Quarterly commentary | June 30, 2024
Series F

Mackenzie Canadian Dividend Fund

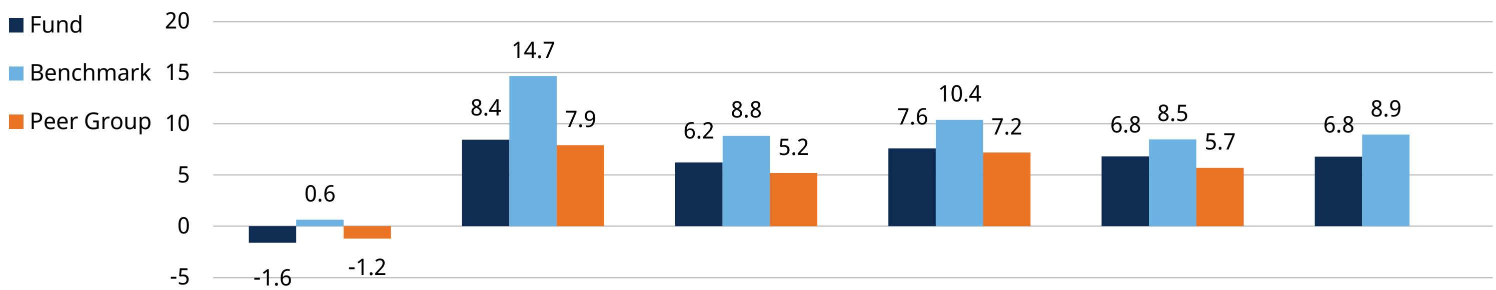
Fund snapshot

Inception date	08/20/2002
AUM (millions in CAD)	2449.4
Mangement Fee	0.75%
MER	1.00%
Benchmark	80% TSX Div (Linked) + 20% MSCI World
CIFSC Category	Canadian Dividend & Income Equity
Risk Rating	Medium
Lead portfolio manager	Tim Johal
Investment exp. Since	2000
Target # of holdings	35-60

Strategy Overview

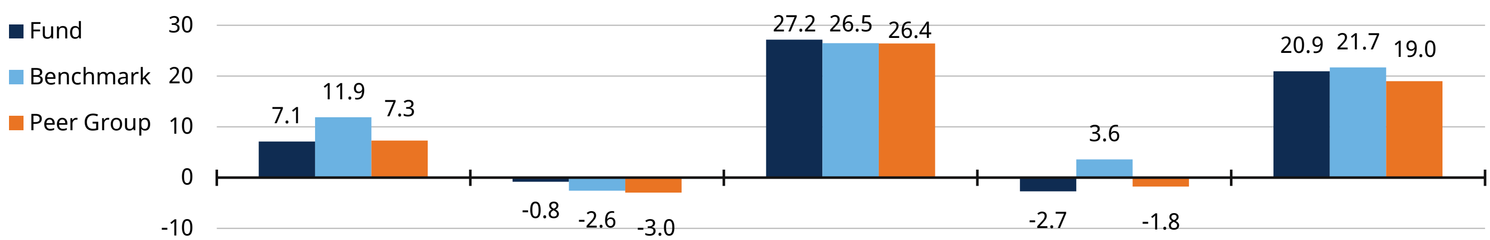
- Dividends can be an important component of total return over the long term.
- When a company can consistently increase its dividend over a long period of time, it is often a signal that the business is able to generate strong free cash flows through a variety of market environments.
- Two experienced management teams focusing on their specific geographies of expertise.

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-2.2	-6.3	-2.6	-2.8	-1.7	-2.1
% of peers beaten	28	59	73	57	79	-

Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-4.8	1.8	0.7	-6.3	-0.8
% of peers beaten	44	75	54	59	74

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	143	1,525
% top 10 holdings	39.9	30.2
Weighted average market cap	222,446.3	251,646.8
EPS growth (FY E)	30.1	21.0
Dividend yield	3.8	3.1
FCF margin	16.6	14.5
P/E Trailing 12M	17.9	18.2
P/E (forecast)	14.0	15.0
Net debt/EBITDA	3.1	2.5
ROE (latest FY)	13.3	13.7

