# Mackenzie Income Fund

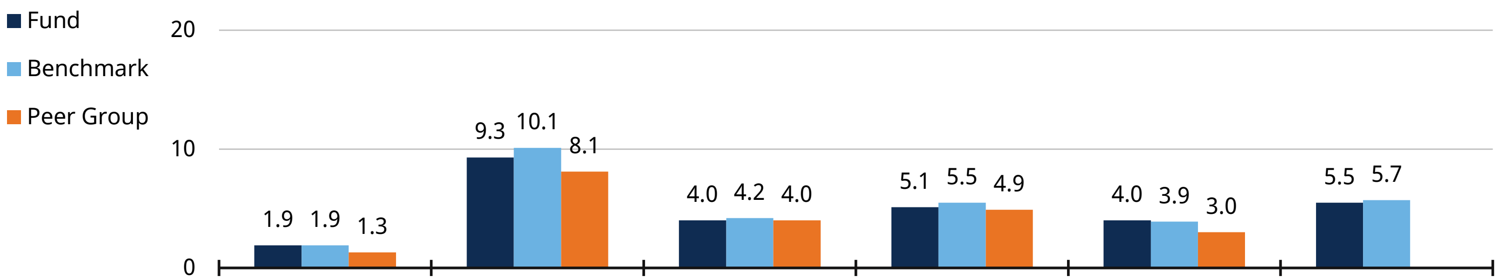
## Fund snapshot

| | |
|---|---|
| Inception date | 10/22/2001 |
| AUM (millions in CAD) | 1192.8 |
| Management Fee | 0.65% |
| MER | 0.89% |
| Benchmark | 70% FTSE Univ + 30% TSX Comp |
| CIFSC Category | Canadian Fixed Income Balanced |
| Risk Rating | Low |
| Lead Portfolio Managers | Felix Wong |

## Strategy overview

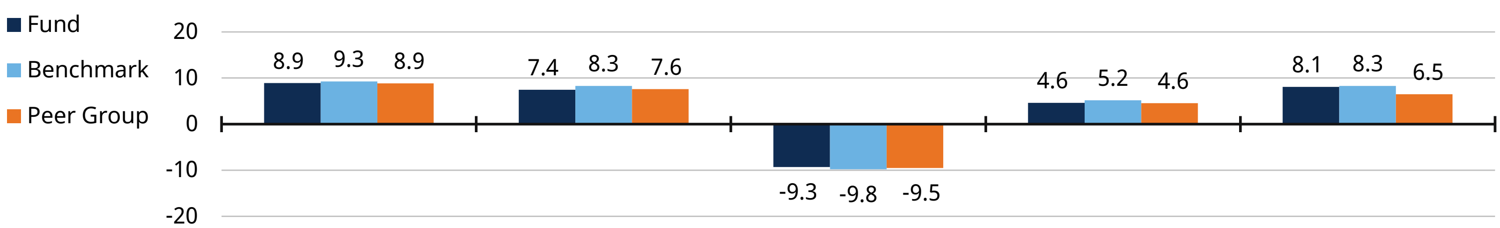
- Conservative asset allocation aims to safeguard capital, provide an income stream and moderate investment growth
- The Fund's fixed income investments are mainly in high quality securities but can include higher yielding, lower quality securities
- Equity portfolio of quality, dividend paying companies in Canada and globally contribute to the Fund's income stream

## Trailing returns %




| | 3 Mth | 1 Yr | 3 Yr | 5 Yr | 10 Yr | SI |
|---|---|---|---|---|---|---|
| Excess return | 0.0 | -0.8 | -0.2 | -0.4 | 0.1 | -0.2 |
| % of peers beaten | 81 | 86 | 53 | 58 | 88 | NA |

## Calendar returns %




| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Excess return | -0.4 | -0.9 | 0.5 | -0.6 | -0.2 |
| % of peers beaten | 58 | 47 | 60 | 56 | 88 |

## Portfolio characteristics

| | Portfolio | Benchmark |
|---|---|---|
| Overall yield | 3.6 | 3.4 |
| Equity | | |
| P/E 12m forward | 16.8 | 15.2 |
| Dividend yield | 2.6 | 2.8 |
| Net debt/EBITDA | 1.8 | 2.0 |
| EPS growth (FY E) | 12.5 | 14.7 |
| P/B | 2.8 | 2.1 |
| Fixed income | | |
| Yield | 4.2 | 3.4 |
| Duration | 7.5 | 7.2 |
| Average credit quality | A | AA |

## Sector allocation

| Sector | Portfolio (%) | Benchmark (%) | Relative weight (%) |
|---|---|---|---|
| Financials | 8.3 | 9.6 | -1.3 |
| Energy | 3.9 | 5.1 | -1.2 |
| Materials | 2.3 | 4.0 | -1.7 |
| Industrials | 4.3 | 3.6 | 0.7 |
| Information Technology | 4.1 | 2.8 | 1.3 |
| Communication Services | 1.5 | 0.7 | 0.8 |
| Utilities | 1.3 | 1.2 | 0.1 |
| Consumer Staples | 2.3 | 1.2 | 1.1 |
| Consumer Discretionary | 2.0 | 1.0 | 1.0 |
| Real Estate | 0.5 | 0.6 | -0.1 |
| Health Care | 2.4 | 0.1 | 2.3 |
| Other | 1.5 | 0.2 | 1.3 |

