Mackenzie Canadian Dividend Fund

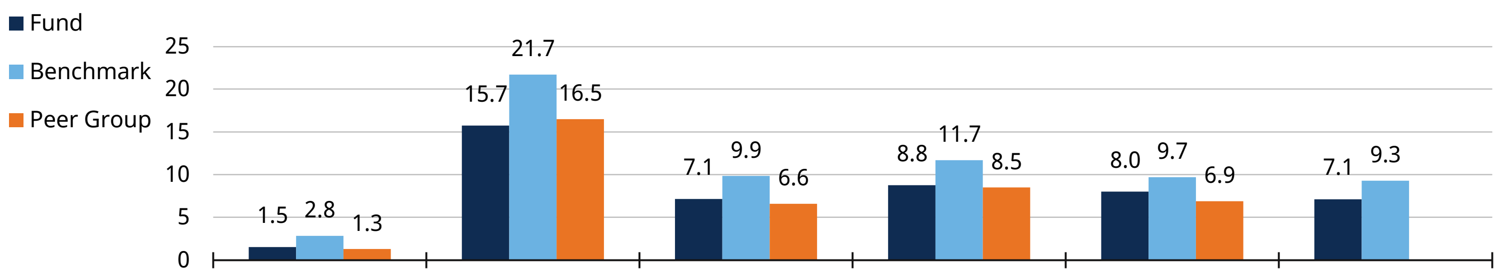
Fund snapshot

Inception date	08/20/2002
AUM (millions in CAD)	2576.1
Management Fee	0.75%
MER	1.00%
Benchmark	80% TSX Div (Linked) + 20% MSCI World
CIFSC Category	Canadian Dividend and Income Equity
Risk Rating	Medium
Lead portfolio manager	Tim Johal
Investment exp. Since	2000
Target # of holdings	35-60

Strategy Overview

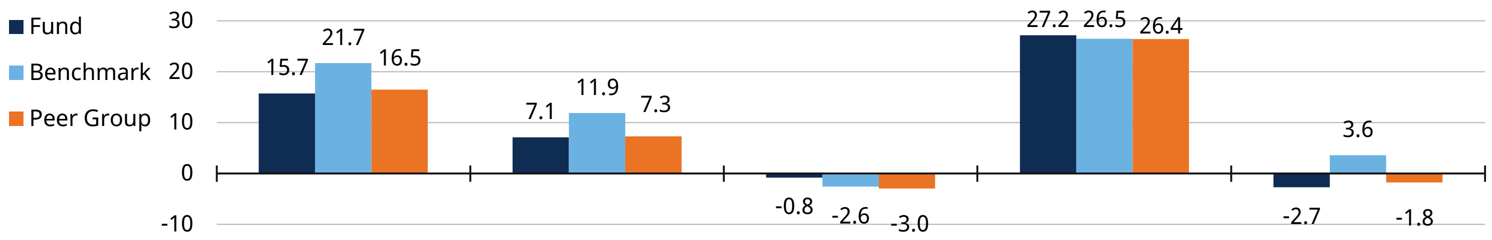
- Dividends can be an important component of total return over the long term.
- When a company can consistently increase its dividend over a long period of time, it is often a signal that the business is able to generate strong free cash flows through a variety of market environments.
- Two experienced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

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-1.3	-6.0	-2.8	-2.9	-1.7	-2.2
% of peers beaten	57	37	62	50	80	NA

Calendar returns %



	2024	2023	2022	2021	2020
Excess return	-6.0	-4.8	1.8	0.7	-6.3
% of peers beaten	37	44	75	54	59

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	170	1,493
% top 10 holdings	40.0	30.4
Weighted average market cap	205,299.1	294,158.4
EPS growth (FY E)	10.1	14.0
Dividend yield	3.5	2.8
FCF margin	14.0	12.6
P/E Trailing 12M	18.0	19.2
P/E (forecast)	15.5	16.4
Net debt/EBITDA	3.0	2.5
ROE (latest FY)	13.3	13.7

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	35.8	32.5	3.3
Energy	17.2	15.5	1.7
Materials	7.0	9.0	-2.0
Industrials	11.2	12.4	-1.2
Information Technology	4.5	8.7	-4.2
Communication Services	4.9	3.8	1.1
Utilities	6.7	3.9	2.8
Consumer Staples	4.7	4.7	0.0
Consumer Discretionary	4.3	5.1	-0.8
Real Estate	1.8	2.2	-0.4
Health Care	1.5	2.3	-0.8
Other	0.5	-	0.5

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	11.9	12.5
Sharpe Ratio	0.3	0.5
Tracking Error	2.4	-
Information Ratio	-1.2	-
Alpha	-2.3	-
Beta	0.9	-
Upside Capture (%)	91.6	-
Downside Capture (%)	104.2	-

Country allocation

Country	Portfolio	Benchmark	RelativeWeight
Canada	84.9	80.6	4.3
United States	12.2	14.8	-2.6
United Kingdom	0.5	0.7	-0.2
Germany	0.4	0.4	0.0
Japan	0.4	1.1	-0.7
France	0.2	0.5	-0.3
Other	1.3	1.9	-0.6