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	33.4	29.9	4.5
Energy	17.4	16.0	1.4
Materials	7.0	9.5	-2.5
Industrials	10.0	13.7	-3.7
Information Technology	5.3	7.9	-2.4
Communication Services	6.6	4.3	2.3
Utilities	7.0	3.8	3.2
Consumer Staples	4.6	5.0	-0.4
Consumer Discretionary	4.1	5.0	-0.9
Real Estate	2.0	2.2	-0.2
Health Care	2.0	2.6	-0.6
Other	0.5	-	0.5

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	11.8	12.3
Sharpe Ratio	0.3	0.5
Tracking Error	2.4	-
Information Ratio	-1.1	-
Alpha	-2.2	-
Beta	0.9	-
Upside Capture (%)	92.2	-
Downside Capture (%)	104.8	-

Country allocation

Country	Portfolio	Benchmark	Relative Weight
Canada	84.2	80.6	3.6
United States	12.3	14.4	-2.1
United Kingdom	0.5	0.7	-0.2
Germany	0.5	0.4	0.1
Japan	0.3	1.1	-0.8
France	0.3	0.6	-0.3
Other	1.6	2.2	-0.6

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
Canada	84.2	80.6	3.6
International	2.6	5.0	-2.4
United States	12.3	14.4	-2.1
Other	0.9	-	0.9

Currency exposure

Region	Gross	Benchmark
CAD	84.2	80.6
USD	12.3	14.4
Other	3.5	5.0

Top 10 holdings

Security name	Country	Sector	Weight
Royal Bank of Canada	Canada	Financials	6.9
Toronto-Dominion Bank	Canada	Financials	5.5
Canadian Natural Resources Limited	Canada	Energy	4.1
Bank of Montreal	Canada	Financials	4.0
Sun Life Financial Inc.	Canada	Financials	3.6
TELUS Corporation	Canada	Communication Services	3.4
TC Energy Corporation	Canada	Energy	3.1
Canadian Pacific Kansas City Limited	Canada	Industrials	3.0
Enbridge Inc.	Canada	Energy	3.0
Manulife Financial Corporation	Canada	Financials	2.8

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Royal Bank of Canada	1.0	0.5
	Manulife Financial Corporation	1.0	0.2
	Agnico Eagle Mines Limited	0.3	0.2
Detractors	Sun Life Financial Inc.	2.5	-0.3
	Toronto-Dominion Bank	0.9	-0.3
	Bank of Montreal	1.9	-0.6

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Consumer Staples	-0.3	0.0	0.1	0.1
Detractors	Financials	2.8	0.0	-0.4	-0.4
	Materials	-2.2	-0.1	-0.3	-0.4
	Information Technology	-2.3	-0.2	-0.3	-0.5

Commentary

Fund Performance

For Q2 2024, Mackenzie Canadian Dividend Fund returned -1.6% for the period. This compares with a return of 0.6% for its blended benchmark index comprising 80% S&P/TSX Composite Dividend Total Return Index and 20% MSCI World Index CAD.

The Fund's stock selection in the financial services and information technology sectors together with an underweight positioning in the materials sector was negative for performance.

Security contributors

Northland Power (NPI CN) - is a renewable power generator with assets in North America, Europe, and Asia. The company has been highly successful on independently sourcing and constructing several renewable power projects across several geographies and has built an impressive backlog of large-scale projects. The stock represents compelling value, and the company continues to de-risk, particularly as it relates to its project funding profile. The stock outperformed in the quarter. We remain overweight the stock given strong demand for renewable power generation globally and the company's ability to properly manage financing requirements and the build out their sizeable project backlog.

Loblaw (L CN) - is a national leading grocery and pharmacy services provider. Loblaw has favorable positioning within the grocery industry as their store brands and store count are more weighted towards discount offerings, which are benefitting as the consumer is looking for cost savings over conventional grocery and eating away from home. Additionally, Loblaw owns the national leading pharmacy chain in Shoppers Drug Mart which is experiencing strong secular tailwinds such as growth in specialty drug distribution and an enhancement in pharmacy clinic services. The shares continue to outperform as the market is recognizing Loblaws solid positioning in both grocery and pharmacy and that has translated into financial results. We view Loblaws as a quality compounder which will continue to generate strong free cash flow to support dividend growth and further share buybacks.

