

Mackenzie Global Core Plus Bond Fund

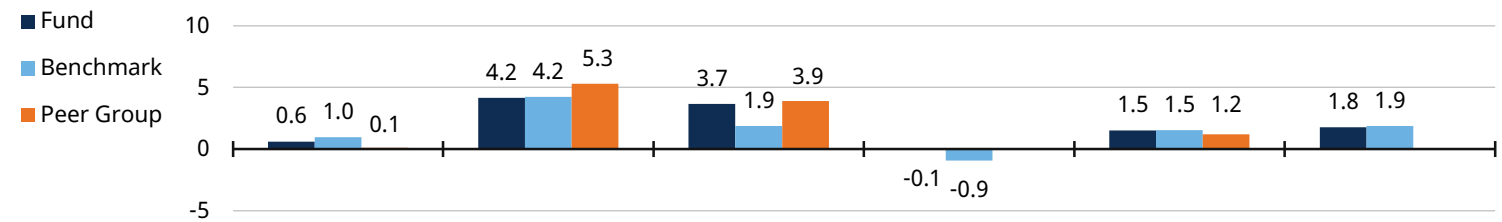
Fund snapshot

Inception date	04/23/2014
AUM (millions in CAD)	255.3
Management fee	0.55%
MER	0.76%
Benchmark	ICE BofA Gbl Broad Mkt (Hgd to CAD)
CIFSC category	Global Core Plus Fixed Income
Risk rating	Low
Lead portfolio manager	Konstantin Boehmer
Investment exp. since	2003

Strategy overview

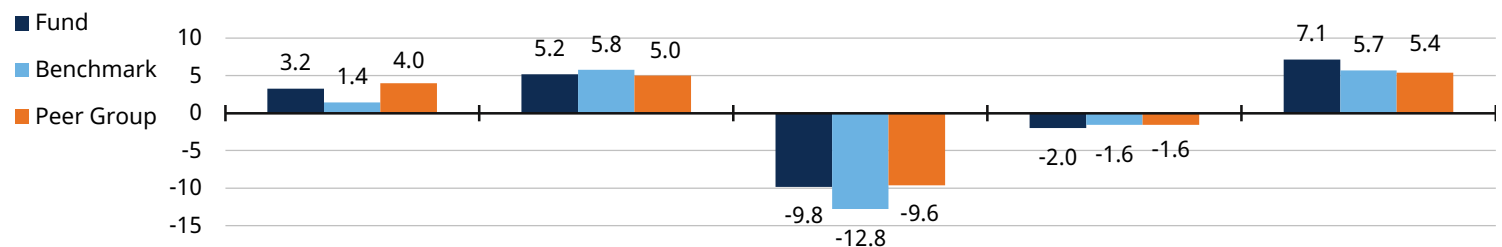
- An actively managed, benchmark agnostic global fixed income portfolio. Overall average credit quality can vary, but the portfolio manager expects it to remain almost always at BBB or higher.
- Given the size and complexity of its investible universe, uses a combination of qualitative insights, quantitative models and bottom-up security selection to access all five sources of alpha – country, duration, currency, sector and credit. The objective is to outperform the benchmark, with low volatility

Trailing returns %



	3 Mth	1 Yr	3 Yr	5 Yr	10 Yr	SI
Excess return	-0.4	0.0	1.8	0.8	0.0	-0.1
% of peers beaten	49	19	46	56	68	NA

Calendar returns %



	2024	2023	2022	2021	2020
Excess return	1.8	-0.6	3.0	-0.4	1.4
% of peers beaten	50	51	55	40	72

Portfolio characteristics

Ratios & metrics	Portfolio	Benchmark
Fund Avg Yield	4.7	3.7
Fund Mod. Dur	5.6	6.4
Fund Rating	A+	AA
Average Price	96.7	122.5
Average Coupon	4.2	2.9
Average Term	9.9	-

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	5.5	6.0
Sharpe Ratio	-0.1	-0.4
Tracking Error	2.1	-
Information Ratio	0.9	-
Alpha	1.5	-
Beta	0.9	-
Upside Capture (%)	97.5	-
Downside Capture (%)	73.7	-

