

# Symmetry Portfolios series LB – 2019 year in review

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## Executive summary

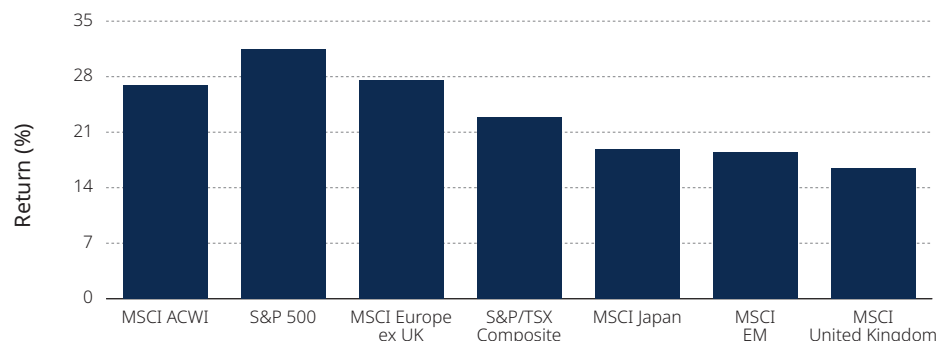
Amid broad market advances in both equities and bonds, all seven Symmetry Portfolios posted strong returns in 2019.

We expect the potential for increased equity market volatility in 2020 due to an unstable political situation, the upcoming Presidential election in the United States, ongoing trade talks between the U.S. and China, and geopolitical unrest in other parts of the world. However, despite the potential for “noise” in financial market returns, we anticipate that the U.S. economic expansion will continue, supporting other global markets and encouraging equity markets to grind higher. As always, markets are dynamic and can change quickly and Symmetry’s key advantages include the ability to make dynamic asset allocation and currency hedging decisions when needed, the backstop provided by our risk budgeting framework, and a diverse set of assets, such as alternative strategies, that have broadened our ability to generate uncorrelated returns within the portfolios.

## Market performance

2019 turned out to be a strongly positive year for both equity and bond markets. Late in 2019, market sentiment shifted to what some investors have been referring to as FOMO (“Fear Of Missing Out”), not surprising in a year in which the MSCI ACWI Index was up 26.9% in local currency terms. Those investors that assumed a defensive posture earlier in 2019 had to re-think their investment positioning when markets traded sharply higher after steep declines at the end of 2018. It truly was a year in which equity markets climbed the proverbial “wall of worry”. Some of the concerns were as follows: US/China trade war, dysfunction on Capitol Hill (impeachment debate), an economic slowing in China, and the spectre of end-of-cycle for the global economic recovery post-the Great Financial Crisis. In spite of those worries, the S&P 500 rose 31.5%, setting an all-time high and continuing its recent trend of outperformance relative to other major equity markets. Other equity markets also followed suit, posting double digit returns.

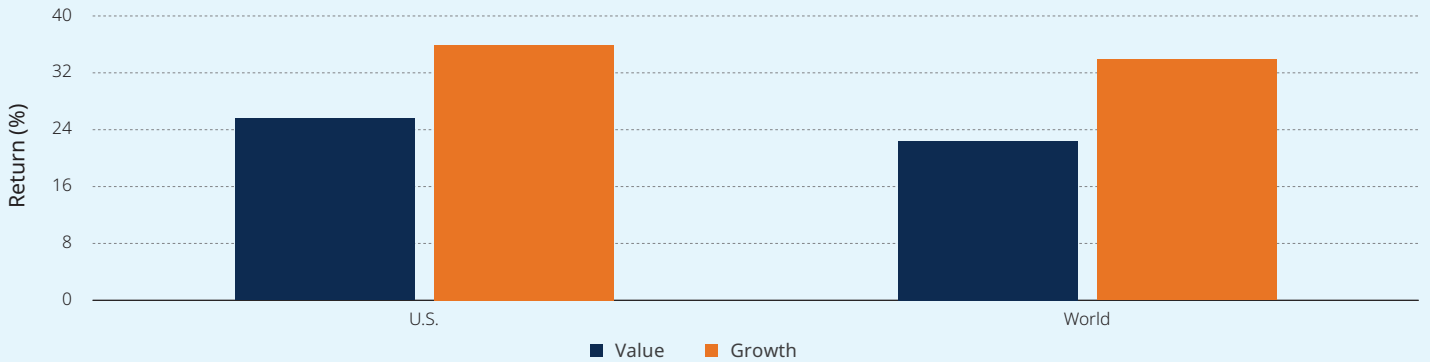
## 2019 equity indices total returns (local currency)