Security detractors

Bank of Montreal (BMO CN) - is a Canadian chartered bank which operates primarily in Canada and the US. After very strong performance of the stock in previous quarters, Bank of Montreal shares underperformed this quarter as the bank's quarterly earnings report came in slightly below expectations and management because somewhat more cautious on the near-term earnings outlook for the bank. We continue to see attractive reward versus risk over the medium term and prefer the bank's strong position in Commercial lending as well as US regional banking. We remain overweight the stock.

Sunlife (SLF CN) - is a globally diversified financial services company with sizable group insurance and asset management operations across Canada, the United States and Asia. The stock underperformed in the quarter after reporting slightly weaker quarterly results particularly within its US Group benefits business. Favorable conditions experienced by the business during the pandemic continue to normalize resulting in unfavorable claims expenses. We believe the company can remedy the issues in a timely manner through a rapid repricing and do not consider the business to be impaired. We remain overweight the name given the company's attractive positioning within the group benefits market, strong asset management franchise and healthy upside to our estimate of fair value.

Portfolio activities

The portfolio management team implemented several changes in the portfolio through the quarter. These positioning changes were driven by stock specific opportunities with the objective of further optimizing the reward to risk profile of the portfolio for the medium to long term. The stock specific changes resulted in an increased weighting in the financial services and consumer discretionary sectors while weightings in the utilities and consumer staples sectors were reduced. Overall, the changes resulted in two stock holdings being eliminated and one new holding being added. The Canadian portion of the portfolio ended the period with 49 unique stock positions.

In the financial services sector, we added significantly to our TD Bank position. We had reduced our position in TD Bank some time ago as the reward to risk profile of the stock became increasingly unfavorable with uncertainty related to potential anti money laundering lapses and increased systems and technology spend. The stock corrected materially in the quarter to levels which we thought were overly punitive given our estimate of the regulatory and legal penalties and fines the bank may incur. We believe we will be well rewarded over the medium term while downside risk is manageable. We reduced positions in Bank of Montreal within the financial services sector in the quarter. Within the consumer discretionary sector, we added to our position in Restaurant Brands International which is the parent company for quick service restaurant banners which include Tim Horton's, Burger King and Popeyes. The stock weakened in the quarter due to increased competitive pricing pressures. We believe the company is well positioned to manage the competitive environment and added to the stock at favorable reward to risk levels.

Within the energy sector, we continued to add to upstream producer ARC Resources and integrated oil and gas company Cenovus Energy where we saw a favorable reward to risk profile. Somewhat offsetting these additions, we reduced our weightings within some pipeline stocks which performed well and approached our fair value estimates.

Commentary

Portfolio activities (Continued)

We reduced positions in the utilities sector with the elimination of renewable energy producer Boralex as the range of financial outcomes for the company widened and the stock reached levels where we saw better opportunities elsewhere. We also reduced our position in Fortis, but we remain overweight the utilities sector. In consumer staples we held a significant position in Loblaw as the stock performed well and the position was reduced. The Fund remains overweight Loblaw but positioning within the consumer staples sector is closer to neutral.

Outlook, Positioning

The portfolio management team continues to have a cautiously optimistic outlook for Canadian equities. The uncertainty regarding the Canadian economy and the likelihood of a soft-landing scenario persists. However, expectations on the magnitude and duration of any economic slowdown are likely to ease going forward considering the Bank of Canada has started to ease monetary policy. We expect further interest rate cuts from the Bank of Canada over the coming months consistent with the decline in core inflation measures. As we have seen in past cycles, lower interest rates should serve as a catalyst for capital deployment and investment spending which would be positive for economic growth and corporate earnings. In addition, we would expect lower interest rates to provide some relief to Canadian residential mortgage holders which should allow for increased consumer confidence and stronger spending trends.

