	Ireland	3.98%	-0.66%
Future plc	Communication Services	United Kingdom	2.49%	-0.53%
Stillfront Group AB	Communication Services	Sweden	1.90%	-0.47%
Strix Group PLC	Information Technology	United Kingdom	1.79%	-0.36%
Kingspan Group Plc	Industrials	Ireland	0.95%	-0.35%

\*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

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- From a sector perspective, stock selection in Consumer Staples, Health Care and Consumer Discretionary were the largest contributors to relative performance.
- At the country level, stock selection in Japan, Netherlands and Germany were the largest contributors to relative performance.
- The largest stock contributors included **Vivoryon Therapeutics**, a Netherlands-based health care company, **ASM International**, a Netherlands-based semiconductor equipment company and **Westwing Group**, a Germany-based e-commerce platform company.
- **Vivoryon Therapeutics**, a German-based health care company, outperformed strongly following a number of broker notes highlighting the company's very promising Alzheimer's drug which is in Phase 2 as well as having a very promising oncology portfolio.
- **ASM International**, a Netherlands-based semiconductor equipment company, outperformed the benchmark over the quarter following the release of a strong set of Q3 numbers where it struck a confident tone on both its growth outlook and margins. The confident outlook was primarily driven the expectation of increased spending by its key customers along with market share gains in Atomic Layer Deposition and Epitaxy.
- **Westwing Group**, a Germany-based online furniture retailer, released a strong set of Q3 sales numbers (+60% YoY) over the quarter as it continued to benefit from the structural shift among its client base to online shopping. The strong trading also enabled the group to give a positive outlook statement, including its third guidance upgrade of the year.

## DETRACTORS FROM PERFORMANCE

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- From a sector perspective, stock selection in Communication Services, Financials and Materials were the largest detractors from relative performance.
- At a country level, stock selection in United Kingdom, Ireland and France were the largest detractors from relative performance.
- The largest stock detractors included **Unipharm**, an Ireland-based health care company, **Future**, a UK-based media company and **Stillfront Group**, a Sweden-based communications services company.
- **Unipharm**, an Ireland-based health care company underperformed largely due to profit taking following very strong outperformance over the first three quarters of 2020.
- **Future**, a UK-based media company produced a strong set of full year numbers during the quarter and its bullish outlook statement led to mid-single digit earnings upgrades. The relative underperformance was driven by the announced acquisition of GoCo group (the comparison website operator), whilst highly earnings accretive, caught the market by surprise particularly given the group is still integrating a number of previous acquisitions.
- **Stillfront Group**, the Swedish based developer and publisher of free-to-play (F2P) online and mobile strategy games underperformed the market over the quarter, driven primarily by profit taking given the scale of its outperformance over the first three quarters of 2020 and by the release of an underwhelming set of Q3 numbers, which were slightly behind market expectations on the sales line.

## MARKET OUTLOOK

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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 rapid spread of COVID-19 during the northern hemisphere winter months across the US, Europe and parts of Asia Pacific, particularly Japan, will have a negative impact on upcoming earnings. This is against a backdrop of global vaccine approvals and distribution. We expect the market to look through short-term earnings weakness toward a recovery of economic activity in the second half of the year. The outcome of the November US presidential and congressional elections is important as it has resulted in unified Democratic party control of the presidency and both houses of congress, which only became apparent in early January with the results of the State of Georgia runoff senatorial elections. This unified government should ensure sustained fiscal support for the world's largest economy while vaccines are distributed over 2021. We continue to remain cyclically constructive and are concerned about the valuations of some growth sectors that have benefitted from earnings multiple expansion, which could be tested as bond yields rise on higher inflation expectations.

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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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