

Mackenzie US Small-Mid Cap Growth Fund

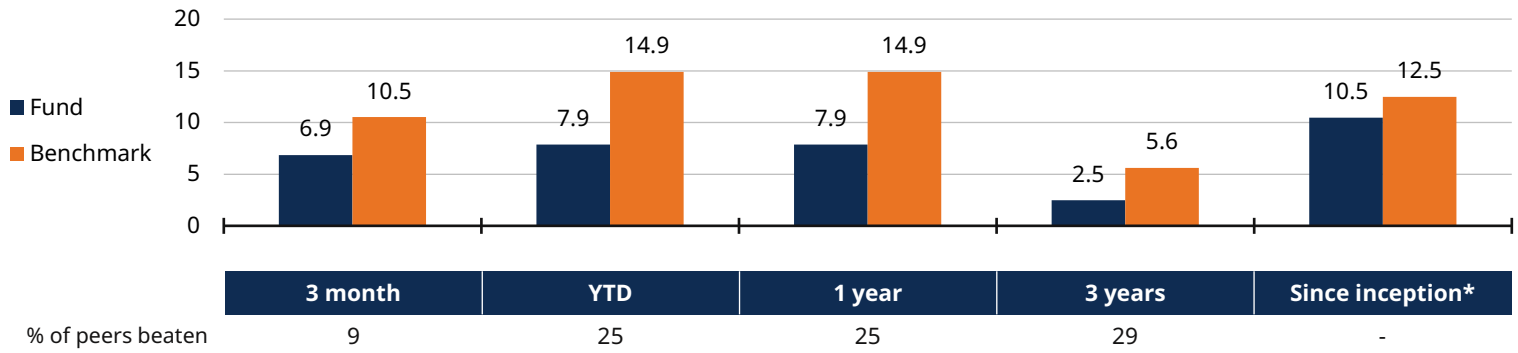
Strategy snapshot

Inception date	01/09/2003
AUM (millions in CAD)	2,963.0
Benchmark	Russell 2500
Lead portfolio manager	Phil Taller
Investment exp. since	1991
Target # of holdings	25-50

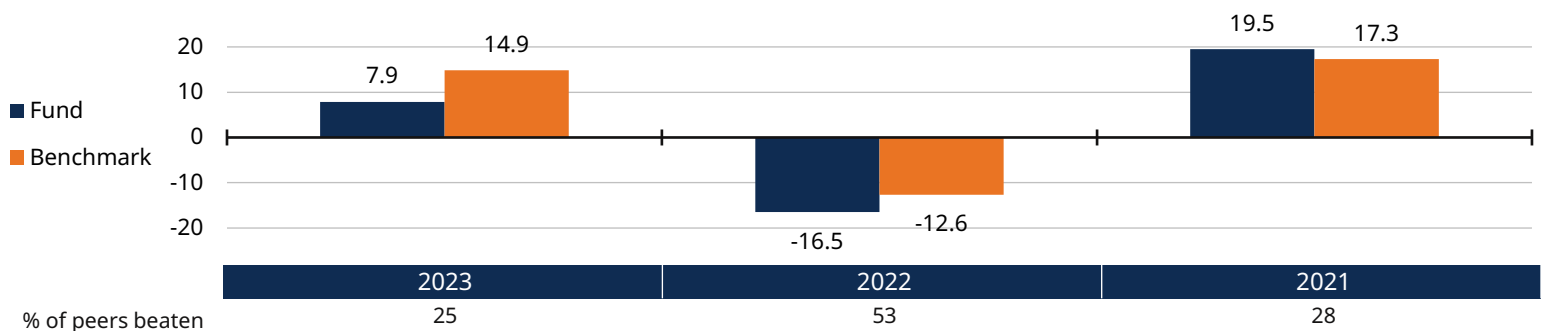
Strategy Overview

- The Fund seeks long-term growth of capital and a reasonable rate of return by investing primarily in U.S. equity securities.
- The investment approach follows a company-focused investment style, seeking companies with strong management, good growth prospects and a solid financial position.
- Emphasis is also placed on paying reasonable prices for the growth that companies in the portfolio are expected to achieve.

Trailing returns %



Calendar returns %



Portfolio characteristics

	Portfolio	Benchmark
# of holdings	32	2,468
% top 10 holdings	48.0	3.2
Weighted average market cap	12,022.2	9,125.9
EPS growth (FY E)	11.0	8.8
Dividend yield	0.3	1.5
FCF margin	9.2	-
P/E Trailing 12M	33.2	15.5
P/E (forecast)	25.3	15.8
Net debt/EBITDA	1.0	2.1
ROE (latest FY)	4.0	11.7

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	11.3	16.2
Sharpe Ratio	-0.2	0.2
Tracking Error	10.6	-
Information Ratio	-0.5	-
Alpha	-3.5	-
Beta	0.5	-
Upside Capture (%)	75.2	-
Downside Capture (%)	83.6	-

Regional breakdown

Region	Weight	Relative weight
United States	97.4	-2.6
Cash	2.6	-

Sector allocation

Sector	Weight	Relative weight
Communication Services	-	-2.6
Consumer Discretionary	4.4	-8.5
Consumer Staples	4.3	1.1
Energy	-	-4.8
Financials	3.8	-12.8
Health Care	25.3	13.1
Industrials	25.0	5.2
Information Technology	29.0	16.3
Materials	-	-5.5
Real Estate	5.8	-1.5
Utilities	-	-2.6

