

Quarterly Performance Report – September 30, 2018

Mackenzie Private Canadian Focused Equity Pool



MACKENZIE
Investments

CONFIDENCE
IN A CHANGING WORLD



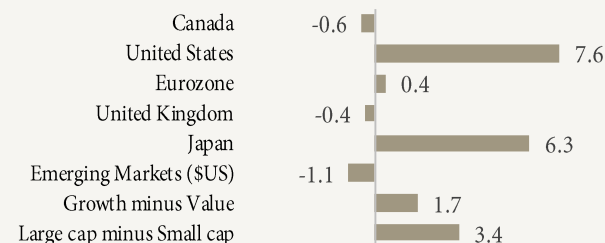
Market Overview

- Canadian Equity:** The S&P/TSX Composite was down a modest 0.6% for the quarter. The Materials sector fell 12.9%. Gold mining companies have been negatively impacted by falling gold prices, partially fuelled by expectations of a continued rising U.S. dollar. The Consumer Discretionary and Energy sectors were also large detractors to performance falling 8.0% and 5.7% respectively. On the positive side, Industrials returned 5.6%, Financials moved 3.8% higher, and the diminutive Health Care sector rose 31% on strong stock price moves from cannabis stocks.
- U.S. Equity:** Now in its longest bull market run, the S&P 500 rose another 7.6% (5.7% CAD) for the quarter as U.S. growth continues to show resilience. All 11 GICS sectors were in positive territory led by Health Care (14.5%), Industrials (10.0%) and the newly renamed and reconstituted Communications Services sector (9.9%); formerly the Telecommunications sector. As part of one of the biggest structural changes to the Global Industry Classification Standard, the Communications Services sector now includes companies such as Netflix, Walt Disney, Facebook and Alphabet (formerly Google) in addition to traditional telecommunications companies such as AT&T and Verizon.
- International Equity:** The MSCI EAFE Index returned 2.4% in local currency terms (-0.4% CAD). In Asia, Japan (+6.3%) was a leading performer; while in Europe, Switzerland (+5.5%) and France (+3.4%) contributed positively. Though U.S. and China trade tensions continued to dominate headlines and a stronger U.S. dollar continues to cast fears over some emerging market (EM) economies, the MSCI EM Index was flat for the quarter (-2.8% CAD). Russia and Brazil returned 10.9% and 10.1% respectively, while China was down 7.6%.
- Fixed Income:** The appetite for risk appeared to re-enter the bond market with high yield bonds among the few asset classes to post solid returns (+2.4% local currency). Yields increased around the globe, contributing to negative bond returns. For the quarter, Canadian bonds (FTSE TMX Canada Universe Bond Index) fell 1.0% and global bonds (FTSE WBIG Index) fell 0.4% in local currency terms.
- Currencies:** The Canadian dollar had a strong quarter, rising 1.7% against the U.S. dollar, 4.4% against the yen, and 2.5% and 3.0% against the euro and pound respectively. It was supported by rising oil prices in September and decent economic data; supporting the view that the Bank of Canada can continue its path of interest rate hikes.

Market Performance

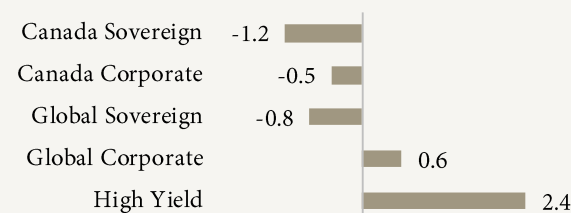
Equity Returns - 3 months

(in local currency unless indicated)



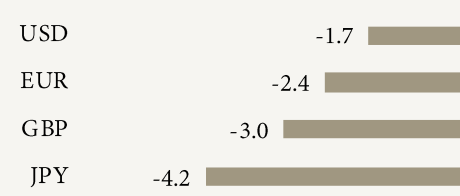
Fixed Income Returns - 3 months

(in local currency)



