

Market Review

US Mid Cap equities continued their comeback in Q3. The Russell 2500 index increased over 5.5% in US Dollars (a little over 3% in Canadian Dollars). Continued interventions by central banks including the US Fed plus fiscal stimulus from governments probably contributed.

Outlook & Strategy

What are the key opportunities you see?

- The future is uncertain, but there may be increased investments in communications and Cloud infrastructure, regional supply chains in many industries, pharmaceutical and medical technology research, the Internet of Things, automation and robotics, virtual reality, and online services and commerce. We will be looking for ways to participate in these opportunities as equity markets evolve.
- We believe companies will seek to improve productivity and may invest in new technology and services that can help them get work done more efficiently. In particular, the use of data to understand trends should only become more important over time. We think several of our companies can assist in this effort.
- We also see the need for companies across the economy to engage in digital transformation to improve service to customers and to become more agile and secure in their operations. This trend is driving spending and investment in technology products and services.
- We continue to maintain an overweight in the Technology, Industrial and Health Care sectors. We believe that the secular growth available in those sectors will serve us well. We have added some cyclical exposure to our mandates, since there should be an eventual rebound in global economies and many cyclical company shares do not reflect this potential.

What are key risks that need to be managed?

- We believe that the US economy, like many others, already faced structural challenges in the form of high debt levels and slow growth in the working age population. Faced with a potential deep recession, consumers are lowering spending and may increase their savings rates in the future. With that macro-economic backdrop, we believe that in the long term the world may continue to proceed in a lower growth environment compared to history.
- While we do not attempt to forecast near-term economic growth, the high levels of stimulus supplied by governments around the world should ultimately provide some support for the global economy once the current health care crisis subsides. This outcome is as always uncertain.

How are you positioning portfolios in response to this outlook?

- What we aim to do is to know as many great businesses as we can, and learn what they might be worth. When markets offer us attractive share prices for these businesses, we become buyers.
- We focus most of our attention on owning innovative secular growth businesses. These types of companies offer products and services that make the world better, cheaper, and faster – enabling them to grow at a faster pace than the overall economy. We see this as a more “all weather” approach – our companies can do well in a rising economy, but also perform relatively better in a difficult economy.
- We focus mainly on free cash flow as a metric for company valuations. This measure has become even more important in recent years, as companies have moved increasingly to present earnings in an “adjusted” fashion, which may obscure reality. In our view, accounting risk has risen and we believe securities regulators are becoming increasingly concerned with these “adjusted” disclosures based on recent guidance.

PORTFOLIO MANAGEMENT TEAM:

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Fund and Benchmark Performance as at: September 30, 2020	1 year	3 years	5 years	10 years
Mackenzie US Mid Cap Growth Class – Series F	-0.6%	11.2%	11.5%	13.9%
Russell Mid Cap TR Index (\$CDN)	3.1%	6.8%	8.9%	13.8%
Mackenzie US Mid Cap Growth Currency Neutral Class – Series F	-5.4%	6.8%	10.2%	10.9%
Russell Mid Cap TR Hedged Index (\$CDN)	-0.6%	2.5%	7.5%	10.1%