Mackenzie Global Resource Class – Series A

Q2-2015 COMMENTARY

Performance Summary

- Mackenzie Global Resource Class ("the Fund") returned 2.7% during Q2/2015, versus a return of -1.7% for its blended benchmark index*.

Contributors to Performance

- **Advantage Oil and Gas** had another strong performance in Q2 rising 16% as the company continued to deliver on its promise of low cost and volume growth. **MRC Global**, an energy equipment distributor rose 29% in Q2 as fears surrounding its balance sheet abated with strong cash generation as reported in its Q1 results.
- Among the Fund's top 10 highest performance contributors, **Detour Gold** was the only holding in the Materials sector. The company delivered another strong quarter of production and is expected to benefit from its U.S. denominated sales while operating in Canada.

Detractors from Performance

- **Ocean Rig** and **Pacific Drilling,** both ultra-deep drillers continued to suffer from the lack of activity offshore. On the back of lower oil prices, super majors have brought offshore drilling contracting to a standstill, causing the market to ponder on the longer term outlook for that industry.
- **Seven Generations Energy Ltd**, a key holding of the Fund for many years, continued to underperform due to its gas exposure. the Expectation of a large supply of stock coming to market when the lock-up agreement of pre-IPO shareholders end on May 6th was also partly to blame.

Portfolio Activity

- The portfolio managers continue to position the Fund in anticipation of an acceleration in the consumer-based economies of U.S. and Europe with the addition of **Smurfit Kappa Group**, a European containerboard producer.
- The portfolio managers added **Canfor Corporation** during the quarter, a forestry company based in Vancouver. The managers believe that the firm will benefit from the improving U.S. housing market and it is priced attractively relative to its peers.
- Norbord Inc. completed its acquisition of **Ainsworth Lumber Co. Ltd.** in April 2015. As a result, the portfolio managers sold out of its position in **Ainsworth Lumber Co. Ltd.**

Outlook

- The growth trajectory of the U.S. economy continues to contrast sharply with the rest of the world causing short-term interest rates for the U.S. to diverge meaningfully versus the rest of the world, driving the U.S. dollar higher and exerting downward pressure on commodities.
- With continued employment, wage and housing strength, the portfolio managers believe that the U.S. Federal Reserve will likely hike interest rates in the coming quarters after six years of zero-bound interest rates and unprecedented Quantitative Easing. Until other countries or regions such as Europe or China reverse their growth trends, the U.S. dollar is likely continue its ascent and cap performance on commodities. Luckily, early signs of better days ahead are allowing the portfolio managers to remain optimistic on the outlook for resources.
- Global economic growth substantially weakened during first half of 2015, driven by a sharp slowdown in China and related Emerging Markets, compounded by the political uncertainty in Europe. The slowing growth rates exert disinflationary pressure on many asset classes due to structural overcapacity in China, Europe and (to a lesser degree) the U.S. Global central banks (with the exception of the U.S. Fed) are responding with even more monetary easing: the European Central Bank is about to accelerate its Quantitative Easing program, the Bank of Japan continues to print money at an unprecedented rate, and China has now also entered the ranks with several aggressive rate cuts. To date, these actions are merely trying to offset some of the disinflationary pressure, which explains why gold prices have not (yet) responded to this global escalation in monetary easing. Economically-sensitive commodities such as oil and copper are suffering from reduced demand outlook and a strong U.S. dollar.

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- China's economic growth rate has continued to decline, with indicators of true economic activity suggesting GDP growth rates are well below the advertised 7% rate. The tightening of monetary conditions and reduced loan growth that previously stifled the economy was abruptly reversed in response to the recent Chinese stock market collapse. While surely being the least preferred option, the possibility of a sudden devaluation of the Yuan to boost export growth can also no longer be ignored. Volatility in real estate and equity prices is supporting Chinese demand for gold, which appears on trend with prior strong demand years.
- The Indian economy continued on its positive growth trajectory in Q2, one of the few bright spots in the emerging world.
- On a positive note, crude oil consumption rose to a historical high in Q2. Stronger economic activity in the U.S. pushed the number of miles driven to a record high. Some of that growth may be a result of a one-time fuel price reduction in Q1, and may not be repeatable, but certainly makes the 1.5 million barrels per day growth (1.5-2% per annum) easily achievable going forward.
- Additionally, worldwide commodity supply growth forecasts are being reduced quarter after quarter, with companies bringing discipline to their respective industry. Miners particularly have brought development to a complete halt, and in some cases started closing producing assets. Energy producers outside the U.S. are seeing production decline in many instance, leaving the U.S. oil shale producers and OPEC to fight for what is a growing crude oil market.
- The manager expects the second half of 2015 and 2016 to be a period of synchronized growth likely supporting commodity consumption. While prices have not yet responded, the managers believe that the U.S. dollar strength may have masked some of the underlying trends. They are of the view that the combination of synchronized growth worldwide towards 3.5% will likely help commodities through stronger demand and also half the appreciation of the U.S. dollar, thereby translating to better pricing for commodities.

PORTFOLIO MANAGEMENT TEAM:

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Fund and Benchmark Performance as at: June 30, 2015	1 year	3 years	5 years	10 years
Mackenzie Global Resource Class A	-24.0%	3.4%	2.8%	1.9%
*Blended Index (comprised of 55% DJGI World Oil and Gas Total Return Index ($CDN) and 45% DJGI World Basic Materials Total Return Index ($CDN))	-6.7%	8.1%	6.9%	5.5%

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