

Mackenzie US Mid Cap Opportunities Fund

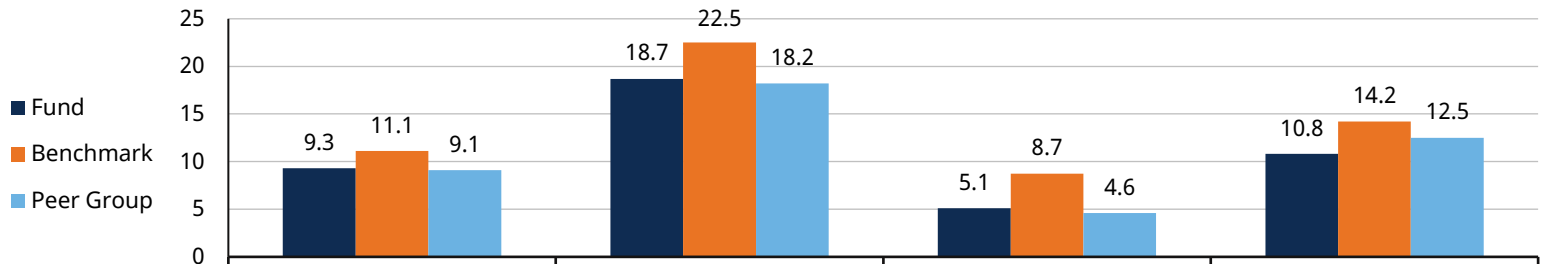
Strategy snapshot

Inception date	05/27/2020
AUM (millions in CAD)	1,779.4
Benchmark	Russell Mid Cap
Lead portfolio manager	Phil Taller
Investment exp. since	1991, 2000
Target # of holdings	25 - 50

Strategy Overview

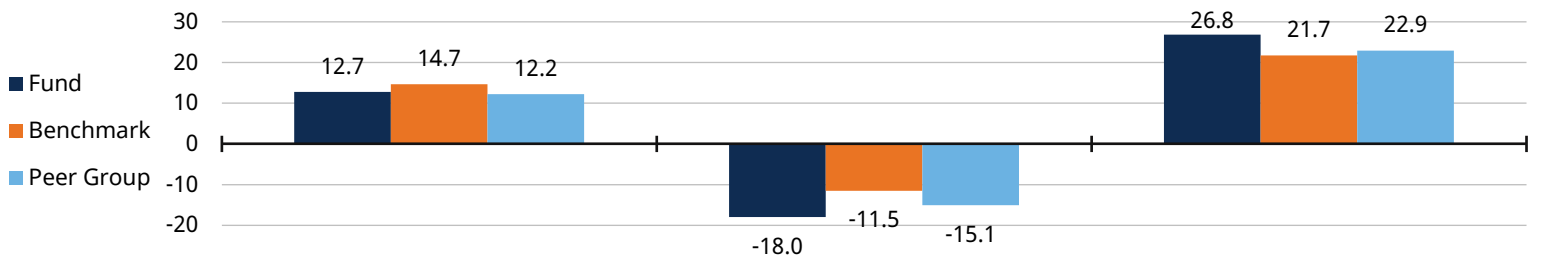
- The Fund seeks to provide long-term capital growth and a reasonable rate of return by investing primarily in equity securities of mid-capitalization companies in the United States.
- The Fund seeks companies with strong management, good growth prospects and attractive financial metrics.
- Emphasis 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	SI
Excess return	-1.8	-3.8	-3.7	-3.4
% of peers beaten	53	53	58	40

Calendar returns %



	2023	2022	2021
Excess return	-2.0	-6.5	5.1
% of peers beaten	47	31	75

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	31	808
% top 10 holdings	50.0	5.8
Weighted average market cap	31,211.2	37,576.6
EPS growth (FY E)	11.4	8.3
Dividend yield	0.4	1.5
FCF margin	14.6	13.8
P/E Trailing 12M	32.4	21.0
P/E (forecast)	23.5	19.0
Net debt/EBITDA	0.8	1.5
ROE (latest FY)	15.9	15.2

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	15.0	15.3
Sharpe Ratio	0.2	0.4
Tracking Error	5.6	-
Information Ratio	-0.7	-
Alpha	-3.1	-
Beta	0.9	-
Upside Capture (%)	91.3	-
Downside Capture (%)	106.6	-

Regional breakdown

Region	Weight	Relative weight
United States	95.7	-4.3
Canada	-	-
International	-	-
Cash	4.3	4.3

Sector allocation

Sector	Weight	Relative weight
Communication Services	-	-3.3
Consumer Discretionary	4.4	-6.3
Consumer Staples	-	-3.4
Energy	-	-5.0
Financials	7.4	-8.7
Health Care	23.9	14.0
Industrials	27.4	7.3
Information Technology	28.7	15.4
Materials	-	-5.8
Real Estate	3.9	-3.4
Utilities	-	-5.1

