

# Mackenzie Ivy Foreign Equity Fund

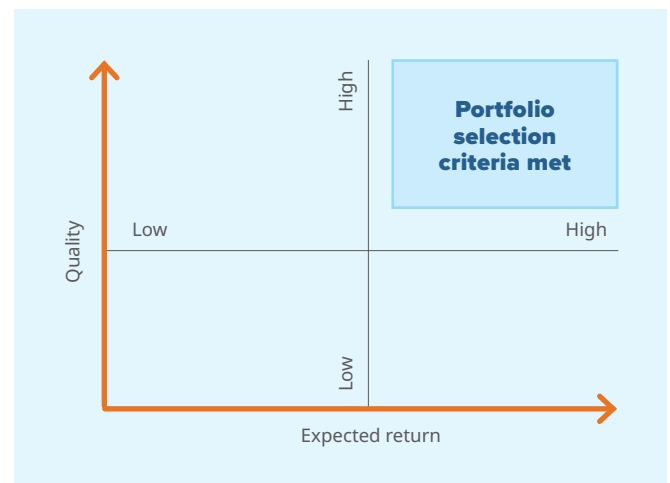
## Our philosophy

We believe that a concentrated portfolio comprised of high-quality businesses purchased at reasonable prices will deliver strong long-term risk-adjusted returns.

## Our process

Our process begins with the development and continuous refinement of a list of potential high-quality businesses. After that, we really get to work. A high-quality company will have a strong balance sheet, good returns on capital and significant free cash flow. It will also have a strong corporate culture. We need to be assured that management has a vision for, and is focused on, maintaining the company's competitive advantages long term. Also important to understand is management's commitment to the fair treatment of all stakeholders. Finally, price. We will not overpay. We will patiently wait for a good entry point.

A key part of our process is to model the long-term return potential of each business and assign to it a quality rating. This rating helps drive portfolio construction where the highest quality businesses with the highest expected return will be among the Fund's largest holdings.



## What happened in your portfolio?

From the beginning of May to the end of December, there was an unusual amount of activity. Six new companies were added to the portfolio and 14 were sold outright. Cash at the end of December was 11%, largely unchanged from the end of April, while the number of holdings decreased from 56 to 48. Playing a role in all this activity was the sharp snap-back in equity markets. This meant that some of our "buys" were not held over the period and therefore are not part of the reporting below. A near constant over the period is the Fund's underweight to the US (43% versus 66%) relative to the MSCI World Index (the Fund's benchmark) and its gold exposure at just less than 2%.

### Top changes: May 1, 2020 to December 31, 2020

Company	Change in position	What it is	Why we bought	Change rationale
Koninklijke Philips N.V.	2.80%	Philips is a Netherlands-based maker of hardware and software for the healthcare industry. The company's areas of focus include diagnostic imaging (e.g., CT, MRI, ultrasound), connected care (e.g., patient monitoring equipment), and personal health care (e.g., shavers and electric toothbrushes).	Philips used to be a conglomerate but has focused its portfolio on healthcare over the past decade by peeling off businesses such as televisions, light bulbs, and (coming this year) small domestic appliances. The remainder is one of the global leaders in healthcare equipment, supported by one of the industry's largest R&D budgets. Healthcare providers are increasingly under pressure to provide superior patient outcomes at lower cost and are looking for suppliers with whom they can partner to achieve these goals. Philips has oriented its strategy around this trend, and we believe they are well positioned to succeed in the long term.	New purchase



