



MAKE AN IMPACT WITH YOUR INVESTMENTS:

Q&A WITH PORTFOLIO MANAGERS FOR MACKENZIE GLOBAL LEADERSHIP IMPACT FUND/ETF

Author:



Barbara Browning, CFA
Portfolio Manager
Impax Asset Management LLC

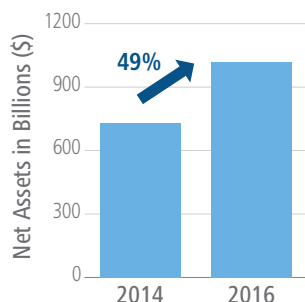


Scott LaBreche, MBA
Portfolio Manager
Impax Asset Management LLC



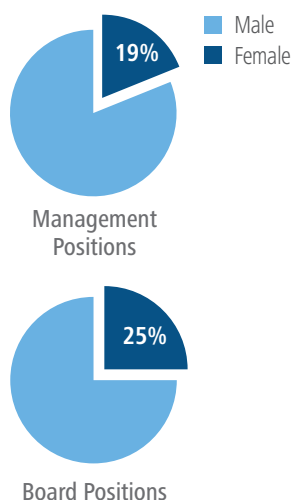
Mary Mathers, MBA, CFA
Senior Investment Director

Growth of SRI Investment Strategies



Trends in the pension and institutional space tend to make their way into the retail market. The growth of Environmental, Social and Governance (ESG) and Sustainable, Responsible and Impact Investing (SRI) have been making substantial inroads into institutional investments. The latest data from the Global Sustainable Investment Alliance (GSIA) estimates the size of the SRI market as of 2016 to be about \$23 Trillion, up 25% from 2014 with Europe accounting for 50%¹. The GSIA is an international collaboration of membership-based sustainable organizations. Impact investing is “a small but vibrant segment of the broader sustainable and responsible investing universe in all the markets studied.”¹ according to the GSIA. In their report, data from the Responsible Investment Association of Canada, revealed that assets employing one or more responsible investment strategies increased from \$729.0 billion to \$1.09 trillion between 2014 and 2016, a stunning 49 percent increase. You can be part of the change.

Gender Equality has a Marathon to Run



1. Why should investors invest in gender diversity?

A robust body of research has established a link between greater gender diversity in leadership and improved company financial performance. This research has indicated that companies with more women in leadership have higher returns on capital, greater innovation, increased productivity and higher employee retention and satisfaction. Despite the evidence about the value of diversity, women still hold only 19 percent of management positions and 25 percent of board positions globally. The strategy for Mackenzie Global Leadership Impact Fund/ETF invests in the highest-rated companies in the world for advancing women’s leadership through gender diversity on their boards and in executive management. The investment case for diversity is well-established, and Impax expects the investment opportunities related to diversity to increase in the years ahead.

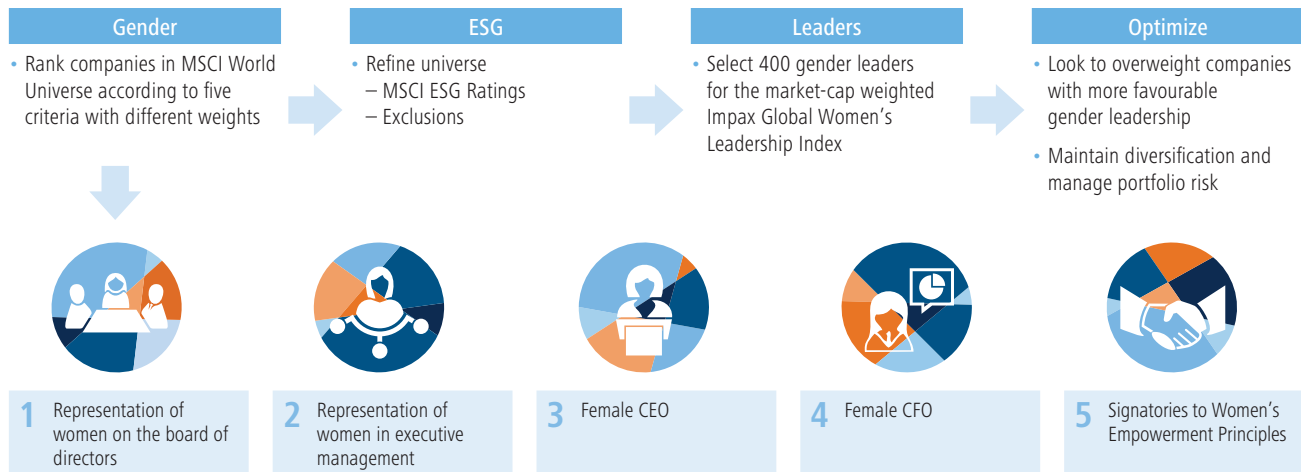
Recently McKinsey, in partnership with LeanIn.org, published the results of its Women in the Workplace 2018 study, which surveyed 64,000 employees and examined data from 279 companies employing more than 13 million people. What it found is, companies are reporting that they are highly committed to gender diversity. But that commitment has not translated into meaningful progress. The proportion of women at every level in corporate America has hardly changed. Progress isn’t just slow, it’s stalled. What does this mean for us? The strategy allows investors to help close the gender gap by investing in companies that value women’s leadership – companies that are part of the solution, rather than part of the problem.

¹ 2016 Global Sustainable Investment Review, http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf

2. How do the Portfolio Managers determine the gender factor and select stocks? What is the differentiator from other funds?

The Impax Gender Score is based on gender leadership criteria, including representation of women on the board of directors, representation of women in executive management, whether the company has a woman Chief Executive Officer (CEO), a woman Chief Financial Officer (CFO), and whether the company is a signatory to the Women's Empowerment Principles. These criteria are given different weights, with representation by women on boards and in management receiving the highest weights.

