INVESTMENTINSIGHTS

PERSPECTIVES ON INVESTMENT STRATEGIES

Scale is increasingly important in the asset management business — but as companies get bigger, they often lose the ability to be nimble. For the past five years, Mackenzie Investments President and Chief Executive Officer Barry McInerney has been charting a path toward scale on a global level while working to preserve the best attributes of a small firm.

DURING YOUR TENURE AT MACKENZIE, THE FIRM HAS EXPERIENCED TREMENDOUS ASSET MANAGEMENT GROWTH. HOW HAVE YOU BUILT SCALE YET STAYED NIMBLE?

We've been trying to get big and gain scale, but at the same time we are working hard to maintain our nimble approach with our clients. That may sound paradoxical, but I believe this balance will help us overcome challenges in our industry and succeed in the future.

We've been consolidating our investment-management capabilities within Power Corporation's Canadian affiliates. In 2017, we assumed oversight for the investment-management operations of IG Wealth, and just last year we purchased GLC Asset Management, which was operating under Canada Life. Together, these two transactions represent in excess of $100 billion in assets under management (AUM) and have helped drive our firm's AUM to more than $190 billion.

This scale comes at a critical time in our industry. In the current environment, it is more important than ever to build and deliver comprehensive solutions to our clients. Take fixed-income investing, for example. In an effort to generate yield in a lower-rate environment, our managers are running highly diversified portfolios with, in some cases, significant exposure to credit and foreign bonds. This has necessitated adding depth, breadth and expertise to our team. Ten years ago, our fixed-income team had four people; today, there are 28, managing close to $70 billion.

To me, agility and the ability to deliver truly bespoke service, with the backing of scale, is what sets Mackenzie apart. There is no better example of this than our unique investment boutique model. Each of our 17 investment teams is domiciled in a completely autonomous boutique and exercises discretion over all aspects of its value chain. Each has its own unique investment philosophy, a process that is the embodiment of that philosophy, and a team of experts who are aligned in their thinking and purpose.

HOW IS MACKENZIE DIFFERENTIATING ITSELF AS A LEADING ASSET MANAGEMENT COMPANY IN CANADA?

First, our aspiration is to be Canada's preferred global asset management solutions provider and business partner — and that idea of partnership is very important to us.

Second, we offer the best of both worlds. We have scale, which allows us to seed products quickly. We are global, with offices in the United States, Europe and China, and offer a full array of global investment solutions — and it's so important for Canadians to invest globally to secure their retirement. At the same time, we are nimble, meaning we are able to respond quickly to changing market conditions and investor sentiment. We are constantly looking for ways to innovate and bring to market new investment strategies that generate higher risk-adjusted returns.

Third, we see our investment solutions within the context of what addresses today's investment needs — for example, extending exposure into Chinese stocks, private equity replication, emerging market debt or private credit. It could be mixing in alternatives or managing inflation with inflation-sensitive real assets. We can take this approach because we have arguably the broadest array of investment strategies and products of any asset management firm in Canada.

WHAT IS MACKENZIE'S VISION FOR GROWTH?

We plan to bring our investment capabilities and expertise to multiple markets, including retail and institutional, and institutional inside and outside Canada. It's a multi-channel, multi-country approach from a distribution perspective. In one sense, each of our boutique management teams focuses on its specific segments of the capital markets. At the core, however, they all employ a long-term-oriented, research-oriented approach geared toward achieving good risk-adjusted returns. That type of investment philosophy can be applied equally to retail and institutional investors within and beyond Canada.

YOU RECENTLY ADDED THREE NEW BOUTIQUES. WHAT ARE THEIR MANDATES AND WHAT MAKES THEM UNIQUE?

In early 2018, we created a quantitative equity boutique in Boston when we hired Arup Datta, who is widely regarded as one of the best fundamental quant managers in the world. While our launch unfortunately coincided with a real down market for quant investing, we continued to build the team and it used its proprietary approach to weather the storm. The quant category has now recovered, the strategies are thriving and AUM has grown to more than $6 billion. We are seeing strong institutional interest in the United States, Western Europe and Australia.

More recently, we added two sustainable investment (SI) boutiques. Our collective awakening to the urgent need to address climate change has propelled strong returns and explosive AUM growth in this category. In December 2020, we acquired Greenchip Financial, a leading environmental thematic equity manager. They manage one of the fastest-growing SI funds in Canada. In April 2021, we welcomed Andrew Simpson to Mackenzie. Andrew is arguably the best core SI manager in Canada, with a track record and focus that will allow us to build meaningful AUM in new SI strategies over time.

MACKENZIE IS WELL KNOWN IN RETAIL INVESTING, BUT WHAT ABOUT INSTITUTIONAL INVESTING?

Stereotypes are hard to shake. We have a leading retail business with over $60 billion in AUM. But many do not realize that we have another $130 billion in AUM in various forms of institutional investing, including sub-advisory, defined benefit pension, endowments and foundations, and defined contribution investment only. We have institutional clients dating back 30 years and clients around the world. We expect the institutional segment to be among the fastest-growing parts of our business over the next five years.

YOU'RE ALSO STAKING A CLAIM IN THE WORLD OF EXCHANGE TRADED FUNDS (ETFS). WHAT ARE YOUR GOALS THERE?

Mackenzie is the fastest-growing ETF provider in Canada, and I'm proud to say that we passed the $10 billion threshold in ETF AUM in May 2021. I view ETFs as an important delivery mechanism for our investment capabilities; they allow us to offer traditional beta solutions alongside our world-class active management. The decision to offer passive options comes down to choice. We've seen in many of our own highly ranked multi-asset solutions that the managers want the ability to retain a tactical capability, and often the easiest way to express that tactical view is through a passive ETF. If we want to be a comprehensive solutions provider, having passive ETFs just makes sense. To be the best partner, we have to offer choice in best-in-class solutions, and that is what we are doing.

HOW ARE YOU POSITIONING YOURSELF IN THE GROUP SEGMENT?

An important component of the GLC acquisition was a substantial book of defined contribution clients, which, when combined with what we already had, brings the total segment AUM to $13 billion, making us a top-five player. We are now taking steps to actively support this large block of business and recently added a new role dedicated to defined-contribution sales as well as a new head of Canadian consultant relations. Over time, we look forward to introducing a wide range of innovative solutions to this unique market, including our rapidly evolving suite of equity and fixed-income SI products.

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BARRY MCINERNEY
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

MACKENZIE Investments