MACKENZIE MONTHLY INCOME PORTFOLIOS

Predictable Income for a Secure Retirement
The best retirement life is yet to come

Otto von Bismarck was first to introduce the government pension. In the 150 years since that modest beginning, the once-novel idea of a retirement income has blossomed into the massive success it is today. von Bismarck lived to the ripe old age of 83, and the good news is that most Canadians stand a pretty good chance of living as long or longer than Mr. Bismarck. Canada’s retired population is growing by leaps and bounds now that the Baby Boomers have begun to retire, and the desire for a secure income in retirement is as strong as ever.

There are no raises in retirement

As hundreds of thousands of people transition from banking a steady income to living off their banked wealth, they realize that their retirement savings will have to last a long time. Living on savings, rather than employment income, presents several challenges: rising living costs, declining purchasing power, an unknown time horizon, a scarcity of viable income sources, and a volatile and uncertain investment landscape.

There are options: Mackenzie Monthly Income Portfolios.

Whether planning for retirement or already enjoying that new phase, it’s always prudent to understand the challenges that come with generating and maintaining income from an investment portfolio. A financial advisor has solutions to help you plan, prepare, and provide for your unique needs in retirement, and Mackenzie can help.

Live long? Yes.
Prosper? Yes,
if you prepare.
New retirement reality

1 60+ demographic is booming
   • The Baby Boom generation – those born between 1940 and 1960 – has already entered retirement. Every year, hundreds of thousands more Canadians are entering this life stage.

2 Canadians are living longer
   • Average life expectancy is now 88 for someone 65 years of age today.
   • An average retirement age of 63 means retirement could last 25 years or more.

3 Investors are increasingly responsible for their own retirement income needs
   • Over two-thirds of Canadians don’t have a defined benefit pension plan\(^1\) according to Statscan, and that percentage grows every year.
   • Many of us – nearly three quarters of Canadians – are concerned we haven’t saved enough and that we may outlast our savings.

Retirement costs

- **Average Carrying Cost of a house ON\(^2\)** (Taxes, utilities, insurance, repairs and maintenance\(^3\)) \(\$2,000\)
- **Groceries\(^4\)** \(\$490\)
- **Insurance\(^5\)** \(\$300\)
- **Transportation\(^5\)** \(\$200\)
- **Entertainment\(^4\)** \(\$300\)
- **Miscellaneous\(^5\)** \(\$200\)

**Basic Average Monthly Expenses (Estimated):** \(\$3,490\) or \(\$41,880/\text{year}\)

- **Canada Pension Plan + Old Age Security** \(\$1,589/\text{month}\)
- **Basic Monthly Expenses** \(\$3,490/\text{month}\)

**Monthly income gap of:** \(\$1,900\) **for basic living expenses only**

---

\(^1\) Source: Canadian Institute of Actuaries.
\(^2\) [https://www.ratehub.ca/additional-monthly-costs](https://www.ratehub.ca/additional-monthly-costs).
\(^3\) [https://affordanything.com/mortgage-insurance-taxes-water-trash/](https://affordanything.com/mortgage-insurance-taxes-water-trash/).
\(^5\) Mackenzie estimates.

---

**Fact:**
Government pensions fall short by almost \(\$22,800\) per year.
Current investment landscape

Investments in medicine over the last few decades have led to the unprecedented longevity Canadians enjoy today. And while financial markets have the capacity to create a great deal of wealth over time, the rules of investment have changed. The investment strategy that provided a steady, liveable income for retirees 25 years ago – “buy bonds” – no longer applies. Without employment income to fall back on and a potentially long investment time horizon, the current market reality leaves retirees vastly more sensitive to market uncertainty than they have ever been.

1 Low interest rate environment

In the past, investors used to shift their allocation towards investment-grade bonds as they aged. However, government bond yields have been declined to very low levels, making risk-free income generation more difficult. Yields on GICs and government bonds in many cases aren’t even sufficient to offset inflation – creating an automatic loss of purchasing power that grows with each passing year. The price of safety has become very high, creating a widening income gap for many retirees.