Maturity breakdown

Bucket	Portfolio	Benchmark
0 to 3	9.3	-
3 to 7	19.9	-
7 to 12	56.2	-
12+	14.6	-

Currency exposure

Currency	Gross	Net
CAD	12.2	92.7
USD	55.7	3.1
Other	32.1	4.2

Asset allocation

	Portfolio	Benchmark
Investment Grade Corporate	8.0	20.0
Loans	5.4	-
Emerging Markets	9.3	2.9
Government	64.8	52.8
High Yield	5.9	-
Cash	0.6	-
Other	6.0	24.3

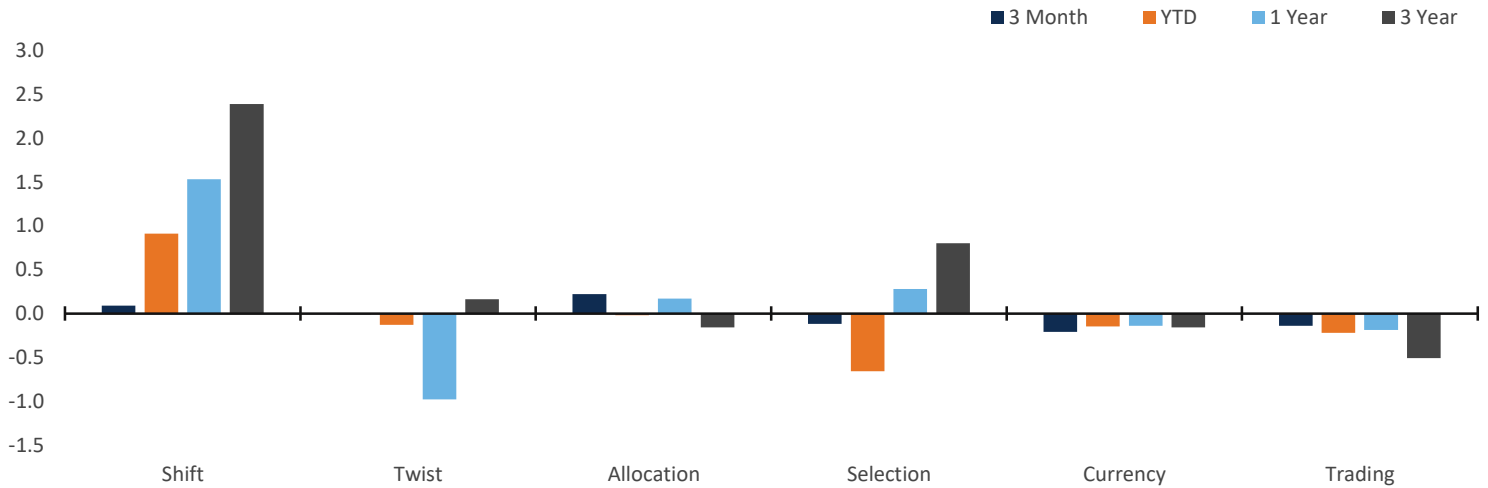
Geographic allocation

Region	Weight
Canada	10.2
US	46.6
Europe	22.7
Other	20.5

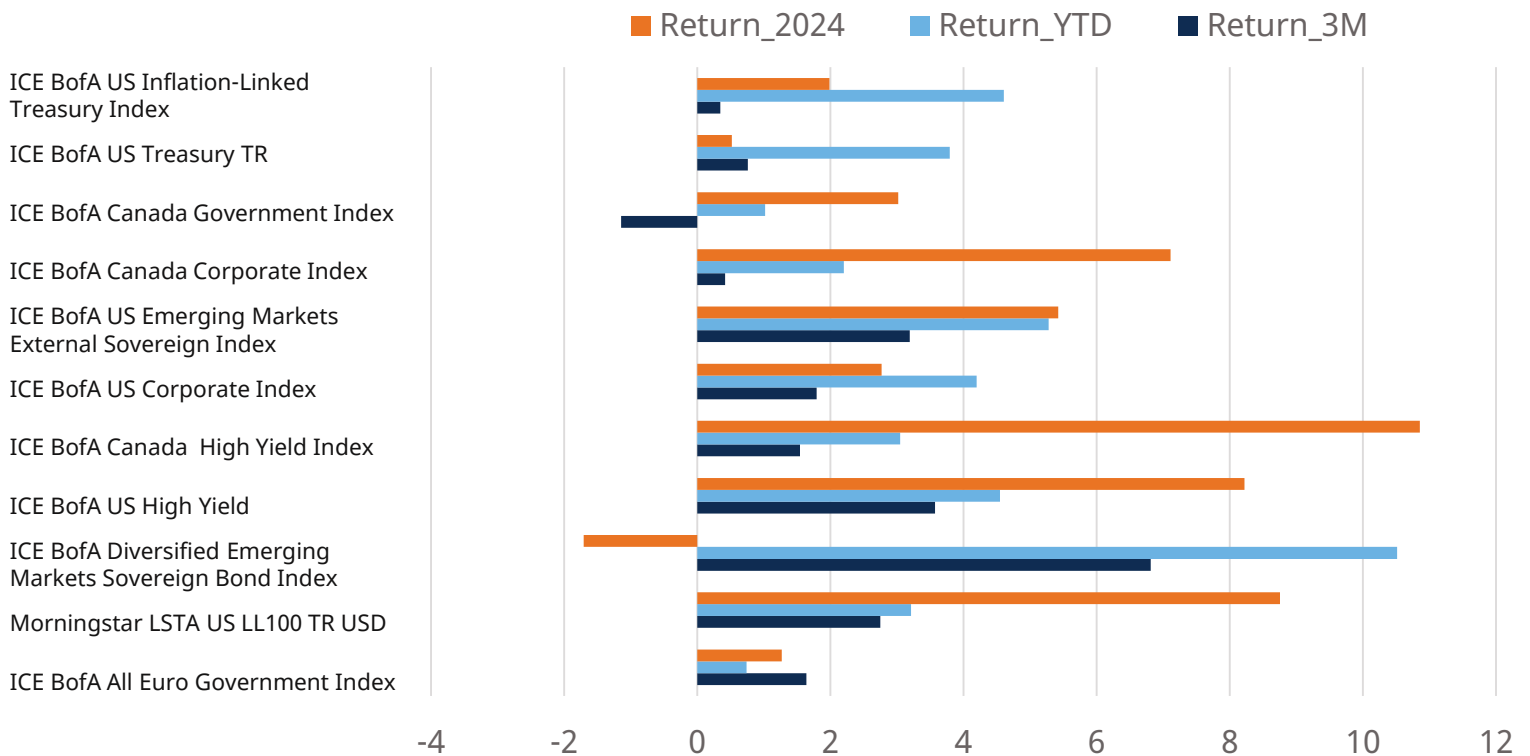
Credit breakdown

Rating	Portfolio	Benchmark
AAA	17.7	13.2
AA	48.5	49.9
A	6.2	23.1
BBB	10.0	13.9
BB	10.8	-
B	3.6	-
CCC & Below	0.8	-
NR	2.4	-

Attribution



Market Overview



Commentary

Market Overview

The second quarter of 2025 opened with markets leaning into the disinflation narrative and the prospect of global rate cuts. But that momentum proved fragile. Sticky core inflation, mixed data, and geopolitical noise kept central banks on the sidelines and left rate curves more reactive than directional.

The tone in Q2 was set early by "Liberation Day" on April 2, a sweeping policy reset from the Trump administration that included aggressive executive actions on tariffs, immigration enforcement, and deregulation. While risk sentiment was initially weak, the S&P 500 ultimately rallied 28% off its intraday lows in the following weeks, marking a powerful turnaround.

Geopolitics took center stage in mid-May as tensions between Iran and Israel spiked. While headlines rattled markets, the commodity response was notably measured. Brent crude briefly spiked above \$80 per barrel, but ultimately closed the quarter below \$70 per barrel, as markets discounted the risk of long-lasting supply disruption. Gold, on the other hand, climbed above \$3,500/oz at one point before retracing, reflecting elevated risk aversion and concerns.

