

# Mackenzie Global Small-Mid Cap Fund

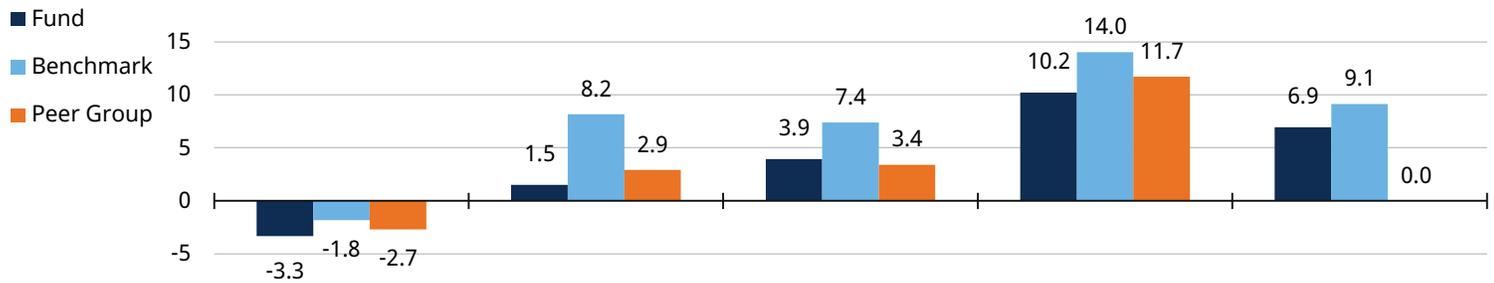
## Fund snapshot

Inception date	02/26/2020
AUM (millions in CAD)	977.5
Management Fee	0.80%
MER	1.04%
Benchmark	MSCI ACWI SMID Cap
CIFSC Category	Global Small/Mid Cap Equity
Risk Rating	Medium
Lead portfolio manager	Phil Taller
Investment exp. Since	1991
Target # of holdings	100-170

## Strategy Overview

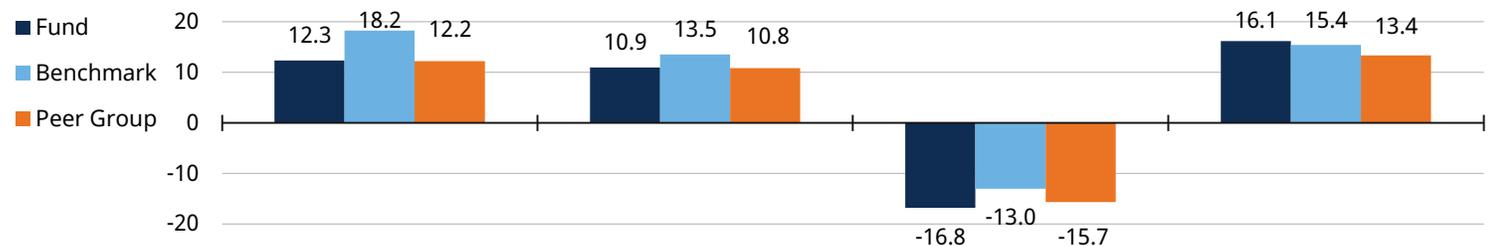
- The Fund seeks to provide long-term capital growth by investing primarily in equity securities of global small- to mid-capitalization companies.
- The Fund seeks companies with strong management, good growth prospects and attractive financial metrics.
- Emphasis is also placed on paying reasonable prices for the growth that companies in the portfolio are expected to achieve.

## Trailing returns %



	3 Mth	1 Yr	3 Yr	5 Yr	SI
Excess return	-1.5	-6.7	-3.5	3.8	-2.2
% of peers beaten	42	38	42	69	NA

## Calendar returns %



	2024	2023	2022	2021
Excess return	-5.9	-2.6	-3.8	0.7
% of peers beaten	49	44	47	61

## Portfolio characteristics

	Portfolio	Benchmark
# of holdings	167	7,387
% top 10 holdings	26.6	2.2
Weighted average market cap	21,159.5	18,321.7
EPS growth (FY E)	7.4	12.5
Dividend yield	1.4	2.2
FCF margin	11.9	-97.9
P/E Trailing 12M	21.4	16.1
P/E (forecast)	16.3	14.9
Net debt/EBITDA	2.2	1.7
ROE (latest FY)	14.6	12.6

## Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	13.1	14.1
Sharpe Ratio	0.0	0.2
Tracking Error	4.0	-
Information Ratio	-0.9	-
Alpha	-3.1	-
Beta	0.9	-
Upside Capture (%)	86.0	-
Downside Capture (%)	99.9	-

## Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
Emerging Markets	8.2	14.2	-6.0
United States	54.8	52.7	2.1
International	33.4	29.9	3.5
Other	3.6	3.2	0.4

## Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	9.8	16.3	-6.5
Energy	1.3	3.9	-2.6
Materials	3.2	7.9	-4.7
Industrials	22.5	19.0	3.4
Information Technology	21.7	11.3	10.4
Communication Services	2.3	4.2	-1.9
Utilities	1.7	5.2	-3.5
Consumer Staples	4.1	5.5	-1.4
Consumer Discretionary	5.0	10.4	-5.4
Real Estate	5.2	7.2	-2.0
Health Care	19.7	9.0	10.7
Other	3.6	-	3.6

## Country allocation

Country	Portfolio	Benchmark	Relative Weight
United States	54.8	52.7	2.1
Japan	9.4	9.4	-
United Kingdom	7.1	3.5	3.6
Australia	3.4	2.7	0.7
Germany	3.2	1.9	1.2
India	2.8	2.8	-
Other	19.3	27.0	-7.7

## Currency exposure

Region	Gross	Benchmark
CAD	11.7	3.2
USD	46.9	53.6
Other	41.3	43.3

## Top 10 holdings

Security name	Country	Sector	Weight
CoStar Group, Inc.	United States	Real Estate	2.9
SS&C Technologies Holdings, Inc.	United States	Industrials	2.8
Vontier Corp	United States	Information Technology	2.7
Cirrus Logic, Inc.	United States	Information Technology	2.7
Akamai Technologies, Inc.	United States	Information Technology	2.7
DexCom, Inc.	United States	Health Care	2.5
Jack Henry & Associates, Inc.	United States	Financials	2.5
Charles River Laboratories International, Inc.	United States	Health Care	2.4
MAXIMUS, Inc.	United States	Industrials	2.3
Keysight Technologies Inc	United States	Information Technology	2.2

## Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Progressive Corporation	2.1	0.4
	SS&C Technologies Holdings, Inc.	2.8	0.3
	CoStar Group, Inc.	2.8	0.3
Detractors	Charles River Laboratories International, Inc.	2.5	-0.5
	Exact Sciences Corporation	2.1	-0.5
	e.l.f. Beauty, Inc.	1.7	-1.1

## Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Industrials	1.7	0.0	1.0	0.9
	Consumer Discretionary	-5.9	0.3	0.3	0.6
	Financials	-5.6	-0.3	0.5	0.3
Detractors	Utilities	-3.3	-0.2	-0.1	-0.3
	Consumer Staples	0.1	-0.1	-1.2	-1.2
	Health Care	11.6	-0.3	-1.4	-1.8

## Commentary

### 1) QFR Highlights

Over the first quarter of 2025, the fund returned -3%.

This quarter was characterized by increased volatility and market corrections globally, spurred by the uncertainty around the tariffs introduced by the current United States administration.

### 2) Market Overview

Asia:

Asian markets experienced mixed results in the first quarter of 2025. Equities were buoyed by strong performances in China, Hong Kong, Japan, Korea, and Singapore whilst Taiwan, India, and rest of emerging Asia produced negative returns.

The Chinese authorities continued with pro-growth policies which kept the economy away from a further deflationary downturn. The country's technological advancements extend beyond electric vehicle, EV batteries, solar and wind energy sectors, with impressive advancements in semiconductor equipment, DRAM, and IC design, further solidifying its position as a global economic powerhouse. The recent release of DeepSeek's AI model positively impacted Chinese stocks, reflecting increased investor confidence in China's technological capabilities.

India's economy remains relatively sheltered from tariff affected global trade, and the equity market valuation is more attractive after the significant corrections which have taken place. The region had to endure the prospect of reciprocal tariffs at the start of the second quarter which had been discussed endlessly since President Trump won the US election.

Europe:

In Western Europe, the team made more than usual changes to the portfolio in the quarter, this was in response to what we view as an exceptional change to the trading and security relationship between the US and its allies under the second Trump administration. The speech by Vice President JD Vance at the Munich Security Conference, followed by the aggressive stance taken toward Ukrainian President Volodymyr Zelensky by President Trump in the Oval Office shortly thereafter were clear indications to us and European leaders that complete reliance on the US Security umbrella was no longer tenable. These events triggered in Europe an awakening which has since led to commitments to spend greater amounts of taxpayer money on defense, infrastructure and, we believe, structural reforms to improve the competitiveness of the European economy. This titanic shift is most clearly embodied in the Germany constitutional reform to modify the 'debt brake' and allow for an additional one trillion euro of spending over the next decade on defense and infrastructure.

