Mackenzie Ivy Canadian Fund – Series F
Q3-2020 COMMENTARY

Performance Summary

- In Q3 2020, Mackenzie Ivy Canadian Fund returned 4.8%, vs. 5.2% for the blended benchmark (60% S&P/TSX Composite Index, 30% S&P 500 Index and 10% MSCI EAFE (Net) Index).

Contributors to Performance

- At a sector level, the Fund's underweight exposure and stock selection in Energy, as well as stock selection in Health Care and Communication Services, contributed positively to relative performance during the quarter.
- At the geographic level, stock selection in Canada and the United Kingdom contributed to relative performance.
- At a security level, the largest contributors to performance were **Dollarama Inc., CCL Industries Inc.,** and **Canadian National Railway Company.**
- **Dollarama** is one of our largest holdings in Ivy Canadian. The significant disruption in the retail real estate market is presenting opportunities for strong retailers like Dollarama to continue to grow their store counts with the addition of convenient locations at attractive rents. We expect revenue growth to be supported by a steady pace of new store additions for the remainder of the year. Throughout the pandemic, Dollarama's resilience has been on display, with y/y revenue growth in both quarters despite the backdrop of significant declines in retail consumption. The majority of its stores have remained open throughout the pandemic as a result of its designation as an essential business and Q2 actually saw a boost from the pandemic, with material growth in summer seasonal and household cleaning products. Although we expect momentum to wane a bit in the near-term as a result of weaker Halloween sales, we expect that Dollarama's strong value proposition of value products and convenience will continue to resonate with customers, particularly in times of uncertainty.

Detractors from Performance

- At a sector level, stock selection in Information Technology, Utilities, and Financials, as well as an underweight exposure to Industrials detracted from relative performance.
- The Fund's cash allocation also detracted from relative performance as the benchmark continued its strong rebound during the quarter.
- At the geographic level, stock selection in the United States and Switzerland detracted from relative performance.
- At a security level, the largest detractors from performance were **Pembina Pipeline Corporation, Roche Holding AG,** and **Seven & I Holdings Co. Ltd.**
- **Seven & I Holdings'** Q2 F2021 results, reported in mid-July, were better than expected, however management offered a conservative outlook. The bigger news was the announcement that Seven & I has agreed to acquire Speedway, a leading fuel and c-store retailer in the US, for $21 billion USD. This will be the largest acquisition in Seven & I's history, and while the valuation being paid for Speedway is somewhat rich, we believe the strategic rationale is very sound, and the long-term financial benefits are compelling. Seven & I's US management is also strong and has experience integrating several acquisitions over the last few years. While the market's initial reaction to the deal was negative given the size, we believe sentiment should improve as Seven & I delivers on the Speedway integration plan and the market gains greater appreciation for Seven & I's improving growth and business profile.

Portfolio Activity

- The Fund's exposure to Industrials and Materials increased, while exposure to Energy decreased. Allocation to Cash also decreased.
- Our position in **Rogers Communications Inc.** was eliminated.

Outlook

- The next few months have the potential to be quite volatile and we wouldn't be surprised if the market was up or down significantly. More stimulus or approval of vaccines could easily drive the markets much higher, the election will likely add volatility in both directions, while rising COVID-19 cases or a lack of stimulus could send the markets much lower. And of course, there is always something out there that we cannot predict.
- The point is that in the best of times the future is impossible to predict with confidence, but these are highly uncertain times. We believe the best strategy to address uncertainty is investing in high quality businesses with long-growth runways that that can adapt to changing market conditions.
- We have no idea what will happen to near-term valuation multiples, but we have confidence that the businesses that we are invested in will be able to navigate a broad spectrum of scenarios while continuing to advance their businesses. While we are focused on long-term returns, we expect our fund to hold up well in the event of a material near-term pull-back.

PORTFOLIO MANAGEMENT TEAM:

Paul Musson, Head of Mackenzie Ivy Team, Senior Vice President, Portfolio Manager, Investment Management, Mackenzie Investments

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Fund and Benchmark Performance as at: September 30, 2020	1 year	3 years	5 years	10 years
Mackenzie Ivy Canadian Fund - Series F	-5.1%	1.0%	4.7%	6.9%

*Blended Index (60% S&P/TSX Composite Index, 30% S&P 500 Index, and 10% MSCI EAFE (Net) Index)	4.8%	7.3%	9.1%	9.3%

*The Fund's benchmark was changed in March 2017 from the S&P/TSX Composite Index to a blended benchmark of 60% S&P/TSX Composite Index, 30% S&P 500 Index, and 10% MSCI EAFE (Net) Index, in order to better reflect the long-term average geographic composition of the Fund.