

Performance Summary

- During Q3 2015, the Fund returned -8.8 % vs. the MSCI World Total Return Index (net CAD) which returned -2.2%.

Contributors to Performance

- From a regional perspective stock selection added value with the largest benefit derived from stock selection in the Japan. Allocation to cash also helped performance as global equities finished the quarter lower. From a sector perspective, both sector allocation and stock selection added value, driven primarily by performance of portfolio's holdings in Consumer Discretionary.
- Key contributors to performance at the stock level included Hyundai Motor. Hyundai Motor rallied after its most recent quarterly results were better than the very low expectations and they raised their sales targets in India. The stock rallied 30% in the quarter. Hyundai plans to open additional plants in China through 2018 adding almost 600k units to capacity.
- Another notable contributor to portfolio performance in Q3 was Munich Reinsurance. They reported a strong Q2 headline result that was materially ahead of consensus estimates. Most of the outperformance came from investment income and the remainder came from stronger underwriting. Importantly, Munich raised its net income guidance for 2015.

Detractors from Performance

- From a geographical perspective stock selection in the U.S. and Canada detracted from performance. At both the sector and stock selection level, an overweight position in Energy and Materials negatively impacted performance.
- Performance of Energy and related companies continued to be impacted by volatility in the price of oil and gas, which has soured investor sentiment in Chesapeake Energy Corp. The company has quickly responded to the weak price environment but is still challenged to find adequate returns. The 2016 outlook remains uncertain with the rig program still in decline. Despite the volatility in the energy prices and Chesapeake's share price, the portfolio continues to receive a 5.75% yield on the convertible preferred shares which constitute the majority of our Chesapeake position. This, combined with the convertible feature of the preferreds, combined with a smaller position in equity offers a strong option on what we believe are significantly undervalued shares.
- At the stock level, one of the largest detractors included the portfolio's South Korean holding of POSCO. One of South Korea's largest integrated steel producers, the stock came under pressure as growth concerns continued over the pace of China's recovery. The company revised down their earnings expectations for the next 3 years. However, the company continues their restructuring plan and is on track for cost savings. They have suspended plans for an integrated steel mill in India and will continue to reduce the number of subsidiaries in numerous markets.

Portfolio Activity

- The market volatility over the quarter gave us the opportunity to add some weight to our Energy names.
- We also initiated one new position which we will comment on once it has been fully accumulated. Furthermore, several of our existing positions were trimmed, largely on valuations.

Outlook

- Major markets around the world started the period at expensive levels and have since seen a period of volatility. Areas where the team was looking at the beginning of the period – Energy, Cyclical and emerging markets – were the hardest hit. Because of this, the team was able to deploy their cash reserves and cash levels have since fallen.
- Markets still remain at fully valued levels which would suggest poor long-term returns for the overall markets. With that being said, the portfolio managers believe that there has been a dichotomy between “value” stocks and “growth and quality” stocks. Value stocks have underperformed over the past several years and have become significantly cheaper than the market and when compared to “growth and quality” stocks. Using history as a guide, outperformance of one segment versus the other does not continue indefinitely. Considering the low valuations of value stocks and the portfolio, the portfolio managers are optimistic about the long-term returns of the portfolio.

PORTFOLIO MANAGEMENT TEAM:

Lawrence Chin, Senior Vice President, Investment Management, Mackenzie Investments†

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† Effective July 19, 2013 Lawrence Chin is named lead manager of the Fund

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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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| Fund and Benchmark Performance as at: September 30, 2015 | 1 year | 3 years | 5 years | 10 years |
|--|--------|---------|---------|----------|
| Mackenzie Cundill Value Fund Series C | -7.3% | 11.3% | 6.0% | 2.4% |
| MSCI World Total Return Index (net CAD) | 13.1% | 20.2% | 14.1% | 6.2% |