Source: Morningstar

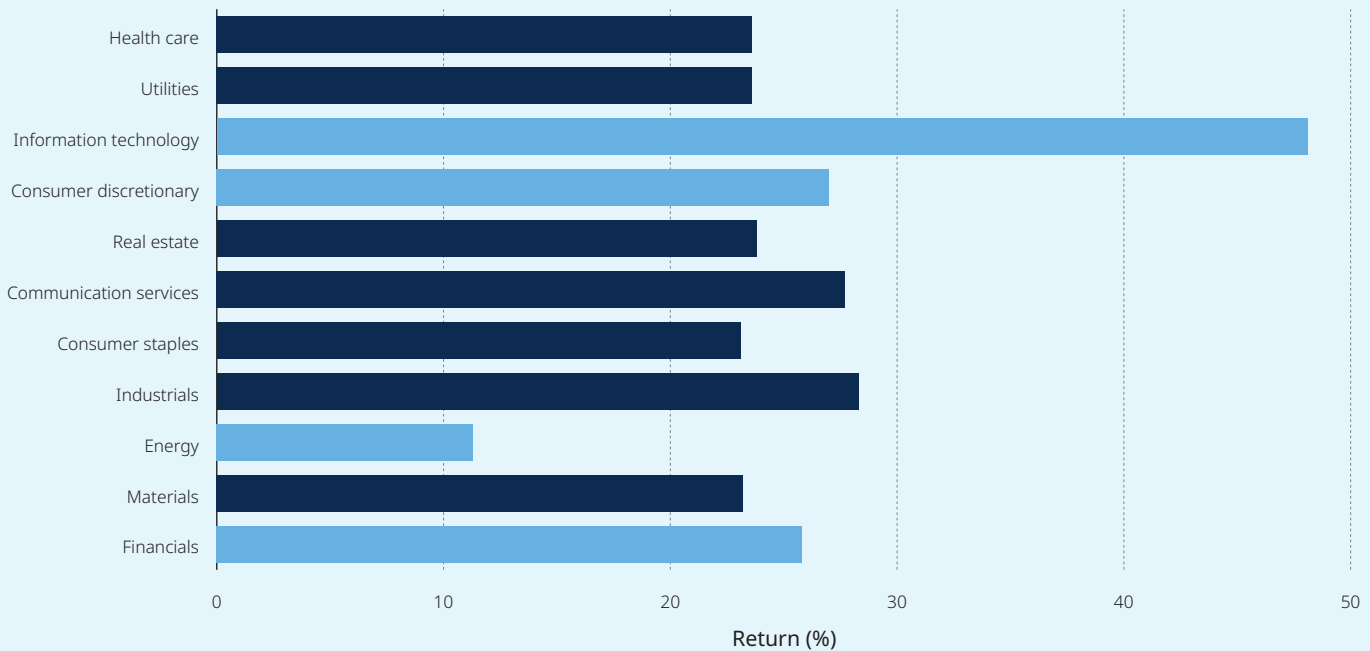
From a style perspective, we observed value and growth styles make significant gains in absolute terms with growth continuing to outperform value. On a sector basis, Information Technology stocks vastly outperformed all other sectors.

### 2019 value vs. growth indexes (local currency)



Index sources: U.S. value = Russell 1000 Value, U.S. growth = Russell 1000 Growth, World value = MSCI World Value, World growth = MSCI World Growth  
Source: Morningstar

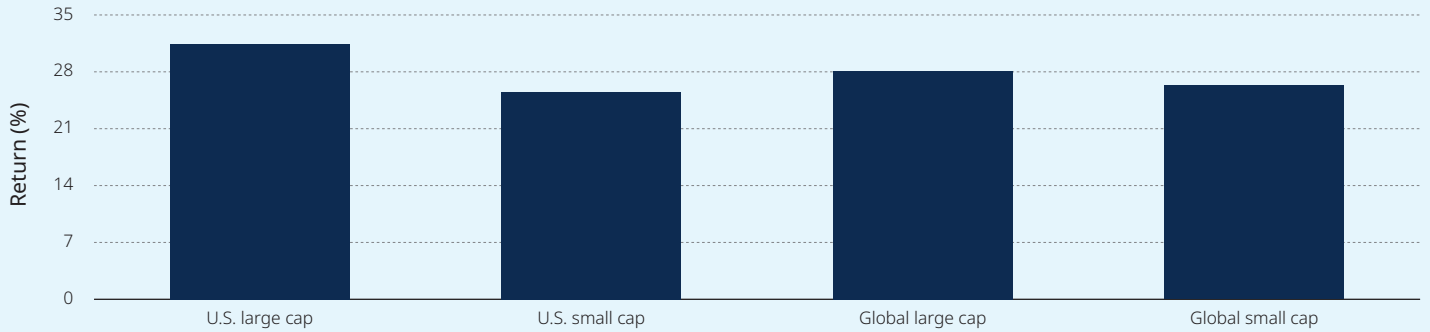
### 2019 MSCI world sector total returns (local currency)



Source: Morningstar

In 2019, we saw large cap stocks outperform small cap stocks in the U.S., though the gap was narrower on a global basis.

