

Quarterly Performance Report – September 30, 2018

Mackenzie Private US Equity Pool



MACKENZIE
Investments

CONFIDENCE
IN A CHANGING WORLD

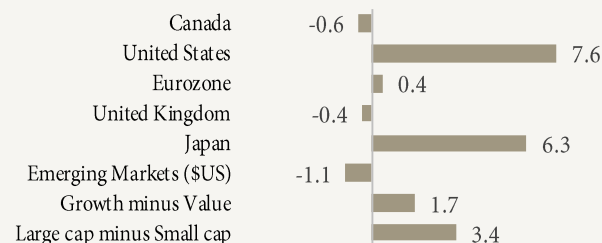


Market Overview

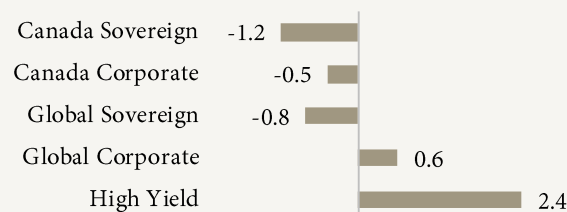
- Canadian Equity:** The S&P/TSX Composite was down a modest 0.6% for the quarter. The Materials sector fell 12.9%. Gold mining companies have been negatively impacted by falling gold prices, partially fuelled by expectations of a continued rising U.S. dollar. The Consumer Discretionary and Energy sectors 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

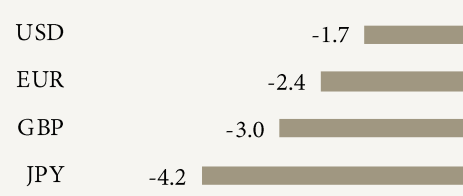
Equity Returns - 3 months (in local currency unless indicated)



Fixed Income Returns - 3 months (in local currency)



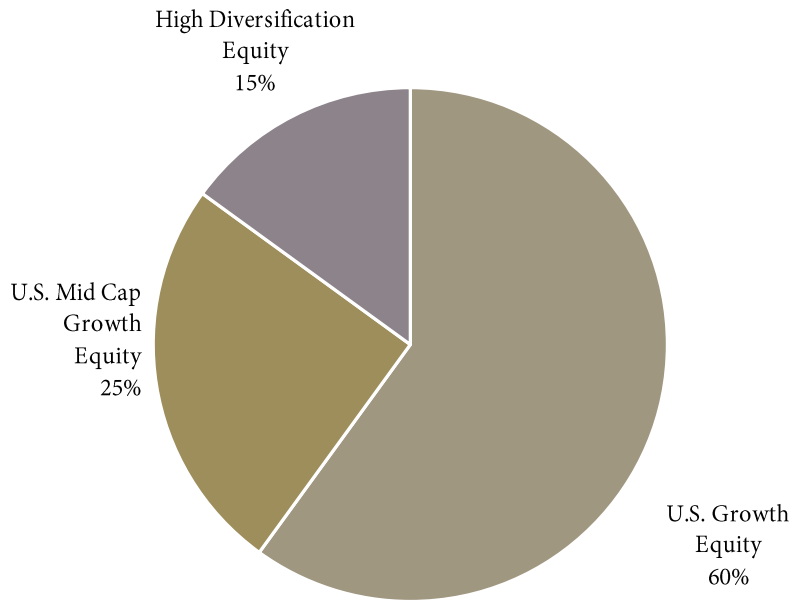
Currency Spot Returns - 3 months (against Canadian dollars)



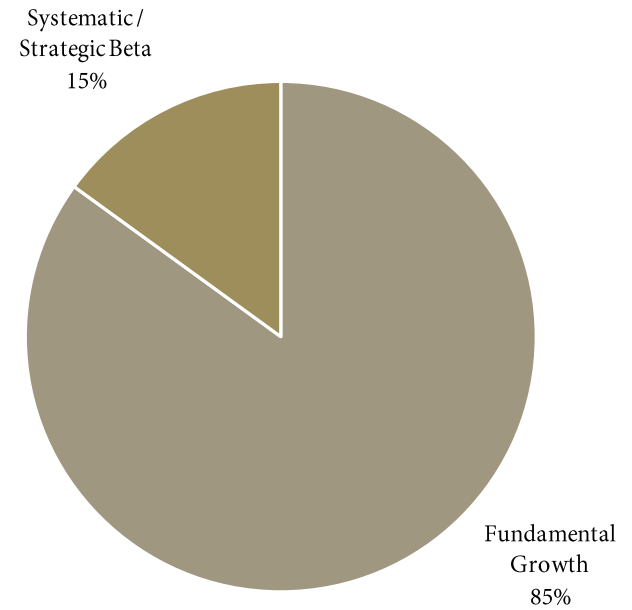
Source: Mackenzie Investments, portfolio as of September 30, 2018