Currency Spot Returns - 3 months

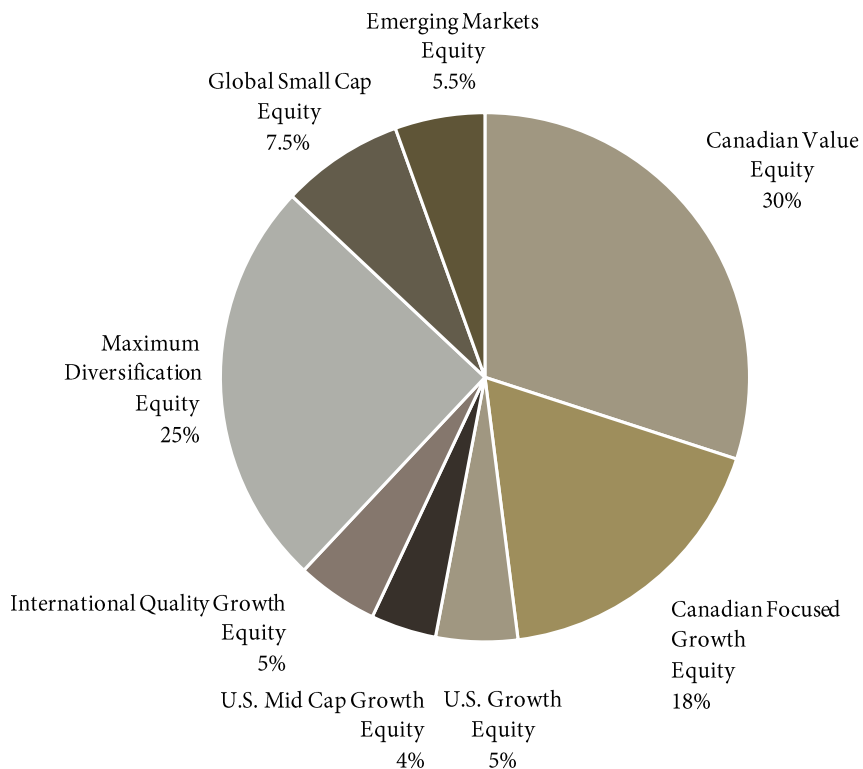
(against Canadian dollars)



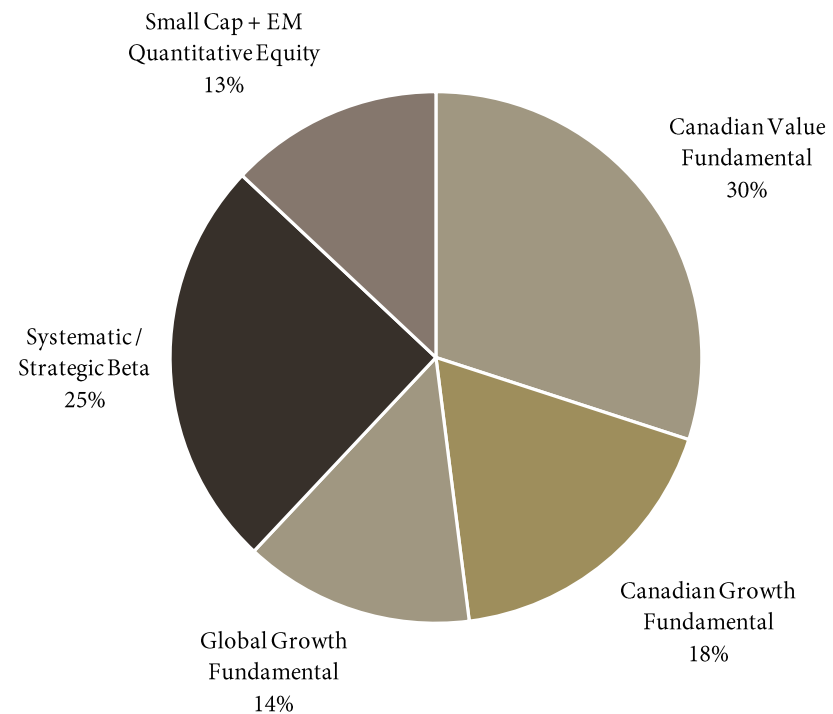
Source: Mackenzie Investments, portfolio as of September 30, 2018

