MACKENZIE Investments | CONFIDENCE IN A CHANGING WORLD

IVY THROUGH THE CYCLES

MACKENZIE IVY FOREIGN EQUITY FUND

Paul Musson,
Team Lead, Mackenzie Ivy investment team

Staying the course

Key Takeaways

- Mackenzie Ivy Foreign Equity Fund outperformed the benchmark in all 4 market cycles since the Fund's launch 25 years ago[1]
- Outperformed, yet took 25% less risk[2]
- 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 Foreign Equity 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 Foreign Equity 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 eliminate elements of randomness in performance numbers, but even five-year measurements can be misleading when used for comparison.

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 becomes apparent when a bull market ends. We believe this was the case during the tech bear market of 2000 and the financial crisis of 2008 when strong returns over the previous years quickly gave way to losses.

In order 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. Only in this way can you accurately assess how the fund manager performed for investors.

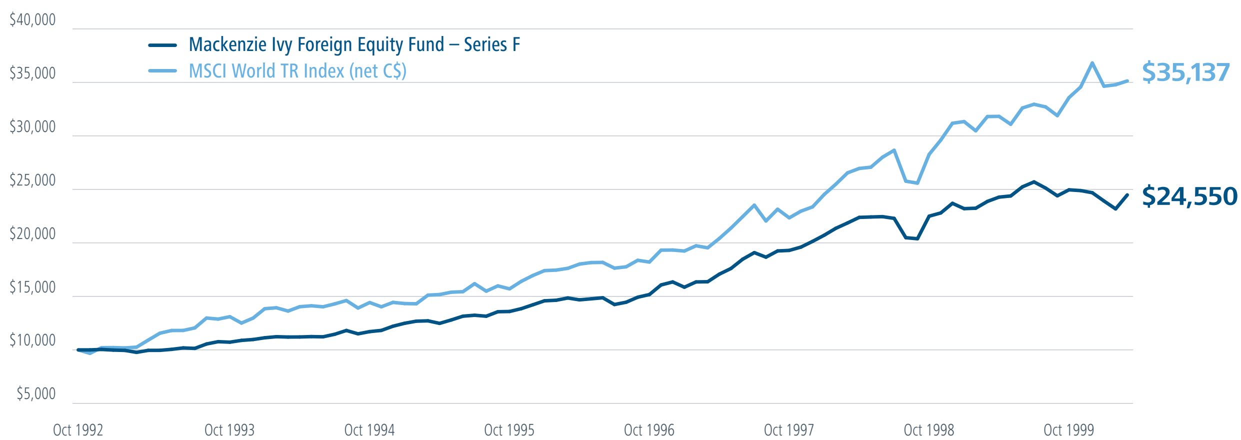
As part of this analysis, in the following pages we will compare the performance of Mackenzie Ivy Foreign Equity Fund to the MSCI World Total Return Index during up-phases and down-phases since the Fund's inception in 1992. It illustrates that in all four market cycles since 1992, the Fund has outperformed its benchmark and did so while taking on far less risk as measured by standard deviation which quantifies volatility of returns.

[1]Inception date of Mackenzie Ivy Foreign Equity Fund – Series A: October 16, 1992.

[2]Source: Morningstar Direct. As measured by standard deviation of Mackenzie Ivy Foreign Equity Fund – Series A vs. MSCI World TR Index from October 16, 1992 to April 30, 2019.

Steady growth with downside protection

Bull phase – Cycle 1 Ivy grows at 13% vs. 18% for Index – Oct. 16, 1992 (inception) to March 24, 2000



Note: Mackenzie Ivy Foreign Equity series A started in October 1992 and series F began in December 1999; as such, for the time period before December 1999, we are relying on series A returns data to evaluate performance. Source: Morningstar Direct, October 16, 1992 to March 24, 2000.

