

## Mackenzie Global Small-Mid Cap Fund

### Fund Snapshot

Inception date	02-26-2020
AUM (millions in CAD)	\$11.2
Benchmark	MSCI ACWI SMID Cap
CIFSC Category	Global Small/Mid Cap Equity
Risk Rating	Medium
Lead Portfolio Manager	Phil Taller
Investment Exp. Since	1991

### Strategy Overview

The Mackenzie Growth Team positions the portfolio to benefit from long-term secular growth themes in the macroeconomic environment.

The Fund invests in high-quality companies with an emphasis on:

- Strong management
- Good growth prospects
- Attractive financial metrics
- Paying reasonable prices for the growth that companies in the portfolio are expected to achieve

### Highlights

- US Mid Cap equities continued their comeback in Q3. Continued interventions by central banks including the US Fed plus fiscal stimulus from governments probably contributed.
- In Europe we foresee a continuation of the low growth environment, which we have seen for the past few years. Therefore, we maintain our view that the best opportunities in the market exist in leading niche companies.
- Within Asia we have been adding to cyclical sectors and reducing exposure to stocks that are unlikely to benefit from a rise in interest rates and normalizing economic activity

### Performance Chart

Fund performance not available for funds with a history of less than one year.

### Calendar Returns

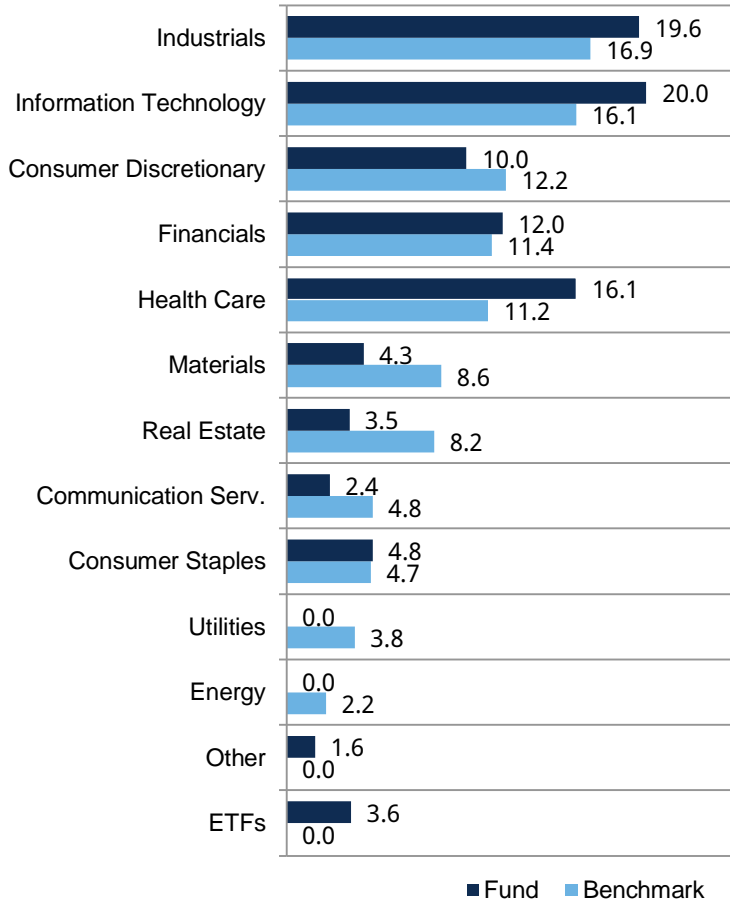
Fund performance not available for funds with a history of less than one year.

## Mackenzie Global Small-Mid Cap Fund

### Geographic Allocation

	Portfolio (%)	Benchmark (%)	Active Weight (%)
France	4.7	2.5	2.2
Italy	2.9	1.1	1.8
Switzerland	2.6	1.8	0.8
Japan	11.5	10.8	0.8
Germany	2.5	2.5	0.0
Sweden	2.1	2.3	-0.2
United Kingdom	5.1	5.6	-0.5
Australia	2.1	2.9	-0.8
United States	48.8	49.7	-0.9
Other	15.6	--	0.0
Cash & Equivalents	2.1	--	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

### Sector Allocation



### Performance Metrics (3 Year Trailing)

Fund performance not available for funds with a history of less than one year.

### Top 10 Holdings

Holding	Sector	Weight %
Charles River Laboratories International Inc	Life Sciences Tools & Services	3.0
Xilinx Inc	Semiconductors	2.6
Dolby Laboratories Inc	Electronic Components	2.5
Gartner Inc	IT Consulting & Other Services	2.5
Syneos Health Inc	Life Sciences Tools & Services	2.5
Carter's Inc	Apparel Accessories & Lux Gds	2.4
Westinghouse Air Brake Technologies Corp	Const Machinery & Heavy Trucks	2.3
Progressive Corp/The	Property & Casualty Insurance	2.3
Waters Corp	Life Sciences Tools & Services	2.2
A O Smith Corp	Building Products	2.1
<b>Total</b>		<b>24.6%</b>

## Mackenzie Global Small-Mid Cap Fund

### Fund and Market Insights

#### United States

US Mid Cap equities continued their comeback in Q3. Continued interventions by central banks including the US Fed plus fiscal stimulus from governments probably contributed.

