Quarterly commentary | September 30, 2024
Series F

Mackenzie Canadian Dividend Fund

Fund snapshot

Inception date	08/20/2002
AUM (millions in CAD)	2633.8
Management Fee	0.75%
MER	1.00%
Benchmark	80% TSX Div (Linked) + 20% MSCI World
CIFSC Category	Canadian Dividend and Income Equity
Risk Rating	Medium
Lead portfolio manager	Tim Johal
Investment exp. Since	2000
Target # of holdings	35-60

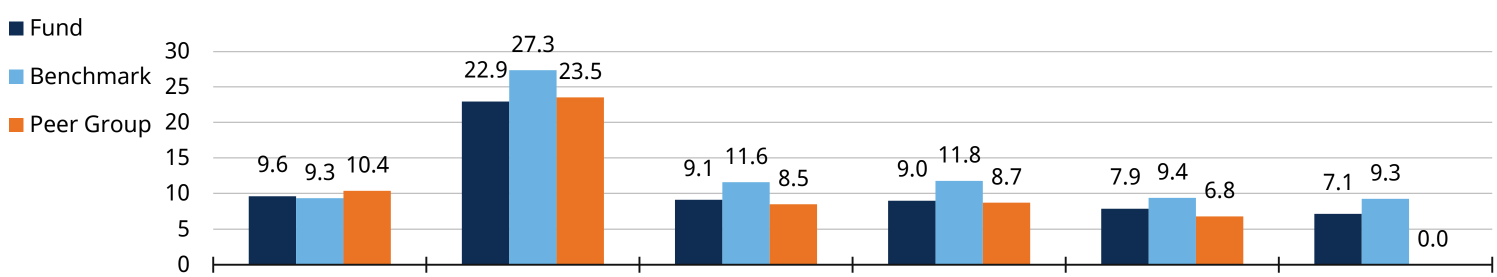
Strategy Overview

• Dividends can be an important component of total return over the long term.

• When a company can consistently increase its dividend over a long period of time, it is often a signal that the business is able to generate strong free cash flows through a variety of market environments.

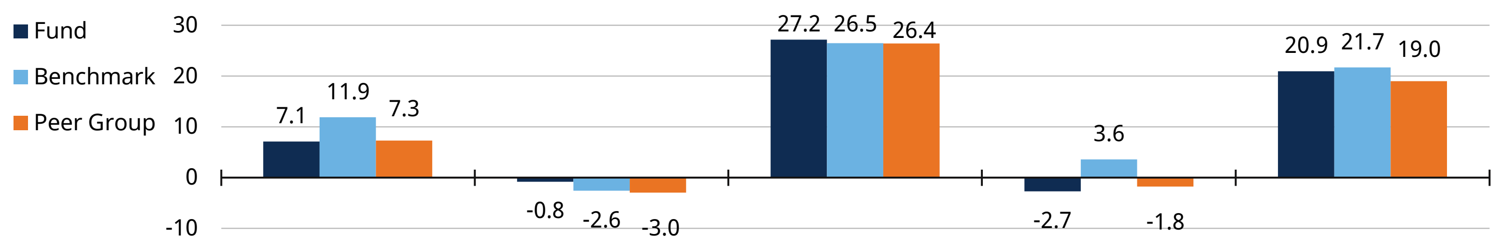
• Two experienced management teams focusing on their specific geographies of expertise.

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	0.3	-4.4	-2.5	-2.8	-1.5	-2.2
% of peers beaten	35	48	66	52	79	NA

Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-4.8	1.8	0.7	-6.3	-0.8
% of peers beaten	44	75	54	59	74

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	165	1,507
% top 10 holdings	40.1	30.4
Weighted average market cap	181,108.4	250,060.3
EPS growth (FY E)	11.9	15.2
Dividend yield	3.5	2.9
FCF margin	15.2	13.6
P/E Trailing 12M	19.0	19.6
P/E (forecast)	15.4	16.4
Net debt/EBITDA	3.2	2.6
ROE (latest FY)	13.0	13.5

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	34.3	31.6	2.7
Energy	17.3	15.1	2.2
Materials	7.0	9.8	-2.8
Industrials	10.3	12.9	-2.6
Information Technology	4.3	7.5	-3.2
Communication Services	6.0	4.2	1.8
Utilities	7.3	4.1	3.2
Consumer Staples	4.9	5.0	-0.1
Consumer Discretionary	3.9	5.0	-1.1
Real Estate	2.3	2.5	-0.2
Health Care	1.8	2.5	-0.7
Other	0.9	-	0.9

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	12.1	12.6
Sharpe Ratio	0.5	0.7
Tracking Error	2.4	-
Information Ratio	-1.1	-
Alpha	-2.1	-
Beta	0.9	-
Upside Capture (%)	93.8	-
Downside Capture (%)	106.1	-