Yields near 25-year low

![Graph showing yields near 25-year low]

2 Volatility has increased dramatically

As the chart illustrates, 20 years ago, a portfolio of bonds could be relied on to generate 7.5% return with relatively low volatility. Today, more asset classes are required to generate that same 7.5% return. Meanwhile, the volatility, or risk, investors must assume to earn that same return has nearly tripled.

To maintain an expected 7.5% return today v. 20 years ago

![Chart showing volatility increase from 1995 to 2005 to 2015.](chart)

Volatility: 6.0% 8.9% 17.2% Volatility has tripled

For illustrative purposes only. Source: Callan Associates and Wall Street Journal.

3 Market crashes happen regularly

Many Canadians can’t choose to retire early, and many don’t want to work indefinitely. So the timing of a market crash can greatly magnify the negative impact on people’s accumulated savings.

Since 1950…

- 9 Market crashes in the US (Drop of 20% or more)
- Crashes happened every 6 years on average
- It’s been 9 years since the previous crash, the longest U.S. bull market on record

Max drawdowns from previous market crashes (-20% or more)

![Chart showing max drawdowns from previous market crashes.](chart)

Source: Bloomberg. Drawdown calculation based on weekly returns.
Market downturns can have a massive negative impact on portfolio growth

When an investor is withdrawing an income from a portfolio, they must be aware that a large downturn can have serious consequences. If the total portfolio shrinks sharply, the withdrawals may become too large for the portfolio to bear, and it may never recover. This is called “sequence of returns risk”, and is one of the most critical risks faced by retirees.

Chart four illustrates the significance of sequence of returns risk using actual market data. Investor A entered the market on January 1, 1998. Investor B entered seven months later on August 1, 1998 and got hit right off the bat by the Russian financial crisis. Both investors then suffered the 2003 equity bear market. Although the initial investments were made only seven months apart, the outcomes were entirely different.

Due to the steady pace of withdrawals, Investor B’s portfolio was exhausted in just 14 years.

Source: hypothetical illustration. Returns from Bloomberg, MSCI World CAD with modifications.
Volatility impacts income stability

To bring this concept alive, let’s look at a one-million-dollar portfolio, invested in a 60/40 balanced allocation. An investor drawing 4% of this portfolio for living expenses would have $40,000 to spend per year, or $3,300 per month. Using the most recent bear market as an illustration, let’s imagine this investor began drawing living expenses in January 2008. Soon after retirement, equity markets crashed, and the traditional balanced portfolio’s value declined sharply.

With a smaller total portfolio value, the investor could have…

1. Maintained the $3,300 monthly distribution, and risked depleting the portfolio, or
2. Maintained the 4% withdrawal rate and reduced monthly distribution to $2,500 in 2009, cutting their standard of living by 24% while waiting for the markets to recover to pre-crisis levels – which took about seven years!

This is not a conversation any of us wants to have with our financial advisor!

Traditional balanced portfolio with 4% distribution

For illustrative purposes only.
Mackenzie Monthly Income Portfolios at a glance

Monthly income within a multi-asset structure

The chart below illustrates how the Mackenzie Monthly Income Conservative Portfolio and Mackenzie Monthly Income Balanced Portfolio have been positioned on the risk/return spectrum, compared to no-risk GICs and traditional balanced funds that offer no explicit downside protection.

As you can see, the two funds are positioned in a sweet spot that can offer higher growth and income potential than GICs and better downside protection than Traditional Balanced Funds.

Favourable Risk-Return Profile

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

Predictable income stream for retirement

Low yields and market volatility combined with increasing longevity and a longer investment horizon may appear to be the perfect storm for older investors. The reality is, retirees need their portfolios to deliver both growth and security and they require a predictable income stream throughout their retirement.

Mackenzie Monthly Income Portfolios are built for investors who:

• Are concerned about investing at the “wrong time” and suffering sharp portfolio losses;
• Want the option of drawing income from their portfolio;
• Need potential growth but delivered in a way that acknowledges market risks.

