# Mackenzie Global Strategic Income Fund

## Fund snapshot

| | |
|---|---|
| Inception date | 11/24/2006 |
| AUM (millions in CAD) | 2248.9 |
| Management Fee | 0.70% |
| MER | 0.94% |
| Benchmark | 52.5% MSCI World + 47.5% GBMI (Hgd to CAD) |
| CIFSC Category | Global Neutral Balanced |
| Risk Rating | Low-Med |
| Lead Portfolio Managers | Konstantin Boehmer |

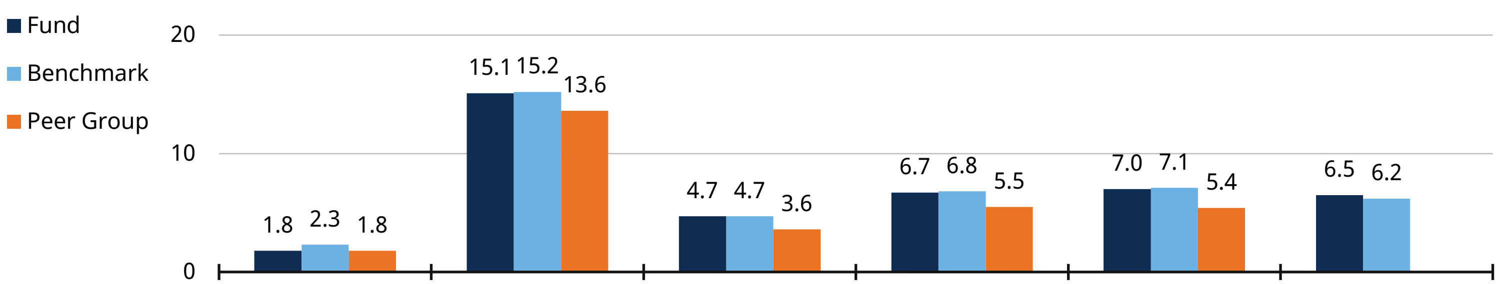
## Strategy overview

• A truly global approach, the Fund invests in a diversified portfolio of equities and fixed income securities that are income producing with an aim to deliver superior risk-adjusted returns in all market environments

• In fixed income, the Fund selects from the broadest array of securities globally to build a portfolio that provides best value for risk

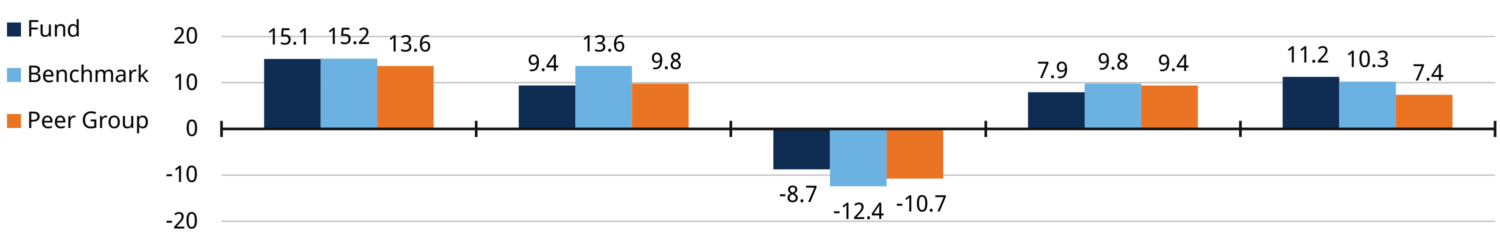
• The equity style is core, investing in quality companies anywhere in the world

## Trailing returns %




| | 3 Mth | 1 Yr | 3 Yr | 5Yr | 10Yr | SI |
|---|---|---|---|---|---|---|
| Excess return | -0.5 | -0.1 | 0.0 | -0.1 | -0.1 | 0.3 |
| % of peers beaten | 51 | 74 | 75 | 77 | 85 | NA |

## Calendar returns %




| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Excess return | -0.1 | -4.2 | 3.7 | -1.9 | 0.9 |
| % of peers beaten | 74 | 43 | 75 | 36 | 98 |

## Portfolio characteristics

| | Portfolio | Benchmark |
|---|---|---|
| Overall yield | 4.6 | 3.1 |
| Equity | | |
| P/E 12m forward | 20.6 | 20.7 |
| Dividend yield | 2.0 | 1.7 |
| Net debt/EBITDA | 1.1 | 0.9 |
| EPS growth (FY E) | 13.3 | 15.8 |
| P/B | 4.4 | 3.4 |
| Fixed income | | |
| Yield | 5.4 | 4.0 |
| Duration | 6.4 | 6.5 |
| Average credit quality | A | AA |

