

Quarterly Commentary

Portfolio Information

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|-----------------|-------|
| Equity | 56.1% |
| Fixed Income | 38.3% |
| Cash | 5.5% |
| Portfolio Yield | 2.71% |

Equity Statistics

| | |
|--------------------------|-------|
| Dividend Yield | 2.14% |
| Regional Exposure | |
| Canada | 1.5% |
| US | 63.5% |
| Europe | 25.7% |
| Japan | 3.8% |
| Emerging Markets | 2.5% |

Fixed Income Statistics

| | |
|--------------------------|-------|
| Fixed Income Yield | 3.26% |
| Average Credit Quality | A |
| Duration | 3.57 |
| Credit Exposure | |
| Investment Grade | 82.2% |
| High Yield (BB to B) | 11.1% |
| High Yield (CCC & lower) | 6.7% |
| Regional Exposure | |
| Canada | 32.5% |
| US | 42.8% |
| Europe | 5.5% |
| Emerging Markets | 0.8% |

| Major currency exposures | Gross currency exposure | Net exposure after hedging |
|--------------------------|-------------------------|----------------------------|
| CAD | 18.4% | 44.2% |
| USD | 55.0% | 34.5% |
| EUR | 10.1% | 8.7% |

Performance Summary

Mackenzie Strategic Incomes Fund (Series F) returned 4.35% over the quarter. This compares with a return of 5.31% for its blended benchmark index comprising of 52.5% MSCI World Index and 47.5% ICE BofA Global Broad Market (Hedged to CAD) Index.

From an equity allocation perspective, Stock selection in Information Technology, Industrials and Consumer contributed to relative performance over the quarter. An overweight allocation to Information Technology was also a contributor. Selection in Materials and Healthcare were detractors from relative performance.

From a fixed income allocation perspective, the Fund's duration positioning contributed to performance versus the benchmark. The Fund's government bond exposure contributed to performance. Within government bonds, security selection in federal bonds particularly contributed during the period. The Fund's hedged foreign currency exposure detracted. Security selection in corporate bonds detracted. Within corporate bonds, financial bonds detracted.

Equity Macro Highlights

Global Equity and Income Team:

The team believes that in periods of elevated volatility, it is most important to focus on what can be controlled. In the team's view, this involves investing in leading companies that generate high returns on their capital base, have strong cash flow and are in a position to improve their market share in times of uncertainty. In response to higher levels of inflation and market volatility, the team continued to identify holdings for the portfolio in a diversified collection of companies that have the ability to raise prices without reducing demand for their products and/or that have business models with a competitive advantage.

Fixed Income Team Market Review and Outlook

The first quarter of the year was indeed a tale of two narratives; the first part of the quarter saw the market marking central bank terminal rates higher, while the latter part of the quarter saw markets clawing back those hikes in the wake of concerns over the stability of the US and global banking system.

Heading into the New Year, it was very much our view markets would need to readjust expectations towards higher terminal rates in Europe, the US and Japan. Recall that at the turn of the year markets were pricing a 4.97% June 2023 Fed Funds rate and a 3.38% equivalent rate for the European Central Bank (ECB). Those rates, and others, moved significantly higher in the first couple months of the year as inflation remained sticky – we would suggest structural – and labour markets remained hot.

The question everyone is now asking: what is the impact of the banking wobble on the ability to obtain credit, and what does it mean for the economy at large? And while the first impulse of tighter lending standards at banks, particularly at small and medium-sized institutions, is probably correct there is significant debate within markets on the magnitude. Although early days, there does not seem to be a massive impairment to obtaining credit either from a personal or corporate perspective compared with before the SVB insolvency – at least not yet - but it should be noted credit availability has been generally tightening since H1/22. Our view is that credit availability will become more difficult to obtain, and perhaps accelerate a little from the trend we have been seeing since H1/22, but not act as a massive, immediate tightening on the economy, although we foresee some potential issues in Q4/23 as maturity walls for corporates get closer. The large caveat here of course is the economy does not experience another round of bank defaults in relatively quick succession; if that scenario of a handful of bank failures were to materialize, that would clearly suggest a different and more aggressive path towards possible recession in the second-half of 2023.

The first quarter of 2023 was marked with volatility and was a tale of two, or even three, market gyrations. The year started with many of the same features of Q4 2022 – firm employment numbers, stubborn consumer prices and an inverted yield curve in both the US and Canada. The yield curve inversion has been driven by the rapid increase in central bank policy and the associated movement in the 2-year rate, and increased volatility in this part of the curve has caused significant movements in yield curve shape. At the beginning of Q1 2023, the Canadian curve (2s30s) was inverted by 78bps and the US curve by 52bps. Stronger data, especially employment data in the US, led to increased rate hike expectations, higher 2y yields in both countries, and significantly more curve inversion. By early March, the two curves were both inverted by nearly 120bps. However, the sudden failure of Silicon Valley Bank and Signature Bank in the US as well as the emergency government-brokered takeover of Credit Suisse by UBS was a shock to fixed income markets. Curves steepened dramatically as a result, with 2-year yields fell over 100bps at one point in time.

Rates outlook remains unclear suggesting that major risk taking in rates may not be warranted. We consider that investment grade bond in Canada has priced in a reasonable amount of recession risk. While it remains our base case that corporate bond spread would move wider in 2023, because of our concern about the economy given tighter bank lending standard and the lagged effect of last year's interest rate rise would have on the economy, the valuation for high quality credits still look reasonable with the yield of short-term investment grade corporate bonds at 4.83% (vs 5.28% as at the end of December 2022).

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The rate of return is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual fund or returns on investment in the mutual fund.

On April 30, 2014 the Fund changed its mandate from investing primarily in securities of other mutual funds that invest in Canadian and foreign equity and fixed income securities and/or income trusts to investing primarily in fixed-income and/or income-oriented equity securities of issuers anywhere in the world. The past performance before this date was achieved under the previous objectives.