Quarterly commentary | March 31, 2024
Series F

Mackenzie Canadian Equity Fund

Strategy snapshot

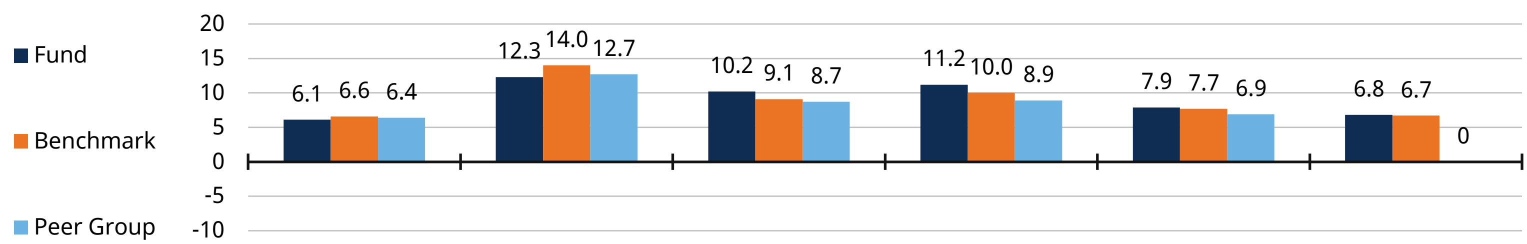
Inception date	05/15/2006
AUM (millions in CAD)	612.4
Benchmark	S&P/TSX Composite
Lead portfolio manager	Will Aldridge, Anthony Del Vecchio
Investment exp. since	2022, 2011
Target # of holdings	-

Strategy Overview

• The all-cap Canadian equity universe offers more opportunities and potentially enhances diversification

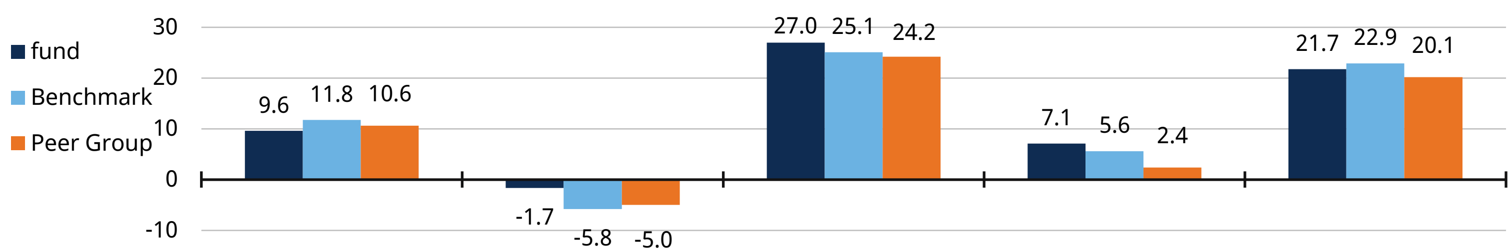
• Time-tested and market-proven investment process run by experienced managers

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-0.5	-1.6	1.1	1.2	0.2	0.1
% of peers beaten	41	40	78	94	79	NA

Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-2.2	4.2	1.9	1.5	-1.1
% of peers beaten	37	79	80	91	73

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	559.0	224.0
% top 10 holdings	38.7	36.4
Weighted average market cap	113,289.9	66,861.3
EPS growth (FY E)	-2.0	5.8
Dividend yield	2.9	3.0
FCF margin	11.4	12.2
P/E Trailing 12M	15.2	17.5
P/E (forecast)	13.6	15.0
Net debt/EBITDA	2.9	2.9
ROE (latest FY)	12.9	12.3

Sector allocation

Sector	Weight	Relative weight
Communication Services	3.0	-0.2
Consumer Discretionary	7.0	3.4
Consumer Staples	7.3	3.2
Energy	13.6	-4.4
Financials	32.6	1.7
Health Care	1.8	1.5
Industrials	12.5	-1.9
Information Technology	6.1	-2.5
Materials	9.7	-1.3
Real Estate	3.4	1.1
Utilities	2.8	-1.0

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	12.1	13.3
Sharpe Ratio	0.6	0.5
Tracking Error	3.0	-
Information Ratio	0.4	-
Alpha	1.8	-
Beta	0.9	-
Upside Capture (%)	94.0	-
Downside Capture (%)	84.4	-

Country allocation

Country	Weight	Relative weight
Canada	100.0	-5.1
United States	0.0	4.9

Regional breakdown

Region	Weight	Relative weight
Canada	94.9	-5.1
United States	4.9	4.9

Currency exposure

Region	Gross	Benchmark
CAD	95.2	100.0
USD	4.9	0.0

Top 10 holdings

Security name	Country	Sector	Weight
Royal Bank of Canada	Canada	Financials	6.6
Toronto-Dominion Bank	Canada	Financials	5.5
Canadian Natural Resources Limited	Canada	Energy	4.5
Canadian Pacific Kansas City Limited	Canada	Industrials	4.1
Bank of Montreal	Canada	Financials	3.6
Canadian National Railway Company	Canada	Industrials	3.4
Suncor Energy Inc.	Canada	Energy	3.0
CGI Inc. Class A	Canada	Information Technology	2.8
Bank of Nova Scotia	Canada	Financials	2.7
Sun Life Financial Inc.	Canada	Financials	2.5

