Mackenzie Global Dividend Fund

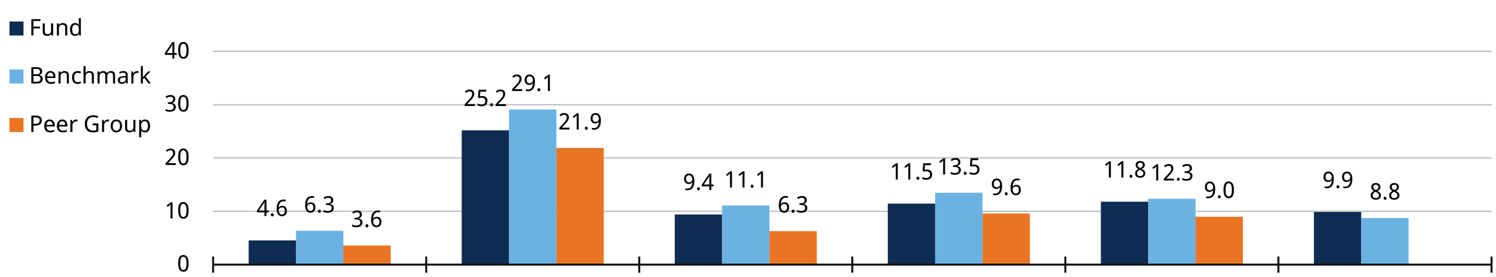
Fund snapshot

Inception date	07/11/2007
AUM (millions in CAD)	7306.2
Management Fee	0.80%
MER	1.05%
Benchmark	MSCI World
CIFSC Category	Global Equity
Risk Rating	Low to Medium
Lead portfolio manager	Darren McKiernan
Investment exp. Since	1995
Target # of holdings	40-80

Strategy Overview

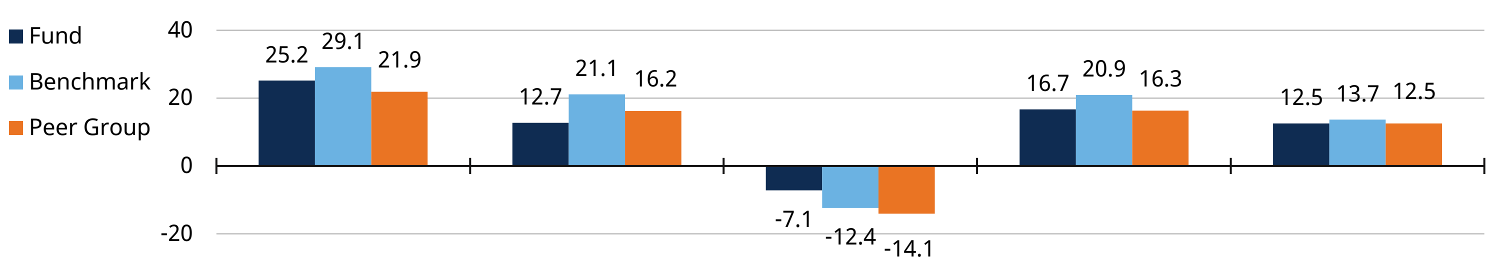
- Seeks to generate dividend income through owning industry leading businesses with growth potential
- Reinvested dividends can contribute substantially to overall equity performance
- Diversify outside of the Canadian market which is concentrated in 3 sectors (financials, energy, and materials)

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-1.7	-3.9	-1.7	-2.0	-0.5	1.1
% of peers beaten	64	70	83	78	90	-

Calendar returns %



	2024	2023	2022	2021	2020
Excess return	-3.9	-8.4	5.3	-4.2	-1.2
% of peers beaten	70	36	81	50	72

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	165	1395
% top 10 holdings	30.6	26.3
Weighted average market cap	1,073,806.7	1,169,877.4
EPS growth (FY E)	13.3	15.8
Dividend yield	2.0	1.7
FCF margin	23.2	18.6
P/E Trailing 12M	24.3	23.7
P/E (forecast)	20.7	20.7
Net debt/EBITDA	1.1	0.9
ROE (latest FY)	21.0	18.6

