MACKENZIE Investments

Mackenzie Global Small-Mid Cap Fund

Fund snapshot

Inception date	02/26/2020
AUM (millions in CAD)	969.3
Mangement Fee	0.80%
MER	1.04%
Benchmark	MSCI ACWI SMID Cap
CIFSC Category	Global Small/Mid Cap Equity
Risk Rating	Medium
Lead portfolio manager	Phil Taller
Investment exp. Since	1991
Target # of holdings	100-170

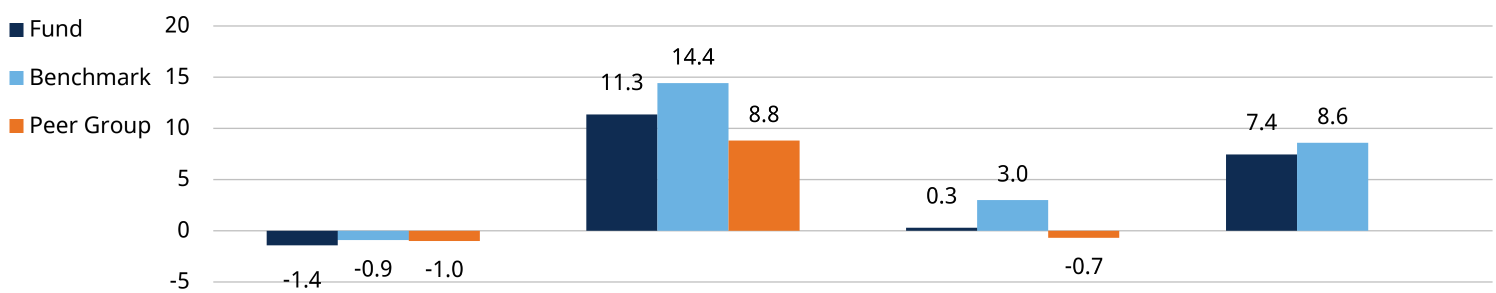
Strategy Overview

• The Fund seeks to provide long-term capital growth by investing primarily in equity securities of global small- to mid-capitalization companies.

• The Fund seeks companies with strong management, good growth prospects and attractive financial metrics.

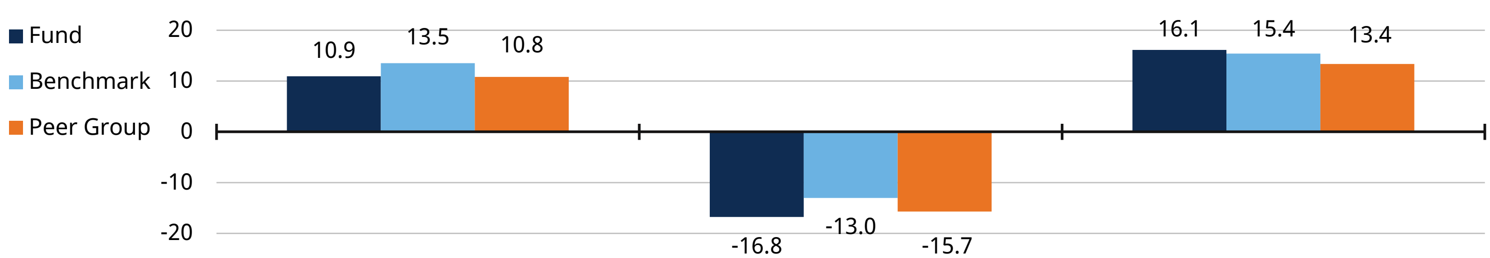
• Emphasis is also placed on paying reasonable prices for the growth that companies in the portfolio are expected to achieve.

Trailing returns %



	3 Mth	1 Yr	3 Yr	SI
Excess return	-0.5	-3.1	-2.7	-1.2
% of peers beaten	47	54	57	-

Calendar returns %



	2023	2022	2021
Excess return	-2.6	-3.8	0.7
% of peers beaten	44	47	61

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	163	7,716
% top 10 holdings	27.3	2.2
Weighted average market cap	20,570.8	15,503.4
EPS growth (FY E)	9.0	12.1
Dividend yield	1.5	2.1
FCF margin	13.0	184.0
P/E Trailing 12M	20.8	16.6
P/E (forecast)	17.7	15.5
Net debt/EBITDA	0.5	2.0
ROE (latest FY)	12.3	12.5

