

Performance Summary

- During Q3 2020, the Fund returned 8.6% compared to a return of 5.8% for the MSCI World Total Return Index (net-CAD).

Contributors to Performance

- From a sector perspective, the Fund outperformed the benchmark MSCI World Index primarily because of strong stock selection in Industrials, Health Care, and Financials. An underweight exposure to Energy also contributed to relative performance.
- At a regional level, stock selection in the United Kingdom, the United States, and Denmark, contributed to relative performance.
- The largest contributors were: **Vestas Wind Systems, UPS, and Alibaba.**
- **UPS** was a top contributor to our portfolio returns during the quarter. Prior to Q3/20, the shares of UPS had traded sideways for several years. Many in the market were concerned that e-commerce represented a permanent impairment to UPS' earning power given business-to-consumer deliveries have much less route density than business-to-business (ie. more miles driven for the same number of packages which increases costs without increasing revenue). Although we were unsure of the exact timing, we had confidence that over the medium to long-term UPS would be able to increase its e-commerce profitability given its scale and a consolidated industry structure. The patience inherent in our investment style was rewarded as COVID has resulted in a surge in home deliveries from consumers preferring to stay at home. The surge in volumes has given UPS increased bargaining power with its customers resulting in increased pricing and surcharges. The result being that the market has changed its views around the profitability of e-commerce for UPS and bid up the price of UPS shares.

Detractors from Performance

- From a sector perspective, an underweight exposure to Information Technology and overweight to Consumer Staples detracted from relative performance, as did the stock selection in Materials.
- At a regional level, stock selection in Japan and Hong Kong detracted from relative performance.
- The cash weight in the portfolio hindered relative performance as the benchmark was up during the period.
- The largest detractors included: **Kao, Seven & I and EOG Resource.**
- **Kao's** share price underperformed in Q3 as it reported weak Q2 F2020 results in mid-August and reduced its F2020 forecast. This is due mostly to weakness in its Cosmetics segment, which is being impacted by lower tourist arrivals in Japan and fewer occasions that require application of make-up due to restricted activity in Japan, and weakness in Kao's professional hair care business that sells mainly to salons. We believe Kao's underperforming segments should recover over time, as the impact of COVID eases; in that regard, we view Kao's valuation as compelling given its attractive business mix and defensive attributes, strong management and capital allocation, and fortress balance sheet.

Portfolio Activity

- Portfolio activity and market effect resulted in increased exposure to Consumer Discretionary, Financials and Information Technology, with reduced exposure to Consumer Staples. Cash level decreased.
- At the country level, exposure to the United States, the United Kingdom, and Switzerland, increased, while exposure to Japan and Germany, decreased.

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 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:

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Fund and Benchmark Performance as at: September 30, 2020	1 year	3 years	5 years	10 years
Mackenzie Ivy Foreign Equity Fund - Series F	12.9%	8.9%	6.7%	9.9%
MSCI World Total Return Index (CAD)	11.4%	10.1%	10.4%	12.3%