Mackenzie Bluewater Canadian Growth Fund

Fund snapshot

Inception date	12/06/1999
AUM (millions in CAD)	5537.8
Management Fee	0.75%
MER	1.01%
Benchmark	60% TSX Comp + 30% S&P500 + 10% EAFE
CIFSC Category	Canadian Focused Equity
Risk Rating	Medium
Lead portfolio manager	Shah Khan, David Arpin
Investment exp. Since	2010, 1995
Target # of holdings	30 - 35

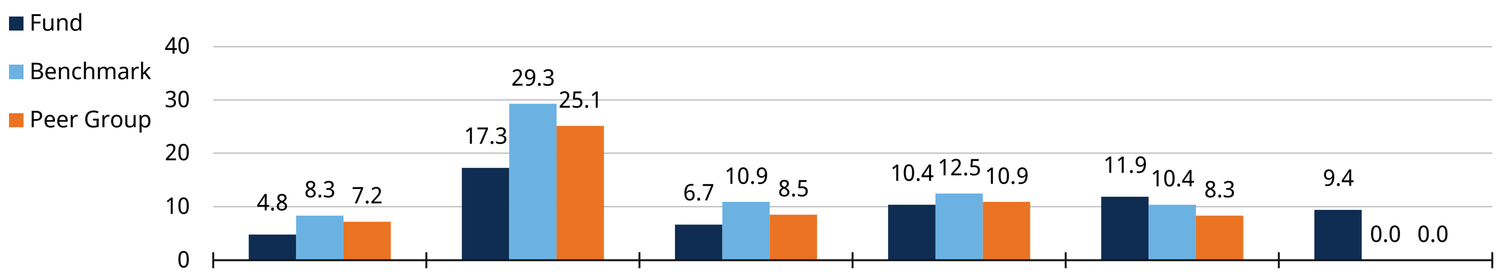
Strategy Overview

• The Fund invests mainly in Canadian equity securities issued by Canadian corporations to achieve long-term capital growth and provide a reasonable rate of return.

• The investment approach follows a company-focused investment style, seeking companies with strong management, good growth prospects and a solid financial position.

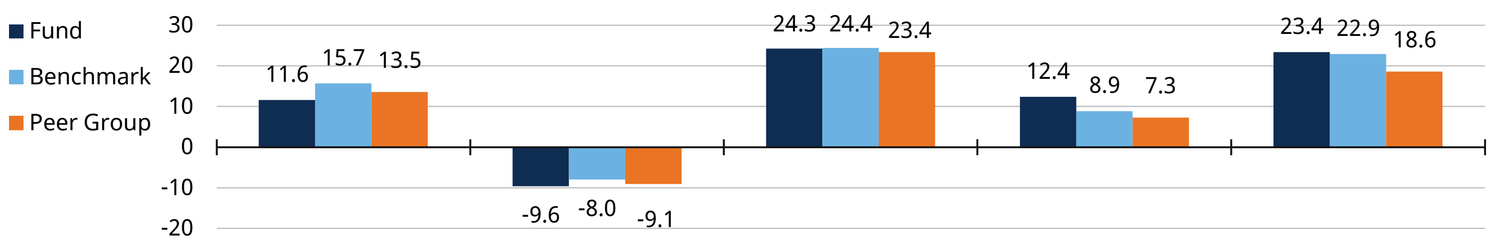
• Emphasis is placed on paying reasonable prices for the free cash flow growth that companies in the portfolio are expected to achieve.

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-3.5	-12.0	-4.2	-2.1	1.5	9.4
% of peers beaten	14	6	26	54	90	NA

Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-4.1	-1.6	-0.2	3.5	0.4
% of peers beaten	44	44	64	97	96

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	34	1,459
% top 10 holdings	42.7	22.5
Weighted average market cap	406,422.4	461,933.2
EPS growth (FY E)	14.1	21.2
Dividend yield	1.2	2.4
FCF margin	21.5	13.9
P/E Trailing 12M	33.0	21.0
P/E (forecast)	26.5	17.7
Net debt/EBITDA	2.0	1.9
ROE (latest FY)	15.2	14.4

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	26.8	25.3	1.5
Energy	-	11.4	-11.4
Materials	3.1	8.8	-5.7
Industrials	26.4	12.0	14.3
Information Technology	16.5	15.5	1.0
Communication Services	1.1	4.9	-3.8
Utilities	-	3.5	-3.5
Consumer Staples	6.8	5.1	1.7
Consumer Discretionary	3.7	6.2	-2.5
Real Estate	2.7	2.3	0.4
Health Care	9.3	5.0	4.3
Other	3.6	-	3.6

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	13.1	12.7
Sharpe Ratio	0.3	0.6
Tracking Error	5.7	-
Information Ratio	-0.7	-
Alpha	-3.7	-
Beta	0.9	-
Upside Capture (%)	89.5	-
Downside Capture (%)	109.9	-

