

Mackenzie Call Series

Calming perspectives in uncertain markets

Economic updates and Alternative Asset Class & Income perspectives

On April 21, Mackenzie held a conference call featuring economic and market updates from **Todd Mattina** (Senior Vice President, Chief Economist and Co-Lead of Mackenzie Multi-Asset Strategies Team) and **Matthew Cardillo** (Vice President, Portfolio Manager, Mackenzie Systematic Strategies Team).

Conference call highlights

Current macro perspective

- Governments continue to weigh the trade-off between managing the COVID-19 pandemic and supporting economic activity. Unprecedented fiscal and monetary stimulus by governments worldwide are designed to provide some stability amid an economic shutdown where unemployment is rampant (e.g., about 22 million people in the U.S. are now unemployed, which is more than 10% of U.S. workforce).
- WTI oil prices (May futures contracts) have fallen to negative territory for the first time ever, because of plunging demand, a supply glut and the costs of inventory storage. Oil prices for future months are also declining to reflect the bleak circumstances and outlook for the oil market.
- The International Monetary Fund expects a sharp recession in 2020 in what could be the greatest economic crisis since the Great Depression. The recession's severity will depend greatly on the duration of COVID-19 outbreak and economic lockdown, but an economic contraction worldwide seems very likely. Other factors determining severity of the recession include how quickly consumers and businesses will revert to normal spending levels, and how effective government emergency measures will be in backstopping the global economy.
- Markets remain highly volatile, so if you're making tactical shifts in client portfolios, consider making smaller moves and stick to your long-term asset allocation mix and strategy, while staying well diversified across geographies and asset classes. It's also a good idea to maintain enough liquidity to rebalance portfolios and take advantage of attractive opportunities that are (or will be) arising.

Update on non-traditional assets

- Mackenzie Diversified Alternatives Fund (MDAF) holds only non-traditional assets and is designed to complement portfolios of traditional stocks and bonds because of their low-correlation properties. Sophisticated institutional investors have long used non-traditional assets as such assets have historically been strong portfolio diversifiers that are effective in helping investors reach their long-term financial goals.
- During the recent extreme market volatility, non-traditional assets were sold off alongside most other securities, so they were not effective in improving a portfolio's correlation traits. Today's markets reflect a massive public health issue and not a financial-driven issue, so investors concerned about revenue sustainability of non-traditional assets in this extraordinary market environment reacted by selling off these assets.
- Longer term, we believe non-traditional assets will regain their footing once the economic effects of COVID-19 are better understood. In particular, we see outstanding opportunities on the horizon in the credit market, gold, and pockets of real-estate/infrastructure equity.
- Regarding MDAF, the portfolio's holdings in smaller, niche non-traditional equity assets had a negative impact in this risk-off environment, as did credit-oriented holdings in fixed income.
- In response to conditions in March, we exited MDAF's exposure to convertible debt, BDCs, and mortgage REITs. We have maxed out our allowable exposure to gold bullion but still believe in the prospects for gold, so we have increased our exposure to gold mining equities.
- We are also more focused now on sub-areas in real estate and infrastructure within MDAF, such as communication/data centre REITs, select health care REITs, REITs in countries where the economy is gradually reopening (e.g., Germany and Switzerland) or where COVID-19 did not cause an economic shutdown (e.g., Japan), and communications infrastructure

Check out the conference call

Listen to our archived conference call on our website [here](#) or dial-in to our instant replay below, to learn more about what's going on in the economy and markets.

Toll-free: 1-800-408-3053

Passcode: 4103170

Please note that the dial-in number will only be available for 30 days after the event and will expire on May 22, 2020.

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