These Portfolios are globally diversified, multi-asset solutions that pay a predictable monthly distribution and incorporate explicit downside protection.
Designed to consistently deliver on specific goals
The Mackenzie Multi-Asset Strategies Team has constructed a carefully balanced allocation to multiple asset classes and strategies aim to achieve income, growth, and reduce downside risk.

- 4% fixed rate monthly distribution
- Dividends, bond yield + capital gains (Return of capital when needed)
- Diversified, managed exposure to growth assets (equities, high yield bonds and floating rate loans)
- Reduce the risk of a severe drawdown by using options

Downside Risk Mitigation – How it Works
The hedging strategies (Puts and Calls) employed by the Mackenzie Monthly Income Portfolios are what truly set these funds apart from traditional balanced funds. For many investors who are living off their accumulated savings, it is essential to mitigate volatility and reduce the risk of a severe drawdown.

1. Put Options
   A ‘put’ strategy limits the downside of an investment relative to the market’s performance by locking in a selling price.

2. Call Options
   To fund the cost of the ‘put’ strategy, ‘calls’ are sold, which sell some of the upside performance to another investor.

Hypothetical market performance

1. Put Options
   Helps to limit the downside

2. Call Options
   Sell some of the upside to compensate for the downside
Income and growth with downside risk mitigation

Mackenzie Monthly Income Portfolios key benefits:

Steady income for the future
- Monthly predictable cash flow
- 4% fixed rate monthly distribution*

Built-in downside protection
- Unlike traditional income funds, these Funds use sophisticated options strategies to mitigate downside risk
- Strategy aims to protect assets against the damaging impact of sequence of returns risk during large market downturns

Ongoing growth while managing risk
- Multi-asset exposure to growth assets provides some growth potential
- Investment sweet spot on the risk/return spectrum

Experienced management team
- Multi-Asset Strategies Team has extensive asset allocation and risk management experience honed at Canada’s largest and most sophisticated pension plans
- They bring decades of experience growing portfolios in a risk-managed way and protecting wealth using a wide variety of assets and strategies

Talk to an advisor about how you can enjoy consistent income and growth with less risk with Mackenzie Monthly Income portfolios.

*The payment of distributions is not guaranteed and may fluctuate. The payment of distributions should not be confused with a fund’s performance, rate of return or yield. If distributions paid by the fund are greater than the performance of the fund, your original investment will shrink. Distributions paid as a result of capital gains realized by a fund, and income and dividends earned by a fund are taxable in your hands in the year they are paid. Your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base goes below zero, you will have to pay capital gains tax on the amount below zero.
MACKENZIE MONTHLY INCOME PORTFOLIOS

THE INVESTMENT TEAM
Mackenzie Asset Allocation Team uses a number of tools that aim to manage risk and grow wealth for investors. The team has both deep pension and retail fund management experience.

PORTFOLIO MANAGER
Alain Bergeron, MSc, CFA, CMT
Senior Vice President, Portfolio Manager, Team Lead
Mackenzie Multi-Asset Strategies Team
Investment experience since 2000

PORTFOLIO MANAGER*
Blair Ireland, MMath, CFA
Vice President, Portfolio Manager
Mackenzie Multi-Asset Strategies Team
Investment experience since 2006

WHY INVEST WITH MACKENZIE?
Mackenzie Investments has the strength and diversity of perspectives to meet your needs and help support you in all markets.

A clear vision:
We’re committed to the financial success of investors, through their eyes.

Strong ownership
Part of IGM Financial and the Power Financial Group of Companies, trusted advice champions with over $843B (CAD) in assets as of December 31, 2017.

Multiple perspectives
Home to 14 distinct investment teams, offering you multiple perspectives on market risks and opportunities.

*Subject to regulatory approval.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The content of this brochure (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it. The Mackenzie Unconstrained Fixed Income Fund is used to fulfill the Absolute Return Strategy component of the Fund. Although the Mackenzie Unconstrained Fixed Income Fund’s objective is to seek a positive total return over a market cycle, you may lose money on your investment. There is no assurance or guarantee the fund will realize a positive return in any given year or over any time period.