	Returns	
	Cumulative	Annualized
Mackenzie Ivy Foreign Equity Fund – Series F	145.5%	12.8%
MSCI World TR Index (net C$)	251.4%	18.4%

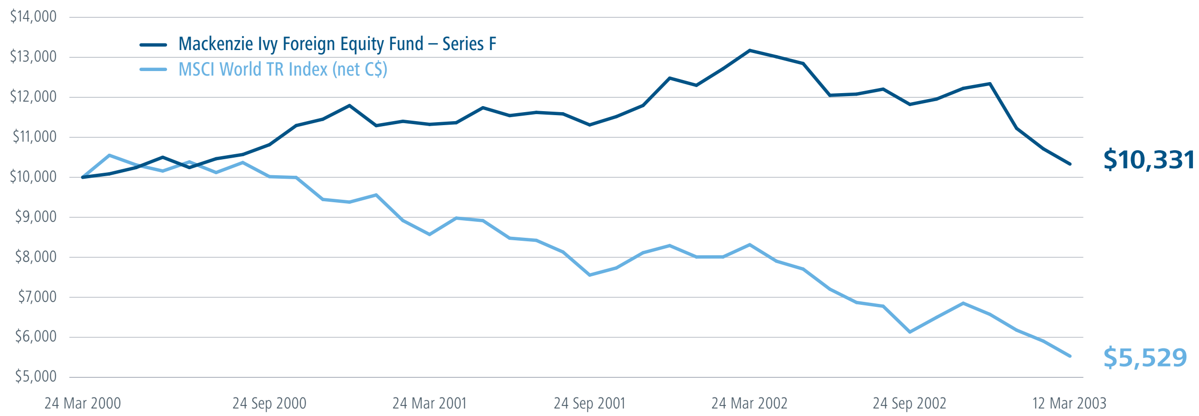
Growing while avoiding risk

As you can see in the above chart, despite periods where Mackenzie Ivy Foreign Equity Fund outperformed, the Fund trailed the MSCI World TR Index (net $C) for a number of years. We might have been tempted to adjust our portfolio in order to participate in more of the market's upside. But the Fund's underperformance in the bull market, particularly in its final few years, was due to our unwillingness to take on the added risk of buying companies with high valuations.

While many fund managers at the time were investing in richly-valued Technology, Media & Telecom (TMT) stocks, 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 index for the first seven years of its existence while the Index compounded at 18% per year – and that's not a lot of fun for anyone. However, the Fund still compounded at 13% per year over that period, which was a very attractive double-digit return.

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 the benchmark. As a result, in a steady, slow-growing market Ivy would be expected to outperform. However, in bull markets producing strong, double-digit returns we would expect to underperform the Index. 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 charts.

Bear phase – Cycle 1 Ivy gains 1% while Index falls 45% – March 24, 2000 to March 12, 2003



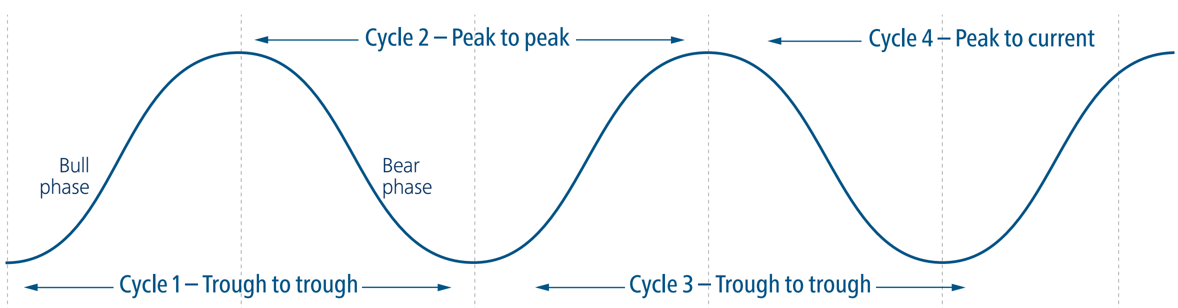
Source: Morningstar Direct, March 24, 2000 to March 12, 2003.

	Returns	
	Cumulative	Annualized
Mackenzie Ivy Foreign Equity Fund Fund – Series F	3.3%	1.1%
MSCI World TR Index (net $C)	-44.7%	-18.1%

Protected on the downside

As the markets were peaking in 2000, 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 their intrinsic value. And over the ensuing three years the Index fell by 45%, while Mackenzie Ivy Foreign Equity Fund remained flat.

