Mackenzie Floating Rate Income Fund

Fund snapshot

Inception date	05/09/2013
AUM (millions in CAD)	465.5
Management fee	0.65%
MER	0.89%
Benchmark	Morningstar LSTA Leveraged Loan (Hgd to CAD)
CIFSC category	Floating Rate Loans
Risk rating	Low to Medium
Lead portfolio manager	Konstantin Boehmer
Investment exp. since	2003

Strategy overview

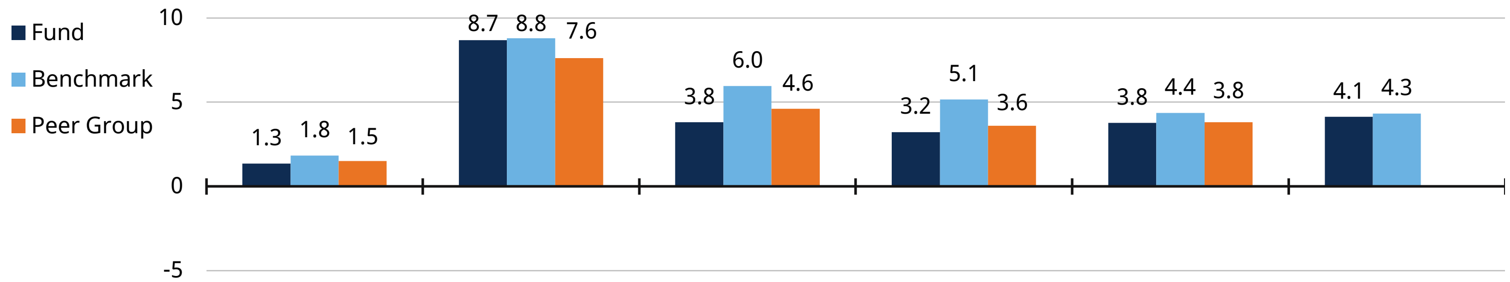
• Aims to deliver attractive risk-adjusted returns by investing primarily in senior secured floating rate loans and seeking credit exposure that is isolated from interest rate risk.

• The investment philosophy focuses on higher quality non-investment grade securities, middle market borrowers and relative value opportunities within a company's capital structure while limiting the downside risk.

• Fundamental credit analysis, portfolio construction, rigorous bottom-up selection and scrutiny in deal structures are the primary sources of alpha generation.

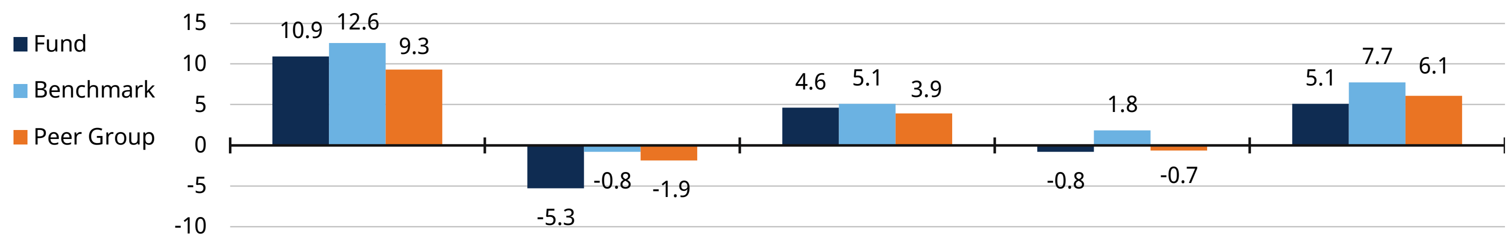
• The neutral currency exposure is 100% hedged back to CAD, although some open currency exposure (generally no more than 10% to 15%) can be used by the managers tactically to mitigate the overall risk in the portfolio.

Trailing returns %



	3 Mth	1yr	3Yr	5Yr	10Yr	SI
Excess return	-0.5	-0.1	-2.2	-1.9	-0.6	-0.2
% of peers beaten	57	74	28	28	61	NA

Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-1.7	-4.5	-0.5	-2.6	-2.6
% of peers beaten	67	22	68	50	41

Portfolio characteristics

Ratios & metrics	Portfolio	Benchmark
Fund Avg Yield	9.7	9.5
Fund Mod. Dur	0.4	0.3
Fund Rating	B+	B+
Average Price	95.5	135.1
Average Coupon	8.8	8.3
Average Term	4.5	-

