

Mackenzie Bluewater Global Growth Balanced Fund

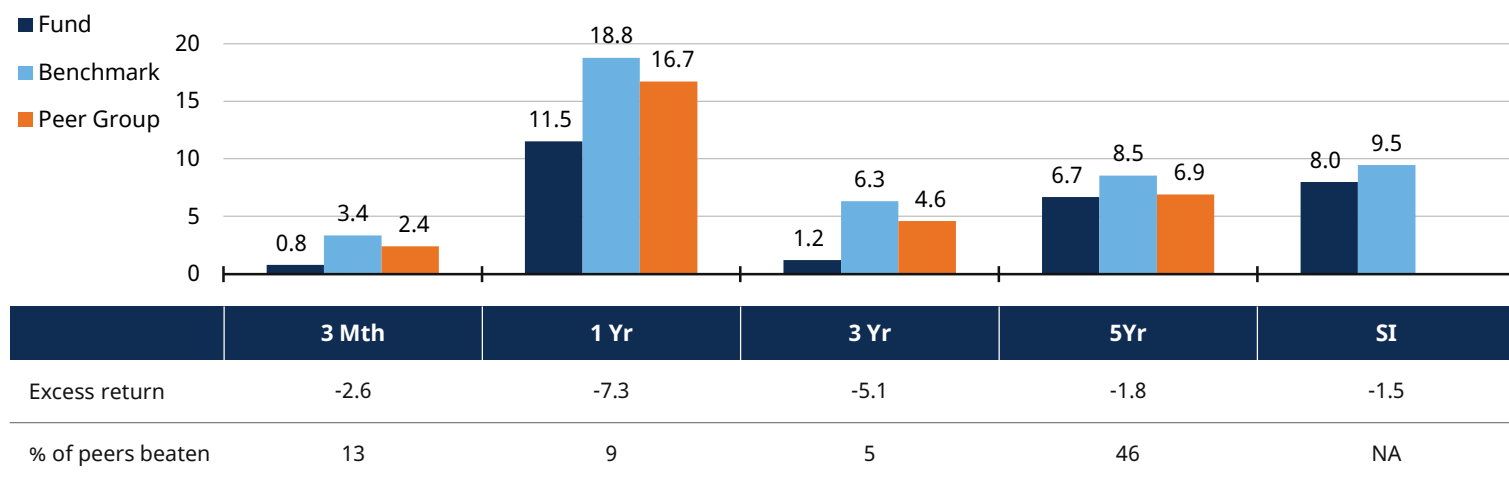
Fund snapshot

Inception date	01/31/2019
AUM (millions in CAD)	778.3
Management Fee	0.75%
MER	1.01%
Benchmark	65% MSCI World + 35% GBMI (HgdCAD)
CIFSC Category	Global Equity Balanced
Risk Rating	Low-Med
Lead Portfolio Managers	David Arpin

