Quarterly commentary | September 30, 2024
Series F

Mackenzie Bluewater Global Growth Fund

Fund snapshot

Inception date	05/14/2004
AUM (millions in CAD)	1030.6
Management Fee	0.80%
MER	1.06%
Benchmark	MSCI World
CIFSC Category	Global Equity
Risk Rating	Medium
Lead portfolio manager	David Arpin
Investment exp. Since	1995
Target # of holdings	40-45

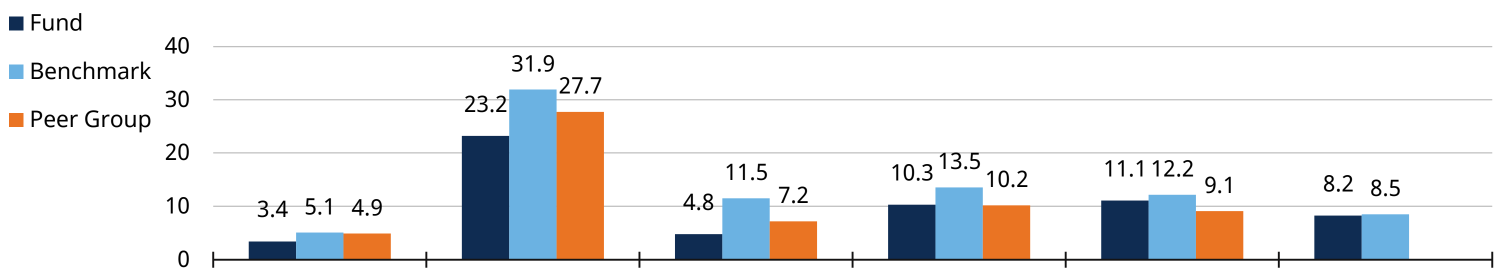
Strategy Overview

•The Fund seeks capital growth over the longer term by investing primarily in a broad range of global equity securities.

•The investment approach follows a company-focused investment style, seeking companies with strong management, good growth prospects and a solid financial position.

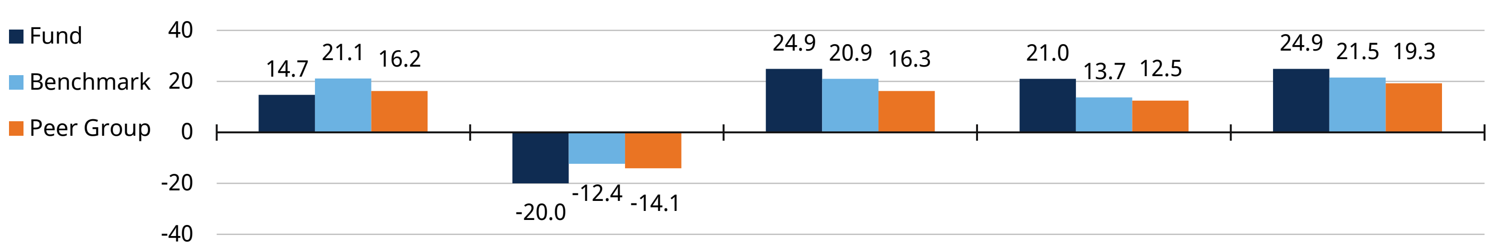
•Emphasis is placed on paying reasonable prices for the free cashflow growth that companies in the portfolio are expected to achieve.

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-1.7	-8.7	-6.7	-3.2	-1.1	-0.3
% of peers beaten	22	22	19	53	80	NA

Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-6.5	-7.6	4.0	7.3	3.4
% of peers beaten	48	18	95	88	88

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	45	1,410
% top 10 holdings	36.4	23.5
Weighted average market cap	619,997.6	955,119.2
EPS growth (FY E)	12.7	36.8
Dividend yield	0.8	1.7
FCF margin	19.3	18.0
P/E Trailing 12M	37.9	23.6
P/E (forecast)	31.4	20.4
Net debt/EBITDA	1.1	1.0
ROE (latest FY)	20.6	19.0

