

Performance Summary

- For Q3 2015, the Fund returned -11.2% compared to the return for the blended benchmark of -5.1% which is comprised of 65% S&P/TSX Composite Total Return Index and 35% FTSE TMX Canada Universe Bond Index.

Contributors to Performance

- The Fund's stock selection in Information Technology contributed to performance along with its exposure to the Netherlands and Luxembourg.
- Celestica Inc**, which contributed to performance, is the largest virtually integrated electronic manufacturing service (EMS) provider in the world, offering a full range of design, material procurement, prototype, printed circuit board and full system assembly, test, logistics and repair services to original equipment manufacturers (OEMs) through a global network operation. Celestica is managing the lost revenues from Blackberry well and margins could rebound once the macro backdrop improves. They have a solid balance sheet with almost \$500m in cash or \$2.98 per share. They have also sold a big property in Toronto for \$137m and will be moving to a smaller facility, also in Toronto (at a much lower price).
- Another contributor was **Cenovus Energy**, an integrated oil company. They are taking the necessary steps to focus on cost structure and strengthen its balance sheet. It reported a solid second quarter and has sold \$3.3b in royalty lands. Headcount is expected to drop by about 18% from the levels of early 2015. It also plans the disposition of Non-Core assets. Cenovus remains well positioned with valuable in-situ oil sand assets combined with complex oil refining capacity in the U.S.
- Within the fixed income portion of the Fund, overweight exposure to corporate bonds and notes detracted from performance. Security selection and the longer duration of the government bond holdings also detracted slightly, while exposure to term loans contributed to returns. During the period, futures were used to manage the portfolio's duration, and had no significant impact on performance.

Detractors from Performance

- The funds overweight of the Materials sector was the primary detractor of performance.
- Performance of **Canfor Corp and West Fraser Timber** was exceptionally weak over the quarter as concerns over China and global growth reached peak levels.
- West Fraser** reported weak Q2 results with higher than expected maintenance outages and weaker pricing. Management believes that U.S. economic activity and U.S. home construction will continue to recover. This will help to bring price stability. The company also expects Chinese lumber export volumes to remain stable. West Fraser remains the largest and lowest cost producer in North America.
- Canfor Corp** also reported a weak Q2 due to lumber prices. On a positive note, volumes were higher. The company's outlook towards China remains very positive and they also see a steady recovery in the U.S. housing market. They have a strong balance sheet with net debt to cap of 12%. Canfor also recently announced the purchase of Anthony Forest Products. This will add 6 facilities producing lumber, engineered wood products and wood chips. They paid a very reasonable price for some of the lowest cost facilities in the south and will allow Canfor to capture the full benefits of strong Southern sawmill margins.

Portfolio Activity

- The equity team added four positions over the quarter and sold one position.

Outlook

Cundill Team's 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, cyclicals, emerging markets – were the hardest hit.

- 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.

Fixed Income Team’s Outlook:

- The fixed income portfolio management team continues to believe that the U.S. Federal Reserve will increase interest rates but that the timing has become more dependent on global developments. If economic growth continues, the U.S. yield curve is likely to flatten as shorter-term bond yields rise more quickly than longer-term yields, especially if the markets expect additional rate hikes to follow. Conversely, the Canadian yield curve may steepen, because the team expects the Bank of Canada to further ease its monetary policy. The team will be cautious about extending the duration of the portfolio given current low interest rates. The team focuses on quality and liquidity, with a preference for highly rated corporate bonds, though widening high-yield spreads could provide future opportunities.

PORTFOLIO MANAGEMENT TEAM:

Equities: **Lawrence Chin**, Senior Vice President, Investment Management, Mackenzie Investments

Fixed Income: **Steve Locke**, Senior Vice President, Investment Management, Mackenzie Investments

Asset Allocation: **Alain Bergeron**, Senior Vice President, Investment Management, Mackenzie Investments

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 September 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 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.

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Fund and Benchmark Performance as at: September 30, 2015	1 year	3 years	5 years	10 years
Mackenzie Cundill Canadian Balanced Fund Series C	-8.5%	6.8%	5.9%	4.1%
Blended Index (65% S&P/TSX Composite Total Return Index and 35% FTSE TMX Canada Universe Bond Index)	-3.7%	5.0%	4.6%	5.1%