In fixed income, break evens widened and term premium chopped as markets digested a collision of geopolitical volatility and macro recalibration. The 10-year US Treasury yield moved in a wide 60bp range during the quarter, peaking around 4.60% in mid-May before catching a duration bid in the back-half of the quarter. The 2-year yield dipped below 3.50% after Liberation Day, rebounding toward 4.00% and then 3.75% by quarter-end. A growing sense that the Fed would need to cut rates sooner rather than later helped support the front end into June.

In Canada, the macro narrative continued to diverge. The Bank of Canada's April 16 Monetary Policy Report presented scenario analysis around ongoing tariff uncertainty, while reiterating downside growth risks in worst-case trade outcomes. The BoC continued to stress household debt sensitivity and cumulative tightening effects but held its policy rate steady in both April and June.

Canadian yields declined across the curve, particularly in the front end. The 2-year yield fell to 2.25% early in the quarter before rebounding toward 2.60%, while 10-year yields ended around 3.25%. The Canada–U.S. 10-year spread narrowed, moving from -125bp at the start of the quarter to approximately -95bp by the end, inline with our long-held view of spread narrowing. Both curves steepened over Q2, but rising issuance expectations in Canada meant a long-end underperformance.

The Canadian dollar appreciated by 5.5% on the quarter, though this move was largely driven by USD depreciation post-Liberation Day rather than improved domestic fundamentals. Canadian macro data remains soft. There has been increasing evidence that global institutional equity managers, who were previously overweight US exposure with hedge ratios around 25–35%, have begun rotating into international equities and lifting hedges. A more dovish Fed path would help accelerate this rotation and support further USD weakness.

Global Core Plus Bond Fund

The second quarter of 2025 began with optimism around disinflation and potential global rate cuts, but that momentum quickly faded. Sticky core inflation, mixed economic data, and geopolitical tensions kept central banks cautious and markets volatile. A major turning point came by "Liberation Day" on April 2nd when the Trump administration announced sweeping policy changes, including tariffs and deregulation. While markets initially reacted negatively, the S&P 500 rebounded sharply, gaining 28% from its intraday lows.

Geopolitical risks intensified in May with rising Iran-Israel tensions, though commodity markets remained relatively stable. Brent crude briefly topped \$80 but ended the quarter below \$70, while gold surged past \$3,500/oz before retreating. In fixed income, U.S. Treasury yields were volatile, with the 10-year yield peaking near 4.60% before falling. The 2-year yield fluctuated but ended Q2 at 3.75%, supported by expectations of earlier Fed rate cuts.

The Fed's June projections confirmed a cautious stance, reducing expected 2025 cuts from three to two. Core PCE inflation was revised up to 3.1%, and unemployment to 4.5%. Markets remain skeptical, anticipating more cuts if inflation pass-through from tariffs doesn't materialize.

In Canada, the Bank of Canada held rates steady amid soft macro data and tariff uncertainty. Canadian yields declined, and the CAD appreciated 5.5%, largely due to USD weakness. The Canada–U.S. 10-year spread narrowed, and issuance expectations weighed on long-end Canadian bonds.

Commentary

Globally, the ECB cut rates but remained cautious. China maintained its 5% growth target, and Japan signaled potential policy normalization. Emerging markets performed well, buoyed by high real yields and a weaker USD. Looking ahead, markets are expected to refocus on Fed policy. USD depreciation remains a key theme, supported by global hedging trends and a dovish Fed, creating a favorable backdrop for risk assets and emerging markets.

Global Core Plus Bond

Contributors:

- Emerging market exposure (Mexico, Indonesia, South Korea)
- Underweight investment grade bond exposure
- Overweight high yield bond exposure

Detractors:

- Overweight US duration
- Security selection in CCC rated bonds
- Open currency exposure

Closing Commentary

Looking ahead to Q3, we expect markets to gradually shift away from tariffs and fiscal themes as dominant drivers. The primary focus is likely to return to Fed policy. Powell has been vocal in forecasting inflation pass-through from tariffs, but if it fails to materialize in the June and July data, the Fed could find itself behind the curve by mid-August. Markets are already starting to price additional cuts, and sooner. Steepeners are favored in that scenario, with the front end expected to do much of the heavy lifting, but we continue to like US duration in the 10-year space into H2 as we think the whole curve could be affected and we do not see a lot of risk around US fiscal policy running wild.

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