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Tencent Holdings Ltd.	<b>2.10%</b>	Tencent is the owner and operator of several dominant internet-based platforms in China, including social communication, gaming, digital media and others. Tencent also operates China's second largest businesses in both mobile payments and cloud services.	We believe Tencent possesses significant competitive advantages through the strength and breadth of its platforms, which have high barriers to entry. Tencent has shown repeatedly over time that it invests heavily in its platforms to further enhance value to users and ensure long-term platform sustainability. We believe Tencent has a very good growth opportunity over the medium- and long-term through further expansion of its core platforms and gaming business, and improved profitability of earlier stage businesses such as payments and cloud services. Tencent is run by highly capable management and has a fortress balance sheet. The share price was hit during the COVID-induced market downturn in early/mid 2020, which opened up an attractive opportunity to purchase the stock.	New purchase
Canadian National Railway Company	<b>1.70%</b>	Largest Class I Railway in North America serving all three coasts with a best-in-class network.	CN has suffered through a period of service issues, which have required fairly significant investments to remediate. We believe the business is in a good position to leverage these investments helped by a general economic recovery and intensified marketing efforts. We believe CN represents a balanced opportunity for share price appreciation and stability.	New purchase
Alphabet Inc., Class A	<b>1.60%</b>	Alphabet is a holding company which generates revenue primarily through offering consumers free services that are monetized with digital advertising. Alphabet's largest revenue generator is the Google search engine.	Alphabet has a dominant position in search advertising (Google), growth opportunities related to cloud, hardware and YouTube, and a balance sheet with a net cash balance of \$108 billion. We expect advertising spend to continue to migrate to digital channels and for Google to win its fair share due to the importance of Google search in the consumer purchase journey. Alphabet's YouTube business benefits from network effects, and we are positive on recent organizational changes made to the cloud division. While we expect Alphabet's growth to slow from historical levels, we think the company can significantly outpace the growth of the average company in the market. The large net cash position on the balance sheet gives us comfort and provides a ballast during any turbulence we may encounter, regulatory or otherwise.	New purchase
Chubb Limited	<b>1.40%</b>	Chubb is a leading diversified global property and casualty insurer	Chubb, alongside most insurers has suffered share price weakness as a result of the expected impact of lower interest rates on investment income and uncertainty around the severity of COVID-related claims. The insurance rate environment pre-COVID was difficult and arguably insufficient and rates were on an upward trajectory. We expect the upward rate trend to continue and intensify and believe Chubb is well-positioned to grow and take market share given their leading capital position and added to our position to reflect this view.	Increased due to valuation



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AIA Group Limited	<b>1.30%</b>	Leading pan-Asian life insurance company that was carved out of AIG in 2010.	AIA had leading positions in several of its key markets and has a strong track record of growth and disciplined underwriting. AIA's end markets are growing at very attractive rates, driven by rising income levels and a wide protection gap in Asia, which is driving rising demand for life and health insurance and wealth management. We believe AIA's competitive advantage lies in its strong brand, leading scale and dedicated premier agency force. The COVID-19 pandemic negatively impacted AIA's new business growth and caused its share price to fall – we believe AIA should be able to resume growing at attractive rates once the pandemic impact eases, and we therefore viewed the share price decline as an attractive opportunity	New purchase
Oracle Corporation	<b>1.20%</b>	Oracle is a leading global enterprise software vendor.	Oracle has been investing in its cloud strategy for more than a decade with equal measures of success and failure. We can now see a broad and competitive set of technologies at all important layers of the cloud, that we believe will support an acceleration of business growth.	Increased position due to valuation
Visa Inc., Class A	<b>1.10%</b>	Visa operates a variety of payment networks	We believe Visa has good growth opportunities, excellent returns on capital with a strong balance sheet and a sensible valuation. Growth will come from continued cash-to-digital conversion and Visa's strategy to participate in alternate payment forms.	Increased position due to valuation
Colgate-Palmolive Company	<b>1.10%</b>	Colgate is a consumer packaged goods company with leading global market share positions in oral care, personal care and home care.	Colgate has strong market share positions in household products like toothpaste that are consumed every day and considered necessities. When combined with a solid balance sheet, we think Colgate has the foundations of a resilient business through just about any environment imaginable. We think Colgate will be able to reinvigorate its top-line growth with investments in more substantive innovation and increased digital advertising. We also see opportunity given Colgate's large presence in emerging markets (48% of sales) and the opportunity for both increasing per capita consumption and premiumization.	Increased position due to valuation

## Why did we sell?

Through our active management style and intensive research efforts we aim to guard against valuation risk and ensure that the overall portfolio is attractively valued. During the period, most stocks that were sold or trimmed were due to elevated valuation levels relative to other opportunities. It is interesting to note that the cash level in the Fund did not increase as the team was able to find good investment opportunities.