## Performance metrics (3 year trailing)

| Metrics | Portfolio | Benchmark |
|---|---|---|
| Standard Dev. | 7.5 | 8.4 |
| Sharpe Ratio | 0.0 | - |
| Tracking Error | 1.5 | - |
| Information Ratio | -0.1 | - |
| Alpha | -0.1 | - |
| Beta | 0.9 | - |
| Upside Capture (%) | 91.4 | - |
| Downside Capture (%) | 89.2 | - |

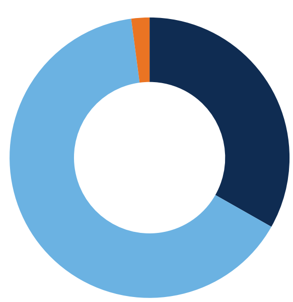
## Country allocation

| Country | Weight | Benchmark (%) | Relative weight |
|---|---|---|---|
| Canada | 68.7 | 99.3 | -30.6 |
| United States | 18.8 | 0.5 | 18.3 |
| New Zealand | 2.3 | - | 2.3 |
| United Kingdom | 1.9 | - | 1.9 |
| Germany | 1.3 | - | 1.3 |
| Japan | 0.9 | - | 0.9 |
| Other | 6.1 | 0.2 | 5.9 |

## Credit breakdown

| Rating | Portfolio | Benchmark |
|---|---|---|
| AAA | 16.5 | 42.8 |
| AA | 29.3 | 31.4 |
| A | 17.3 | 14.7 |
| BBB | 28.6 | 11.1 |
| BB | 5.8 | - |
| B | 1.6 | - |
| CCC & Below | 0.2 | - |
| NR | 0.7 | - |

## Asset allocation



| | Portfolio (%) |
|---|---|
| Equity | 33.2 |
| Fixed Income | 64.7 |
| Cash | 2.1 |

## Top 10 equity holdings

| Security name | Country | Sector | Weight |
|---|---|---|---|
| Mackenzie Alternative Enhanced Yield Fund Series R | Canada | Mutual Funds | 2.0 |
| Royal Bank of Canada | Canada | Financials | 1.2 |
| The Toronto-Dominion Bank | Canada | Financials | 0.8 |
| Canadian Natural Resources Ltd. | Canada | Energy | 0.7 |
| Apple Inc. | United States | Information Technology | 0.7 |
| Microsoft Corp. | United States | Information Technology | 0.7 |
| Agnico-Eagle Mines Ltd. | Canada | Materials | 0.6 |
| Philip Morris International Inc. | United States | Consumer Staples | 0.6 |
| Canadian Pacific Kansas City Ltd. | Canada | Industrials | 0.6 |
| Bank of Montreal | Canada | Financials | 0.5 |

## Equity - Attribution

| | Sector | Portfolio Average Weight (%) | Portfolio Contribution to Return (%) |
|---|---|---|---|
| Contributors | Materials | 2.3 | 0.3 |
| | Energy | 3.7 | 0.3 |
| | Financials | 8.4 | 0.2 |
| Detractors | Communication Services | 1.5 | 0.0 |
| | Consumer Discretionary | 2.2 | 0.0 |
| | Information Technology | 4.1 | -0.4 |

## Fixed Income - Attribution

| | Sector | Portfolio Average Weight (%) | Portfolio Contribution to Return (%) |
|---|---|---|---|
| Contributors | Corporate | 37.4 | 0.6 |
| | Government | 27.1 | 0.6 |

## Commentary

**1) QFR Highlights**

The fund performed in line with its blended benchmark index comprising of 30% S&P/TSX Composite Index and 70% FTSE Canada Universe Bond Index.

**2) Market Overview**

The first quarter of 2025 was a notable shift from the previous quarter. Heightened economic uncertainty was the major theme, largely due to policy shifts and trade tensions that resulted from actions by the United States. The new US administration has introduced tariffs on imports from multiple countries and regions, including Canada, Mexico and China. This has led to retaliatory tariffs, concerns of trade wars, and increased volatility in global markets. Additionally, inflation concerns have persisted or reignited in the United States and other countries, driven in part by the economic uncertainty of the impact of tariffs. After a relatively strong start to the year, US equities faced a sharp correction and posted negative results for the quarter. Growth stocks, particularly in the technology sector, have underperformed while more defensive sectors such as health care and consumer staples have outperformed. Canadian equities, while having mixed results due to trade tensions weighing on investor sentiment, have generally outperformed their US counterpart. European equities outperformed the US, Canada and most other developed markets, delivering their strongest performance in decades. Asian equities had mixed results, with strong performance in China where stimulus measures supported domestic consumption and industrial output. Hong Kong and South Korea also had positive performance, while Japanese equities declined in a similar magnitude to the US market. US bond markets rallied, as interest rates fell, and we saw a flight to quality as investors sought safety in bonds amid stock market volatility. Canadian bonds benefitted from the Bank of Canada's interest rate cuts during the quarter. Global bond markets also demonstrated strong performance, particularly in Europe.

