



MACKENZIE IVY GLOBAL BALANCED 2018 REVIEW



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Summary

- Remarkable increase in volatility in 2018 vs its prior periods in the post-GFC bull market
- Ivy Global Balanced continued to deliver its promise to protect investors' capital
- The Fund's defensive holdings are positioned to help navigating the unclear market in the near future

Market Performance[†]

Year 2018 marked one of the most volatile year for global equity markets since the Global Financial Crisis (GFC). The S&P 500 index recorded 20 trading days with greater than 2% absolute movements out of 251 total trading days in 2018, or 8% of the total. Of those 20 days, 15 days fall in the negative territory, making 6% of the total trading days ended with worse than -2% return. For comparison, out of the 2,287 trading days in the period from the drought of GFC on March 8, 2009 to December 31, 2017, 128 days (5.6%) recorded higher than 2% swing, 66 of which (2.9%) recorded on the negative side. The U.S. exposure heavy MSCI World Index also sees similar story: 3.4% trading days with greater than 2% daily market change and 2.7% with worse than -2%, versus 2.1% and 1.0% respectively in the post-GFC to year-end 2017 period. It's also worth to note that neither S&P 500 nor MSCI World saw greater than 2% daily changes in any trading days in the entire Year 2017. 2018 sees a remarkable increase in volatility compared to its prior periods in the post-GFC bull market.

On the fixed income side, cash was king in the US in 2018, second in command were high quality short term bonds - and this despite a powerful bond rally in the 4Q18. The FTSE TMX 91-day T-Bill Index returned 1.4% in 2018 mirroring the performance of the FTSE TMX Universe Bond Index. In Europe, bond markets rallied, with longer duration bonds outperforming. Yields on 10-Yr and 30-Yr German Bunds ended the year lower.

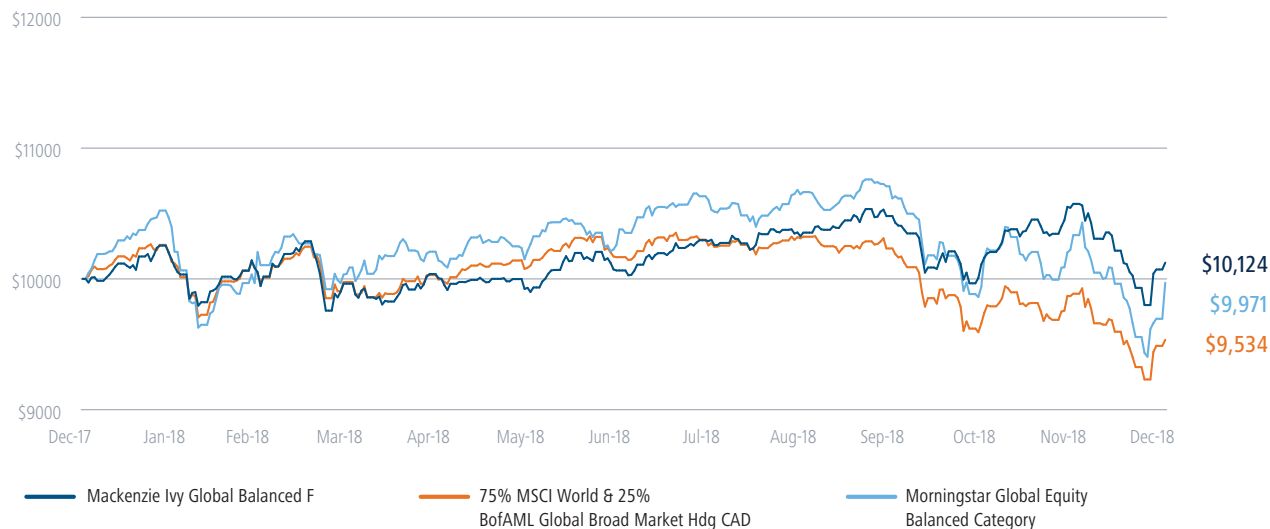
Fund Performance

Despite the increased volatility, the Fund ended 2018 with a positive return of 1.24%, compared to -0.29% of the blended benchmark 75% MSCI World Index and 25% BofAML Global Broad Market (Hedged to CAD), and -4.63% of Morningstar Global Equity Balanced Category, all in CAD terms.

Performance versus the benchmark was benefited by the Fund's an overweight exposure and stock selection in Consumer Staples and Health Care, as well as underweight exposure and stock selection in Financials. Favourable stock selection in Industrials and Communication Services sectors also contributed positively. The underweight exposure and stock selection in Information Technology detracted from relative performance in overall 2018, as the sector had some strong performance prior to its drawdown in Q4 2018.

