Mackenzie Canadian Short Term Income Fund

Fund snapshot

Inception date	11/24/2006
AUM (millions in CAD)	314.3
Management fee	0.40%
MER	0.61%
Benchmark	FTSE Canada Short Term Bond
CIFSC category	Canadian Short Term Fixed Income
Risk rating	Low
Lead portfolio manager	Konstantin Boehmer
Investment exp. since	2003

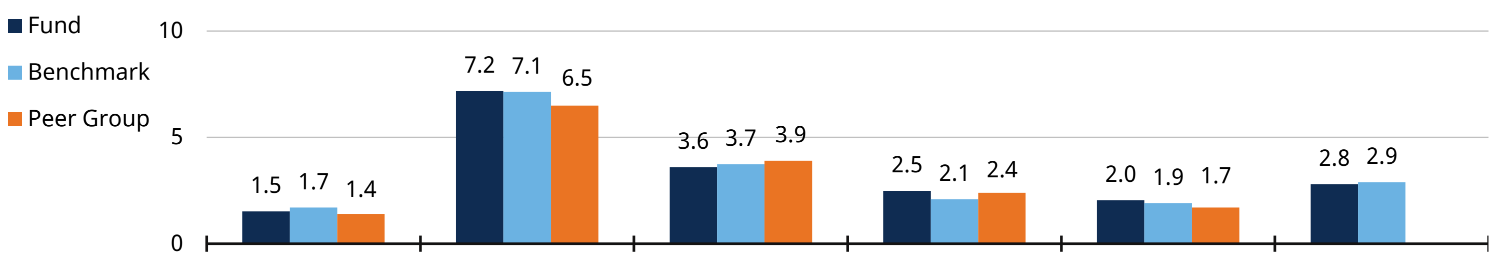
Strategy overview

• An actively managed, flexible short duration fixed income strategy.

• The objective is to generate income consistent with a short duration mandate by utilizing an expanded universe of high-quality, shorter-term securities including investment grade Canadian and foreign government and corporate bonds, residential first mortgages, and non-investment grade securities.

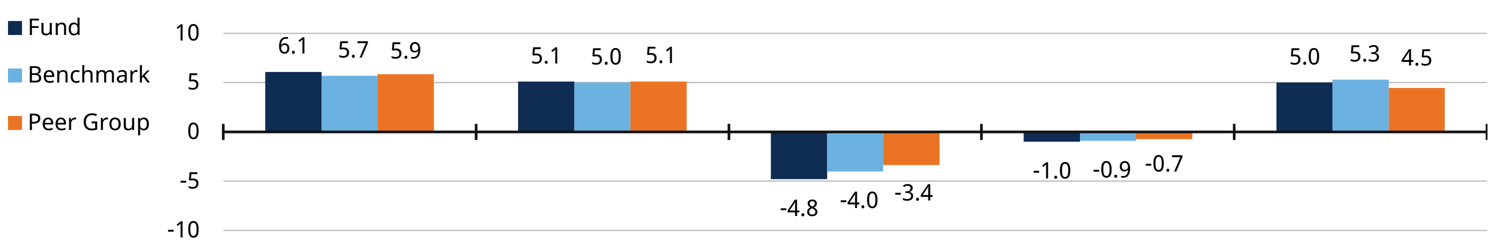
• The Fund maintains an overall credit rating of BBB or higher. This Fund can invest up to 30% in foreign securities and foreign currencies can be hedged back into Canadian dollars

Trailing returns %



	3 Mth	1yr	3Yr	5Yr	10Yr	SI
Excess return	-0.2	0.1	-0.1	0.4	0.1	-0.1
% of peers beaten	59	70	38	63	74	NA

Calendar returns %



	2024	2023	2022	2021	2020
Excess return	0.4	0.1	-0.8	-0.1	-0.3
% of peers beaten	66	50	18	52	52

Portfolio characteristics

Ratios & metrics	Portfolio	Benchmark
Fund Avg Yield	3.5	2.9
Fund Mod. Dur	2.7	2.7
Fund Rating	A	AA
Average Price	100.7	101.5
Average Coupon	3.6	3.4
Average Term	2.9	2.8