Asset allocation

Asset	Portfolio	Benchmark
Investment Grade Corporates/Government	2.6	-
Sovereign and EM	0.1	-
High Yield	8.6	-
Loans	84.1	-
Cash & Equivalent	1.9	-
Other	2.7	-

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	3.6	3.8
Sharpe Ratio	0.1	0.7
Tracking Error	1.4	-
Information Ratio	-1.6	-
Alpha	-1.9	-
Beta	0.9	-
Upside Capture (%)	76.2	-
Downside Capture (%)	103.6	-

Geographic allocation

Country	Weight
Canada	11.9
US	74.4
Europe	10.4
Other	3.3

Maturity breakdown

Bucket	Portfolio	Benchmark
0 to 3	18.1	-
3 to 7	78.9	-
7 to 12	0.1	-
12+	2.9	-

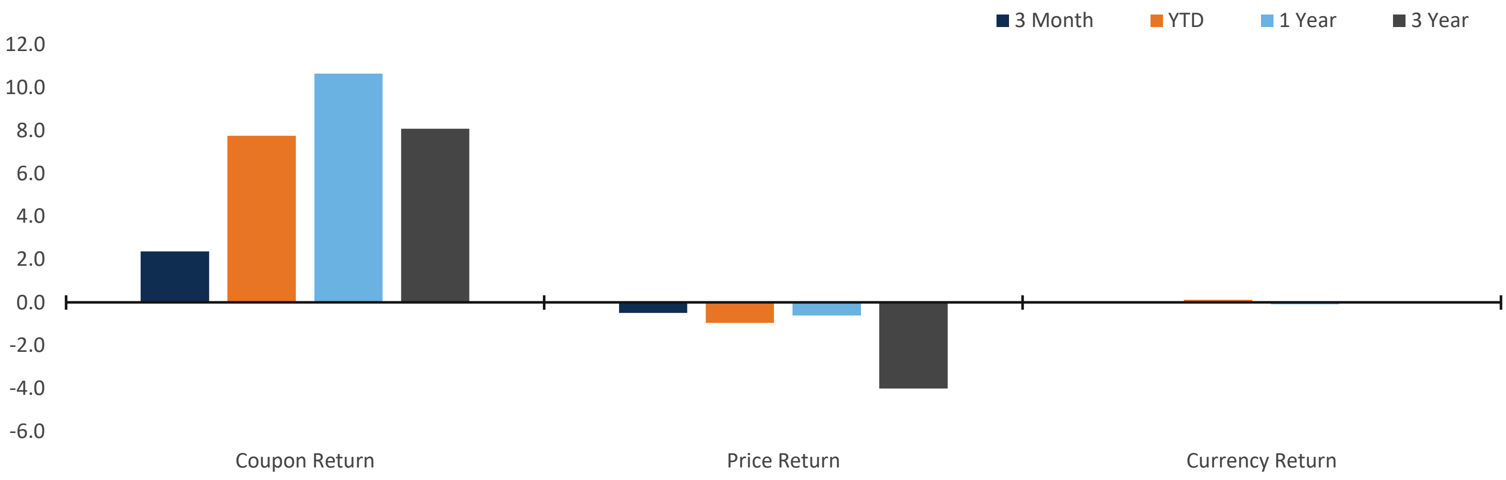
Currency exposure

Currency	Gross	Net
CAD	6.3	93.2
USD	90.0	6.7
Other	3.7	0.1

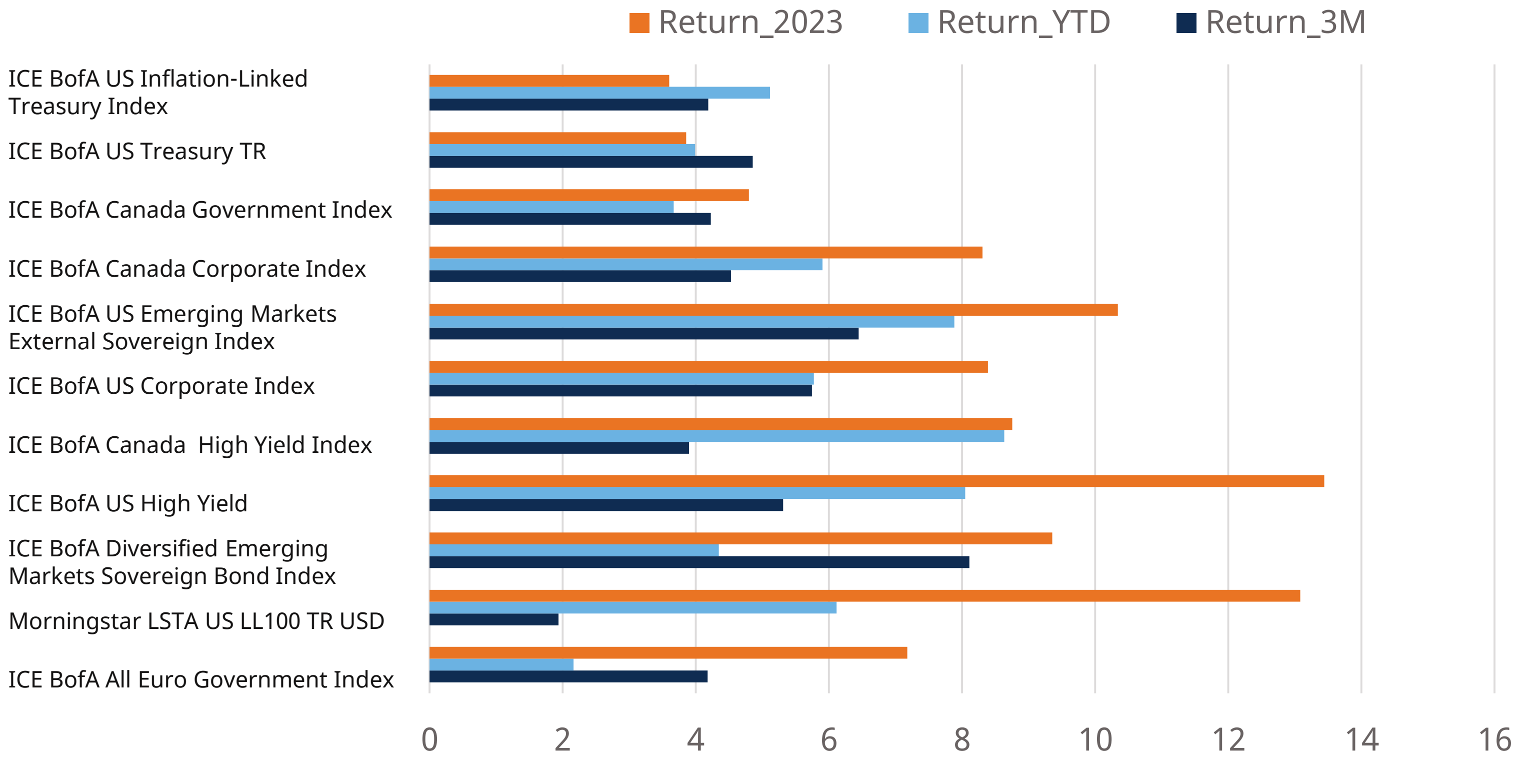
Credit breakdown

Rating	Portfolio	Benchmark
AAA	2.2	-
AA	2.0	-
A	0.1	0.1
BBB	4.0	2.3
BB	16.6	25.8
B	59.4	65.5
CCC & Below	8.4	6.1
NR	7.5	0.2

Attribution



Market Overview



Commentary

Coming into the third quarter, we focused on four key macro themes impacting macro fixed income and cross-asset markets: Biden's ability to recover after June's poor debate performance, uncertainty over the Fed's willingness to cut rates, markets not properly pricing the BoJ's July meeting outcome, and concerns over cross-asset volatility. The volatility event around late July/early August was significant but not unexpected, driven by the BoJ's surprising policy rate hike and the Fed opting not to cut rates on July 31st. Powell's late-August Jackson Hole speech indicated a desire for a larger rate cut in September, leading to a debate about the reasons behind the 50bp cut.

Heading into the fourth quarter, several macro events have caused the market to rethink the narrative. The US east and gulf coast dockworkers strike is on hold, but sticky wages and services prices suggest too much easing was priced into the curve. China is attempting to reflate its economy, and the risk of strife in the Middle East could impact oil production and prices. The US economy appears strong, with Q3 real GDP estimates around 2.5-3.0% and preliminary Q4 estimates not far below. September's booming non-farm payrolls report has solidified the view that lower yields may not be sustainable.

The Canadian fixed income outlook is fascinating as Canadian duration has been bid most of the year, with the expectation that Canada's economy will underperform, and the Bank of Canada will continue to ease rates aggressively. The median Canadian consumer is faring worse than the median US consumer, and this outlook is likely to continue due to a weaker housing market, more indebted households, worse productivity metrics, and a higher structural unemployment rate. The BoC's policy rate typically does not sway far from the Fed's, but we could be entering a period of significant policy differential.