Country allocation

Country	Portfolio	Benchmark	RelativeWeight
Canada	84.8	80.6	4.2
United States	11.8	14.4	-2.6
United Kingdom	0.7	0.7	0.0
Germany	0.5	0.5	0.0
Japan	0.4	1.1	-0.7
France	0.3	0.6	-0.3
Other	1.5	2.1	-0.6

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
Canada	84.8	80.6	4.2
International	2.5	5.0	-2.5
United States	11.8	14.4	-2.6
Other	0.9	-	0.9

Currency exposure

Region	Gross	Benchmark
CAD	85.2	80.6
USD	12.1	14.4
Other	2.7	5.0

Top 10 holdings

Security name	Country	Sector	Weight
Royal Bank of Canada	Canada	Financials	7.3
Toronto-Dominion Bank	Canada	Financials	5.7
Bank of Montreal	Canada	Financials	4.0
Sun Life Financial Inc.	Canada	Financials	3.6
Canadian Natural Resources Limited	Canada	Energy	3.6
Enbridge Inc.	Canada	Energy	3.4
TELUS Corporation	Canada	Communication Services	3.2
TC Energy Corporation	Canada	Energy	3.2
Canadian Pacific Kansas City Limited	Canada	Industrials	3.0
Bank of Nova Scotia	Canada	Financials	2.9

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Royal Bank of Canada	1.0	1.2
	Toronto-Dominion Bank	1.7	0.8
	TC Energy Corporation	1.7	0.8
Detractors	Cenovus Energy Inc.	-0.3	-0.1
	Nutrien Ltd.	0.9	-0.1
	Canadian Natural Resources Limited	1.2	-0.3

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Energy	2.3	-0.2	0.6	0.4
	Industrials	-3.5	0.2	0.1	0.3
	Information Technology	-3.3	0.1	0.1	0.2
Detractors	Consumer Discretionary	-1.1	0.0	-0.2	-0.2
	Financials	2.9	0.2	-0.3	-0.2
	Materials	-2.8	0.0	-0.1	-0.2

Commentary

Fund Performance

- For Q3 2024, Mackenzie Canadian Dividend Fund returned 9.6%. This compares with a return of 9.3% for its blended benchmark index comprising 80% S&P/TSX Composite Dividend Total Return Index and 20% MSCI World Index CAD.
- The Fund's stock selection in the energy and underweight position in industrials were positive for performance, offset somewhat by negative selection in the financials and materials.

Security contributors

- **TC Energy (TRP CN) -** is a North American natural gas pipeline transmission and distribution company. TC Energy shares outperformed in the quarter as market interest rates decreased and investors perceived this to have a positive effect on the company's future cash flows. At the end of the quarter the company spun-out its liquids business (called South Bow) which was also welcomed by the market. We continue to see good value within the company's growing natural gas and LNG linked businesses, same which will support TC's sustainable and growing dividend.
- **Loblaw (L CN) -** is a national leading grocery and pharmacy services provider. Loblaw has favorable positioning within the grocery industry as their store brands and store count are more weighted towards discount offerings, which are benefitting as the consumer is looking for cost savings over conventional grocery and eating away from home. Additionally, Loblaw owns the national leading pharmacy chain in Shoppers Drug Mart which is experiencing strong secular tailwinds such as growth in specialty drug distribution and an enhancement in pharmacy clinic services. During the quarter, the shares outperformed as the market was encouraged by improving margins driven by improved shrink and expectation of increased sales in future quarters. We remain confident that Loblaws will continue to generate strong free cash flow to support dividend growth and further share buybacks.

Security detractors

- **Nutrien (NTR CN) -** is a global fertilizer producer as well as distributor of retail crop inputs within North/South America and Australia. The shares underperformed during the quarter as crop prices declined, and weak farmer economics hurts sentiment for farm input purchases. We remain overweight the name given we expect fertilizer demand will be improving, the company has several high quality potash and nitrogen assets, and the company's balance sheet has low financial leverage.
- **Brookfield Corp (BN CN) -** is a global asset manager that primarily services institutional and sovereign clients. Brookfield Corporation owns significant controlling positions in several publicly traded operating companies, each focused on distinct and strategic asset classes such as Real Estate, Renewable Energy, Infrastructure, Insurance, Private Equity, and Credit. BN was one of the stronger performers in the financial segment through the third quarter which acted as a drag on relative fund performance due to the fund's underweight positioning in the name. BN outperformed in the third quarter primarily due to the decline in interest rates and related sentiment improvement towards Commercial Real Estate, general financing conditions, and M&A activity. We own the stock but have an underweight position versus the benchmark index. This positioning is offset by our preference and overweight positions in Brookfield Asset Management (BAM CN) and Brookfield Infrastructure (BIP CN).