Country allocation

Country	Portfolio	Benchmark	RelativeWeight
Canada	50.7	60.0	-9.3
United States	40.0	30.0	10.0
France	2.9	1.1	1.8
Switzerland	2.6	1.0	1.6
United Kingdom	-	1.5	-1.5
Denmark	-	0.3	-0.3
Other	3.8	6.1	-2.3

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
Canada	50.7	60.0	-9.3
International	5.5	10.0	-4.5
United States	40.0	30.0	10.0
Other	3.8	-	3.8

Currency exposure

Region	Gross	Benchmark
CAD	67.2	60.0
USD	29.9	30.1
Other	2.9	9.9

Top 10 holdings

Security name	Country	Sector	Weight
Royal Bank of Canada	Canada	Financials	5.5
Intact Financial Corporation	Canada	Financials	5.0
Stantec Inc	Canada	Industrials	4.5
Brookfield Asset Management Ltd. Class A	Canada	Financials	4.2
Loblaw Companies Limited	Canada	Consumer Staples	4.2
Aon Plc Class A	United States	Financials	4.0
Microsoft Corporation	United States	Information Technology	3.7
Trane Technologies plc	United States	Industrials	3.4
Roper Technologies, Inc.	United States	Information Technology	3.4
S&P Global, Inc.	United States	Financials	3.3

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Royal Bank of Canada	1.1	0.8
	Brookfield Asset Management Ltd. Class A	3.4	0.8
	Intact Financial Corporation	4.2	0.7
Detractors	Cadence Design Systems, Inc.	2.0	-0.3
	Alphabet Inc. Class A	2.1	-0.5
	Boyd Group Services Inc	3.3	-0.8

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Energy	-12.0	0.8	0.0	0.9
	Health Care	1.8	-0.1	0.4	0.1
	Financials	1.2	0.1	0.1	0.0
Detractors	Communication Services	-2.2	0.0	-0.6	-0.5
	Information Technology	1.0	0.0	-0.5	-0.6
	Industrials	14.4	-0.5	-1.3	-1.9

Commentary

QFR Highlights

- The S&P/TSX Composite Index ended in positive territory in the third quarter with financials and materials stocks particularly gold companies leading the way. Over the quarter, the BoC reduced cut overnight rate by 0.25% in July and September bringing the rates to 4.25%. Equity markets remained buoyant in response to more accommodative monetary policies from the Bank of Canada and most recently from the Federal Reserve, which cut rates by 50 bps. While the combination of cooling inflation and labor markets motivated central banks to cut rates from excessively restrictive levels, we continue to believe that the path forward for monetary policy is more uncertain given the combination of sticky services inflation and two geopolitical conflicts, which continue to support energy prices.

Fund Performance

- During the quarter the fund returned 5.2% underperforming the blended benchmark which returned 8.3%. Security selection in Healthcare, Financials and no allocation to energy contributed to relative performance whereas stock selection in Information technology and Industrials detracted from performance. From a geographic standpoint, security selection in Switzerland contributed to performance while security selection in the U.S. and Canada detracted from relative performance.

Security contributors

- Stock selection in Financials and Healthcare positively contributed to relative performance this quarter. The top contributor to returns were Brookfield Asset Management, Intact Financial and Trane technologies.
- Brookfield Asset Management – With over $450 billion in fee bearing capital, Brookfield Asset Management is a leader and first mover in the fastest growing segments of private markets including infrastructure, renewables, and credit. In fact, they are one of the world's largest investors in renewable power and climate transition, sharing our view that the energy transition is the largest investment opportunity in the coming decade. The company expects to generate 15-20% growth in earnings and free cash flow in the medium term, underpinned by their capital raising efforts, targeting $90 – 100 billion per year, the stickiness of their assets with over 85% in long term or permanent structures that cannot be redeemed, the stability of their fee structures and strong operating efficiency with margins in excess of 50% makes this a very admirable business model.
- Intact Financial – A leader in the P&C industry this has been a core holding in the portfolio. Their scale advantage, their application of machine learning tools has given them superior insights into the pricing of risk, which is really what this business is. They target a 500bp's ROE outperformance vs peers and over the last 10 years have achieved over 700bp's. They have consistently been generating better returns than their peers over a wide margin. This company is a great allocator of capital, always requiring any acquisition to have an IRR of at least 15% which they have successfully done for a very long time.
- Trane Technologies – A global leader in sustainable climate solutions focused on the Heating, Ventilation, and Air Conditioning (HVAC) area. Their products are used for commercial and residential buildings and in transport refrigeration and refrigeration solutions. The combination of the global push for decarbonization and sustainability and the fact that 40% of all energy used by commercial buildings is heating and cooling has created a material growth tailwind for Trane Technologies' business.
- The team, through fundamental analysis and direct discussions with Trane's management team, concluded that Trane's thermal management systems will become a significant growth driver for their business. Thermal management systems replace traditional HVAC systems powered by the combustion of fossil fuels with a low carbon purely electrified solution and have a rapid payback for commercial customers. As a result, Trane is seeing accelerated adoption, allowing their large commercial HVAC business to grow at a multiple of GDP as they assist their customers' efforts to achieve their climate commitments in a manner that drives a strong return on investment.