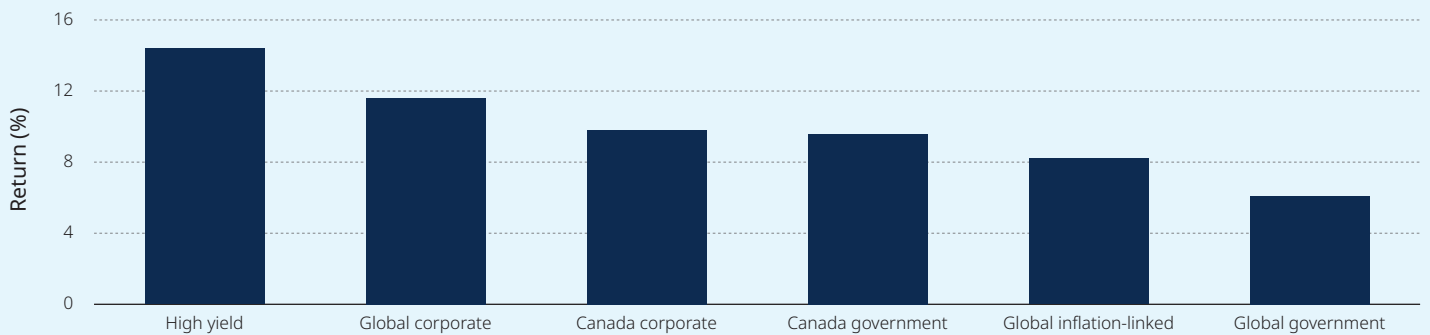
### 2019 large vs. small cap (local currency)



Index Sources: U.S. large cap = Russell 1000, U.S. small cap = Russell 2000, Global large cap = MSCI World, Global small cap = MSCI World Small Cap  
Source: Morningstar

Government and investment grade corporate bonds had their best performing year since 2014 as equity market and growth concerns in the first half of 2019, along with the Fed interest rate cuts in the second half helped boost bond prices. High yield bonds also posted very strong returns, lifted by lower yields and investors willingness to take on additional risks.

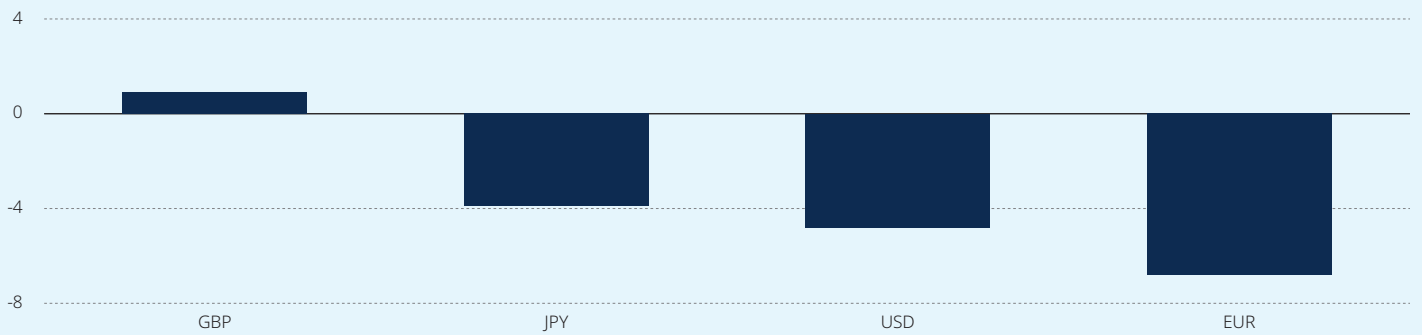
### 2019 fixed income total returns (local currency)



Fixed income index sources: Canada gov't = FTSE Canada All Government Bond Index, Canada corporate = FTSE Canada All Corp Bond Index, Global government = FTSE WBIG Gov't/Gov't Sponsored Bond Index, Global inflation-linked = Bloomberg Barclays Global Inflation Linked Total Return Hedged USD, High yield = ICE BofAML U.S. High Yield Bond Index  
Source: Morningstar,

In currencies, the Canadian dollar appreciated against most major currencies, buoyed by the Bank of Canada’s decision to hold interest rates steady during 2019 amidst other central banks, like the Fed, taking actions to lower rates. This left short-term Canadian rates (2-year bonds) above U.S. rates and well above rates almost everywhere else. The other strong currency was the UK pound which traded firmer late in the year alongside a Conservative majority win for Boris Johnson.