Security level contributors and detractors

	Security	Average Relative weight (%)	Allocation Effect (%)	% contribution to return
Contributors	Canadian Natural Resources Limited	0.9	0.1	0.8
	Canadian Pacific Kansas City Limited	0.6	0.1	0.6
	Suncor Energy Inc.	0.9	0.1	0.5
Detractors	TransAlta Corporation	0.4	-0.1	-0.1
	SSR Mining Inc	0.1	-0.1	-0.2
	Toronto-Dominion Bank	0.8	-0.1	-0.2

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)
Contributors	Energy	-4.6	-0.3	0.0
	Industrials	-1.9	-0.1	0.0
	Financials	2.1	0.0	0.0
Detractors	Communication Services	-0.5	0.1	0.0
	Utilities	-0.9	0.1	0.0

Commentary

In Q1 2024, Mackenzie Canadian All Cap Value Fund returned 6.3% compared with the S&P/TSX Composite Total Return Index return of 6.6%.

The portfolio slightly underperformed the benchmark due to an underweight position in energy and stock selection in financials, consumer staples and utilities. This was offset by positive contributions from stock selection in consumer discretionary, energy and industrials and an underweight in communications services.

CCL Industries Inc. – CCL is a Toronto-based global leader in packaging and labeling, focused on consumer products. CCL operates more than 200 production facilities across 43 countries. CCL reported strong results during the quarter as packaged goods companies began to shift focus back to volume growth after relying on price increases to drive revenues over the past couple of years. Consumers are increasingly pushing back on price increases and CCL is once again benefiting from volume growth and improved plant utilization. CCL generates strong returns on capital and has grown both organically, typically in line with global GDP, and through disciplined acquisitions. CCL is one of the largest overweight positions in the fund.

DRI Healthcare Trust – DRI is a drug royalty company that invests capital in a diversified drug portfolio across many health indications. We built our position in DRI through 2021-22 and have been rewarded for our patience as the trust units have responded to several positive developments. While investors were initially skeptical of the somewhat unique business model, management has delivered strong cash flow growth and has built a royalty portfolio that should deliver results for many years to come. The DRI team are experts in underwriting risk and have partnered with strong drug marketers. The company recently increased its capital deployment target, which should lead to increased per unit results. One of the key drivers of this growth is drug developers' limited access to capital on reasonable terms as the window for raising capital has been shut until just recently in the biotech and pharma sectors. DRI sees increased acceptance of the royalty model by those needing capital but unable to tap into traditional sources of financing.

AtkinsRealis Inc. – AtkinsRealis, formerly known as SNC Lavalin, is a global engineering consulting company operating across a diverse range of industries. ATRL provides engineering services in more than 50 countries and also has unique expertise in the nuclear energy segment. Following several years of restructuring, ATRL is now generating much improved margins and cash flow. The company has focused on capital-light engineering services and has wound down its exposure to construction services, which had been a drag on cash flow. One of the unique features of ATRL is its expertise in managing nuclear facilities. Global leaders have focused on nuclear as a clean power generation solution as countries shift away from fossil fuel-based energy to meet climate goals. Beyond strong organic growth, ATRL is poised once again to consider allocating capital to acquisitions, which has been the focus of its peers in the engineering space, further adding to its growth profile. ATRL trades at a significant multiple discount to peers. Delivering on its growth aspirations, while continuing to deliver margin improvement, should serve to close the discount in our view.

Waste Connections Inc. – Waste Connections is a waste collection company serving commercial, industrial and residential customers. The company is highly valued by investors for the consistency of its earnings profile. WCN has a strong track record of growth through acquisition while at the same time achieving strong margins through price management. WCN has been on our watchlist for several years but the return to our estimate of intrinsic value has not been adequate to justify purchasing shares in the company. We believe the valuation has become particularly prohibitive recently.

Constellation Software Inc. – Constellation Software owns a diversified collection of software businesses across several verticals. Constellation has grown primarily through acquisitions over many years, mostly using internally generated cash flow to acquire targets. The company has been rewarded by investors for consistent growth and a predictable earnings stream. We do not own Constellation in the portfolio as we have questioned the continued pace of acquisitions required to justify the multiple at which the stock trades. Moreover, we believe it will be challenging for the company to continue to generate returns on capital at the level it has historically as deal size increases and the multiples paid on acquisitions expand.