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
Canada	84.9	80.6	4.3
International	2.3	4.6	-2.3
United States	12.2	14.8	-2.6
Other	0.5	-	0.5

Currency exposure

Region	Gross	Benchmark
CAD	85.0	80.6
USD	12.6	14.9
Other	2.4	4.5

Top 10 holdings

Security name	Country	Sector	Weight
Royal Bank of Canada	Canada	Financials	7.3
Toronto-Dominion Bank	Canada	Financials	5.1
Bank of Montreal	Canada	Financials	4.8
Sun Life Financial Inc.	Canada	Financials	4.0
Enbridge Inc.	Canada	Energy	3.7
Canadian Natural Resources Limited	Canada	Energy	3.6
Manulife Financial Corporation	Canada	Financials	3.0
Canadian Pacific Kansas City Limited	Canada	Industrials	2.9
Bank of Nova Scotia	Canada	Financials	2.8
TC Energy Corporation	Canada	Energy	2.6

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Bank of Montreal	1.9	0.6
	TC Energy Corporation	1.1	0.5
	Enbridge Inc.	0.3	0.4
Detractors	TELUS Corporation	1.9	-0.3
	Rogers Communications Inc. Class B	1.3	-0.4
	Toronto-Dominion Bank	1.7	-0.5

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Energy	1.8	0.1	0.1	0.3
	Materials	-2.6	0.2	0.0	0.2
	Consumer Staples	0.0	0.0	0.0	0.1
Detractors	Utilities	3.2	-0.1	-0.1	-0.3
	Financials	2.7	0.1	-0.4	-0.3
	Communication Services	1.3	-0.2	-0.2	-0.3

Commentary

Fund Performance

For Q4 2024, Mackenzie Canadian Dividend Fund returned 1.5%. This compares with a return of 2.8% 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 and industrial sectors were negative for performance, combined with some negative allocation effects from the telecommunications sector.

Security contributors

TC Energy (TRP CN) is a North American natural gas pipeline transmission and distribution company. TC Energy shares outperformed in the quarter as the market became increasingly positive regarding the outlook for increased natural gas demand, predominantly stemming from powering new data center facilities. We continue to see good value in the stock and expect the company's growing natural gas and LNG linked businesses to continue supporting a sustainable and growing dividend.

Bank of Montreal (BMO CN) is a Canadian chartered bank which operates primarily in Canada and the US. BMO shares outperformed in the quarter based on improved outlook regarding future credit losses, and the election of a new US administration which is expected to deploy policies that are beneficial to the US banking sector. We have a favorable view of BMO;s strong positioning withing US commercial banking and expect this business to be a strong driver of financial performance in the period ahead. We maintain our overweight position in the stock which we believe is undervalued expect to rerate higher over the next several quarters.

Sun Life Financial (SLF CN) is a globally diversified financial services company with a significant presence in group insurance and asset management across Canada, the United States and Asia. The stock outperformed in the quarter based on improved results within the company’s group dental business, higher long-term interest rates and strong equity markets benefitting the company’s wealth divisions. We remain overweight the name given the company’s strong capital allocation choices, lower risk profile relative to peers and a large and growing wealth platform. The stock is undervalued according to our valuation framework, and we expect continued dividend growth in the period ahead.

Security detractors

Brookfield Corp (BN CN) - is a global asset manager that primarily services institutional and sovereign clients. Brookfield Corporation owns significant controlling positions in several publicly traded operating companies, each focused on distinct and strategic asset classes such as Real Estate, Renewable Energy, Infrastructure, Insurance, Private Equity, and Credit. BN was one of the stronger performers in the financial segment through the fourth quarter which acted as a drag on relative fund performance due to the fund’s underweight positioning in the name. BN outperformed in the fourth quarter primarily due to the decline in short-term interest rates and related sentiment improvement towards Commercial Real Estate, general financing conditions, and M&A activity. As an offset, the fund owns overweight positions in Brookfield Asset Management (BAM) and Brookfield Infrastructure Partners (BIP) which outperformed in the quarter. The conditions supporting BN’s relative strength in the third quarter are likely to wane moving forward, thus we continue to maintain an underweight in our BN positioning.

Rogers Communications (RCI/B CN) - is a leading Canadian wireless, cable and media provider. Rogers shares underperformed in the quarter as long-term interest rates increased and the company’s higher leverage position was viewed negatively. In addition, new (reduced) immigration targets announced by the Federal Government this quarter are likely to result in declining wireless handset growth going forward. Furthermore, the company thus far has provided limited financial detail on how the acquisition of an increased stake in Maple Leaf Sports and Entertainment will be funded. We see upside in the stock as the company continues to execute on the Shaw integration in addition to its attractive competitive positioning in wireless and internet. We expect a meaningful improvement in FCF growth in the coming years which is expected to allow for balance sheet deleveraging and a rerating higher for the stock.