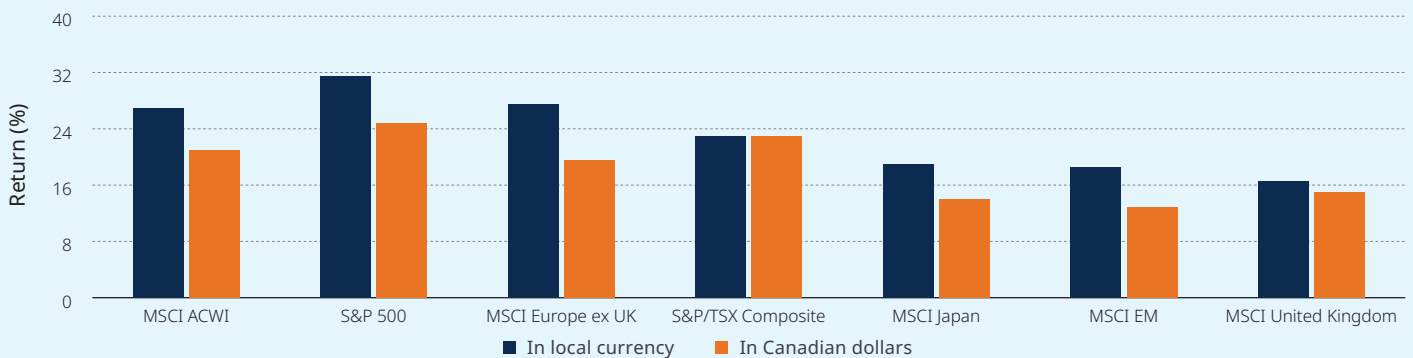
### 2019 currency spot returns vs. CAD



Source: Bloomberg

As a result, unhedged foreign equity market returns came in lower.

### 2019 equity indices total returns



Source: Morningstar

## Symmetry performance overview

### Symmetry Portfolios, series LB, annualized returns ending December 31, 2019

	1 yr	3 yr	5 yr
Symmetry Fixed Income Portfolio	6.4	2.8	2.3
Symmetry Conservative Income Portfolio	7.6	3.1	3.0
Symmetry Conservative Portfolio	8.0	3.0	3.0
Symmetry Balanced Portfolio	10.2	3.8	3.7
Symmetry Moderate Growth Portfolio	11.0	4.0	3.8
Symmetry Growth Portfolio	12.6	4.3	4.3
Symmetry Equity Portfolio	13.9	4.7	4.7

Focusing on the one-year period above, all Symmetry Portfolios posted healthy returns, benefitting from broad equity and bond market performance. However, despite the positive performance that Symmetry delivered, diversification weakened performance in 2019. Based on previous comments, solid returns were generated from all areas of the equity market. However, there were clear areas that produced outsized returns; particularly, U.S large-cap growth equities and especially information and technology stocks – a combination that carried over from 2018. Funds with outsized concentrations in these factors were rewarded with strong relative performance. These positions can make up large parts of some traditional balanced portfolios in Canada but are less prominent in Symmetry. Symmetry is diversified by manager style, incorporating both growth and value mandates. 2019 was a particularly difficult year for our value managers and although they generated positive returns for the year, their style dragged on relative returns, particularly in our non-Canadian mandates.

## Performance discussion

The construction of each Symmetry portfolio is a combination of our asset allocation decisions (comprised of our strategic asset allocation, which sets our long-term exposures to a diverse set of asset classes, and our tactical asset allocation, shorter term in nature, which dynamically adjusts our strategic weights up or down based on market assessments) and manager selection, which is where we select vehicles that provide exposure to the asset classes selected in our allocation decisions. In 2019, our overall asset allocation decisions were solidly additive to performance; however, equity manager performance was a large drag on relative returns. The following performance discussion addresses key drivers of performance.

### Asset allocation

It was a good year overall for our asset allocation decisions. A large contributor to returns was our tactical underweight to the euro where continued economic weakness and ultra-low interest rates helped keep the euro down relative to the Canadian dollar. We will continue to hold this view until the relative prospects for the euro improve. Another position that added value was our overweight to corporate credit (i.e. investment grade corporate bonds and high yield issues). Falling yields, economically supportive central bank actions and bond holders' willingness to add risk fueled strong price increases. Entering the year, we had lower active equity exposure in our Portfolios – a move in 2018 that helped blunt the impact as markets declined in Q4 and muted the performance benefit in early 2019 as equity markets sharply rebounded. In Q2, we shifted our view to increase our overweight equities as our views on market conditions improved. This resulted in an increase to our active equity exposure and was impactful on returns as the value added was able to offset the lower returns produced in Q1. With regards to our geographical allocations, our slight overweight to emerging markets (EM) equities detracted from performance as EM equities underperformed developed market equities. This was partially offset by our overweight to global sovereign bonds which benefitted more from steeper declines in yields than Canadian bonds.

Another positive contributor to performance came from our allocation to alternatives – specifically the Mackenzie Global Macro Fund as the fund outperformed its absolute performance benchmark.

## Portfolio managers

Overall portfolio manager performance was negative for the year. In fixed income, the portfolios benefitted from strong performance from the Canadian bond mandate managed by the Mackenzie Fixed Income Team. However, a more defensive posture in their high yield mandate detracted from relative returns as bond markets rewarded greater risk taking.

2019 was a particularly difficult year for our various value managers. Although they generated positive returns for the year, their style dragged on relative returns as growth strongly outperformed. Exceptions to this phenomenon came primarily from our value based Canadian equity mandates which added value on the year.