Mackenzie Private Canadian Focused Equity Pool

Allocation by Strategy



Allocation by Style



*Percentages are listed as target weights



Mackenzie Private Canadian Focused Equity Pool

Strategy	Manager	Investment Philosophy
Canadian Value Equity	North American Equities Team Will Aldridge	The North American Equity team believes that consistent returns with reduced volatility can be achieved by buying stocks at a discount to fair market value, with an emphasis on sustainable cash flow metrics. The team's bottom-up, value-oriented approach identifies attractive businesses that should appreciate over time despite movements in the broader market.
Canadian Focused Growth and U.S. Growth Equity	Bluewater Team Dina DeGeer, David Arpin	The Mackenzie Bluewater team seeks conservative growth businesses that generate and sustainably grow free cash flow. The team selects stable businesses that are leaders in their respective niches and have strong economic franchises, strong balance sheets, and superior management teams with a record of intelligent capital allocation. The Team analyzes macroeconomics to identify structural risks and avoids highly exposed geographies/industries/companies.
U.S. Mid Cap Growth Equity	Growth Team Phil Taller	The Mackenzie Growth Team aims to deliver superior performance over a full market cycle by investing in a portfolio of innovative, US mid cap businesses growing faster than the economy, fuelled by secular drivers, and at prices that do not fully reflect their growth prospects. The Team believes that value creation is the result of innovation in the pursuit of delivering better, faster, and cheaper products and services to customers.
International Quality Growth Equity	Ivy Team Paul Musson	Ivy's quality growth strategy seeks businesses with high returns on capital, strong balance sheets, significant free cash flow, and critically, a reinforcing positive corporate culture. These high quality businesses are patiently acquired at relatively low valuations using a long-term, business-owner mindset. Ivy's process has delivered strong risk-adjusted returns spanning over several decades.
Maximum Diversification Equity	TOBAM	TOBAM's patented systematic approach aims to maximize diversification by assembling the single portfolio of stocks with the lowest possible correlations to each other. This seeks to provide an investor with equity market beta, but with less volatility than other strategies due to the model's balanced exposure to all risk factors that are relevant in each market.
Global Small Cap Equity	Systematic Strategies Team Rick Weed	The Team uses a quantitative approach that ranks stocks based on specific factors. The systematic investment process focuses on many of the same factors utilized by traditional money managers, but can apply the process over thousands of securities and many markets, multiple times per year in a disciplined manner that works in any market environment.
Emerging Markets Equity	Global Quantitative Equity Team Arup Datta	Using a core style and led by Arup Datta, who has 25 years of experience in quantitative equity investing and a proven track record, the strategy seeks alpha in emerging and frontier markets using a quantitative process that seeks a balance across major risk factors. The Portfolio utilizes a proprietary constraints-based risk model, and features daily rebalancing and trading.



Performance

Pool	3 month	1 Year	2 Year	Since Inception*	Inception Date
Mackenzie Private Canadian Focused Equity Pool – PW	-0.3%	4.9%	6.9%	8.9%	Dec. 14, 2015
Mackenzie Private Canadian Focused Equity Pool – PWF	0.0%	6.0%	8.0%	10.0%	Dec. 14, 2015
Mackenzie Private Canadian Focused Equity Pool Class – PW	-0.3%	4.9%	6.6%	8.7%	Dec. 14, 2015
Mackenzie Private Canadian Focused Equity Pool Class – PWF	0.0%	6.1%	7.9%	10.0%	Dec. 14, 2015
60% S&P/TSX Composite, 30% S&P 500, 10% MSCI EAFE	1.3%	10.7%	10.7%	12.2%	
Underlying Fund**	3 month	1 Year	2 Year	Since Inclusion*	Inclusion Date
Mackenzie Canadian All-Cap Value Series R	0.4%	5.2%	8.4%	13.7%	Dec. 14, 2015
S&P/TSX Composite	-0.6%	5.9%	7.5%	12.1%	
Mackenzie Maximum Diversification Canada Index ETF	-3.3%	n/a	n/a	-3.7%	Jun. 13, 2018
S&P/TSX Composite	-0.6%	n/a	n/a	-0.2%	
Mackenzie Canadian Growth Series R	0.6%	n/a	n/a	4.1%	May. 14, 2018
60% S&P/TSX Composite, 30% S&P 500, 10% MSCI EAFE	1.3%	n/a	n/a	2.9%	
Mackenzie US Growth Series R	4.2%	24.5%	18.1%	11.6%	Dec. 14, 2015
S&P 500	5.8%	22.1%	17.4%	13.9%	
Mackenzie US Mid Cap Growth Series R	9.1%	n/a	n/a	16.1%	May. 14, 2018
Russell 2500	2.9%	n/a	n/a	6.5%	
Mackenzie Ivy International Equity Series R	4.1%	5.1%	-	3.9%	Dec. 14, 2015
MSCI EAFE	-0.4%	6.4%	9.8%	7.0%	
Mackenzie Max Div All World Developed ex North America Index ETF	-2.5%	n/a	n/a	-4.9%	Jun. 13, 2018
MSCI EAFE	-0.4%	n/a	n/a	-2.1%	
Mackenzie Global Small Cap Series R	-1.3%	n/a	n/a	-0.6%	May. 14, 2018
MSCI AC World Small Cap	-0.4%	n/a	n/a	1.0%	
Mackenzie Emerging Market Series R	-3.4%	0.2%	8.1%	12.1%	Dec. 14, 2015
MSCI Emerging Markets	-2.8%	2.7%	9.4%	11.9%	

