MACKENZIE Investments

INVESTMENT PHILOSOPHY

MACKENZIE PRIVATE WEALTH COUNSEL

Portfolio Architecture Service

Asset management solutions, tuned to your needs

The importance of asset allocation

The main purpose of investing is for money to earn more money. But no matter what you invest in, there is some level of risk. In investment terms, risk simply means more things can happen than will happen.[1] A good way to reduce the risk of investing is through diversification and asset allocation.

Diversification

From the chart below, one can see that different types of investments perform differently from year to year – some have spectacular returns while others have huge losses. By diversifying or spreading money among various investments instead of investing in just one, one can help reduce their risk.

Annual rankings of key asset classes (2000–2016)

RANK	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1	Cdn Bonds 10.2%	US Small Cap 8.9%	Global Bonds 18.8%	Cdn Small Cap 42.7%	Emerging Markets 16.8%	Emerging Markets 31.2%	Emerging Markets 32.0%	Emerging Markets 18.6%	Global Bonds 38.0%	Cdn Small Cap 75.1%	Cdn Small Cap 38.5%	Cdn Bonds 9.7%	Emerging Markets 16.0%	US Small Cap 48.1%	US Large Cap 23.9%	US Large Cap 21.6%	Cdn Small Cap 35.4%
2	Cdn Large Cap 7.4%	Cdn Bonds 8.1%	Cdn Bonds 8.7%	Emerging Markets 27.8%	Cdn Large Cap 14.5%	Cdn Large Cap 24.1%	Foreign Equities 26.4%	Cdn Large Cap 9.8%	Cdn Bonds 6.4%	Emerging Markets 52.0%	US Small Cap 20.2%	Global Bonds 8.8%	Foreign Equities 15.3%	US Large Cap 41.3%	Global Equities 15.0%	Global Equities 19.6%	Cdn Large Cap 21.1%
3	Cdn Small Cap 7.3%	Global Bonds 5.4%	Cdn Small Cap -0.9%	Cdn Large Cap 26.7%	Cdn Small Cap 14.1%	Cdn Small Cap 19.7%	Global Equities 20.2%	Cdn Bonds 3.7%	US Small Cap -17.2%	Cdn Large Cap 35.1%	Cdn Large Cap 17.6%	US Large Cap 4.6%	Global Equities 14.0%	Global Equities 35.9%	US Small Cap 14.3%	Foreign Equities 19.5%	US Small Cap 17.1%
4	Global Bonds 5.9%	Emerging Markets 3.8%	Emerging Markets -7.0%	US Small Cap 20.5%	Foreign Equities 11.9%	Foreign Equities 11.2%	US Small Cap 17.9%	Cdn Small Cap 2.0%	US Large Cap -21.2%	Foreign Equities 12.5%	Emerging Markets 13.0%	US Small Cap -1.8%	US Small Cap 13.8%	Foreign Equities 31.6%	Cdn Large Cap 10.6%	Global Bonds 16.4%	US Large Cap 8.1%
5	US Small Cap 0.4%	Cdn Small Cap 3.4%	Cdn Large Cap -12.4%	Foreign Equities 13.8%	US Small Cap 9.7%	Global Equities 7.3%	Cdn Large Cap 17.3%	Foreign Equities -5.3%	Global Equities -25.4%	Global Equities 11.1%	US Large Cap 9.1%	Global Equities -2.7%	US Large Cap 13.4%	Cdn Large Cap 13.0%	Global Bonds 9.7%	US Small Cap 14.6%	Emerging Markets 7.7%
6	US Large Cap -5.9%	US Large Cap -6.4%	Foreign Equities -16.5%	Global Equities 9.4%	Cdn Bonds 7.1%	Cdn Bonds 6.5%	Cdn Small Cap 16.6%	Global Bonds -6.0%	Foreign Equities -28.8%	US Small Cap 8.0%	Cdn Bonds 6.7%	Cdn Large Cap -8.7%	Cdn Large Cap 7.2%	Cdn Small Cap 7.8%	Cdn Bonds 8.8%	Cdn Bonds 3.5%	Global Equities 4.4%
7	Global Equities -9.9%	Global Equities -11.3%	Global Equities -20.4%	Cdn Bonds 6.7%	Global Equities 6.9%	US Large Cap 2.3%	US Large Cap 15.4%	Global Equities -7.1%	Cdn Large Cap -33.0%	US Large Cap 7.4%	Global Equities 6.5%	Foreign Equities -9.5%	Cdn Bonds 3.6%	Emerging Markets 4.3%	Emerging Markets 7.0%	Emerging Markets 2.4%	Cdn Bonds 1.7%
8	Foreign Equities -11.0%	Cdn Large Cap -12.6%	US Small Cap -21.3%	US Large Cap 5.3%	US Large Cap 2.8%	US Small Cap 1.9%	Global Bonds 6.1%	US Large Cap -10.5%	Emerging Markets -41.4%	Cdn Bonds 5.4%	Foreign Equities 2.6%	Cdn Small Cap -14.2%	Cdn Small Cap 2.5%	Global Bonds 2.4%	Foreign Equities 4.1%	Cdn Large Cap -8.3%	Foreign Equities -2.0%
9	Emerging Markets -28.2%	Foreign Equities -16.3%	US Large Cap -22.9%	Global Bonds -5.9%	Global Bonds 2.7%	Global Bonds -8.7%	Cdn Bonds 4.1%	US Small Cap -16.5%	Cdn Small Cap -46.6%	Global Bonds -12.9%	Global Bonds 0.1%	Emerging Markets -16.1%	Global Bonds 0.0%	Cdn Bonds -1.2%	Cdn Small Cap -0.1%	Cdn Small Cap -13.8%	Global Bonds -2.1%