Asset allocation

Asset	Portfolio	Benchmark
Corporate	64.0	37.1
Provincial + Municipal	21.2	16.5
Federal	13.4	46.4
Cash & Equival. + WC	1.4	-

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	2.7	2.7
Sharpe Ratio	-0.2	-0.1
Tracking Error	0.6	-
Information Ratio	-0.2	-
Alpha	-0.1	-
Beta	1.0	-
Upside Capture (%)	95.8	-
Downside Capture (%)	94.9	-

Geographic allocation

Region	Weight
North America	99.4
Europe	0.4
LATAM & Caribbean	-
Other	0.2

Maturity breakdown

Bucket	Portfolio	Benchmark
0 to 3	54.8	56.4
3 to 7	44.8	43.6
7 to 12	0.1	-
12+	0.4	-

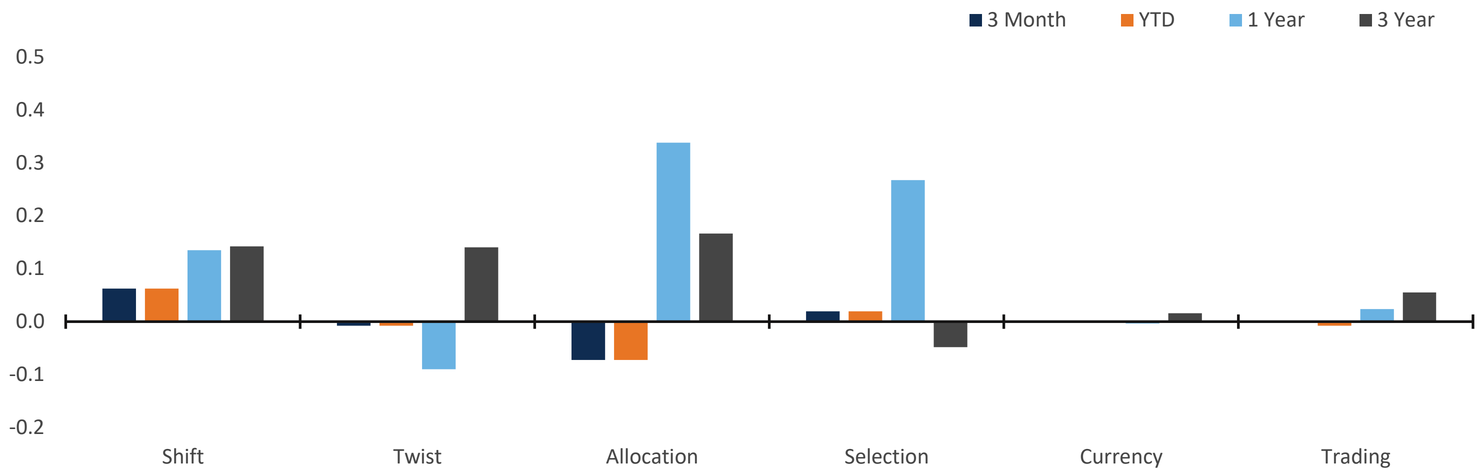
Currency exposure

Currency	Gross	Net
CAD	98.2	99.9
USD	1.8	0.1
Other	-	-

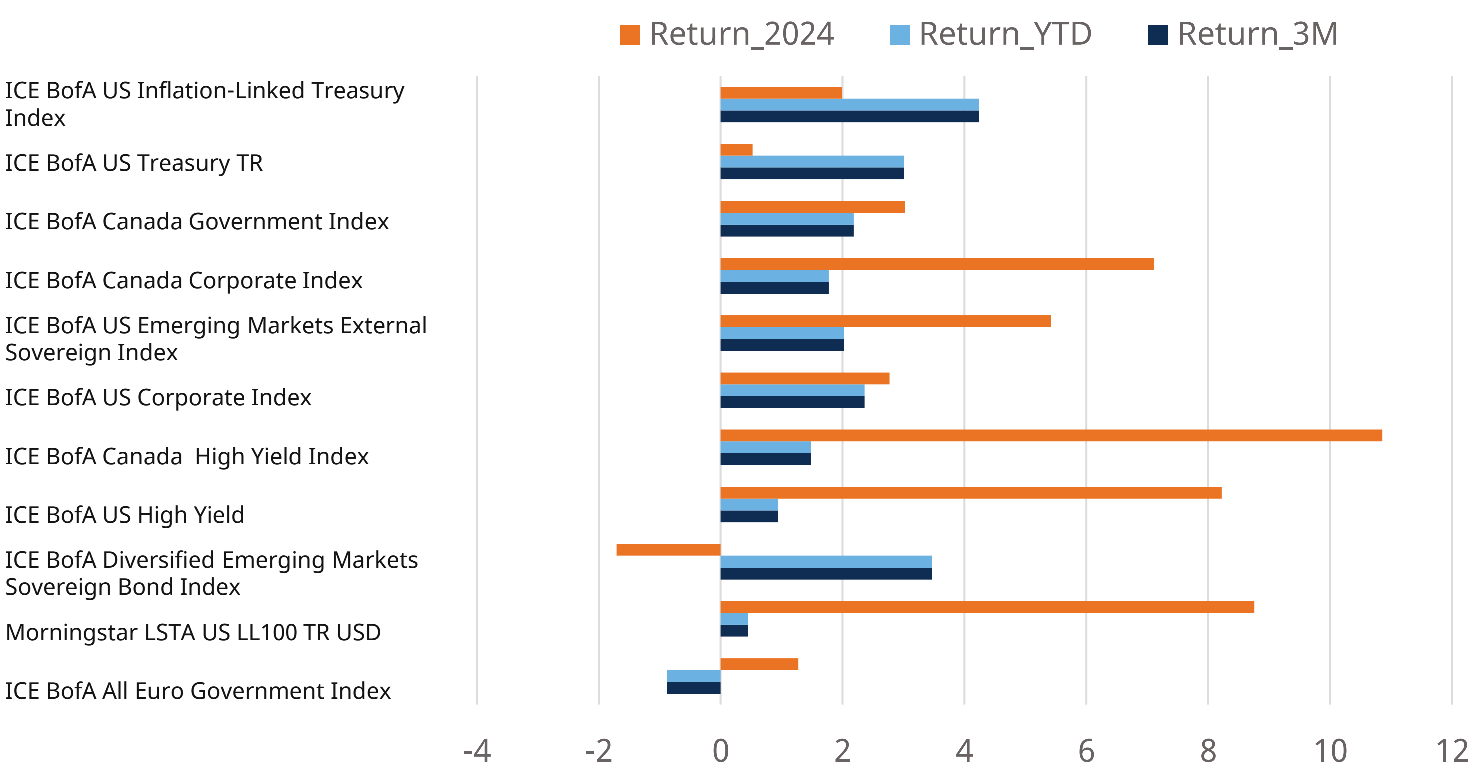
Credit breakdown

Rating	Portfolio	Benchmark
AAA	13.7	51.2
AA	25.0	17.8
A	29.6	17.1
BBB	29.1	13.9
BB	1.9	-
B	0.1	-
CCC & Below	0.0	-
NR	0.4	-

Attribution



Market Overview



Commentary

Market Overview

The second quarter of 2025 is picking up right where Q1 left off - on a rollercoaster.

Heading into Inauguration Day on January 20th, the so-called “Trump Trades” - long USD, long equities, short duration and tighter credit - continued to perform well. But that momentum began to stall almost immediately. A flurry of executive orders surrounding the inauguration sent shockwaves through both the real economy and financial markets. While the initial tariff salvos were modest, largely aimed at China, the early focus quickly shifted toward Canada and Mexico, with headlines dominated by fentanyl, border security, and bilateral trade. By early February and again in March, both Canada and Mexico narrowly escaped more extreme outcomes, but significant tariffs on steel, aluminum, autos, and other sectors are already in place and are having an impact.

The bigger issue has been volatility in policy communication. The constant back-and-forth from the Trump administration over tariff baselines and scope created substantial uncertainty. US business and consumer sentiment, long buoyed by the narrative of economic exceptionalism, began to wobble. “Soft” survey data started to roll over in February, and by March markets were pricing out US growth exceptionalism. Stagflation-lite began to take hold as the new underlying narrative.