Japan is likely to continue bucking the global easing trend despite the upcoming election. The BoJ is expected to move further towards normalizing rates, with a potential 25bp hike this year. Domestic inflation and output data support this move, and recent commentary from PM Ishiba is seen as election fodder.

China's recent stimulus measures are significant, both from a policy and optics perspective. The stimulus includes cutting short-term policy rates, economic policy announcements, helicopter money to 14% of households, and forward guidance on further rate cuts and fiscal stimulus. This suggests senior leaders are aware of the economic malaise and plan to act. Additional fiscal measures are expected, potentially providing support to the consumer and recalibrating market sentiment, particularly in higher beta risk assets.

The US election is a major upcoming macro event. The race for the White House is too close to call, with Harris' momentum stalling and Trump being a strong finisher. The outcome remains uncertain, with key swing states playing a crucial role. A split Congress is likely, leading to increased Executive Order action from the Oval Office. For markets, a Trump outcome could drive concerns over China, global tariffs, and Fed independence. A Trump win may not translate into a stronger USD, and could lead to more right-of-center nominees for policy seats and judges. A balanced Congress could mitigate concerns over fiscal spending and Treasury issuance.

For global macro and fixed income markets, the election outcome will be significant, with potential impacts on sectoral perspectives and policy directions. The Fed's future leadership and policy stance will also be crucial factors to watch.

For Q3 and year-to-date, loans recorded positive performance. High coupons (around 10%) have driven consistent performance in the loan market. Strong economic data has revived the "Higher-for-Longer" macro outlook, benefiting loans. The loan market saw a record imbalance in supply and demand, shrinking by $14 billion YTD with little new issuance. Repricings remained high but below Q2 levels.

Loan performance has been driven by high coupons, no rate risk, strong technicals (new CLO formation and low new issuance), and decent fundamentals (defaults, leverage, etc.). Q3 saw low volatility, except for early September's risk-off period.

Strong technicals persisted despite $8 billion in retail outflows in Q3, offset by record new CLO formation. New-issue loan spreads remained near multi-year lows. CLO formation reached $41 billion in Q3, totaling $141 billion YTD. Leverage ratios rebounded from 2023 lows, with ultra-aggressive deals (over 6.5x leverage) absent. Loans ended Q3 with an average price of 96.7, YTM of 9.54%, and a spread of 423 bps, compared to high yield bonds' average price of 96.7, YTW of 6.98%, and spread of 330 bps.

By the end of the quarter, 27% of the LSTA Index traded at par or above, down from 47% in August. Additionally, 76% traded at 98 or higher, down from 78% in August. Loans priced below 80 were 3.4% of the Index in September, down from 3.8% in August. The LTM default rate was 0.80% by principal amount and 1.26% by number of borrowers, unchanged from August.

Commentary

Macro risks remain relevant, including inflation, geopolitics, and potentially easing consumer and corporate demand. Overall, absent significant deterioration in credit fundamentals, loans remain attractive with nearly 10% yield. If cuts stimulate the economy and fuel risky assets higher, loans will generally follow.

Contributors:
-Exposure to high yield bonds
-Overweight non-benchmark loans
-Overweight single B and underweight BB/BBB loans
-Underweight Air Freight & Logistics and Beverage issuers
-Overweight Building issuers

Detractors:
-Open USD exposure
-Cash drag and small allocation to FRNs
-Overweight 2L loans
-Overweight Food Products

Looking ahead to the fourth quarter, expectations for additional rate cuts by the Fed and other central banks should create a supportive environment for spread sectors as well as for government bonds poised to benefit from further policy easing. However, geopolitical risks and the upcoming U.S. elections could introduce increased volatility in fixed income markets.

Credit spreads remain tight, and we prefer to be invested in high-grade (low beta) Corporate Bonds at the short end of the curve. We prefer the Canadian curve over the US curve in this sector. Continued rate cuts are the base case for Canada and so there is still further potential for significant price appreciation of these securities. We remain negative on the long end of the Canadian market with 30y Canadian bonds offering almost no additional yield to 2-year bonds, but substantially more price risk.

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 Floating Rate Loans category and reflect the performance of the Mackenzie Floating Rate Income 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 Floating Rate Loans category funds for Mackenzie Floating Rate Income Fund for each period are as follows: one year - 75 ; three years - 74 ; five years - 69 ; ten years - 47 .

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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