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

Q3-2015 COMMENTARY

Performance Summary

- For the third quarter of 2015, the Fund returned -3.0% compared to the return for the blended benchmark of -0.2% (comprised of 50% MSCI World Total Return Index $CDN (returned -2.2%)/50% weight BofA Merrill Lynch Global Broad Market TR Index (returned 8.1%).

Contributors to Performance

- The underlying **Mackenzie Cundill Value Fund** benefited significantly from stock selection in 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.
- The underlying **Mackenzie Ivy Foreign Equity Fund** benefited from the portfolio's elevated cash balance, which was a by-product of the management team's bottom-up investment process. From a geographical perspective, stock selection in the U.S. and Belgium added the most value. At the sector level, an overweight position to and stock selection in Consumer Staples were the most meaningful contributors to results.
- In the **Mackenzie Canadian Bond Fund**, helpful to performance was increasing duration over the quarter, as long-term bonds benefitted from declining inflation expectations globally. Also helpful to performance was the Fund's corporate bond selection.
- Within underlying **Mackenzie Corporate Bond Fund**, positioning within metals & mining, industrials, and energy benefited returns in the portfolio. At the issuer level, underweight allocations to Bombardier, First Quantum Minerals, and Jupiter Resources were the biggest contributors to relative returns during the period.

Detractors from Performance

- In the underlying **Mackenzie Cundill Value Fund**, stock selection in the U.S. and Canada detracted from performance. At the sector level an overweight in Energy and Materials negatively impacted performance.
- Within the underlying **Mackenzie Ivy Foreign Equity Fund**, the largest detractors included an underweight position in the U.S. and stock selection in the UK and Australia. At the sector level, underweight position and stock selection in Information Technology sector was the most meaningful detractor. Lack of exposure to the Utilities sector also weighed on returns.
- In the **Mackenzie Canadian Bond Fund**, detracting marginally from performance was provincial bond holdings which underperformed federal and investment grade corporate bonds over the quarter.
- Within the underlying **Mackenzie Corporate Bond Fund**, Allocations within food & beverages, utilities, and cable & satellite detracted from relative performance. Overweight allocations to Vantage Drilling, EP Energy and Paragon Offshore were the biggest detractors from performance relative to the index at the issuer level.

Portfolio Activity

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

Mackenzie Cundill Value Fund

- The market volatility over the quarter gave the Cundill managers an opportunity to add some weight to their Energy names.
- They also initiated one new position which will be commented on once it has been fully accumulated. Furthermore, several of our existing positions were trimmed, largely on valuations.

Mackenzie Ivy Foreign Equity Fund

- The portfolio initiated two new positions during Q3 - W.W. Grainger Inc and Samsonite International SA, while completing building its position of Oracle Corp.

- On the sell side of the ledger the portfolio eliminated its position in **Sigma-Aldrich Corporation**, after its acquisition by Merck.

Outlook

- Global financial and commodity markets experienced extreme volatility during the third quarter due to the re-emergence of the Greek sovereign debt crisis, and the collapse of Chinese stock markets. The latter event had a profound impact on energy-exporting economies, countries competing directly with China and those with direct trade ties to China. In Canada, equity markets declined as lower commodity prices put downward pressure on energy and materials stocks.
- The S&P/TSX Index returned -7.9% during the third quarter. Energy and Materials sectors weighed on market returns as commodity prices declined. Utilities, Telecommunications, Information Technology and Consumer Staples sectors posted positive returns. Financials, Health Care and Industrials posted negative returns in the quarter.
- In the United States, the bellwether S&P 500 Index was flat (CAD). Energy, Materials and Health Care were all negative. The Utilities sector was up the most as the U.S. 10-year Treasury yield fell which is positive for the interest-sensitive sector. Information Technology, Consumer Staples and Consumer Discretionary sectors were also positive.
- The MSCI World Index fell -2.2% (CAD). Energy and Materials sectors declined the most on the back of falling commodity prices. Financials, Telecommunications, Health Care and Industrials were modestly negative in the quarter. Utilities rose the most as the U.S. 10-year Treasury yield fell. Information Technology and Consumer Staples rose while Consumer Discretionary was flat.
- As a result of the financial turmoil, the U.S. Federal Reserve delayed raising interest rates. However, recovery in the United States continued, underpinned by falling unemployment rates. With relatively lackluster growth in Europe and Japan, both the European Central Bank and the Bank of Japan maintained their massive monetary stimulus programs.
- Volatility in fixed income markets was another key theme of Q3 2015 as bond prices adjust to slower global growth. Key ten-year bond yields declined across major markets including the U.S., Canada, the UK, Germany and Japan. The decline in yields was partly due to the risk-off sentiment but also due to lower inflationary pressures globally.
- This combination of market uncertainty and delayed monetary tightening is expected to dominate the market environment in the fourth quarter of 2015. In light of these developments and their continuation into this quarter, we believe investors should adopt a cautious approach in Q4.
- China's weakness has had serious knock-on effects around the globe. While the situation seems to have eased, the events have left a lingering sour taste in the form of a sizeable downshift in expectations for global growth. Investors are no longer as sanguine that Chinese authorities can engineer a return to 7%+ rates of real GDP growth in the near term. Moreover, they are concerned that official rate of growth in China are misrepresenting the true extent of the economy's weakness. Without a rebound in the cards, a major engine of global growth is sputtering.
- Europe is both China's largest export market and China's largest source of imports. When both China and Europe are experiencing varying degrees of economic weakness, they can feed on each other. While Germany's economy remains solid, it is facing a longer-term problem of insufficient foreign demand for its exports and an extremely acute shorter-term problem of finding a home for the hundreds of thousands of migrants that have arrived from the Middle East and Africa. Left unabated, what might appear to be a short-term problem threatens to become a severe long-term cost to Germany's economy. Meanwhile, Southern European nations such as Spain and Italy are still digging out from debt and are in no position to provide a source of sustainable growth.
- Turning to other Emerging Markets (EM), many EM are facing a 'perfect storm,' which includes tighter financial conditions stemming from the rising cost of servicing foreign debts denominated in U.S. dollars, the prospect of higher U.S. interest rates and the risk of higher non-performing loans after years of rapid credit growth. At the same time, many EM economies are contending with weaker commodity prices and a slowdown in the growth of their key trade partners.
- Domestic liquidity conditions are likely to tighten further in EM economies, keeping local asset prices under pressure and restraining economic growth. Non-financial corporations and commercial banks are also likely to continue deleveraging their balance sheets to reduce U.S. dollar-denominated debts. The outlook for emerging markets is further negatively impacted by troubles in resource-based economies, like Brazil, Russia and Indonesia, which are beset by political instability. While India has been a relative bright spot in recent years, the move towards significant economic reforms seems to have stalled.

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: September 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%