## Portfolio changes

**Asset allocation:** At the beginning of the year, we reduced our active overweight market exposures to small cap stocks and emerging markets equities. We now hold a neutral position on small cap stocks and a small overweight position in emerging markets equities. We continue to believe that these markets are able to provide enhanced opportunities for active managers to add value (alpha) but had a desire to neutralize our market exposure (beta) risk. To help us achieve the desire to access the alpha potential from these markets but reduce our market risk, we implemented a “portable alpha” strategy, a common practice employed by institutional money management firms. Through the use of derivatives, “Portable alpha” allows us to replace a manager’s native beta exposure with another while isolating their alpha. This eliminates the difficult tradeoff in asset allocation between on the one hand allocating to active managers in less efficient regions where there is more evidence of success, but on the other hand having to underweight a highly efficient equity market like the U.S.

In March, Symmetry began investing in Mackenzie’s Global Macro Fund, expanding its investment in liquid alternative strategies. The Fund is the most comprehensive representation of the Multi-Asset Strategies Team’s active views. Like other liquid alternative strategies, the Fund provides the following key benefits: 1) adding a return stream that is different from equity and bond returns, thus helping to smooth total portfolio returns, 2) adding asset classes like commodities and emerging market currencies to complement equity and bond exposures, and 3) maintaining portfolio liquidity as the investment instruments within the new Fund are highly liquid.

In August, we added an allocation to U.S. dollar denominated emerging market (EM) bonds. These bonds have significantly less currency risk than local currency EM bonds. They also offer a similar risk and return profile to high yield bonds but with a sufficiently different correlation between the two asset classes to help diversify the portfolio.

Our tactical positioning was quite fluid over the year as we made a few changes to our positioning in response to market developments. Entering 2019, the Portfolios had small overweights in equities as equity market risks had grown through the final quarter of 2018. In Q2, we significantly increased our overweight equities – which we continue to hold – as expected market and economic trends became more bullish. It was a volatile year for government bond yields and our portfolio positioning. We held a modest position in bonds to start the year as they appeared to be expensive and we believed that there was a likelihood the Fed would raise interest rates. By mid-year, our view shifted to a moderate overweight in bonds as economic indicators weakened with an escalation of the U.S.-China trade war. The Fed also began to signal interest rate cuts. We steadily pared back our overweight view in fixed income from its late summer high during the fourth quarter as the U.S. economy strengthened and the U.S.-China trade talks appeared to be progressing (both positive signs for global economic growth), which has reduced the likelihood that the Fed will need to make significantly more rate cuts.

**Portfolio managers:** During the year, we made several changes to our portfolio manager lineup.

Early in the first quarter, the Mackenzie Fixed Income Team assumed investment management responsibilities for all previously externally sub-advised Canadian bond mandates within the Symmetry Managed Solution program. Mackenzie’s Fixed Income Team has grown substantially over the past several years and has proven to be successful in managing core Canadian bond mandates. Departing managers included 1832 Asset Management, Addenda Capital, Canso Investment Counsel and Putnam Investments.



Within equities, to improve the overall factor exposures of the Portfolios, we added a new EAFE Smart Beta mandate. Like the existing Global Smart Beta mandate, the EAFE mandate is a custom strategy available only to Symmetry unit holders and targets positive exposure to value, momentum, low volatility and quality style factors – factors that have proven to add value over time. We also added a Global Core equity mandate managed by the Mackenzie Global Equity and Income Team. Mandates that were transitioned out of the Symmetry lineup included Cundill's EAFE Value, the Mackenzie North American Equities Team's Canadian All Cap Value, and the Mackenzie Systematic Strategies Team's Global Quantitative Equity.

Symmetry targets specific equity factor exposures at the total portfolio level in the direction of where our research has shown to deliver consistent long-term risk and return benefits (i.e. positive exposures to value, momentum, low volatility and quality). Over time, Symmetry has increased the use of quantitative strategies (quant) like smart beta and other quant alpha generating strategies – which deliver more stable factor exposures – in favour of traditional fundamental value strategies to help achieve our factor targets. During our annual review of Symmetry in the summer, we identified a need to further enhance the balance of different types of manager investment styles. During the fourth quarter, we added allocations to passive ETFs, specifically broad U.S. and EAFE equity market ETFs. Passive instruments are cost effective and efficient in gaining pure market exposures. These allocations help us manage our overall active manager risk. We also added the following mandates: Canadian Core – which combines the expertise of four different Mackenzie boutiques investing in specific sectors: Mackenzie Resource Team (energy and materials), Mackenzie Systematic Strategies Team (financials), and Mackenzie Bluewater and Mackenzie North American Equities Teams (all other sectors); U.S. Core – managed by the Mackenzie North American Equities Team; International Core – managed by the Mackenzie Global Equity and Income Team; Global Growth – managed by the Bluewater Team. Finally, we added an International Quant mandate managed by the Mackenzie Global Quantitative Equity Team. Of note, the Canadian and U.S. Core mandates are custom mandates for Symmetry and not available for sale on Mackenzie's product shelf. To facilitate the additions, we reduced our exposure to various other quant equity mandates and eliminated the pure Canadian equity mandate run by the Mackenzie Bluewater Team (which is now largely represented in the Canadian Core mandate).

