

# Mackenzie Global Strategic Income Fund

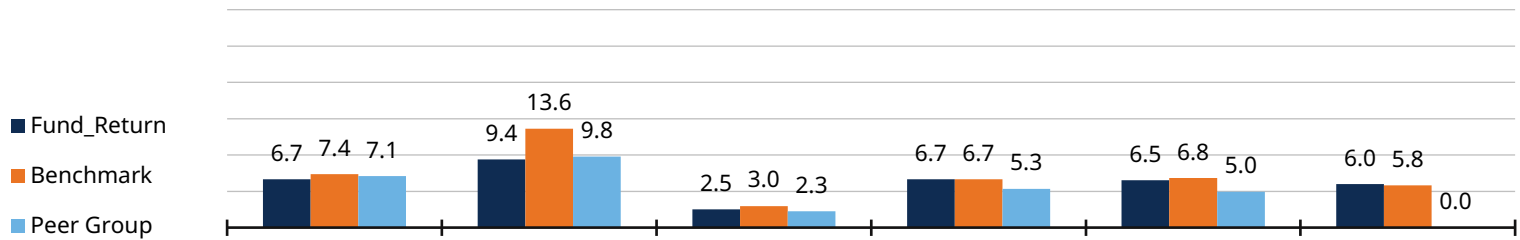
## Fund snapshot

Inception date	11/24/2006
AUM (millions in CAD)	2055.7
Management Fee	0.70%
MER	0.94%
Benchmark	52.5% MSCI World + 47.5% GBMI (Hgd to CAD)
CIFSC Category	Global Neutral Balanced
Risk Rating	Low-Med
Lead Portfolio Managers	Darren McKiernan, Steve Locke, Konstantin Boehmer

## Strategy overview

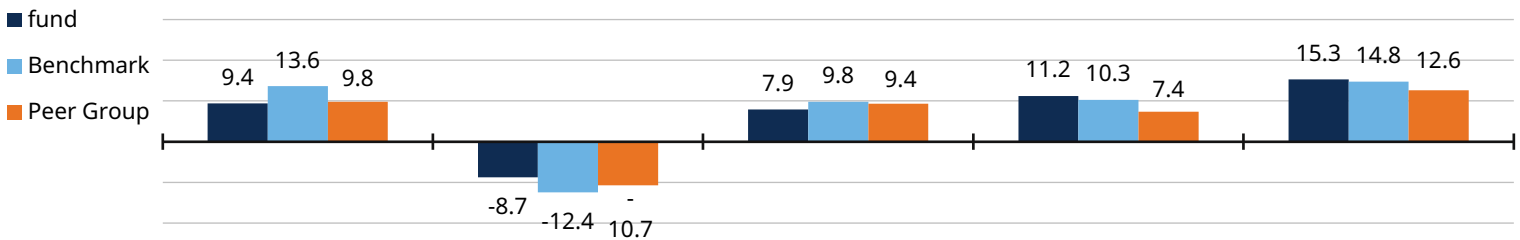
- A truly global approach, the Fund invests in a diversified portfolio of equities and fixed income securities that are income producing with an aim to deliver superior risk-adjusted returns in all market environments
- In fixed income, the Fund selects from the broadest array of securities globally to build a portfolio that provides best value for risk
- The equity style is core, investing in quality companies anywhere in the world

## Composite trailing returns %



	3 Mth	1 Yr	3 Yr	5 Yr	10 Yr	SI
Excess return	-0.7	-4.2	-0.5	0.0	-0.3	-
% of peers beaten	31	31	57	82	86	-

## Calendar Returns returns %



	2023	2022	2021	2020	2019
Excess return	-4.2	3.7	-1.8	1.0	0.5
% of peers beaten	43	75	36	98	96

## Portfolio characteristics

	Portfolio	Benchmark
Overall yield	4.2	2.7
<b>Equity</b>		
P/E 12m forward	19.3	18.5
Dividend yield	2.1	1.9
Net debt/EBITDA	1.0	1.2
EPS growth (FY E)	11.8	12.9
P/B	4.3	3.0
<b>Fixed income</b>		
Yield	5.1	3.7
Duration	5.9	6.8
Average credit quality	A	AA

## Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	7.6	9
Sharpe Ratio	-0.1	0
Tracking Error	4.5	-
Information Ratio	-0.4	-
Alpha	-1.4	-
Beta	0.7	-
Upside Capture (%)	69.0	-
Downside Capture (%)	75.8	-

## Credit breakdown

Rating	Portfolio	Benchmark
A	7.6	-
AA	13.7	-
AAA	39.0	-
B	5.3	-
BB	8.2	-
BBB	24.1	-
CCC & Below	2.2	-
NR	0	-

## Sector allocation

Sector	Portfolio (%)	Benchmark (%)	Relative weight (%)
Communication Services	2.2	3.8	-1.5
Consumer Discretionary	4.7	5.7	-1.0
Consumer Staples	5.7	3.6	2.2
Energy	3.7	2.4	1.4
Financials	9.7	8.0	1.7
Health Care	7.9	6.4	1.6
Industrials	5.9	5.8	0.1
Information Technology	11.0	12.1	-1.1
Materials	3.5	2.2	1.3
Real Estate	0.3	1.3	-1.0
Utilities	0.3	1.4	-1.1
Other	1.4	6.7	-5.3

## Country allocation

Country	Weight	Relative weight
United States	49.2	42.5
Canada	13.3	6.6
Germany	4.8	-1.9
United Kingdom	4.0	-2.7
France	3.0	-3.7
Japan	2.8	-3.9
Other	23.0	63.1

## Asset allocation



	Portfolio (%)
Equity	55.0
Fixed Income	40.3
Cash	7.7

## Top 10 holdings

Security name	Country	Sector	Weight
10Y T-Note (CBT) Mar 24	Other	--	2.9
Microsoft Corporation	United States	Information Technology	2.7
Government Of The United States Of America 3.5% 15-feb-2033	United States	--	2.3
Government Of The United States Of America 0.125% 15-jan-2031	United States	--	1.9
SAP SE	Germany	Information Technology	1.5
JPMorgan Chase & Co.	United States	Financials	1.5
Broadcom Inc.	United States	Information Technology	1.4
Amazon.com, Inc.	United States	Consumer Discretionary	1.4
Alphabet Inc. Class A	United States	Communication Services	1.4
Government Of New Zealand 3.5% 14-apr-2033	New Zealand	--	1.3

## Equity - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Information Technology	11.0	1.7
Detractors	Energy	4.0	-0.2

## Fixed Income - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Government	21.1	1.5
	Corporate	17.5	1.1
Detractors	Bank Loan	0.9	-0.0

## Commentary

Equities and fixed income rallied in the last quarter of the year as investors began anticipating earlier than expected interest rate cuts and positive market sentiment was renewed. Despite many global central banks maintaining a data-dependent stance, there has been a noticeable dovish shift in tone towards the end of the year, as inflation continues to slow. Most central bankers have kept policy rates steady for several months and appear poised to deliver rate cuts sometime in 2024. However, the timing and extent of these cuts remain uncertain.

The S&P 500 surged 11.7% (8.9% CAD) with broad-based returns across sectors. Globally, the MSCI ACWI returned 9.5% in local terms (8.4% CAD). The Bloomberg Global Aggregate Bond Index (hedged to CAD) returned 5.7% as bond yields fell. Canadian bonds appreciated even more, as the FTSE Canada Universe Bond Index returned 8.3%. High yield bonds were also strong performers, with the ICE BofA U.S. High Yield Bond Index (hedged to CAD) returning 6.7%. In Canada, the S&P/TSX Composite was up 8.1%, driven primarily by financials. The Canadian dollar depreciated against most major currencies, including the euro, pound, yen, and Australian dollar. However, the U.S. dollar weakened against the Canadian dollar, as well as other major currencies.

Mackenzie Global Strategic Income Fund (Series F) was up over the quarter, but underperformed its blended benchmark comprised of 52.5% MSCI World Index and 47.5% ICE BofA Global Broad Market (Hedged to CAD) Index.

