SYMMETRY QUARTERLY REVIEW
CONSERVATIVE PORTFOLIO

June 30, 2019

Market Overview

Canadian Equity: Despite a turbulent quarter, equity markets broadly ended the period higher. The S&P/TSX Composite returned 2.6%. The Info Tech sector returned 14.3%, boosted by Shopify Inc.'s 43% gain. Materials (+5.4%) and Industrials (+5.1%) round out the top 3 performing sectors. Performance detractors included Health Care (-9.3%), Energy (-2.8%) and Real Estate (-1.4%).

US Equity: Buoyed by the prospects of a Fed rate cut(s), the S&P 500 rose 4.3% (2.0% CAD) for the quarter. In local currency terms, Financials (+8.0%), Materials (+6.3%) and Info Tech (+6.1%) sectors led performance. Energy (-2.8%) was the only negative returning sector.

International Equity: International equity markets also posted positive returns for the quarter. The MSCI EAFE Index returned 3.1% in local currency terms (+1.7% CAD). Australia (+8.7%), Switzerland (+6.7%) and Germany (+6.3%) were among the market leaders while Japan (-1.6%) lagged. The MSCI Emerging Markets Index saw little change, returning 0.3% (-1.5% CAD). China underperformed, posting a 4.2% loss. In contrast, Russia (+13.2%) experienced a strong quarter.

Fixed Income: Increased equity volatility and the potential for Fed rate cut(s) helped push yields lower and bond prices higher. For the quarter, Canadian bonds (FTSE Canada Universe Bond Index) rose 2.5% and global bonds (Bloomberg Barclays Global Aggregate Bond Index Hedged to CAD) rose 2.6%. High yield bonds (ICE BofAML U.S. High Yield Bond Index) returned 2.6% in local currencies.

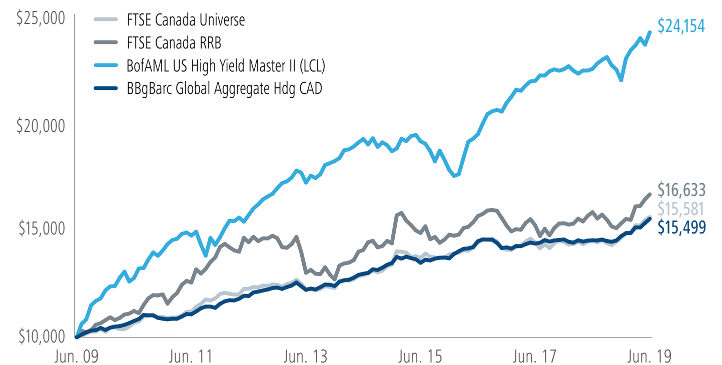
Currency: The Canadian dollar, supported by strong relative economic performance, rose 1.9% against the U.S. dollar, 4.7% against the pound and 0.6% against the euro. There was a small decline against the yen of 0.8%.

Fixed Income Markets

	3M	YTD	1Y	3Y	5Y	10Y
FTSE Canada Universe Bond	2.5	6.5	7.4	2.7	3.9	4.5
FTSE Canada Real Return Bond	3.5	8.8	5.2	2.1	3.4	5.2
B of A Merrill Lynch US High Yield Master II (LCL)	2.6	10.2	7.6	7.5	4.7	9.2
BBgBarc Global Aggregate Hdg CAD	2.6	5.5	6.9	2.3	3.7	4.5

Source: Morningstar, June 30, 2019.

