# Mackenzie Global Dividend Fund

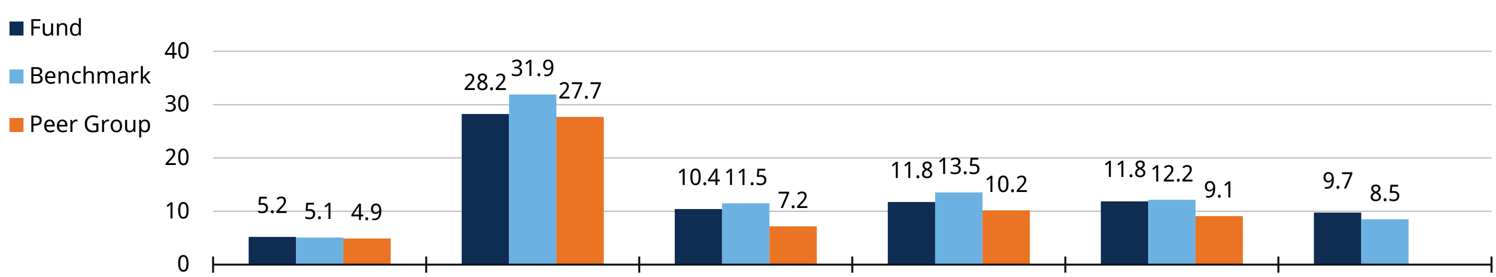
## Fund snapshot

| | |
|---|---|
| Inception date | 07/11/2007 |
| AUM (millions in CAD) | 6813.5 |
| Management Fee | 0.80% |
| MER | 1.05% |
| Benchmark | MSCI World |
| CIFSC Category | Global Equity |
| Risk Rating | Low to Medium |
| Lead portfolio manager | Darren McKiernan |
| Investment exp. Since | 1995 |
| Target # of holdings | 40-80 |

## Strategy Overview

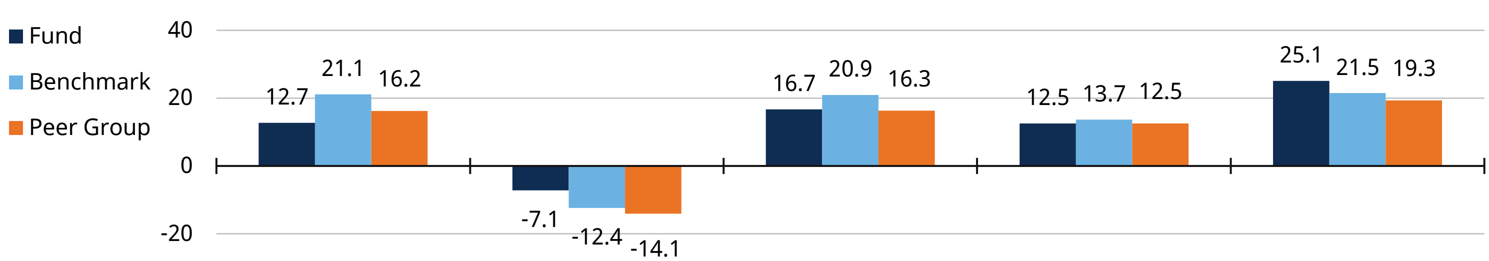
- Seeks to generate dividend income through owning industry leading businesses with growth potential
- Reinvested dividends can contribute substantially to overall equity performance
- Diversify outside of the Canadian market which is concentrated in 3 sectors (financials, energy, and materials)

## Trailing returns %




| | 3 Mth | 1 Yr | 3 Yr | 5Yr | 10Yr | SI |
|---|---|---|---|---|---|---|
| Excess return | 0.1 | -3.7 | -1.1 | -1.7 | -0.4 | 1.2 |
| % of peers beaten | 53 | 60 | 86 | 75 | 90 | - |

## Calendar returns %




| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Excess return | -8.4 | 5.3 | -4.2 | -1.2 | 3.6 |
| % of peers beaten | 36 | 81 | 50 | 72 | 89 |

## Portfolio characteristics

| | Portfolio | Benchmark |
|---|---|---|
| # of holdings | 80 | 1,410 |
| % top 10 holdings | 28.2 | 23.5 |
| Weighted average market cap | 890,320.8 | 955,119.2 |
| EPS growth (FY E) | 12.4 | 36.8 |
| Dividend yield | 1.9 | 1.7 |
| FCF margin | 23.4 | 18.0 |
| P/E Trailing 12M | 25.3 | 23.6 |
| P/E (forecast) | 21.0 | 20.4 |
| Net debt/EBITDA | 0.9 | 1.0 |
| ROE (latest FY) | 21.4 | 19.3 |

