MACKENZIE GLOBAL MACRO FUND

Series F | Monthly commentary | August 2020

MACKENZIE Investments

INVESTMENT STRATEGY & HIGHLIGHTS

Alternative mutual funds may use leverage and shorting to isolate and magnify risk premia, factor exposures, alpha, and reduce the influence of traditional market beta on performance. The Mackenzie Global Macro Fund incorporates both relative value and directional asset allocation strategies to produce a return stream that can decouple from traditional markets. The Fund's investment universe includes equity and fixed income markets, currencies, and commodities. It follows a disciplined investment strategy based on principles of relative valuation, market sentiment and detailed analysis of macro-economic conditions.

FUND SNAPSHOT

As of August 31, 2020	
Inception	26-February-19
Benchmark	FTSE TMX Canada 91-Day T-Bill Index
AUM	$ 279,516,610
Management Fee	1.00%
MER	*1.31%
Performance Fee	None
Redemption Notice	None
Min. Investment	$500
NAVPU	$ 10.35

*Pro forma estimate

RISK TOLERANCE

Low Moderate High

Monthly Performance Net of Fees (Series F, %)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	SI (Ann.)
2020	1.7%	0.4%	-5.5%	0.2%	2.1%	-0.2%	2.0%	-0.7%					-0.3%	4.1%
2019		0.5%	0.6%	1.6%	-0.9%	3.3%	1.3%	-1.9%	0.8%	0.6%	0.3%	1.0%	6.6%	

PORTFOLIO OVERVIEW

Asset Class	short	long	net	Contribution to target risk
Cash	0%	81%	81%	0%
Core fixed income	-12%	61%	49%	9%
Credit fixed income	0%	6%	6%	7%
Equity	-6%	20%	14%	36%
Commodities	-3%	10%	7%	9%
Currency	-97%	73%	-24%	38%
Total	-118%	252%	134%	100%

PORTFOLIO STATISTICS

Return (Ann. Since Incept.)	4.12%
*Standard Deviation	7.22%
Target Volatility Range (5 yrs.)	7-11%
Value at Risk	-4.86%
Leverage	1.6 X

*Annualized, based on daily returns

Top 10 long positions (non-cash)	Weight	Cont. to target risk
US 10YR NOTE	30%	3%
NEW ZEALAND DOLLAR	19%	19%
SWEDISH KRONA	17%	14%
CANADIAN 10Y BOND FUTURE	15%	3%
S&P500	12%	28%
BRAZIL REAL	11%	16%
AUSTRALIAN DOLLAR	9%	10%
GERMAN 10YR BUND	8%	2%
SOUTH AFRICAN RAND	8%	11%
POLISH ZLOTY	7%	5%

Top 10 short positions (non-cash)	Weight	Cont. to target risk
ISRAELI SHEKEL	-17%	-1%
NORWEGIAN KRONE	-14%	-14%
JAPANESE YEN	-13%	1%
SOUTH KOREAN WON	-12%	-6%
SINGAPORE DOLLAR	-12%	-4%
CANADIAN DOLLAR	-10%	-4%
EURO	-9%	-2%
ITALIAN 10YR GOV. BOND	-9%	-1%
BRITISH POUND	-5%	-2%
INDIAN RUPEE	-3%	-1%

GLOBAL MARKET HIGHLIGHTS

August was a strong month for risk assets as the MSCI World returned +6.3% (local-currency terms). Regionally, the S&P 500 and S&P/TSX were up +7.2% and +2.4%, respectively, while the MSCI Japan and MSCI Europe indices were up +7.9% and +2.8% respectively. Bonds posted negative returns as the BBgBarc Global Aggregate Bond Index earned -0.7% in local currency terms and the Canada Universe Bond Index was down -1.1%. High-yield credit rose +1.0% and bank loans +1.5% in local currency terms. Oil ended the month up +5.0% and gold was down -0.4%, both in USD terms. It was a weak month for the USD in general and from a Canadian perspective as it depreciated -2.7% vs. the CAD. Other developed market currencies also gave back value relative to the CAD including the JPY (-2.8%), GBP (-0.6%) and EUR (-1.4%).

