

Mackenzie Global Small-Mid Cap Fund

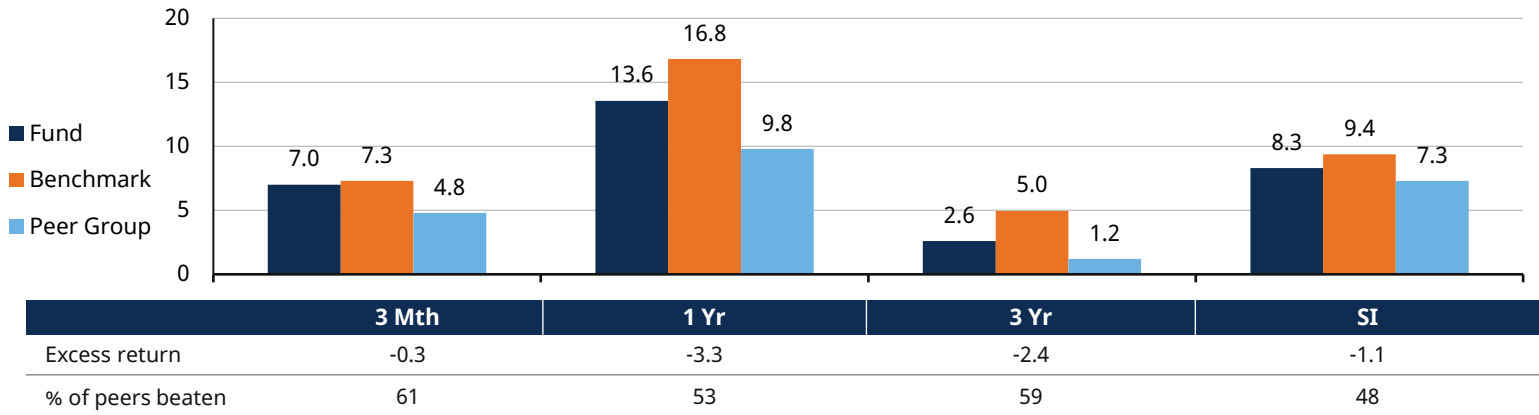
Strategy snapshot

Inception date	02/26/2020
AUM (millions in CAD)	1,003.2
Benchmark	MSCI ACWI SMID Cap
Lead portfolio manager	Phil Taller
Investment exp. since	1991
Target # of holdings	100-170

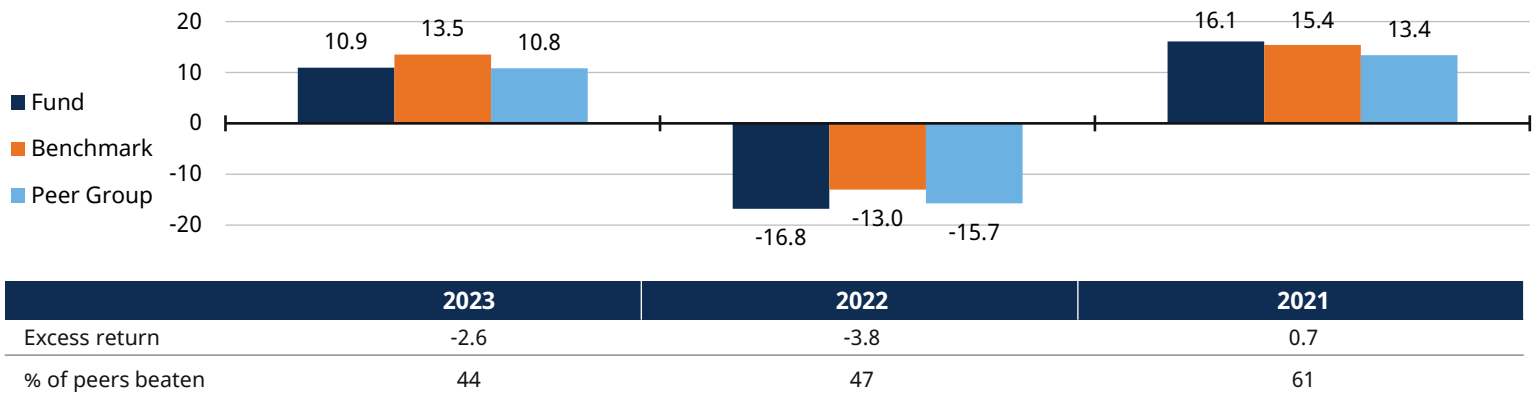
Strategy Overview

- The Fund seeks to provide long-term capital growth by investing primarily in equity securities of global small- to mid-capitalization companies.
- The Fund seeks companies with strong management, good growth prospects and attractive financial metrics.
- Emphasis is also placed on paying reasonable prices for the growth that companies in the portfolio are expected to achieve.

