Mackenzie Ivy International Fund – Series F
Q4-2020 COMMENTARY

Performance Summary

- During Q4 2020, the Fund returned 6.1% while its benchmark, MSCI EAFE Total Return Index (net-CAD) returned 11.0%.

Contributors to Performance

- From a sector perspective, security selection in Information Technology and Health Care as well as underweight to Health Care contributed the most to relative performance during the quarter.
- At a regional level, overweight to Korea and underweight to Switzerland as well as stock selection in Denmark and Hong Kong contributed to relative performance of the Fund.
- The largest contributors were: **Greggs, Samsung Electronics** and **Vestas Wind Systems.**
- We added Greggs to the portfolio during Q3. Greggs is a UK food-on-the-go provider, selling high-quality sausage rolls and steak bakes at low prices. Greggs is an excellent operator with a clear customer value proposition, and a track record of expanding its addressable market through evolving its menu and its restaurant locations and formats. With fewer Brits "on the go" in 2020, it was a difficult year for Greggs, and its share price reacted accordingly. There is a lot of near-term uncertainty around the duration and nature of any pandemic-related economic restrictions in the UK, and also some longer-term questions about possible changes in the nature of work and shopping. We don't have a view on what will happen in this regard, but we do have a view that Greggs is a high-quality and adaptable organization, and that the share price on offer at the time of purchase will reward patient investors with a longer time horizon. It was one of the fund's largest positive contributors during the quarter.
- Both Samsung and TSMC have seen strong share price performance of late due to continued strong growth in the foundry segment of the semiconductor industry, and more recently improved performance and market sentiment related to the memory segment of the industry. While we believe both companies have attractive growth opportunities over the long-term, we have become a bit more concerned about valuation and have therefore modestly reduced our weight in both stocks of late.

Detractors from Performance

- From a sector perspective, overweight to Consumer Staples and underweight to Financials as well as stock selection in Consumer Discretionary and Materials detracted from relative performance.
- Cash weighting in the portfolio also detracted from relative performance as the benchmark had strong performance during the period.
- At a regional level, overweight exposure to China and lack of exposure to France detracted from performance. Also, stock selection in Australia and Germany detracted from relative performance.
- The largest detractors included: **Alibaba, Reckitt Benckiser Group** and **DCC.**
- **Alibaba's** share price was weak in Q4 following very strong performance in Q3. This was due mainly to the cancellation of Ant Group's IPO (33% owned by Alibaba), and an announcement by the Chinese government that they will be initiating new regulations that will scrutinize and govern monopolistic behaviour in the internet platform space. It is believed that Alibaba in particular has been targeted by government due not only to its size, but also recent comments made by founder Jack Ma that were disparaging to Chinese regulators and China's financial system. Should Alibaba be found guilty of any monopolistic practices, it may be forced to pay a monetary penalty and adjust some of its commercial operations to appease regulators. We believe the market has over-reacted to the situation, and view Alibaba as continuing to have a very compelling growth opportunity over the long-term, with now an even more attractive valuation following the price decline in Q4

Portfolio Activity

- Portfolio activity and market effects resulted in increased exposure to Financials, Health Care and Industrials, while exposure to Consumer Staples, Consumer Discretionary and Materials was reduced. Cash level decreased over the quarter.
- At the country level, exposure to the United Kingdom, Netherlands, Hong Kong and Japan increased, while exposure to Germany, Denmark, Norway and Italy decreased.

MACKENZIE
Investments

- Our position in **Techtronic Industries** was eliminated for valuation reasons, as we believe recent strong share price performance has overshot fundamentals, thereby making the stock less compelling on a risk/reward basis compared to other opportunities.

Outlook

- The prospect of a broad vaccine roll-out is certainly grounds for optimism, but there is still significant uncertainty regarding the course of the pandemic and the related economic fallout. Rather than predicting the path of 2021, we remain focused on finding great businesses that are strongly positioned for long term growth and taking advantage of valuation opportunities when and where they arise.

PORTFOLIO MANAGEMENT TEAM:

Matt Moody, Vice President, Portfolio Manager, Investment Management, Mackenzie Investments

Hussein Sunderji, Vice President, Portfolio Manager, Investment Management, Mackenzie Investments

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

Jason Miller, Associate Portfolio Manager, Investment Management, Mackenzie Investments

Fund and Benchmark Performance as at: December 31, 2020	**1 year**	**3 years**	**5 years**	**10 years**
Mackenzie Ivy International Fund - Series F	14.8%	6.7%	4.5%	6.5%
MSCI EAFE TR Index (CAD)	5.7%	4.8%	5.7%	8.1%