

Mackenzie Global Tactical Bond Fund

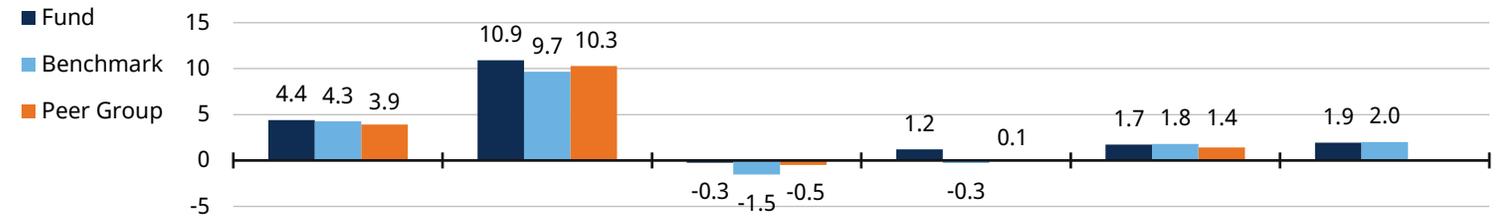
Fund snapshot

Inception date	04/23/2014
AUM (millions in CAD)	263.9
Management fee	0.55%
MER	0.76%
Benchmark	ICE BofA Gbl Broad Mkt (Hgd to CAD)
CIFSC category	Global Fixed Income
Risk rating	Low
Lead portfolio manager	Konstantin Boehmer
Investment exp. since	2003

Strategy overview

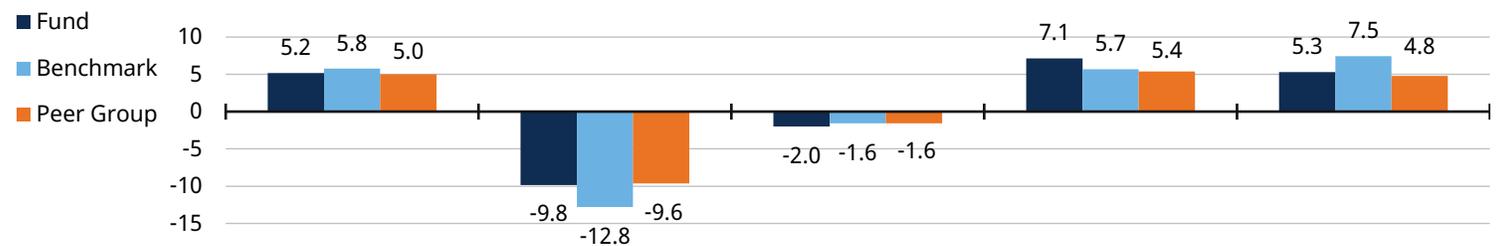
- An actively managed, benchmark agnostic global fixed income portfolio. Overall average credit quality can vary, but the portfolio manager expects it to remain almost always at BBB or higher.
- Given the size and complexity of its investible universe, uses a combination of qualitative insights, quantitative models and bottom-up security selection to access all five sources of alpha – country, duration, currency, sector and credit. The objective is to outperform the benchmark, with low volatility

Trailing returns %



	3 Mth	1 Yr	3 Yr	5 Yr	10 Yr	SI
Excess return	0.1	1.2	1.2	1.5	-0.1	-0.1
% of peers beaten	68	57	62	77	70	NA

Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-0.6	3.0	-0.4	1.4	-2.2
% of peers beaten	51	55	40	72	66

Portfolio characteristics

Ratios & metrics	Portfolio	Benchmark
Fund Avg Yield	4.6	3.5
Fund Mod. Dur	6.0	6.7
Fund Rating	A	AA
Average Price	95.6	119.0
Average Coupon	4.1	2.7
Average Term	8.4	-

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	6.2	6.4
Sharpe Ratio	-0.6	-0.8
Tracking Error	2.7	-
Information Ratio	0.5	-
Alpha	0.7	-
Beta	0.9	-
Upside Capture (%)	96.9	-
Downside Capture (%)	84.4	-