GLOBAL MACRO STRATEGY HIGHLIGHTS

- **Net equity exposure in the Fund is slightly down since July month end** and it remains well below levels we had in 2019. Equities appear expensive on a stand-alone basis and relative to history based on traditional metrics, such as the Shiller cyclically-adjusted price-to-earnings ratio, but relative to other asset classes they remain attractive. Historically low bond yields have compressed the discount rate used to value these businesses, which we believe accounts for a higher price-to-earnings multiple for the index. Sentiment for the asset class is also constructive as the market just experienced its 5th consecutive month of positive returns, boosting the S&P 500 and MSCI World's YTD and rolling one-year returns further into positive territory. The macro perspective however continues to limit our optimism as the recovery of the real economy has lagged that of the stock market by a wide margin and that gap continues to grow. Resurgences of COVID-19 cases in key markets, such as the sunbelt states, threatens to stall and, in some cases, reverse re-opening plans, which could cause the real economy to backtrack recent gains.

- **Net long exposure to government bonds is flat month over month** but is significantly down since the end of Q2. In 2020, real yields on 10-year US Treasuries settled below zero for the first time since the Federal Reserve tapered Quantitative Easing in 2013. The sharp decline in real yields this year reflects the dramatic impact of COVID-19 on the US and global economy, which led the Fed and other major central banks to slash policy interest rates to about zero. With a commitment to keep interest rates at the lower bound of 0-0.25%, the Fed has signalled to investors that it will maintain an aggressively expansionary policy stance until inflation and economic activity recover. Based on swap markets, investors expect that the Fed's policy interest rate will stay around zero until well after 2023. The combination of low nominal rates anchored by the Fed and gradually rising expected inflation imply that low real yields could persist until well after the economy recovers. While bond yields have declined sharply year to date, the yield curve has steepened. Long-term bonds therefore still provide a premium over cash rates, which helps to justify at least a moderate allocation. Moreover, government bonds continue to play an important 'total portfolio' role by diversifying equity risk, especially in times of market stress.

- **Currency alpha continues to play a large role in the portfolio.** As we search the markets for opportunities to earn diversifying sources of return, the foreign exchange markets continue to present us with relatively high conviction and actionable signals. In an era of negative real interest rates and a highly uncertain economic prognosis, trading currencies based on themes of relative valuation, market sentiment, and macro-economic indicators offer an uncorrelated source of expected return that is conducive to our absolute return mandate. Some of our larger positions are explained in the bullets below:

- **We are long the New Zealand dollar.** The recent macro data out of New Zealand has been encouraging with industrial production and manufacturing activity rebounding nicely and an unemployment rate of just 4%. High frequency data such as restaurant activity and credit card spending also suggest a consumer base with a growing propensity to spend. Much of this can be attributed to early and strict enforcement of COVID-19 related lockdown policies that contained the spread of the virus and recent progress towards re-opening that included their largest city (Auckland) exiting lockdown in August. Despite a relatively strong macro picture for the currency, our bullishness has been somewhat restrained by relative valuations and general market sentiment towards the kiwi.

- **We are long the Swedish krona.** Sweden stands out as the European Union's only country not to lock down, keeping schools, restaurants, and borders open throughout the pandemic. It has received some criticism for its handling of the coronavirus as it has one of the highest death rates per capita in the world, significantly exceeding that of its Nordic neighbors. Despite this, it appears that Sweden's economic prospects have been less impacted by the pandemic than other European nations. The country's Purchasing Mangers Index for example, a classic forward-looking indicator, dropped less than others and rebounded quickly, suggesting a more subdued impact on the forward-looking economic outlook. Our positive view on the Krona is also linked to the Krona's relatively attractive valuation based on several metrics. Measures of purchasing power parity and the current account status of Sweden leads us to believe the currency will continue to appreciate relative to other currencies.

- **The Norwegian kroner is one of the largest short positions** in terms of its risk contribution. The short position mainly reflects the relatively weak macro outlook and unattractive valuation relative to long-term fundamental drivers, including the current account balance. Leading economic indicators also point to a relatively bearish macro outlook for the domestic economy. We also expect relatively bearish investor sentiment to continue weighing on the kroner.