From an equity perspective, security selection in US equities, as well as security selection in financials and health care sectors were among the biggest detractors from relative performance. An overweight position in consumer staples and energy sector also detracted from performance. On the contrary, security selections in the consumer discretionary and industrials sectors were the biggest contributors to relative performance. From a fixed income allocation perspective, longer duration to government contributed the most to relative performance. Security selections in corporate bonds also contributed to return. On the contrary, exposure to bank loan has detracted from relative performance.

Within Global Equity & Income Equities, the portfolio management team has made some changes in the portfolio in the quarter, largely driven by stock specific opportunities and consideration for the broader macroeconomic environment. These changes resulted in a slightly increased allocation to the industrials sectors, and a slightly reduced allocation to the financials and consumer staples sectors. The portfolio remains a collection of what the team considers to be industry leaders, conservatively financed, with the cash generating ability to take advantage of market dislocations such that they will be able to expand their competitive advantage during times of uncertainty.

The fourth quarter of 2023 started much as the third quarter left off, with bonds offered and yields continuing to move higher in the wake of the August Quarterly Refunding Announcement from the US Treasury and Fitch downgrade, generally strong economic data and a Fed that was very much still in the “higher for longer” camp. Investors will recall 10yr Treasury yields peaked on October 23 intraday just below 5.02%, although technically there was never a close above 5.00%, while 2yr yields peaked a few days before just above 5.25%.

The November 1 Quarterly Refunding Announcement to us did not have the same impact on fixed income markets as it did three months prior, but the FOMC meeting that day did start to cast some doubt into the Fed’s higher for longer narrative, with the idea that the FOMC did not have to wait until inflation got back to 2% before beginning its rate easing cycle.

What followed for the remainder of 2023 was a significant bid for duration which saw the entire Treasury curve move significantly lower as the market adjusted its rate outlook for the Fed and for other global central banks. For our part, we began significantly contemplating the impact of the November 1 FOMC meeting and, coupled with the clearly slowing pace of core PCE inflation, in mid-November adjusted our Fed call to 150bp of easing for 2024, with the first move happening in May 2024. By year-end, the market had moved to 158bp of Fed easing for 2024, from 66bp on October 31, the day before the November 1 FOMC meeting. A significant repricing, to say the least.

As our view suggests, we have become increasingly confident that the Fed believes it is on the cusp of missing its inflation mandate. While the Fed looks at a myriad of indicators, there is one inflation indicator above all, core PCE. For months, Fed Chair Powell has been focused on the “6 month annualized rate” of core PCE and as of time of writing, that number was 1.9%, below the medium-term average of 2.0% the Fed is striving to attain. For perspective, that number was 5.1% in January 2023, slowing to 4.0% in June. We believe Powell is citing the “6 month annualized” figure because he recognizes that, for now, the slowing of inflation over the very recent months supersedes the usual year-over-year / annual figure of 3.2% and many others would often be focused on.

The real policy rate is important here for not only the policy outlook, but also for markets going forward, and part of the reason for our change in view in November, as well as the market’s subsequent adjustment. With effective Fed Funds trading at 5.33% and the Fed’s preferred inflation gauge at 1.9%, the real policy rate as the Fed is calculating and is currently seeing it, is likely around 340bp, and that is not a level which is conducive to sticking the soft landing. In fact quite the opposite: it is actually so restrictive that a hard landing scenario is likely becoming more probable by the month. The Fed knows this, and is likely why at the December FOMC meeting, Chair Powell was seen to be so dovish not only versus previous guidance, but also versus market expectations.

The team believes that in periods of elevated volatility, it is most important to focus on what can be controlled. This involves investing in leading companies that generate high returns on their capital base, have strong cash flow and are in a position to improve their market share in times of uncertainty. In response to higher levels of inflation and market volatility, we continue to focus on companies where the business quality and financial strength enable the portfolio to weather economic downturns better than most. But one can never completely immunize yourself from recessionary risks. A good process is designed to achieve good outcomes but does not guarantee it. However, we feel comfortable with what companies are telling us today and we expect our companies to grow their earnings significantly above the benchmark's growth rate. The portfolio on average has a higher dividend yield, significantly better ROIC, ROE, operating profits margins and balance sheet strength. While "surprises" have become the norm in stock markets in recent years, the companies we own are well positioned to ride out unpredictability.

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