A guide to market cycles

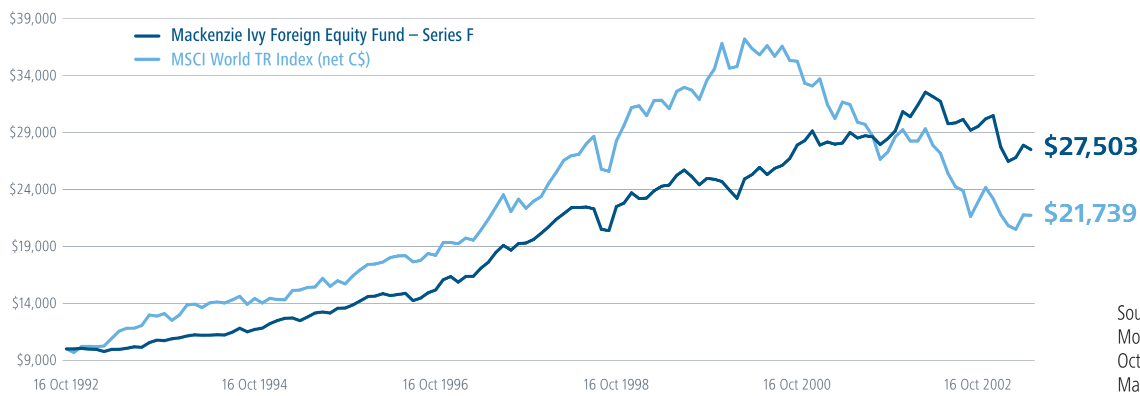


Source: Mackenzie Investments. Graph is conceptual – for illustrative purposes only.

Outperformed across complete market cycles

Cycle 1 – Trough to trough October 16, 1992 (Inception) to March 12, 2003

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 Foreign Equity Fund quickly made up lost ground. In fact, from inception on October 16, 1992, to the market trough in March 12, 2003, the Fund was up a cumulative 155% versus the Index which was up 95%. That equates to an outperformance of 2.8% annualized, generated with 30% less volatility (as measured by standard deviation) than the Index.



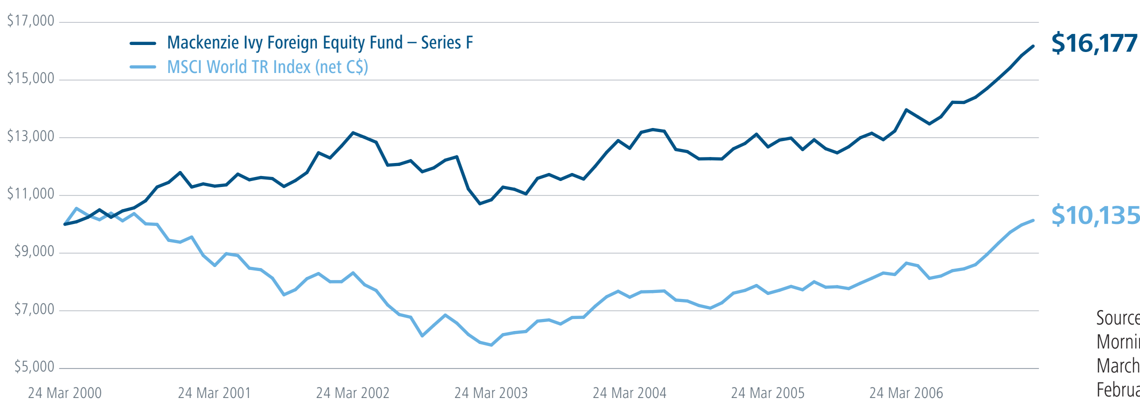
Source: Morningstar Direct, October 16, 1992 to May 12, 2003.

Note: Mackenzie Ivy Foreign Equity series A started in October 1992 and series F began in December 1999; as such, for the time period before December 1999, we are relying on series A returns data to evaluate performance.

	Returns		Standard Deviation
	Cumulative	Annualized	Annualized
Mackenzie Ivy Foreign Equity Fund – Series F	155.2%	9.4%	9.4%
MSCI World TR Index (net C$)	94.7%	6.6%	13.4%

Cycle 2 – Peak to peak March 24, 2000 to February 20, 2007

In Cycle 2, from the market peak on March 24, 2000, to the next peak in February 20, 2007, Mackenzie Ivy Foreign Equity Fund gained 62% while the Index was up a mere 1%. The Fund's downside protection coming out of the TMT bubble in 2000 is largely responsible for the significant outperformance through this cycle producing a 7% annualized return and with 23% less volatility, as measured by standard deviation, than the Index.