Security Detractors

- Holdings in information technology and Industrials detracted from relative performance. The notable detractors that were held in the portfolio include Boyd Group Services Inc., Stantec and Alphabet Inc.

Commentary

Portfolio activities

- In light of the weak consumer backdrop in Canada, we have maintained an underweight position in Canadian banks. While the Canadian consumer has proven to be far more resilient than generally expected due to excessive savings built up through COVID, as well as strong employment and wage growth trends, there is mounting evidence that the impact of higher rates are being felt as the consumer retrenches. We have been concerned about deteriorating credit conditions as consumer trends and hiring trends continue to weaken more broadly. Rather, within financials, we recently initiated a position in TMX Group, which is a business less tied to the consumer and the underlying economy. TMX is a global exchange, technology, data & analytics provider facilitating the funding, growth and success of businesses and investors. TMX's main trading platforms include the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV), TSX Alpha Exchange (Alpha), and the Montreal Exchange (MX).
- The business has undergone significant transformation over the last several years, transitioning from effectively a regional infrastructure company with declining organic revenue and margins to becoming a global technology solutions provider with a diverse and recurring revenue base. Today, over half of TMX's revenue are now recurring compared to the low to mid-30% range for most of the last decade and half, approximately a third of their revenues are derived from international markets, and revenue and earnings growth objectives of mid single digits and double digits now approximate that of US exchange peers. Certainly, an increasingly balanced mix of recurring and diverse transactional revenue is a key factor in reducing shorter-term volatility and cyclicality of earnings.

Market Overview

- Markets continued to show strength during the third quarter as the rally that began in the fourth quarter of 2023 continued into the first nine months of 2024.While some market participants are excited by the prospect of lower interest rates, significantly lower rates likely imply that economic conditions have deteriorated beyond current expectations. While there inevitably will be considerable ink spilled about the 'average return' after policy rates begin declining, it is important to remember that the economic environment around rate cuts tends to be highly idiosyncratic, making the usefulness of these statistics less than useful. There have only been 3 easing policy rate cycles in the past 25 years in the US, and they were marked by a historic stock market bubble bursting, a global financial crisis and a global pandemic, none of which even faintly resemble the current environment, which poses a large challenge for looking at the past as a guide to the future.

Outlook and Positioning

- During the quarter, our largest sector underweight was Energy (-11.4%) , and our largest overweight position was in Industrials (14.3%).The economic health of global consumers also remains mixed and challenging, evidenced by numerous quarterly company conference calls in the consumer space that have highlighted continued strain from low-income level consumers and consumers trading down for value due to years of inflationary pressures and higher interest rates. In Canada, consumers face additional challenges due to mortgage structures that are of shorter-term duration, raising concerns about how consumers will adapt to significantly higher borrowing costs as ultra-low-rate mortgages come up for renewal in 2025 and 2026.
- Despite these challenges, many consumer companies have performed well in recent years as high inflation drove strong top-line growth as companies were able to pass through an increase in input costs to consumers. With goods inflation now having rolled over, focusing on idiosyncratic names that can grow regardless of the economic environment has become increasingly important.
- Over the last year we have aligned our portfolios to focus on consumer facing companies targeting either the very high-end consumer, those that are virtually unimpacted by macro economic conditions, or those companies that offer a unique value proposition.

Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns as of September 30, 2024 including changes in share value and reinvestment of all distributions and does not take into account sales, redemption, distribution, or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. 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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Standard deviation provides 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.

Percentile rankings are from Morningstar Research Inc., an independent research firm, based on the Canada Fund Canadian Focused Equity category and reflect the performance of the Mackenzie Bluewater Canadian Growth Fund for the 3-month, 1-, 3-, 5- and 10-year periods as of September 30, 2024 . The percentile rankings compare how a fund has performed relative to other funds in a particular category and are subject to change monthly. The number of Canada Fund Canadian Focused Equity category funds for Mackenzie Bluewater Canadian Growth Fund for each period are as follows: one year - 491 ; three years - 478 ; five years - 461 ; ten years - 323.

Morningstar data is shown as of the most recent reporting period by each fund family. Allocations may not equal 100% and will vary overtime. Assets contained within “Other” category are not classified by Morningstar. All information presented in this tool is for informational purposes only and is not intended to be investment advice. The information is not meant to be an offer to sell or a recommendation to buy any investment product. Unless otherwise noted, performance is shown before sales charge. For more fund information, click the POS Documents link.

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