Source: Morningstar Direct as at December 31, 2016 (C$)

Canadian Bonds: FTSE TMX Canada Universe Bond Index
Canadian Large Cap: S&P/TSX Composite TR Index
Canadian Small Cap: BMO Small Cap Blended (Weighted) Index
Emerging Markets: MSCI EM GR Index
Foreign Equities: MSCI EAFE GR Index
Global Bonds: JPM GBI Broad TR Index
Global Equities: MSCI World GR Index
US Small Cap: Russell 2000 TR Index
US Large Cap: S&P 500 TR Index

At the portfolio level, an investor first allocates their money into the basic asset classes: stocks, bonds and cash. Within those levels, the investor can further diversify by sector, geographic region, market capitalization, style, and investment managers.

[1] Quote attributed to Elroy Dimson, Professor at the London School of Business

Asset allocation

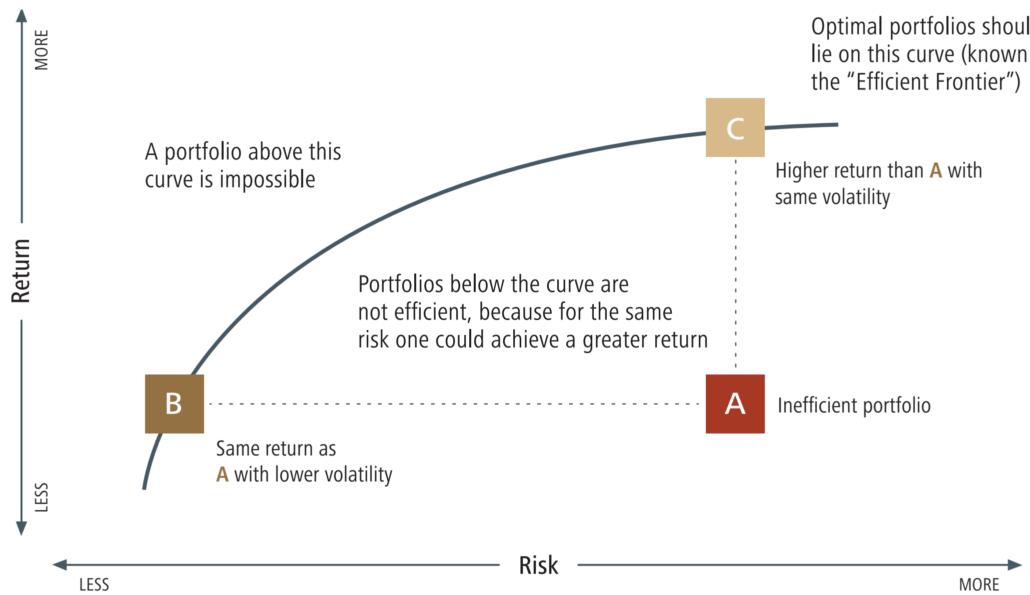
In a portfolio, how does an investor determine how much equity versus fixed income? It would depend on each individual's financial goals, risk tolerance and investment time horizon. Given a certain level of risk, one endeavors to achieve the highest level of return.