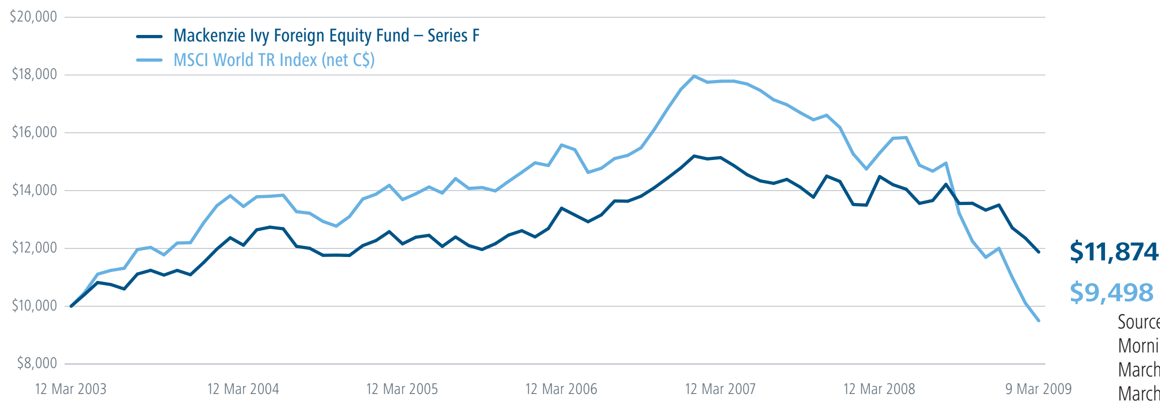


Source: Morningstar Direct, March 24, 2000 to February 20, 2007.

	Returns		Standard Deviation
	Cumulative	Annualized	Annualized
Mackenzie Ivy Foreign Equity Fund – Series F	61.8%	7.2%	9.7%
MSCI World TR Index (net C$)	1.4%	0.2%	12.5%

Cycle 3 – Trough to trough March 12, 2003 to March 9, 2009

In Cycle 3 from March 12, 2003, to March 9, 2009, Mackenzie Ivy Foreign Equity Fund once again outperformed the Index by nearly 4% annualized, with 22% less volatility. The Fund has tended to lag in a strong bull market up to the peak (while still generating solid returns), but also tended to offer downside protection when markets turned negative.

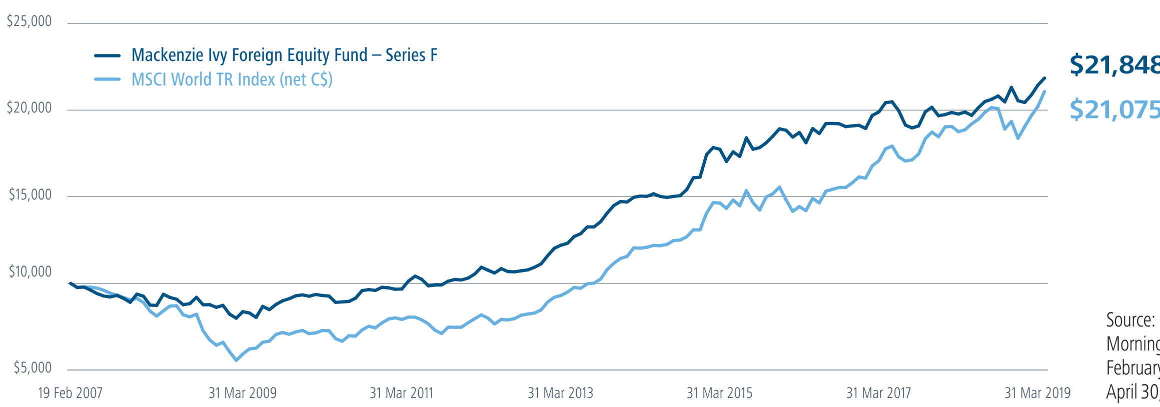


Source: Morningstar Direct, March 12, 2003 to March 9, 2009.