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	10.7	14.5	-3.8
Energy	1.8	4.5	-2.7
Materials	3.3	8.0	-4.7
Industrials	21.5	19.0	2.5
Information Technology	22.6	13.5	9.1
Communication Services	2.1	4.1	-2.0
Utilities	1.1	4.4	-3.3
Consumer Staples	3.8	5.0	-1.2
Consumer Discretionary	6.2	11.3	-5.1
Real Estate	4.9	7.0	-2.1
Health Care	18.5	8.8	9.7
Other	3.5	-0.1	3.6

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	13.3	13.8
Sharpe Ratio	-0.2	-
Tracking Error	4.3	-
Information Ratio	-0.6	-
Alpha	-2.7	-
Beta	0.9	-
Upside Capture (%)	92.4	-
Downside Capture (%)	106.2	-

Country allocation

Country	Portfolio	Benchmark	RelativeWeight
United States	53.2	52.3	0.9
Japan	10.0	9.0	0.9
United Kingdom	7.3	4.0	3.3
India	3.2	3.2	-0.1
Australia	2.6	3.1	-0.4
Hong Kong	2.3	0.6	1.6
Other	21.4	27.8	-6.4

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
Emerging Markets	9.1	14.4	-5.3
United States	53.2	52.3	0.9
International	34.1	30.1	4.0
Other	3.6	3.2	0.4

Currency exposure

Region	Gross	Benchmark
CAD	0.9	3.3
USD	56.4	53.0
Other	42.7	43.7

Top 10 holdings

Security name	Country	Sector	Weight
ExlService Holdings, Inc.	United States	Industrials	2.9
DexCom, Inc.	United States	Health Care	2.9
Vontier Corp	United States	Information Technology	2.8
Bio-Techne Corporation	United States	Health Care	2.8
Cirrus Logic, Inc.	United States	Information Technology	2.8
Charles River Laboratories International, Inc.	United States	Health Care	2.5
Akamai Technologies, Inc.	United States	Information Technology	2.5
HealthEquity Inc	United States	Health Care	2.5
MAXIMUS, Inc.	United States	Industrials	2.4
Broadridge Financial Solutions, Inc.	United States	Industrials	2.3

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Cirrus Logic, Inc.	2.7	0.9
	Westinghouse Air Brake Technologies Corporation	2.0	0.3
	Godrej Properties Limited	0.5	0.2
Detractors	CoStar Group, Inc.	1.9	-0.5
	DexCom, Inc.	2.8	-0.5
	Charles River Laboratories International, Inc.	2.7	-0.7

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Industrials	2.6	0.0	0.7	0.7
	Consumer Discretionary	-4.4	0.1	0.2	0.3
	Financials	-4.4	-0.1	0.2	0.2
Detractors	Real Estate	-2.2	0.0	-0.2	-0.1
	Utilities	-3.6	-0.2	0.0	-0.2
	Health Care	9.1	-0.3	-0.8	-1.0

Commentary

GROWTH – GLOBAL SMID

1) QFR Highlights (if QFR is produced)

The fund continues to maintain an overweight in Information Technology, Healthcare and Industrials.We are seeing increased investments in communications, data analytics, automation, robotics, online services, and other industries that are powering the global trend towards digital transformation and we will be looking to participate in these opportunities.

The second quarter saw the European Central Bank make its first interest rate cut of the cycle, while the Bank of England was forced to stay on hold after the announcement of a UK General Election on July 4th. Economic data from both the Eurozone and the US deteriorated over the quarter, but the market is not yet pricing in aggressive easing by the Federal Reserve this year. In European equities, the most underperforming sectors in the quarter were Consumer-related, which we think reflects concern over the outlook for consumer behaviour generally, and the US consumer specifically, given its resilience thus far and the importance to global economic growth at a point in time when China's contribution to growth has decreased significantly.

There has been a significant decline in Federal Reserve easing expectations since the start of this year, though there was a moderate reversal of that trend towards the end of last quarter.

Expansion in the Indian economy is supported by strong private investment in manufacturing with many multinational companies looking for alternative locations to China for their overseas production.

The latest Chinese data continues to point towards a deflationary trend. Primary sales of residential property continue to decline as does credit growth.

2) Fund Performance

For Q2 2024, the Fund's gross return was -1.11%, slightly underperforming the benchmark's (MSCI ACWI Small Mid Cap) return of -0.91%.

On a country level, stock selection in Japan, Korea, Netherlands and Hong Kong were the top contributors to relative performance while stock selection in United States, Italy, Germany and Taiwan were the top detractors from relative performance.

At the sector level, allocation in Information Technology and stock selection in Industrials and Financials contributed to relative performance while allocation effect in Health Care and Utilities in conjunction with stock selection in health Care, Information Technology and Real Estate were the top detractors from relative performance.