Portfolio activities

- The portfolio management team continues to seek out the best overall reward to risk opportunities within our Canadian investment universe which led to some changes in the portfolio in the quarter.
- The changes were driven primarily by stock specific opportunities which resulted in increased positions in the industrials and energy sectors, while positions in the financial services and communication sectors were reduced. Overall, the changes resulted in two new positions being added. The Canadian portion of the portfolio ended the period with 52 unique stock positions.
- In the industrials sector, WSP Global and Waste Connections were added as new positions in the fund. Both companies have impressive growth profiles, appear to have resilient backlogs and have been consistent value creators over time. In the quarter, the stocks retraced to levels where, according to our valuation framework, the reward to risk profile became increasingly favorable and an investment was warranted. With these additions, we have reduced our underweight in the sector.
- Within the energy sector, we continued to add to upstream producers like ARC Resources and Tourmaline Oil where we saw a favorable reward to risk profile, and these companies are expected to benefit from stronger commodity prices. Offsetting these additions, we also reduced our weightings within some pipeline companies where potential returns were less favorable. Overall, we are slightly overweight the energy sector.

Commentary

Portfolio activities

- In financial services, we further reduced our position in select insurers and banks due to more limited upside to our price targets after a strong period of performance. We continue to remain overweight insurers (both life and property & casualty) while our bank overweight was reduced. Within the communication services we reduced our positions in TELUS and Rogers Communications slightly as both names rallied on weaker interest rates within the quarter. We remain overweight both names and the sector given the upside to our target prices.

Outlook, Positioning

- Canadian equities:
- The portfolio management team has a balanced outlook for Canadian equities. Recent economic data in Canada has been mixed and there remains a fair degree of uncertainty regarding the outlook and the likelihood of a soft-landing scenario. While headline GDP growth remains positive, per capita GDP has been declining as strong immigration and population growth has resulted in exceptional distortions to productivity. This underlying weakness in the economy and softer inflation data, should allow the Bank of Canada to continue lowering the overnight interest rate going forward with an increased likelihood of a more drastic cut at the next meeting. Lower interest rates should provide some relief to indebted Canadian households and consumers. In addition, these actions from the central bank are likely to result in increased confidence among investors and businesses leading to a greater level of capital investment and commercial activity.
- The Canadian equity market has re-rated higher over the past quarter with strength in real estate, financial services, utilities and technology somewhat offset by weakness in energy and industrials. We believe Canadian economic growth will improve later in 2025 partly based on increased consumer confidence, stabilization in housing and construction sector and increased capital investment supported by further interest rate cuts and government incentives.
- Geopolitical tensions have been heightened so far this year, with the continued conflict in Ukraine as well as in the Middle East. All of these conflicts have served to increase global energy prices. We continue to monitor these geopolitical risks closely to assess their potential impact on our portfolio holdings.
- We continue to see a favorable long-term reward to risk profile among several stocks in our investment universe. The portfolio management team remains focused on investing in quality dividend paying stocks with an attractive reward to risk profile.

Stock Stories

TC Energy (TRP CN)

- TC Energy is a North American energy solutions provider, assets which include an extensive natural gas pipeline network across the continent and a stake in the Bruce nuclear reactors
- Falling rates in the quarter were a tailwind for the stock given the company's meaningful dividend yield (almost 6%) and the company's debt position (which benefits from a lower rate environment)
- TC has completed asset sales through the past few years in order to improve the balance sheet. There could be some small remaining asset sales, but we feel TC is near the end of their divestment programs and the balance sheet will be on a stronger footing going forward.
- TC recently completed a spinout of their slowing growing liquids business called SouthBow to the market at the end of Q3. The objective is to showcase the faster growing natural gas and nuclear assets held with TC so the stock can trade at a higher (similar to where other peer companies trade within the sector). SouthBow also raised about $8B of debt, most of the proceeds which were paid back to TC to also assist in delevering their balance sheet.
- The outlook for North American natural gas demand has improved over the past year with the proposed proliferation of data centres required for AI and their need for electricity. TC estimates an incremental 6 – 8 bcf/d of new gas demand by 2030 from data centre construction along their pipeline routes.
- TC is near completion of the pipelaying of their South East Gateway project within Mexico. De-risking of this pipeline build would have a positive impact on sentiment by minimizing any potential of further cost-overruns as well as potentially set up an opportunity to sell-down part of the project.

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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 Dividend & Income Equity category and reflect the performance of the Mackenzie Canadian Dividend 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 Dividend & Income Equity category funds for Mackenzie Canadian Dividend Fund for each period are as follows: one year - 402 ; three years - 377 ; five years - 356 ; ten years - 237.

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