# Mackenzie Cundill Canadian Balanced Fund

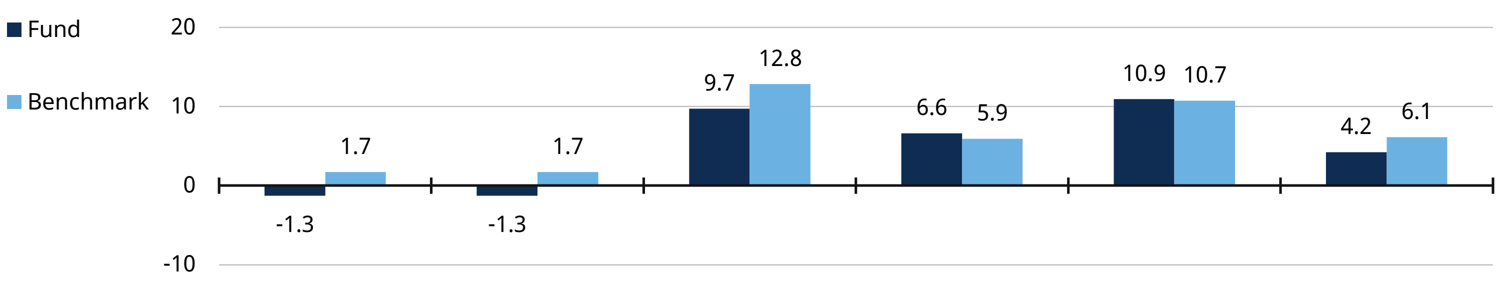
## Fund snapshot

| | |
|---|---|
| Inception date | 03/02/2001 |
| AUM (millions in CAD) | 362.3 |
| Management Fee | 0.70% |
| MER | 0.94% |
| Benchmark | 62.5% TSX Comp + 37.5% FTSE Univ |
| CIFSC Category | Canadian Equity Balanced |
| Risk Rating | Low-Med |
| Lead Portfolio Managers | Richard Wong |

## Strategy overview

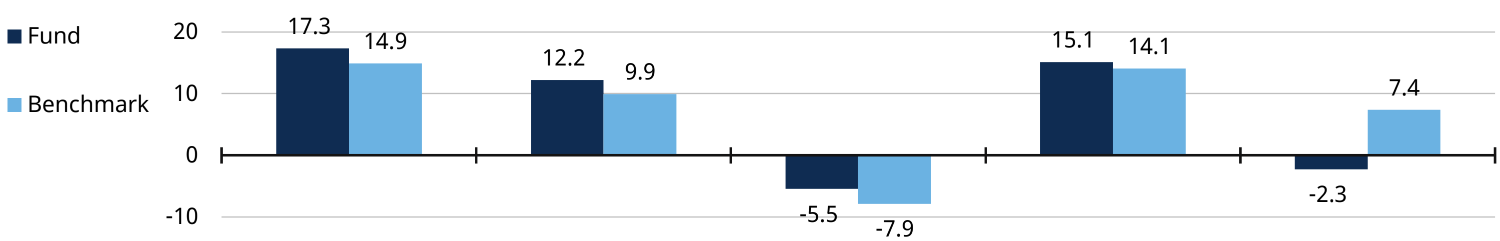
- The equity portion of the portfolio is Canadian focused and diversified by sector and geography including a significant global exposure. The portfolio's core plus fixed income exposure goes beyond sovereign debt to include higher yielding securities
- Strictly adheres to a value investment style, buying undervalued, out-of-favour businesses that have identifiable catalysts for improvement
- A thorough understanding of the macro landscape helps determine the optimal allocation between cyclical value, deep value and quality value businesses

## Trailing returns %




| | 3 Mth | YTD | 1 Yr | 3 Yr | 5Yr | 10Yr | SI |
|---|---|---|---|---|---|---|---|
| Excess return | -3.0 | -3.0 | -3.1 | 0.7 | 0.2 | -1.9 | -0.6 |

## Calendar returns %




| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Excess return | 2.4 | 2.3 | 2.4 | 1.0 | -9.7 |

## Portfolio characteristics

| | Portfolio | Benchmark |
|---|---|---|
| Overall yield | 4.3 | 3.4 |
| Equity | | |
| P/E 12m forward | 13.6 | 15.2 |
| Dividend yield | 2.3 | 2.8 |
| Net debt/EBITDA | 2.2 | 2.1 |
| EPS growth (FY E) | 13.5 | 15.1 |
| P/B | 1.7 | 2.1 |
| Fixed income | | |
| Yield | 4.2 | 3.3 |
| Duration | 7.4 | 7.2 |
| Average credit quality | A | AA |