3) Security contributors

For Q2 of 2024, the top contributors towards the performance of the fund were Cirrus Logic, Inc., Godrej Properties Limited, HealthEquity Inc and Westinghouse Air Brake Technologies Corporation.

4) Security detractors

For Q2 of 2024, the top detractors that affected the performance of the fund were Charles River Laboratories International, Inc., DexCom, Inc., CoStar Group, Inc., Akamai Technologies, Inc. and Vontier Corp.

5) Portfolio activities

Within the U.S. sleeve of the portfolio we added new positions and increased current ones within the Health Care and Information Technology sector while decreasing positions within the Consumer Discretionary and Industrial sector. We continue to look at businesses within the Information Technology sector that are helping companies automate their processes while health care names (drug developers) are seeing an uptick in business activity.

Within Europe, the portfolio management team made several changes over the quarter. New positions within the fund over the quarter were Centrica, a UK electric power company with a strengthened balance sheet able to deliver on shareholder returns and a defensive earnings profile with limited regulatory risk. The fund also began a position in Axfood, a Swedish discount food retailer with a strong store footprint and multiple brands to leverage a large distribution footprint which we think will continue to benefit from a challenging consumer environment in the Swedish market. This was funded by the sale of J. Sainsbury plc, a mass-market food retailer in the UK.

For the Asian sleeve of the fund, our weighting in India, Korea, and Taiwan was increased. In the second quarter of the year, we added to positions in Relo Group, Inc., Chiba Bank, Nippon Accommodations Fund Inc. and trimmed positions in MINISO Group Holding Ltd., Tosoh Corporation, Sumitomo Metal Mining Co., Ltd., among others.

Commentary

6) Market overview

US Team

The U.S. markets over the last quarter have seen a continued rally in the stock prices of the largest U.S. companies by market capitalization, concentrated in the Technology Sector. We believe that the US economy, like many others, already faced structural challenges in the form of high debt levels and slow growth in the working age population. As we navigate 2024, consumers are dealing with elevated interest rates and inflation and so we remain cautious about consumer balance sheets and spending behaviour. With that macro-economic backdrop, we believe that in the long term the world may continue to proceed in a lower growth environment compared to history.

While we do not attempt to forecast near-term economic growth, the current tightening of financial conditions may slow the global economy for a period. We try to be realistic about what companies can achieve in a more challenging environment.

We don't think anybody really knows what the level of ongoing inflation will be, nor what impact it might have on markets.

We do believe that many of our companies offer high value-added products and services, and this should give them reasonable pricing power.

European team

The second quarter saw the European Central Bank make its first interest rate cut of the cycle, while the Bank of England was forced to stay on hold after the announcement of a UK General Election on July 4th. Economic data from both the Eurozone and the US deteriorated over the quarter, but the market is not yet pricing in aggressive easing by the Federal Reserve this year. In European equities, the most underperforming sectors in the quarter were Consumer-related, which we think reflects concern over the outlook for consumer behaviour generally, and the US consumer specifically, given its resilience thus far and the importance to global economic growth at a point in time when China's contribution to growth has decreased significantly.

In June, the European Union held European Parliamentary elections in each member state; the result showed a rightward populist shift in voter attitudes, particularly in Germany and France. Following the election, the French President Emmanuel Macron dissolved the French parliament and called a general election on June 30th and a run-off election on July 7th. This shook European markets on concerns about French fiscal sustainability and EU cohesion should a far-right populist party control the French legislature. As of this writing the run-off election has not yet been held but a hung parliament with a large far-right minority is the most likely result, which will make effective governing difficult for President Macron. The UK will hold its general election on July 4th and the Labour party, led by centrist Keir Starmer, is likely to win by a wide margin, which we think will mark a period of stability for the UK that it has lacked after 14 years under a Conservative government, a period most notably marked by Brexit.

Asian Team

The Chinese markets have made a slight comeback this year with the MSCI China (USD) up 3.5% YTD and 5.8% QTD. This was down to a series of pro-growth support measures from the Chinese government, several stabilization policies to address the large residential property inventories, as well as extremely cheap equity valuations. China continues to enjoy success in manufactured exports and has benefited from a fall in the real effective exchange rate as well as a coherent, well-executed industrial policy centered around electric vehicles (EV), EV batteries, and green energy supply chains.

In Japan, although inflation has started to fall, corporate wage settlements were approximately 5% which keeps inflation expectations above the government target. MSCI Japan underperformed last quarter after a strong 12-month period. The Yen fell another 6% versus the US dollar despite the view that interest-rate differentials have peaked. The corporate governance changes in Japan are still on track. For Korea and Taiwan, the main positive is the ongoing AI transformation which powered the semiconductor sector in the quarter. India outperformed last quarter rising 9.9% in USD terms. The big surprise being the Indian stock market's resilience despite Prime Minister Narendra Modi failing to win an outright majority in the general election.

