MACKENZIE Investments | CONFIDENCE IN A CHANGING WORLD

IVY THROUGH THE CYCLES

MACKENZIE IVY GLOBAL BALANCED FUND

Paul Musson,
Team Lead, Mackenzie Ivy investment team

Staying the course

Key Takeaways

- Outperformed the Global Equity Balanced Category in all complete market cycles since the Mackenzie Ivy team took over the Fund's management on May 31, 2001
- Achieved outperformance with lower volatility
- Consistently delivered strong absolute returns in bull markets
- Consistently provided strong capital protection in down markets

Markets constantly move in cycles, from panic lows to euphoric highs. Very few investors – if any – can time the market, allowing them to exit at the top and buy again at the bottom. But by not overpaying and holding what the Ivy team believes to be high-quality, market-dominating companies, Mackenzie Ivy Global Balanced Fund has historically been able to capture growth on the way up in the cycle and limit losses on the way down. In the pages that follow, Paul Musson, Team Lead, Mackenzie Ivy Funds, explains how the strategy behind Mackenzie Ivy Global Balanced Fund has generated long-term growth for investors across complete market cycles.

Ivy: An investment strategy for bull and bear markets

Over what time period should you analyze a mutual fund's performance to determine whether or not an active manager has done a good job for investors? When we look at results over longer time horizons, it may help to eliminate elements of randomness in performance numbers, but even five-year measurements can be misleading when used for comparison – and in today's markets even eight-year returns can lead one astray.

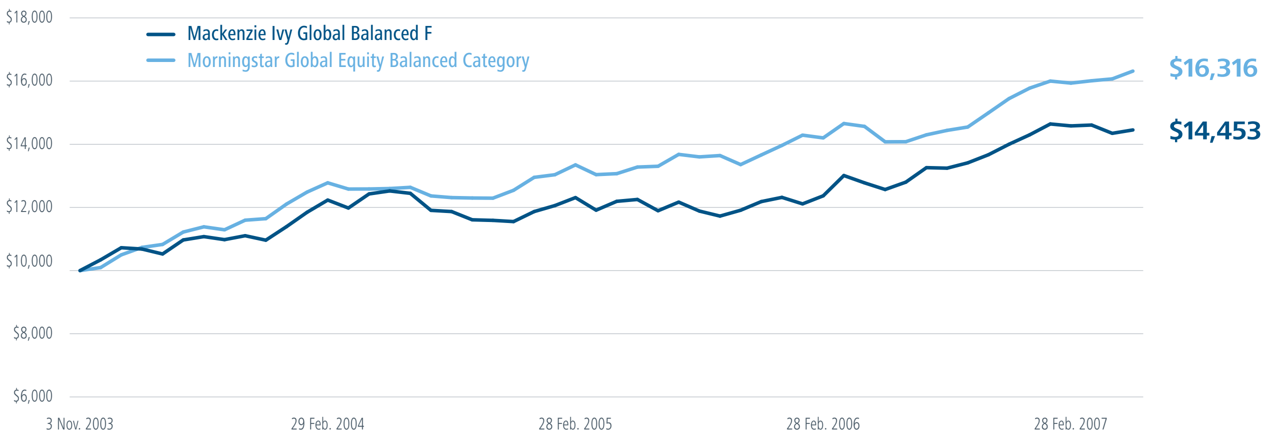
For example, if you were measuring the five-year performance of an equity mutual fund in 1999 or 2007, you might conclude that the portfolio manager was very capable of generating strong absolute returns over a reasonable length of time. But it's possible that the manager did well simply by taking on more risk, which only became apparent when a bull market ended. We believe this was the case during the tech bear market of 2000 and the financial crisis of 2008, when a number of strong returns over the previous years quickly gave way to losses.

To deal with these problems, the Mackenzie Ivy investment team believes you should measure a fund manager's performance across a full market cycle: either from market peak to peak or trough to trough. This will help you more accurately assess a fund manager's capabilities.

As part of this analysis, we will compare the performance of Mackenzie Ivy Global Balanced Fund to the Morningstar Global Equity Balanced Category during up phases and down phases since the Ivy team took over management of the Fund in 2001. It illustrates that in both market cycles since 2001 (note that the first cycle is not a full cycle as Ivy took over the Fund more than a year after the market peaked), the Fund outperformed its benchmark and did so while taking on far less risk as measured by standard deviation, which quantifies volatility of returns.