Telus (T CN) is a leading Canadian telecom, healthcare, and digital experience provider. Telus shares underperformed during the quarter along with its telecommunication peers as the market sold stocks of companies perceived to be more interest rate sensitive. In addition, investors became increasingly concerned over new (reduced) immigration targets announced by the Federal Government this quarter which could have negative implications for growth within the sector. We still have high conviction in owning Telus shares as the company has attractive competitive positioning in wireless, wireline, and unique growth attributes with Telus International, Telus Health, and its agriculture business. Given their improving capital spending profile going forward, we expect free cash flow generation to provide a solid backbone for continued return of capital to shareholders and sustainable dividend growth

Commentary

Portfolio activities

The portfolio management team continues to seek out the best overall reward to risk opportunities within our Canadian investment universe which led to some changes in the portfolio in the quarter.

The changes were driven primarily by stock specific opportunities which resulted in increased positions in the materials and industrials sectors, while positions in the financial services and communication sectors were reduced. Overall, the changes resulted in one new position being added. The Canadian portion of the portfolio ended the period with 51 unique stock positions.

In the materials sector, we added Wheaton Precious Metals to the fund. Wheaton has a growing backlog of new precious metals streams attributable to the company and has an unlevered balanced sheet. We also added to our holdings in Teck Resources within the quarter based on attractive reward to risk. Offsetting these additions, we also reduced our weightings in Barrick and CCL Industries where potential returns were less favourable. With these transactions, we have somewhat reduced our underweight in the materials sector.

Within the energy sector, we continued to add to our integrated position by adding shares in Cenovus Energy. The company has a low-cost portfolio of thermal production assets and is poised to increase free-cash flow generation next year with the startup of some offshore oil projects. Offsetting these additions, we also reduced our weightings in pipeline companies like TC Energy where potential returns were less favorable. We also received shares in a company called South-Bow caused by a spinout from TC Energy, which were also sold in the quarter given limited upside. With the transactions, we are slightly less overweight the energy sector.

In financial services, we further reduced our position in select insurers and banks due to more limited upside to our price targets after a strong period of performance. We continue to remain overweight insurers (both life and property & casualty) and banks relative to our benchmark. Within the communication services we further reduced our position in Telus and Rogers Communications given our view that new immigration targets announced by the Canadian government would have negative implications for the sector. We remain overweight both names, but our overweight within the sector has been reduced.

Outlook, Positioning

The portfolio management team is optimistic on the outlook for Canadian equities into 2025. The Canadian and US economies have avoided the market’s expected recession to date. While current conditions are consistent with an economic soft landing, we are likely to see accelerating economic growth in Canada in the second half of 2025.

Although unemployment rates have softened recently, the total number of working Canadians has remained strong, reaching record levels which has supported consumer spending growth. In addition, strong immigration trends has allowed for only a small correction in housing prices and affordability. In the period ahead, lower interest rates should drive stronger economic activity as consumer interest cost burdens ease, investor confidence increases, and businesses increasingly allocate capital to growth initiatives.

The risk of newly imposed US tariffs on Canadian good is a major risk for the Canadian economy and for Canadian companies with sales of goods into the US market. This risk has created significant uncertainty in the near term as we await the inauguration of the US President and assess initial policy initiatives with regards to trade. We will continue to monitor these risks and make adjustments to the portfolio with changes to the reward to risk profile of stocks and sectors.

We remain constructive on Canadian equities and believe the Fund is well positioned for the period ahead. Valuations among many dividend paying sectors and stocks remain attractive and are expected to deliver strong returns in a period of easing interest rates. We see a favourable 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.

Commentary

<u>Stock Stories</u>

Sun Life Financial (SLF)

SLF is a diversified financial services company which provides life insurance, annuities, group health benefits, wealth management and private equity investments.

Rising stock markets and rising long-term interest rates were a strong tailwind for company results within the quarter. Higher interest rates allow for lower costs to hedge future mortality claims, and higher equity markets help boost asset management fee revenues based on higher assets under management from equity appreciation.

SLC has a growing and diversified group of alternative and private equity investments. We believe that this area of the company has the ability for much faster growth (relative to life insurance) over time. Furthermore, other private equity players within the market trade at much higher valuations than SLF, providing for an opportunity for positive re-rate in SLF stock valuations as they reach scale in this business.

SLF announced a new (higher) 20% ROE target at their Q4 investor day, a development welcomed by the market.

DentaQuest, the company's recently acquired group dental platform, appears to be repricing state contracts higher over time to adjust for slightly lower plan members. Same is boosting the segment's results and sentiment on the stock.

SLF's mix of insurance and wealth business is lower risk and has shorter duration risk relative to peers within the sector. The company also has a stronger LICAT ratio relative to peers, allowing for capital flexibility to repurchase shares as well as fund further acquisitions within the alternative and private equity space.

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, 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 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 December 31, 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 category funds for Mackenzie Canadian Dividend Fund for each period are as follows: one year - 404 ; three years - 381 ; five years - 359 ; ten years - 247.

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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