GLOSARY OF TERMS

Risk Premium: The amount by which the return of a risky asset is expected to outperform the return of a short term (typically 3-month) risk-free government bond.
Factor Exposures: Asset attributes and sensitivities that can be systematically identified and expected to cause return variations within and among asset classes. Economic factors include economic growth and inflation. Style factors include valuations, asset quality, asset price volatility and momentum.
Alpha: The return achieved by an investment strategy linked to its ability to successfully forecast return differentials in-between assets for idiosyncratic (individual asset specific) reasons (not linked to asset class risk premia or systematically identifiable factor exposures).
Market Beta: The risk and return associated with a broad global equity portfolio, diversified of any stock specific risk factors.
Standard Deviation: A measure of the variability of returns that have occurred relative to the average return. The higher the standard deviation, the greater is the range of returns that has been experienced. Standard deviation is commonly used as a measure of risk.
Contribution to Risk: The percentage contribution to expected portfolio risk, after accounting for individual asset standard deviations and cross correlations.
Value at Risk: The maximum loss anticipated over a one-month period with 99% confidence, based on realized standard deviation, assuming a normal distribution.

KEY INVESTMENT PERSONNEL

Nelson Arruda, MFin, MSc, CFA

Nelson Arruda joined Mackenzie Investments in January 2017 and is Senior Vice President, Investment Management and Co-Lead of the Mackenzie Multi-Asset Strategies Team. In this role, Nelson is a member of Mackenzie's Global Investment Committee and is responsible for the management and oversight of Mackenzie's $20 billion multi-asset class portfolio business that includes a suite of five currency management products, Symmetry, Mackenzie Multi-Strategy Absolute Return Fund, Mackenzie Global Macro Fund, and other asset allocation approaches for internal and external clients. Nelson's other responsibilities include alpha research, risk management, portfolio construction, external manager deployment, trading operations, and team management. Prior to joining Mackenzie Investments, Nelson held various roles over 7.5 years at the Canada Pension Plan Investment Board (CPPIB) – including 3 years as Lead PM of the Commodities Strategy in the Global Tactical Asset Allocation Group. Nelson was involved in multi-asset research, portfolio management, tactical asset allocation, active commodities, and active currencies. Prior to joining the CPPIB, Nelson was a Financial Engineer working on liability modelling at State Street based in Toronto for pension plan clients in the EU and across North America. Nelson earned two Masters Degrees at the University of Toronto and the Rotman Business School over the period 2005 to 2009 – a Masters of Science Degree in Computer Science (M.Sc.) in Cryptography & Computational Complexity and a Masters Degree in Finance (M. Fin) degree.

Todd Mattina, PhD

Todd Mattina is Senior Vice-President & Co-Lead of the Multi-Asset Strategies Team and the Chief Economist for Mackenzie Investments. Todd supports multi-asset and alternative solutions by building proprietary investment models and assessing the investment implications of expected macroeconomic conditions. After serving as Mackenzie's Chief Strategist and Economist from 2014 to 2018, Todd joined the Investment Management Corporation of Ontario (IMCO) where he served as VP, Portfolio Construction, Chief Strategist and Chief Economist. He led investment teams responsible for strategic asset allocation, active asset allocation, dynamic currency management and economic analysis. Prior to his experience at Mackenzie and IMCO, Todd worked at the International Monetary Fund (IMF) for ten years where he focused on macro-fiscal policy and supported the design of an IMF endowment portfolio. In this role, Todd was a key member of IMF teams negotiating financial arrangements with developing countries, providing policy advice to country officials and leading research. Todd was also a Portfolio Manager of Emerging Market Currencies in the Global Tactical Asset Allocation (GTAA) team of the Canada Pension Plan Investment Board. Todd conducted quantitative research and macroeconomic analysis supporting the GTAA team's Tactical Asset Allocation and G-10 currency strategies. Todd currently serves as Vice-Chair of the Investment Committee and Pension Committee of Queen's University. Todd completed a PhD in Economics (International Macroeconomics & Finance) from Queen's University in 2001, an MA from the University of British Columbia in economics (1995) and a BA (Honours) in economics from Queen's University (1994).

Disclaimer:

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