

Market Review

US small and mid cap equities continued their strong performance in the third quarter . The Russell 2500 index returned 4.7% in US Dollars (2.9% in Canadian Dollars). Technology and Health Care outpaced the market by far, while Producer Durables and Utilities also did well. The only sector to decline was Consumer Staples.

Outlook & Strategy

What are the key opportunities you see?

- In the US, wages have started rising after several years of remaining flat. We believe this rise may prompt companies to begin taking action to improve productivity with the intention of maintaining profit margins. In seeking to improve productivity, companies may invest in new technology and services that can help them get work done more efficiently. We think several of our companies can assist in this effort.
- We continue to maintain overweights in the Technology and Health Care sectors in the belief that the secular growth available there will serve us well. We are also overweight the Industrials sector, however our largest holdings are the least cyclical. Our Financials weighting is lower than it has been in some time, with the preponderance of our weighting in our insurance companies.

What are key risks that need to be managed?

- We believe that the US economy, like many others, faces structural challenges in the form of high debt levels and slow growth in the working age population. Across the globe, governments have too much debt to be able to boost growth in a major way. 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, monetary policy tightening began in the United States some time ago. With tightening occurring in several geographies globally, there is some risk that economies could begin to slow as a result. Trade disputes between the US and other countries may also present a risk to economic growth prospects.

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 have cut our exposure to more cyclical businesses, and we have focused 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 reasonably well 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.

PORTFOLIO MANAGEMENT TEAM:

Phil Taller, Senior Vice President, Investment Management, Mackenzie Investments

Sonny Aggarwal, Associate Portfolio Manager, Investment Management, Mackenzie Investments

John Lumbers, Senior Investment Analyst, 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 September 30, 2018 including changes in unit value reinvestment of all distributions and do 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 the investment products that seek to track an index.

To the extent the Fund uses any currency hedges, share performance is referenced to the applicable foreign country terms and such hedges will provide the Fund with returns approximating the returns an investor in a foreign country would earn in their local currency.

This document includes forward-looking information that is based on forecasts of future events as of September 30, 2018. We will not necessarily update the information to reflect changes after that date. 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: September 30, 2018 | 1 year | 3 years | 5 years | 10 years |
|---------------------------------------------------------------|--------|---------|---------|----------|
| Mackenzie US Mid Cap Growth Class – Series F | 31.9 | 18.2 | 17.6 | 14.6 |
| Russell Mid Cap TR Index (\$CDN) | 20.1 | 14.7 | 16.6 | 14.2 |
| Mackenzie US Mid Cap Growth Currency Neutral Class – Series F | 27.8 | 19.4 | 13.0 | 12.6 |
| Russell Mid Cap TR Hedged Index (\$CDN) | 15.3 | 15.3 | 11.1 | 10.9 |