Notes

* Benchmark “since inception/inclusion” returns are based on the comparative fund(s) since inception/inclusion period.

** Returns are gross of fees.

Source: Mackenzie Investments, portfolio as of September 30, 2018



Portfolio Commentary

The Pool underperformed its benchmark in the quarter, return was flat (Series PWF, Trust version) versus a benchmark gain of 1.3%. Over the past year, the Pool gained 4.9%, lagging its benchmark by 580 bps. The Pool's construction was significantly re-constituted by Mackenzie's Multi-Asset Strategies Team during the second quarter of 2018. While the Pool is now more diversified, some of the new additions lagged the Pool benchmark in Q3.

The Pools performance shortfall versus its benchmark came primarily from the non-North American allocations. Our Canadian sleeves posted a modest negative gap versus the TSX, with the large Canadian-focused Value sleeve (30% of the Pool) outperforming by 100bps and the Growth sleeve also outperforming the Canadian market, but the Maximum Diversification strategy underperformed by 270 bps.

Regarding our non-Canadian holdings, the Pool's benchmark indicates allocations of 30% to US equities and 10% to EAFE. Our US sleeve did well, beating the S&P500 thanks to stellar returns from the Mid-Cap Growth mandate. However, our EAFE and EM sleeves were, again, significant drags on performance.

We access EAFE markets via two sleeves. Our allocation to Ivy International (Quality Growth) has lagged in past quarters when its style was out of favour, but powered ahead nicely in Q3 with a 450 basis-point outperformance versus the MSCI World. Unfortunately, the Maximum Diversification strategy lagged by 210 bps, cancelling some of the relative advantage.

Our EM and Small Cap equity sleeves are meant to add long-run return engines to this Pool. In Q3, both small caps and EM were negative, and our sleeves also underperformed their respective benchmarks, for a double hit. Since it's inception into the Pool, the EM sleeve has gained 12% on an annualized basis and beat both its benchmark and the Pool's benchmark. The small-cap sleeve has not yet produced such positive performance.

In the second quarter the Multi-Asset Strategies Team reconstituted the Pool's allocations. We added the Canadian Growth sleeve run by the same Bluewater team that runs the Pool's successful US Growth sleeve. That sleeve has outperformed its benchmark return during the short period it has been part of the Pool. We added TOBAM's Maximum Diversification approach as a counter-balance to style concentration elsewhere. We expanded the capitalization spectrum of the Pool, adding allocations to US Mid-Caps and Global Small Caps. While perhaps more volatile quarter-to-quarter, these sleeves should help the Pool post superior returns over the longer term.

Canadian Value – North American Equities Team – Will Aldridge (30%** of Pool assets)

- This mandate returned 0.4%*, outperforming its benchmark, the S&P/TSX Composite (-0.6%), by 100bps.
- Outperformance was due to avoiding some of the pain in Materials and Consumer Discretionary and stock selection in Utilities, somewhat offset by an underweight position in Health Care. By stock, primary contributors were Alimentation Couche-Tard Inc (the mandate's largest overweight and a stock that does well during market drawdowns), Boardwalk REIT (accumulated during Alberta's economic downturn) and CP Rail (buoyed by accelerating rail volumes and pricing growth). Underweight Canopy Growth, and cannabis in general, was a detractor.