Asset allocation is the process of finding the optimal allocation across the broad asset classes to fit the investor's situation. A portfolio that consists of mostly bonds is expected to have less risk than one that consists mostly of stocks. By blending asset mix, one can reduce the overall risk in terms of the variability of returns for a given level of expected returns.

To find this optimal portfolio, an established investment process known as Modern Portfolio Theory is used. It starts by analyzing the risk-return relationship of various combinations of asset classes used in the Mackenzie Private Wealth Counsel Portfolio Architecture Service.

The results of this analysis are then plotted on a graph, which represents the "efficient frontier." This curve consists of a series of "efficient" portfolios – those that produce the highest returns at each level of risk. Together, these efficient portfolios form a curve that sweeps up to the right.

The efficient frontier



"Inefficient" portfolios are located below the curve. That's because one can increase their expected return without adding risk by shifting their portfolio up toward the efficient frontier. Alternatively, one can shift an inefficient portfolio left toward the efficient frontier to reduce risk without giving up potential return.

Our portfolios are designed to reside on the efficient frontier curve, given the risk the investor communicates that they are comfortable with.

How we construct our portfolios

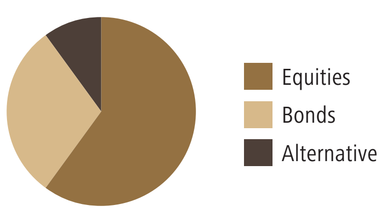
Using proprietary, pension-style portfolio construction techniques, portfolio solutions are strategically designed around an investor's unique needs and circumstances. Manager selection, overall portfolio equity weight, sub-asset class weightings and style bias can be modified to reflect an advisor's fundamental investment approach.

Step 1

Portfolio construction starts with an optimization process to establish the desired mix between various asset classes that provides the maximum return possible for a given level of risk:

- ***Bonds:*** including floating rate loans, government, real return, corporate and global bonds;
- ***Equities:*** diversified by geography, investment style and market capitalization (small, medium and large cap); and
- ***Alternative investments:*** such as real estate securities, global infrastructure, gold bullion and precious metals.

Asset Class



Step 2

Core asset mixes

Core asset mixes provide broad exposure to equity and fixed income markets. We create asset mixes with 30% – 100% equity targets.

Our core asset mixes are developed using the following criteria or themes to create fully diversified portfolio solutions:

- Multi-manager structure
- Style neutrality
- Sector diversified
- Target allocations among geographical regions (Canada, US, Europe-Australia-Far East)

Portfolio tilts

In meeting the challenge to truly customize client portfolios, portfolio solutions can be biased in five different ways:

1. Style neutral
2. Income
3. Value
4. Growth
5. 100% corporate class

These tilts can be applied to the core asset mixes to help meet specific client objectives. For example, a client who requires steady cash flow from their portfolio may benefit from an income tilt, while a client who does not require cash flow but wants to minimize taxes may consider a Corporate Class portfolio solution.