## Multi-Asset Strategies Team update

There were a few key changes to personnel in 2019 through the time of this writing (January 2020). In the summer, Alain Bergeron (former Team Lead) left Mackenzie for a more senior role at another financial institution, and Nelson Arruda, who joined the Team in 2017, took the helm. Towards the end of the year, Alex Bellefleur (former Chief Economist and Strategist) also left Mackenzie to join a well-known pension institution. On January 6, 2020, Todd Mattina rejoined Mackenzie Investments as Chief Economist and Senior Vice-President, joining Nelson Arruda as Co-lead of the Multi-Asset Strategies Team.

Nelson and Todd have worked together previously; first at the Canadian Pension Plan Investment Board (CPPIB), and later at Mackenzie Investments where they were both instrumental in helping build the Multi-Asset Strategies Team to what it is today. In addition to providing the Team and Symmetry with a continuity in investment management philosophy and approach, the two co-leads provide the Team with a complementary set of investment experience and views. Their collective experiences will work well with the Team's collaborative approach to management. Taken together, these changes reinforce the commitment by Mackenzie Investments to provide its multi-asset and alternative solutions clients with the advanced pension-style, institutional quality investment management experience they have been accustomed to for the past six years.



**Nelson Arruda**, MFin, MSc, CFA  
Senior Vice President, Portfolio Manager,  
Team Co-Lead

Nelson has been a portfolio manager on a number of multi-asset portfolios and alternative strategy funds since joining Mackenzie in 2017. Prior to joining the company, Nelson spent seven years at the Canada Pension Plan Investment Board where he performed various roles, including head portfolio manager of the active commodities portfolio, covering energy, agriculture and metals. He was also involved in multi-asset research, portfolio management, tactical asset allocation, and active currencies.

Nelson has Bachelor of Science and Master of Science degrees in computer science from the University of Toronto and also graduated from the Rotman School of Business with a Master of Finance. He is a CFA charterholder.



**Todd Mattina**, PhD  
Senior Vice President, Chief Economist,  
Team Co-Lead

Todd possesses significant experience within the investment sector. Most recently, he served as Chief Strategist and Chief Economist at the Investment Management Corporation of Ontario (IMCO). Prior to that, Todd was Chief Economist and Strategist at Mackenzie Investments from 2014 - 2018 and supported the Multi-Asset Strategies Team by building proprietary valuation models and assessing macroeconomic conditions and their impact on global markets. Todd has also held senior roles at the International Monetary Fund and was a Portfolio Manager, Global Tactical Asset Allocation, at the Canada Pension Plan Investment Board. He is currently Vice-Chair of the Investment Committee and Pension Committee of Queen's University.

He holds a Ph.D. in Economics (International Macroeconomics & Finance) from Queen's University, an M.A. from the University of British Columbia in Economics and a B.A. in Economics from Queen's University.



At the end of October, Paul Taylor joined the Multi-Asset Strategies Team and is a Portfolio Manager on the Team and a member of Mackenzie's Global Investment Committee.

In addition to his investment management experience, Paul also brings an extensive history of participation in media communications — including appearances in BNN, CNBC, Globe & Mail, Financial Post and other media outlets. This will serve the team well as one of his primary responsibilities will be to communicate team views and product strategies.



**Paul Taylor**, MBA, CFA  
Vice President, Portfolio Manager

Paul has significant investment experience in the areas of multi-asset allocation, Canadian equity management, and manager evaluation, selection and oversight. Prior to joining Mackenzie, he worked for 14 years at a major Canadian bank as Chief Investment Officer, where his responsibilities included making tactical asset allocation decisions across institutional, high net worth and retail lines of businesses and leading large teams of investment professionals, which included equity, bond and asset allocation managers. Over his career, he has also held senior investment roles at other leading Canadian wealth management firms and has led third party manager search initiatives, due diligences and oversight. Paul also has experience in allocating to and managing alternative investments and strategies.

Paul earned an MBA at the Smith School of Business at Queen's University and holds a BA (Economics) from the University of Western Ontario. He is also a CFA charterholder.

## Looking forward

2019 was a strong year for markets and helped push strong returns in all Symmetry Portfolios; but it was a year where diversification was not rewarded and in terms of relative performance, Symmetry was disappointing. We firmly believe that our approach to portfolio construction remains as relevant as ever and will pay dividends in the long-run. There are five pillars upon which our belief rests: **Diversification, Systematization, Risk Budgeting, Innovation, and Active Management.**

### Diversification

If you know the future, diversification is senseless—just buy the winners and start spending your riches! But of course, no one knows what's coming so we believe diversification remains the single best strategy for long-term success. This is not only our strong belief, it is codified into "The Fundamental Law of Active Management", which states (in part) that for a given level of skill, the odds of success rise along with the breadth of investment options. Symmetry will always seek a broad selection of return drivers, so that if one goes wrong it won't sink the ship.

