Mackenzie Bluewater Canadian Growth Fund

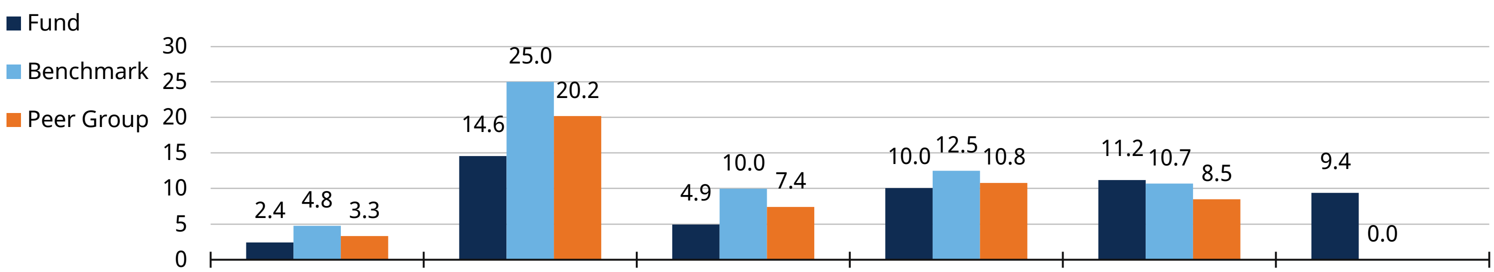
Fund snapshot

Inception date	12/06/1999
AUM (millions in CAD)	5490.4
Management Fee	0.75%
MER	1.01%
Benchmark	60% TSX Comp + 30% S&P500 + 10% EAFE
CIFSC Category	Canadian Focused Equity
Risk Rating	Medium
Lead portfolio manager	Shah Khan, David Arpin
Investment exp. Since	1985
Target # of holdings	30 - 35

Strategy Overview

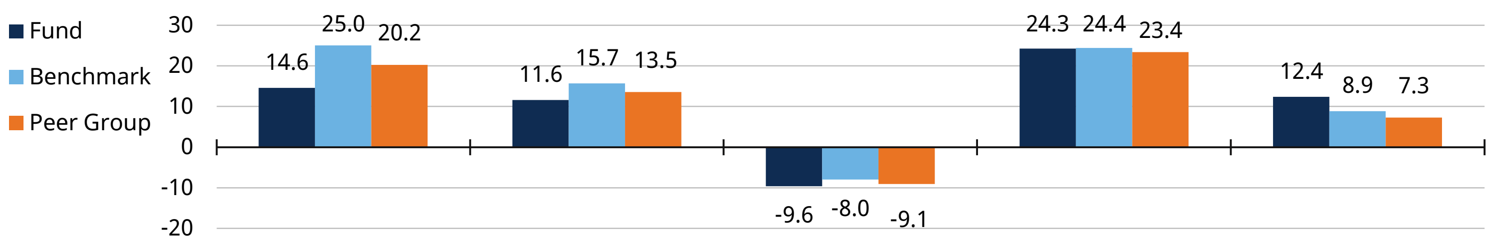
- The Fund invests mainly in Canadian equity securities issued by Canadian corporations to achieve long-term capital growth and provide a reasonable rate of return.
- The investment approach follows a company-focused investment style, seeking companies with strong management, good growth prospects and a solid financial position.
- Emphasis is placed on paying reasonable prices for the free cash flow growth that companies in the portfolio are expected to achieve.

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-2.4	-10.4	-5.1	-2.5	0.5	9.4
% of peers beaten	37	14	19	45	89	NA

Calendar returns %



	2024	2023	2022	2021	2020
Excess return	-10.5	-4.1	-1.6	-0.2	3.5
% of peers beaten	14	44	44	64	97

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	35	1,448
% top 10 holdings	41.5	23.4
Weighted average market cap	451,701.8	541,341.0
EPS growth (FY E)	17.1	15.3
Dividend yield	1.2	2.4
FCF margin	20.6	13.4
P/E Trailing 12M	32.7	20.7
P/E (forecast)	26.6	17.8
Net debt/EBITDA	1.8	1.7
ROE (latest FY)	14.8	14.4

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	31.2	25.9	5.2
Energy	-	11.5	-11.5
Materials	2.5	8.0	-5.5
Industrials	24.2	11.7	12.4
Information Technology	21.0	16.9	4.1
Communication Services	-	4.8	-4.8
Utilities	-	3.3	-3.3
Consumer Staples	5.6	4.9	0.7
Consumer Discretionary	3.7	6.6	-2.8
Real Estate	2.7	2.0	0.7
Health Care	7.5	4.6	3.0
Other	1.6	-	1.6

