

Mackenzie Monthly Income Portfolios

Performance Commentary

Global markets experienced a volatile quarter due to weak U.S. labor data and the Bank of Japan's hawkish stance, pushing the VIX to its highest since March 2020. Despite this, equities performed well, driven by the U.S. Federal Reserve's 50-basis point rate cut and China's significant stimulus package. Inflation cooled, and central banks began cutting rates, creating favorable conditions for diversified portfolios. The S&P 500 rose 5.9%, with small-caps and sectors like utilities and industrials leading. Global bonds also saw strong returns, while oil prices fell, and gold hit new highs. In Canada, the Bank of Canada cut rates to 4.25%, boosting equities, especially in real estate and healthcare.

Equities exposure through the portfolios' allocation to the Mackenzie Global Equity Income Fund was the largest contributor to performance. Its 21.7% return over the quarter was buoyed by a strong economic backdrop that supported both equity and bond returns. Performance was driven in large part by a market rotation away from growth-oriented stocks into less favoured sectors such as financials, utilities and real estate. The fund also outperformed its benchmark as dividend-focused stocks like financial institutions and energy companies outperformed growth-oriented technology stocks. Less volatile stocks also tended to outperform this quarter. An overweight to Canadian equities also boosted performance as the Canadian equity market hit record highs. The stock options strategy within the fund, designed to preserve capital during times of severe equity market stress slightly detracted from the performance as equity markets experienced an excellent quarter.

The Mackenzie Unconstrained Fixed Income fund was the best returning fixed income fund in the portfolios. Returning 12.1% this quarter, an overweight to corporate bonds and security selection within industrial and communication sectors added value, as did short exposure to Japanese government bonds. The Mackenzie Canadian Bond Fund was the second largest contributor to returns. A small contributor to performance but of notable interest, the Mackenzie Gold Bullion Fund, held as an inflation sensitive asset, returned 11.8%. Geopolitical uncertainty coupled with strong Asian investment and resilient global retail consumer demand has boosted gold prices this year.

Portfolio Management Activities and Outlook

Underlying fund allocations are consistently managed across time horizons. This stability in exposures reduces the possibility of being wrong at the wrong time, helping ensure that the appropriate amount of risk mitigation is present when needed most. The portfolio management team believes that although U.S. economic growth is moderating, with the job market showing early signs of deterioration, the United States is not in a recession. Federal government spending remains high, boosting growth and the team believes additional cuts to the federal funds rate by the U.S. Federal Reserve can stabilize the labor market and economy.

In anticipation of further interest rate cuts by developed central banks, the team sees duration exposure as beneficial. Given expensively valued global equities, the team favors diversifying into cheaper markets with positive economic catalysts, such as Europe and Asia. Maintaining a well-diversified investment portfolio is crucial for managing risk and achieving long-term financial stability.

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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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