Portfolio Commentary (continued)

Canadian Focused Growth – Bluewater Team – Dina DeGeer, David Arpin (18%** of Pool assets)

- During Q3 2018, the Canadian-Focused Growth strategy returned 0.6%*, underperforming its benchmark of 1.3%. Since its inclusion on May 14, 2018, this mandate returned 4.1%*, outperforming its benchmark by 120bps.
- Fund performance benefited from being overweight the U.S., still viewed by the PMs as the world's most structurally sound economy. Stock selection in Canada detracted from relative performance, particularly Dollarama Inc., CCL Industries Inc., and Pason Systems Inc.. While Dollarama's sales missed expectations, the PMs are confident that this is not an indication of lost market share, nor a broken business model.
- The strategy owns companies that are not deeply cyclical and that generate high free cash flow, which ultimately implies they are in a very strong financial position. These companies are unique, relatively resilient and are run by the best management teams in their industry, and tend to outperform their peers during market downturns.

US Growth – Bluewater Team – David Arpin, Dina DeGeer (5%** of Pool assets)

- For the quarter, this mandate returned 4.2%*, lagging the Pool's benchmark by 160bps.
- Sector allocation benefitted performance, especially underweights to the Energy, Materials, and Real Estate sectors, which all posted negative returns. However, underperformance was ultimately driven by stock selection. In Health Care, the mandate generated a positive return of 5.2%, however, it was unable to keep up with the benchmark's posted return of 12.5%. Similarly, in the Information Technology sector, the mandate generated a solid return of 7.4%, but trailed the benchmark's return of 10.5%.

US Mid-Cap Growth – Growth Team – Phil Taller (4%** of Pool assets)

- The US Mid Cap Growth mandate returned 9.1%* in Q3, trouncing its benchmark's 2.9% return by 620 bps. Since its inclusion on May 14, 2018, this mandate returned 16.1%*, outperforming its benchmark, the Russell 2500 (6.5%), by 960bps.
- Again this quarter, Fund performance benefitted from strong stock selection within Health Care, Consumer Discretionary, and Financials. Top contributors include Dexcom Inc., Dave & Buster's Entertainment Inc., and HMS Holdings Corp. In Q3 the portfolio increased its allocation to the IT and Consumer Discretionary sectors, and reduced exposure to Industrials. It also reduced its cash allocation.

International Quality Growth – Ivy Team – Paul Musson (5%** of Pool assets)

- During Q3 2018, the Fund returned 4.1%*, outperforming its benchmark, the MSCI EAFE Total Return Index (-0.4%), by 4.5%.
- Stock selection in Industrials, Financials, and Consumer Staples contributed positively to relative performance. By regional, stock selection in the UK, Hong Kong and Australia contributed positively. At the stock level, leaders were Brambles, Aggreko, and Burford Capital.



Portfolio Commentary (continued)

Maximum Diversification – TOBAM (25%** of Pool assets)

- The Pool holds the TOBAM Maximum Diversification Canada Index and All World Developed ex North American index (International) mandates. For much of the quarter, concentration continued to be rewarded, so holding a highly diversified basket dragged on returns.
- The TOBAM Canada mandate returned -3.3%* in Q3, versus -0.6% for the S&P/TSX Composite Index. Since its inclusion on June 13, 2018, the Canadian mandate returned -3.7%*, underperforming the S&P/TSX Composite (-0.2%) by 350bps.
- Meanwhile, the International mandate returned -2.5%*, underperforming the MSCI EAFE (-0.4%) by 210bps.