Country allocation

Country	Weight	Relative weight
United States	95.7	-4.3
Other	4.3	4.3

Currency exposure

Region	Gross	Benchmark
USD	99.7	-0.30
CAD	0.3	0.3

Top 10 holdings

Security name	Country	Sector	Weight
Charles River Laboratories International, Inc.	United States	Health Care	5.6
DexCom, Inc.	United States	Health Care	5.3
Vontier Corp	United States	Information Technology	5.1
Akamai Technologies, Inc.	United States	Information Technology	5.0
ExlService Holdings, Inc.	United States	Industrials	5.0
Wabtec Corp.	United States	Industrials	4.7
Cirrus Logic, Inc.	United States	Information Technology	4.4
Bio-Techne Corporation	United States	Health Care	4.1
Broadridge Financial Solutions, Inc.	United States	Industrials	4.1
MAXIMUS, Inc.	United States	Industrials	4.0

Security level contributors and detractors

	Security	Average Relative weight (%)	Allocation Effect (%)	% contribution to return
Contributors	Vontier Corp	4.6	1.0	1.5
	Progressive Corporation	3.3	0.6	1.0
	Bright Horizons Family Solutions, Inc.	3.9	0.5	0.9
Detractors	Akamai Technologies, Inc.	4.9	-0.9	-0.3
	Bio-Techne Corporation	3.8	-0.7	-0.3
	Frontdoor, Inc.	1.7	-0.3	-0.2

Sector attribution relative to the benchmark

	Security	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)
Contributors	Real Estate	-3.9	0.36	0.4
	Communication Services	-3.5	0.35	0.00
	Health Care	12.5	-0.38	0.52
	Industrials	7.4	0.40	-2.52
Detractors	Consumer Discretionary	-4.4	-0.09	-0.09
	Energy	-4.8	-0.17	0.00

Commentary

We are seeing increased investments in communications, data analytics, automation, robotics, online services, and other industries that are powering the global trend towards digital transformation and we will be looking for ways to participate in these opportunities as equity markets evolve.

We continue to maintain an overweight in the Information Technology, Health Care and Industrials sectors. We believe that the secular growth available in those sectors will serve us well. We have reduced our exposure to consumer discretionary owing to its cyclical nature along with the fact that there has been a strain on consumers due to inflation and higher interest rates.

We focus mainly on free cash flow as a metric for company valuations. This measure has become even more important in recent years given the increase in interest rates and also as companies have moved increasingly to present earnings in an “adjusted” fashion, which may obscure reality. We continue to maintain a concentrated portfolio of approximately 30 high quality businesses that despite being smaller in market cap, are often leaders (top 3 players) in the markets they serve.

For Q1 of this year, the funds gross return was 9.62%, which was an improvement from last quarter, while underperforming the benchmark (Russell 2500) return of 11.11%.

Sector allocation effect in Communication Services, Industrials and Real Estate and stock selection within the Health Care, Information Technology and Real Estate contributed to relative positive performance while allocation effect in Information Technology and Healthcare in conjunction with Stock Selection in Industrials detracted performance. In the sector allocations mentioned above we were overweight Information Technology, Industrials and Healthcare while being underweight in the remaining sectors.

The top contributors in the first quarter of 2024 were Vontier Corp, Progressive Corporation, Bright Horizons Family Solutions, Inc., HealthEquity Inc and Charles River Laboratories International, Inc..

The top detractors in the first quarter of 2024 were Akamai Technologies, Inc., Bio-Techne Corporation, Broadridge Financial Solutions, Inc., MAXIMUS, Inc. and Keysight Technologies Inc.

We added new positions in the Information Technology Sector and increased current ones within the Health Care and Information Technology sectors while decreasing positions within the Consumer Discretionary sector. We continue to look at businesses within the Information Technology sector that are helping companies automate their processes while health care names (drug developers) are seeing an uptick in business activity and hence an interest within our holdings. Staying true to our endeavour to reduce exposure to cyclicals, we have reduced positions in the Consumer Discretionary Sector.

We believe that the US economy, like many others, already faced structural challenges in the form of high debt levels and slow growth in the working age population. As we navigate 2024, consumers are dealing with elevated interest rates and inflation and so we remain cautious about consumer balance sheets and spending behaviour. With that macro-economic backdrop, we believe that in the long term the world may continue to proceed in a lower growth environment compared to history. While we do not attempt to forecast near-term economic growth, the current tightening of financial conditions may slow the global economy for a period. We try to be realistic about what companies can achieve in a more challenging environment. We don't think anybody really knows what the level of ongoing inflation will be, nor what impact it might have on markets. We do believe that many of our companies offer high value-added products and services, and this should give them reasonable pricing power.