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	17.7	16.0	1.7
Energy	4.9	3.7	1.2
Materials	4.1	3.2	0.9
Industrials	10.6	10.6	0.0
Information Technology	23.6	26.2	-2.6
Communication Services	6.2	8.1	-1.9
Utilities	2.0	2.5	-0.5
Consumer Staples	8.0	6.1	1.9
Consumer Discretionary	8.8	11.1	-2.3
Real Estate	1.2	2.1	-0.9
Health Care	10.7	10.4	0.3
Other	2.3	-	2.3

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	10.6	12.7
Sharpe Ratio	0.5	0.6
Tracking Error	3.8	-
Information Ratio	-0.4	-
Alpha	-0.2	-
Beta	0.8	-
Upside Capture (%)	82.0	-
Downside Capture (%)	79.7	-

Country allocation

Country	Portfolio	Benchmark	Relative Weight
United States	65.1	73.9	-8.8
United Kingdom	6.8	3.4	3.4
Germany	5.9	2.1	3.8
Japan	5.0	5.4	-0.4
France	2.9	2.6	0.3
Switzerland	1.9	2.2	-0.3
Other	12.4	10.4	2.0

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
United States	65.1	73.9	-8.8
International	29.8	23.1	6.7
Emerging Markets	2.8	-	2.8
Canada	-	3.0	-3.0
Other	2.3	-	2.3

Currency exposure

Region	Gross	Benchmark
CAD	6.3	3.0
USD	66.1	74.3
Other	27.6	22.7

Top 10 holdings

Security name	Country	Sector	Weight
Microsoft Corporation	United States	Information Technology	4.6
Apple Inc.	United States	Information Technology	4.6
Amazon.com, Inc.	United States	Consumer Discretionary	3.3
JPMorgan Chase & Co.	United States	Financials	2.9
Meta Platforms Inc Class A	United States	Communication Services	2.6
Alphabet Inc. Class A	United States	Communication Services	2.6
Philip Morris International Inc.	United States	Consumer Staples	2.5
Motorola Solutions, Inc.	United States	Information Technology	2.3
AbbVie, Inc.	United States	Health Care	2.3
SAP SE	Germany	Information Technology	2.2

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Amazon.com, Inc.	0.3	0.7
	Broadcom Inc.	0.5	0.6
	JPMorgan Chase & Co.	2.0	0.6
Detractors	AstraZeneca PLC	0.7	-0.2
	Novo Nordisk A/S Class B	0.3	-0.2
	Glencore plc	1.1	-0.2

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Energy	1.8	0.0	0.2	0.2
	Utilities	-0.4	0.0	0.0	0.0
	Real Estate	-1.1	0.1	-0.1	0.0
Detractors	Consumer Staples	2.2	-0.2	-0.2	-0.3
	Industrials	0.3	0.0	-0.2	-0.4
	Consumer Discretionary	-2.2	-0.2	-0.2	-0.5

Commentary

Global Div

1) QFR Highlights

The Fund returned 4.6% during Q4-2024 and has now returned 12.1% since February 1, 2014 (PM start date). This compares to the MSCI World Index (CAD) which returned 6.3% and 12.5% over the same time periods.

2) Market overview

Global markets showed mixed performance during the final quarter of 2024 as investors grappled with shifting monetary policy expectations and ongoing geopolitical tensions. Early in the quarter, sentiment leaned toward a soft landing in the U.S. economy, buoyed by anticipated Federal Reserve rate cuts. However, data released later in the period suggested that economic indicators remained robust and inflation persisted, leading to a re-evaluation of these earlier forecasts. By December, the Federal Reserve's meeting underlined a more hawkish view on inflation, effectively resetting expectations for 2025 rate cuts and creating renewed caution among investors.

The European Central Bank accelerated its rate-cutting cycle, reducing policy rates to 3.0% in December and signaling further easing in early 2025 as headline inflation in the Eurozone declined. Headline CPI stood at 2.3% year-over-year in November, down from 4.5% earlier in the year. This aligns with the broader inflation-abating trend observed in previous quarters. However, core inflation in services remained sticky, highlighting the complexity of bringing overall inflation pressures down in a timely manner.