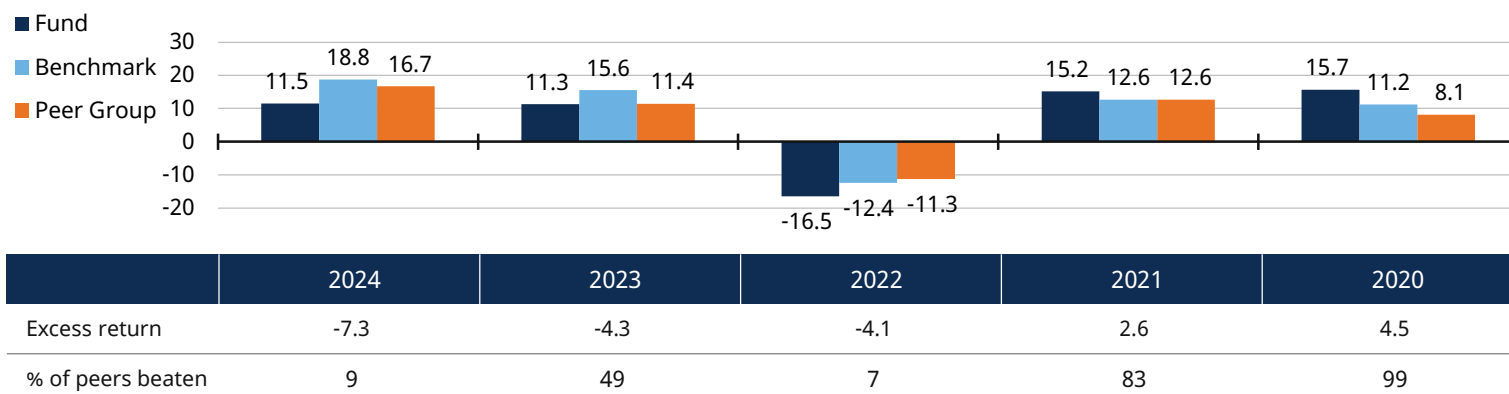
Strategy overview

- The Fund seeks capital growth and current income by investing primarily in equity and/or fixed income securities anywhere around the world.
- The Fund will pursue this objective by investing in securities directly and/or by investing in other mutual funds. The asset allocation portfolio manager will adjust the percentage of the Fund invested in each asset class based on changes in the market outlook for each asset class.
- The equity portfolio manager employs a company-focused investment style, seeking companies with strong management, good growth prospects, and a solid financial position. Emphasis is placed on paying reasonable prices for the free cash flow growth that companies in the portfolio is expected to achieve.
- The fixed-income portfolio manager employs a flexible approach to meet its fixed-income objectives, allocating across credit quality, yields, structures, sectors, currencies, and countries.
- The Fund may invest up to 100% of its fixed-income exposure in any one sector, and can invest in all of its fixed-income exposure in all types of fixed income securities from around the world, including, but not limited to, high-yield corporate and government bonds, which are bonds that have a credit rating below investment grade (rated "BBB-" by a recognized credit rating organization) and are sometimes non-rated, investment-grade corporate and government bonds, convertible bonds, loans, and floating-rate instruments.

Trailing returns %



Calendar Returns %



Portfolio characteristics

	Portfolio	Benchmark
Overall yield	4.3	3.1
Equity		
P/E 12m forward	31.3	20.7
Dividend yield	0.8	1.7
Net debt/EBITDA	1.0	0.9
EPS growth (FY E)	12.8	15.8
P/B	7.3	3.4
Fixed income		
Yield	4.7	4.0
Duration	6.5	6.5
Average credit quality	A	AA

Performance metrics (3-year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	12.5	10
Sharpe Ratio	-0.2	0.3
Tracking Error	4.2	-
Information Ratio	-1.2	-
Alpha	-5.6	-
Beta	1.2	-
Upside Capture (%)	98.5	-
Downside Capture (%)	139.8	-

Credit breakdown

Rating	Portfolio	Benchmark
AAA	19.0	12.7
AA	29.2	50.5
A	14.5	23.0
BBB	22.5	13.9
BB	9.8	-
B	3.2	-
CCC & Below	1.2	-
NR	0.8	-

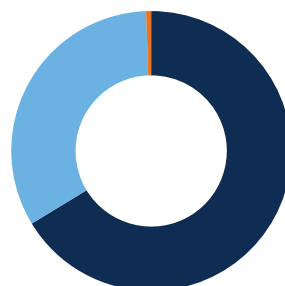
Sector allocation

Sector	Portfolio (%)	Benchmark (%)	Relative weight (%)
Financials	8.3	10.4	-2.1
Energy	-	2.4	-2.4
Materials	4.0	2.1	1.9
Industrials	15.9	6.9	9.0
Information Technology	17.7	17.0	0.7
Communication Services	2.4	5.3	-2.9
Utilities	-	1.6	-1.6
Consumer Staples	1.9	3.9	-2.0
Consumer Discretionary	8.0	7.2	0.8
Real Estate	-	1.3	-1.3
Health Care	8.0	6.7	1.3
Other	0.7	-	0.7

Country allocation

Country	Weight	Benchmark (%)	Active weight (%)
United States	57.5	61.1	-3.6
Canada	17.6	3.3	14.3
United Kingdom	5.9	3.8	2.1
France	5.1	3.6	1.5
Switzerland	2.8	1.7	1.1
Netherlands	2.3	1.4	0.9
Other	8.8	25.1	-16.3