Underweight allocation to fixed income hindered the overall performance relative to the blended benchmark as fixed income outperformed equities by a good margin in 2018. The underweight exposure and selection in sovereign government bonds was the primary detractor.

Growth of \$10,000 in Year 2018



Source: Morningstar Direct, 1 Year ending December 31, 2018.

	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Mackenzie Ivy Global Balanced Fund - Series F	1.2%	1.2%	4.4%	6.9%	8.0%
75% MSCI World TR Index (net-CAD) 25% BofAML Global Broad Market (Hedged to CAD)	-0.3%	-0.3%	5.1%	8.4%	9.3%
Morningstar Global Equity Balanced Category	-4.6%	-4.6%	3.0%	4.8%	7.3%
Percentage of Peers Beaten (vs. Morningstar Global Equity Balanced Category)	95	95	87	89	74

Morningstar Direct (1-, 3-, 5-, and 10-year returns are annualized returns as of December 31, 2018.)

Portfolio Activities- Significant Moves in 2018

During the year the team made a number of changes to the portfolio as a result of changing company dynamics, emerging company risks, and changing valuations as a result of price moves. Portfolio changes of its equity holdings as a result of price movement was the dominant factor affecting portfolio construction.

New Buys	Sector	Absolute Sells	Sector
Comcast Corporation	Communication Services	Hyundai Motor Company	Consumer Discretionary
Reckitt Benckiser Group	Consumer Staples	Colruyt	Consumer Staples
		Waters Corporation	Health Care
		TGS-NOPEC Geophysical Company ASA	Energy
Significant Increase in Positions	Sector	Significant Decrease in Positions	Sector
PepsiCo, Inc.	Consumer Staples	W.W. Grainger, Inc.	Industrials
Henkel AG & Co.	Consumer Staples	NIKE, Inc.	Consumer Discretionary
Procter & Gamble Company	Consumer Staples	Brookfield Asset Management Inc.	Financials
Unilever	Consumer Staples	Oracle Corporation	Information Technology
		Techtronic Industries	Consumer Discretionary

Significant Increase/Decrease in Positions include positions with 20% or more change in shares held.

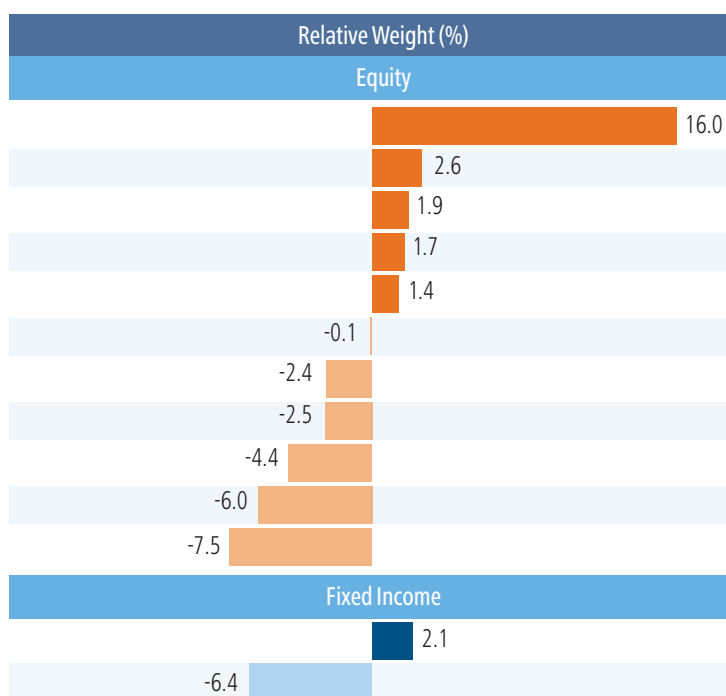
Source: Mackenzie Portfolio Analytics

Current Positioning

Nobody knows when the longest in history bull market will end, but we believe it's very difficult to imagine significant positive returns coming in the next few years without some form of correction happening in the intervening period, given how far equity valuations have stretched in the last few years.

History suggests that markets move in cycles. We believe that by investing counter-cyclically, an investor may be more likely to grow his/her capital more smoothly through the cycles. As markets are getting more expensive, the Fund's equity managers favour the defensive sectors, such as Consumer Staples, Health Care, and Communication Services, over the cyclical ones like Information Technology, Financials, and Consumer Discretionary. Cash is a residual of Ivy's investment process and valuation discipline. By investing in defensive stocks in times of increased volatility and holding some cash position, we are able to layer two forms of protection in our portfolio and possibly catch the opportunity to own the high-quality companies when they met our valuation threshold.

