

# Live with Phil Taller

## Market volatility and the Mackenzie Growth Team

### Mackenzie U.S. Mid Cap Growth Class

On May 7, Mackenzie hosted a webinar featuring Phil Taller (Senior Vice President, Portfolio Manager and Head of the Mackenzie Growth Team).

#### Webinar highlights

##### Macroeconomic views

- Before COVID-19, we had been seeing some economic improvement as the stimulative effects of lower interest rates started to take hold, and as the housing market strengthened. With COVID-19, economic trends reversed course.
- We expect continued challenges for economic growth as government and corporate debt levels rise significantly. We also anticipate an increase in the U.S. consumer savings rate (as typically occurs coming out of a major financial crisis) that will impede economic growth.
- In the near term we don't expect a strong inflationary environment, but we do assume the beginning of an economic recovery in 2021 (although we don't know the actual "shape" of the recovery).
- Many larger companies may choose to grow through acquisition over the near term as valuations of target companies become more attractive and financing is extremely cheap with interest rates hovering around zero.
- Generally, the growth style of investing performs much better than value investing when economic growth is weak, given that growth-oriented businesses are geared to grow irrespective of general economic conditions.

##### Insights on Mackenzie US Mid Cap Growth Class

- In recent months we have added to the Fund's beta as well as its cyclical exposure, positioning the Fund to take advantage of a pick-up in the cycle (economic expansion) as the world rebounds from the impact of COVID-19.
- We have identified several areas where we anticipate sustainable positive trends. The growth areas to which we have exposure include:
  - Data analytics and infrastructure, through companies such as Equifax Inc. and Progressive Corp.
  - Automation and robotics, which are being used more often in supermarkets and for logistics/distribution. Cognex Corp. is one of the companies we own in this space
  - Medical technology, particularly pharmaceutical research and production. Charles River Laboratories is a company we own in this industry
  - Cybersecurity will be more important as the remote workforce will likely grow after the pandemic. We own SailPoint Technologies in this market segment
  - Health care delivery is gaining importance as the world has had to deal with COVID-19. For instance, Premier Inc. helps clients source reliable personal protective equipment
  - The consumer is changing amid an environment where people are looking to increase their savings. Carter's Inc., which sells children's clothes at reasonable prices, is a holding that stands to benefit from this trend
- Cash in the Fund currently sits in the range of 4.5% to 5%, as we maintain a liquidity buffer to pursue attractive buying opportunities or for other purposes as required. We typically hedge the U.S. dollar when fear dominates the market and the global economy is weak; these conditions prevail now, so we have begun to hedge.

##### Insights on Mackenzie Global Small-Mid Cap Fund

- We see good opportunities worldwide in the SMID-cap space. We hold a sector overweight position in information technology, health care and industrials, with underweight exposure to energy, materials and real estate.
- The Mackenzie Growth Team manages roughly one-third of the Fund, and we have teams in Europe and Asia that manage about one-third each. The teams have a similar mindset and approach to managing risk and volatility, plus we are all growth oriented and pay special attention to the quality of companies and stock valuations.

- Historically, when the market has troughed following a crisis or other significant negative event, SMID-caps have outperformed large caps over the one-year and three-year periods. By their growth nature, SMID-caps have always led the way out of difficult market conditions.
- We manage half the Global Small-Mid Cap Fund (in line with the U.S. allocation), and in a similar fashion, Kalle Huhdanmäki (Vice President, Portfolio Manager, Mackenzie Europe Team) manages 28%, and Bryan Mattei (Vice President, Portfolio Manager, Mackenzie Asia Team) 22%.

### **Sell discipline**

- We have created our own discounted cash flow model based on our long-term assumptions on growth rates, margins, etc. This model helps determine how we value businesses. We always seek superior growth prospects that we can buy at a reasonable valuation.
- On average, the holdings in Mackenzie Growth Team's Funds average approximately 30% discount to our models during the recent lows. Currently, the discount has narrowed to roughly 10%-15% as stock prices have rebounded in recent weeks.
- When companies move to a high premium relative to our model forecasts, we tend to sell – even if we still like the company – because the stock has become overvalued to us.

### **Check out the webinar**

This webinar is available on-demand! Access the playback [here](#).

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