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	11.4	15.4	-4.0
Energy	-	3.9	-3.9
Materials	6.9	3.8	3.1
Industrials	24.3	11.1	13.2
Information Technology	25.2	24.8	0.4
Communication Services	2.7	7.6	-4.9
Utilities	-	2.7	-2.7
Consumer Staples	3.2	6.5	-3.3
Consumer Discretionary	10.4	10.2	0.2
Real Estate	-	2.3	-2.3
Health Care	13.4	11.7	1.7
Other	2.5	-	2.5

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	16.1	12.6
Sharpe Ratio	0.1	0.7
Tracking Error	6.2	-
Information Ratio	-1.1	-
Alpha	-8.3	-
Beta	1.2	-
Upside Capture (%)	96.7	-
Downside Capture (%)	139.5	-

Country allocation

Country	Portfolio	Benchmark	RelativeWeight
United States	68.8	71.9	-3.1
France	8.4	2.9	5.5
United Kingdom	6.8	3.7	3.1
Switzerland	4.7	2.5	2.2
Netherlands	3.1	1.2	1.9
Italy	2.3	0.7	1.6
Other	5.9	17.1	-11.2

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
United States	68.8	71.9	-3.1
International	28.7	25.1	3.6
Canada	-	3.1	-3.1
Other	2.5	-0.1	2.6

Currency exposure

Region	Gross	Benchmark
CAD	22.9	3.1
USD	55.2	72.1
Other	22.0	24.9

Top 10 holdings

Security name	Country	Sector	Weight
Microsoft Corporation	United States	Information Technology	4.0
Aon Plc Class A	United States	Financials	4.0
Apple Inc.	United States	Information Technology	3.8
Schneider Electric SE	France	Industrials	3.7
Roper Technologies, Inc.	United States	Information Technology	3.6
Alcon AG	Switzerland	Health Care	3.6
Linde plc	United States	Materials	3.5
Waste Connections, Inc.	United States	Industrials	3.4
S&P Global, Inc.	United States	Financials	3.1
Gartner, Inc.	United States	Information Technology	3.0

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Aon Plc Class A	4.1	0.7
	Trane Technologies plc	3.6	0.5
	Progressive Corporation	2.3	0.5
Detractors	Cadence Design Systems, Inc.	2.3	-0.4
	Alphabet Inc. Class A	1.4	-0.4
	ASML Holding NV ADR	1.9	-0.6

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Financials	-2.8	-0.1	1.0	0.6
	Health Care	-0.2	-0.1	0.7	0.4
	Energy	-4.1	0.4	0.0	0.4
Detractors	Information Technology	3.9	-0.3	-0.1	-0.5
	Consumer Discretionary	-1.6	0.1	-0.6	-0.5
	Industrials	10.9	0.3	-1.1	-0.7

Commentary

QFR Highlights

- U.S stock market maintained their upward trajectory in Q3 where S&P 500 index returned 5.9%. This quarter saw a rotation in market leadership away from the Mag 7 stocks, with only 3 of the Mag 7 beat the index return. The Federal Reserve's change in tone and policy provided an extra lift to more rate-sensitive pockets of the market like the utility, real estate, and financial sectors, as well as smaller cap stocks. Evolving interest rate policy by central banks around the world was a significant factor in global markets as well. While the combination of cooling inflation and labor markets motivated central banks to cut rates from excessively restrictive levels, we continue to believe that the path forward for monetary policy is more uncertain given the combination of sticky services inflation and two geopolitical conflicts, which continue to support energy prices.

Fund Performance

- The fund returned 3.8% over the quarter compared to its benchmark which returned 5.1%. Stock selection in Financials and Healthcare and no allocation to energy sector contributed to returns whereas stock selection in Industrials, Information technology and Consumer discretionary detracted from performance. From a geographic standpoint, security selection in Switzerland and Italy contributed to performance whereas stock selection in Netherland detracted from performance.

