Performance Summary

- During Q2 2020, the Fund returned 20.4% compared to a return of 11.1% for the MSCI All China and MSCI China All Shares linked index (Net CAD).
- The portfolio significantly outperformed the benchmark primarily because of strong stock selection in Consumer Staples, Consumer Discretionary, Industrials, and Information Technology, as well as underweight exposure to the underperforming Financials sector.

Economic and Market Review

- Despite of the pandemic of COVID-19, Q2 has witnessed a great rebound of China’s economy. We did see a number of indicators suggesting how big the impact was in Q1, such as sluggish PPI, soften internal and export demands, slowed GDP growth. The good news is, the worst time has passed, the manufacturing in China is still prospering.
- Industrial Value Added of April, May, and June are 3.9%, 4.4%, and 4.8%, both turning positive and showing an upward trend. After reaching the peak in February, the growth of CPI has been decreasing. From April, CPI growth has returned to normal level as before COVID-19. PMI has been above the waterline for several months, suggesting the impact of COVID-19 on manufacturing has almost faded away. In the aspect of international demand, the exports of April and May were better than expected due to some countries’ COVID-19 control needs and work resumption.
- The Chinese government still acts proactively. During Q2, all government meetings and reports stressed the importance of strengthening macro-control. The government has set a budget deficit target for this year of "at least" 3.6 percent of gross domestic product (GDP), with accumulated tax cuts and fee reductions of more than 2.5 trillion RMB. Additionally, 1 trillion RMB of special government bonds for COVID-19 control, in a bid to balance epidemic control with economic and social development, will be issued. Another measure to support companies is using local governments special bonds, which will reach 3.75 trillion RMB. Monetary policies also play an important role. Innovative instruments help to boost real economy, vigorously driving consumption, investment and employment growth. All the measures are expected to be more precise and target to spur economic recovery and prevent risks in the financial system.
- Meanwhile, the rest of the world is still working thorough the combat of COVID-19. Till now, the number of confirmed cases reached 17 million. Global markets still experience plunge amid widespread bearish sentiment arising from heated concerns of coronavirus. Besides the disease itself, many unrests and political disputes have made things even worse. Compared with Q1, we didn't see an improving global control of COVID-19. We think that the situation will still last for some time, but corresponding measures will be taken to mitigate its influences as well. In US, the federal reserve will still maintain nearly zero interest rate to stimulate the economy. And a number of fiscal policies can also prompt the production and consumption. From our perspective, the US economy will begin to slowly rebound, so will the world economy.
- The Chinese stock markets experienced dramatic rally in 2020Q2. The coronavirus started to weigh on the economy and dragged down the stock performances at the beginning of the year. As the containment measures took effect and the business resumption rate stands at 88% of the pre-crisis level, it sent confident signals to the investors. The Hong Kong market experienced lower growth in Q2. As China's parliament passed the new national security law for Hong Kong, the decision will help to maintain the social and economic stability. Within the benchmark MSCI China All Shares Index, all the sectors recorded positive returns in local currency terms during the reporting period except Energy, and Healthcare and Information Technology reported the high returns of 34.1% and 28.9%, respectively.

Contributors to Performance

- strong stock selection in Consumer Staples, Consumer Discretionary, Industrials, and Information Technology, as well as underweight exposure to the underperforming Financials sector.
• At a stock level, the largest contributors were: Meituan Dianping, Tencent, and Wuliangye Yibin.

Detractors from Performance

• Stock selection in Health Care detracted from relative performance.
• Cash allocation detracted from relative performance as the benchmark was up strongly during the quarter.
• At a stock level, the largest detractors were: ZTE Corporation, Lepu Medical Technology (Beijing), and Fuyao Glass Industry.

Portfolio Activity

• Portfolio activity and market effects resulted in increased exposure to Consumer Staples, Health Care, Information Technology, and Consumer Discretionary, with reduced exposure to and Financials, Real Estate, and Materials. Cash position decreased.

Outlook

• China’s improved data continued to fuel hopes for quicker economic recovery. The Industrial Value Added expanded in 3 months straight, and the total retail sales of consumer goods reached 448 Billion USD, with MoM growth picked 4 months in a row. Moreover, despite the recent marginal tightening of rising interbank rate, we believe that the monetary and fiscal policies will remain accommodative to encourage liquidity to flow into the real economy.
• China is first-in and first-out in this pandemic. Economic activities have been already fully recovered so far. As we mentioned in our Q1 commentary, COVID19 virus impact on China’s economy should be one-off, and China equity market was observed to be relatively safer and more resilient comparing to other developed markets. We are confident that the stock market is likely to remain in its upward trend, as it is supported by continued economic recovery and stimulus policies. We believe Consumer, Technology and Healthcare sectors are still the primary market drivers.
• We will keep the structure of the current portfolio, strategically overweight in Consumer, Healthcare, Information Technology and E-commerce sectors/industries. Valuation gap between these growth sectors which we overweight vs. value sectors which we underweight, has almost approached historical peak. However, due to the abundant liquidity in the global capital market, and long-growth potential for these growth stocks, we still feel comfortable to hold them in our portfolio.
• We will also trim down some high valuation stocks, of which prices have experienced short term rally, and plan to buy some high quality companies with reasonable valuation.

PORTFOLIO MANAGEMENT TEAM:

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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.

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<table>
<thead>
<tr>
<th>Fund and Benchmark Performance as at: June 30, 2020</th>
<th>1 year</th>
<th>2 years</th>
<th>Since inception*</th>
</tr>
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<tbody>
<tr>
<td>Mackenzie All China Equity Fund- Series F</td>
<td>31.2%</td>
<td>12.3%</td>
<td>13.2%</td>
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<tr>
<td>MSCI China All Shares Index (Linked)**</td>
<td>16.5%</td>
<td>7.1%</td>
<td>4.3%</td>
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</table>

*Inception date: October 16, 2017

**MSCI transitioned the MSCI All China Indexes to the MSCI China All Shares Indexes as of the close November 26, 2019. Benchmark performance is linked between MSCI All China Index prior to November 26, 2019, and MSCI China All Shares Index thereafter.