How we select our portfolio managers

Once we have determined the optimal asset allocation and portfolio characteristics for each model portfolio, the next step is to select those funds and portfolio managers that are best suited to fill specific mandates. Rigorous research is conducted on each potential manager to ensure that we choose superior managers for each mandate.

Mackenzie Investments has a diverse selection of funds and fund families, as well as an experienced relationship with key sub-advisors. A sophisticated scoring approach is applied to each manager and fund to select the highest quality managers and funds available to create customized portfolios for our clients. We evaluate existing and prospective managers on three main criteria: organizational strength, investment process and performance.

Organizational strength

This refers to the strength of the firm as well as the strength of the management team. We examine the company's assets under management, longevity, ownership and commitment, as well as the management team's depth of knowledge, experience, stability, and any key person risk (i.e., is there a solid succession plan in place in the event that a key manager leaves the firm?).

Investment process

The manager's investment process is examined for clarity, discipline, risk management process and integrity to determine whether the fund is a good fit for the specific mandate: Canadian equity, global equity, fixed income, value or growth style, etc.

Performance

We look for strong risk-adjusted returns by conducting a thorough examination of the fund's performance over a three to five year period, value added relative to the benchmark, consistency of returns, and upside/downside market capture.

Managers are scored on each of these factors to come up with an overall ranking, which we update each quarter based on performance. We also conduct a personal interview and perform a detailed review of each manager on an annual basis. Other changes in score may be made on an ad hoc basis; for example, to reflect changes in the organization.

How we monitor portfolios

Our portfolios are designed to reflect an investor's communicated goals and objectives, and will be monitored in the following ways:

1 Annual review of portfolios

On the anniversary of the date the account is opened, Mackenzie Investments will provide the investor's advisor with a portfolio snapshot and questionnaire. The advisor will then work with the investor and Mackenzie Private Wealth Counsel to determine if any changes should be made to the investor's portfolio. Any changes to the investor's portfolio must be approved by the investor and must be submitted to Mackenzie Private Wealth Counsel by the servicing advisor. The main goals of the annual review are to:

1. Take into account any personal changes that may affect the investor's objectives, risk tolerance and time horizon;
2. Ensure that the investor's current asset mix remains on or close to the efficient frontier once any new return, risk and correlation assumptions are included;
3. Incorporate the formal due diligence of all underlying fund portfolio managers and sub-advisors to ensure that there is still comfort in using the funds they provide investment advice to; and
4. Determine if different sub-asset classes can add to the return function and lower volatility, i.e., position the portfolio higher along the efficient frontier curve.

2 Variances to target allocation

Over time, the market value of asset classes within an investor's portfolio will drift from the target allocations. Equities have historically outperformed bonds, which may cause a drift from the investor's target allocation and communicated risk profile.

Mackenzie Private Wealth Counsel will monitor the investor's portfolio each calendar month-end and each calendar quarter-end. Based on the rebalancing criteria as set out below, the investor's account will automatically be rebalanced, unless the investor and the advisor provide different instructions to Mackenzie Investments, when, due to market drift, mutual fund positions in the investor's portfolio register the variances to their agreed upon target weight in their portfolio.

Monthly Variances

Equity mutual funds: A position in an equity mutual fund will be rebalanced on the 15th business day following the end of a calendar month if there is a +/- 50% relative variance around that fund's target weight in the investor's portfolio.

Fixed income mutual funds: A position in a fixed income mutual fund will be rebalanced on the 15th business day following the end of a calendar month if there is a +/- 20% relative variance around that fund's target weight in the investor's portfolio.