## Sector allocation

| Sector | Portfolio (%) | Benchmark (%) | Relative weight (%) |
|---|---|---|---|
| Financials | 10.4 | 8.4 | 2.0 |
| Energy | 2.9 | 2.0 | 0.9 |
| Materials | 2.4 | 1.7 | 0.7 |
| Industrials | 6.3 | 5.6 | 0.7 |
| Information Technology | 13.7 | 13.8 | -0.1 |
| Communication Services | 3.6 | 4.3 | -0.7 |
| Utilities | 1.2 | 1.3 | -0.1 |
| Consumer Staples | 4.7 | 3.2 | 1.5 |
| Consumer Discretionary | 5.1 | 5.8 | -0.7 |
| Real Estate | 0.7 | 1.1 | -0.4 |
| Health Care | 6.3 | 5.4 | 0.9 |
| Other | 2.7 | 6.8 | -4.1 |

## Performance metrics (3 year trailing)

| Metrics | Portfolio | Benchmark |
|---|---|---|
| Standard Dev. | 8.5 | 9.2 |
| Sharpe Ratio | 0.1 | 0.1 |
| Tracking Error | 2.2 | - |
| Information Ratio | 0.0 | - |
| Alpha | 0.2 | - |
| Beta | 0.9 | - |
| Upside Capture (%) | 92.1 | - |
| Downside Capture (%) | 88.4 | - |

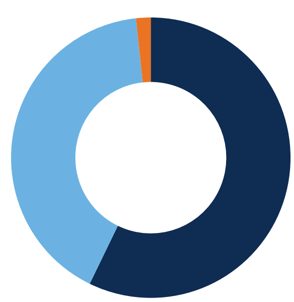
## Country allocation

| Country | Weight | Benchmark (%) | Relative weight |
|---|---|---|---|
| United States | 57.8 | 56.5 | 1.3 |
| Canada | 8.3 | 3.4 | 4.9 |
| Germany | 6.0 | 3.3 | 2.7 |
| United Kingdom | 5.8 | 4.0 | 1.8 |
| Japan | 3.0 | 7.9 | -4.9 |
| France | 2.2 | 4.0 | -1.8 |
| Other | 16.9 | 20.9 | -4.0 |

## Credit breakdown

| Rating | Portfolio | Benchmark |
|---|---|---|
| AAA | 22.4 | - |
| AA | 29.4 | - |
| A | 5.2 | - |
| BBB | 16.9 | - |
| BB | 17.8 | - |
| B | 5.2 | - |
| CCC & Below | 2.1 | - |
| NR | 1.0 | - |

## Asset allocation



| | Portfolio (%) |
|---|---|
| Equity | 57.2 |
| Fixed Income | 41.1 |
| Cash | 1.7 |

## Top 10 equity holdings

| Security name | Country | Sector | Weight |
|---|---|---|---|
| Apple Inc. | United States | Information Technology | 2.6% |
| Microsoft Corp. | United States | Information Technology | 2.6% |
| Amazon.com Inc. | United States | Consumer Discretionary | 1.9% |
| JPMorgan Chase & Co. | United States | Financials | 1.7% |
| Alphabet Inc. Class A | United States | Communication Services | 1.6% |
| Meta Platforms Inc. Class A | United States | Communication Services | 1.5% |
| Philip Morris International Inc. | United States | Consumer Staples | 1.4% |
| Motorola Solutions Inc. | United States | Information Technology | 1.3% |
| AbbVie Inc. | United States | Health Care | 1.3% |
| SAP AG | United States | Information Technology | 1.3% |

## Equity - Attribution

| | Sector | Portfolio Average Weight (%) | Portfolio Contribution to Return (%) |
|---|---|---|---|
| Contributors | Information Technology | 13.1 | 1.4 |
| | Financials | 10.1 | 0.9 |
| | Consumer Discretionary | 4.9 | 0.6 |
| Detractors | Consumer Staples | 4.9 | -0.1 |
| | Materials | 2.7 | -0.2 |
| | Health Care | 6.8 | -0.4 |

## Fixed Income - Attribution

| | Sector | Portfolio Average Weight (%) | Portfolio Contribution to Return (%) |
|---|---|---|---|
| Contributors | Corporate | 15.4 | 0.5 |
| | Bank Loan | 1.7 | 0.1 |
| Detractors | Federal | 22.7 | -0.3 |

## Commentary

**QFR Highlights**

The fund underperformed its blended benchmark index comprising of 52.5% MSCI World Index and 47.5% ICE BofA Global Broad Market (Hedged to CAD) Index.

