

### Market Review

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US Mid Cap equities posted a modest rise in the second quarter after a negative turn in May. The Russell 2500 index returned +3.0% in US Dollars (0.7% in Canadian Dollars). Some of the more cyclical sectors such as Producer Durables, Materials and Financial Services performed well, as did Technology. Health Care slightly underperformed, while Consumer Discretionary was well behind the index.

### Outlook & Strategy

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#### What are the key opportunities you see?

- In the US, wages have started rising after several years of remaining flat. We believe this rise may prompt companies to begin taking action to improve productivity with the intention of maintaining profit margins. In seeking to improve productivity, companies may invest in new technology and services that can help them get work done more efficiently. We think several of our companies can assist in this effort.
- We also see the need for companies across the economy to engage in digital transformation to improve service to customers and to become more agile and secure in their operations. This trend is also driving investment in technology products and services.
- We continue to maintain an overweight in the Health Care, Technology and Industrial sectors. We believe that the secular growth available in those sectors will serve us well. We are also overweight the Industrials sector, however our largest holdings are the least cyclical. Our Financials weighting is lower than it has been in some time, with the preponderance of our weighting in our insurance companies.

#### What are key risks that need to be managed?

- We believe that the US economy, like many others, faces structural challenges in the form of high debt levels and slow growth in the working age population. Across the globe, governments have too much debt to be able to boost growth in a major way. With that macro-economic backdrop, we believe that in the long term the world may continue to proceed in a lower growth environment compared to history.
- While we do not attempt to forecast near-term economic growth, monetary policy tightening began in the United States some time ago. Many US and global leading indicators have softened over the last year. Trade disputes between the US and other countries may also present a risk to economic growth prospects.

#### How are you positioning portfolios in response to this outlook?

- What we aim to do is to know as many great businesses as we can, and learn what they might be worth. When markets offer us attractive share prices for these businesses, we become buyers.
- We have cut our exposure to more cyclical businesses, and we have focused our attention on owning innovative secular growth businesses. These types of companies offer products and services that make the world better, cheaper, and faster – enabling them to grow at a faster pace than the overall economy. We see this as a more “all weather” approach – our companies can do well in a rising economy, but also perform reasonably well in a difficult economy.
- We focus mainly on free cash flow as a metric for company valuations. This measure has become even more important in recent years, as companies have moved increasingly to present earnings in an “adjusted” fashion, which may obscure reality. In our view, accounting risk has risen and we believe securities regulators are becoming increasingly concerned with these “adjusted” disclosures based on recent guidance.

## PORTFOLIO MANAGEMENT TEAM:

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Index performance does not include the impact of fees, commissions, and expenses that would be payable by investors in the investment products that seek to track an index.

To the extent the Fund uses any currency hedges, share performance is referenced to the applicable foreign country terms and such hedges will provide the Fund with returns approximating the returns an investor in a foreign country would earn in their local currency.

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Fund and Benchmark Performance as at: June 30, 2019	1 year	3 years	5 years	10 years
Mackenzie US Mid Cap Growth Class – Series F	15.1%	17.7%	15.4%	15.5%
Russell Mid Cap TR Index (\$CDN)	1.1%	12.6%	12.2%	15.8%
Mackenzie US Mid Cap Growth Currency Neutral Class – Series F	13.9%	16.8%	10.7%	14.2%
Russell Mid Cap TR Hedged Index (\$CDN)	-0.1%	11.2%	6.9%	13.8%