Mackenzie Global Resource Fund – Series F
Q3-2021 COMMENTARY

Performance Summary

- Mackenzie Global Resources Fund returned 2.5% during Q3/2021, outperforming its blended resources benchmark which returned 0.9%, with natural gas and lumber producers outperforming precious metals during a quarter of strong economic growth amidst increasingly volatile markets.

Contributors to Performance

- The Fund's long-standing overweight exposure to natural gas producers contributed to quarterly performance as global gas prices rose on the back of localized supply constraints, seasonally low inventories and growing demand from gas-fired powered stations that play a key bridging role in the global energy transition. Core gas holdings **Tourmaline** (up 28% during the quarter) and **Advantage Energy** (up 26%) contributed significantly to quarterly performance.
- Leading lumber producer **West Fraser Timber** (+20%) rebounded as lumber prices found a floor following retailer destocking phase and aided by a significant share buyback. Lumber has been leading the commodity complex, with a strong price rally followed by price stabilization at a price level higher than pre-pandemic.

Detractors from Performance

- While gold bullion was roughly flat during the quarter, gold equities lost value on the back of rising operating cost inflation and a general lack of strategic decisiveness, with capital returns trailing other resource producers.

Portfolio Activity

- The portfolio managers harvested gains in natural gas producers and steel producers, to maintain a balanced portfolio and risk parameters.

Market Review & Outlook

- Developed markets continued their economic recovery in Q3/2021. Bottlenecks continue to plague global supply chains, pushing inflation higher across most sectors of the economy. Supply of workers seems to be particularly limited in sectors where employees have been historically easy to find (restaurant, housing, travel, etc.). Higher wages seem to be the easiest way to attract workers back to the workforce.
- China was hit with a surprise real estate accident. The entire ramifications to Evergrande's likely bankruptcy have yet to be discovered. Hence, we expect ripple effects to slow down the Chinese economy for some time.
- Going forward, we expect onshoring, fiscal stimulus, and the energy transition to be reinforcing rising inflation trends, and in particular push commodity demand to new levels.
- In the short to medium term, while China may allow the global economy to catch its breath, pent-up demand, accumulated savings, and aggressive stimulus are likely buffering any relapse and likely support our base case for a continued recovery of the global economy.
- Most commodities are now trading above their historical mid-cycle prices, with no signs of demand abating or supply catching up. Q3/2021 confirmed yet again that both investors and producers have little intention, nor ability, to meaningfully add to supply. A decade-long bear market seems to have convinced equity market participants that high commodity producer margins cannot be sustained; ironically just when the headwinds that were plaguing the industry are turning into tailwinds.
- Many industrial commodities took a pause during the quarter. Notably, lumber prices came off their historical high to find a new level at about twice the historical averages at ~$550. Copper pulled back from nearly 5$/lb and found a new base near $4/lb despite the abrupt Chinese real estate recession. Despite society's need to orchestrate the energy transition and deal with climate change, most metal producers remain reluctant to add new capacity. Only higher metal prices and

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stock prices could convince them to increase spending and boost production, which would only arrive with a significant time lag.

- Oil prices continued their ascent as inventory deplete - rather surprisingly - fast given that world mobility indexes remain materially below pre-pandemic levels. OPEC has been disciplined in managing global inventories back to their desired range of ~2.7 Billion barrels. From current levels, we suspect that OPEC will be releasing their remaining 3 to 5mmb/d of capacity in concert with continued demand growth so to prevent oil price to rise too rapidly.
- Most investors and producers continue to look at gas prices as being temporarily elevated. With the idea that prices will likely return to sub 3$/mmcf. Hence, very few are increasing spending. Here again, only time and stock prices can resolve the imbalance between supply and demand.

PORTFOLIO MANAGEMENT TEAM:

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Fund and Benchmark Performance as at: September 30, 2021	1 year	3 years	5 years	10 years
Mackenzie Global Resource Fund Series F	69.1%	7.4%	3.9%	2.1%
55% MSCI World Energy (Net) Index and 45% MSCI World Materials (Net) Index	40.8%	0.4%	4.5%	6.1%