Trailing returns %



Calendar returns %



Portfolio characteristics

	Portfolio	Benchmark
# of holdings	166	7,806
% top 10 holdings	27.4	2.4
Weighted average market cap	22,307.6	15,908.4
EPS growth (FY E)	11.4	14.0
Dividend yield	1.5	2.0
FCF margin	11.8	199.5
P/E Trailing 12M	23.0	16.9
P/E (forecast)	18.7	15.9
Net debt/EBITDA	0.7	2.0
ROE (latest FY)	12.4	12.4

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	13.3	13.8
Sharpe Ratio	0.06	0.32
Tracking Error	4.3	-
Information Ratio	-0.5	-
Alpha	-2.2	-
Beta	0.9	-
Upside Capture (%)	93.2	-
Downside Capture (%)	104.7	-

Regional breakdown

Region	Weight	Relative weight
United States	53.2	-8.0
International	36.2	1.1
Emerging Markets	6.7	6.7
Canada	-	-3.7

Sector allocation

Sector	Weight	Relative weight
Communication Services	2.0	-1.9
Consumer Discretionary	7.6	-3.8
Consumer Staples	4.2	-0.7
Energy	2.0	-2.3
Financials	9.5	-5.1
Health Care	16.7	7.9
Industrials	23.1	3.3
Information Technology	22.1	9.1
Materials	4.3	-3.8
Real Estate	4.5	-2.4
Utilities	0.7	-3.6

Country allocation

Country	Weight	Relative weight
United States	53.2	-
Japan	9.7	0.3
United Kingdom	7.2	3.2
India	2.9	0.4
Germany	2.7	0.9
Australia	2.5	-0.5
Other	21.9	-4.2

Currency exposure

Region	Gross	Benchmark
CAD	0.9	3.2
USD	56.3	54.0
Other	42.8	42.9

Top 10 holdings

Security name	Country	Sector	Weight
Charles River Laboratories International, Inc.	United States	Health Care	3.2
DexCom, Inc.	United States	Health Care	3.0
Vontier Corp	United States	Information Technology	2.9
Akamai Technologies, Inc.	United States	Information Technology	2.8
ExlService Holdings, Inc.	United States	Industrials	2.8
Wabtec Corp.	United States	Industrials	2.7
Cirrus Logic, Inc.	United States	Information Technology	2.5
Bio-Techne Corporation	United States	Health Care	2.3
Broadridge Financial Solutions, Inc.	United States	Industrials	2.3
MAXIMUS, Inc.	United States	Industrials	2.2

Security level contributors and detractors

	Security	Average Relative weight (%)	Allocation Effect (%)	% contribution to return
Contributors	Vontier Corp	2.5	0.6	0.8
	Progressive Corporation	1.8	0.4	0.5
	Bright Horizons Family Solutions, Inc.	2.2	0.3	0.5
Detractors	Akamai Technologies, Inc.	2.7	-0.4	-0.2
	Bio-Techne Corporation	2.1	-0.3	-0.2
	Pharmaron Beijing Co., Ltd. Class H	0.3	-0.2	-0.1

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)
Contributors	Real Estate	-2.8	0.22	0.27
	Health Care	7.3	-0.23	0.53
	Communication Services	-2.1	0.13	0.22
Detractors	Industrials	2.7	0.12	-0.80
	Consumer Discretionary	-2.8	-0.03	-0.22
	Energy	-2.3	-0.12	-0.05

Commentary

The fund continues to maintain an overweight in Information Technology, Healthcare and Industrials. We are seeing increased investments in communications, data analytics, automation, robotics, online services, and other industries that are powering the global trend towards digital transformation and we will be looking to participate in these opportunities.

European equities rose over the period. Inflationary pressures eased as policy rate increases and cost-of-living challenges slowed consumer demand. Higher interest rates increased mortgage costs, pushing housing prices lower. The US Federal Reserve's recent decision to keep interest rates unchanged may exert prolonged pressure on the Japanese Yen which should help the export heavy equity market. Corporate reform remains a strong driver for Japanese equities culminating in higher dividends and stock buybacks. Expansion in the Indian economy is supported by strong private investment in manufacturing with many multinational companies looking for alternative locations to China for their overseas production. China's economy continues to face headwinds even though there has been an uptick in recent manufacturing numbers. Chinese equity valuations are very attractive although geopolitical risks remain.