Commentary

The future is uncertain, but there may be increased investments in communications, Cloud and public infrastructure, physical and digital security, data analytics, regional supply chains in many industries, commerce, pharmaceutical and medical technology research, the Internet of Things, automation and robotics, online services, advancements in semiconductor, hardware and network capability. We will be looking for ways to participate in these opportunities as equity markets evolve.

We believe companies will seek to invest in new technology and services that can help them participate in a global trend towards digital transformation that can help them be more agile and secure in their operations. The use of data to understand trends should only become more important over time. There may also be increased demand for outsourced business services. We think several of our companies can assist in this effort.

We continue to maintain an overweight in the Industrials, Technology and Health Care sectors. We believe that the secular growth available in those sectors will serve us well. We continue to lower our exposure to cyclicals. This change was driven by what we perceived as an overall optimistic tone that didn't reflect the possibility of a slowdown, which may or may not happen.

What we aim to do is to know as many great businesses as we can and learn what they might be worth. When markets offer us attractive share prices for these businesses, we become buyers.

We focus most of our attention on owning innovative secular growth businesses. These types of companies offer products and services that make the world better, cheaper, and faster – enabling them to grow at a faster pace than the overall economy. We see this as a more “all weather” approach – our companies can do well in a rising economy, but also perform relatively better in a difficult economy.

We focus mainly on free cash flow as a metric for company valuations. This measure has become even more important in recent years, as companies have moved increasingly to present earnings in an “adjusted” fashion, which may obscure reality. In our view, accounting risk has risen, and we believe securities regulators are becoming increasingly concerned with these “adjusted” disclosures based on recent guidance.

Market Cap Breakdown	
Mkt Cap Bucket	Weight
<USD\$4 Billion	2.36%
USD\$4-5 Billion	4.48%
USD\$5-7.5 Billion	24.64%
USD\$7.5-10 Billion	2.57%
USD\$10- 45 Billion	49.46%
>USD\$45 Billion	11.68%

Stock Stories

DexCom Inc.

- A long time holding in the Small-Mid Fund repurchased by the team but this time in the Mid Cap Opportunities Fund.
- The team has known the company and its management team for many years.
- It is the dominant company in what has effectively become a duopoly in Continuous Glucose Monitoring (CGM).
- Expansion of the market keeps growth high – moving from Type 1 diabetics to Type 2 insulin-dependant diabetics and even other populations over time.
- Each generation of Dexcom’s CGM becomes smaller, lighter and easier to use.

Akamai Technologies

- The backbone of the internet. The company speeds up content delivery through their web accelerating services, provide cloud agnostic, security solutions, and offer edge computing capabilities.
- Akamai delivers daily web traffic reaching more than 120 terabytes per second.
- Highly distributed content delivery network (CDN) with over 340,000 servers in more than 135 countries.
- Edge computing is an area that is small today but with a big future in our view.
- Akamai can save clients millions of dollars in “egress fees” or data access fees compared to the traditional hyperscalers
- Working in the digital world, Akamai analyzes 290 TB of new attack data every day.
- Secular grower that benefits from Internet-based TV and video consumption and personal business, such as banking and shopping, being conducted online.

Westinghouse Air Brake Technologies Corp

- Westinghouse Air Brake Technologies Corp is a provider of value-added, technology-based products and services for the rail industry.
- It provides its products and services through two main business segments, the Freight and Transit.
- Safety of train operations is an ongoing concern for rail companies and Wabtec can provide all the equipment and parts to ensure safety and reliability for a train.

Charles River Laboratories International Inc

- Charles River Laboratories is a leading preclinical development and drug safety company.
- They worked on over 85% of the FDA-approved novel drugs in 2021.
- The company is expanding into the area of cell and gene therapy (CGT) to accelerate growth
- CRL has strong pricing power and the company is starting to see a rebound of activity with improvements in biotech funding and M&A activity in the biopharma space.

Vontier Corp

- Vontier serves the retail fueling (69% of revenue), auto repair (22%), telematics (7%), and traffic control (2%) markets.
- Next time you go to the gas station to fill up the car, the chances the fueling system and integrated POS system at the store belonging to Vontier are very high.
- A secondary business that they run is a car repair mobile service. The business is called Matco, they provide vans equipped with all the tools to repair cars on the go.
- Vontier also has a stake in EV chargers and have made acquisitions on that front.

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 securityholder 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 Morningstar Canada Fund US Small/Mid Cap Equity category, and reflect the performance of the Mackenzie US Mid Cap Opportunities Fund F for the 1-, 3-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. Canada Fund US Small/Mid Cap Equity funds for the Mackenzie US Mid Cap Opportunities Fund F for each period are as follows: one year – 279; three years – 241.

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