Mackenzie US All Cap Growth Fund – Series F
Q3-2018 COMMENTARY

Performance Summary

- For Q3 2018, the Fund returned a hefty 7.6% vs. S&P 500 Total Return Index ($CDN) which retuned 5.8%.
- For the three-month period ending September 30, 2018, the strategy beat its benchmark, the S&P 500 Index by a hefty 180 bps for the third quarter in a row. Stock selection within information technology and an overweight in energy were the main contributors. Our stock selection in the health care sector was a detractor for the period.

Contributors to Performance

- Sector allocation effect was the leading contributor to outperformance during the period. Stock selection had a slight positive impact. Positions within information technology, consumer discretionary, and health care contributed most.
- Within information technology, our overweight to Okta, Visa, and Realpage proved most beneficial to relative outperformance within the sector. Okta had a strong quarter as the company reported revenues that were up 57% to $94.6 million (USD terms). Customer acquisitions and relationship expansions continued to drive growth as the company added customers in the quarter including the City of Phoenix, the sandwich chain Pret a Manger, and First National Bank of Omaha. Led by higher spending on its branded cards, Visa shares continued their trend upward during the period after reporting earnings results that beat expectations for the fourth quarter in a row. The company also reported payments volume growth of 11%, and cross border volume and processed transactions up 10% and 12% year over year, respectively.
- Outperformance within materials was led by our overweight to Sherwin-Williams. An impressive second quarter, strength in all segments, an upbeat outlook stemming from the Valspar buyout, along with efforts to cut costs contributed to the stocks' strong results. Our overweight to McCormick & Co. led to the strong performance within the consumer staples sector. Other top contributors included overweights to Amazon, Salesforce.com, Worldpay, and Union Pacific. Our underweight to Facebook also proved favorable.

Detractors from Performance

- Selection within health care, industrials and financials had a negative impact on relative performance.
- Despite strong performance from our overweight to Union Pacific, our avoidance of several top performing materials names, notably Lockheed Martin and Caterpillar, led to relative underperformance in the sector. Other top detractors included overweights to Wynn Resorts and Proofpoint, and out-of-benchmark positions in Alibaba and BlackRock. Our underweight to strong performing Apple also hurt relative results.

Portfolio Activity

- We initiated positions in Worldpay Inc., RingCentral Inc. & Proofpoint Inc.
- We eliminated our positions in Heineken NV, Rockwell Automation & Summit Materials Inc.

Outlook

- U.S. stocks posted strong quarterly gains, with the S&P 500 Index recording its best quarterly performance since the end of 2013. Both the Dow Jones Industrial Average and the S&P 500 Index have now advanced in 11 of the past 12 quarters, and the Nasdaq marked its ninth consecutive quarterly gain. Stocks were lifted by strong economic growth and positive corporate earnings. According to an August report, the U.S. added more jobs than expected and wages grew at the fastest pace since 2009. The final reading of second-quarter GDP was 4.2%, and a gauge of consumer sentiment also reached new highs. Still, trade policy caused some pullbacks in the markets as the United States added tariffs to $200 billion in Chinese goods, and stalled NAFTA negotiations raised concern about whether Canada would join a new pact with the United States and Mexico. Stocks climbed and the dollar surged after the Federal Reserve raised rates for the third time this year. Technology stocks came under pressure as policymakers considered additional regulations for internet-based companies, Facebook and Twitter reported weak user growth, and Facebook experienced a major data breach.

MACKENZIE Investments

- Our investment outlook over the next twelve months is reasonably constructive in spite of some emerging economic headwinds such as protectionist trades policies, rising interest rates, and a flattening yield curve. Lower corporate tax rates, domestic GDP acceleration, reduced regulations, central banks with accommodative policy, low unemployment, and signs of wage growth all support a healthy underlying economy. That being said, the goal with the mandate is to minimize the impact of economic fluctuations by investing in secular growers with defensible moats and high returns. The growth profiles for many of these companies are supported by long-tailed themes and we explicitly take prior cycle downside capture into account within our risk framework. There are certain factors that suggest we are getting later in the cycle, and we make sure to incorporate the possibility of an economic slowdown or downturn into our scenario analyses.

PORTFOLIO MANAGEMENT TEAM:

Putnam Investments Inc.: Richard E. Bodzy, MBA & Samuel Cox, MBA

Fund and Benchmark Performance as at: September 30, 2018	1 year	3 years	5 years	10 years
Mackenzie US All Cap Growth Fund, Series F	31.6%	19.4%	20.8%	14.2%
S&P 500 Total Return Index ($CDN)	22.1%	16.1%	19.2%	14.2%

MACKENZIE Investments