Security contributors

- There were a few holdings in the Financials and healthcare that added meaningful returns to the fund. Aon Plc, Progressive Corp and Trane technologies were top contributors to the funds return.
- Trane technologies provide heating, ventilation and air conditioning (HVAC) and refrigeration system in an energy efficient way for commercial and residential applications. the company is a global climate innovator in providing environmentally responsible products and services to homes, buildings and transportation. Its strong performance is attributed to robust organic bookings signalling growth across all segments.
- Aon Plc-Aon is a professional services firm in the areas of insurance and risk mitigation for corporate clients. A low-risk capital compounder, the company grows its top-line at 5-6%, with margin expansion and 3-5% share buybacks per year with their huge amounts of cash flow. While there is a whole industry around risk consulting, Aon is one of the few companies that can help companies to insure that risk
- Progressive corporation is an insurance company that offers a wide range of insurance products including auto, home, renters, and commercial insurance. It is one of the largest insurance companies in the United States in the property and casualty insurance space.

Security detractors

- Although the overall market rose, a few holdings declined. ASML holdings and Cadence Design Systems, Inc. detracted from relative performance.

Portfolio activities

- During the quarter we exited holdings in Information technology and added positions in Industrials and healthcare sector.
- Over the last year we have aligned our portfolios to focus on consumer facing companies targeting either the very high-end consumer, those that are virtually unimpacted by macro economic conditions, or those companies that offer a unique value proposition.
- At the high end, extreme luxury brands like Hermes and Ferrari remain highly resilient. Founded in 1837, Hermes is a European luxury business known for its signature handbags and luxury items and a business model that is based around scarcity value and desirability of its hand-crafted leather goods. This unique value proposition has resulted in methodical scaling of its hand-crafted artisanal production while maintaining considerable pricing power, allowing the company to compound its revenues at 12% since 1991, virtually unheard of in an industry known for its cyclicality and fads that come in and out of favour.
- At the other end of the spectrum, companies such as Costco and Amazon all benefit from unique strategies that provide real value for consumers. We have avoided traditional retail companies targeting the middle market consumer. In our view, this large segment of the market faces increasing risks from large industry players such as Wal-Mart and Amazon that compete by providing value, selection, convenience and speed, all at massive scale, giving them a growing logistics and shipping competitive advantage.

Commentary

Market overview

- Markets continued to show strength during the third quarter as the rally that began in the fourth quarter of 2023 continued into the first nine months of 2024.While some market participants are excited by the prospect of lower interest rates, significantly lower rates likely imply that economic conditions have deteriorated beyond current expectations. While there inevitably will be considerable ink spilled about the 'average return' after policy rates begin declining, it is important to remember that the economic environment around rate cuts tends to be highly idiosyncratic, making the usefulness of these statistics less than useful. There have only been 3 easing policy rate cycles in the past 25 years in the US, and they were marked by a historic stock market bubble bursting, a global financial crisis and a global pandemic, none of which even faintly resemble the current environment, which poses a large challenge for looking at the past as a guide to the future.

Outlook, Positioning

- During the quarter, our largest sector underweight was, financials (-4.1%) and our largest overweight position was in Industrials (13.2%). From a global GDP standpoint, economic growth continues to be uneven, with the United States showing relatively healthy levels, while Canada, Europe, and Asia are generally softer. China remains challenging driven by numerous structural issues that we have written on previously such as demographics and a decline in the working age population, maturing urbanization trends, overbuilding, and a slowdown in global outsourcing. While recent stimulus announcements from the Chinese government may help from cyclical perspective, the challenges that we have highlighted are all structural in nature and are unlikely to be solved through financial stimulus.
- With unemployment in North America rising from very low levels, we are not anticipating the beginning of a new economic cycle. Rather, we anticipate one of two scenarios: either a standard slowdown propelled by rising unemployment (4.1% currently, up from 2023 lows of 3.4%) or a prolonged period of stable, albeit anemic, economic growth. In either case, we anticipate that global growth is likely to be at levels that are below average for the next several years, which is an environment that tends to be supportive of the Bluewater investment process, focused on identifying resilient businesses that can grow their free-cash-flow at higher rates than the market and are less reliant on the broader economic landscape for such growth.

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 Global Equity category and reflect the performance of the Mackenzie Bluewater Global Growth 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 Global Equity category funds for Mackenzie Bluewater Global Growth Fund for each period are as follows: one year - 1732 ; three years - 1501 ; five years - 1262 ; ten years - 630.

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