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	12.8	12.9
Sharpe Ratio	0.1	0.5
Tracking Error	5.5	-
Information Ratio	-0.9	-
Alpha	-4.5	-
Beta	0.9	-
Upside Capture (%)	84.0	-
Downside Capture (%)	106.5	-

Country allocation

Country	Portfolio	Benchmark	RelativeWeight
Canada	53.4	60.0	-6.6
United States	40.1	30.0	10.1
France	2.5	1.1	1.4
Switzerland	2.4	1.0	1.4
United Kingdom	-	1.5	-1.5
Denmark	-	0.3	-0.3
Other	1.6	6.1	-4.5

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
Canada	53.4	60.0	-6.6
United States	40.1	30.0	10.1
International	4.8	10.0	-5.2
Other	1.6	-	1.6

Currency exposure

Region	Gross	Benchmark
CAD	67.9	60.0
USD	29.6	30.2
Other	2.5	9.9

Top 10 holdings

Security name	Country	Sector	Weight
Royal Bank of Canada	Canada	Financials	5.3
Brookfield Asset Management Ltd. Class A	Canada	Financials	4.9
Stantec Inc	Canada	Industrials	4.7
Aon Plc Class A	United States	Financials	4.4
Intact Financial Corporation	Canada	Financials	4.0
Microsoft Corporation	United States	Information Technology	3.9
Loblaw Companies Limited	Canada	Consumer Staples	3.7
Roper Technologies, Inc.	United States	Information Technology	3.4
Waste Connections, Inc.	Canada	Industrials	3.3
TMX Group Ltd.	Canada	Financials	3.2

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	CAE Inc.	2.6	1.0
	Brookfield Asset Management Ltd. Class A	4.3	1.0
	Aon Plc Class A	4.3	0.4
Detractors	Alcon AG	2.4	-0.3
	Thermo Fisher Scientific Inc.	2.1	-0.3
	Premium Brands Holdings Corp	2.1	-0.4

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Materials	-5.6	0.5	-0.2	0.6
	Industrials	14.0	-0.5	1.1	0.4
	Utilities	-3.4	0.2	0.0	0.2
Detractors	Health Care	4.0	-0.5	-0.2	-0.4
	Consumer Discretionary	-2.5	-0.1	-0.3	-0.6
	Information Technology	2.0	0.1	-1.8	-1.1

Commentary

QFR Highlights

In Q4 2024, the Canadian equity market experienced mixed performance. The Bank of Canada (BoC) cut interest rates twice, bringing the policy rate down to 3.25%. This move was aimed at supporting economic growth amidst high borrowing costs and a weaker labor market. The S&P/TSX composite index gained 3.8% driven by energy, financials and materials while technology, healthcare and consumer staples saw modest declines due to shift in consumer spending towards discretionary. The U.S. economy remained resilient, outgrowing other major developed countries, and mega-cap tech stocks led the S&P 500 to dominate global markets yet again. The 'Magnificent Seven' stocks rose 48% while the other 493 stocks in the S&P 500 rose just 10%.

Bluewater's investment philosophy includes focusing on identifying key enablers of change. These companies are expected to benefit regardless of which specific technologies or companies ultimately succeed. By focusing on companies that enable the energy transition and digitization, Bluewater aims to capitalize on these structural shifts while mitigating the risks associated with investing in rapidly evolving technologies.

Fund Performance

During the quarter the fund returned 2.7% whereas the blended benchmark which returned 4.7% driven by information technology and financial sector. Security selection in Industrials, Real estate and underweight allocation to materials contributed to relative performance whereas stock selection in Information technology and Consumer discretionary detracted from performance. From a geographic standpoint, security selection in Canada contributed to performance while security selection in the U.S. detracted from relative performance.

Security contributors

Certain security holdings in Financials and Industrials positively contributed to relative performance this quarter. The top contributor to returns were CAE Inc, Brookfield Asset Management, and Cadence Design Systems Inc.

Brookfield asset management - With over $450 billion in fee bearing capital, Brookfield Asset Management is a leader and first mover in the fastest growing segments of private markets including infrastructure, renewables, and credit. In fact, they are one of the world's largest investors in renewable power and climate transition, sharing our view that the energy transition is the largest investment opportunity in the coming decade. The company expects to generate 15-20% growth in earnings and free cash flow in the medium term, underpinned by their capital raising efforts, targeting $90 – 100 billion per year, the stickiness of their assets with over 85% in long term or permanent structures that cannot be redeemed, the stability of their fee structures and strong operating efficiency with margins in excess of 50% makes this a very admirable business model.

