

# Index investing with a difference

## What is Maximum Diversification®?

Maximum Diversification® is a patented investment approach developed by asset management company, TOBAM. Portfolios built using this approach focus on maintaining the minimum amount of correlation between assets in the portfolio.

The goal is to bring the advantages of market gains while avoiding the worst losses, and therefore deliver more stable returns.

## The Mackenzie funds using the TOBAM methodology

Mackenzie offers TOBAM's Maximum Diversification® methodology across several ETFs and Mutual Funds, in order to provide investors with improved diversification and differentiated performance. TOBAM's methodology is index investing with a difference. The focus on diversification is intended to remove the extremes of exposures in the traditional market indexes, and insulate investors from some market volatility, while maintaining full market exposure.

## A methodology that can outperform during a recovery

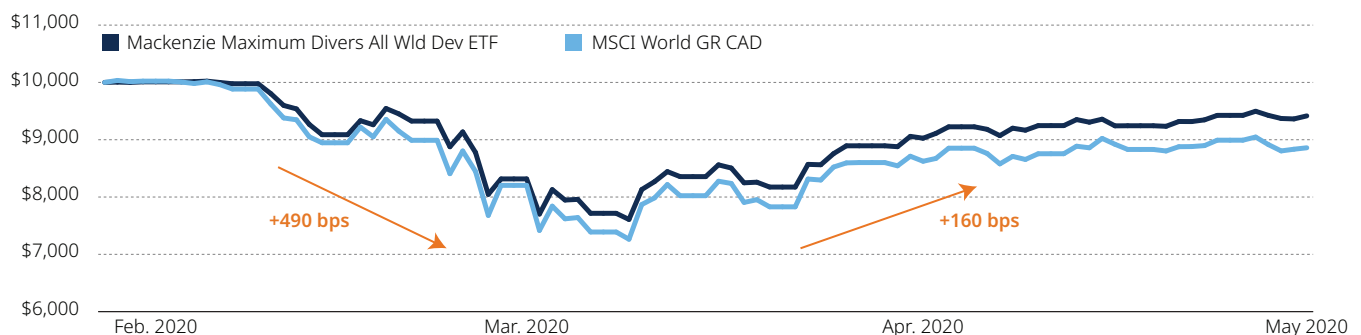
Coming off the bottom of a market correction, Maximum Diversification® can also provide additional lift from the broad market as stocks return to normal and gains are more evenly spread out. It is always uncertain how stocks will behave in a recovery, and TOBAM's index methodology is designed to outperform when market concentration is high, say in technology, and declines.

If the future looks exactly like the past, and market concentration increases, traditional indexes will tend to be superior. However, in other cases, we believe that TOBAM's Maximum Diversification® approach should improve on broad market returns. This has been the case so far in 2020 (see below chart).

Looking at TOBAM's Maximum Diversification® Global Equity strategy and using March 23 as the trough date for the 2020 health crisis, TOBAM's outperformance totaled 660 bps from the peak to May 15.<sup>1</sup>

Broadening out to the entire product line, almost every market experienced outperformance for our Maximum Diversification® strategies. Developed markets experienced improvement in diversification in the period, which benefitted our approach.

## Growth of \$10,000



Source: Morningstar, Mackenzie

## Benefitting from less concentration

For the past several years, we have been consistent in our belief that markets are more concentrated than they have been historically. This has particularly been the case in developed markets, as the momentum of winners — such as technology stocks — has outperformed any competing ideas.

The health crisis of 2020 has given markets some opportunity to recalibrate and many have begun the process of de-concentrating. In such an environment, our Maximum Diversification® strategies have an advantage, by being unbiased in any direction. We therefore believe they will outperform.

Fund/Index	Peak to Trough Return	Trough to May 15 Return	Total Period Return	Total Excess Return
S&P/TSX Composite TR	-37.20%	31.17%	-17.63%	
Mackenzie Maximum Divers Can ETF	-36.23%	37.44%	-12.36%	6.40%
Mackenzie HD Canadian Equity CI F	-35.97%	37.22%	-12.13%	6.68%
S&P 500 TR CAD	-27.24%	24.29%	-9.57%	
Mackenzie Maximum Diversification US ETF	-26.36%	26.94%	-6.51%	3.38%
Mackenzie HD US Equity F	-26.89%	27.93%	-6.47%	3.42%
MSCI World GR CAD	-27.62%	21.97%	-11.72%	
Mackenzie Maximum Divers All Wld Dev ETF	-24.09%	23.91%	-5.94%	6.55%
Mackenzie HD Global Equity F	-23.96%	23.75%	-5.89%	6.60%
MSCI EAFE GR CAD	-27.00%	15.02%	-16.04%	
Mackenzie Max Divers All WldDev exNA ETF	-22.00%	15.74%	-9.73%	7.52%
Mackenzie HD International Equity F	-22.09%	16.37%	-9.34%	7.99%
MSCI Europe GR CAD	-29.02%	14.18%	-18.96%	
Mackenzie Maximum Divers Dev Eurp ETF	-26.47%	18.70%	-12.73%	7.70%
Mackenzie HD European Equity F	-24.33%	14.44%	-13.41%	6.86%
MSCI EM GR CAD	-26.20%	15.48%	-14.78%	
Mackenzie Maximum Divers Emerg Mkts ETF	-28.20%	16.96%	-16.02%	-1.46%
Mackenzie HD Emerging Market Equity F	-30.12%	23.41%	-13.76%	1.20%

Source: Morningstar as of May 15, 2020

## Please speak with your Mackenzie representative for more information about our Maximum Diversification® approach or the funds that invest using this strategy.

<sup>1</sup> Trough date was March 23, 2020. Peak dates varied by index, and were Feb 20, Feb 19, Feb 12, Feb 6, Feb 12 and Feb 17 for Canadian, US, World, EAFE, Europe and Emerging Markets, respectively.

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