The Bank of Japan maintained an accommodative stance but dropped hints about potential policy shifts in 2025, prompted by inflation that continues to exceed the central bank's 2% target. Japanese equities outperformed European other Asian markets, supported by improved corporate governance initiatives and exporters capitalizing on yen weakness.

In contrast, China's recovery remained subdued, even with modest government stimulus in the form of tax cuts and targeted infrastructure spending. While there is a sense that further government intervention could be on the horizon, markets have grown skeptical as each new policy measure fails to meaningfully shift growth trajectories and are taking a "wait-and-see" approach as it relates to the region.

3) Fund Performance - discuss Sector/Country Contributors and Detractors

Although markets were up over the period, sector performance was mixed in Q4. Returns (in CAD) were led by the Consumer Discretionary (+15.7%) and Communication Services (+13.6%) sectors. The worst performing sectors were Materials (-8.8%) and Health Care (-5.6%). The largest detractors over the period came from security selection in the Consumer Discretionary, Consumer Staples, and Industrials sectors. The fund's underweight allocations in the Communication Services and Consumer Discretionary sectors also detracted from relative performance. The largest contributors came from security selection in the Energy sector and the fund's underweight allocation to the Real Estate sector. The investment strategy remains consistent, focusing on high-quality companies with superior financial metrics and appropriate valuations. Amidst ongoing technological, geopolitical, and macroeconomic risks, the portfolio is well positioned to navigate these uncertainties.

4) Security contributors

One of the top contributors during the quarter was Broadcom Inc. The stock appreciated substantially, driven by strong semiconductor results and software division growth. A key driver was its exposure to artificial intelligence (AI), as the company's AI-related revenues grew substantially through increased adoption of high-performance chips used in training and inference workloads.

The company also benefited from strong execution in its software segment, including VMware, following the acquisition's successful integration. Management has focused on transitioning VMware's customer base to subscription models while driving cost efficiencies. These efforts have yielded results, with VMware contributing significantly to overall revenue and profit growth. The software division provides greater stability to cash flows by reducing reliance on cyclical semiconductor markets.

Broadcom's Q4 results demonstrated its ability to capitalize on secular trends in AI, cloud computing, and data center expansion. Strong free cash flow generation has enabled attractive dividend policies and continued growth investments. The company announced increased capital return programs, reflecting management's confidence in sustainable earnings.

We remain shareholders of the company, underpinned by Broadcom's leadership in semiconductors and software critical to high-performance computing and connectivity solutions. Over 80% of semiconductor revenues come from products embedded in secular growth areas like AI, cloud infrastructure, and networking, driven by digital transformation and data-intensive applications.

Under CEO Hock Tan's leadership, the company has demonstrated exceptional operational execution and strategic acumen through synergistic acquisitions like VMware. This strategy has driven impressive free cash flow per share growth while maintaining conservative leverage

Commentary

5) Security detractors

One of the top detractors during the quarter was Glencore PLC. The company's share price was pressured by shifts in the expected timeline of near-term cash returns and a growing spotlight on potential M&A activity in coking coal. While broader energy markets were choppy during the quarter, oil price volatility was not the primary driver behind Glencore's decline. Instead, the market homed in on the likely delay of Glencore's receipt of approximately US$1bn from the sale of its Viterra assets to Bunge, now expected to finalize in early 2025 rather than late 2024. These proceeds had been widely expected to fuel near-term capital returns (such as top-up dividends or buybacks), so any slippage into 2025 frustrated some investors and weighed on sentiment.

A secondary overhang has centered on Glencore's potential interest in acquiring extra steelmaking coal assets, including from Anglo American, which—if consummated—might temporarily reduce cash available for shareholder distributions. That possibility has left investors cautious on how much buyback "firepower" may remain over the short term, especially while global economic signals remain mixed. Yet, according to the Q3 2024 reports, Glencore's operational results exceeded or met many consensus forecasts, and management maintained 2024 production guidance across key commodities such as copper, coal, nickel, and zinc. Notably, the Q3 update indicates that core industrial volumes continued to recover from earlier-year disruptions, while the marketing division posted steady earnings. This resilience helps offset softer realizations in some commodities.

