Mackenzie US Growth Class

MACKENZIE Investments

Series F | Monthly Commentary | **As of:** May 31, 2021

One-month Attribution and Weight

Top Sector Detractors	% Contrib.	% Wgt
Health Care	-0.8	15.7
Information Technology	-0.7	30.5
Consumer Discretionary	-0.3	6.4
Top Security Contributors		
Trane Technologies plc	0.2	3.8
CME Group Inc. Class A	0.1	1.7
Texas Instruments Incorporated	0.1	3.0
Top Security Detractors		
Alcon, Inc.	-0.3	3.2
Amazon.com, Inc.	-0.3	3.2
Accenture Plc Class A	-0.2	5.0
FX Attribution		
-1.5%		
Cash Position		
1.4%		
Major currency exposures	**% Gross**	**% Net**
USD	94.5	76.1
CAD	0.0	18.5
EUR	2.5	2.5

Key Takeaways

- The Fund (Series F) returned -1.8% in May, underperforming the S&P 500 Index return of -1.1%.
- Underweight exposure and allocation effect in Consumer Discretionary followed by Utilities contributed positively to relative performance, while overweight exposure and stock selection in Health Care followed by Financials detracted from relative performance.
- **Texas Instruments,** a contributor to monthly performance, is the world's leading analog semi-conductor company. Texas Instruments produces over 80,000 different products, many of which are designed into products and used for long periods of time, giving the company a strong business moat.
- Alcon, a detractor to monthly performance, is the world's leading eye care company. Although the business recently returned to the public markets, it was not new to us. Prior

Performance Results (%)	1 mo	YTD	1 yr	3 yr	5 yr	10 yr
Mackenzie US Growth CI (F)	**-1.8%**	**5.3%**	**22.1%**	**16.1%**	**15.5%**	**13.2%**
S&P 500 Index TR	-1.1%	6.8%	22.6%	15.2%	15.3%	16.9%
Morningstar US Equity Peer Group	-0.7%	7.6%	24.6%	12.6%	12.8%	13.7%
Percentage of Peers Beaten	13	27	46	84	82	47

Fund and Market Insights

- The Fund (Series F) returned -1.8% in May, underperforming the S&P 500 Index return of -1.1%.
- Underweight exposure and allocation effect in Consumer Discretionary followed by Utilities contributed positively to relative performance, while overweight exposure and stock selection in Health Care followed by Financials detracted from relative performance.
- Texas Instruments is the world's leading analog semi-conductor company. There are two broad types of semi-conductors, analog and digital. Digital semi's process "ones and zeros" and are heavily used in computers with components like central processing units (CPU's), graphics processing units (GPU's), and memory. Analog semi's deal with non-binary information from the real world, including temperature, pressure, sound, current, etc. Generally, the analog semi's covert the incoming signal into a digital data stream that can be used by digital semi-conductors. The rapid deployment of digital backbones is driving the increased need for analog semi's to provide the critical interface between the digital world and the real world.
- Texas Instruments produces over 80,000 different products, many of which are designed into products and used for long periods of time, giving the company a strong business moat. TI's products are used across diverse industries, including broad industrial, automotive, electronics, and communications. In our view, the rapid expansion of a number of analog semi-conductor reliant technologies this decade in the automotive and industrial areas will increase both the underlying growth rate and the stability of the analog semi industry. Nonetheless, the semi-conductor business is notoriously cyclical, and while analog semi's tend to be more stable than digital, we view TI as a cyclical growth business, rather than a stable growth business.
- Alcon is the world's leading eye care company. Although the business recently returned to the public markets, it was not new to us. Prior to being acquired by Swiss pharmaceutical giant Novartis in 2011, the company was listed in the United States.
- In our view, Alcon has all the attributes that we look for in an investment. The business has existed for over 70 years, and during this time has created an enviable franchise, with a broad portfolio of products and a very well-respected brand. In addition, at this point we believe that there is considerable scope to improve the company as a result of Novartis's mismanagement.
- Over the years we have watched a number of "blockbuster" acquisitions, entered into with considerable fanfare, fall apart. In our view, the combination of Novartis and Alcon falls firmly into this category. Novartis is a pharmaceutical company, and although Alcon had a strong portfolio of drugs related to eye care, ultimately the company is a medical device business. These are enormously different types of companies, with pharma companies focused on creating home run drugs—individual products with revenues in the billions of dollars—and then defending their maturing portfolio against generic drug manufacturers. Well-managed device companies, on the other hand, are much more incremental. They aim to build a development pipeline that aims to consistently generate many small wins and operate in a competitive environment that rewards

- Under Novartis's management, Alcon began to underinvest in new product development and manufacturing capacity. This is not particularly surprising, as the senior executives at Novartis had the choice of investing capital into new exciting molecules that could yield massive company-changing results if successful, or into Alcon where they could add a new manufacturing line to expand contact lenses capacity. Fortunately, before too much damage was done, a management change at Novartis resulted in a reassessment of the firm's portfolio of businesses and a decision to spin-off Alcon's device business, while retaining the pharma component of the company.
- Alcon began to re-invest in R&D and capacity expansion several years ago, with the new pipeline of products expected to gradually come to market over the next few years. This, combined with continued work on the underlying cost structure of the business, should result in rising organic growth and expanding margins over the next 3-5 years. All of this should occur against the backdrop of a very attractive industry. Eye care is a consolidated oligopoly with a handful of large players, the industry is not particularly economically sensitive, and aging populations and technological improvement provide a steady tailwind for growth.

Fund Codes and Management Fees

Corporate Class

Series	CAD				Management Fee	Management Expense Ratio
	Front-End	Back-End	Low Load 2	Low Load 3		
A	1019	1169	7064	2190	2.00 %	2.53 %
F	1329	---	---	---	0.80 %	1.06 %
PW	6162	---	---	---	1.80 %	2.16 %

MERs as of September 30, 2020.

Disclaimers