Commentary

7) Outlook and Positioning

US Team

We believe that there may be increased investments in communications, Cloud and public infrastructure, physical and digital security, data analytics, regional supply chains in many industries, commerce, pharmaceutical and medical technology research, the Internet of Things, automation and robotics, online services, advancements in semiconductor, hardware, and network capability. We will be looking for ways to participate in these opportunities as equity markets evolve.

More recently we have become interested in diagnostics. The reality in the diagnostics market is that a company needs more than just good science. That is a necessary thing, but a diagnostics business also needs to be good at gathering data and

evidence, dealing with regulatory compliance and testing guidelines, obtaining reimbursement for tests (not a given since payers try to avoid writing cheques as long as possible), and targeting solid financial results.

We believe companies will seek to invest in new technology and services that can help them participate in a global trend towards digital transformation that can help them be more agile and secure in their operations. The use of data to understand trends should only become more important over time. There may also be increased demand for outsourced business services. We think several of our companies can assist in this effort.

We continue to maintain an overweight in the Industrials, Technology and Health Care sectors. We believe that the secular growth available in those sectors will serve us well. We continue to maintain a low exposure to cyclicals. This change was driven by what we perceived as an overall optimistic tone that didn't reflect the possibility of a slowdown, which may or may not happen.

Our presence in various life sciences markets is congruent with our strategy to remain under weighted in cyclical exposures. Recent economic releases, like the US employment statistics, have been weak. We remain positioned with a relatively low exposure to more cyclical businesses, and we trimmed weightings in some of these like Wabtec where the market was more optimistic earlier in the second quarter.

What we aim to do is to know as many great businesses as we can and learn what they might be worth. When markets offer us attractive share prices for these businesses, we become buyers.

We focus most of our attention on owning innovative secular growth businesses. These types of companies offer products and services that make the world better, cheaper, and faster – enabling them to grow at a faster pace than the overall economy. We see this as a more "all weather" approach – our companies can do well in a rising economy, but also perform relatively better in a difficult economy.

We focus mainly on free cash flow as a metric for company valuations. This measure has become even more important in recent years, as companies have moved increasingly to present earnings in an "adjusted" fashion, which may obscure reality. In our view, accounting risk has risen, and we believe securities regulators are becoming increasingly concerned with these "adjusted" disclosures based on recent guidance.

European team

Last quarter we said that the odds of a perfect 'soft landing' by the Federal Reserve were being reduced, and this view has been bolstered since by economic data. We see downside risks to the US consumer as paramount to this view, and the European portfolio is underweight exposure to discretionary US consumption. The European sleeve is most overweight Healthcare, Consumer Staples and Energy and most underweight the Industrials, Real Estate and Financial sectors. The fund has a large overweight position in the UK, which was increased over the quarter, and is underweight the Core Eurozone countries of Germany and France. New positions within the fund over the quarter were Centrica, a UK electric power company with a strengthened balance sheet able to deliver on shareholder returns and a defensive earnings profile with limited regulatory risk. The fund also began a position in Axfood, a Swedish discount food retailer with a strong store footprint and multiple brands to leverage a large distribution footprint which we think will continue to benefit from a challenging consumer environment in the Swedish market. This was funded by the sale of J. Sainsbury plc, a mass-market food retailer in the UK.

Asian Team

From a country standpoint, we have increased our exposure to India, Japan, and Korea over the last quarter, whilst our exposure to China has remained flat. However, given the strength of Indian Mid-Caps in the run-up to the May election, we took profits from most of our holdings. In the medium-term we are still positive on India's outlook despite a reduced vote for the BJP and Prime Minister Modi.

Our biggest country over-weight remains Japan which should still benefit from increased shareholder returns and improved corporate profitability. Given the monetary tightening expectations in Japan along with the recent speech by the BoJ Deputy Governor Shinichi Uchida indicating an end to the deflationary environment, we have increased our weight in Chiba Bank over the quarter.

Our team expects the artificial-intelligence revolution to continue to increase demand for semiconductors, which would benefit the technology-heavy Korean and Taiwanese stock markets. However, the best future performance may come from Tech Hardware industry rather than pure semiconductor stocks. In response, we increased our weighting in LG Innotek in Korea, which produces core components for mobile devices, displays and semi-conductors.