To illustrate, if an equity mutual fund in a portfolio has a target percentage weight of 10% of the overall portfolio, a rebalancing transaction will be processed on the 15th business day following the end of a calendar month, if that equity mutual fund fell below 5% of the overall portfolio or increased above 15% of the overall portfolio. Similarly, for fixed income mutual funds, if a fixed income fund has a percentage target weight of 10% of a portfolio, a rebalancing transaction will be processed on the 15th business day following the end of a calendar month, if that fixed income fund fell below 8% of the overall portfolio or increased above 12% of the overall portfolio.

Quarterly Variances

Equity mutual funds: A position in an equity mutual fund will be rebalanced on the 15th business day following the end of a calendar quarter if there is a +/- 35% relative variance around that fund's target weight in the investor's portfolio.

Fixed income mutual funds: A position in a fixed income mutual fund will be rebalanced on the 15th business day following the end of a calendar quarter if there is a +/- 15% relative variance around that fund's target weight in the investor's portfolio.

To illustrate, if an equity mutual fund in a portfolio has a target percentage weight of 10% of the overall portfolio, a rebalancing transaction will be processed on the 15th business day following the end of a calendar quarter, if that equity mutual fund fell below 6.5% of the overall portfolio or increased above 13.5% of the overall portfolio. Similarly, for fixed income mutual funds, if a fixed income fund has a percentage target weight of 10% of the overall portfolio, a rebalancing transaction will be processed on the 15th business day following the end of a calendar quarter if that fixed income fund fell below 8.5% of the overall portfolio or increased above 11.5% of the overall portfolio.

3 Quarterly performance review

The performance of an investor's portfolio is monitored on a quarterly basis to determine if the portfolio is lagging in relative performance. If the portfolio is deemed to be a relative performance laggard, a thorough review will be conducted, and policy reforms may be recommended to the advisor to correct underperforming portfolios.

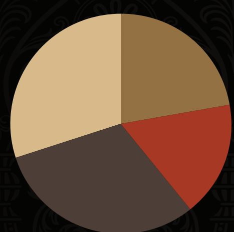
How we rebalance portfolios

Rebalancing an investor's portfolio involves lowering the position of certain investments and allocating the proceeds to other investments. Mackenzie Private Wealth Counsel will monitor portfolios (see previous section), and rebalance portfolios accordingly. Periodic rebalancing keeps investment mix in line with the investor's goals and communicated risk profile.

It is through a disciplined adherence to a rebalancing policy that takes the emotion out of otherwise difficult asset allocation decisions.

Original allocation

Portfolio drifts



Return to policy

Tax efficiency

A key element of building and retaining wealth is tax-efficient investing – minimizing and deferring taxes. Our experience and resources allow us to help build high quality portfolios that help minimize the taxes investors pay. And over the long term, lower taxes can have a considerable effect on wealth accumulation.

