

Mackenzie Canadian Balanced Fund – Series F

(Formerly Mackenzie Canadian Large Cap Balanced Fund)

Q2-2018 COMMENTARY

Performance Summary

- For Q2, Mackenzie Canadian Balanced Fund returned 3.0% vs. the blended index (57.5% S&P/TSX Composite TR and 42.5% FTSE TMX Canada Universe Bond Index) return of 4.1%.

Contributors to Performance

- At a sector level, underweight exposure to Financials and Utilities contributed positively to returns relative to the benchmark.
- At a regional level, stock selection in the United Kingdom and Australia contributed positively to relative performance.
- At a security level, SM Energy Company, Stars Group Inc. and Canadian National Railway Company, were the largest contributors during the quarter.
- In the Fixed Income portion of the portfolio, an overweight exposure to bank loans contributed positively to relative performance. Stock selection in government bonds also benefited performance.

Detractors to Performance

- At a sector level, stock selection in Information Technology, Health Care, and Industrials detracted from relative performance.
- At a regional level, stock selection in Canada and Korea detracted from relative performance.
- At a security level, the top detractors from performance were Banco Bradesco SA, SK Hynix Inc, and Toll Brothers Inc.

Portfolio Activity

Equity:

- At a regional level, the Fund closed its positions in Italy. The Fund also increased its position in the Korea and Canada, while reducing it in the United States and the United Kingdom.
- From a sector perspective, exposure to the Information Technology sector increased, while exposure to Materials decreased. Exposure to Real Estate has been eliminated.

Fixed Income:

- The team continues to maintain an overweight allocation to corporate bonds relative to the index and continues to improve to credit quality of the corporate bond exposure, which helps manage risk from potential market declines.

Outlook

Equity Team's Outlook:

- The Systematic strategies group maintains exposure to certain factors, which we believe will consistently add value over time. We will vary the weightings of these factors depending on our forecasts of the rewards to these factors. Another key component of our investment process is our stock selection model. In general, the more successful the stock selection model is, the better the portfolio will perform.
- At the end of Q2, our portfolios were generally positioned with positive exposures to growth, valuation, and medium-term Momentum factors. The funds also have a high Alpha exposure, across all industries and sectors to the stock selection model. Thus, aside from our stock-specific risks, we would expect our portfolios to perform above their market benchmarks in an environment which value stocks with positive growth characteristics, trading at cheaper-than-peer valuations, with positive medium-term momentum. Our regime model is currently showing a neutral regime, and we expect growth, valuation, and momentum to be rewarded equally.

Mackenzie Fixed Income Team's Outlook:

- The portfolio managers feel there is greater uncertainty around macroeconomic risks. Therefore, heading into the second half of the year, they are looking to be increasingly selective within corporate credit sectors, focusing on portfolio diversification, using active hedging strategies around macro risks, and remaining nimble in repositioning portfolios.

PORTFOLIO MANAGEMENT TEAM:

Equity Team:

- **Richard Weed**, Senior Vice President, Investment Management, Mackenzie Investments
- **Matthew Cardillo**, Vice President, Investment Management, Mackenzie Investments

Fixed Income Team:

- **Steve Locke**, Senior Vice President, Investment Management, Mackenzie Investments
- **Felix Wong**, Vice President, Investment Management, Mackenzie Investments

Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns as of June 30, 2018 including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution, or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Index performance does not include the impact of fees, commissions, and expenses that would be payable by investors in investment products that seek to track an index.

This document includes forward-looking information that is based on forecasts of future events as of June 30, 2018. Mackenzie Financial Corporation will not necessarily update the information to reflect changes after that date. Forward-looking statements are not guarantees of future performance and risks and uncertainties often cause actual results to differ materially from forward-looking information or expectations. Some of these risks are changes to or volatility in the economy, politics, securities markets, interest rates, currency exchange rates, business competition, capital markets, technology, laws, or when catastrophic events occur. Do not place undue reliance on forward-looking information. In addition, any statement about companies is not an endorsement or recommendation to buy or sell any security.

The content of this commentary (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it.

Fund and Benchmark Performance as at: June 30, 2018	1 year	3 years	5 years	10 years
Mackenzie Canadian Balanced Fund - Series F (Formerly Mackenzie Canadian Large Cap Balanced Fund)	7.0%	5.0%	7.9%	4.6%
Blended Index (57.5% S&P/TSX Composite TR and 42.5% FTSE TMX Canada Universe Bond Index)	6.3%	4.9%	6.8%	4.6%