Live with Phil Taller and Sonny Aggarwal

Market volatility and the Mackenzie Growth Team

Mackenzie US Mid Cap Opportunities Fund

On June 4, Mackenzie hosted a webinar featuring **Phil Taller** (Senior Vice President, Portfolio Manager, Head of the Mackenzie Growth Team) and **Sonny Aggarwal** (Vice President, Portfolio Manager, Mackenzie Growth Team).

Webinar highlights

Macroeconomic perspective

- High levels of global debt remain a long-term headwind for the growth space. However, we believe the mid cap space has much less concentration risk than large caps. For instance, the top-5 names in the S&P 500 compose roughly 20% of the Index, while the top-5 names in the Russell Mid Cap only compose about 4% of the Index.
- We remain constructive on the prospects for growth companies that serve developed markets like the U.S., Europe and Asia, where these companies participate in certain foundational trends that are likely to be sustained beyond 2020.

Update on Mackenzie US Mid Cap Opportunities Fund

- This Fund shares many of the key characteristics of our flagship mid cap fund (now named Mackenzie US Small-Mid Cap Growth Class), and there is some overlap of holdings as both portfolios are populated with our team's ideas. The main differences between the portfolios are concentration – initially fewer holdings are targeted in this Fund relative to the flagship – and a higher minimum market cap (roughly US$4 billion vs. US$2 billion for the flagship).
- The Fund also gains access to the same industry exposures using different names than the flagship. For example, in the industrial supplies and distributor space, we hold MSC Industrial in the flagship, but its market cap falls below the threshold for this Fund, so we bought Fastenal, which the team believes is similarly attractive and offers exposure to the same industry.
- One of the secular trends that we currently favour is communications infrastructure, as there is a growing need for speed and capacity – we expect this trend to continue strengthening post-pandemic. We hold semiconductor company Xilinx in this space, as it holds the largest market share in its industry and has good growth potential.
- We have the capability to hedge currency if we anticipate extreme relative movements in the U.S. dollar, but at this time the portfolio remains completely unhedged.
- We use a variety of economic indicators to help us determine when to increase beta in the portfolio. Often when the economy is weak and we see an overly pessimistic market then we may start taking on a higher weight in cyclicals that are positioned to thrive in a growth environment.
- When markets collapsed as a result of COVID-19, we opportunistically added several companies to the Fund as, in our view, they became more attractively valued. We also took the opportunity to trim big winners in the portfolio that we viewed as overvalued, redeploying the proceeds to other reasonably valued holdings.
- The Fund has significant overweight sector exposure to information technology, industrials, health care and financials, and significant underweight exposure (zero weight) to consumer staples, real estate and energy.
- Cyclical sectors like financials have struggled but we believe they will benefit when the economy rebounds. In U.S. financials, we hold a greater position in the insurance industry relative to banks, but what all our financials holdings have in common is a strong credit track record. Financials are still susceptible to losses in this pandemic environment, but we believe these expected losses are already factored into analyst earnings estimates.
- Two examples of our holdings we strongly favour are Cognex Corp. and Charles River Labs. Cognex is a leading manufacturer of machine vision systems used in logistics, quality control, automation, virtual reality, 3D vision and robotics. We believe such growth areas of technology will be especially relevant in the post-pandemic world. Charles River is a well-financed clinical research organization focused on early-stage pharmaceuticals, including vaccines. Its businesses are diversified across multiple therapeutic areas, and in 2018 the company's scientists worked on roughly 85% of the drugs approved by the FDA.

Check out the webinar

This webinar is available on-demand! Access the playback here.