Fairfax Financial Holdings Ltd. – Fairfax is a financial services company serving the property and casualty insurance and reinsurance markets, with a focus on its investment management arm. Fairfax owns a collection of insurance companies that have been acquired and developed over many years. Fairfax has experienced significant growth in book value, the primary focus of investors, over the past several years, particularly as interest rates have increased. The company has historically generated reasonably strong returns from its investment portfolio.

Commentary

We increased select positions in the communication services and financials sectors and reduced select positions in the consumer staples, financials, materials and real estate sectors.

We eliminated a position in SSR Mining Inc., a mid-tier gold production company with operations in Turkey, the United States, Canada and Argentina. SSR experienced a catastrophic land slide at its key Copler mine in Turkey that led to several fatalities. Copler was the company's key growth asset and main source of cash flow. We exited a small position in the company as a result as we believe the shares are not reflecting the magnitude of this negative development.

Following the very strong rebound in markets in late Fall last year as U.S. Fed Chair Powell excited investors with the prospect of at least several interest rate cuts in 2024, euphoria has recently led to disappointment as economic indicators suggest it will take some time yet for the central bankers to gain comfort that inflation has indeed receded. Geopolitical events are certainly not helping. The world feels a scarier place by the day, as two wars rage on. Not only do resolutions not show on the horizon but things appear to be worsening. Consumers were already feeling pinched and global events hardly inspire confidence. We wouldn't be surprised to see consumers hunker down and take a more prudent approach to spending. The outcome of the U.S. election is another uncertainty likely to plague confidence as the year progresses. Much has been written about the ultimate outcome of a U.S. general election having little bearing on market sentiment once all is said and done, but it's the journey to get there that may prove to be problematic. Campaigning seems to get nastier every year, which at best leads to distraction. Here in Canada, we continue to struggle to find a balance between longer term growth and productivity fueled by immigration on the one hand and the pain points caused by housing dynamics and a lack of attractive job opportunities for newcomers and new grads on the other. Recent strength in commodities on early signs of green shoots out of Europe and China has helped the Canadian market begin to shrink the gap in benchmark returns to the U.S. market, but we will need the financials sector to outperform for Canada to truly shine. Loan growth at Canadian banks is slowing as the continued high interest rate environment stifles demand. High rates also remain a headwind to valuation multiples in interest sensitive sectors such as communication services, real estate and energy pipelines. These sectors have historically been viewed as fairly defensive low volatility areas of the market, but more recently investors have been ignoring the relatively attractive valuation levels of interest sensitive names and paying up for companies that generate fairly predictable earnings streams. We believe many of these stocks are overvalued at present. Patience and discipline, as always, are likely to be rewarded as volatility is likely to increase as the year plays out.

Linamar Corp. – Linamar is a diversified manufacturing company supplying the automotive and agricultural industries and the infrastructure segment. Linamar was founded in 1966 by Hungarian immigrant Frank Hasenfratz. The company is now run by his daughter Linda and the family still owns one-third of this $4B market cap company. Over the past few years Linamar has diversified away from the auto sector, which is more capital intensive, to focus on building up the capital-light industrial segment, which includes the Skyjack aerial work platform business and the agricultural harvesting and tilling equipment business, which operates under the MacDon, Salford and Bourgault brands. The industrial businesses now comprise about half Linamar's earnings. And yet, investors still value Linamar as an auto parts supply company. The shares trade at less than 6x earnings and 3.5x EBITDA. In other words, this is a "dirt cheap" stock. The company generates significant free cash flow that has been invested back into the business, has a clean balance sheet and has been growing at a double-digit rate. We have had to be patient with our position in the company but feel confident investors will begin to wake up to the transformation that has occurred at Linamar and reward it with a higher multiple on a growing earnings stream – the "double whammy" that can lead to significant outperformance for a stock.

Boardwalk REIT – Boardwalk is Canada's second largest owner and operator of multi-family residential properties, with a focus on the Alberta market, where nearly two-thirds of its properties are located. Unlike Ontario and British Columbia, Alberta's market is not rent controlled, giving the landlord sole jurisdiction over rental pricing. This attribute gives Boardwalk greater control over balancing supply and demand. Record levels of immigration have led to significant pressures on rental housing, particularly in the "gateway" provinces of Ontario and BC. This has led to dramatic increases in intra-provincial migration to Alberta, where the cost of living is much lower. Because new supply has not been able to keep up with demand, apartment rents in Alberta have been increasing at very high rates relative to historical norms, which has led to expanding profit margins for Boardwalk. The federal government has finally appeared to have woken up the housing issue and has recently initiated plans to alleviate some of the pressure. However, we believe Boardwalk remains very well positioned to benefit from continued demand given the gap in affordability between Alberta and other main population centres.

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 March 31, 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.

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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 Equity category and reflect the performance of the Mackenzie Canadian Equity Fund for the 3-month, 1-, 3-, 5-, and 10-year periods as of March 31, 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 Equity funds for Mackenzie Canadian Equity Fund for each period are as follows: one year –604; three years –517 ; five years – 464 ; ten years – 282 .

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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