For Q1 2024, the Fund's gross return was 7.29%, approximately in line with the benchmark's (MSCI ACWI Small Mid Cap) return of 7.31%.

On a country level, allocation to Japan, Ireland, Singapore and stock selection in Belgium, Denmark, Hong Kong and United Kingdom were the top contributors to relative performance while allocation in Hong Kong, United Kingdom and stock selection in Japan and Korea were the top detractors from relative performance.

At the sector level, allocation in Real Estate and stock selection in Financials, Health Care, Real Estate and Communication Services contributed to relative performance while allocation effect in Health Care and stock selection in Industrials, Information Technology and Consumer Discretionary were the top detractors from relative performance.

For Q1 of 2024, the top contributors towards the performance of the fund were Vontier Corp, Progressive Corporation, Bright Horizons Family Solutions, Inc., Charles River Laboratories International, Inc., HealthEquity Inc and Westinghouse Air Brake Technologies Corporation.

For Q1 of 2024, the top detractors that affected the performance of the fund were Akamai Technologies, Inc., Bio-Techne Corporation, Super Micro Computer, Inc., Pharmaron Beijing Co., Ltd. and Aixtron SE.

Within the U.S. sleeve of the portfolio we added new positions and increased current ones within the Health Care and Information Technology sector while decreasing positions within the Consumer Discretionary and Real Estate sector. We continue to look at businesses within the Information Technology sector that are helping companies automate their processes while health care names (drug developers) are seeing an uptick in business activity.

Within Europe, the portfolio management team made several changes over the quarter. Of these, in the Staples sector, J. Sainsbury, a UK grocery chain, was added. David Campari, the owner of numerous liquor brands including Campari, Aperol, Skyy Vodka was also added within Staples.

For the Asian sleeve of the fund, our weighting in India, Korea, Taiwan, and semiconductors was increased, funded by a reduction in weighting in China and Japan. In the first quarter of the year, we added to positions in ASM Pacific, Chiba Bank, LG Innotek, amongst others and continued to take profits by trimming positions in companies like Hero Motocorp after a strong rally in the shares.

Commentary – Market Overview

US Team

We believe that the US economy, like many others, already faced structural challenges in the form of high debt levels and slow growth in the working age population. As we navigate 2024, consumers are dealing with elevated interest rates and inflation and so we remain cautious about consumer balance sheets and spending behaviour. With that macro-economic backdrop, we believe that in the long term the world may continue to proceed in a lower growth environment compared to history.

While we do not attempt to forecast near-term economic growth, the current tightening of financial conditions may slow the global economy for a period. We try to be realistic about what companies can achieve in a more challenging environment.

We don't think anybody really knows what the level of ongoing inflation will be, nor what impact it might have on markets. We do believe that many of our companies offer high value-added products and services, and this should give them reasonable pricing power.

European team

In the final quarter of the year, equity markets took a cooling of inflationary pressures and extrapolated to forecast the start of Central Bank policy easing to begin as soon as March 2024 after a period of aggressive monetary tightening - between July 2022 and September 2023 the ECB increased its main policy rate on ten occasions, by a total of 450 basis points. The change in expectations for policy easing in the fourth quarter was most pronounced for the US Federal Reserve, but also for the ECB and Bank of England. This change led to a rally in risk assets, most notably long-duration growth assets with lower near-term earnings power, and leveraged companies that will benefit from less refinancing pressure if interest rates decline and macroeconomic conditions are favourable.

Asian Team

This is the 3rd year in a row that Chinese equities have been down. MSCI China is down -1.6% YTD and -17.3% over the past one year. Foreign investors continued to bail out of Chinese equities, so irrespective of fundamentals, owning foreign favourites was a losing strategy.

China's economy continues to face headwinds even though there has been an uptick in recent manufacturing numbers and exports have been resilient. Risks for China in 2024 focus on the real estate market, deflation, dropping FDI/portfolio inflows and geopolitical tensions.

In last few years, the rise of inflation in Japan was driven by food products, but this effect is likely to slow down unless the Yen falls significantly. Meanwhile, service inflation has been rising, but we may need more time to see whether this service inflation is sustainable, because some of the price hikes come from re-opening effect after Japan's moderate Covid restriction from 2020.

