Mackenzie Global Diversified Balanced Fund (Formerly Mackenzie Founders Income & Growth Fund) – Series T5

Q2-2015 COMMENTARY

Performance Summary

- For Q2 2015, the Fund returned -1.2% compared to the return for the blended benchmark of -1.8% (comprised of 50% MSCI World Total Return Index $CDN (returned -1.1%)/50% weight BofA Merrill Lynch Global Broad Market TR Index (returned -2.6%).

Contributors to Performance

- The underlying **Mackenzie Cundill Value Fund** benefited from stock selection in the U.S., the Netherlands and Canada. From a sector perspective, both sector allocation and stock selection added value, driven primarily by performance of portfolio's holdings in financials, industrials, information technology, and consumer staples sectors.
- The underlying **Mackenzie Ivy Foreign Equity Fund** benefited from stock selection in Switzerland and Australia had the largest positive effect on relative performance. Lack of exposure to Germany and a sizeable cash balance, which is a by-product of the bottom-up investment process, also added value.
- In the **Mackenzie Canadian Bond Fund**, helpful to performance was the Fund's bond selection. Also helpful to performance was the Fund's yield curve positioning; the fund was overweight mid-term bonds and underweight long-term and short-term bonds.
- Within underlying **Mackenzie Corporate Bond Fund**, positioning within telecommunications, industrials, and paper & packaging benefited returns in the portfolio. At the issuer level, overweight allocations to Data & Audio Visual and Crew Energy, along with underweight positioning to Bombardier, were the biggest contributors to relative returns during the period.

Detractors from Performance

- In the underlying **Mackenzie Cundill Value Fund**, a combination of portfolio positioning and stock selection in South Korea, Japan, and Germany was the most meaningful detractor. At the sector level, lack of exposure to health care and an overweight in energy negatively impacted performance. Stock selection in energy, consumer discretionary, and materials sectors also weighed on returns.
- Within the underlying **Mackenzie Ivy Foreign Equity Fund**, stock selection in the U.S. and the UK, being completely void Japan, and an out-of-benchmark exposure to South Korea detracted from performance. At the sector level, stock selection in consumer discretionary and financials was a source of relative weakness.
- Within the underlying **Mackenzie Corporate Bond Fund**, underweight allocations to First Quantum Minerals, MEG Energy, and Jupiter Resources were the biggest detractors from performance relative to the index at the issuer level. Allocations within metals & mining, energy, and transportation detracted from relative performance in the fund.

Portfolio Activity

- The Fund's current target allocation is:
  - Mackenzie Cundill Value Fund – 30%
  - Mackenzie Ivy Foreign – 30%
  - Mackenzie Canadian Bond Fund – 20%
  - Mackenzie Corporate Bond – 20%

Mackenzie Cundill Value Fund:

- The Energy sector continued to present a number of interesting opportunities for investment. Positions in Apache Corp, Chesapeake Energy, Rowan Companies, and tubular good producer Tenaris SA were increased. BP PLC previously held in the fund was re-initiated, as the cheapest of the International Oil Companys(IOC), with an end to the unfortunate Deepwater Horizon disaster in sight and the possibilities it may imply for BP, bringing the company back into the portfolio rounds out our basket approach to Energy.
- Encana Corporation, a position we have been reducing for some time, was finally exited in favour of the above purchases. In recent quarters the company spun off PrairieSky Royalty in an IPO and subsequently reinvested the cash in assets in the Permian basin in the U.S. The market seemed to like the transaction, but we did not think the acquisition was the best use of capital. This gave us the opportunity to continue to exit the position which was completed in Q2.

Mackenzie Ivy Foreign Equity Fund

- The portfolio initiated one new position which is currently in the process of being accumulated. We will articulate our thesis for this name in future once the position is fully built. Furthermore we added to several of our existing names, particularly in areas where valuations improved on the back of weakness in the stock prices. We also trimmed several of our holdings, with the largest reduction to our position in Syngenta AG following its stock price response to a takeover bid from Monsanto.
- The portfolio has been reducing its position in McDonald's Corporation for some time and the small remainder was finally eliminated in Q2. The decision to sell was driven by valuations as we adjusted down our growth assumptions due to a change in our view towards its potential for market share gains. Top line growth has been scarce and in our view it may take quite a while before the restructuring makes a meaningful contribution to business growth.