Steady growth with downside protection

Bull phase – cycle 2 March 11, 2003 to May 11, 2007



Source: Morningstar Direct, March 11, 2003 to May 11, 2007

	Returns	
	Cumulative	Annualized
Mackenzie Ivy Global Balanced Fund – Series F	45.3%	9.4%
Morningstar Global Equity Balanced Category	63.0%	12.4%

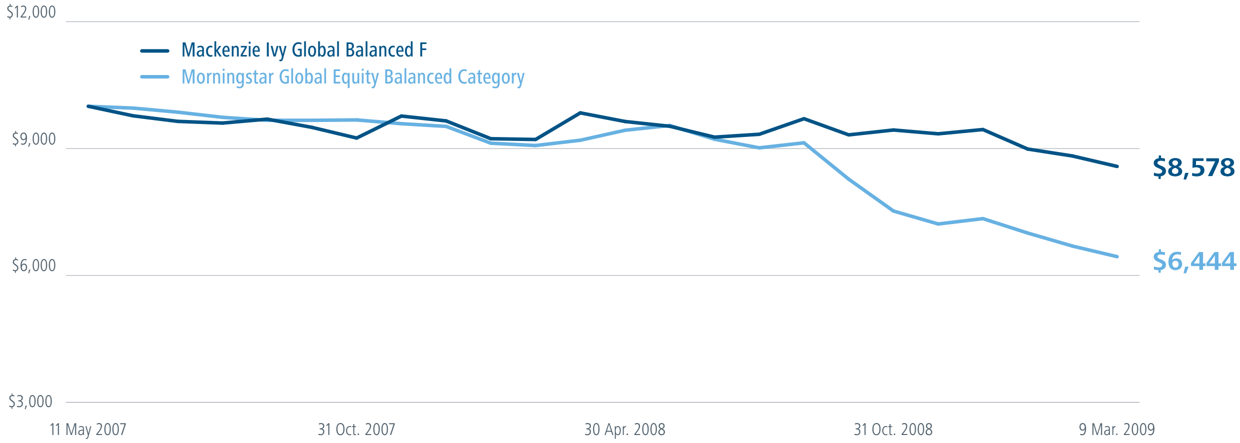
Growing while avoiding risk

As you can see in Chart 1, despite Mackenzie Ivy Global Balanced Fund outperforming through the entire cycle (including both the bull phase and bear phase), the Fund trailed the Morningstar Global Equity Balanced Category for a number of years. We might have been tempted to adjust our portfolio to participate in more of the market's upside. But the Fund's underperformance in the bull market was due to our refusal to take on the added risk of buying companies with high valuations.

We were questioned many times as to why we were not investing in financials or commodity stocks and our response was that we were sticking to our strategy: buying what we believed to be attractively priced, high-quality businesses that few people seemed to care about at the time. The result: the Fund trailed the category for the first four years of its existence while the category compounded at 12.4% per year – and that's not a lot of fun for anyone. However, the Fund still compounded at a reasonable rate of return of 9.4% over that period, which served to get our clients closer to their long-term financial goals.

This is really what makes the style of investing we use at Ivy so difficult, because you can go through prolonged periods of performance that look nothing like that of our peers. As a result, in a steady, slow-growing market, Ivy would be expected to more or less keep pace. However, in bull markets producing strong, double-digit returns, we would expect to underperform the category. But we would also expect to deliver good absolute returns to investors at considerably lower risk – a fact that will become clear in the subsequent period.