Maturity breakdown

Bucket	Portfolio	Benchmark
0 to 3	15.8	-
3 to 7	35.9	-
7 to 12	37.6	-
12+	10.7	-

Currency exposure

Currency	Gross	Net
CAD	28.2	92.7
USD	51.8	4.0
Other	20.0	3.3

Asset allocation

	Portfolio	Benchmark
Investment Grade Corporate	23.2	20.0
Loans	2.3	-
Emerging Markets	9.2	2.9
Government	44.1	52.8
High Yield	7.0	-
Cash	3.2	-
Other	11.0	24.3

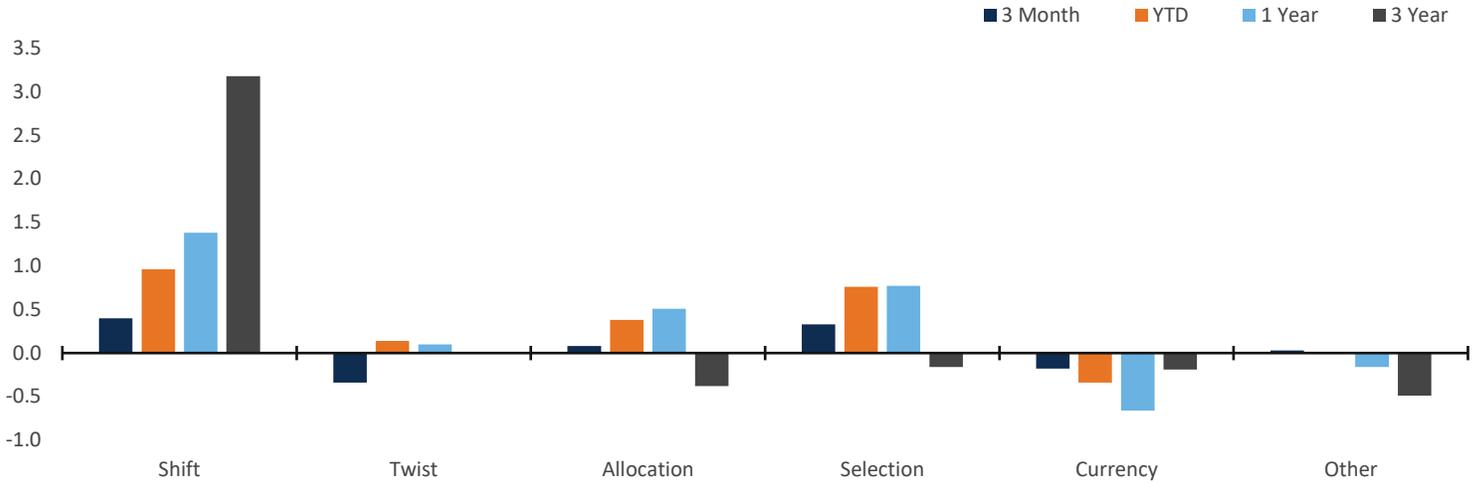
Geographic allocation

Region	Weight
Canada	26.3
US	40.8
Europe	14.7
Other	18.2

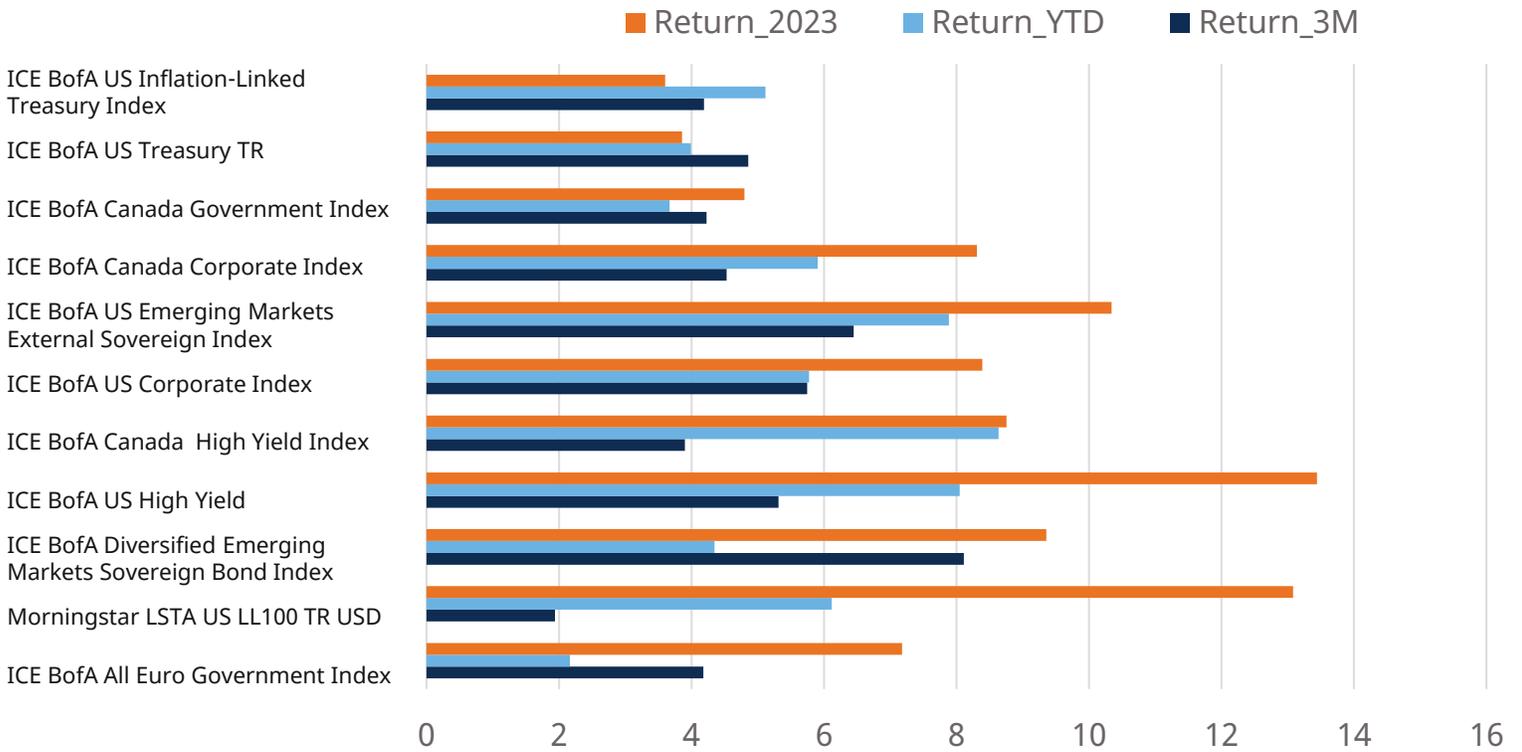
Credit breakdown

Rating	Portfolio	Benchmark
AAA	23.7	12.9
AA	23.7	49.9
A	6.9	23.5
BBB	22.8	13.7
BB	17.0	-
B	4.3	-
CCC & Below	0.7	-
NR	1.1	-

Attribution



Market Overview



Commentary

Coming into the third quarter, we focused on four key macro themes impacting macro fixed income and cross-asset markets: Biden's ability to recover after June's poor debate performance, uncertainty over the Fed's willingness to cut rates, markets not properly pricing the BoJ's July meeting outcome, and concerns over cross-asset volatility. The volatility event around late July/early August was significant but not unexpected, driven by the BoJ's surprising policy rate hike and the Fed opting not to cut rates on July 31st. Powell's late-August Jackson Hole speech indicated a desire for a larger rate cut in September, leading to a debate about the reasons behind the 50bp cut.

Heading into the fourth quarter, several macro events have caused the market to rethink the narrative. The US east and gulf coast dockworkers strike is on hold, but sticky wages and services prices suggest too much easing was priced into the curve. China is attempting to reflate its economy, and the risk of strife in the Middle East could impact oil production and prices. The US economy appears strong, with Q3 real GDP estimates around 2.5-3.0% and preliminary Q4 estimates not far below. September's booming non-farm payrolls report has solidified the view that lower yields may not be sustainable.

The Canadian fixed income outlook is fascinating as Canadian duration has been bid most of the year, with the expectation that Canada's economy will underperform, and the Bank of Canada will continue to ease rates aggressively. The median Canadian consumer is faring worse than the median US consumer, and this outlook is likely to continue due to a weaker housing market, more indebted households, worse productivity metrics, and a higher structural unemployment rate. The BoC's policy rate typically does not sway far from the Fed's, but we could be entering a period of significant policy differential.