It wasn’t just economics. Geopolitics had a hand on the wheel, too. The much-publicized Oval Office meeting between Trump, Vance, and Zelensky was widely seen as a diplomatic misfire. The fallout accelerated Europe’s push for greater self-reliance, particularly on defense. Germany moved with surprising speed, suspending its debt brake and unveiling a EUR 1 trillion fiscal package focused on defense and infrastructure. German bund yields repriced almost overnight, reflecting both a stronger growth outlook and rekindled inflation risks in the eurozone.

Now in early Q2, market volatility remains high. Trump’s latest move, a 90-day pause on reciprocal tariffs for non-retaliatory nations, while increasing tariffs on China to 125%, has temporarily lifted risk sentiment in North America. For now though, it’s a tariff a pause, not a pivot. And for companies, it’s still likely a holding pattern: capex is delayed, hiring plans frozen, and inventory restocking put on hold. The danger is that a stall in “soft data” could turn into something more real if this uncertainty persists and we see it appear in the hard data throughout the second quarter.

If the US does have a material economic slowdown, Canada won’t be immune. The existing tariffs on Canadian exports are meaningful, but likely not enough to push the country into recession on their own. However, a weaker US consumer, hit by triple-digit tariffs on Chinese goods, could dampen Canadian business investment and consumer demand. The Bank of Canada remains poised to ease, and has signaled it would tolerate a temporary rise in inflation if driven by one-time price adjustments. Barring a left-tail shock, we expect one to two more cuts this year, broadly in line with market pricing.

The Fed, by contrast, may remain stickier. Inflation dynamics in the US carry more upside risk, particularly with the 125% China tariffs. That alone could add 100bp to headline PCE inflation. With US growth still outpacing peers and nominal GDP holding firm, rate cuts are not imminent unless markets become exceptionally “unruly.”

Canadian Short Term Income Fund

The first quarter of 2025 was marked by the transition in the US from the end of the Biden administration to the beginning of the Trump administration. Understandably there was some trepidation in markets ahead of this. Most concerning for markets is the threat of tariffs and what that can lead to – inflation, economic slowdown, dysfunctional supply chains, unemployment. And of course, most concerning to us is the threat of tariffs on Canada. In the end the threat was largely toothless, with 25% tariffs being implemented not once but twice and then immediately paused.

In Canada yields on 2y, 5y, 10y and 30y government bonds fell 47bps, 35bps, 26bps and 11bps respectively, significantly bull-steepening the curve. Similarly in the US these same tenors fell 36bps, 43bps, 36bps and 21bps. In terms of credit, the US CDX Investment Grade Index – which had stubbornly refused to widen despite Trump’s electoral success and threats of disruption – finally gave up, widening from sub-50 to over 60. Another sign of concern over pending policies in the US was the widening of shorter end inflation breakeven rates with 2-year breakeven rates widening a whopping 74bps and 5-year breakeven rates by 23bps. Overall, it was a positive period for Fixed Income as yields fell during the period. The FTSE Canada Universe Bond Index and the US Corporate Index posted positive total returns for the quarter.

Commentary

Although the outlook is uncertain this doesn't imply a lack of opportunity. For the better part of two years credit spreads have been languishing at historically tight levels and credit spread volatility at or near all-time lows. Any continued resetting wider of credit spreads may be an opportunity to accumulate excellent long-term investments at attractive prices.

Contributors

-Longer overall duration positioning
-Long dated Provincial bond exposure

Detractors

-Overweight corporate bond risk
-Security selection in Financial and Energy sectors

Closing Commentary

Looking ahead, Q2 is already setting up to be all about bilateral trade negotiations, and the 90-day pause only heightens the stakes. As trade flows become more politicized, monetary and fiscal policy will increasingly be deployed on a country-by-country basis. This fragmentation is likely to feed into bond markets, with US duration continuing to drive global yields. But with European yields rebounding, potentially on the back of fiscal expansion, global bond leadership may not be as unipolar as it has been in recent quarters.

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Percentile rankings are from Morningstar Research Inc., an independent research firm, based on the Canada Fund Canadian Short Term Fixed Income category and reflect the performance of the 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 Short Term Fixed Income category funds for for each period are as follows: one year - 236 ; three years - 191 ; five years - 175 ; ten years - 129 .

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