### Systematization

We seek to diversify, but we don't do it blindly, nor do we rely on "instinct" or "gut feel". We rely on economically principled models which we have researched, built and tested thoroughly over the years to guide our investment decisions. Our models view the world in three lenses: valuation, macroeconomic, and market sentiment. Each bucket provides us with an organized and measurable way to allocate assets that is supported by decades of external research and, most importantly, is repeatable. We research, test, monitor, and re-test our models continuously using live market data to ensure we are properly capturing and integrating all available signals and continuously working to separate those signals from market "noise". Because our allocation decisions are based on sound theoretical modelling that combine extensive data analysis and portfolio manager experience, we believe they will deliver healthy returns over the medium term.

## Risk budgeting

Once you accept the wisdom of diversification, you still need to determine where to diversify and by how much. You need a coherent way to knit all these decisions together into a portfolio that has the best likelihood of delivering on its objectives. Here, our risk budgeting process is critical. Establishing a risk budget for every portfolio provides a “living” framework to guide total portfolio decision-making; “living” because it is a real-time connection to evolving market conditions that ensures each portfolio is always operating with the appropriate amount of risk. This process—allocating that risk budget among the various return drivers—ensures we have systematic, logical and appropriately scaled positions which leads us to a repeatable way to build and manage each total portfolio.

## Innovation

We are always scanning the landscape for new approaches that we can use to enhance returns and reduce risk. To be among the best in our industry is like climbing up a down escalator—once you stop moving, you sink! Our early adoption of liquid alternatives is one key area where we have led the Canadian mutual fund market. By building a set of unique liquid-alternative investment vehicles for use within Symmetry, we gain access to investment vehicles that aim to deliver returns without depending on the direction of broad stock and bond markets. We will continue to add to these vehicles in 2020 and this innovation will help spread out risk and offer potential downside protection, especially in significant equity market selloffs.

## Active management

We are active in implementing our views. Our flexibility to adjust portfolio exposures very quickly to changing market conditions is an important lever that we use to add value over time. Our strong systematic process within our tactical models allows us to update and adjust positions frequently – on a weekly basis at minimum – and is a very robust feature for the Symmetry investor. There is significant breadth in the number of markets, currencies and asset classes we trade on a tactical basis, which should provide more opportunity for return. In particular, we feel that currencies are still highly underutilized in the Canadian retail mutual fund market, and they can be an extremely powerful tool to manage portfolio risk and to exploit investment opportunities. Coming from large pension institutions where currency management is a normal part of the investment process, the Multi-Asset Strategies Team has brought advanced risk management and alpha generating solutions to Symmetry.

## 2020 outlook and strategy

### Is it FOMO (“Fear of Missing Out”) or will it be oh no in Q1, 2020?

There is no doubt that the lifeline sent by the Fed via three interest rate cuts through its so-called “mid-cycle adjustment” provided insurance that the economic cycle will extend through the economic headwinds of Donald Trump’s trade war with China. To be clear, tariffs are a de facto tax and taxes have a dulling effect on domestic economic activity. For instance, import taxes on goods arriving from China raise the price of goods to U.S. consumers and businesses, causing consumption to fall. Uncertainty in the future trade policy regime also causes businesses to delay investment spending. Some have estimated the full year impact of tariffs introduced to date to have cost the U.S. economy up to 0.5% of growth in 2019. Fed rate cuts have partially, or potentially fully offset that.

Key to the outlook in Q1 and 2020 as a whole in the U.S. is the health of the U.S. labour market. Two things matter to the average U.S. consumer. First, do they have a job? Second, are their wages rising in real terms, at a rate that exceeds the rate of inflation? Fortunately, job creation remains steady as the three-month average net new positions added was at 205,000 to the end of November (source: U.S. Bureau of Labor Statistics) and the unemployment rate, at 3.5%, is at a multi-decade low. Simply put, anyone who really wants a job in America can get one. As for wage gains, the pace of average hourly earnings growth is comfortably ahead of broad measures of core inflation. That has bolstered an up-tick in retail sales. If one has a job and one is seeing some after-inflation growth in their paycheque they will feel more comfortable spending at least what they spent last year if not more. At this juncture we believe that the U.S. consumer will continue to benefit from very strong labour conditions.

There is, however, the other side to the all-important U.S. economy and that is business spending. Capital expenditures by businesses have been disrupted by the uncertainty created by Donald Trump's trade war with China. The impositions of tariffs on goods imported from China works like a tax on U.S. consumers and businesses and it dampens U.S. economic growth, pulling forward the potential for a U.S. economic recession. This causes business confidence to fall as CEO's are reluctant to spend aggressively if an economic recession looms. Evidence of this has emerged in surveys of manufacturing activity. As in the previous U.S. slowdowns of 2012 and 2016, the Institute for Supply Management's index and New Orders sub-index both turned markedly lower, below the 50-mark that typically flashes stall-speed for the domestic economy. We believe that this will only worsen in Q1 when the effect of Boeing shutting production of its MAX aircraft add to industrial production weakness.

We expect that Canada will experience moderate but not robust economic performance. In our view, Canada will ride along in the wake of continued strength from consumer spending, though that will be affected by the dulling headwind of a stretched housing sector. The Bank of Canada stands poised to ease interest rates lower should economic indicators deteriorate from current levels. Recently announced fiscal stimulus (Finance Minister Morneau's changes to the Basic Personal Amount) likely pushes off the need for Bank of Canada action at least until a new Bank of Canada Governor takes over in June 2020.

