

Private markets, an opportunity for all investors

In our latest Winter Exchange Event Series event, Jamie Storrow and David Ross, both Managing Directors at Northleaf Capital Partners, and Allan Seychuk, Senior Investment Director, Mackenzie Investments discussed the potential benefits of private credit and infrastructure, and how they can fit into your clients' portfolios. Northleaf Capital Partners is a global private markets investment firm focused on mid-market investing across three areas: private equity, private credit and infrastructure.

Private credit

Private credit has come under scrutiny recently, with the financial media calling out some firms in the space for providing clients with inadequate liquidity.

But the appeal of this space is growing. There is value creation taking place in the private markets that cannot be accessed through public markets.

Providing senior secured lending services to the middle-market private businesses can be relatively safe, as this is the safest segment of the capital structure. With a narrower field of operations, middle-market businesses may be less susceptible to volatility from global events, such as Russia's invasion of Ukraine.

Northleaf's private credit program

Northleaf has managed private credit since 2014. David Ross, head of Northleaf Capital Partners' Private Credit program, discussed **Northleaf Senior Private Credit-Levered fund ("NSPC-L")**. Launched in 2019 and forming the core of the Mackenzie Northleaf Private Credit Fund and Mackenzie Northleaf Private Credit Interval Fund, NSPC-L has experienced no loan impairments or losses to date.

NSPC-L is built with a comfortable buffer, with a portfolio average loan-to-value of 38%, which gives the fund a 62% capital cushion sitting behind its loans. This allows the fund to ride out significant volatility without impairment.

With significant inflows from institutional investors, the fund now manages over \$1.4 billion in capital. New investors benefit from:

- **Seasoned portfolio:** Immediate access to a diversified global portfolio of ~60 senior secured floating rate loans.
- **Proven track record:** Three years, strong performance, low volatility, no impairments/losses; consistent quarterly cash distributions.
- **Mid-market access:** Longstanding relationships with 100+ private equity firms provide differentiated access to attractive debt financing opportunities.
- **Evergreen structure:** Capital is invested quickly and remains fully allocated to the private credit asset class with no end date.

The team actively manages the portfolio, which is diversified across industries, but focused on stable industry segments such as health care, diversified financials, commercial and professional services, and software.

The team's investment philosophy seeks businesses with:

- **Stable cash flows:** Defensive businesses characterized by contractual/ sticky revenue frameworks.
- **Attractive relative value:** Opportunities that demonstrate strong risk-adjusted returns.
- **Downside management:** Conservative capital structures, established equity owners and strong documentation.

Private infrastructure

Infrastructure refers to tangible fixed assets that provide essential public goods or services critical to the functioning and growth of the economy. Infrastructure can offer very attractive investment characteristics and is in high demand from investors.

Northleaf's private infrastructure program

Northleaf's infrastructure program has provided investors with strong, stable results through a diversified portfolio of mid-market infrastructure investments in OECD jurisdictions. The program was established in 2010 and currently holds US\$4.3 billion in capital under management in 41 assets.

Northleaf focuses on key subsectors: sustainable infrastructure, such as renewable power generation; communications infrastructure; tank storage; and concessions/PPPs (such as toll roads).

Northleaf's key differentiators include:

- **Sourcing:** Northleaf is focused and buys/invests differently, with partnerships and industry experts, often outside of auction
- **Active ownership and value creation:** Northleaf is an active owner and target investments with potential upside through active value creation initiatives
- **Established institutional track record:** Northleaf has been investing with institutional clients for over a decade and has delivered a net IRR of 10% across its full infrastructure investment program.*

The opportunities

Mackenzie has partnered with Northleaf to develop three private markets funds; each includes a core investment in the underlying Northleaf fund, with the addition of a liquidity sleeve.

The liquidity sleeves are designed to facilitate ongoing capital calls by Northleaf for new private investments as they arise, as well as vastly improved access and liquidity terms for investors compared to investing directly with Northleaf Capital Partners.