Wages have started to rise, and hopefully this translates into strong domestic demand, and organic, sustainable inflation. The Japanese stock market has had strong performance, mainly due to the expectation of corporate governance reform, the potential bottoming-out of the global industrial cycle, and Japan's exposure to technology (semiconductors) which benefit from a weak currency.

Expansion in the Indian economy is supported by strong private investment in manufacturing with many multinational companies looking for alternative locations to China for their overseas production.

The Korean government has begun a corporate reform strategy gaining inspiration from their Japanese neighbours. Much will depend on ongoing elections and whether bipartisan consensus can be found between the main parties, and potential inheritance and dividend tax reforms. Although there are more impediments to change versus Japan, extremely low equity valuations already reflect this. Our team expects the artificial-intelligence revolution to continue to increase demand for semiconductors, which would benefit the technology-heavy Korean and Taiwanese stock markets, although semiconductor valuations have raced ahead, and positions are crowded.

Commentary – Outlook & Positioning

US Team

The future is uncertain, but there may be increased investments in communications, Cloud and public infrastructure, physical and digital security, data analytics, regional supply chains in many industries, commerce, pharmaceutical and medical technology research, the Internet of Things, automation and robotics, online services, advancements in semiconductor, hardware and network capability. We will be looking for ways to participate in these opportunities as equity markets evolve.

We believe companies will seek to invest in new technology and services that can help them participate in a global trend towards digital transformation that can help them be more agile and secure in their operations. The use of data to understand trends should only become more important over time. There may also be increased demand for outsourced business services. We think several of our companies can assist in this effort.

We continue to maintain an overweight in the Industrials, Technology and Health Care sectors. We believe that the secular growth available in those sectors will serve us well. We continue to lower our exposure to cyclicals. This change was driven by what we perceived as an overall optimistic tone that didn't reflect the possibility of a slowdown, which may or may not happen.

What we aim to do is to know as many great businesses as we can and learn what they might be worth. When markets offer us attractive share prices for these businesses, we become buyers.

We focus most of our attention on owning innovative secular growth businesses. These types of companies offer products and services that make the world better, cheaper, and faster – enabling them to grow at a faster pace than the overall economy. We see this as a more “all weather” approach – our companies can do well in a rising economy, but also perform relatively better in a difficult economy.

We focus mainly on free cash flow as a metric for company valuations. This measure has become even more important in recent years, as companies have moved increasingly to present earnings in an “adjusted” fashion, which may obscure reality. In our view, accounting risk has risen, and we believe securities regulators are becoming increasingly concerned with these “adjusted” disclosures based on recent guidance.

European team

The magnitude of the short-term performance for these long-duration and leveraged securities suggests to us expectations that have moved 'too far, too fast'. The degree of rate cuts now priced into interest rate futures markets has only ever been accompanied by economic recession, a normal consequence of rapid interest rate increases the likes of which we have seen over the year and a half. While things may be different this time, that is not our base case and we are positioning the portfolio such that history is on our side.

Within Europe, the portfolio management team made several changes over the quarter. Of these, in the Staples sector, J. Sainsbury, a UK grocery chain, was added. We see structural improvement in the UK grocery market with the German discount chains no longer gaining share while two of Sainsbury's full-price competitors have over-leveraged balance sheets, limiting their flexibility. Sainsbury has invested well in its own range of products, allowing the company to re-take share and improve margins. David Campari, the owner of numerous liquor brands including Campari, Aperol, Skyy Vodka was also added within Staples. The company's valuation has de-rated ahead of a management change but we expect strategic continuity. The acquisition of Courvoisier cognac at the end of 2023 will allow the company to demonstrate its track record in turning around brands and generating value for shareholders through acquisitions. Within Europe the fund is overweight Materials and Healthcare. The fund has a large underweight position in European Industrials as well as Real Estate.

Commentary – Outlook & Positioning

Asian Team

From a country standpoint, we have reduced our exposure in China, even though the Chinese government has tried to boost the economy, it has not yet turned things around. Within China we continue to increase exposure to companies that are not reliant on a strong rebound in Chinese consumption like Miniso, which derives half of its earnings overseas.

Miniso: huge winner in 2023. Value retailer which is growing strongly in overseas markets added to its highly cost-effective back-end supply chain in China.