## Sector allocation

| Sector | Portfolio | Benchmark | Relative Weight |
|---|---|---|---|
| Financials | 16.7 | 15.4 | 1.3 |
| Energy | 5.9 | 3.9 | 2.0 |
| Materials | 5.3 | 3.8 | 1.5 |
| Industrials | 11.4 | 11.1 | 0.3 |
| Information Technology | 22.3 | 24.8 | -2.5 |
| Communication Services | 4.7 | 7.6 | -2.9 |
| Utilities | 2.2 | 2.7 | -0.5 |
| Consumer Staples | 9.1 | 6.5 | 2.6 |
| Consumer Discretionary | 7.8 | 10.2 | -2.4 |
| Real Estate | 0.6 | 2.3 | -1.7 |
| Health Care | 12.9 | 11.7 | 1.2 |
| Other | 1.3 | - | 1.3 |

## Performance metrics (3 year trailing)

| Metrics | Portfolio | Benchmark |
|---|---|---|
| Standard Dev. | 10.8 | 12.6 |
| Sharpe Ratio | 0.7 | 0.7 |
| Tracking Error | 3.7 | - |
| Information Ratio | -0.3 | - |
| Alpha | 0.3 | - |
| Beta | 0.8 | - |
| Upside Capture (%) | 84.3 | - |
| Downside Capture (%) | 79.7 | - |

## Country allocation

| Country | Portfolio | Benchmark | Relative Weight |
|---|---|---|---|
| United States | 62.5 | 71.9 | -9.4 |
| United Kingdom | 9.2 | 3.7 | 5.5 |
| Germany | 6.1 | 2.3 | 3.8 |
| Japan | 4.6 | 5.6 | -1.1 |
| France | 3.9 | 2.9 | 1.0 |
| Switzerland | 2.7 | 2.5 | 0.2 |
| Other | 11.2 | 11.3 | -0.1 |

## Regional breakdown

| Region | Portfolio | Benchmark | Relative Weight |
|---|---|---|---|
| United States | 62.5 | 71.9 | -9.4 |
| International | 33.7 | 25.1 | 8.6 |
| Emerging Markets | 2.5 | - | 2.5 |
| Other | 1.3 | 3.0 | -1.7 |

## Currency exposure

| Region | Gross | Benchmark |
|---|---|---|
| CAD | 8.6 | 3.1 |
| USD | 62.9 | 72.1 |
| Other | 28.5 | 24.9 |

## Top 10 holdings

| Security name | Country | Sector | Weight |
|---|---|---|---|
| Microsoft Corporation | United States | Information Technology | 4.5 |
| Apple Inc. | United States | Information Technology | 4.1 |
| JPMorgan Chase & Co. | United States | Financials | 2.8 |
| Amazon.com, Inc. | United States | Consumer Discretionary | 2.7 |
| Meta Platforms Inc Class A | United States | Communication Services | 2.6 |
| AbbVie, Inc. | United States | Health Care | 2.4 |
| Philip Morris International Inc. | United States | Consumer Staples | 2.3 |
| Motorola Solutions, Inc. | United States | Information Technology | 2.3 |
| Alphabet Inc. Class A | United States | Communication Services | 2.2 |
| SAP SE | Germany | Information Technology | 2.0 |

## Security level contributors and detractors

| | Security | Average Relative weight (%) | % Contribution to return |
|---|---|---|---|
| Contributors | NVIDIA Corporation | -3.2 | 0.1 |
| | Philip Morris International Inc. | 1.9 | 0.4 |
| | Motorola Solutions, Inc. | 2.1 | 0.3 |
| Detractors | Lam Research Corporation | 1.0 | -0.4 |
| | McKesson Corporation | 1.1 | -0.2 |
| | Shell | 1.6 | -0.2 |

## Sector attribution relative to the benchmark

| | Sector | Average Relative weight (%) | Allocation Effect (%) | Selection Effect (%) | Total Effect (%) |
|---|---|---|---|---|---|
| Contributors | Information Technology | -3.1 | 0.2 | 0.6 | 0.9 |
| | Consumer Staples | 2.5 | 0.1 | 0.3 | 0.4 |
| | Financials | 0.7 | 0.0 | 0.2 | 0.3 |
| Detractors | Industrials | 0.4 | 0.0 | -0.4 | -0.3 |
| | Health Care | 1.4 | 0.0 | -0.2 | -0.2 |
| | Energy | 2.1 | -0.2 | 0.0 | -0.2 |

## Commentary

**Global Dividend**

**1) QFR Highlights**

The Fund returned 5.2% during Q3-2024 and has now returned 9.8% since inception. This compares to the MSCI World Index (CAD) which returned 5.1% and 8.5% over the same time periods.

**2) Market overview**

- Despite inflation easing and rate cutes by the US Fed and ECB, there are concerns about market disconnects and potential risks, including geopolitical tensions and election outcomes.