Mackenzie Private US Equity Pool

Allocation by Strategy



Allocation by Style



*Percentages are listed as target weights



Mackenzie Private US Equity Pool

Strategy	Manager	Investment Philosophy
U.S. Growth Equity	Bluewater Team David Arpin, Dina DeGeer	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.
High 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 equally balanced exposure to all risk factors that are relevant in each market.



Performance

Pool	3 month	1 Year	2 Year	Since Inception*	Inception Date
Mackenzie Private US Equity Pool – PW	4.7%	21.5%	14.8%	8.9%	Dec. 14, 2015
Mackenzie Private US Equity Pool – PWF	4.9%	22.9%	16.3%	10.4%	Dec. 14, 2015
Mackenzie Private US Equity Pool Class – PW	4.6%	21.5%	14.7%	8.9%	Dec. 14, 2015
Mackenzie Private US Equity Pool Class – PWF	4.9%	23.0%	16.3%	10.4%	Dec. 14, 2015
S&P 500	5.8%	22.1%	17.4%	13.9%	
Underlying Fund**	3 month	1 Year	2 Year	Since Inclusion*	Inclusion Date
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 High Diversification US Equity Fund R	3.2%	n/a	n/a	1.8%	Jul. 06, 2018
S&P 500	5.8%	n/a	n/a	4.6%	

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 returned 4.9% (Series PWF, Trust version) in Q3, 90bps behind the Pool's benchmark (S&P 500) return of 5.8% in Canadian dollar terms. Over the past one-year period, the Pool outperformed the S&P 500 by 80bps, with a return of 22.9%.

Until mid-May 2018, the US Equity Pool had been composed of two components: a Growth equity allocation managed by Mackenzie's Bluewater team and a smaller Low Vol equity allocation managed by Putnam Investments of Boston. Bluewater's Growth sleeve has done quite well for the Pool over the past two years, after a slow start in early 2016. In contrast, the Low Vol sleeve had been a drag on performance. Against a very strong U.S. equity market, a conservative Low Vol approach that deliberately allocates away from fast-growing stocks, while perhaps attractive in theory, has been damaging to performance in practice.

In mid-May, to enhance the Pool's allocation, we added Phil Taller's highly successful US Mid-Cap Growth strategy. It has performed very well since its addition to the Pool, beating its benchmark (Russell 2500) by 960 bps.

In July, the Multi-Asset Strategies Team further enhanced the Pool's allocations by replacing Putnam's Low Vol sleeve with a complimentary, but much more diversified approach, run by our Paris-based partner TOBAM. TOBAM's approach is entirely systematic and is highly diversified by style and risk factor. Therefore, it provides a nice balance to the other growth-focused sleeves in the Pool, but its success is not dependent on any single style doing well (such as Low Vol).

US Growth – Bluewater Team – David Arpin, Dina DeGeer (60%** 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%.
- The mandate's management team believes that the U.S. economy remains robust, aided by U.S. tax reform and the U.S. Government's decision to run larger deficits. In this environment, businesses that are cyclical and highly leveraged tend to outperform, as they experience an outsized acceleration in bottom-line growth. As a result, there is often a shift in investor sentiment from stable businesses to more cyclical businesses. However, the team continues to focus the bulk of their time on identifying what they believe are some of the greatest businesses in the world, that are not deeply cyclical, and are high free cash flow generators, implying a very strong financial position. These qualities should benefit performance during an economic slowdown and help these businesses outperform their peers.



Portfolio Commentary (continued)

US Mid Cap Growth – Growth Team – Phil Taller (25%** of Pool assets)

- The US Mid Cap Growth mandate returned 9.1%* in Q3, trouncing its benchmark's 2.9% return by 620bps. 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.
- By sector, this sleeve has cut its exposure to more cyclical businesses, and has focused attention on owning innovative secular growth businesses. These types of companies offer products and services that make the world better, cheaper, and faster – enabling them to grow at a faster pace than the overall economy. The PMs see this as a more “all weather” approach – these companies can do well in a rising economy, but also perform reasonably well in a difficult economy.