Growth of $10,000 (CAD)

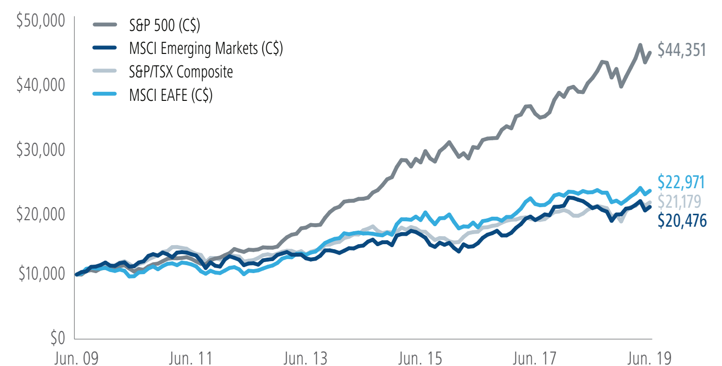


Equity Markets

	3M	YTD	1Y	3Y	5Y	10Y
S&P/TSX Composite	2.6	16.2	3.9	8.4	4.7	7.8
S&P 500 (C$)	2.0	13.4	9.7	14.4	15.3	16.1
MSCI EAFE (C$)	1.7	9.5	0.9	9.9	7.0	8.7
MSCI Emerging Markets (C$)	-1.5	6.0	0.9	11.3	7.2	7.4

Source: Morningstar, June 30, 2019.

Growth of $10,000 (CAD)



MACKENZIE Investments

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Performance Commentary and Summary

Series F	3M	YTD	1Y	3Y	5Y	10Y	Since Inception	Inception Date
Symmetry Conservative Portfolio	1.6	6.9	3.8	4.6	4.4	6.2	7.3	Mar. 06, 2009
Symmetry Conservative Portfolio Class	1.6	6.9	3.8	4.6	4.4	n/a	5.2	Oct. 22, 2010

Following a strong first quarter of 2019, equity markets continued their upward ascent in Q2, though it was a bumpy ride. The MSCI ACWI Index returned 3.4% in local currency terms. A continuation of the U.S./China trade war pushed equity markets lower in May. This was alleviated by a more dovish sounding Fed in June, who communicated that a shift towards monetary easing may be warranted based on U.S. and global growth concerns. Increased equity volatility and the Fed's dovishness helped push yields down, facilitating another quarter of strong bond market return. The FTSE World Broad Investment-Grade Bond Index returned 2.7% in local currencies. As a result, the Symmetry Conservative Portfolio posted a positive return for the period.

Asset Allocation

Entering the second quarter, we were tactically overweight equities versus cash which added value to returns. Our initiation of an overweight to bonds versus cash in June was also accretive to portfolio returns. On the currency front, our continued underweight to the euro yielded positive results as eurozone growth continued to underperform relative to other regions and the euro depreciated against the Canadian dollar. A modest overweight to the British pound detracted from returns.

The portfolio also holds a position in the Mackenzie Global Macro Fund (initiated at the end of Q1), an alternative strategies fund that outperformed most major market equity and bond indices over the period. Alternative strategies funds provide the Symmetry Portfolios with return streams that differ from both equities and bonds and help diversify its sources of return.

Manager Performance

In a strong bond upmarket, all of our fixed income managers posted positive returns. The Mackenzie Fixed Income Team's core Canadian bond mandate benefitted from an overweight to corporate credit which was balanced by a slight underweight to duration. Their high yield mandate slightly underperformed for the quarter as they were more defensively positioned, with overweight exposure to the leveraged loan market (which is higher in the capital structure than high yield bonds) to BBB bonds, and an underweight to BB bonds, which was among the best performing high yield sub asset classes.

On the equity front, the Mackenzie Global Quantitative Equity Team's emerging markets large and small cap mandates both added significant value relative to their benchmarks. Strong stock selection in China and South Korea drove outperformance. Mackenzie Bluewater's Canadian equity mandate was also a solid contributor to value add, driven by stock selection in the Consumer Discretionary and Staples sectors and an underweight to energy. Symmetry's Smart Beta mandates, which target positive exposures to equity factors we believe will add value in the long-run, dragged on relative returns for the quarter. Positive exposure to the momentum factor benefitted returns, however, company specific effects detracted from overall performance. We expect that given a longer time horizon, maintaining a positive exposure to momentum, value, low volatility and quality factors will have a greater impact on portfolio returns than the shorter-term effects of company specific events.

