Mackenzie Canadian Dividend Fund

Strategy snapshot

Inception date	08/20/2002
AUM (millions in CAD)	2541.4
Benchmark	80% TSX Div (Linked) + 20% MSCI World
Lead portfolio manager	Tim Johal, Darren McKirernan
Investment exp. since	2000, 1995
Target # of holdings	-

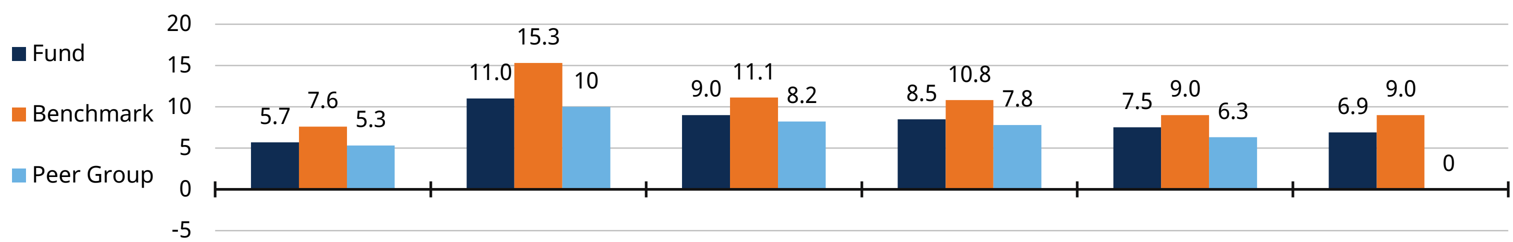
Strategy Overview

• Dividends can be an important component of total return over the long term.

• When a company can consistently increase its dividend over a long period of time, it is often a signal that the business is able to generate strong free cash flows through a variety of market environments.

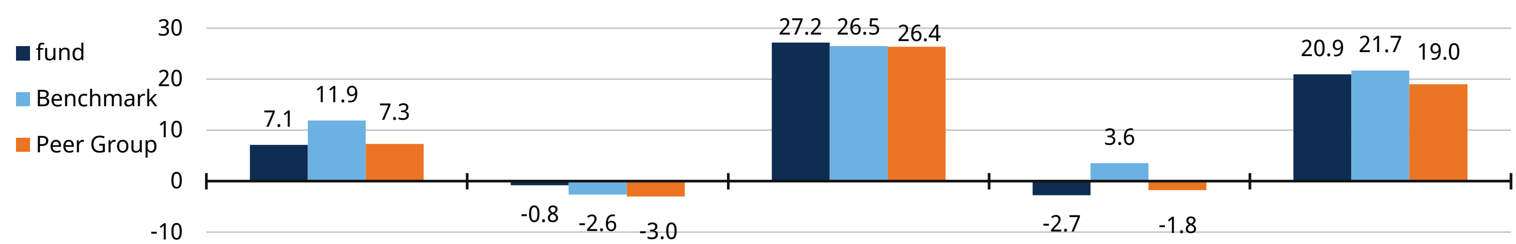
• Two experienced management teams focusing on their specific geographies of expertise.

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-1.9	-4.3	-2.1	-2.3	-1.4	-2.1
% of peers beaten	56	61	72	63	81	NA

Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-4.8	1.8	0.7	-6.3	-0.8
% of peers beaten	44	75	54	59	74

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	157.0	1,561.0
% top 10 holdings	39.5	31.1
Weighted average market cap	184,806.3	207,751.6
EPS growth (FY E)	-1.1	10.7
Dividend yield	3.6	3.0
FCF margin	15.7	14.9
P/E Trailing 12M	17.7	17.6
P/E (forecast)	14.5	15.2
Net debt/EBITDA	3.2	2.5
ROE (latest FY)	13.4	13.9

Sector allocation

Sector	Weight	Relative weight
Communication Services	6.6	2.3
Consumer Discretionary	4.2	-1.0
Consumer Staples	4.7	-0.2
Energy	17.3	1.2
Financials	32.7	2.3
Health Care	2.0	-0.5
Industrials	10.4	-3.9
Information Technology	5.1	-2.1
Materials	7.1	-1.9
Real Estate	2.0	-0.4
Utilities	7.2	3.4

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	11.6	12.2
Sharpe Ratio	0.6	0.7
Tracking Error	2.3	-
Information Ratio	-0.9	-
Alpha	-1.5	-
Beta	0.9	-
Upside Capture (%)	93.0	-
Downside Capture (%)	102.1	-