Looking forward, consensus remains constructive on Glencore's medium-term cash generation potential. Analysts highlight that, once the Viterra sale finally concludes and any coking-coal M&A is clarified, Glencore's capital return story could regain momentum. The company's commitment to disciplined net debt levels, along with an experienced management team, positions Glencore to pivot quickly between occasional opportunistic acquisitions and more robust capital distributions. Additionally, its diversified commodity mix—especially "net green" metals such as copper and cobalt—leaves it well placed to participate in the ongoing drive toward electrification and renewable energy infrastructure.

From our perspective, our investment thesis for Glencore remains intact, given the company's exposure to metals that stand to benefit from decarbonization and urbanization trends, coupled with the company's low-cost production profile in copper, nickel, and cobalt. Over the next couple of decades, we see structural demand growth for these "green" metals, supported by expanding EV adoption, grid upgrades, and emerging market infrastructure buildouts. On the supply side, high-quality ore bodies are increasingly scarce, and environmental restrictions elevate challenges for new mines to come online. We believe this imbalance points to sustainably higher price levels, potentially driving a step-change in Glencore's cash flow and distribution capacity over the coming years. Management's more conservative financial framework—the aim to maintain lower leverage while divesting non-core assets—further underpins our conviction. In our view, the near-term noise around the Viterra/Bunge timeline and potential coking coal deals does not overshadow Glencore's compelling long-term story. We therefore remain positive on the company's ability to generate shareholder value once the short-term uncertainties abate.

6) Portfolio activities

We initiated a position in Morgan Stanley, a global financial services giant. Morgan Stanley is one of the largest wealth managers in the world, overseeing more than $5TN in assets under management. The company has focused on shifting its business towards asset management (now half of sales), given its consistent, fee-based income, while reducing reliance on more volatile trading and investment banking segments. That said, Morgan Stanley holds a prominent position as a top tier investment bank where it excels in equity underwriting and M&A advisory – areas that are well below historical trend levels and expected to benefit from increased M&A activity driven by U.S. President-elect Trump's promise of less regulation, lower corporate taxes, and broadly pro-business stance.

We sold our position in ConocoPhillips to make room for AT&T. While we remain constructive on Conoco's quality relative to other E&P's, we are concerned that changes in White House philosophy could lead to higher energy production and consequently lower energy prices. We view AT&T and Conoco as businesses of similar quality, but AT&T trades at a lower valuation. In our opinion, the switch will increase portfolio yield and decrease portfolio valuation, without sacrificing on business quality.

Commentary

7) Outlook, Positioning

Looking ahead to 2025, the global economic environment remains shaped by diverging growth paths and policy uncertainty. In the U.S., economic resilience remains, but higher interest rates and a loosening labour market could eventually slow growth. China's trajectory suggests continued deceleration unless fresh stimulus programs can revive domestic consumption. The Federal Reserve's posture, first signaled in December, suggests a relatively slow path to rate cuts, which could leave monetary conditions tighter than previously hoped. This approach contrasts with the ECB's more aggressive plan, aiming to reduce rates to 1% by March 2026.

Japan's story heading into the new year is one of gradually accelerating nominal GDP growth, possibly delivering the country's first positive real wage gains since 2022. At the same time, impending U.S. immigration restrictions and a potential wave of new tariffs against major U.S. trading partners add another layer of unpredictability. Such measures would likely introduce higher domestic prices in the U.S. and risk retaliatory actions that could strain global supply chains. Any tariff-related disruption, combined with persistent inflation across regions, confirms that policymakers must remain on high alert.

Overall, the confluence of these policy shifts, from trade to interest rates and labour markets, suggests an investment landscape in 2025 that may be more challenging than in years past. The tension between moderating inflation in some markets and lingering growth uncertainties in others will require balance. Policy divergence between major central banks combined with the Trump administration's stated economic agenda could offer opportunities to investors but also magnify risk if geopolitics and domestic agendas spark sudden market dislocations. The continuing evolution of trade and immigration policies may affect everything from supply chain decisions to economic growth prospects. Markets will likely continue to weigh each new data release against an array of contrasting narratives, leaving investors with a still-uncertain—yet undeniably dynamic—backdrop for the coming year. We will look to take advantage of opportunities.

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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.

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