Outlook

- The portfolio management team believes the Portfolio has an appropriate mix of fixed income and equity securities given its target risk profile. The current market environment highlights the importance of a balanced investment approach with a focus on risk management.
- While issues in Greece, China, and perhaps now Iran capture the headlines, the anticipated tectonic shift in the U.S. monetary policy environment is still one of the most important elements of the outlook.
- For the first time in many quarters, global developed country bond markets turned in a negative performance. Bond yields rose on a combination of two factors. Earlier in the quarter, fears that a summer Fed rate hike would trigger a broader upward re-set in policy rates across the developed world pushed bond yields upward. That fear has now faded somewhat for markets outside the U.S. Then, later in the quarter, concerns that Greece would exit the euro triggered fears of a broad deterioration in European credit quality. Yields generally ended the quarter higher, while credit spreads widened.
- Stepping back from the recent market gyrations, the European Central Bank's (ECB) €60 billion per month direct asset purchase program continues to have a significant positive impact on keeping an upward bound on most European bond yields. Early in the second quarter the ECB's program helped drive many European sovereign yields into negative territory for long stretches of time. Even during the worst of the Greek crisis, Quantitative Easing (QE) helped keep a lid on yields for Italy, Spain and Portugal. Meanwhile, expected inflation rates declined or remained low. We do not foresee anything on the horizon to cause markets to begin pricing in higher interest rates in Europe or Japan anytime soon.
- Meanwhile the U.S. Federal Reserve is widely expected to begin lifting interest rates later in 2015 as the U.S. labour market continues to demonstrate impressive strength. The weakness seen in U.S. GDP growth early in the year was widely viewed as temporary (due to frigid weather and a port strike that has since been resolved). In contrast, job creation is running hot, job openings are the highest ever, the unemployment rate has declined to 5.5% and the rate of layoffs has been reported at the lowest since the tech boom. The strong job market combined with lower gasoline prices and (until very recently) a decent stock market has provided a powerful boost to consumer confidence.
- That said, by many measures, including the Shiller cyclically-adjusted P/E ratio, valuations on the S&P 500 Index have reached levels typically seen before a period of weaker returns. While investor sentiment and macroeconomic conditions remain positive, and could push the index higher, our current tactical view is that investors should look for opportunities to overweight other equity markets.
- The pattern of global equity market returns reflected the shift in focus over the quarter from economic recovery in Europe to the odds that Europe's monetary union would fracture. Major markets were marked by cautious optimism in the early spring but in the last weeks of the quarter they were wracked by volatility over Greek negotiations with the ECB, a technical default of a payment to the IMF and a Greek referendum on accepting further austerity measures with their loan deal. Concerns that the falling Chinese equity market would lead to a larger slowdown in the Chinese economy added fuel to the fire. The quarter ended without a resolution to the Greek-ECB negotiations. We remain broadly attracted to European equities on a valuation (attractive), macro (improving) and sentiment (negative, therefore attractive from a contrarian perspective). However, we tempered that view back to almost neutral in early June in recognition of the looming issues in Greece.
- In Canada, the S&P/TSX Index returned -1.6% during the second quarter. Health Care and Telecommunications were the only sectors to post positive returns of 2.4% and 1.6%, respectively. Industrials, Utilities, and Technology were all in negative territory with declines ranging from -6.3% to -9.6%.

- In the United States, the bellwether S&P 500 Index fell -1.1% (CAD) during the quarter. The Utilities sector fell sharply by 7.1% as investors digested the possibility of a September hike in the Fed Funds rate; however the sector has a small weighting in the index. Health Care and Financials were the largest contributors to index returns whereas Industrials and Consumer Staples were the largest detractors.
- The MSCI World Index dropped 1.1%. Telecommunications was the only notable positive performer, increasing by 2.0%. All other sectors had marginally positive returns or negative returns. Utilities posted the worst-performing return with a 4.3% decline.
- Asian markets were mixed. The Chinese Shanghai market ran up to a scorching 5166 in June from the start of the quarter at 3864 then ended around 5% lower for the quarter, but fell sharply from its peak causing concern about the potential negative impact to the Chinese economy and government controls on short selling and margin lending to calm the stock market. The Japanese TOPIX continued its march upward with a 2.25% increase. Overseas in Europe, uncertainty surrounding Greece shook markets resulting in a 6.5% decline in German markets (DAX).

PORTFOLIO MANAGEMENT TEAM:

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Alain Bergeron, Mackenzie Investments, Asset Allocation

Mackenzie Global Diversified Balanced Fund A (the "Fund") was launched on December 3, 2007 as a fund-of-funds that target‡ investments of 30% in each of the following: Mackenzie Cundill Value Fund and Mackenzie Ivy Foreign Equity Fund, and 20% in each of the following: Mackenzie Canadian Bond Fund and Mackenzie Corporate Bond Fund. ‡Target investments and weightings subject to change.

Fund and Benchmark Performance as at: June 30, 2015	1 year	3 years	5 years	Since Inception (Dec. 2007)
Mackenzie Global Diversified Balanced Fund Series T5	5.7%	9.4%	8.1%	4.9%
Blended Index (comprised of 50% weight MSCI World Total Return Index $CDN + 50% weight BofA Merrill Lynch Global Broad Market TR Index)	14.2%	14.2%	11.2%	6.8%