Country allocation

Country	Weight	Relative weight
United States	97.4	-2.6
Other	2.6	-

Currency exposure

Region	Gross	Benchmark
USD	99.8	100.0
CAD	0.2	-

Top 10 holdings

Security name	Country	Sector	Weight
MAXIMUS, Inc.	United States	Industrials	5.0
Verra Mobility Corp. Class A	United States	Industrials	5.0
Akamai Technologies, Inc.	United States	Information Technology	4.8
Westinghouse Air Brake Technologies Corporation	United States	Industrials	4.8
Commvault Systems, Inc.	United States	Information Technology	4.7
ExlService Holdings, Inc.	United States	Industrials	4.5
Tenable Holdings, Inc.	United States	Information Technology	4.5
iRhythm Technologies, Inc.	United States	Health Care	4.4
Cirrus Logic, Inc.	United States	Information Technology	4.3
Grocery Outlet Holding Corp.	United States	Consumer Staples	4.3

Security level contributors and detractors

	Security	Average Relative weight (%)	Allocation Effect (%)	% contribution to return
Contributors	Verra Mobility Corp. Class A	4.8	0.43	0.9
	Westinghouse Air Brake Technologies Corporation	4.7	0.27	0.8
	Commvault Systems, Inc.	4.7	0.2	0.7
Detractors	Kennedy-Wilson Holdings, Inc.	1.8	-0.56	-0.4
	Grocery Outlet Holding Corp.	4.7	-0.96	-0.4
	Maravai Lifesciences Holdings, Inc. Class A	1.1	-0.77	-0.7

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)
Contributors	Energy	-5.5	1.05	0.00
	Industrials	6.0	0.03	0.44
	Financials	-12.2	-0.55	-0.94
Detractors	Health Care	12.1	0.10	-1.16
	Consumer Staples	1.4	-0.08	-0.71

Commentary

For Q4, the Fund's return was 6.9%, improving significantly from last quarter while underperforming the benchmark (Russell 2500) return of 10.5%. We are seeing increased investments in communications, Cloud and public infrastructure, security, data analytics, regional supply chains in many industries, pharmaceutical and medical technology research, the Internet of Things, automation and robotics, and online services and commerce. 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 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.

For Q4, the Fund's gross return was 6.9%, underperforming the benchmark (Russell 2500) return of 10.5%. Stock selection in Industrials, and underweight allocation to Energy contributed to relative performance, while stock selection in Financials and Healthcare, and underweight allocation in Financials detracted.

The top contributors were Verra Mobility Corp., TransMedics Group, Inc., Alteryx, Inc., Westinghouse Air Brake Technologies Corporation and Charles River Laboratories International, Inc.

The top detractors were Grocery Outlet Holding Corp., Markel Group Inc., Maravai Lifesciences Holdings, Inc., HealthEquity Inc and Kennedy-Wilson Holdings, Inc.

We added new positions and increased current ones within the Health Care sector while eliminating and decreasing positions within the Consumer Discretionary and Information Technology 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 enter 2024, consumers are dealing with a significantly higher interest rates compared to the COVID period, 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.

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 lowered our exposure to cyclicals beginning in the fall of 2021. 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.

Stock Stories:

MAXIMUS Inc

- MAXIMUS provides outsourcing services to governments. It delivers social services like unemployment assistance and health care programs, which are increasing with more government involvement in economies.
- Maximus Inc operates in the United States, United Kingdom, Canada, Australia, and Saudi Arabia. The company offers business solutions to improve the cost-effectiveness, efficiency, and quality of government-sponsored benefit programs, such as Medicaid, Medicare, Health Insurance BC, and child support programmes.
- Most of its revenue is derived from long-term contractual arrangements with governments around the world.
- Future growth for MAXIMUS should come from renewed Medicaid certifications as the Public Health Emergency ends in the US, new work for the Veterans Administration as the PACT Act increases benefits for veterans and new contracts such as the IRS technology modernization program.

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.

CommVault Systems, Inc.

- CommVault Systems Inc provides data management systems that help customers back up and recover critical data.
- Growth in data that requires management provides a natural tailwind for the company's niche.
- The massive increase in ransomware attacks in recent years has reinforced the importance of having secure and accessible data backups.
- The company's introduction of its Metallic product line has given customers a SaaS-based, simpler choice that competes well in the marketplace.

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.

Grocery Outlet Holding Corp.

- Grocery Outlet Holding Corp is a grocery store operator in the United States. Its flexible buying model allows them to offer quality, name-brand opportunistic products at prices that are generally 40% below those of conventional food retailers.
- The stores are run by entrepreneurial independent operators which create a neighborhood feel through personalized customer service and a localized product offering.
- Grocery Outlet offers a “treasure hunt” shopping experience in its grocery stores which would be equivalent to shopping at Winners or TJ MAXX for clothing.
- Grocery Outlet sources these incredible deals through their multi-decade relationships with several major food manufacturers and consumer-packaged goods (CPG) companies. The Grocery Outlet sourcing team helps clear out excess inventory from companies like General Mills, Blue Buffalo, PepsiCo, MARS, Campbells, Kraft Heinz, Unilever, and many more strategic suppliers.
- The stores are roughly 50% stocked with opportunistic items but the remaining 50% of the store will have everyday essentials like milk, eggs, sugar, lettuce, fresh produce, ground beef, toilet paper, vitamins, beer/wine etc.
- We are excited about the long term growth algorithm as the company speaks about growing their store network by 10% per year over time

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, 2023 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 Small-Mid Cap Growth F for the 3 month, 1-, 3-, 5- and 10-year periods as of December 31, 2023. 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 Small-Mid Cap Growth F for each period are as follows: one year – 285; three years – 247; five years – 179; 10 years – 116.

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