**Market Overview**

Q4 was impacted by significant macroeconomic developments, geopolitical events, as well as shifting monetary policy expectations. Overall, global equities had mixed performance in the fourth quarter. Investor sentiment fluctuated as economic data revealed slowing growth in some countries and regions, particularly in Europe and China, which was divergent with more robust economic data in the US. The US market outperformed its global peers, fueled by optimism around lower inflation, leading the Federal Reserve to make two additional 25 basis point cuts to its key interest rate in November and December. Growth stocks, particularly large-cap growth, outperformed value stocks. The "Magnificent Seven" stocks, such as NVIDIA and Tesla, were major contributors to the US market's strength. Canadian equities experienced positive performance but lagged behind the US. European equity markets weakened in Q4 due in part to declining macroeconomic data such as slowing GDP growth and persistent inflation pressures for the region. Asian equities had mixed results, with China, Hong Kong and South Korea declining, while Japan and Singapore posted positive results for the quarter, all in local terms. Global bond markets experienced a lackluster quarter, driven by robust US economic data, concerns about the stickiness of inflation and the Federal Reserve's indication of a slower pace of interest rate cuts in 2025. This led to rising yields and declining bond prices across major economies, including the US and Canada.

For the quarter, the S&P 500 returned 2.4% (9.0% in CAD). The S&P/TSX Composite returned 3.8%. Globally, the MSCI ACWI returned 1.4% in local terms (5.5% in CAD). Bond returns were relatively weak compared to equity markets. The FTSE Canada Universe Bond Index returned 0.0%. The ICE BofA Global Broad Market Bond Index (Hedged to CAD) returned -2.0%. The ICE BofA U.S. High Yield Bond Index (Hedged to CAD) returned -0.2%.

**Fund Performance**

The equity portion of the fund underperformed the equity component of the blended benchmark, and the fixed income portion of the fund underperformed the fixed income component of the blended benchmark. From an equity perspective, stock selection in energy and health care, along with an overweight allocation to financials contributed the most to relative performance. Stock selection in consumer discretionary, industrials and consumer staples detracted the most from relative performance. From a fixed income perspective, holdings in term loans, particularly in the industrial and financial sectors contributed to relative performance. Holdings in corporate bonds, particularly in the energy and industrial sectors also contributed to relative performance. Holdings in corporate bonds in the securitization sector detracted from relative performance. Holdings in government bonds also detracted from relative performance, due in part to a longer duration in federal bonds.

**Security Contributors**

Williams Companies Inc., McKesson Corporation and JPMorgan Chase & Co. were the largest contributors to relative performance over the quarter.

**Security Detractors**

NVIDIA Corporation, Japan Exchange Group Inc. and Hannover Rueck SE were the largest detractors from relative performance over the quarter.

**Portfolio Activities**

Within Global Equity & Income Equities, 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 and added 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.

**Outlook & Positioning**

Global Equity & Income Team: The global economic outlook for 2025 is marked by diverging growth paths and policy uncertainty. The U.S. shows resilience but may face potential growth slowdowns due to higher interest rates and a loosening labor market. China's growth may decelerate without new stimulus, while Japan anticipates gradual GDP growth and possible real wage gains. The Federal Reserve's slow rate cut approach contrasts with the ECB's aggressive plan. U.S. immigration restrictions and potential tariffs add unpredictability, risking inflation and supply chain disruptions. This complex landscape requires careful navigation, balancing moderating inflation and growth uncertainties, with opportunities and risks shaped by evolving trade and immigration policies.

Fixed Income Team: The new US administration's threat to implement 25% tariffs poses significant risks for Canada, potentially leading to inflation and currency weakening if the Bank of Canada responds with rate cuts. The uncertainty around long-term rates, with 30-year Canadian yields significantly lower than US yields, adds to the sector's unattractiveness amid potential inflation. A prolonged trade war with the US could further impact Canadian credit spreads, which are currently well bid but considered expensive. Until there is more clarity on the geopolitical situation, the focus remains on improving credit quality and liquidity rather than increasing credit holdings.

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 Global Neutral Balanced category and reflect the performance of the Mackenzie Global Strategic Income 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 Global Neutral Balanced category funds for Mackenzie Global Strategic Income Fund for each period are as follows: one year - 1598 ; three years - 1430 ; five years - 1210 ; ten years - 706.



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