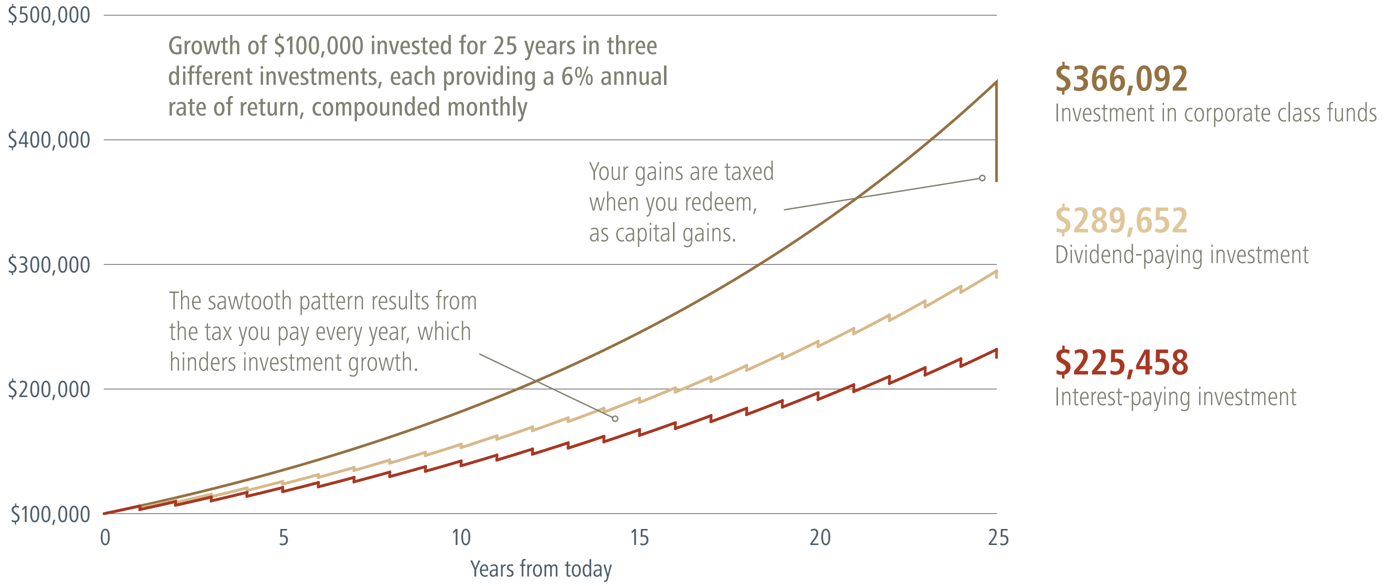
The Mackenzie Investments' Corporate Class structure has proven to be an invaluable resource in constructing portfolios for high net worth clients.

Wherever possible, the Portfolio Architecture Service makes use of Mackenzie Investments corporate class funds. Mackenzie Investments corporate class funds can help an investor minimize and defer tax in two ways:

1 Tax-efficient growth

If one invests in GICs, bonds, or dividend paying stocks, they'll pay tax every year as long as they own the investment. On the other hand, if one invests in Mackenzie Investments' corporate class funds, they may not pay tax until the investment is redeemed. And the less tax one pays along the way, the faster the investment will grow.

The less tax you pay, and the later you pay it, the more your investments will grow



For illustrative purposes. ASSUMPTIONS: The investment in corporate class funds generates gains that are tax-deferred until the end of the 25-year period, then taxed as capital gains at an effective rate of 22%. The dividend-paying investment is taxed annually at 23%. The interest-paying investment is taxed annually at 44%.

Tax efficiency

2 Tax-efficient income

If the income on one's investments comes from interest or dividends – or even from capital gains on investments that one sells – then some of it will be taxed away. By comparison, many of Mackenzie Investments' Series T shares of corporate class funds provide monthly income that is completely tax deferred. This means one can take smaller before-tax payments from these investments and receive the same after-tax income.

Mackenzie Investments' corporate class funds let you take smaller payments to get the same after-tax income. Taking smaller payments leaves more of your money invested to grow.

	Interest-paying investment	Dividend-paying investment	Investment in corporate class funds (Series T6)
Amount that you invest	$500,000	$500,000	$500,000
Monthly after-tax income that you want	$2,500	$2,500	$2,500
Monthly pre-tax cash income that your investment must produce	$4,665	$3,548	$2,500
Required rate of return	**11.20%**	**8.52%**	**6.00%**

For illustrative purposes. ASSUMPTIONS: Interest income is taxed at a rate of 46.41%. Dividend income is taxed at a rate of 29.54%. Income paid on the Series T6 securities consists entirely of return of capital, which is not taxed, but which reduces the adjusted cost base of these securities. Generally, this means that when you redeem these securities, you will realize a larger capital gain (or a smaller capital loss) than if you had not received the return of capital. The required rate of return is expressed as a per annum rate that is compounded monthly.

Mackenzie Investments overview

Being wealthy has many benefits, but it also comes with a unique set of challenges. With more than 50 years of experience helping high net worth investors meet their goals, we understand these requirements.

