Mackenzie North American Corporate Bond Fund – Series A

Q2-2015 COMMENTARY

Performance Summary

- For Q2 2015, the Mackenzie North American Corporate Bond Fund returned 0.3% vs. the blended index[1] return of -0.9%.
- The Fund outperformed the benchmark largely because of currency. The Fund hedges its foreign currency exposure while the benchmark is unhedged. The Canadian dollar was strong relative to the US dollar and the Fund did not benefit because of the hedge.

Contributors to Performance

- The Mackenzie North American Corporate Bond Fund outperformed its benchmark over the quarter. Currency effects were a contributor to performance as the foreign component of this portfolio is 100% hedged to Canadian dollars, and the Canadian dollar appreciated versus the U.S. dollar over this time frame.
- Positioning within telecommunications, financials, and health care benefited returns in the portfolio.
- At the issuer level, underweight positioning to Bombardier and Rosetta Resources, along with an overweight allocation to Data & Audio Visual, were the biggest contributors to relative returns during the period.

Detractors from Performance

- Allocations within energy, metals & mining, and diversified media detracted from relative performance in the fund.
- Underweight allocations to First Quantum Minerals and Tervita, along with positioning in Samson Investment, were the biggest detractors from performance relative to the index at the issuer level.

Outlook

- June was the worst month for the asset class since December 2014. Credit spreads widened during the month, and outflows accelerated in the mutual fund space. Year to date, high-yield volumes are just over $191 billion. The majority of the new issuance in the high-yield market continues to be led by refinancing. Year to date, 50.9% was for refinancing, 30.7% for acquisition financing, and 14.2% for general corporate. The par-weighted default rate at the end of the quarter was 1.88%. In this environment, the high-yield corporate bond market, as measured by the Fund's custom index, posted a return of -0.96%.
- On the latest revised data, the Q1 GDP contraction was -0.2% (SAAR), which means almost all of the contraction has been revised away. The portfolio managers are no longer worried that the "weakness" of the first quarter was sending a troubling message about the health of the economy.
- The portfolio managers continue to believe that the U.S. looks fine and will have a stronger second half. Tracking estimates of Q2 GDP have moved above 3% (SAAR), and the portfolio managers believe that the U.S. can at least sustain that pace over the balance of the year. There are, of course, risks; U.S. manufacturing has weakened a little, plus the combined effect of the appreciation of the dollar and the weakness in some emerging market economies. If China slows further, which is not our expectation but certainly possible, that would add to the headwinds facing the U.S.
- In Canada, growth has been lackluster in 2015 and the energy sector's decline is taking a toll on the economy. The pullback in economic activity in Q1 and poor performance in Q2 mean that the output gap grew in the first half of 2015 and will likely take longer to close. These conditions opened the door for another possible rate cut by the Bank of Canada. It is expected that a recovery in the U.S. economy in Q2 should lead to an eventual pickup in Canadian exports and better economic activity for Canada in the second half of 2015.
- Despite some mixed data in the U.S. and Canada, our outlook on the high-yield market remains constructive, as the fundamental landscape continues to be attractive, and defaults are still below historical averages. One potential headwind is weak energy prices, which may cause elevated defaults going forward. Although geopolitical events may bring elevated levels of volatility, the portfolio managers still believe high-yield spreads are attractive, specifically when compared with other fixed-income alternatives. Due to continued unease around market liquidity, the cash weight of the Fund is 5.2%. In addition, we have a slightly lower duration (at

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3.9 years) than the benchmark given realized and expected interest-rate volatility. Although energy continues to be one of the top-performing sectors, we continue to hold an underweight allocation. With that being said, the portfolio managers believe opportunities remain in several non-energy/metals & mining sectors.

PORTFOLIO MANAGEMENT TEAM:

Putnam Investments: Paul Scanlon, Kevin Murphy, Norm Boucher, Robert Salvin

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 June 30, 2015 including changes in unit 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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To the extent the Fund uses any currency hedges, share performance is referenced to the applicable foreign country terms and such hedges will provide the Fund with returns approximating the returns an investor in a foreign country would earn in their local currency.

Fund and Benchmark Performance as at: June 30, 2015	1 year	3 years	5 years	Since Inception (Jun. 2009)
Mackenzie North American Corporate Bond Fund Series A	-1.0%	5.2%	6.3%	7.4%
[1]Blended Index (comprised of 40% BofA/ML Hi-Yield Canadian Issuers Index/40% BofA/ML High-Yield US Index ($CDN)/10% BofA/ML Canadian Corp BBB Index/10% BofA/ML US Corp BBB Index ($CDN)	13.0%	12.1%	10.2%	11.4%

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