We are reducing our exposure in Hong Kong as well but once again increasing weight in the stocks that are global in nature and can benefit from the world economy like ASM Pacific (global semiconductor testing).

We start the year 138 basis points overweight in Japan (structural reform, better corporate governance, focus on raising ROE's, raising dividends, stock buybacks etc) but have taken profits after a strong start to the year.

Our team expects the artificial-intelligence revolution to continue to increase demand for semiconductors, which would benefit the technology-heavy Korean and Taiwanese stock markets.

Over the period, our weighting in India, Korea, Taiwan, and semiconductors was increased, funded by a reduction in weighting in China and Japan.

In the first quarter of the year, we added to positions in ASM Pacific, Chiba Bank, LG Innotek, amongst

Stock Stories

MAXIMUS Inc

- MAXIMUS provides outsourcing services to governments. It delivers social services like unemployment assistance and health care programs, which are increasing with more government involvement in economies.
- Maximus Inc operates in the United States, United Kingdom, Canada, Australia, and Saudi Arabia. The company offers business solutions to improve the cost-effectiveness, efficiency, and quality of government-sponsored benefit programs, such as Medicaid, Medicare, Health Insurance BC, and child support programmes.
- Most of its revenue is derived from long-term contractual arrangements with governments around the world.
- Future growth for MAXIMUS should come from renewed Medicaid certifications as the Public Health Emergency ends in the US, new work for the Veterans Administration as the PACT Act increases benefits for veterans and new contracts such as the IRS technology modernization program.

Akamai Technologies

- The backbone of the internet. The company speeds up content delivery through their web accelerating services, provide cloud agnostic security solutions, and offer edge computing capabilities.
- Akamai delivers daily web traffic reaching more than 120 terabytes per second.
- Highly distributed content delivery network (CDN) with over 340,000 servers in more than 135 countries.
- Edge computing is an area that is small today but with a big future in our view.
- Akamai can save clients millions of dollars in “egress fees” or data access fees compared to the traditional hyperscalers
- Working in the digital world, Akamai analyzes 290 TB of new attack data every day.
- Secular grower that benefits from Internet-based TV and video consumption and personal business, such as banking and shopping, being conducted online.

Stock Stories

CommVault Systems, Inc.

- CommVault Systems Inc provides data management systems that help customers back up and recover critical data.
- Growth in data that requires management provides a natural tailwind for the company's niche.
- The massive increase in ransomware attacks in recent years has reinforced the importance of having secure and accessible data backups.
- The company's introduction of its Metallic product line has given customers a SaaS-based, simpler choice that competes well in the marketplace.

Westinghouse Air Brake Technologies Corp

- Westinghouse Air Brake Technologies Corp is a provider of value-added, technology-based products and services for the rail industry.
- It provides its products and services through two main business segments, the Freight and Transit.
- Safety of train operations is an ongoing concern for rail companies and Wabtec can provide all the equipment and parts to ensure safety and reliability for a train.

Grocery Outlet Holding Corp.

- Grocery Outlet Holding Corp is a grocery store operator in the United States. Its flexible buying model allows them to offer quality, name-brand opportunistic products at prices that are generally 40% below those of conventional food retailers.
- The stores are run by entrepreneurial independent operators which create a neighborhood feel through personalized customer service and a localized product offering.
- Grocery Outlet offers a "treasure hunt" shopping experience in its grocery stores which would be equivalent to shopping at Winners or TJ MAXX for clothing.
- Grocery Outlet sources these incredible deals through their multi-decade relationships with several major food manufacturers and consumer-packaged goods (CPG) companies. The Grocery Outlet sourcing team helps clear out excess inventory from companies like General Mills, Blue Buffalo, PepsiCo, MARS, Campbells, Kraft Heinz, Unilever, and many more strategic suppliers.
- The stores are roughly 50% stocked with opportunistic items but the remaining 50% of the store will have everyday essentials like milk, eggs, sugar, lettuce, fresh produce, ground beef, toilet paper, vitamins, beer/wine etc.
- We are excited about the long term growth algorithm as the company speaks about growing their store network by 10% per year over time

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 securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.

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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 Morningstar Canada Fund Global small/Mid Cap Equity category, and reflect the performance of the Mackenzie Global Small-Mid Cap Growth F for the 3 month, 1-, 3-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. Canada Fund Global Small/Mid Cap Equity funds for the Mackenzie Global Small-Mid Cap Growth F for each period are as follows: one year – 230; three years – 195.

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