Asset allocation



	Portfolio (%)
Equity	66.2
Fixed Income	33.1
Cash	0.7

Top 10 equity holdings

Security name	Country	Sector	Weight
Apple Inc.	United States	Information Technology	2.9
Microsoft Corporation	United States	Information Technology	2.8
Amazon.com, Inc.	United States	Consumer Discretionary	2.5
Aon Plc Class A	United States	Financials	2.5
Roper Technologies, Inc.	United States	Information Technology	2.4
Compass Group PLC	United Kingdom	Consumer Discretionary	2.3
Schneider Electric SE	France	Industrials	2.3
Waste Connections, Inc.	United States	Industrials	2.3
Alcon AG	Switzerland	Health Care	2.2
Stryker Corporation	United States	Health Care	1.9

Equity - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Information Technology	17.4	1.2
	Consumer Discretionary	7.2	0.5
	Communication Services	2.1	0.5
Detractors	Consumer Staples	2.1	-0.0
	Health Care	8.5	-0.4
	Materials	4.3	-0.6

Fixed Income - Attribution

	Sector	Portfolio Average Weight (%)	Portfolio Contribution to Return (%)
Contributors	Corporate	15.8	0.3
	Bank Loan	0.8	0.1
Detractors	Government	16.8	-0.2

Commentary

QFR Highlights

US equities held their gains in the fourth quarter amid continued economic data, interest rate cuts from the Federal Reserve, and optimism regarding policy shifts after the recent election. As a result, the S&P 500 ended the year up over 20%, significantly outperforming other international markets as well as domestic small and mid-caps. Mega-cap tech stocks led the S&P 500 to dominate global markets yet again. The 'Magnificent Seven' stocks rose 48% while the other 493 stocks in the S&P 500 rose just 10%.

Bluewater's investment philosophy includes focusing on identifying key enablers of change. These companies are expected to benefit regardless of which specific technologies or companies ultimately succeed. By focusing on companies that enable the energy transition and digitization, Bluewater aims to capitalize on these structural shifts while mitigating the risks associated with investing in rapidly evolving technologies.

Fund Performance

During the period, the fund returned 1% underperformed its benchmark by 3.3%. Security selection in Industrials and Communication services contributed to relative performance while stock selection in Information technology and Consumer discretionary detracted from performance. From a geographic standpoint, security selection United Kingdom and Netherlands contributed to performance whereas stock selection in United States detracted from performance.

The Fund's G10 FX exposure, Ex-Emerging markets carry, G10 rates (overweight North America, underweight Europe and Japan), and exposure to leveraged loans contributed to performance. The Fund's exposure to emerging markets local rates (Brazil, Mexico, South Africa) and emerging market FX detracted from performance during the period.

Security contributors

There were a few holdings in Communication services and Industrials that added meaningful returns to the fund. Netflix, Cadence Design system and Copart were top contributors to the funds return.

Cadence Design Systems: is a leading provider in the electronic design automation (EDA) industry. They offer software, hardware, and intellectual property (IP) for the design and verification of advanced semiconductors. Their tools and services are essential for designing integrated circuits and electronic systems used in a wide range of devices, from smartphones to autonomous vehicles. A significant portion of their revenue comes from recurring sources such as software subscriptions, maintenance, and support services.

Netflix Inc: As a leader in the streaming industry, Netflix has a competitive edge with its vast content library and global reach. Netflix has introduced an advertising tier and cracked down on password sharing, both of which have boosted revenue. Netflix continues to add millions of subscribers each quarter which has driven growth in its revenue and profitability

Copart: is a global provider of online vehicle auction and remarketing services. They connect buyers and sellers of various types of vehicles through their 100% online auction platform. The company generates a significant portion of its revenue from auction-related fees, which are recurring in nature. These fees come from the regular auctions they hold for vehicles, including those from insurance companies, rental car companies, and other sellers

Security detractors

Although the overall market rose, a few holdings declined. Alcon, Thermo Fisher scientific in healthcare and Linde in Materials being the major detractors from relative performance.

Portfolio activities

We recently initiated a new position in Stryker across Bluewater portfolios. Stryker is a leading medical technology company specializing in robotic tools and surgical equipment, with a focus on orthopedic surgery for knees and hips. Our investment thesis in Stryker is predicated on an increased focus on free cash flow by the management team which is a rare trait within the Healthcare sector and a core tenet of the Bluewater investment philosophy. Further, a strong organic growth profile, improved pricing power, and a market structure that is consolidated with large barriers to entry and increasing market share positions the company well for future success. The business is underpinned by the large secular trend around the adoption of robotic tools being applied to medical surgeries where penetration rates continue to rise due to quicker patient recovery times from less invasive surgery. We continue to see a long runway for surgeons to be trained on performing surgery with robotic tools, and we believe Stryker is a material beneficiary of this secular transition.

