Mackenzie US All Cap Growth Fund – Series F

Q2-2020 COMMENTARY

Performance Summary

- For Q1 2020, the Fund returned 24.5% vs. S&P 500 Total Return Index ($CDN) which retuned 16.1%.
- In the second quarter of 2020, the fund outperformed the benchmark. Largest contributor was our security selection in the Health care sector, followed by our security selection and overweight in Information Technology sector.

Contributors to Performance

- The strategy posted strong absolute performance during the second quarter and outperformed its benchmark. Strong stock selection was the leading contributor to outperformance. By sector, positions within information technology, healthcare, and consumer discretionary added most to relative outperformance.
- Top contributors during the period included overweights to **PayPal** (information technology), **DocuSign** (information technology), **Chipotle** (consumer discretionary), **Dynatrace** (information technology), **Dexcom** (healthcare), **Tradeweb Markets** (financials), and **Lululemon** (consumer discretionary).

Detractors from Performance

- For the quarter, security selection within communication services detracted from performance. Our underweight to the energy sector had a slight negative impact.
- Among the top detractors were overweights to **Live Nation** (communication services), **Madison Square Garden Sports** (communication services), **Fidelity National Services** (information technology), and **Cooper Companies** (healthcare).

Portfolio Activity

- Changes in the relative positioning of the strategy are primarily a result of our fundamental, bottom-up process of evaluating the opportunity and risk of individual stocks. Top new positions in your portfolio included **SBA Communications Corp., Ascendis Pharma and Repligen Corporation.** There are no sells that we can disclose at this time.

Outlook

- It was a historic quarter for equities as central banks and governments provided enormous amounts of stimulus. As economies have started to reopen, economic data has shown signs of a sharp rebound and the markets responded. As mentioned in our last update, we have been spending a considerable amount of time distinguishing between businesses that we believe will see demand deferral versus those that will see demand destruction. While we are taking a patient and methodical approach to repositioning the portfolio as prices change, we have been taking advantage of dislocations when they occur.
- U.S. stocks posted their best quarterly performance in some 20 years, capping off three months of volatility. Positive returns in May and June followed a historic turnaround in April, when U.S. stock indexes recorded double-digit gains after posting double-digit losses in March. Improving economic data and investor sentiment about the reopening of the economy drove stocks higher. Consumer confidence rose and data showed that home prices made gains in April. Additional reports showed that the downturn in manufacturing and services had eased. The Federal Reserve held interest rates steady and vowed to act appropriately to support the economy, introducing several programs to support liquidity and stability in funding markets. Weekly unemployment claims continued to increase but at a slower pace. In June, the Nasdaq became the first U.S. equity index to close at a pre-pandemic high. Stocks struggled as tensions increased between the United States and China over trade and China's handling of the pandemic. After the White House stated that the trade deal was still on track, stocks were lifted. Hopes for the economic recovery helped to offset worsening news about the pandemic. At the end of the quarter, stocks tumbled after the country saw its biggest daily surge in coronavirus cases since April and more than a dozen states halted their reopening process.
- The aim of the mandate is to minimize the impact of economic fluctuations by investing in secular growers with defensible moats and high, sustainable returns. We will continue to focus our investments in companies with 1) highand long-duration growth, 2) high and/or improving capital returns, and 3) an ownership culture. The growth profiles for many of the companies held in the strategy are supported by long-tailed themes, and we explicitly take prior cycle downside capture into account within our risk

MACKENZIE Investments

framework. Our desire to own high-quality businesses with a narrow range of outcomes has benefited relative returns. This framework has served the strategy well in the past, and we would expect it to continue to do so into the future.

- We enter the second half of a remarkable year in the midst of a deep economic contraction. Equity markets, however, are demonstrating surprising resilience. Since their lows in March, stocks have advanced despite dismal economic data, such as record-high levels of unemployment and plummeting consumer spending. While the equity rebound is encouraging, many investors are wary as numerous uncertainties and challenges remain.
- The COVID-19 pandemic, and the possibility of a resurgence in cases, remains a risk for equity markets. The fact that investors are prepared is just one reason we believe that a second wave may not cause a meaningful pullback for equities. Typically, bad news must be unexpected in order to have a severe negative impact, and historically, equity markets have tended to shrug off second waves of pandemics. Investors will not be surprised if COVID-19 cases spike again, and as a result, we may see indifference rather than a steep fall in equity prices.
- Some investors believe that current equity valuations are too high — or even extreme — but we do not believe this the case. They will be high versus depressed 2020 earnings, but that is not an appropriate measure, in our view. It's important to look at how companies performed in 2019, pre-pandemic, and how they're likely to perform after 2020. For many companies, we believe earnings will recover in 2021 and 2022 — to levels equal to or higher than they were in 2019.
- We are also encouraged by the willingness of the Federal Reserve and Congress to provide support in the form of massive stimulus measures. This is likely to continue if we are forced into another severe lockdown scenario. It also doesn't hurt that this is a presidential election year, making politicians on both sides of the aisle more likely to advocate for further government stimulus measures.

PORTFOLIO MANAGEMENT TEAM:

Putnam Investments Inc.: Richard E. Bodzy, MBA

Fund and Benchmark Performance as at: June 30, 2020	1 year	3 years	5 years	10 years
Mackenzie US All Cap Growth Fund, Series F	28.5%	22.9%	18.1%	19.2%
S&P 500 Total Return Index ($CDN)	11.4%	12.4%	12.6%	16.8%

MACKENZIE Investments