### Q1, 2020 Outlook – Oh no? Maybe not so.

**At Mackenzie we continue to see the likelihood of U.S. and global economic recession as low through 2020.** As it relates to the U.S., there are three key themes that support that view.

Firstly, the strength of the labour market provides the U.S. consumer with a solid foundation. Job creation remains elevated and positive real wage growth provides consumers with more ability to fund consumption. Secondly, financial conditions (interest rates) will remain accommodative as the Fed has made it abundantly clear that support will remain in place to extend the current pace of economic expansion. Finally, U.S. Presidential elections, while sure to be highly visible and the source of much "noise", are highly unlikely in our view, to result in an adverse extreme outcome.

**We expect Canada (and the Rest of World for that matter) to ride in the wake of the U.S. economy.** It is likely that Canada will experience a short spurt of growth in Q1 as the recently announced increases to the Basic Personal Exemption get factored into pay-cheques, possibly as soon as early in the current quarter. But once the transitory effects of the tax cut are past, likely beyond the end of Q2, we believe real GDP growth here in Canada is likely to settle near trend, somewhere near 1.75%. Like the U.S., the Canadian story is two-sided with strong consumer spending and weak business spending. While choppy than its U.S. counterpart, Canada's labour market has been relatively robust. Monthly job additions have generally been positive (with sporadic exceptions) and wage growth has been strong. Business spending, on the other hand, has been and is likely to remain weak. Overall, in our view, Canada will avoid recession but will struggle to register more than a moderate pace to economic growth.

**China has strong willingness to stimulate but is facing meaningful impediments to do so.** In previous slowdowns such as 2008, 2012 and 2016 Chinese policymakers intervened aggressively. The result was an economic bounce, both within China and beyond, and a sharp rise in the stock of debt relative to the size of the economy. The challenge in the upcoming quarter is the ultimate trifecta for policymakers. Firstly, pin down the details on a Phase One trade deal with the Trump administration. Secondly, continue to stimulate the domestic economy but take steps to ensure that debt levels do not rise too steeply to be unmanageable. Finally, Chinese authorities need to address Hong Kong protestors' demand for greater autonomy within a "one country, two systems" framework in a manner that is respectful for all. There are a lot of moving parts. One thing is clear though – it will be difficult to maintain a 6.0% growth rate given the considerable headwinds facing China in 2020.

**The Eurozone might emerge from the slow lane if policymakers find a consensus to stimulate.** The change this time around may be that stimulus may come from Germany, the administration that has thus far been most reluctant to act. The catalyst is as follows. Firstly, the political landscape in Germany changed when Angela Merkel's CDU party lost significant ground to the Green party in elections in September 2017. Since then the narrative has shifted from "should Germany stimulate?" to "when and how should Germany stimulate?" by loosening government purse-strings. Secondly, industrial production growth stalled in 2019 in Germany as auto production was particularly weak (due to weak demand from China). Much discussion has taken place. It could be a game-changer for the Eurozone this quarter or at some point this year when it becomes clear that a stimulus package is coming in Germany.

## Investment views for Q1 2020

Mackenzie's Multi-Asset Strategies Team key tactical views include the following:

- Asset mix: an overweight position in equities relative to cash and bonds
- Foreign exchange: overweight both CAD and USD relative to the G5 basket of currencies

In the second quarter of 2019 the Multi-Asset Strategies Team went to a overweight in equities, largely based on the view that an economic recession was not imminent. That was a change of view from the position at the beginning of 2019 when our positioning was more defensive. The move to a more constructive risk posture was the right decision as equity markets rose sharply, particularly late in 2019, bolstered by support from the U.S. Fed via three interest rate cuts.

We continue to favour that view based on the perspective that organic U.S. economic growth remains firmly rooted, the U.S. Fed remains supportive and the worst of trade-related “noise” is behind us. What we fear most for equity markets, that being an economic recession, an unexpected sharp rise in inflation or both, does not appear likely in 2020. As a result, U.S. corporate profits will likely be firmer through the quarter and the year. As a result, we do not believe there will be an “Oh No” moment for investors through the quarter.

In terms of currencies, we continue to favour the North American currencies, funded largely by an underweight in the EUR. Foreign exchange rates typically reflect a number of factors, including: valuations, relative economic growth, relative yields, and inflation differentials. Most importantly, current interest rate differentials favour the USD and CAD, especially when Eurozone sovereign bonds continue to offer negative yields. The European Central Bank and Eurozone policymakers are struggling to kick-start the Eurozone economy and, as a result, there is limited near-term visibility on a reversal of rate differentials.

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On September 28, 2012, the Symmetry Fixed Income Portfolio changed its objectives to permit the Fund to seek fixed-income exposure by investing either directly in fixed income securities or through other mutual funds. The past performance before this date was achieved under the previous objectives.

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