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Mackenzie Multi-Asset Strategies Team

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Alex Bellefleur, MEc, CFA
Chief Economist and Strategist

Portfolio and Management Activities During the Quarter

Entering the second quarter, we were overweight equities versus cash, which we have maintained. As political trade tensions continue, and global growth appears to be softening, the Fed has shifted communications from tightening towards an easing cycle which has provided support to equity prices.

Our position on bonds relative to cash shifted from slightly underweight to slightly overweight. A slowdown in the U.S. and global economies coupled with the Fed's easing stance has increased the appeal of bonds. Our gauges of inflationary pressures also fell sharply recently, which had led us to increase our allocation to fixed income in June.

In currencies, we increased our overweight position in the Canadian dollar relative to the broad basket of currencies. We think the strong relative performance of Canadian economic data will make it hard for the Bank of Canada to match the Federal Reserve's recent dovish shift. We continue to hold an overweight position in the U.S. dollar relative to the broader basket of currencies, though this view has diminished in the past month. Though economic growth continues to outpace many other regions, the Fed's recent communications shift towards an easing cycle has made the dollar less attractive relative to other currencies. Our largest currency view continues to be an underweight position in the euro. We continue to believe that the Eurozone will be challenged on the growth front and when combined with deflationary pressures, will force the European Central Bank to ease further.

In our Q1 commentary, we announced a number of Symmetry enhancements designed to improve the long term expected return of the portfolios. The bulk of those enhancements were executed in Q1. In Q2, we completed the majority of the remaining changes. This included expanding the number of mandates managed by Connor, Clark and Lunn (CC&L) to include global small cap equities and international equities. These mandates form a part of our portable alpha strategy that seeks to improve the consistency and potential for generating alpha in our portfolios. We also closed out Cundill's EAFE Value Equity mandate, the Mackenzie North American Equities Team's Canadian All Cap Value Equity mandate, and the Mackenzie Systematic Strategies Team's Global Equity mandate from our Symmetry lineup. We now only await the addition of PIMCO's global bond mandate to our manager lineup. Mackenzie and PIMCO's legal teams were diligently working on a contract that has now been finalized. We expect PIMCO to be formally added to the Symmetry lineup in mid to late Q3 upon the setup and opening of their global trading accounts.

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2019 Second Quarter Outlook and Strategy

A Rocky Quarter, But Not a Bad One

If asset prices moved up in a straight line in the first quarter of this year, the second quarter was more of a winding road. U.S. equities still managed to register a positive quarter, but with large swings in the process. Even if it ended the quarter in positive territory, the S&P 500 was down 8% from its peak at some point in early June, almost entering correction territory. Moreover, global asset prices did not perform uniformly in Q2, with asset classes tied to the Chinese growth story and global trade (copper, Chinese equities) underperforming.

Tariff Man Strikes Again!

This was largely due a pair of tweets from the "Tariff Man", released on May 5, which shook global markets and represented a defining feature of the quarter (and probably of the rest of this year):

These tweets unsettled an assumption that had underlined the Q1 risk rally: the idea that the U.S. and China were close to a comprehensive trade deal, which was to take place in May. While a deal may still take place in the coming weeks or months, it looks unlikely to us that it will address the U.S.'s long list of demands, ranging from intellectual property safeguards and trade deal enforcement mechanisms. We also think it is unlikely that the U.S.-China bilateral will return to the pre-2017 state, no matter who wins the 2020 U.S. Presidential election. Chinese official media's use of the word "humiliating" in referring to U.S. trade demands suggest to us that something has been irremediably broken in the bilateral relation. For this reason, the potential hits to business confidence and disruptions to supply chains resulting from the trade war must be taken seriously.

China's Response

China has continued to post underwhelming growth numbers amid the difficult global trade environment. We also think it is unlikely that the country will resort to the kind of massive stimulus that it applied in 2009 and 2016, in response to global slowdowns. This is partly because of the country's commitment to deleveraging, de-risking and a general move away from an infrastructure-focused, debt-fuelled growth model and toward a more domestic consumption-driven economy.

However, we also think that Chinese policy makers retain sufficient flexibility to ease policy and put a floor under growth if the situation were to deteriorate further with the United States. Targeted measures can be used both on the monetary and fiscal sides to provide support to growth. Against this backdrop, we do not think that China will represent a large negative surprise to markets in the next few months.

