

Quarterly performance report – March 31, 2019

# Mackenzie Private Global Fixed Income Pool

---



**MACKENZIE**  
Investments

CONFIDENCE  
IN A CHANGING WORLD



# Market Overview

**Canadian Equity:** Equity markets, globally, posted strong returns for the quarter. The S&P/TSX Composite was among the best performing equity indices, up 13.3% for the quarter. All GICS sectors posted positive returns. The Energy sector (+15.6%) was the largest contributor to returns, recovering most of its losses from Q4 2018 as oil prices rebounded from last quarter's sharp declines. Other top performing sectors included the cannabis heavy Health Care sector (+49.1%) and Info Tech (+26.0%). Materials (+8.5%), Consumer Discretionary (+9.8%) and Communication Services (+10%) provided solid returns but lagged the sector average.

**U.S. Equity:** The S&P 500, seemingly buoyed by the Fed's more cautious approach to rate normalization, rose 13.6% (11.2% CAD) for the quarter. In local currency terms, Info Tech (19.9%), Real Estate (+17.5%) and Industrials (+17.2%) sectors lead performance. Health Care (+6.6%) and Financials (+8.6%) were the only sectors to post less than a 10% return.

**International Equity:** International equity markets also posted strong returns but generally lagged North American markets during the quarter. The MSCI EAFE Index returned 10.7% in local currency terms (7.7% CAD). Italy (+16.8%) and Hong Kong (+15.9%) were among the best performing markets while Japan (+7.8%) was unable to keep up with the average. The MSCI Emerging Markets Index returned 9.9% (7.6% CAD) with China (+17.9%) contributing significantly to returns. Large EM markets South Korea (6.7%), India (6.3%) and South Africa (4.8%) lagged the index average.

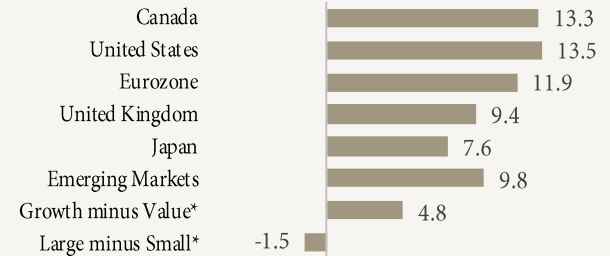
**Fixed Income:** Bond markets also enjoyed a solid positive quarter as yields fell globally. High yield bonds benefitted most from investors' risk on stance, returning 7.4% in local currencies. For the quarter, Canadian bonds (FTSE TMX Canada Universe Bond Index) rose 3.9% and global bonds (Bloomberg Barclays Global Aggregate Bond Index Hedged to CAD) rose 2.8%.

**Currencies:** The Canadian dollar, supported by higher oil prices, had a strong quarter, rising 2.2% against the U.S. dollar, 4.4% against the euro and 3.3% against the yen. There was no change against the British pound.

# Market Performance

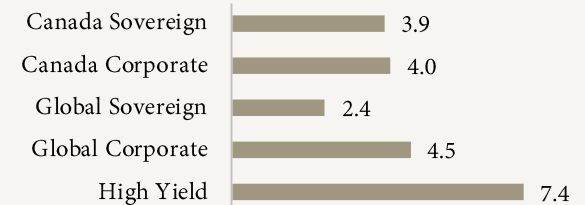
## Equity Returns - 3 months

(in local currency unless indicated)



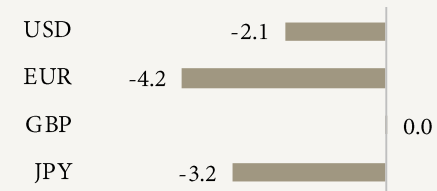
## Fixed Income Returns - 3 months

(in local currency)



## Currency Spot Returns - 3 months

(against Canadian dollars)



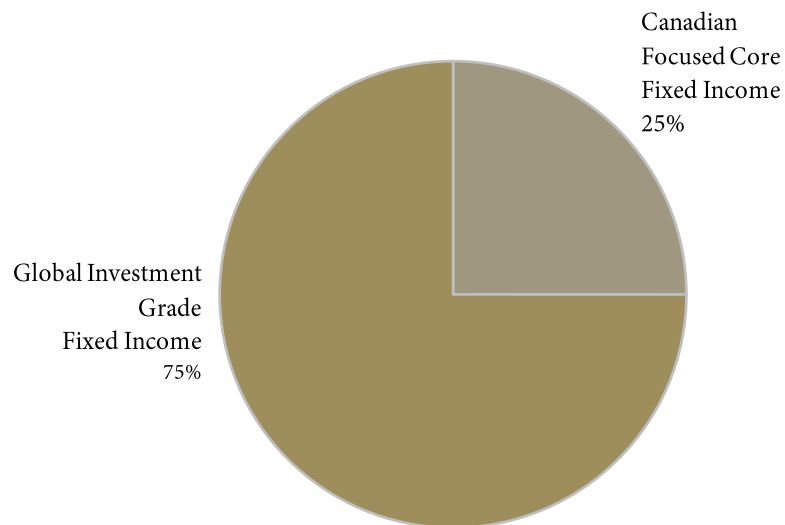
Source: Mackenzie Investments, portfolio as of March 31, 2019