- Interest-rate sensitive sectors led market gains. Energy was the only sector with negative performance. China surged nearly 13% on the back of a stimulus package, while Europe, the US and Japan saw more moderate gains.

- China's recent stimulus measures have boosted market confidence by long-term challenges remain. The government's commitment to addressing economic issues is notable, although comparison to Japan's 1990s struggles suggest cautious optimism .

**3) Fund Performance**

Security selection in the Information Technology, Consumer Staples, and Financials sectors contributed positively to performance over the period. This was partially offset by security selection in the Industrials and Health Care sectors which detracted from relative performance.

**4) Security contributors**

Hong Kong Exchange (HKEX) was up over 30% and a top contributor to the portfolio for the quarter due to significant investor enthusiasm over fiscal intervention from the People's Bank of China (PBOC). As we commented on earlier, the PBOC announced a slew of support measures including a 20bp rate cut on short-term rates (7-day repo rate); in addition, the PBOC decreased the reserve requirement ratio by 50bp for financial institutions and cut rates from 2.3% to 2.0% on RMB300bn worth of one-year medium-term loans to large financial institutions. As a result of these factors Chinese economic activities may accelerate, which directly benefits trading volumes for HKEX on top of an already strong Q2-24 performance. In Q2-24, HKEX saw Average Daily Turnover (ADT) of equity products increase by 23% yoy in addition to Derivatives products seeing 12% yoy growth, reaching record half-year volumes. The Chinese IPO market also continues to recover, with a 79% yoy increase in IPO funds in Q2. We continue to see economic conditions in China recovering and HKEX as a high-quality financial proxy of the Chinese market will likely continue to benefit from the economic uplift.

**5) Security detractors**

For the first time in many quarters, owning Novo Nordisk hurt performance as it was down -19%. While we still own shares, we had been managing our position size even as the company (and stock) continued to perform well. We are starting to see early trial data of future competitive products for Wegovy, their main weight loss product. And while we still believe Novo's leadership position (along with Ely Lilly) is well-entrenched, the market is starting to give credit to potential competing products and perhaps even build in lower market share for Novo in the future. Questions about US-based insurance companies' willingness and ability to continue to pay for what an expensive treatment also came more into focus. We are still comfortable owing Novo Nordisk at these levels and size (currently <1%of the portfolio) and will be opportunistic if the market presents us the opportunity to add to our position at a level that overly discounts its future prospects.

**6) Portfolio activities**

The portfolio management team established a position in NVIDIA (NVDA) this quarter. NVDA is a semi-conductor design company with a leading position in GPU's, the key input to running AI workloads over the cloud today. While NVDA has long been a dream team company, the business has improved significantly over the last couple of years. Its dominant source of revenue has transitioned from less resilient and more speculative gamers and bitcoin miners to the largest technology companies in the world as they aggressively build out accelerated compute data centers. Additionally, NVDA has a burgeoning network component business that alongside CUDA, their proprietary software, gives them a dominant vertically integrated ecosystem. Despite the unmistakable improvement, NVDA traded at a five year low on valuation in September reaching a level that mirrored the depths of the Covid inspired selloff in early 2020. The team felt it was prudent to diversify the accelerated compute exposure and elected to add NVDA to the portfolio.

## Commentary

**Global Div**

**7) Outlook, Positioning**

We are unlikely to make significant moves that “bet” on a particular election result. But we are not naïve to the tail risks, specifically the potential impact on global trade if Donald Trump wins and is able to push through significant tariffs. Areas of concern would include Chinese imports, where a 60% tariff on certain goods is being considered. Electronics and textiles being imported from Mexican and European companies that don’t have a US manufacturing presence could also be at risk. Fortunately, we have minimal exposure to these industries. For instance, many of our European healthcare companies such as Roche, Astra Zeneca, and Novo Nordisk have a significant US manufacturing footprint. This is true for many of the non-US staples and industrials that tend to support their US sales with local production. Nestle, Haleon, and Assa Abloy come to mind here. TSMC is perhaps our most significant exporter, as it manufactures most of its chips within Taiwan, with over 50% of its revenues coming from the US. And if one considers their non-US revenues generated from the likes of US-based companies such as Apple and Qualcomm, they are a very US-centric company. In addition, in response to US policies aimed at reducing dependence on semiconductor imports, TSMC has been granted incentives to build advanced production chip facilities, with mass production expected from its Arizona facility in 2025. Would the US be willing to unduly harm TSMC given this fabs importance to the country’s future semi production capabilities?

To close, while we appreciate the volatility the next few months can bring, we are comfortable with our investments. We continue to own a well-diversified portfolio by sector and region, and that most changes we make are a response to our assessment of individual stocks risk-adjusted potential returns.

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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