Mackenzie Northleaf Private Credit Fund

This open-ended private credit fund launched December 23, 2020 and is available to accredited investors via offering memorandum.

The fund's core consists of a target allocation of 80% Northleaf Private Credit (Levered) Fund (NPCL), with 20% allocated to the liquidity sleeve.

Based on the mix of private credit and the liquidity sleeve and their expected returns, our fund aims to deliver an expected net yield of between 6% and 8% per annum.

Mackenzie Northleaf Private Credit Interval Fund

Launched on February, 1, 2022, this is Canada's first ever interval fund. It is available via prospectus rather than Offering Memorandum and is not restricted to accredited investors, making it accessible to virtually all investors with an IIROC-licensed advisor.

The fund's core consists of a target allocation of 67% Northleaf Private Credit (Levered) Fund (NPCL), with 33% allocated to the liquidity sleeve.

Based on the mix of private credit and the liquidity sleeve and their expected returns, our fund aims to deliver an expected net yield of between 5% and 7% per annum.

Mackenzie Northleaf Private Infrastructure Fund

This an open-ended private infrastructure fund launched September 30, 2021, and available to accredited investors via offering memorandum.

The fund's core is comprised of Northleaf's most recently closed private infrastructure portfolio, which has raised US\$1.4 billion in investor commitments (including from Mackenzie). The Mackenzie Northleaf Private Infrastructure Fund will continue to co-invest in private infrastructure projects alongside Northleaf's investors throughout the life of the portfolio.

The liquidity sleeve that will typically comprise approximately 20-25% of the total assets, with Northleaf's private infrastructure holdings typically comprising 75- 80% of fund assets.

Based on the mix of private infrastructure and the liquidity sleeve and their expected returns, our fund aims to deliver long-term capital appreciation, with low correlation to other traditional investments, driven mainly by Northleaf's expected double-digit return on its private infrastructure projects.

* Northleaf's infrastructure investment program includes all infrastructure investments made by Northleaf's pooled funds, separately managed accounts and co-investment vehicles. Net IRR: (i) represents the interim annualized return to investors net of Northleaf fees, expenses and GP Ownership Interest; and (ii) is not included to indicate the future results that might be generated by the Fund or any of its holdings.

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The Mackenzie Northleaf Private Credit Fund and Mackenzie Northleaf Private Infrastructure Fund is offered to accredited investors (as defined in National Instrument 45-106- Prospectus Exemptions) by way of Offering Memorandum.

The Mackenzie Northleaf Private Credit Interval Fund is offered to retail investors by way of prospectus, annual information and fund facts.

The Mackenzie Northleaf Private Credit Interval Fund is a non-redeemable investment fund in continuous distribution that is structured as



an 'interval fund'. Interval funds differ from mutual funds in that investors do not have the right to redeem their units on a regular, frequent basis. The Mackenzie Northleaf Private Credit Interval Fund is only available through IIROC licensed dealers/advisors. This communication may contain forward-looking information which reflect our or third-party current expectations or forecasts of future events. Forward-looking information is inherently subject to, among other things, risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed herein. These risks, uncertainties and assumptions include, without limitation, general economic, political and market factors, interest and foreign exchange rates, the volatility of equity and capital markets, business competition, technological change, changes in government regulations, changes in tax laws, unexpected judicial or regulatory proceedings and catastrophic events. Please consider these and other factors carefully and not place undue reliance on forward-looking information. The forward-looking information contained herein is current only as of March 22, 2022. There should be no expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

An investor should carefully consider whether their financial condition and investment goals are aligned with an investment in the Mackenzie Northleaf Private Credit Fund, the Mackenzie Northleaf Private Infrastructure Fund or the Mackenzie Northleaf Private Credit Interval Fund (the "Funds"). Due to the illiquid nature of private assets, the Funds are subject to a "ramp-up" period that is expected to last many months meaning exposure to public assets will be higher (and exposure to private assets will be lower) than indicated by any Target Allocation.