\*MSCI World Growth (net) index minus MSCI World Value (net) Index,

\*MSCI World Large Cap (net) index minus MSCI World Small Cap (net) Index



# Mackenzie Private Global Fixed Income Pool



Strategy	Manager	Investment Philosophy
<b>Canadian Focused Core Fixed Income</b>	Fixed Income Team Steve Locke	A core multi-sector fixed income strategy which aims to preserve high quality core fixed income portfolio characteristics, while opportunistically adding up to 25% in higher yielding bonds across countries, sectors and capital structures. Explicit focus on combining assets with low correlations to maintain volatility similar to a core bond strategy while seeking to maximize risk-adjusted returns
<b>Global Investment Grade Fixed Income</b>	Fixed Income Team Konstantin Boehmer	Combining qualitative and quantitative research processes, the Team identifies key macro themes that will impact fixed income markets and currencies. The Team's deep sector expertise allows opportunistic harvesting of all five sources of alpha: country, currency, duration, credit and sector, while ensuring an appropriate return can be generated from any incremental increase in risk.



# Performance

Pool	3 month	1 Year	2 Year	3 Year	Since Inception*	Inception Date
Mackenzie Private Global Fixed Income Pool - PW	2.7%	2.3%	1.5%	1.5%	1.7%	Dec. 14, 2015
Mackenzie Private Global Fixed Income Pool - PWF	2.8%	2.8%	2.0%	2.0%	2.2%	Dec. 14, 2015
ICE BofAML Global Broad Market (Hedged to CAD)	2.8%	4.1%	3.0%	2.3%	2.0%	n/a

Underlying Fund**	3 month	1 Year	2 Year	3 Year	Since Inception*	Inclusion Date
Mackenzie Canadian Bond Fund	4.1%	5.3%	3.7%	3.4%	2.7%	Dec. 14, 2015
FTSE TMX Canada Universe	3.9%	5.3%	3.3%	2.7%	2.0%	
Mackenzie Global Tactical Investment Grade Bond	2.7%	3.1%	2.5%	2.5%	2.1%	Dec. 14, 2015
ICE BofAML Global Broad Market (Hedged to CAD)	2.8%	4.1%	3.0%	2.3%	2.3%	

## Portfolio Commentary

- **The Pool (PWF, Trust version) returned 2.8% for Q1, matching its benchmark return.** The first quarter saw very healthy bond markets in many parts of the world, as decelerating growth prompted several major central banks to re-think their tightening bias. The Fed, in particular, by backing away from rate hikes and signalling that growth was not expected to be as strong this year as last, ignited a spirited rally in bond prices during Q1. The majority of the Pool's assets (75%) is invested in a global tactical investment grade bond strategy. That sleeve was basically even with its benchmark in Q1. Mackenzie's core Canadian Bond Fund had a great quarter, beating both its benchmark as well as the Pool's global bond benchmark. This sleeve makes up 25% of Pool assets.
- Bonds with longer duration performed well in Q1 as central banks in developed countries removed all expectations for higher interest rates. The most dramatic change came from the US Fed which did a U-Turn from December's outlook of two rate hikes in 2019 to no rate hikes. Further the Fed said that it would stop balanced sheet normalization activity in September – resulting in some loosening of monetary policy. The markets took that forecast and started to build in the possibility of an interest rate *decrease* – which we view as too pessimistic against current and forecasted economic activity. Nonetheless, the bond market rally resulted in inverted yield curves in both Canada and the US and drove bond yields back below zero in many European countries. The Fund is underweight duration, particularly globally which detracted from performance during the quarter.