High Diversification – TOBAM (15%** of Pool assets)

- The Pool holds the Mackenzie High Diversification U.S. Equity mandate. The sleeve gained 3.2%* in Q3, lagging the 5.8% gain in its benchmark, the S&P 500. Since its inclusion on July 6, 2018, the High Diversification mandate has gained 1.8%*, lagging the S&P 500 by 280bps.
- This strategy has been even with the S&P 500 Index over the past year (22.3% v. 22.1% respectively), but has lagged the S&P500 since its inclusion into the Pool as a result of the dramatic concentration of the S&P 500 in a relatively small handful of stocks that had been powering the Index ever higher. Recall there is no fundamental analysis within this strategy – it uses a patented systematic approach to select stocks with the lowest correlation to each other. When the market cap weighted index becomes more concentrated, gains from very similar stocks are powering the bull market. This cannot continue forever, and the High Diversification methodology is well suited to outperform during the inevitable (relative) return to earth for the former high flyers.
- The High Diversification systematic methodology has seen this sleeve recently overweight consumer stocks, Health Care, Real Estate and Utilities. It is significantly underweight Financials, Industrials and IT and Telecom versus the Index.

Notes

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



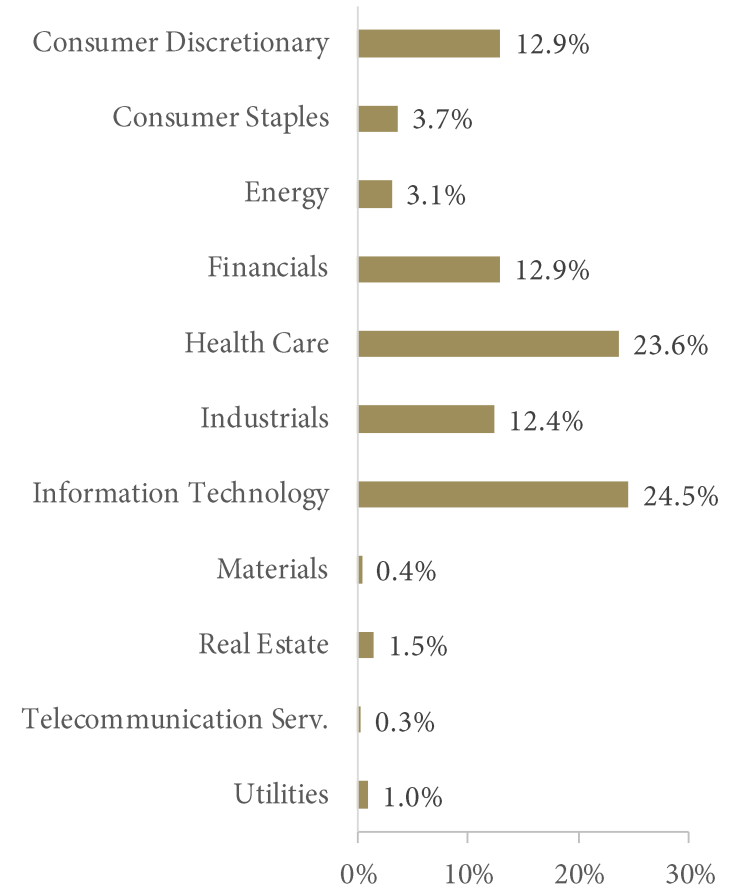
Portfolio Statistics

Top 10 Holdings

Holding Name	Strategy	Weight
Visa Inc. Class A	U.S. Growth	3.4%
Aon PLC	Multi-Manager*	3.3%
Becton Dickinson and Co.	Multi-Manager*	3.2%
Fiserv Inc.	Multi-Manager*	3.2%
Baxter International Inc.	U.S. Growth	3.2%
Accenture PLC Class A	U.S. Growth	3.2%
Verisk Analytics Inc.	Multi-Manager*	3.1%
Stryker Corp.	Multi-Manager*	2.9%
Amphenol Corp. Class A	U.S. Growth	2.6%
S&P Global Inc.	U.S. Growth	2.5%

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

Sectors



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



Disclaimer

Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns as of September 30, 2018 including changes in unit value reinvestment of all distributions and do and not take into account sales, redemption, distribution, or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Index performance does not include the impact of fees, commissions, and expenses that would be payable by investors in the investment products that seek to track an index.

To the extent the Fund uses any currency hedges, share performance is referenced to the applicable foreign country terms and such hedges will provide the Fund with returns approximating the returns an investor in a foreign country would earn in their local currency.

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