Commentary

Market overview

Global equity markets remained buoyant in 2024 and Bluewater is strategically positioned to navigate what we believe will be a mixed economic landscape in 2025.

From a macro economic standpoint, while conditions in Europe and China remain pressured, the US economy remains broadly supportive of equity markets as we look forward into 2025. Unemployment continues to be at low levels, which provides support for consumer spending, while central banks are expected to continue to loosen policy which aids both consumers and businesses. In the United States, considerable pent-up demand exists in the housing market, as prospective buyers have been deferring purchases due to high mortgage rates. If we see a significant drop in interest rates in response to Federal Reserve policy easing, the cyclical housing sector would be expected to experience a rebound.

In addition, the global economy is undergoing two significant structural changes: the energy transition and digitization, rapidly advanced by artificial intelligence (AI). The energy transition is a massive undertaking, transforming how energy is produced, distributed, and consumed. Companies critical in enabling this transition will benefit from a multi-year growth tailwind, driving superior business performance in the coming decade. Digitization, encompassing technologies such as cloud computing, cybersecurity, and AI, is rapidly transforming industries. AI, in particular, is driving innovation and creating new possibilities for businesses and society.

Outlook, Positioning

Equity

Bluewater's current portfolio positioning reflects a strategic alignment with the prevailing economic conditions. Bluewater focuses on conservative growth, seeking companies that are growing at or above market rates but not at extremely fast rates. These businesses typically deliver faster growth rates, in the low to mid-teens.

Bluewater focuses on a small subset of global businesses that are truly unique – global leaders in attractive industries with defensible moats and secular growth tailwinds. This results in a diversified high active share portfolio that provides favorable characteristics for long-term compounding, but in a more diversified way from the current market structure. These characteristics allow the companies targeted to grow their free cash flow at above-market rates in a more stable fashion compared to the overall market through a full cycle.

Acquiring such high-quality businesses at reasonable valuations imparts downside protection to the portfolios, allowing them to more effectively navigate through economic cycles and inherent drawdowns and volatility. The team has added value by preserving capital through market drawdowns while compounding returns for clients, resulting in superior risk-adjusted returns over the long term.

Fixed Income

The Federal Reserve's evolving stance remains a key anchor for shaping expectations around global rates, particularly in the US. The Fed's policy path is more complex to anticipate in this cycle, with outcomes hinging on data-dependent decisions that are likely to sustain elevated rate volatility. Within global portfolios, US duration was underweight early in the quarter but was tactically increased as rates rose, reaching a neutral stance.

In the G10 space, German Bunds have demonstrated notable resilience, diverging sharply from US Treasuries and avoiding the recent surge in yields. This divergence reflects a significantly different fiscal and economic backdrop, along with more supportive technical. Fundamentally, the Eurozone outlook remains subdued, with tariff risks compounding existing challenges. The ECB's easing path—with 95 basis points of cuts anticipated for the full year 2025 at the time of writing—is largely priced in. Tactical additions to Eurozone duration were made in global portfolios over the quarter but balanced with an overall underweight stance, given the prevailing upward trend in global yields.

Japan remains a market where upward pressure on yields is expected to persist, driven by the gradual normalization of monetary policy. Japanese government bonds continue to be a strategic underweight, reflecting expectations of incremental but steady policy adjustments.

Most overweight duration positions in G10 rates are currently allocated outside the Eurozone and the US. New Zealand is favored for its compelling real yields, while Canada is attractive due to its rapidly deteriorating economic outlook, which could justify lower policy rates. A steepening bias is maintained globally, supported by expectations of continued central bank easing combined with rising term premiums. The latter is likely to result from ongoing central bank balance sheet reductions, heightened fiscal and issuance uncertainty, and structurally higher inflation dynamics compared to the 2010–2020 period.

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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 Equity Balanced category and reflect the performance of the Mackenzie Bluewater Global Growth Balanced 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 Equity Balanced category funds for Mackenzie Bluewater Global Growth Balanced Fund for each period are as follows: one year - 1,184 ; three years - 1,077 ; five years - 908 ; ten years - 526.

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