Country allocation

Country	Weight	Relative weight
Canada	80.6	3.7
United States	14.2	-2.1
Germany	0.5	0.1
United Kingdom	0.8	-0.3
France	0.6	-0.3
Japan	1.2	-0.9
Other	2.2	99.7

Regional breakdown

Region	Weight	Relative weight
Canada	84.3	3.7
United States	12.1	-2.1
International	2.5	-2.8
Emerging Markets	0.2	0.2

Currency exposure

Region	Gross	Benchmark
CAD	85.0	80.6
USD	12.3	14.2
Other	2.7	5.2

Top 10 holdings

Security name	Country	Sector	Weight
Royal Bank of Canada	Canada	Financials	6.3
Bank of Montreal	Canada	Financials	4.7
Toronto-Dominion Bank	Canada	Financials	4.4
Canadian Natural Resources Limited	Canada	Energy	4.3
Sun Life Financial Inc.	Canada	Financials	3.8
TELUS Corporation	Canada	Communication Services	3.4
TC Energy Corporation	Canada	Energy	3.3
Canadian Pacific Kansas City Limited	Canada	Industrials	3.1
Enbridge Inc.	Canada	Energy	3.0
Bank of Nova Scotia	Canada	Financials	3.0

Security level contributors and detractors

	Security	Average Relative weight (%)	Allocation Effect (%)	% contribution to return
Contributors	Canadian Natural Resources Limited	1.0	0.1	0.8
	Loblaw Companies Limited	2.1	0.2	0.5
	Manulife Financial Corporation	0.9	0.1	0.4
Detractors	Toronto-Dominion Bank	0.3	0.0	-0.2
	Rogers Communications Inc. Class B	1.6	-0.3	-0.2
	TELUS Corporation	2.8	-0.4	-0.2

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)
Contributors	Energy	1.2	0.1	0.0
	Financials	2.7	0.0	0.0
	Industrials	-4.1	-0.2	0.0
Detractors	Real Estate	-0.5	0.0	0.0
	Utilities	3.4	-0.3	0.0
	Communication Services	2.5	-0.2	0.0

Commentary

For Q1 2024, Mackenzie Canadian Dividend Fund returned 5.7% for the period. This compares with a return of 7.6% for its blended benchmark index comprising 80% S&P/TSX Composite Dividend Total Return Index and 20% MSCI World Index CAD.

The Fund's stock selection in the consumer and materials sectors were positive for performance, offset somewhat by negative selection in the industrials and information technology sector.

Loblaw is a national leading grocery and pharmacy services provider. Loblaw has favourable positioning within the grocery industry as their store brands and store count are more weighted towards discount offerings, which are benefitting as the consumer is looking for cost savings over conventional grocery and eating away from home. Additionally, Loblaw owns the national leading pharmacy chain in Shoppers Drug Mart which is experiencing strong secular tailwinds such as growth in specialty drug distribution and an enhancement in pharmacy clinic services. During the quarter, the shares outperformed as the market is recognizing Loblaws solid positioning in both grocery and pharmacy and that has translated into financial results. We remain confident that Loblaws will continue to generate strong free cash flow to support dividend growth and further share buybacks.

CCL Industries is a high-quality packaging and labelling company with global operations. The company provides labelling solutions for several industries such as consumer packaging, healthcare and chemical, consumer electronic devices and auto markets and several other products. We held an overweight position in the stock given i) our favourable view of management, ii) the company's ability to pass through any cost inflation, and iii) its strong balance sheet which provides flexibility for future acquisitions. The stock outperformed in the quarter as company margins have remains resilient and management shared a strong future sales outlook. We maintain a favourable view of company fundamentals and expect more accretive acquisitions in the future which should drive further earnings growth.

Open Text is a leading enterprise software company focused on enterprise content management, supply chain management, and security. Throughout OpenText's history, acquisitions have been a key ingredient to improving and diversifying their product offering. OpenText underperformed during the quarter as the market remains concerned about their low organic growth profile and the execution risk associated with the integration of Micro Focus, which closed in 2023. We believe the market has been too punitive on the shares and management has shown a track record for execution of integrating key acquisitions and demonstrated its ability to drive free cash flow growth; we remain constructive on the outlook for the business and see significant returns to our intrinsic value estimate for the stock.

TC Energy is a North American natural gas pipeline transmission and distribution company. TC Energy shares underperformed in the quarter as market interest rates increased and investors perceived this to have a negative effect on the company's future cash flows. Within the quarter the company continued to announce asset sales which should allow for further de-leveraging of the company's balance sheet, which should be positive for the stock. We continue to see good value within the company's growing natural gas and LNG linked businesses, same which will support TC's sustainable and growing dividend.

