Mackenzie Income Fund

Fund snapshot

Inception date	10/22/2001
AUM (millions in CAD)	1243.9
Management Fee	0.65%
MER	0.89%
Benchmark	70% FTSE Univ + 30% TSX Comp
CIFSC Category	Canadian Fixed Income Balanced
Risk Rating	Low
Lead Portfolio Managers	Felix Wong

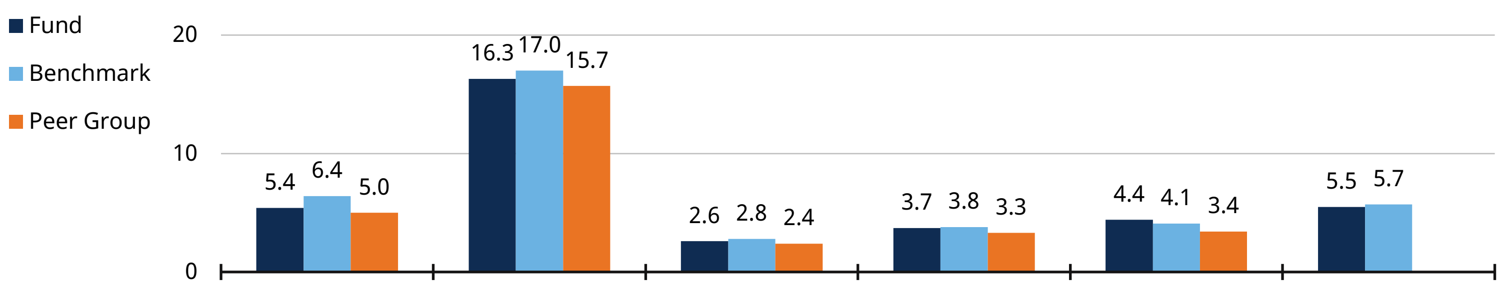
Strategy overview

• Conservative asset allocation aims to safeguard capital, provide an income stream and moderate investment growth

• The Fund's fixed income investments are mainly in high quality securities but can include higher yielding, lower quality securities

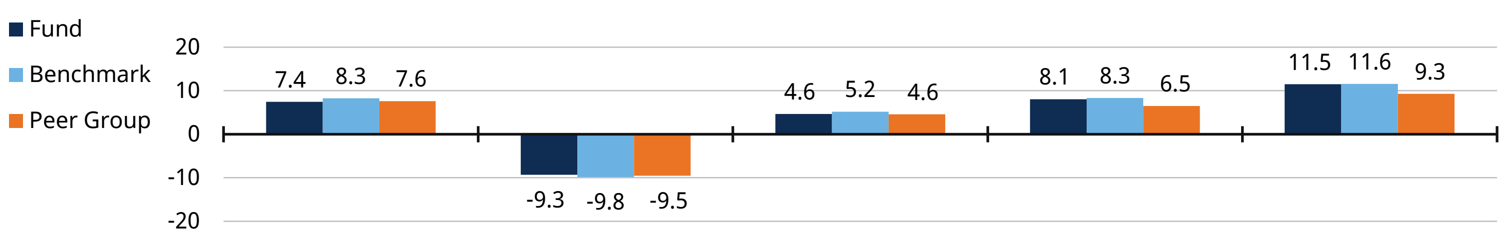
• Equity portfolio of quality, dividend paying companies in Canada and globally contribute to the Fund's income stream

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-1.0	-0.7	-0.2	-0.1	0.3	-0.2
% of peers beaten	80	64	57	64	88	NA

Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-0.9	0.5	-0.6	-0.2	-0.1
% of peers beaten	47	60	56	88	88

Portfolio characteristics

	Portfolio	Benchmark
Overall yield	4.2	3.4
Equity		
P/E 12m forward	17.6	16.1
Dividend yield	2.6	2.8
Net debt/EBITDA	2.0	2.8
EPS growth (FY E)	11.8	10.6
P/B	2.7	2.1
Fixed income		
Yield	4.4	3.5
Duration	6.8	7.4
Average credit quality	A	AA

Sector allocation

Sector	Portfolio (%)	Benchmark (%)	Relative weight (%)
Financials	7.7	9.7	-2.0
Energy	3.5	5.0	-1.5
Materials	2.6	3.7	-1.1
Industrials	3.7	3.9	-0.2
Information Technology	3.8	2.6	1.2
Communication Services	1.4	0.9	0.5
Utilities	1.2	1.2	-
Consumer Staples	2.0	1.2	0.8
Consumer Discretionary	1.9	1.0	0.9
Real Estate	0.4	0.7	-0.3
Health Care	2.0	0.1	1.9
Other	2.0	0.2	1.8

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	7.6	8.4
Sharpe Ratio	-0.1	-0.1
Tracking Error	1.4	-
Information Ratio	-0.2	-
Alpha	-0.3	-
Beta	0.9	-
Upside Capture (%)	91.8	-
Downside Capture (%)	92.1	-

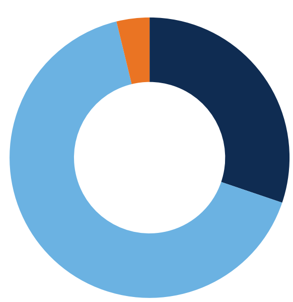
Country allocation

Country	Weight	Benchmark (%)	Relative weight
Canada	69.3	99.2	-29.9
United States	18.2	0.5	17.7
United Kingdom	2.2	-	2.2
Germany	1.0	-	1.0
France	0.8	-	0.8
Japan	0.8	-	0.8
Other	7.7	0.3	7.4