### 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 March 31, 2019



# Portfolio Outlook

- Recent weakness in the global economy emanating from many regions is also a significant contributor to the bond market's Fed outlook. Equity and credit markets are not currently reflecting nervousness about the end of this economic expansion, having rebounded throughout the quarter. So, does the stock market have it right, or is the bond market's view of a needed rate reduction the correct call? What the two markets have in common is a positive reaction to the Fed's pause, and in the case of the bond market, there may be some technical components that have caused an inversion in recent weeks.
- The Portfolio Manager's view is that there are a few green shoots appearing which suggest an improving macro landscape. Positive industrial production data from China is helpful, also bolstering confidence were higher than expected 1Q GDP growth and robust retail sales. Optimism in Germany from the ZEW survey of expectations - the expectations component advanced for a sixth straight month and is now positive for the first time in a year. Oil prices are rising but are not so high as to be restrictive. US economic growth seems resilient and lower interest rates have for the near term at least, caused housing to stabilize. Optimism for stable and perhaps even marginally stronger growth with some room for upside surprises is what we are expressing in the Fund. We are expressing our views in a number of ways. First, we are short duration (with a negative duration exposure to Germany and France). Second, we are overweight US Inflation-Linked Bonds. And finally, we are selective as to where we have duration exposure, currently the markets that we have a duration overweight remain interest rate sensitive countries such as Australia and Canada.
- The next set of market reactions may hinge more on how certain geopolitical risks are dealt with, as well as continuing stimulus from fiscal sources. Brexit, US bi-lateral trade disputes with various countries, and China's attempts to target stimulus are issues that, if mitigated sufficiently in the near term, could be enough to provide a path to a soft landing and reinvigorate business spending in the second half of the year. This soft landing could occur without the need for Fed rate cuts. Any resumption of rate hikes is now likely to occur only after the economy has shown renewed strength, and an above target inflation rate has persisted for a short period of time, in our opinion.
- Corporate credit markets look poised to generate reasonable, coupon-like returns for the rest of the year, on-balance, after a tremendous start, if none of the geopolitics get in the way. It is likely some companies have delayed capital investments due to uncertainties surrounding supply chain management given the trade tariff escalations of the past year. Non-financial corporate debt has increased this cycle, however even with moderate economic growth most companies will continue to have little trouble servicing their debts.
- For the global economy, total debt has increased markedly during this cycle. The debt outstanding may create a drag on potential growth, and any material increases in bond market yields could push debt-service costs beyond tolerable. As the slowing global growth rate and volatile markets have shown us over the past few quarters, rising bond yields and policy rates can quickly produce headwinds even from what are historically considered low prevailing yield levels.

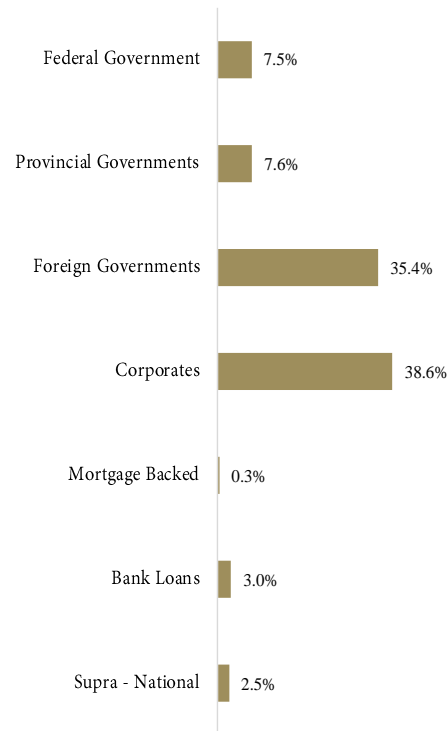


# Portfolio Statistics

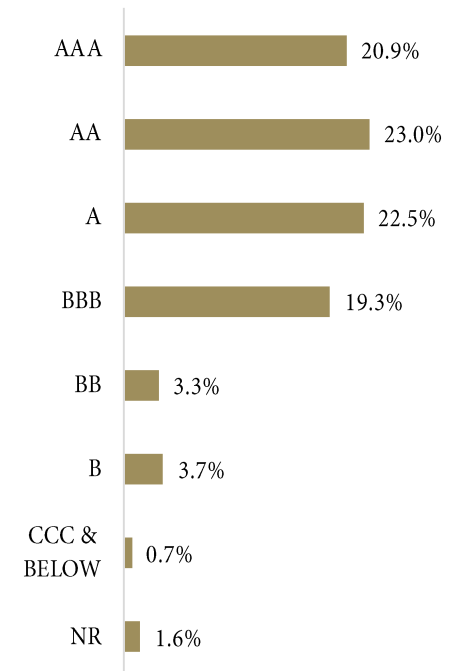
## Top Holdings

Holding Name	Weight
United States Treasury 1.01% 02-15-2048 Inflation Indexed	3.6%
United States Treasury 0.75% 07-15-2028 Inflation Indexed	2.9%
Queensland Treasury Corp. 2.75% 08-20-2027	2.6%
Government of Japan 0% 08-13-2019	2.2%
United States Treasury 0.50% 01-15-2028 Inflation Indexed	2.0%
Treasury Corp. of Victoria 3.00% 10-20-2028	1.9%
Government of Japan 0.10% 09-20-2019	1.9%
Government of Bermuda 4.85% 02-06-2024	1.7%
United States Treasury 0.87% 01-15-2029	1.5%
Government of Canada 2.75% 12-01-2048	1.5%

## Sector



## Credit Allocation



Source: Mackenzie Investments, portfolio as of March 31, 2019





# 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 March 31, 2019, 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.

This document includes forward-looking information that is based on forecasts of future events as of March 31, 2019. We will not necessarily update the information to reflect changes after that date. 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.

The content of this commentary (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it.