Company	Change in position	What it is	Why we sold	Change rationale
Fortive Corp.	<b>-0.90%</b>	Fortive owns a mix of multi-industrial businesses originating from a spin-off from Danaher and complemented by recent acquisitions.	We continue to respect the management team and growth strategy at Fortive. However, after a sharp increase in the Fortive share price after the COVID lows, we divested of our holding as we saw better relative opportunities in holdings with better balance sheets and less cyclicality.	Outright sale due to valuation
Starbucks Corporation	<b>-1.00%</b>	Starbucks is a global restaurant and consumer goods company.	Starbucks was sold out of the portfolio as the shares regained most of their pre-COVID losses. We assigned a slightly lower exit multiple to the stock than historical trading would suggest but more aligned with our views on business quality and growth going forward, which meant re-establishing previous share price levels was enough for us to exit.	Outright sale due to valuation
Vestas Wind Systems A/S	<b>-1.00%</b>	Vestas is the global leader in the manufacture and servicing of wind turbines.	Over the last nine months, Vestas delivered on their very substantial order backlog, with relatively few hiccups considering record-level activity during a pandemic. The significant rally in Vestas' stock price caused us to reduce the position size for valuation reasons.	Trimmed due to valuation
U.S. Bancorp	<b>-1.00%</b>	U.S. Bancorp is one of the largest regional banks in the United States offering a diverse set of business and consumer banking services.	U.S. Bancorp was sold given our view that interest rates may stay low for an extended period of time and the combination of U.S. Bancorp's already leading cost structure with the need to invest into an increasingly competitive banking market limited our business growth outlook.	Outright sale due to revised growth estimate
Unicharm Corporation	<b>-1.00%</b>	Unicharm is a Japan-based seller of various personal care products including baby diapers, female sanitary napkins, adult incontinence products, pet care supplies and other personal care products.	Unicharm has very strong market share in its key categories in its home market of Japan, and over time has established strong positions in several Asian countries. The Japanese market provides good stability and profitability, while the other markets offer attractive growth. Unicharm has a good track record of product innovation and disciplined growth. Capital allocation and is led by very capable management. We reduced our position recently due to valuation.	Trimmed due to valuation
Dollarama Inc.	<b>-1.10%</b>	Dollarama is a Canadian discount retailer that was founded on the dollar store concept but has since evolved to offer multiple price points.	Dollarama has a good competitive advantage rooted in its value-based brand, scale and convenient locations. The company has an attractive growth opportunity from further store growth in Canada, continued evolution of its price points and product mix, and expansion of its Latin America-based subsidiary Dollarcity. We initiated a position in Dollarama in early 2020 but liquidated our position in mid 2020 due to valuation and to fund more attractive opportunities elsewhere	Outright sale due to valuation



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Johnson & Johnson	-1.20%	Johnson & Johnson is a globally healthcare company.	The reduction in our Johnson & Johnson holding was the result of relative returns being better in other alternatives in the portfolio.	Trimmed for better relative opportunities
Henry Schein, Inc.	-1.60%	Henry Schein is a global distributor of dental and medical products.	Henry Schein was a long-term Ivy holding, which hasn't performed to expectations in recent years. We exited the position based on the view that the North American dental distribution market is going to continue to get more difficult and that margin pressure is going to be an ongoing headwind largely driven by customer consolidation. We also had concerns around the manageability of Henry Schein given a complicated operating structure resulting from the large number of acquisitions they have made over the years.	Outright sale due to revised growth estimate
PepsiCo, Inc.	-1.90%	Pepsi is a consumer packaged goods company focused on snacks and carbonated soft drinks.	Pepsi's margins and returns on capital remain attractive. The business grows consistently despite economic weakness, given society's penchant for snack foods. The "at home" trend has supported demand although some of Pepsi's out of home business has suffered. Despite steady performance, growth is low single digit and business risk has increased in the category, as several other food companies are investing aggressively in snacks to take advantage of the high returns.	Trimmed due to valuation

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