	Returns		Standard Deviation
	Cumulative	Annualized	Annualized
Mackenzie Ivy Foreign Equity Fund – Series F	18.7%	2.9%	9.5%
MSCI World TR Index (net C$)	-5.0%	-0.9%	12.2%

Cycle 4 – Peak to current February 20, 2007 to April 30, 2019

In Cycle 4, from the market peak in February 20, 2007 to April 30, 2019, Mackenzie Ivy Foreign Equity Fund once again outperformed the Index with considerably less volatility. In this case, 23% less than the Index.



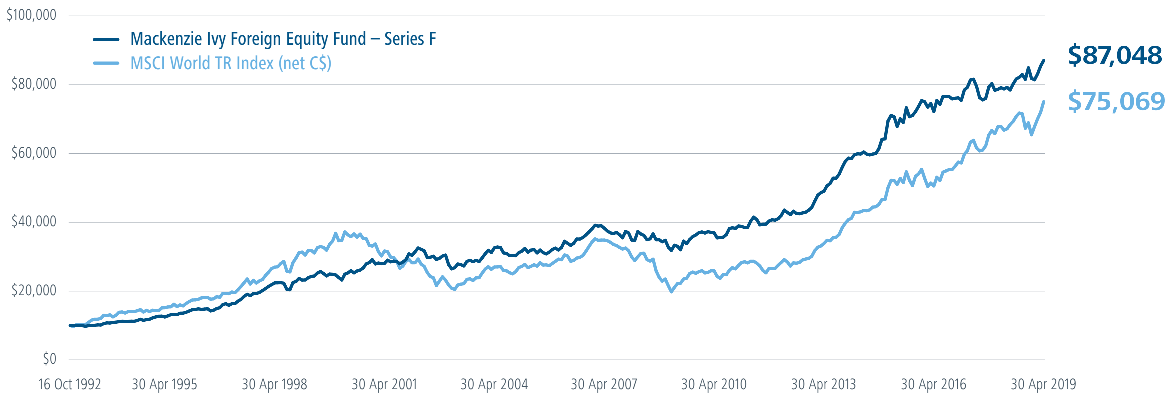
Source: Morningstar Direct, February 20, 2007 to April 30, 2019

	Returns		Standard Deviation
	Cumulative	Annualized	Annualized
Mackenzie Ivy Foreign Equity Fund – Series F	118.5%	6.6%	8.7%
MSCI World TR Index (net C$)	110.8%	6.3%	11.3%

Putting it all together: performance since inception

Putting it all together, since Mackenzie Ivy Foreign Equity Fund's inception on October 16, 1992, through to April 30, 2019, the Fund is up 770.5% versus 650.7% for the Index. What's more, the Fund achieved this outperformance while taking on significantly less risk as measured by standard deviation: 8.9% for the Fund versus 11.9% for the Index, or 25% less risk.

Full period October 16, 1992 to April 30, 2019



Note: Mackenzie Ivy Foreign Equity series A started in October 1992 and series F began in December 1999; as such, for the time period before December 1999, we are relying on series A returns data to evaluate performance. Source: Morningstar Direct, October 16, 1992 to April 30, 2019

Fund and Benchmark Performance As at April 30, 2019	1 year	3 years	5 years	10 years	15 years	20 years	Since Inception[1]
Mackenzie Ivy Foreign Equity Fund (F)	9.9%	6.4%	7.8%	10.2%	6.8%	6.6%	8.5%
MSCI World Total Return (net C$)	11.7%	14.1%	11.8%	13.0%	7.1%	4.4%	7.9%
Morningstar Quartile ranking[2]	2	4	3	3	1	1	1

[1]Mackenzie Ivy Foreign Equity series A started in October 1992 and series F began in December 1999; as such, for the time period before December 1999, we are relying on series A returns data to evaluate performance.

[2]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 Foreign Equity Fund Series F for the 1-, 3-, 5-, 10-, 15- and 20-year periods and since inception (October 16, 1992), 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 Foreign Equity Fund Series F for each period are as follows: one year – 2,111 funds; three years – 1,303 funds; five years – 913 funds; ten years – 445 funds; fifteen years – 185 funds; twenty years – 69 funds; since inception – 26 funds. Source: Morningstar Direct, October 16, 1992 to April 30, 2019.

Mackenzie Ivy Foreign Equity Fund has tended to outperform in bear markets and to underperform in strong bull markets. However, it is during these periods of relative underperformance that the Fund has generated its best absolute returns.