## Sector allocation

| Sector | Portfolio (%) | Benchmark (%) | Relative weight (%) |
|---|---|---|---|
| Financials | 18.8 | 20.0 | -1.2 |
| Energy | 8.2 | 10.7 | -2.5 |
| Materials | 3.5 | 8.5 | -5.0 |
| Industrials | 10.0 | 7.6 | 2.4 |
| Information Technology | 8.1 | 5.8 | 2.3 |
| Communication Services | 1.2 | 1.5 | -0.3 |
| Utilities | 0.1 | 2.5 | -2.4 |
| Consumer Staples | 3.7 | 2.4 | 1.3 |
| Consumer Discretionary | 5.5 | 2.0 | 3.5 |
| Real Estate | 1.0 | 1.2 | -0.2 |
| Health Care | 1.9 | 0.2 | 1.7 |
| Other | 0.5 | 0.1 | 0.4 |

## Performance metrics (3 year trailing)

| Metrics | Portfolio | Benchmark |
|---|---|---|
| Standard Dev. | 11.3 | 10.7 |
| Sharpe Ratio | 0.2 | 0.2 |
| Tracking Error | 3.2 | - |
| Information Ratio | 0.2 | - |
| Alpha | 0.7 | - |
| Beta | 1.0 | - |
| Upside Capture (%) | 106.1 | - |
| Downside Capture (%) | 103.7 | - |

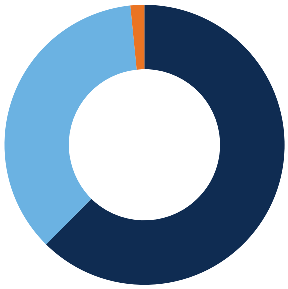
## Country allocation

| Country | Weight | Benchmark (%) | Relative weight |
|---|---|---|---|
| Canada | 67.5 | 99.6 | -32.1 |
| United States | 21.7 | 0.2 | 21.5 |
| Germany | 2.1 | - | 2.1 |
| France | 2.0 | - | 2.0 |
| Netherlands | 1.5 | - | 1.5 |
| New Zealand | 1.2 | - | 1.2 |
| Other | 4.0 | 0.2 | 3.8 |

## Credit breakdown

| Rating | Portfolio | Benchmark |
|---|---|---|
| AAA | 16.4 | 42.8 |
| AA | 29.1 | 31.4 |
| A | 16.5 | 14.7 |
| BBB | 29.7 | 11.1 |
| BB | 6.3 | - |
| B | 1.1 | - |
| CCC & Below | 0.3 | - |
| NR | 0.7 | - |

## Asset allocation



| | Portfolio (%) |
|---|---|
| Equity | 62.4 |
| Fixed Income | 36.0 |
| Cash | 2.0 |

## Top 10 equity holdings

| Security name | Country | Sector | Weight |
|---|---|---|---|
| Brookfield Corporation | Canada | Financials | 2.8 |
| Royal Bank of Canada | Canada | Financials | 2.6 |
| Enbridge Inc. | Canada | Energy | 2.3 |
| Government Of Canada 3.25% 01-dec-2034 | Canada | -- | 2.3 |
| Atkinsrealis Group Inc. | Canada | Industrials | 2.2 |
| Fairfax Financial Holdings Limited | Canada | Financials | 2.2 |
| Aritzia, Inc. | Canada | Consumer Discretionary | 1.7 |
| Barrick Gold Corporation | Canada | Materials | 1.7 |
| Manulife Financial Corporation | Canada | Financials | 1.6 |
| Wells Fargo & Company | United States | Financials | 1.6 |

## Equity - Attribution

| | Sector | Portfolio Average Weight (%) | Portfolio Contribution to Return (%) |
|---|---|---|---|
| Contributors | Energy | 8.1 | 0.5 |
| | Consumer Staples | 3.8 | 0.5 |
| | Materials | 3.9 | 0.2 |
| Detractors | Financials | 18.5 | -0.5 |
| | Consumer Discretionary | 6.1 | -0.7 |
| | Information Technology | 10.2 | -1.4 |

## Fixed Income - Attribution

| | Sector | Portfolio Average Weight (%) | Portfolio Contribution to Return (%) |
|---|---|---|---|
| Contributors | Corporate | 19.8 | 0.3 |
| | Government | 14.4 | 0.3 |

## Commentary

**QFR Highlights**

In Q1 2025, the Canadian equity market experienced modest gains, with the S&P/TSX Composite Index rising by 0.8%. This performance was relatively subdued compared to other global markets, reflecting the impact of geopolitical uncertainties and trade tensions. The threat of US tariffs continued to loom over the Canadian economy, with broad-based tariffs postponed to April. Existing tariffs on key sectors posed significant risks causing increased market volatility.