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 materials and utilities sectors, while positions in the financial services and consumer staples sectors were reduced. Overall, the changes resulted in one new position being added. The Canadian portion of the portfolio ended the period with 50 unique stock positions.

In the materials sector, we added to our overweight position in **Nutrien** as the stock was weak and there was an increasingly favourable reward to risk profile. Within the utilities sector, we continued to add to our **AltaGas** position. The company is building an attractive position in NGL export facilities which we expect will serve as a catalyst for a rerating of the stock. We also continued to add to our position in **Northland Power** as we believe the stock is undervalued, their funding position becomes clearer and offshore projects continue to advance to completion. With these additions we have increased our overweight within the utilities sector.

Commentary

Within the energy sector, we added to some upstream producers where we saw a favorable reward to risk profile, and these companies are expected to benefit from stronger commodity prices. Offsetting these additions, we also reduced our weightings within some pipeline companies where potential returns were less favorable.

In financial services, we further reduced our position in select insurers and banks due to more limited upside to our price targets after a strong period of performance. We continue to remain overweight insurers (both life and property & casualty) while our bank weight ended the quarter close to neutral against the benchmark. In consumer staples we reduced our position in **Loblaw** as the stock performed well. The fund remains overweight Loblaw but positioning within the consumer staples sector is neutral.

The portfolio management team has a balanced outlook for Canadian equities. There continues to be a fair amount of uncertainty regarding the Canadian economy and the likelihood of a soft-landing scenario. Despite same, given the continuous drop in core inflation measures, we believe it is likely the Bank of Canada will begin to ease monetary policy later this year. Lower interest rates should serve as a catalyst for investment spending which would be positive for economic growth. In addition, we would expect lower interest rates to provide some relief to Canadian residential mortgage holders, with variable rate-mortgages, as well as those who have fixed-rate mortgages coming up for renewal shortly.

Within the US, inflation readings have come in stronger than expected more recently, pushing back the market's expectations regarding the timing and number of interest rate cuts by the US Federal Reserve this year. As a result, longer-term treasury bond yields have risen over the past quarter to reflect these modified expectations. Risks remain elevated that higher personal wages and consumption along with increased government spending on items such as the green transition, geopolitical conflicts and near-shoring of manufacturing and supply chains, may cause inflation within the US to be stickier than markets are currently expecting. Same would force the Federal Reserve to defer rate cuts to a later period than currently assumed by financial markets and may provide some headwinds to the recent equity rally.

Geopolitical tensions have been heightened so far this year, with the continued conflict in Ukraine as well as in the Middle East. Attacks on Russian refinery production has reduced refined product supply globally. All of these conflicts have served to increase global energy prices. We continue to monitor these geopolitical risks closely to assess their potential impact on our portfolio holdings.

Our outlook remains balanced with increased likelihood of a soft-landing in Canada rather than an outright recession. Within this framework, we see a favourable long-term reward to risk profile among several stocks in our investment universe, particularly those that are perceived to be more interest rate sensitive. Positioning in the fund continues to focus on high quality names and remains balanced between cyclical and defensive sectors. We remain focused on investing in high quality stocks with a margin of safety to our estimate of fair value.

Loblaw (L CN)

Loblaw is a national leading grocery and pharmacy services provider.

Loblaw has favourable asset mix positioning within the grocery industry as their store brands and store count are more weighted towards discount offerings, which are benefitting as the consumer is looking for cost savings over conventional grocery and eating away from home.

Additionally, Loblaw owns the national leading pharmacy chain in Shoppers Drug Mart which is experiencing strong secular tailwinds such as growth in specialty drug distribution and an enhancement in pharmacy clinic services.

While the shares have performed well, we believe the market is still underestimating the continued execution of their growth playbook including new store growth opportunities, further penetration of discount share gains, and pharmacy services growth.

Loblaw generates significant free cash flow, which we believe will continue to be allocated to dividend growth and share repurchases.

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, 2024 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.

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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 Dividend & Income Equity category and reflect the performance of the Mackenzie Canadian Dividend Fund for the 3-month, 1-, 3-, 5-, and 10-year periods as of March 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 Canadian Dividend & Income Equity funds for Mackenzie Canadian Dividend Fund for each period are as follows: one year –405; three years –374 ; five years – 351 ; ten years – 235 .

Morningstar data is shown as of the most recent reporting period by each fund family. Allocations may not equal 100% and will vary overtime. Assets contained within “Other” category are not classified by Morningstar. All information presented in this tool is for informational purposes only and is not intended to be investment advice. The information is not meant to be an offer to sell or a recommendation to buy any investment product. Unless otherwise noted, performance is shown before sales charge. For more fund information, click the POS Documents link.

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