#### **What are the key opportunities you see?**

- The future is uncertain, but there may be increased investments in communications and Cloud infrastructure, regional supply chains in many industries, pharmaceutical and medical technology research, the Internet of Things, automation and robotics, virtual reality, and online services and commerce. We will be looking for ways to participate in these opportunities as equity markets evolve.
- We believe companies will seek to improve productivity and may invest in new technology and services that can help them get work done more efficiently. In particular, the use of data to understand trends should only become more important over time. We think several of our companies can assist in this effort.
- We also see the need for companies across the economy to engage in digital transformation to improve service to customers and to become more agile and secure in their operations. This trend is driving spending and investment in technology products and services.
- We continue to maintain an overweight in the Technology, Industrial and Health Care sectors. We believe that the secular growth available in those sectors will serve us well. We have added some cyclical exposure to our mandates, since there should be an eventual rebound in global economies and many cyclical company shares do not reflect this potential.

#### **What are key risks that need to be managed?**

- We believe that the US economy, like many others, already faced structural challenges in the form of high debt levels and slow growth in the working age population. Faced with a potential deep recession, consumers are lowering spending and may increase their savings rates in the future. With that macro-economic backdrop, we believe that in the long term the world may continue to proceed in a lower growth environment compared to history.
- While we do not attempt to forecast near-term economic growth, the high levels of stimulus supplied by governments around the world should ultimately provide some support for the global economy once the current health care crisis subsides. This outcome is as always uncertain.

#### **How are you positioning portfolios in response to this outlook?**

- What we aim to do is to know as many great businesses as we can, and learn what they might be worth. When markets offer us attractive share prices for these businesses, we become buyers.
- We focus most of our attention on owning innovative secular growth businesses. These types of companies offer products and services that make the world better, cheaper, and faster – enabling them to grow at a faster pace than the overall economy. We see this as a more “all weather” approach – our companies can do well in a rising economy, but also perform relatively better in a difficult economy.
- We focus mainly on free cash flow as a metric for company valuations. This measure has become even more important in recent years, as companies have moved increasingly to present earnings in an “adjusted” fashion, which may obscure reality. In our view, accounting risk has risen and we believe securities regulators are becoming increasingly concerned with these “adjusted” disclosures based on recent guidance.

## Mackenzie Global Small-Mid Cap Fund

### Europe

#### **What are the key opportunities you see?**

- In Europe we foresee a continuation of the low growth environment, which we have seen for the past few years. Therefore, we maintain our view that the best opportunities in the market exist in leading niche companies. Companies that have a leading product or solution, which enables them to have pricing power, will in our view also be the winners in the current environment.

#### **What are key risks that need to be managed?**

- Short-term in Europe, we have to get to terms with Covid-19 like all investors globally. In the fourth quarter, the crucial Brexit negotiations will conclude. Whether a deal is struck or not, we still expect the UK economy to suffer as the government has struggled to deal with the Covid-19 pandemic. A negative outcome of Brexit would add to the government's struggle to support the economy.

#### **How are you positioning portfolios in response to this outlook?**

- In Europe, the fund has a substantial bias towards high-quality growth companies. Among these companies, we view French-based call center operator, Teleperformance, as a global leader with underlying growth through their outsourcing trend. The company is also continuously enhancing margins through the development of further value-added services. A further driver for their share price is the acquisition of specialized high-quality companies.
- Due to our top-down view we are underweight UK exposed companies.

### Asia

#### **What are the key opportunities you see?**

- Japan's new Prime Minister, Yoshihide Suga, has made digitalization of government services a major priority, and we see this combined with the COVID-19 pandemic as a driver of increased public and private sector IT investment in Japan.

#### **What are key risks that need to be managed?**

- Assuming a COVID-19 vaccine is released some time in 2021 and economic activity returns to something approaching a pre-pandemic state, interest rates are likely to rise, and cyclical stocks should outperform defensive growth companies which trade on much higher relative valuations.

#### **How are you positioning portfolios in response to this outlook?**

- Within Asia we have been adding to cyclical sectors and reducing exposure to stocks that are unlikely to benefit from a rise in interest rates and normalizing economic activity. In Japan, the fund owns SCSK, an IT consulting firm, and Sansan, a diversified cloud service provider, to benefit from the modernization of Japan's IT infrastructure.

## **Mackenzie Global Small-Mid Cap Fund**

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