Designed to capture investment returns associated with gender diversity and women's leadership



The above gender scoring criteria are used to select the approximately 400 companies in the Impax Global Women's Leadership Index that are, in Impax's view, the best companies in the world when it comes to advancing gender diversity and empowering women in the workplace. The index construction process removes ESG laggards, as well as weapons and tobacco companies.

The strategy takes the process a step further, using a factor-based approach to maintain risk characteristics that are similar to those of the market capitalization-weighted Index, while overweighting the portfolio toward companies with the most favorable gender leadership characteristics.

Differentiation

The proprietary Impax Gender Score and its role in portfolio construction, are key points of differentiation relative to peers. The scoring process relies on original research and analysis from the Impax Gender Analytics team. Notably, instead of weighting holdings based on market capitalization like other gender-lens strategies, Impax overweights companies with more favorable gender characteristics.

Making the impact

Another important point of differentiation is Impax's significant shareholder engagement effort. They strive to impact corporate behavior through multiple strategies including proxy voting, company dialogues and shareholder proposals. Impax is a leader in promoting pay equity and greater gender diversity on corporate boards. Their shareholder engagements focus on influencing corporate policies and behavior so that companies are well-positioned to take advantage of the benefits associated with gender diversity.

The strategy outperforms when

- Low beta and defensive sectors stocks are outperforming high beta stocks;
- Mid-cap stocks are outperforming large-cap stocks
- Quality and fundamentals are driving markets

3. What types of returns/outcomes should investors expect?

The strategy seeks to produce better long-term risk-adjusted performance relative to the MSCI World Index and peers, and to do so with greater gender leadership impact.

Depending on the style of a fund, it will perform better or worse than others with different styles under different market conditions. So that investors understand what they are invested in and what to expect we have outlined a few scenarios under which we believe the Mackenzie Global Leadership Impact Fund/ETF should do well:

- **Quality and fundamentals are driving markets**
Due to the strategy's higher quality profile vs. the MSCI World - higher profitability (return on equity), lower stock volatility (beta) and higher dividend yield.
- **Defensive sectors and low beta stocks are outperforming high beta stocks**
Due to the strategy's lower risk profile compared to the MSCI World Index and its peer average.
- **Mid-cap stocks² are outperforming or are performing in-line with large-cap stocks**
Mid-cap and large-cap companies tend to have higher gender leadership rankings over mega-cap companies.

The inverse to the above conditions could lead to periods of relative underperformance for the strategy. For example, it is difficult for the strategy to keep pace with the MSCI World Index in rapidly increasing markets driven by momentum or lower-quality, higher-beta stocks.

4. What sectors of the market/economy do you find gender leaders?

The strategy's gender-diversity focus creates sector and regional tilts versus the benchmark and may impact the relative performance depending upon which sectors and regions are in favor.

For example, the strategy is overweight financials, consumer discretionary, technology, consumer staples and utilities due to higher levels of gender leadership within these sectors. Periods of steady economic growth are favorable for the strategy when consumer discretionary and technology sectors are performing well. Conversely, the strategy is underweight cyclical sectors: energy, materials and industrials compared to the MSCI World Index. Therefore, the strategy tends to perform well when cyclical sectors are out of favor. Also worth noting is the strategy's underweight to health care, which can have an adverse effect on relative performance when that sector performs strongly.

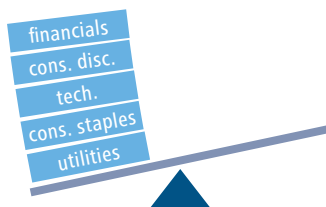
Regionally, there are tilts that result from the gender diversity focus. The strategy has roughly 62% of its assets in U.S. stocks, slightly higher than the MSCI World Index weight of 60%. It also has less than half the exposure to Asia-Pacific stocks of the MSCI World Index, based on no exposure to Japan - as no companies in Japan rank in the top 400 in the World for advancing gender leadership. As a result, if Japan is performing well, that is a headwind for the strategy's relative performance.

Conclusion

Companies that are leaders in gender diversity tend to be high-quality firms. As a result, the strategy has a quality bias toward companies that, in aggregate, have greater return on equity and lower stock beta compared to the MSCI World Index.

Importantly, investors should expect a gender leadership profile that is superior to that of the MSCI World Index. Currently, women hold 38% of the board seats and 31% of senior management positions in the strategy, compared to 25% and 19%, respectively, within the MSCI World Index. In addition, 94% percent of companies in the strategy currently have three or more women on the board and 99% have two or more women on the board, compared with 46% and 71%, respectively, for companies in the MSCI World Index. 33% of companies in the strategy have a woman CEO or CFO, compared with 15% of companies in the MSCI World Index.

Sector Tilts VS. Benchmark



² Mid-cap refers to the market size of the company on the stock exchange. Mid-cap is in the middle of small and large or mega-cap and can typically be around \$2 billion to \$10 billion in market capitalization

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. Mackenzie disclaims any responsibility for any advisor sharing this with investors. The content of this document (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.

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.

This document includes forward-looking information that is based on forecasts of future events as of March 29, 2019. Mackenzie Financial Corporation will not necessarily update the information to reflect changes after that date. Forward-looking statements are not guarantees of future performance and risks and uncertainties often cause actual results to differ materially from forward-looking information or expectations. Some of these risks are changes to or volatility in the economy, politics, securities markets, interest rates, currency exchange rates, business competition, capital markets, technology, laws, or when catastrophic events occur. Do not place undue reliance on forward-looking information. In addition, any statement about companies is not an endorsement or recommendation to buy or sell any security.