The Fund's fixed income portion maintains a core position in high grade sovereign debt because, longer term, its correlation to risk assets is low, potentially giving investors a diversification benefit if markets become more risk adverse. The fixed incomes remain selective on duration positioning – we want to benefit where we can from countries in more favourable interest environments. Our focus is on valuations – as we look for the best opportunities globally on both an absolute and relative basis.



Sector	Portfolio (%)	Benchmark* (%)
Equity	75.6	75.0
Consumer Staples	22.5	6.5
Health Care	12.6	10.0
Consumer Discretionary	9.8	7.8
Industrials	9.9	8.2
Communication Services	7.6	6.2
Materials	3.4	3.5
Real Estate	--	2.4
Utilities	0.1	2.6
Energy	0.1	4.5
Financials	6.1	12.2
Information Technology	3.7	11.2
Fixed Income	22.4	25.0
Corporate	11.0	8.9
Governments	9.7	16.1
Cash	2.0	--

Source: Mackenzie Portfolio Analytics, as of December 31, 2018

Conclusion

2018 was full of uncertainties with numerous headlines that drove the market swings, such as China-US trade war threats, rate hikes and quantitative tightening, geopolitical unease in various areas. While it's extremely difficult to predict what would happen to the markets in the future, we continue to believe owning a diversified portfolio with high-quality companies and investing counter-cyclically with high discipline on valuation can help you to navigate volatile markets with peace of mind.

Fund Codes and Management Fees

Mackenzie Ivy Global Balanced - Mutual Fund Trust

Series	CAD				Management Fee	Management Expense Ratio*
	Front-End	Back-End	Low Load 2	Low Load 3		
A	086	616	7000	3182	1.85 %	2.32 %
F	395	---	---	---	0.75 %*	1.00 %**
PW	6107	---	---	---	1.75 %*	2.10 %**

Mackenzie Ivy Global Balanced - Corporate Class

Series	CAD				Management Fee	Management Expense Ratio*
	Front-End	Back-End	Low Load 2	Low Load 3		
A	5177	5178	7266	5179	1.85 %	2.34 %
F	5181	---	---	---	0.75 %*	1.00 %**
PW	6666	---	---	---	1.75 %*	2.11 %**

MERs as of September 30, 2018.

*Effective June 1, 2018, the management fee on Series PW changed from 1.80% to 1.75%, and Series F changed from 0.85% to 0.75%.

**Pro forma estimate.

† Source: Factset, as of December 31, 2018.

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Percentile rankings are from Morningstar Research Inc., an independent research firm, based on the Global Equity Balanced category, and reflect the performance of the Mackenzie Ivy Global Balanced Fund for the 1-month, year-to-date, 1-, 3-, 5- and 10-year periods as of December 31, 2018. The percentile rankings compare how a fund has performed relative to other funds in a particular category and are subject to change monthly. The number of Global Equity Balanced funds for the Mackenzie Ivy Global Balanced Fund for each period are as follows: one year – 1,082; three years – 850; five years – 574; ten years – 283.

On August 14, 2014, Mackenzie amended the Fund's investment strategies to specify its ability to allocate its assets between equity and fixed income securities, and Alain Bergeron assumed responsibility for asset allocation in the Fund.

Morningstar Star Ratings reflect performance of Series F as of December 31, 2018 and are subject to change monthly. The ratings are an objective, quantitative measure of a fund's historical risk-adjusted performance relative to other funds in its category. Only funds with at least a three-year track record are considered. The overall star rating for a fund is a weighted combination calculated from a fund's 3, 5, and 10-year returns, as available, measured against the 91-day treasury bill and peer group returns. A fund can only be rated if there are a sufficient number of funds in its peer group to allow comparison for at least three years. If a fund scores in the top 10% of its fund category, it gets 5 stars; if it falls in the next 22.5%, it receives 4 stars; a place in the middle 35% earns a fund 3 stars; those in the next 22.5% receive 2 stars; and the lowest 10% receive 1 star. For more details on the calculation of Morningstar Star Ratings, see www.morningstar.ca.

This document includes forward-looking information that is based on forecasts of future events as of December 31, 2018. Mackenzie Financial Corporation will not necessarily update the information to reflect changes after that date. Forward-looking statements are not guarantees of future performance and risks and uncertainties often cause actual results to differ materially from forward-looking information or expectations. Some of these risks are changes to or volatility in the economy, politics, securities markets, interest rates, currency exchange rates, business competition, capital markets, technology, laws, or when catastrophic events occur. Do not place undue reliance on forward-looking information. In addition, any statement about companies is not an endorsement or recommendation to buy or sell any security.