United States:

The quarter was characterized by increased volatility and market corrections spurred by the uncertainty around the tariffs and government spending cuts introduced by the current United States administration. There is some speculation that there will be negotiations on the tariff front, as exemplified by comments about Vietnam from the White House. Uncertainty is slightly diminished, but not by much, and we all know that markets do not like uncertainty.

### 3) Fund Performance

The fund returned -3% in the first quarter of 2025, underperforming the benchmark (MSCI ACWI Small Mid Cap) return of -1.84%.

Stock selection within Information Technology (1.11%) and Industrials (1%) contributed to relative performance, while stock selection in Health Care (-1.44%) and Consumer Staples (-1.15%) detracted.

At a country level, stock selection within the United Kingdom (0.20%) contributed to relative performance, while stock selection in United States (-1.15%) detracted.

## Commentary

### **4) Security Contributors**

The top security contributors in Q1 of 2025 were Progressive Corporation, SS&C Technologies Holdings and CoStar Group.

### **5) Security Detractors**

The top security detractors in Q1 of 2025 were e.l.f. Beauty, Exact Sciences Corporation and Charles River Laboratories International.

### **6) Portfolio Activities**

Over the quarter, we increased our positions within the Information Technology sector while reducing our positions in the Consumer Discretionary sector.

### **7) Outlook, Positioning**

Asia:

During the first quarter of 2025, we increased the exposure to India, closing out our underweight position. An addition was made to healthcare sector (Global Health) which has attracted substantial investment, driven by the demand for quality care and expansion into underserved markets. We also initiated positions in renewable energy (JSW Energy) and the leading Travel OTA (MakeMyTrip). We reduced our exposure to Japan, and Korea, due to global tariff uncertainties affecting export-driven markets. We reduced our Australian exposure by taking profits in the insurance sector (Suncorp) and selling an investment in the quick service restaurant sector (Domino Pizza). In China technology, we switched from a tech hardware name (Sunny Optical) which was vulnerable to higher tariffs to a semiconductor equipment name (Piotech) which will benefit from China raising retaliatory tariffs to the US. Given the current geopolitical climate and the trend of countries re-arming, we added to defense related names, such as NOF Corporation in Japan, which specializes in chemicals, explosives, and propulsion systems for both industrial and defense applications and initiating a position in Sifonia which is the monopoly provider of power control units for missiles.

Europe:

It is difficult to recall a more uncertain geopolitical environment in recent decades than what the world faces currently. In Europe, it has led to cohesion amongst EU members and the UK to increase defense spending, and we believe the Mario Draghi Report published last year, 'The Future of European Competitiveness', can act as a framework for Europe to navigate a post-US hegemonic world order. This report calls for, amongst other things, greater support for innovation, greater collective defense spending and a more integrated financial and trading system within the EU. We take a degree of comfort from Germany's commitment to greater deficit spending, as it is the least fiscally constrained country in Europe and by far its largest economy.

In such a volatile political and economic environment, the fund focuses on companies with resilient business models or niche competitive positions that trade at attractive relative valuations, or that are exposed to multi-year secular themes, while maintaining valuation discipline. Over the quarter, the fund increased its Industrials exposure mainly through adding to European defense holdings including Rheinmetall in Germany and Babcock in the UK. Their fund's weighting in Materials also increased for beneficiaries of European infrastructure investment and potential Ukraine reconstruction, primarily cement. This was funded by reducing the fund's overweight position in Banks and Communication Services, particularly Media & Entertainment.

## Commentary

### 7) Outlook, Positioning

United States:

While there has been a lot of uncertainty with corrections in the markets, we increased the cyclical exposure of our portfolio during the first quarter. This approach is aligned with our investment philosophy, enabling us to identify and capitalize on promising growth opportunities. Core & Main was added to the fund in the same vein.

Core & Main is a leading distributor of water, wastewater, storm drainage, and fire protection products. Their focus on providing innovative solutions for new construction and aging infrastructure supports the growth of city infrastructure. We aim to capitalize on the aging US water infrastructure and increasing demand for sustainable infrastructure.

The Department of Government Efficiency (DOGE) had recently sparked market anxiety with its mandate to cut government spending. This development has raised concerns among companies that rely heavily on government contracts.

Maximus, however, is a key player in social security and healthcare services, whose operations fall within legally mandated spending areas, much of what they do are in areas that really can't be cut too much. In fact, Maximus has proposed several cost-saving measures aimed at reducing government expenditure.

We continue to position our funds towards long term growth opportunities while being cognizant of current market conditions.

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