Japan is likely to continue bucking the global easing trend despite the upcoming election. The BoJ is expected to move further towards normalizing rates, with a potential 25bp hike this year. Domestic inflation and output data support this move, and recent commentary from PM Ishiba is seen as election fodder.

China's recent stimulus measures are significant, both from a policy and optics perspective. The stimulus includes cutting short-term policy rates, economic policy announcements, helicopter money to 14% of households, and forward guidance on further rate cuts and fiscal stimulus. This suggests senior leaders are aware of the economic malaise and plan to act. Additional fiscal measures are expected, potentially providing support to the consumer and recalibrating market sentiment, particularly in higher beta risk assets.

The US election is a major upcoming macro event. The race for the White House is too close to call, with Harris' momentum stalling and Trump being a strong finisher. The outcome remains uncertain, with key swing states playing a crucial role. A split Congress is likely, leading to increased Executive Order action from the Oval Office. For markets, a Trump outcome could drive concerns over China, global tariffs, and Fed independence. A Trump win may not translate into a stronger USD, and could lead to more right-of-center nominees for policy seats and judges. A balanced Congress could mitigate concerns over fiscal spending and Treasury issuance.

For global macro and fixed income markets, the election outcome will be significant, with potential impacts on sectoral perspectives and policy directions. The Fed's future leadership and policy stance will also be crucial factors to watch.

The third quarter marked a shift in monetary policy among major G10 central banks, significantly impacting fixed income markets. After holding rates steady for 14 months, the Federal Reserve initiated its easing cycle with a 50 basis point (bps) cut in September, responding to cooling inflation and a slight uptick in unemployment to 4.2%. This move, coupled with expectations of accelerated monetary easing, led to a weaker U.S. dollar against major currencies.

The start of the Fed's easing cycle, along with subsequent rate cuts by the European Central Bank (ECB) and the Bank of England (BoE), fueled a rally in government bonds throughout the quarter. U.S. Treasuries returned 4.7% over the period, while European sovereign bonds yielded 4.0%. German and French 10-year government bond yields declined but underperformed relative to Italy and Spain. The latter were the strongest performers in Europe, with their spreads to Germany tightening materially, fueled by positive fiscal news and a brighter outlook for the periphery.

Emerging market (EM) debt performed well in Q3, returning 6.1%, as several EM central banks began easing cycles amid lower inflation pressures and a weaker U.S. dollar. EM currencies recovered from the end of the unwinding of carry trades, which created a significant drag at the beginning of August subsequent to the rise in the Japanese yen (JPY), a major funding currency. South African local bonds outperformed most EM local rates with 10.8% return over the quarter, bolstered by political stability since the elections in June and the onset of the easing cycle by the South African Reserve Bank (SARB).

Commentary

Looking ahead, expectations for additional rate cuts by the Fed and other central banks should create a supportive environment for spread sectors and selected credit assets, as well as for government bonds poised to benefit from further policy easing.

Contributors:

- Overweight North American & New Zealand duration
- Overweight credit
- US curve positioning
- Underweight Japan and Eurozone

Detractors:

- Overweight Latin American local debt

Looking ahead to the fourth quarter, expectations for additional rate cuts by the Fed and other central banks should create a supportive environment for spread sectors as well as for government bonds poised to benefit from further policy easing. However, geopolitical risks and the upcoming U.S. elections could introduce increased volatility in fixed income markets.

Credit spreads remain tight, and we prefer to be invested in high-grade (low beta) Corporate Bonds at the short end of the curve. We prefer the Canadian curve over the US curve in this sector. Continued rate cuts are the base case for Canada and so there is still further potential for significant price appreciation of these securities. We remain negative on the long end of the Canadian market with 30y Canadian bonds offering almost no additional yield to 2-year bonds, but substantially more price risk.

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Percentile rankings are from Morningstar Research Inc., an independent research firm, based on the Canada Fund Global Fixed Income category and reflect the performance of the Mackenzie Global Tactical Bond Fund for the 3-month, 1-, 3-, 5- and 10-year periods as of September 30, 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 Global Fixed Income category funds for Mackenzie Global Tactical Bond Fund for each period are as follows: one year - 477 ; three years - 345 ; five years - 246 ; ten years - 106 .

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