Bear phase – cycle 2 May 11, 2007 to March 9, 2009



Source: Morningstar Direct, May 11, 2007 to March 9, 2009

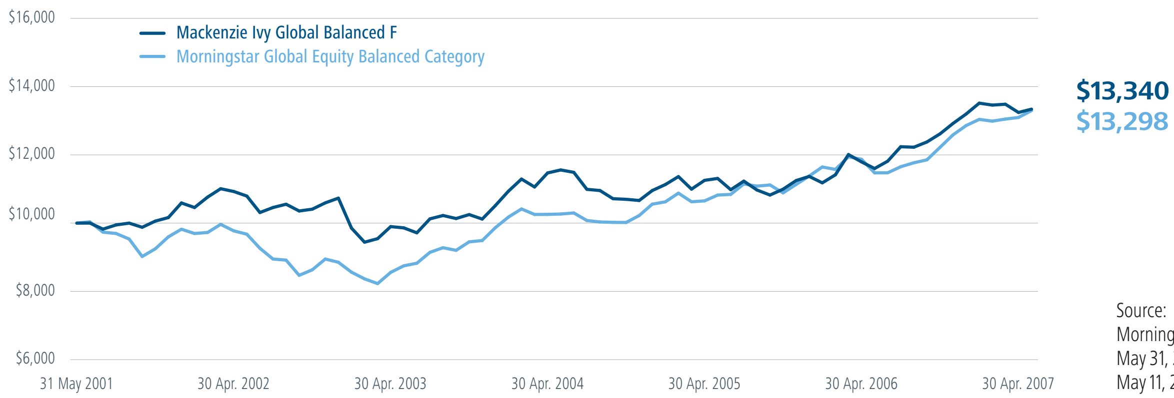
	Returns	
	Cumulative	Annualized
Mackenzie Ivy Global Balanced Fund – Series F	-14.2%	-8.0%
Morningstar Global Equity Balanced Category	-35.6%	-21.3%

Protected on the downside

As the markets were peaking in 2007, many analysts rushed to justify why the then bullish sentiment would continue indefinitely, why stocks were not overvalued, and why this time it would be different. Although stocks can remain overvalued for many years, ultimately stock prices are expected to drift back towards a stock's intrinsic value. Over the ensuing two years the category fell by 36%, while Mackenzie Ivy Global Balanced Fund fell by only 14%.

Since Ivy took over to peak – Cycle 1 May 31, 2001 to May 11, 2007

When the bull and bear phase charts are put together to reflect a full market cycle (cycle 1), you can see that by not fully participating in the market downturn and aiming to protect capital when it mattered most, Mackenzie Ivy Global Balanced Fund was able to keep pace with less downside risk.



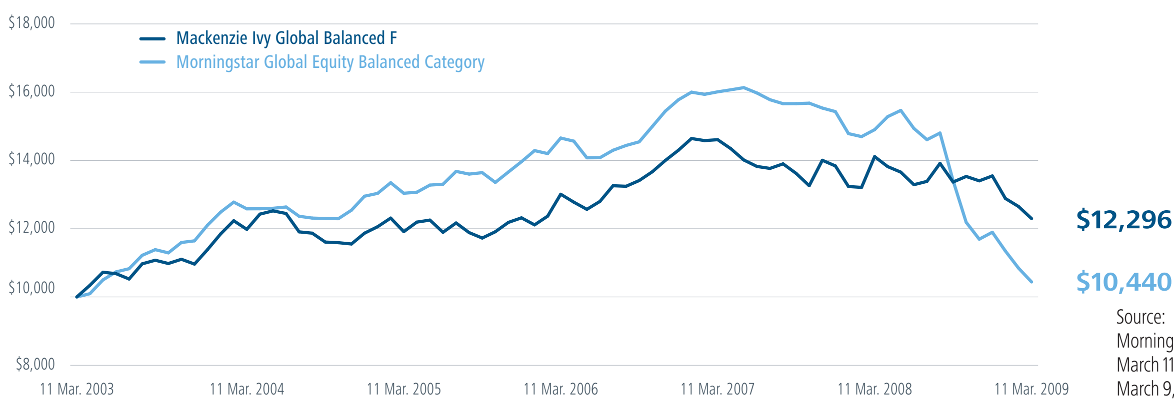
Source: Morningstar Direct, May 31, 2001 to May 11, 2007

	Returns		Standard Deviation
	Cumulative	Annualized	Annualized
Mackenzie Ivy Global Balanced Fund – Series F	33.4%	5.0%	8.4%
Morningstar Global Equity Balanced Category	33.0%	4.9%	7.8%

For those who use standard deviation as a risk measure, this would indicate that Mackenzie Ivy Global Balanced Fund was higher risk, even though it provided better downside protection.

Trough to trough – cycle 2 March 11, 2003 to March 9, 2009

When the bull and bear phase charts are put together to reflect a full market cycle (cycle 2), Mackenzie Ivy Global Balanced Fund outperformed the category by nearly 3% in annualized returns, with 3% less annualized volatility. The Fund has tended to lag in a strong bull market up to the peak (while still generating solid returns), but has also tended to offer downside protection when markets turned negative.