**Market Overview**

The significant tariff rates announced by President Trump last week surprised the market and hurt the valuation in many sectors as the investors start to price in a global recession. All sectors were affected by the sell-off, especially financials, consumer discretionary, industrials and technology. Cundill portfolios were affected but we feel very good about the valuation, quality and opportunities presented by our holdings. In fact, after multiple days of risk-off pull back, we have not felt this good about the investment opportunities we see, since the early days of post-Covid vaccine discovery. Buffett was the one who said, “be greedy when the market is fearful.” We are finding quality companies with huge recovery potential at current prices and have initiated new positions in multiple companies as they come into our valuation range with clear catalysts. We believe the outrageous tariff rates are the starting bargaining points for the Trump administration. There could be some short-term volatility, but with a long-term perspective, current prices have presented significant bargains.

**Fund Performance**

During the quarter, the fund underperformed the benchmark with Materials, Financials and Information technology underperforming and Consumer Staples and energy positively contributing to the portfolio. Geopolitical events played a significant role in shaping the economic outlook. The US faced increased uncertainty due to new tariffs and trade frictions, impacting consumer and business confidence. The technology sector experienced a pullback, but AI advancements and data storage demand provided growth opportunities. While geopolitical risks and trade tensions pose challenges, easing inflation and targeted fiscal policies offer potential for growth.

**Security Contributors**

Siemens

Siemens emerged as one of the strongest contributors to the Cundill Value Fund’s performance in the first quarter. The company is well-positioned to capitalize on structural growth trends in the data center and healthcare sectors. Furthermore, as the global manufacturing cycle regains momentum, Siemens is likely to experience accelerated demand for its automation solutions. Trading at approximately 15 times earnings, the stock presents an attractive valuation opportunity relative to its growth prospects.

Sanofi

Sanofi also ranked among the Fund’s top performers in Q1. Its leading product, Dupixent, continues to generate double-digit revenue growth, reaching an annualized revenue base of $13 billion. This growth trajectory is expected to persist, supported by the recent FDA approval for Dupixent in treating COPD and a strong late-stage development pipeline. Valued at just 10 times earnings and with no significant patent expirations anticipated until the 2030s, Sanofi offers a compelling opportunity within the large-cap pharmaceutical sector.

Philip Morris

Philip Morris posted strong returns in 1Q25, driven by solid earnings and a constructive outlook for the year. Its limited U.S. exposure has reinforced its position as a key defensive staple amid ongoing macro volatility. The earnings trajectory remains supported by momentum in its smoke-free portfolio (especially Zyn & IQOS) alongside stable combustibles performance. Additionally, expected relief from input cost pressures in the combustibles segment, after three years of elevated costs, should further bolster margins in 2025.

## Commentary

**Security Detractors**

Broadcom

Broadcom reported strong results and signed more customers to its AI ASIC chips, which compete with Nvidia's AI GPUs. However, the combination of tariffs and Deepseek pressured the stock in Q1. Our thesis remains unchanged: Broadcom is gaining share from Nvidia as its ASICs chips are more power efficient than Nvidia's general purpose GPUs. Inference demand has also increased post Deepseek which should increase demand for Broadcom's AI portfolio of ASIC and networking chips.

Salesforce

Salesforce reported strong results, and its Agent AI portfolio is gaining traction with customers starting with Salesforce's sales and service AI agents. The market is worried that tariffs would soften enterprise software demand this year. Salesforce will be one of the early winners of enterprise AI adoption as they have structured data, AI agents, and leading data protection protocols.

**Outlook, Positioning**

In the midst of the volatility generated by the tariff war, we are positive about the opportunities we see in this market. As global recession gets priced into securities in different markets, we are finding great value for the long term. The most compelling opportunities are in three areas: US banks, technology and European industrials.

It is now widely understood that the outrageous tariff rates posted on "Liberation Day" were the starting bargaining points for the Trump administration. Short term volatility may persist, but with a long-term perspective, current prices present great bargains.

After the selloff post "Liberation Day", we have initiated new positions in various sectors as they come into our valuation range with clear catalysts. The multiple announcements of tariff delays and exemptions highlight that the Trump administration is aware of recession risk. The Brexit drawdown of mid 2016, the yield curve inversion drawdown of late 2018, and the Covid outbreak drawdown in 2020 were all great entry points to buy value stocks. Now we believe we are presented with another entry point in April 2025 for the long run.

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 March 31, 2025 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 Equity Balanced category and reflect the performance of the Mackenzie Cundill Canadian Balanced Fund for the 3-month, 1-, 3-, 5- and 10-year periods as of March 31, 2025 . 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 Equity Balanced category funds for Mackenzie Cundill Canadian Balanced Fund for each period are as follows: one year - 340 ; three years - 338 ; five years - 305 ; ten years - 224.



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