Mackenzie Global Sustainable Bond Fund

Fund snapshot

Inception date	04/09/2021
AUM (millions in CAD)	52.4
Management fee	0.55%
MER	0.8%
Benchmark	ICE BofA Gbl Broad Mkt (Hgd to CAD)
CIFSC category	Global Fixed Income
Risk rating	Low
Lead portfolio manager	Steve Locke, Konstantin Boehmer
Investment exp. since	1995, 2003

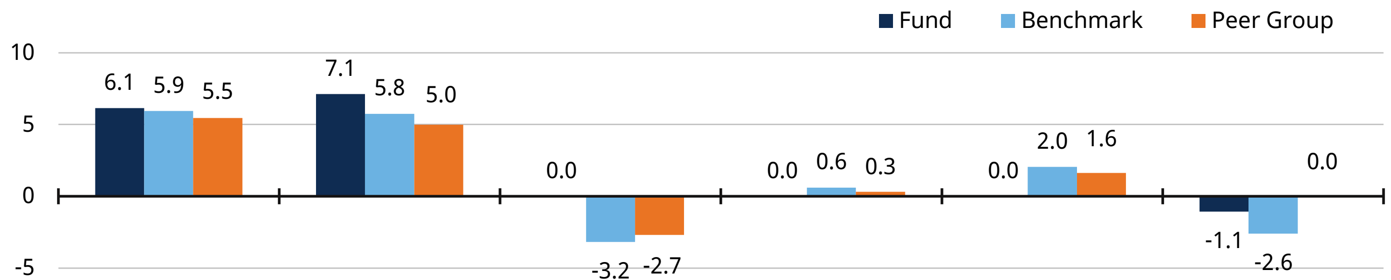
Strategy overview

• The Fund seeks to generate income with the potential for long-term capital appreciation by investing primarily in fixed-income securities of issuers anywhere in the world.

• The Fund follows an approach to investing that focuses on sustainable and responsible issuers.

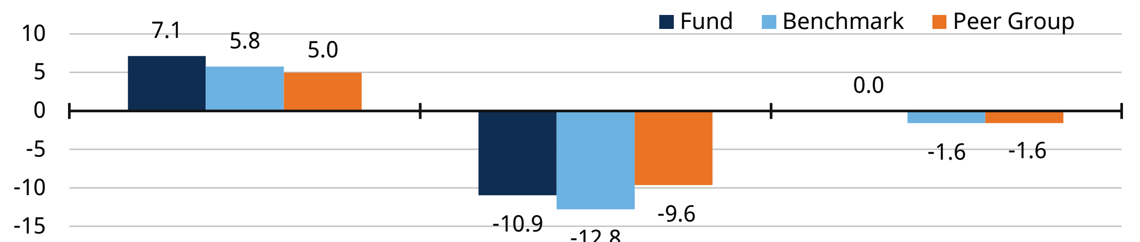
• The Fund invests in "best-in-class" ESG leaders, along with various types of sustainable or ESG labelled debt, such as green bonds, social bonds, sustainable bonds and sustainability-linked bonds and notes. The Fund aims to have a 50-50 mix of best-in-class issuers with ESG labelled debt.

Trailing returns %



	3 Mth	1 Yr	3 Yr	5 Yr	10 Yr	SI
Excess return	0.2	1.4	-	-	-	1.5
% of peers beaten	61	87	-	-	-	-

Calendar returns %



	2023	2022	2021
Excess return	1.4	1.9	-
% of peers beaten	87	45	-

Portfolio characteristics

Ratios & metrics	Portfolio	Benchmark
Fund Avg Yield	5.5	3.7
Fund Mod. Dur	5.3	6.8
Fund Rating	A-	AA
Average Price	92.7	112.0
Average Coupon	4.0	2.5
Average Term	7.9	-

Asset allocation

Asset	Portfolio
Corporate	63.5
Provincial + Municipal	5.0
Federal	31.4
Cash & Equival. + WC	0.2

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	-	-
Sharpe Ratio	-	-
Tracking Error	-	-
Information Ratio	-	-
Alpha	-	-
Beta	-	-
Upside Capture (%)	-	-
Downside Capture (%)	-	-