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 an investment 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. 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 definitely not easy. However, we believe that it is the most assured way of generating decent investment returns for our investors over time.

Paul Musson, CFA
Senior Vice President, Investment Management, is lead of the Mackenzie Ivy Team. Paul's career in the investment industry began in 1992. He has been with Mackenzie Investments since 2000. Prior to joining Mackenzie Investments, Paul worked within the corporate and investment banking arm of a large Canadian bank for four years in the institutional sales area, with a focus on international equities. Paul has a BComm (Finance) from Concordia University. He is also a CFA charterholder.

Matt Moody, MBA, CFA
Vice President, Investment Management, is a Portfolio Manager on the Mackenzie Ivy Team. Matt is primarily responsible for researching and selecting European companies. Matt's career in the investment industry began in 1999. He has been with Mackenzie Investments since 2005. Prior to joining Mackenzie Investments, Matt spent four years at a competitor firm in various investment research and analyst roles. Matt has a BBA from Acadia University and an International MBA from the Schulich School of Business at York University. He is also a CFA charterholder.

Robert McKee, MSc, MBA, CFA
Vice President, Investment Management, is a Portfolio Manager on the Mackenzie Ivy Team. His principal research focus is on U.S. companies. Robert's career in the investment industry began in 2007. He joined Mackenzie Investments in 2011. Before joining Mackenzie Investments, Robert worked as an Associate Analyst at a Canadian bank and, prior to that, he was with an investment banking firm. At both firms, he covered companies in the merchandising and consumer products area. He also worked for three years at a U.K. underwriting syndicate, where he was a member of the portfolio management committee. Robert has a BA from the University of Western Ontario, an MSc (International Political Economy) from the London School of Economics, as well as an MBA (Finance) from the Rotman School at the University of Toronto. He is also a CFA charterholder.

Hussein Sunderji, MBA, CFA
Vice President, Investment Management, is a Portfolio Manager on the Mackenzie Ivy Team. His principal research focus is on Far East companies. Hussein's career in the investment industry began in 2007. He joined Mackenzie in 2013. Prior to joining Mackenzie, Hussein spent two years as an Investment Analyst at a North American investment management firm, where he conducted fundamental equity research to support the firm's high-net-worth and retail investment mandates. Hussein also worked for four years as an Equity Research Associate at two Canadian bank-owned investment dealers, covering the retail, consumer products and technology sectors. Hussein has a BSc (Hons., Computer Science) and an MBA from the University of Toronto. He is also a CFA charterholder.

Mackenzie Ivy Foreign Equity Fund across market cycles

Mackenzie Ivy Foreign Equity Fund – Series F

Bull market phases[1]			
Bull Market		Duration (Years)	Compound Annualized Growth Rate
Start Date	End Date		
10/16/1992	2000-03-24	7	12.8%
03/12/2003	2007-02-20	4	11.8%
03/09/2009	2019-04-30	10	10.9%

Bear market phases[1]			
Bear Market		Duration (Years)	Compound Annualized Growth Rate
Start Date	End Date		
03/24/2000	03/12/2003	3	1.1%
02/20/2007	03/09/2009	2	-12.1%

Mackenzie Ivy Foreign Equity Fund – Series F vs. MSCI World Total Return Index[1]

Period					Cumulative Return		
Cycle	Type	Start Date	End Date	Duration (years)	Fund	Index	Cumulative Outperformance vs. Index
1	Trough to trough	1992-10-16	2003-03-12	10	155%	95%	60%
2	Peak to peak	2000-03-24	2007-02-20	7	62%	1%	60%
3	Trough to trough	2003-03-12	2009-03-09	6	19%	-5%	24%
4	Peak to peak (current)	2007-02-20	2019-04-30	12	118%	111%	8%
All	**Inception to current**	**1992-10-16**	**2019-04-30**	**27**	**770%**	**650%**	**121%**

Delivered outperformance with less volatility[1]

Standard Deviations[2]			
Cycle	Mackenzie Ivy Foreign Equity Fund – Series F	MSCI World Total Return	Percentage Difference
1	9.4%	13.4%	-30%
2	9.7%	12.5%	-23%
3	9.5%	12.2%	-22%
4	8.7%	11.3%	-23%
All	**8.9%**	**11.9%**	**-25%**

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