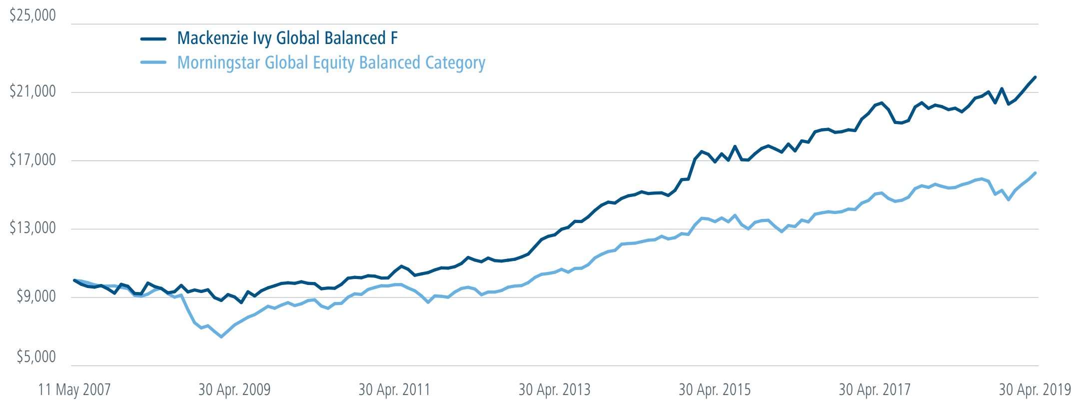


Source: Morningstar Direct, March 11, 2003 to March 9, 2009

	Returns		Standard Deviation
	Cumulative	Annualized	Annualized
Mackenzie Ivy Global Balanced Fund – Series F	23.0%	3.5%	8.7%
Morningstar Global Equity Balanced Category	4.4%	0.7%	9.0%

Peak to current – cycle 3 May 11, 2007 to April 30, 2019

In cycle 3, from the market peak on May 11, 2007 to April 30, 2019, Mackenzie Ivy Global Balanced Fund once again outperformed the category with less volatility – in this case, 5% less annualized volatility.



$21,894

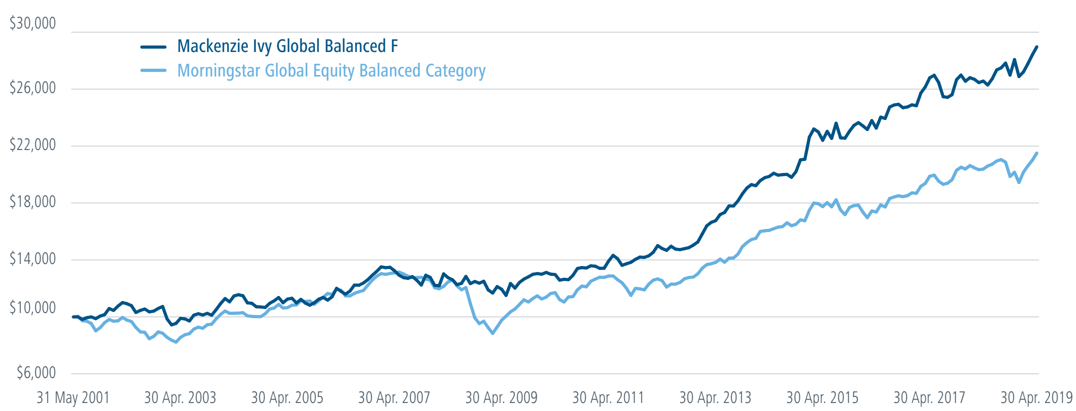
$16,287

Source: Morningstar Direct, May 11, 2007 to April 30, 2019

	Returns		Standard Deviation
	Cumulative	Annualized	Annualized
Mackenzie Ivy Global Balanced Fund – Series F	118.9%	6.8%	7.9%
Morningstar Global Equity Balanced Category	62.9%	4.2%	8.3%

Since Ivy took over to current May 31, 2001 to April 30, 2019

Putting it all together, since the Ivy team took over management of Mackenzie Ivy Global Balanced Fund on May 31, 2001, through to April 30, 2019, the Fund is up 189.7% versus 115.1% for the category.