Mackenzie Investments

Initially founded in 1967 as a small, private investment advisor to serve one high net worth investor, Mackenzie Investments has grown to be one of Canada's largest and most trusted investment management organizations. Today, serving investors through 30,000 independent financial advisors, Mackenzie Investments manages approximately $70 billion on behalf of one million Canadians. We have a broad lineup of funds to choose from, whether it is domestic or foreign, income or equity, general market or specialty, value or growth, tax-efficient or currency-hedged.

Mackenzie Private Wealth Counsel

Private wealth management remains an important and growing part of our business today. Mackenzie Private Wealth Counsel is a special team of account management and portfolio administration professionals, devoted exclusively to financial advisors serving high net worth families.

Portfolio Architecture Service

The Portfolio Architecture Service (PAS) is a dedicated portfolio management program available exclusively to Mackenzie Private Wealth Counsel clients. Using pension-style portfolio construction techniques, the Portfolio Architecture Service provides financial advisors with supplementary expert guidance in the development of tailored portfolio solutions for high net worth investors and their families.

Web Account Access

Secure and easy access to up-to-date account information is provided through the Mackenzie Private Wealth Counsel Web Account Access. View daily valuations, transactions, account activity, holdings, quarterly performance and more.

Mackenzie Investments overview

Tax and Estate Planning Services

A complete wealth management solution for high net worth investors integrates top quality portfolio management with professional tax and estate planning suggestions. Mackenzie Private Wealth Counsel has retained Mackenzie Investments' Tax and Estate Planning team to provide sensible tax and estate planning recommendations to Mackenzie Private Wealth Counsel clients.

The Tax and Estate Summary Report

Mackenzie Private Wealth Counsel clients are offered the opportunity to receive a complimentary, personal Tax and Estate Summary Report covering major issues affecting their overall tax and estate situation. This report is based on a detailed questionnaire and is prepared by Mackenzie Investments' Tax and Estate Planning team. This report is designed to facilitate discussion of estate and tax planning strategies between the investor, their advisor and tax and legal advisors or insurance professionals legally qualified to advise on such matters.

Philanthropic planning (if desired)

A simple and convenient donor-advised charitable giving program, the Mackenzie Charitable Giving Fund is a smart way of giving that combines immediate tax benefits with the ability to support the investor's favourite charities now and in the future.

Mackenzie Asset Allocation Team

The Mackenzie Asset Allocation Team provides investment consulting guidance for the Mackenzie Private Wealth Counsel Portfolio Architecture Service. This includes guidance on asset mix analysis, portfolio risk oversight, and fund manager analysis and selection for the Portfolio Architecture Service.

Each corporate class fund constitutes one or more separate classes of shares of Mackenzie Financial Capital Corporation or Multi-Class Investment Corporation. Each corporate class fund issues shares and uses the proceeds to invest in a portfolio of securities based on its investment objectives. However, it is the corporation as a whole that is liable for the expenses and liabilities of its corporate class funds. Therefore, if a particular corporate class fund was unable to pay its expenses or satisfy its liabilities, then the corporation of which it is a part would be required to pay those expenses or satisfy those liabilities from the assets of its other corporate class funds, causing the value of an investment in these other corporate class funds to decline.

Mackenzie Investments developed the Mackenzie Charitable Giving Fund program with the Strategic Charitable Giving Foundation, a registered Canadian charity. Donations under the program are irrevocable and vest with the Foundation. The information is general in nature and is not intended to be professional tax advice. Each donor's situation is unique and advice should be received from a financial advisor. Please read the program guide for complete program details, including fees and expenses, before donating.

Unlike mutual funds, the returns and principal of GICs are guaranteed.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments and the use of an asset allocation service (such the Portfolio Architecture Service or Open Architecture Service). Please read the prospectus of the mutual funds in which investment may be made under the asset allocation service before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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