The U.S. Cycle: Soft Landing or Recession?

The key question for markets is: is the trade war enough to topple the U.S. economy, a USD 21 trillion, largely domestically-driven economy? More and more observers have raised the specter of recession recently, based on a combination of trade issues and signs of domestic weakness. Our view is slightly different: as opposed to a sudden plunge into recession, we are interpreting the current U.S. slowdown as the normal, delayed response from the Fed's policy tightening of the last few years. It is often said that monetary policy works in "long and variable lags". Over the last two years, the Fed raised rates by 200 basis points and shrank the size of its balance sheet by 5 percentage points relative to GDP. These measures are nothing to scoff at, especially given the absence of material inflationary pressures. So, after this kind of tightening, it is perfectly normal for the U.S. economy to take a breather, especially after the fiscal stimulus-induced burst of growth experienced last year.

In fact, growth appears to be at about the level of late 2016, when the Fed resumed its tightening campaign after a one-year hiatus. The difference now is that Fed tightening appears to be over and the central bank appears to be in the process of communicating a shift to an easing cycle. It is also important to note that historically, when the Fed cuts, it does not tend to cut just once, but at least a few times. This change in Fed thinking has been a key support for our tactical overweight to equities since the month of February, as the Fed pivot has created a more positive environment for risk assets.

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Overall, a tally of the positive and negative current forces affecting the U.S. economy shows a nuanced picture, albeit one which we think is tilted toward the continuation of growth. Despite trade-related fears, this remains our base case for the months ahead.

Negative factors	Positive factors
Inverted yield curve has historically spelled trouble	Soft landing currently at play in housing market
Loss of growth momentum in manufacturing	Lower rates will stimulate mortgage refinancing and housing activity
Capital expenditures/durables cycle rolling over	Potential for more Fed easing
Auto sales are flat at best	Labor market internals (quit rate, job openings) still solid
Commodity prices falling suggests weak global demand	Consumer financial positions are still favorable
Trade situation remains shaky	Low inflation suggests few excesses or no overheating
Labor market improvements (job creation) losing steam	Credit markets are resilient; banks still willing to lend to companies/households

The Case of the Missing Global Inflation

While U.S growth remains close to trend, inflationary pressures have declined significantly. Around the world, inflation — both realized and expected — has fallen. Against this backdrop, some of our indicators of bond market attractiveness improved considerably, and we increased our weight in fixed income assets during the second quarter. Again, a Federal Reserve which is moving to an easing stance is likely to be better for fixed income returns than the tightening we saw in the last few years.

This lack of inflation is even more pronounced in the Eurozone. The persistence of deflationary pressures in Europe has been a long-held view in the Multi-Asset Strategies Team, which we have generally expressed by being underweight the euro against the broad basket of currencies, a position that remains in place today. Recently, we also expressed our pessimistic European inflation view in our alternative strategies (Mackenzie Multi-Strategy Absolute Return Fund and Mackenzie Global Macro Fund) by taking advantage of the fall in German government bond yields, which were low to begin with, but fell further. We continue to think that the European Central Bank will be unable to normalize its monetary policy and may in fact have to provide additional easing in the coming quarters. We think this remains unfavorable for the euro relative to other currencies such as the Canadian and U.S. dollars.

Aside from these tactical views on inflation and interest rates, the second quarter reminded investors of the key role that bonds and duration play in constructing portfolios which are robust to a variety of economic scenarios. Even in a low yield environment, there is value to owning government bonds for those more volatile times, as they continue to provide effective diversification against equity-driven portfolios.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments and the use of an asset allocation service. Please read the prospectus of the mutual funds in which investment may be made under the asset allocation service before investing. The indicated rates of return are the historical annual compounded total returns assuming the investment strategy recommended by the asset allocation service is used and after deduction of the fees and charges in respect of the service. The returns are based on the historical annual compounded total returns of the participating funds including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder in respect of a participating fund that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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