Credit breakdown

Rating	Portfolio	Benchmark
A	17.2	15.1
AA	32.0	32.0
AAA	9.4	42.1
B	2.3	-
BB	8.7	-
BBB	39.3	11.0
CCC & Below	0.4	-
NR	0.7	-

Asset allocation



	Portfolio (%)
Equity	30.2
Fixed Income	66.0
Cash	3.8

Top 10 equity holdings

Security name	Country	Sector	Weight
Royal Bank of Canada	Canada	Financials	1.2%
The Toronto-Dominion Bank	Canada	Financials	0.9%
Microsoft Corp.	United States	Information Technology	0.7%
Bank of Montreal	Canada	Financials	0.6%
Canadian Pacific Kansas City Ltd.	Canada	Transportation	0.6%
Canadian Natural Resources Ltd.	Canada	Government Bond	0.6%
Apple Inc.	United States	Information Technology	0.6%
Sun Life Financial Inc.	Canada	Financials	0.5%
Intact Financial Corp.	Canada	Financials	0.5%
Enbridge Inc.	Canada	Utilities	0.5%

Equity - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Financials	7.4	1.0
	Materials	2.5	0.3
	Consumer Staples	2.1	0.2
Detractors	There are no detractors this quarter		

Fixed Income - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Corporate	40.9	1.8
	Government	24.5	1.3
Detractors	There are no detractors this quarter		

Market Overview

Overall, the third quarter of 2024 was marked by significant volatility but ended on a positive note for both equities and fixed income markets, thanks to central bank actions and resilient economic data. The US stock market rebounded from an August dip, with a notable rotation from big tech and growth stocks to value names and smaller stocks. The Federal Reserve's aggressive interest rate cuts helped boost market sentiment. Economic data proved more resilient than expected, with soft readings on inflation suggesting that price pressures are abating. This helped alleviate fears of a recession and supported market recovery. In Canada, equities reached their highest closing price ever during the quarter. In September, the Bank of Canada lowered its policy interest rate again, from 4.75% to 4.25%, helping to reduce borrowing costs and ease some pressure on households. Inflation in Canada has decreased, contributing to the Bank of Canada's decision to lower interest rates. During the quarter, the outlook for the eurozone economies brightened as industrial activity increased and inflation tracked toward the European Central Bank's comfort zone. This positive economic data helped to support the performance of European stocks. Asian stock markets experienced mixed performance in Q3.

For the quarter, the S&P 500 returned 4.7% (4.6% in CAD). The S&P/TSX Composite returned 10.5%. Globally, the MSCI ACWI returned 6.3% in local terms (5.3% in CAD). Bond returns were also strong as market expectations decidedly shifted towards the rate hike pause (to potential reductions) camp. The FTSE Canada Universe Bond Index returned 4.7%. The ICE BofA Global Broad Market Bond Index (Hedged to CAD) returned 4.3%. The ICE BofA U.S. High Yield Bond Index (Hedged to CAD) returned 5.0%.

The Canadian dollar appreciated against the US dollar, and depreciated against the European Euro, UK pound sterling, Swiss franc, Japanese yen, and Australian dollar.

Fund Performance

Mackenzie Income Fund (Series F) was up over the quarter and underperformed its blended benchmark comprised of 30% S&P/TSX Composite Index and 70% FTSE Canada Universe Bond Index.

From an equity perspective, an underweight allocation to energy, overweight allocations to health care and information technology, and stock selection in consumer staples contributed the most to relative performance. Stock selection in information technology, health care, and financials, along with an underweight allocation to financials detracted the most from relative performance.

From a fixed income perspective, the fund's shorter duration in corporate securities detracted from performance as interest rates fell, while the fund's longer duration in government securities contributed to performance as interest rates fell. An overweight position in corporate bonds also detracted from performance.

Portfolio Activity

Within North American Equities, 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. Two new positions were added. 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. The Canadian portion of the portfolio ended the period with 52 unique stock positions.

Within Global Equity & Income Equities, the portfolio management team implemented several changes in the portfolio through the quarter. These changes were driven by stock specific opportunities with the objective of further optimizing the reward to risk profile and enhancing the portfolio’s fundamental characteristics. 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. Overall, the stock specific changes did not result in significant changes to either the relative sector or geographic weights. The investment strategy remains consistent, focusing on high-quality companies with superior financial metrics and appropriate valuations. Amidst ongoing technological, geopolitical, and macroeconomic risks, the portfolio is well positioned to navigate these uncertainties.

Market Outlook - Fixed Income Team

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.

Market Outlook – North American Equities Team

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 the 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 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.

Market Outlook – Global Equity & Income Team

The market again reached all-time highs. Inflation is abating, both the US Fed and ECB are cutting rates, and implied volatility went back to its recent lows after some excitement during the quarter. While markets being up 22% thus far this year feels great, it might bely what's going on in the world. There is a bit of a disconnect to where the markets are today, and the lack of risk being applied to those prices. Questions still swirl around the probability of a hard landing in the US and how the markets will react post-election. Does a Republican victory result in a new round of tariffs that ultimately do more harm than good? Will Democrats cripple the economy via higher taxes and expanded entitlements? And, unfortunately, the Middle East and Ukraine situations remains unresolved.

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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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 Fixed Income Balanced category and reflect the performance of the Mackenzie 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 Canadian Fixed Income Balanced category funds for Mackenzie Income Fund for each period are as follows: one year - 363 ; three years - 339 ; five years - 302 ; ten years - 214.

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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