Commentary

8) Stock stories

ASMPT

- The company produces one of the most important pieces of semiconductor back-end packaging equipment, Thermo-Compression Bonding (TCB), which is vital in making Artificial Intelligence GPU and related memory chips.
- ASMPT had track record in delivering over 200 TCB machines to Intel in the past two years. Hence, it is a reliable equipment vendor with a strong execution track record.
- The AI-related backend packaging technology roadmap favours adoption of TCB machines to at least 2027. Meanwhile, global backend packaging capacity is expected to grow 3x in next two years.
- TCB only makes up a single-digit percentage of the company's total sales, but we believe that it will grow to over 20% in three years.
- ASMPT's current core revenues are back-end packaging equipment, which is highly correlated to semiconductor cycle, and is expected to
- trend upwards in the next 12 months. As such, the company will benefit from both secular and cyclical recovery.

E-Ink

- E-Ink has a very strong technological leadership in ePaper display with 95% market share.
- Electronic Shelf Label (ESL) will be the main application going forward, as penetration rate is still less than 10% in global retailers. ESL will replace paper price tags.
- Rising wages will drive the ESL adoption for store automation. With ESL, shelf maintenance time will drop by approximately 50%.
- Potential TAM for ESL will range from $6bn to $18bn by 2027, forecasted by 3rd-party research institutions. That compares to E-Ink current sales scale of $1bn.
- More ePaper applications are coming, given its low-power consumption. Outdoor signage products for displaying advertisements will be launched in 3Q24.
- Structural shift of sales from consumer electronics, like ebook, to industrial applications is driving margin and ROIC upward, as ESL
- generates over 50% gross margin, vs. consumer application's only 40%.

Pandora

- Financials: Pandora has industry leading gross margins, sustainable high EBIT margin and offers significant FCF generation. Pandora is best set to manage costs under pressure and invest in growth under more favourable conditions.
- Production: Pandora's production is highly efficient and continuously being improved (e.g. through automation) to lower production costs and support high gross margin (78.6%). This does not mean lower quality of products; Pandora promises high-quality jewellery of precious metal. Pandora's production setup further provides some level of flexibility to mitigate some headwinds such as the increase in the gold and silver prices.
- Cost flexibility: Only 4% of Pandora's COGS are fixed. This flexibility provides "downside" protection - Pandora can adjust to lower demand, if needed, whilst maintaining structurally high gross margins.
- Growth in China: Pandora's business in China could reach 9% of group revenues by 2026 (FY23: 2%). Despite China being the world's largest jewellery market, Pandora's Q1 2024 turnover was only DKK110m with low store productivity. The company's products lack personalization for Chinese consumers, and its previous attempts to penetrate the market were unsuccessful. However, Pandora plans to triple its revenues in China, although no timeline has been provided. This will likely require higher marketing costs, which could be offset by opening margin-accretive stores in other markets like the US.
- New stores in US and afar: From 2024 to 2026, Pandora targets a net total of 225-275 additional concept store openings and a net total of 175-225 Pandora-owned shop-in-shop openings. This would add 3% of organic growth. Management noted that any potential recession will allow an opportunity to expand this faster.

Commentary

8) Stock stories

- **Publicis**
- Financials: Publicis has a very healthy balance sheet with above average financials. Net Debt/EBITDA lies at 0.4x (vs. WPP: 1.7) and 14.3% ROIC (vs. WPP: 8.5%). Publicis' operating is well above industry average (18% vs. 15.5%). Gains in efficiencies allows Publicis to invest €100m into AI in 2024, without compromising on the 18% margin.
- Growth: Publicis has a better diversified and less cyclical revenue mix. Higher exposure to digital (x%) and the US (5x%). Leading to growth ahead of GDP and industry growth, allowing Publicis to gain market share. Demand drivers being the personalization at scale opportunities opened up by AI; the deprecation of 3P cookies by Google; and the growing need for agencies' advice and execution across a growing addressable market that now includes data, technology, ecommerce and digital transformation.
- AI opportunity: The company has set out to become the industry's first AI-powered intelligent system - Publicis will invest €300m over 3 years in 'CoreAI'. It will make Publicis more efficient and productive, further differentiating its capabilities and offerings from its peers. Publicis will find it easier to implement and benefit from AI. Publicis already has AI expertise through Sapient and operates with a unified operating platform.
- Management: Publicis is very well managed. With an impressive track-record on acquisitions. As acquisitions like Epsilon (2019) and Sapient (2015) show. Both are growing double-digit on average and contributing significantly to Publicis strong growth.

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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 category and reflect the performance of the for the 3-month, 1-, 3-, 5-, and 10-year periods as of . 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 funds for Mackenzie for each period are as follows: one year – 231; three years – 206 ; five years – 157 ; ten years – 78 .

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.

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