Global Small Cap – Systematic Strategies Team – Rick Weed (7.5%** of Pool assets)

- The mandate returned -1.3%* against the MSCI All Country World Small Cap Index TR (net) CAD, which returned -0.4%. Since its inclusion on May 14, 2018, this mandate returned -0.6%*, lagging its benchmark, the MSCI AC World Small Cap Index (1.0%), by 160bps.
- The Systematic Strategies Team maintains exposure to certain factors, which they believe will consistently add value over time. At the end of Q3, the portfolio was generally positioned with positive exposures to Growth, Liquidity, Valuation, and Medium-Term Momentum factors. The Team expects the portfolio to outperform in an environment which values stocks with positive growth characteristics and positive medium-term momentum, and stocks that are more liquid than the average small cap stock. In Q3, exposure to volatility and liquidity factors hurt performance with higher-vol and less-liquid stocks in the small cap universe outperforming their peers.

Emerging Markets - Global Quantitative Equities Team – Arup Datta (5.5%** of Pool assets)

- Mackenzie's quantitative Emerging Markets Equity strategy returned -3.4%*, underperforming the MSCI EM Index (net) CAD by 60 basis points. This was the second consecutive quarter of elevated volatility and losses for EM equities in general.
- Overall, the Value factor outperformed both the Quality and Revisions aggregate factors. Within the Quality factor, management's sub-factors focused on low volatility and analyst coverage which contributed to positive performance. Conversely, more traditional quality factors focused on share buybacks and efficiency metrics underperformed. The Revisions factor experienced a rotation during the quarter with positive performance in both July and August followed by negative performance during September. Within the revisions factor, analyst revisions related sub-factors fared significantly better than price momentum, which had a tough quarter.
- Over longer periods, the Team expects performance from each of these factors to contribute towards positive relative performance.

Notes: *Returns are gross of fees. **Weights are target weights and are subject to change without notice.

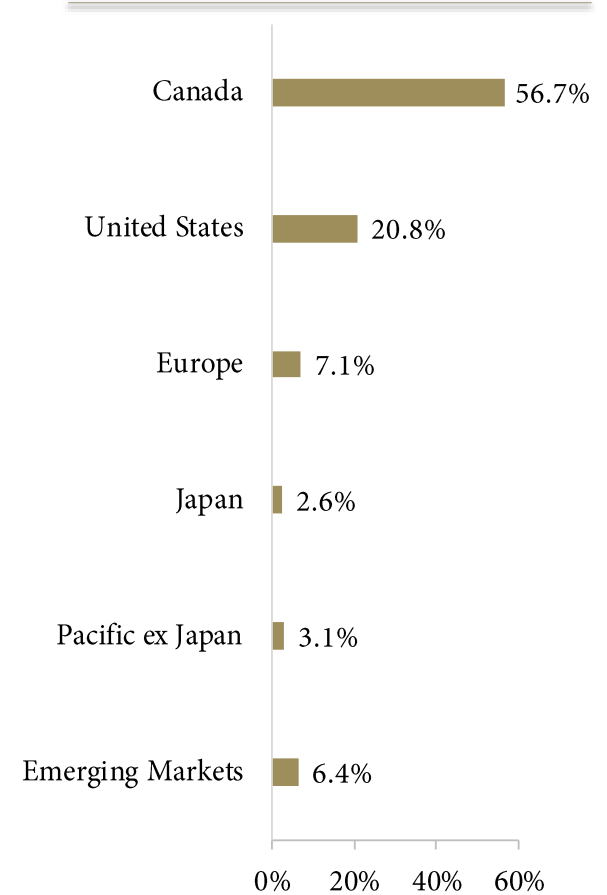


Portfolio Statistics

Top 10 Holdings

Holding Name	Strategy	Weight
Mackenzie Maximum Diversification Canada Index ETF	Maximum Diversification	19.3%
Mackenzie Maximum Diversification All World Developed ex NA ETF	Maximum Diversification	4.8%
Royal Bank of Canada	Multi-Manager*	2.6%
The Bank of Nova Scotia	Canadian Value	2.0%
The Toronto-Dominion Bank	Multi-Manager*	1.9%
Canadian National Railway Co.	Multi-Manager*	1.4%
TELUS Corp.	Multi-Manager*	1.4%
Enbridge Inc.	Canadian Value	1.3%
Canadian Imperial Bank of Commerce	Multi-Manager*	1.3%
Bank of Montreal	Multi-Manager*	1.2%

Regions



*Multi-Manager – position is held by more than one strategy

Source: Mackenzie Investments, portfolio as of September 30, 2018



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