



### Performance Highlights

- The Fund outperformed the benchmark in **September** due to the outperformance of its equity sleeve
- The Fund **marginally outperformed the benchmark during the quarter** with both its equity and fixed income sleeves recording small beats

### Fixed income & currency

- CAD lost just over 2% against the USD in September, further it was weak against many of the major currencies as a risk-off tone dominated during the month.
- However, CAD appreciated 1.9% against the USD during the third quarter. In contrast, broadly speaking, the CAD was weak against European currencies and strong against most EM currencies.
- As the Fund has a 28% exposure to the USD, the appreciation of CAD against the USD over the quarter was a headwind to performance. USD weakness has been broad-based and we continue to favour selling USD into any strength and consider a long JPY position as a good hedge against US election risk.
- The Fund's most significant active fixed income positions relative to its benchmark are as follows:
  1. Regional duration split – the Fund is significantly overweight duration in Canada and the US (combined they contributed 5.7 years to the Fund's overall duration, include Australia and that jumps to 6.3 years). The Fund is significantly underweight duration to Europe (which contributed -0.55 years of duration) and Japan. We continue to focus on Canada, the US and Australia as they have positive yields
  2. Inflation Linked Bonds – we retained our overweight exposure in September. However, during the quarter, we trimmed our position in US inflation linked bonds
  3. Allocation to risky assets emerging markets, high yield bonds and loans

Portfolio Information	
Equity	54.4%
Fixed Income	37.0%
Cash	8.5%
Portfolio Yield	2.3%

Equity Statistics	
Dividend Yield	2.2%
Regional Exposure	
US	50.0%
Europe	34.6%
Japan	5.5%
Emerging Markets	8.7%

Fixed Income Statistics	
Fixed Income Yield	3.0%
Average Credit Quality	A
Duration	6.8
Credit Exposure	
Investment Grade	82.5%
High Yield (BB to B)	14.8%
High Yield (CCC & lower)	2.8%
Regional Exposure	
Canada	23.2%
US	30.3%
Europe	5.4%
Emerging Markets	26.1%

Major currency exposures	Gross currency exposure	Net exposure after hedging
CAD	11.3%	39.0%
USD	43.3%	28.3%
CNY	4.3%	4.3%
EUR	10.6%	9.4%

- Contributors to performance in September included loans and Chinese assets
- Detractors from performance in September included high yield bonds, inflation linked bonds, certain EM asset exposures
- There were no significant changes to the portfolio in September, but we did add a small exposure to Sweden and added to our holdings in EM hard currency debt in Mexico, Brazil and Argentina. The duration of the fund fell by about 0.5 years in September and is now 1.4 years shorter than at the end of April. The Fund is also currently about 0.5 years short of the benchmark's duration
- Our overweight to China (position is 9.8% of the fixed income portfolio) deserves some explanation given on going US-China tensions. We are following the situation closely and we believe the escalation of tensions is a lot of noise – a last minute push to gain votes, which should cool down after elections. The logic for us to stay in the trade is as follows:

- China has the highest yielding 10yr bond that shows anti-fragility (that's, it rallies when there is a risk-off event). The yield on Chinese 10YR bonds is currently close to 3%
- Underinvestment by global asset managers
- Open FX not vs. USD but against CAD. If tensions were to escalate, we believe CAD will suffer more relative to CNY
- Structurally – every region needs an anchor (Germany for Europe, US for North America) & China should be the one for Asia; this does not only underpin the value of bonds, but also the currency
- The incentives for China are aligned with stability – ultimately, the biggest prize in financial markets is to be the reserve currency – for that, China is likely to refrain from shocking the markets. And finally, there is still ample room to cut rates in China – unlike many other regions in the world

## Equity

- In September, the MSCI World fell 1.4% while over the quarter it gained 5.9%
- In September, security selection in information technology, financials and consumer discretionary contributed the most to performance. Banks, to which the Fund is under exposed, were generally weak during the month. Within financials, the largest contributors to performance were Aon Plc and Japan Exchange Group, Inc. Helping performance from the info tech sector was Taiwan Semiconductor Manufacturing Co., Ltd., Keyence Corporation and Broadcom. Also helping was an underweight to Apple Inc. In consumer discretionary holdings in Nike, Inc. and McDonalds were helpful to performance as was not owning TSLA or Amazon. Security selection in consumer staples and industrials detracted the most from performance. In consumer staples, it seemed that people were leaving the “party” as a number of alcohol and tobacco stocks pulled back. In industrials, it was Safran S.A. (a French multinational aircraft engine, rocket engine, aerospace-component and defense company) that came under pressure.
- For the quarter, the Fund benefited from strong security selection in financials and materials. In financials, most of the exchanges held in the Fund did well as did Aon Plc. In materials, all holdings contributed to positively to performance but most of the lift can be attributed to Sika AG and Air Liquide SA. For the quarter, security selection in consumer staples and industrials detracted the most. The Fund was overweight both sectors and overall, the securities selected did not perform as well as the benchmark, but they did provide positive absolute returns. In industrials, it was the Fund's ownership in Equifax which was the biggest detractor.

## Asset allocation

- The Fund's neutral asset allocation is 52.5% equities and 47.5% fixed income (including cash). The Fund is overweight equities largely due to the relative outperformance of equities against the Fund's fixed income holdings.
- It is important to note that the Fund's cash weight is not as high as stated. This is because the Fund owns US interest rate futures on the long side (therefore we need to hold cash so that we are not leveraged)
- It is expected that the Fund will remain somewhat overweight equities over the near term but over the long term, it will move back to its neutral allocation.

## Performance – relative to the Global Neutral Balance Peer Group

- The Fund (F-series units) was in the first quartile in September, but over the last 3 months the performance was more middling
- The Fund (F-series units) was in the first quartile on a YTD and on a 1,3 and 5-year trailing return basis.
- The Fund continues to be a lower VOL offering relative to peers, this is an aspect that makes the Fund attractive for investors with a lower risk tolerance

Performance as of September 30, 2020	1 Mo	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
Mackenzie Global Strategic Income Fund – F	0.1%	3.7%	10.8%	7.3%	7.6%	8.2%
52.5% MSCI World Total Return Index +47.5% ICE BofAML Global Broad Market Hedged Index	-0.5%	3.5%	8.1%	7.7%	7.5%	8.5%

\*Since inception. Inception date: November 24, 2006

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The rate of return is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual fund or returns on investment in the mutual fund.

On April 30, 2014 the Fund changed its mandate from investing primarily in securities of other mutual funds that invest in Canadian and foreign equity and fixed income securities and/or income trusts to investing primarily in fixed-income and/or income-oriented equity securities of issuers anywhere in the world. The past performance before this date was achieved under the previous objectives.