Previously in the United States, inflation readings had continued to be stronger than expected which pushed back the market's expectations regarding the timing and number of interest rate cuts by the US Federal Reserve this year. However more recently we have seen a further cooling of these inflation measures and a softening of the job market, making it increasingly likely the Fed will embark on a monetary policy easing cycle in the coming months. This is expected to support stronger economic activity and corporate earnings. Importantly, many of the Canadian holdings in the Fund have significant operations in the US and are expected to benefit from these trends.

We continue to monitor macro risks and their potential effect on market volatility and corporate earnings. The outcome of the upcoming US Presidential elections may have policy implications for particular sectors of the economy and for the earnings outlook of companies in our investment universe. We are monitoring each candidate's election platforms and the potential implications, particularly as it relates to the energy sector.

Our outlook remains balanced with an increased likelihood of a soft-landing in Canada rather than an outright recession. Within this framework, we see a favorable long-term reward to risk profile among several stocks in our investment universe, particularly those that are perceived to be more interest rate sensitive. Positioning in the fund continues to focus on high quality names and remains balanced between cyclical and defensive sectors. We remain focused on investing in high quality stocks with a margin of safety to our estimate of fair value.

Stock Stories

<u>Manulife (MFC CN)</u>

Manulife is Canada's largest life insurance company and offers life insurance, financial protection and wealth management products and services across Canada, United States and Asia. The company continues to see a favorable earnings mix shift due to strong earnings growth across its global wealth management and Asian insurance platforms. Growth in these less capital-intensive businesses has allowed for continued ROE expansion and lower volatility of earnings. Furthermore, recent management actions to sell or reinsure long tailed variable annuities and long-term care blocks has significantly reduced the balance sheet risk at the company. Management's focus and execution has resulted in significant earnings growth and meaningful risk reduction allowing for a positive re-rating and outperformance of the stock. While the shares have performed well, we continue to see further upside to our fair market value on the stock and expect the management team to continue creating value going forward. Manulife generates significant excess capital and cash from its operations which we believe will continue to be returned to shareholders driving future dividend growth and share repurchases.

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 June 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. This document may contain forward-looking information which reflect our or third party current expectations or forecasts of future events. Forward-looking information is inherently subject to, among other things, risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed herein. These risks, uncertainties and assumptions include, without limitation, general economic, political and market factors, interest and foreign exchange rates, the volatility of equity and capital markets, business competition, technological change, changes in government regulations, changes in tax laws, unexpected judicial or regulatory proceedings and catastrophic events. Please consider these and other factors carefully and not place undue reliance on forward-looking information. The forward-looking information contained herein is current only as of June 30, 2024. There should be no expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

The content of this commentary (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it.

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 Canadian Dividend & Income Equity category and reflect the performance of the Mackenzie Canadian Dividend Fund for the 3-month, 1-, 3-, 5-, and 10-year periods as of June 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 Canadian Dividend & Income Equity funds for Mackenzie Mackenzie Canadian Dividend Fund for each period are as follows: one year –397; three years –367 ; five years – 352 ; ten years – 232 .

Morningstar data is shown as of the most recent reporting period by each fund family. Allocations may not equal 100% and will vary overtime. Assets contained within “Other” category are not classified by Morningstar. All information presented in this tool is for informational purposes only and is not intended to be investment advice. The information is not meant to be an offer to sell or a recommendation to buy any investment product. Unless otherwise noted, performance is shown before sales charge. For more fund information, click the POS Documents link.

All information is historical and not indicative of future results. Current performance may be lower or higher than the quoted past performance, which cannot guarantee results. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. Performance may not reflect any expense limitation or subsidies currently in effect. Short-term trading fees may apply. To obtain the most recent month-end performance, visit Morningstar.com.

This material is for informational and educational purposes only. It is not a recommendation of any specific investment product, strategy, or decision, and is not intended to suggest taking or refraining from any course of action. It is not intended to address the needs, circumstances, and objectives of any specific investor. Mackenzie Investments, which earns fees when clients select its products and services, is not offering impartial advice in a fiduciary capacity in providing this sales and marketing material. This information is not meant as tax or legal advice. Investors should consult a professional advisor before making investment and financial decisions and for more information on tax rules and other laws, which are complex and subject to change.