Geographic allocation

Region	Weight
North America	86.5
LATAM & Caribbean	3.1
Europe	13.0
Other	-2.6

Maturity breakdown

Bucket	Portfolio	Benchmark
0 to 3	22.7	-
3 to 7	27.7	-
7 to 12	36.3	-
12+	13.3	-

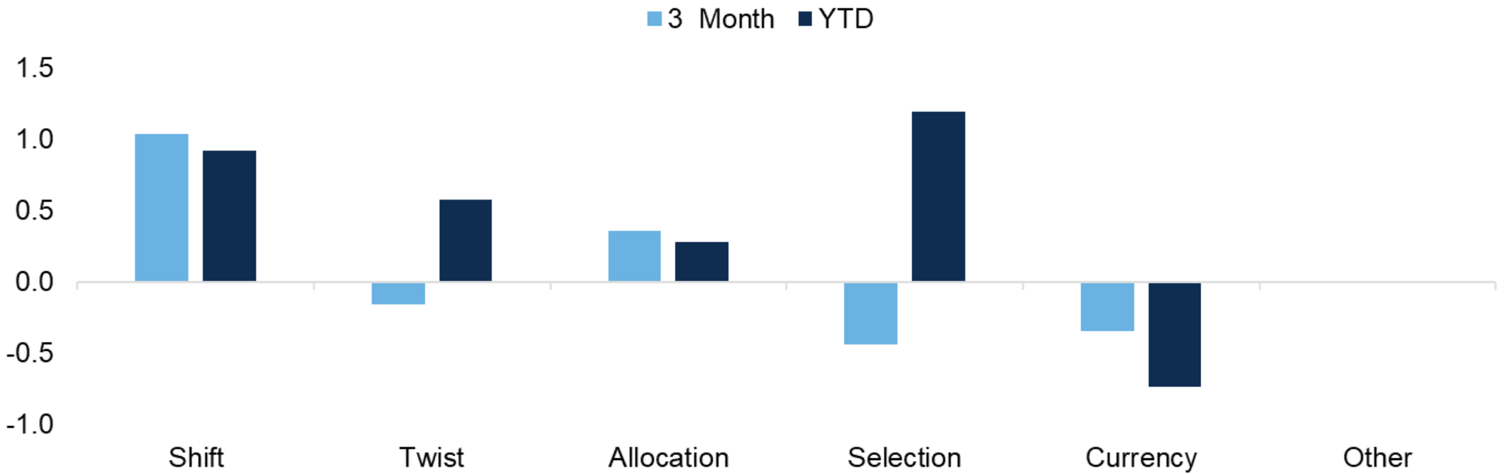
Currency exposure

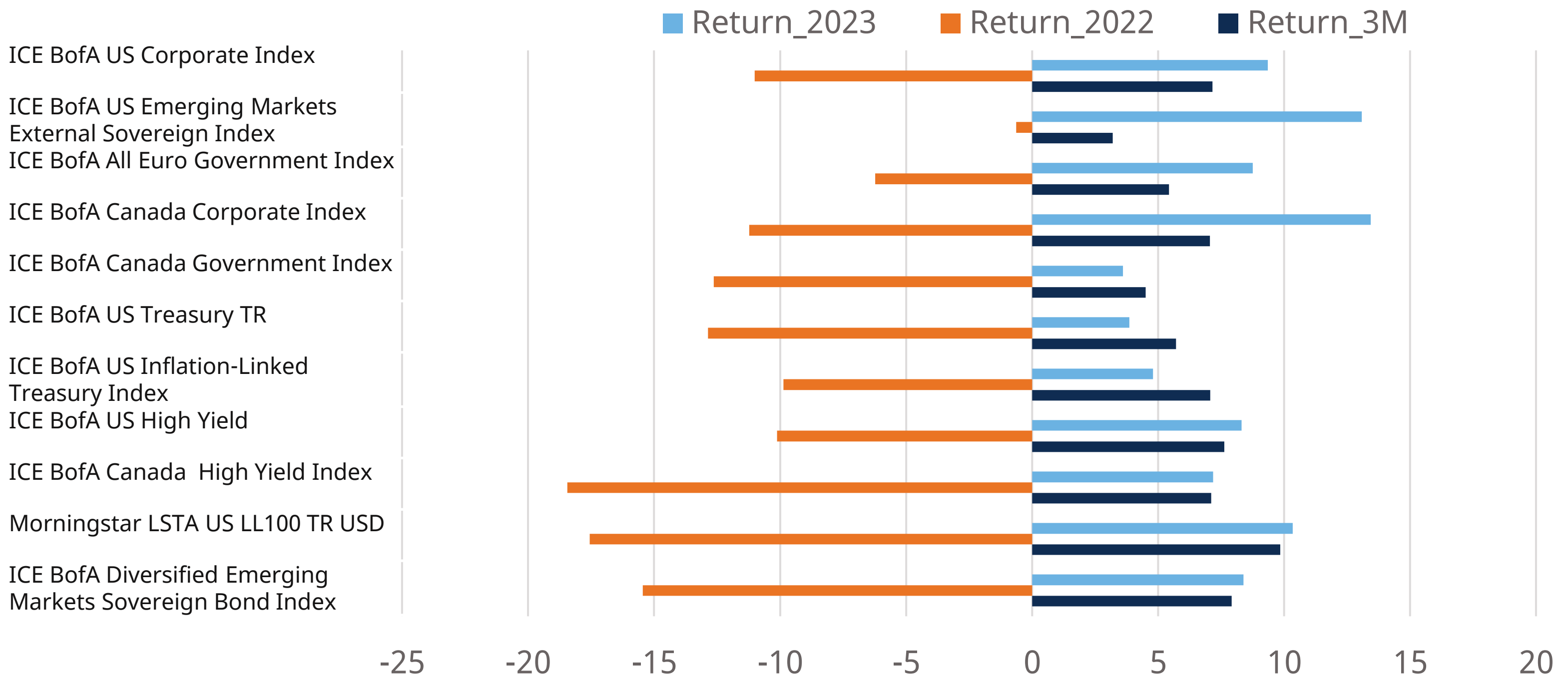
Currency	Gross	Net
CAD	34.0	87.1
USD	37.3	4.6
Other	28.7	8.3

Credit breakdown

Rating	Portfolio	Benchmark
AAA	23.4	12.6
AA	12.2	49.5
A	18.3	24.2
BBB	27.0	13.7
BB	13.8	-
B	4.9	-
CCC & Below	0.4	-
NR	-	-

Attribution





Commentary

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 increasing 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% us and many other 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 gage 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.

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 December 31, 2023 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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