CAE Inc - CAE has been contending with challenges in their military division as older, fixed price contracts became grossly unprofitable as inflation spiked. As the company works through these contracts and newer, more profitable contracts ramp up, one can expect margins to inflect and return to historical levels. On the positive side, their civil business continues to deliver exceptional results benefitting from the structural, idiosyncratic tailwind, of increasing pilot outsourcing by airlines. We see tremendous value in the shares as the defense business is essentially ascribed no value in the current share price.

Cadence Design Systems - is a leading provider in the electronic design automation (EDA) industry. They offer software, hardware, and intellectual property (IP) for the design and verification of advanced semiconductors. Their tools and services are essential for designing integrated circuits and electronic systems used in a wide range of devices, from smartphones to autonomous vehicles. A significant portion of their revenue comes from recurring sources such as software subscriptions, maintenance, and support services.

Security Detractors

Holdings in information technology and Consumer discretionary detracted from relative performance. No allocation to Nvidia and Shopify within Information technology and no allocation to Tesla and Amazon in Consumer discretionary detracted from relative performance within the sector

Commentary

Portfolio activities

We recently initiated a new position in Stryker across Bluewater portfolios. Stryker is a leading medical technology company specializing in robotic tools and surgical equipment, with a focus on orthopedic surgery for knees and hips. Our investment thesis in Stryker is predicated on an increased focus on free cash flow by the management team which is a rare trait within the Healthcare sector and a core tenet of the Bluewater investment philosophy. Further, a strong organic growth profile, improved pricing power, and a market structure that is consolidated with large barriers to entry and increasing market share positions the company well for future success. The business is underpinned by the large secular trend around the adoption of robotic tools being applied to medical surgeries where penetration rates continue to rise due to quicker patient recovery times from less invasive surgery. We continue to see a long runway for surgeons to be trained on performing surgery with robotic tools, and we believe Stryker is a material beneficiary of this secular transition.

Market Overview

Global equity markets remained buoyant in 2024, and Bluewater is strategically positioned to navigate what we believe will be a mixed economic landscape in 2025.

From a macro economic standpoint, while conditions in Europe and China remain pressured, the US economy remains broadly supportive of equity markets as we look forward into 2025. Unemployment continues to be at low levels, which provides support for consumer spending, while central banks are expected to continue to loosen policy which aids both consumers and businesses. In the United States, considerable pent-up demand exists in the housing market, as prospective buyers have been deferring purchases due to high mortgage rates. If we see a significant drop in interest rates in response to Federal Reserve policy easing, the cyclical housing sector would be expected to experience a rebound.

In addition, the global economy is undergoing two significant structural changes: the energy transition and digitization, rapidly advanced by artificial intelligence (AI). The energy transition is a massive undertaking, transforming how energy is produced, distributed, and consumed. Companies critical in enabling this transition will benefit from a multi-year growth tailwind, driving superior business performance in the coming decade. Digitization, encompassing technologies such as cloud computing, cybersecurity, and AI, is rapidly transforming industries. AI, in particular, is driving innovation and creating new possibilities for businesses and society.

Outlook and Positioning

Bluewater's current portfolio positioning reflects a strategic alignment with the prevailing economic conditions. Bluewater focuses on conservative growth, seeking companies that are growing at or above market rates but not at extremely fast rates. In Canada, the target is businesses that grow their free cash flow in the high single-digit to low double-digit range through a cycle. On the foreign side, the businesses typically deliver faster growth rates, in the low to mid-teens.

Bluewater focuses on a small subset of global businesses that are truly unique – global leaders in attractive industries with defensible moats and secular growth tailwinds. This results in a diversified high active share portfolio that provides favourable characteristics for long-term compounding, but in a more diversified way from the current market structure. These characteristics allow the companies targeted to grow their free cash flow at above-market rates in a more stable fashion compared to the overall market through a full cycle. Acquiring such high-quality businesses at reasonable valuations imparts downside protection to the portfolios, allowing them to more effectively navigate through economic cycles and inherent drawdowns and volatility. The team has added value by preserving capital through market drawdowns while compounding returns for clients, resulting in superior risk-adjusted returns over the long term.

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 December 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. 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 Focused Equity category and reflect the performance of the Mackenzie Bluewater Canadian Growth Fund for the 3-month, 1-, 3-, 5- and 10-year periods as of December 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 Focused Equity category funds for Mackenzie Bluewater Canadian Growth Fund for each period are as follows: one year - 487 ; three years - 474 ; five years - 458 ; ten years - 322.

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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