Mackenzie US Growth Class

Series F Monthly Commentary **As of:** July 31, 2019

One-month Attribution and Weight

Top Sector Contributors	% Contrib.	% Wgt
Consumer Discretionary	0.5	6.4
Information Technology	0.3	23.6
Communication Serv.	0.3	3.0
Top Sector Detractors		
Consumer Staples	-0.1	7.9
Top Security Contributors		
Starbucks Corp.	0.4	2.9
Alphabet Inc.	0.3	2.3
Accenture Plc	0.3	5.6
Top Security Detractors		
SAP SE	-0.3	3.2
Varian Medical Systems	-0.2	1.4
Alcon Inc.	-0.2	3.7
FX Attribution		
0.5%		
Cash Position		
4.8%		
Major currency exposures	**% Gross**	**% Net**
USD	90.9	74.6
CAD	0.1	16.4
EUR	7.7	7.7

Key Takeaways

- The Fund returned 1.2% in July, underperforming the benchmark return of 1.9% (CAD).
- **Accenture**, one of the top security contributors this month, is a global consulting firm and is viewed as the "partner of choice" in assisting companies across most industries in converting their businesses to take advantage of digitization. The move to digital and the rollout of new related technologies appears to be moving into the mainstream, which is helping to drive Accenture's results.
- One of the top detractors in July, **SAP**, headquartered in Germany, is a global software company with a dominant position in ERP (Enterprise Resource Planning) systems. ERP systems are notoriously expensive and difficult to install, with installations commonly occurring over several years, and price tags running into the hundreds of millions of dollars. This has given SAP an enormous economic moat, since tearing out and replacing an ERP system would be a nightmare, with no possible economic justification.

Performance Results (%)

	1 mo	YTD	1 yr	3 yr	5 yr	10 yr
Mackenzie US Growth Cl F	**1.2%**	**23.3%**	**16.8%**	**15.9%**	**13.7%**	**12.2%**
S&P 500 Index TR	1.9%	15.6%	8.9%	13.6%	15.6%	16.3%
Morningstar US Equity Peer Group	1.8%	15.5%	6.5%	11.0%	12.0%	13.4%
Percentage of Peers Beaten	21	96	96	89	69	26

Fund and Market Insights

- The Fund returned 1.2% in July, underperforming the benchmark return of 1.9% (CAD). Stock selection in the Consumer Discretionary sector contributed positively to relative performance, while stock selection in Information Technology detracted from relative performance.
- A top security contributor in July, **Accenture**, is a global consulting firm and is viewed as the "partner of choice" in assisting companies across most industries in converting their businesses to take advantage of digitization. The move to digital and the rollout of new related technologies appears to be moving into the mainstream, which is helping to drive Accenture's results. In Accenture's view, which we share and have heard echoed by a number of leading companies, we are at the front end of a very large and important secular period of technological change. As always, we continue to search for companies that operate in more protected areas and trade at reasonable valuation levels. In our view, Accenture continues to meet both of these criteria. The core investment thesis is that disruptive technologies will continue to roll-out globally, and Accenture will continue to be the key consultant implementing them. The firm spends over US$700 million per year on R&D, focusing on understanding new technologies, creating business models that will allow clients to profitably use new innovations, and finally industrializing them and rolling them out at global scale through their client base.
- One of the top detractors in July, **SAP**, headquartered in Germany, is a global software company with a dominant position in ERP (Enterprise Resource Planning) systems. A decade ago, we viewed the company as a mature software business that was downshifting from growth to maturity. ERP systems are notoriously expensive and difficult to install, with installations commonly occurring over several years, and price tags running into the hundreds of millions of dollars. This has given SAP an enormous economic moat, since tearing out and replacing an ERP system would be a nightmare, with no possible economic justification. The challenge SAP encountered was that most major companies have already deployed an ERP system, which makes for a wonderful annuity stream of income, but very limited growth. SAP's solution to this challenge was to move upstream, into the analytics and business intelligence areas, creating and acquiring new products that sit on top of their underlying ERP platform and allow businesses to analyze and understand the vast amount of data that is passing through their ERP system. In addition, SAP invested heavily in updating their underlying platform, moving it from on-premise to a cloud-based version, called S4/HANA. Although the investment was necessary if SAP was to continue to grow, it pressured overall margins, during a period where sales were already slowing. This combination of slowing growth, softer margins and, questionable capital deployment (some of the acquisitions appeared extremely expensive), resulted in somewhat lackluster stock market performance, ahead of the overall market, but weak relative to comparable large US based software companies. In our view, the company has now finally turned the corner. The global roll-out of S4/HANA continues to pick-up pace, with cloud sales now over 20% of total revenue. The company anticipates cloud revenues will continue to grow at a CAGR of over 30%. The business has attracted the interest of activist investor, Elliott Management, who helped ensure that the management is focused on execution; moving from the investment stage to the growth and margin re-expansion stage.

Fund Codes and Management Fees

Corporate Class

Series	CAD				Management Fee	Management Expense Ratio
	Front-End	Back-End	Low Load 2	Low Load 3		
A	1019	1169	7064	2190	2.00 %	2.52 %
F	1329	---	---	---	0.80 %*	1.10 %**
PW	6162	---	---	---	1.80 %*	2.18 %**

MERs as of September 30, 2018. *Effective June 1, 2018 the management fee on series F changed from 1.00% to 0.80%. The management fee on series PW changed from 1.90% to 1.80%. These changes are not yet reflected in the current MER. The September 2019 MER will reflect these changes. As such, pro-forma estimates are provided**.

Disclaimers

Percentile rankings are from Morningstar Research Inc., an independent research firm, based on the Morningstar US Equity category, and reflect the performance of the Mackenzie US Growth Class for the one-month, year-to-date, 1-, 3-, 5- and 10-year periods as of July 31, 2019. The percentile rankings compare how a fund has performed relative to other funds in a particular category and are subject to change monthly. The number of US Equity funds for the Mackenzie US Growth Class for each period are as follows: one year – 1,762; three year – 1,237; five year – 815; ten year – 311.