$28,970

$21,506

Source: Morningstar Direct, May 31, 2001 to April 30, 2019

	Returns		Standard Deviation
	Cumulative	Annualized	Annualized
Mackenzie Ivy Global Balanced Fund – Series F	189.7%	6.1%	8.1%
Morningstar Global Equity Balanced Category	115.1%	4.4%	8.1%

Fund and Category Performance As at April 30, 2019	1 year	3 years	5 years	10 years	15 years	Since Ivy Team Took Over
Mackenzie Ivy Global Balanced Fund – Series F	9.1%	7.6%	7.8%	9.3%	6.4%	6.1%
Morningstar Global Equity Balanced Category	5.6%	7.5%	6.2%	8.4%	5.1%	4.4%
Morningstar Quartile Ranking	1	2	1	1	1	1

Mackenzie Ivy Global Balanced Fund has tended to outperform in bear markets and to underperform in strong bull markets. However, it is during underperformance periods when the Fund generates its best absolute returns and vice versa.

We understand that it is sometimes difficult to stay the course when everyone else seems to be outpacing you. We also understand that it is worrisome to be investing when you're in the middle of a bear market. However, when considering Ivy as a manager for your investments, there are three things to take into account that we believe will help in the decision-making process:

1. Having a long-term view (five years or longer)
2. Knowing how your money is being managed (rigorous due diligence to achieve careful growth)
3. Knowing where your money is being allocated (reasonably priced, high-quality businesses)

We're not sure when the next downturn will arrive, but it certainly will at some point (as will the next bull market). Knowing that downturns are a part of investing helps in portfolio construction and also helps in dealing with the psychology and emotions experienced during those times. Acknowledging this fact enables you to better stay the course and make more appropriate investment decisions during difficult times. It really is about the benefits of carefully managing your investment return expectations.

Successful investing requires outperformance through a full market cycle, and is about both risk and reward. It is therefore necessary to have a long-term mindset and to be patient and disciplined during all market environments. It's not always fun or exciting, and it's definitely not easy. However, we believe that it is the most assured way of generating decent investment returns for our investors over time.

Quartile rankings are from Morningstar Research Inc., an independent research firm, based on the Morningstar Global Equity category, and reflect the performance of the Mackenzie Ivy Global Balanced Fund Series F for the 1-, 3-, 5-, 10-, 15-year periods and since the Ivy team took over (May 31, 2001), all as of April 30, 2019. The quartiles divide the data into four equal regions. Expressed in terms of rank (1, 2, 3 or 4), the quartile rankings compare how a fund has performed relative to other funds in a particular category and are subject to change monthly. The number of Global Equity funds for the Mackenzie Ivy Global Balanced Fund Series F for each period are as follows: one year – 1,245 funds; three years – 921 funds; five years – 573 funds; ten years – 283 funds; fifteen years – 89 funds; since Ivy team took over – 56 funds. Source: Morningstar Direct, May 31, 2001 to April 30, 2019.

Mackenzie Ivy Global Balanced Fund across market cycles

Mackenzie Ivy Global Balanced Fund – Series F

Bull market phases			
Bull Market		Duration (Years)	Compound Annualized Growth Rate
Start Date	End Date		
03/11/2003	5/11/2007	4	9.4%
03/09/2009	4/30/2019	10	9.7%

Bear market phases			
Bear Market		Duration (Years)	Compound Annualized Growth Rate
Start Date	End Date		
05/11/2007	3/9/2009	2	-8.0%

Mackenzie Ivy Global Balanced Fund – Series F vs. Morningstar Global Equity Balanced Category

Cycle	Type	Start Date	End Date	Duration (Years)	Fund	Peer Group	Cumulative Outperformance vs. Peers
1	Since Ivy took over to peak	5/31/2001	5/11/2007	6	33%	33%	0%
2	Trough to trough	3/11/2003	3/9/2009	6	23%	4%	19%
3	Peak to current	5/11/2017	4/30/2019	12	119%	63%	56%
ALL	**Since Ivy took over to current**	**5/31/2001**	4/30/2019	**18**	**190%**	**115%**	**75%**

Delivered Outperformance with Less Volatility[1]

Standard Deviations							
Cycle	Type	Start Date	End Date	Duration (Years)	Fund	Peer Group	Percentage Difference
1	Since Ivy took over to peak	5/31/2001	5/11/2007	6	8.4%	7.8%	7%
2	Trough to trough	3/11/2003	3/9/2009	6	8.7%	9.0%	-3%
3	Peak to current	5/11/2007	4/30/2019	12	8.0%	8.5%	-5%
ALL	**Since Ivy took over to current**	**5/31/2001**	**4/30/2019**	**18**	**8.1%**	**8.2%**	**-1%**

[1]Source: Morningstar Direct. [2]Source: Morningstar Direct. Standard deviation is a measure of historical risk; future risk may be different.

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