**3) Fund Performance**

In Q1 2025, Series F of the fund returned 1.9% versus 1.9% for the blended benchmark. The equity portion of the fund outperformed the equity component of the blended benchmark, while the fixed income portion of the fund underperformed the fixed income component of the blended benchmark. From an equity perspective, stock selection in the financials, energy and consumer staples sectors contributed the most to relative performance. Stock selection in the information technology, communication services and consumer discretionary sectors detracted the most from relative performance. From a country perspective, stock selection in Canada, Germany and Switzerland contributed to relative performance, while stock selection in Taiwan, Denmark and the United States detracted from relative performance. From a fixed income perspective, holdings in federal government bonds contributed to relative performance. Holdings in corporate bonds, particularly in the financial and communication sectors detracted from relative performance.

**4) Security Contributors**

Philip Morris International Inc., along with not holding either Shopify Inc. or Canadian Imperial Bank of Commerce were among the largest contributors to relative performance over the quarter.

Philip Morris

Philip Morris' stock rose 33%, driven by smoke-free products like IQOS and Zyn.

Shopify

Shopify provided mixed guidance during the quarter, falling short of analyst expectations. Broader market volatility, particularly within the technology sector negatively impacted the stock and the share price fell 10.5%.

CIBC

CIBC, despite reporting solid financial results, was negatively impacted by investor sentiment, primarily around broader economic concerns and sector-specific challenges. The share price fell almost 10% in the quarter.

**5) Security Detractors**

Broadcom Inc., Microsoft Corp., and Apple Inc. were among the largest detractors from relative performance over the quarter.

Broadcom

Broadcom saw a 25% revenue growth to USD$14.9 billion, beating estimates by USD$300 million, but tariffs and trade tensions hurt investor sentiment.

Microsoft

Microsoft reported USD$69.6 billion in quarterly revenue (up 12%) and USD$24.1 billion in net income (up 10%). AI revenue surged 175%, Azure grew 31%, but gaming revenue fell 7%, and Xbox hardware declined 29%. Investor concerns over AI returns affected stock performance.

Apple

Apple reported record Q1 revenues of USD$124.3 billion and profits of USD$36.3 billion, with iPhone sales missing expectations. Geopolitical tensions and tariff concerns impacted the stock price negatively.

**6) Portfolio Activities**

Within North American Equities, the portfolio management team continues to seek out the best overall reward to risk opportunities within our Canadian investment universe which led to some changes in the portfolio in the quarter. The changes were driven primarily by stock specific opportunities which resulted in increased positions in the consumer staples, energy and industrials sectors, while positions in the financial services and communication sectors were reduced. Overall, the changes resulted in one new position being added, and one position being eliminated. The Canadian portion of the portfolio ended the period with 52 unique stock positions.

Within Global Equity & Income Equities, in response to the volatility, the portfolio was repositioned with ~15% turnover leading to improved earnings per share (EPS) growth, return on invested capital (ROIC), and return on equity (ROE). We are prepared to adjust as the situation evolves, while still remaining disciplined to our investment process and philosophy.

**7) Outlook, Positioning**

**Fixed Income Team:** Looking ahead, Q2 is already setting up to be all about bilateral trade negotiations, and the 90-day tariff 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.

**North American Equity & Income Team:** The portfolio management team remains opportunistic amid recent market volatility. Equity markets are expected to stay volatile due to policy announcements and company decisions. The Trump administration's tariffs could significantly impact the global economy, despite some tariffs being walked back. This shift may benefit Canada's economy by encouraging investment in natural resources and new markets. While direct impacts of new tariffs on Canada are limited, a US/global slowdown could affect the Canadian economy. Equity markets have priced in a global recession, but unknowns remain about tariff duration and negotiations. The team's focus on quality companies should perform well in volatile markets, and they continue to seek attractive opportunities.

**Global Equity & Income Team:** Trump's return triggered a sweeping new tariff regime, creating the highest US tariff burden in over a century. Markets reacted sharply – equities and bonds sold off, the USD weakened, and recession risks rose – though some relief came via a temporary tariff suspension. The US administration's aggressive stance, especially toward China, has led to retaliation and market unease. While most tariffs may be eventually negotiated down, a prolonged standoff risks stagflation and capital flight. For now, volatility is the price of admission. But volatility is also the birthplace of opportunity. We will continue to take advantage of temporary dislocations while steering clear of macro prognostication. Our portfolio remains positioned around high-quality, well-capitalized businesses that can navigate what is currently a fractured global trading system.

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 Fixed Income Balanced category and reflect the performance of the Mackenzie Income 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 Fixed Income Balanced category funds for Mackenzie Income Fund for each period are as follows: one year - 373 ; three years - 367 ; five years - 313 ; ten years - 214.



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