Mackenzie Diversified Alternatives Fund

Series F | MONTHLY COMMENTARY | May 2019

Investment Strategy & Highlights

The Fund seeks long-term capital appreciation and income by investing in a diversified portfolio of alternative asset classes, including non-traditional equities and fixed income, real estate, infrastructure, private equity, currencies, commodities, derivatives, and/or other asset classes of issuers located anywhere in the world. The Fund is designed to complement a traditional global balanced portfolio by providing additional diversification and potentially enhanced risk-adjusted returns.

Fund Snapshot

Inception	October 27,2015
AUM	$ 646,227,620
Management Fee	0.70%
MER	0.94%*
Performance Fee	None
Redemption Notice	None
Min. Investment	$500
NAVPU	10.64

Risk Tolerance

Low Moderate High

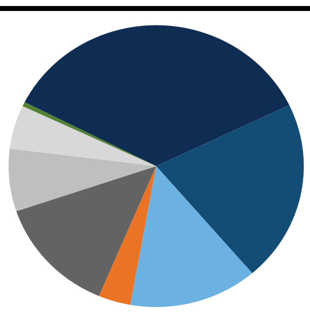
*Pro Forma estimate

Portfolio Information

Portfolio Yield	3.1
Dividend Yield	2.9
Fixed Income Yield	5.5
Duration	3.7
Average Credit Quality	BB-

As of April 2019

Asset Allocation & Top Sub-asset Classes



Non-traditional FI	**35%**
Special Situations Credit	10%
Leveraged Loan	6%
Non-traditional equity	**21%**
Preferred Equity	10%
Special Situations Equity	8%
Real Estate	**14%**
Equity REITs	6%
Direct REITs	4%
Private Equity	**4%**
Listed PE/BDCs	4%
Infrastructure	**13%**
U.S. Infrastructure	8%
Water Infrastructure	4%
Commodities	**7%**
Gold	5%
Silver	2%
Currencies	**5%**
Options	**1%**

As of May 2019

Performance & Portfolio Analysis

Monthly Performance Net of Fees (Series F)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	2.9%	1.5%	1.3%	1.1%	-1.6%								5.2%
2018	0.7%	-0.3%	0.7%	-0.7%	1.1%	0.3%	0.3%	0.7%	-1.0%	-2.8%	1.4%	-2.0%	-1.7%
2017	0.1%	2.7%	1.0%	2.7%	-0.1%	-2.2%	-0.4%	0.2%	0.6%	2.0%	0.6%	-0.2%	7.1%
2016	-0.9%	-1.0%	1.7%	-0.2%	1.7%	1.3%	3.3%	0.4%	0.5%	-0.4%	-0.7%	1.7%	7.6%
2015											0.5%	1.3%	1.8%

Risk Stats (annualized) - Since inception

	Return	Std Dev	Sharpe Ratio	Down Capture	Downside Deviation
Mackenzie Diversified Alternatives	5.3%	4.7%	1.1	63%	2.4
Reference Portfolio (60% MSCI World + 40% BofAML Global Broad Market (CAD Hedged))	6.2%	6.2%	1.0	100%	n/a

Inception: October 27, 2015

Global Market Highlights

The positive climate that has persisted for equity markets for much of 2019 disappeared in May, as the MSCI World gave back -5.0%. The U.S., Japan, and emerging markets were among the hardest hit, losing -6.4%, -6.4%, and -6.6%, respectively. Europe was also weak, losing -4.5%, while Canada faired relatively well, losing a mere -3.1% (all returns are in local-currency terms).

Global government and investment-grade corporate bonds rallied with the flight to safety, returning +1.4%, on a global basis, and +1.9%, in Canada. High-yield suffered in the risk-off environment, giving back -1.3% on the month.

Oil was weak (-11.0% in CAD terms), while gold shone (+2.7%, also in CAD terms). USD (+1.0%), JPY (+3.9%), and EUR (+0.5%) all appreciated against CAD, while GBP (-2.2%) slid.

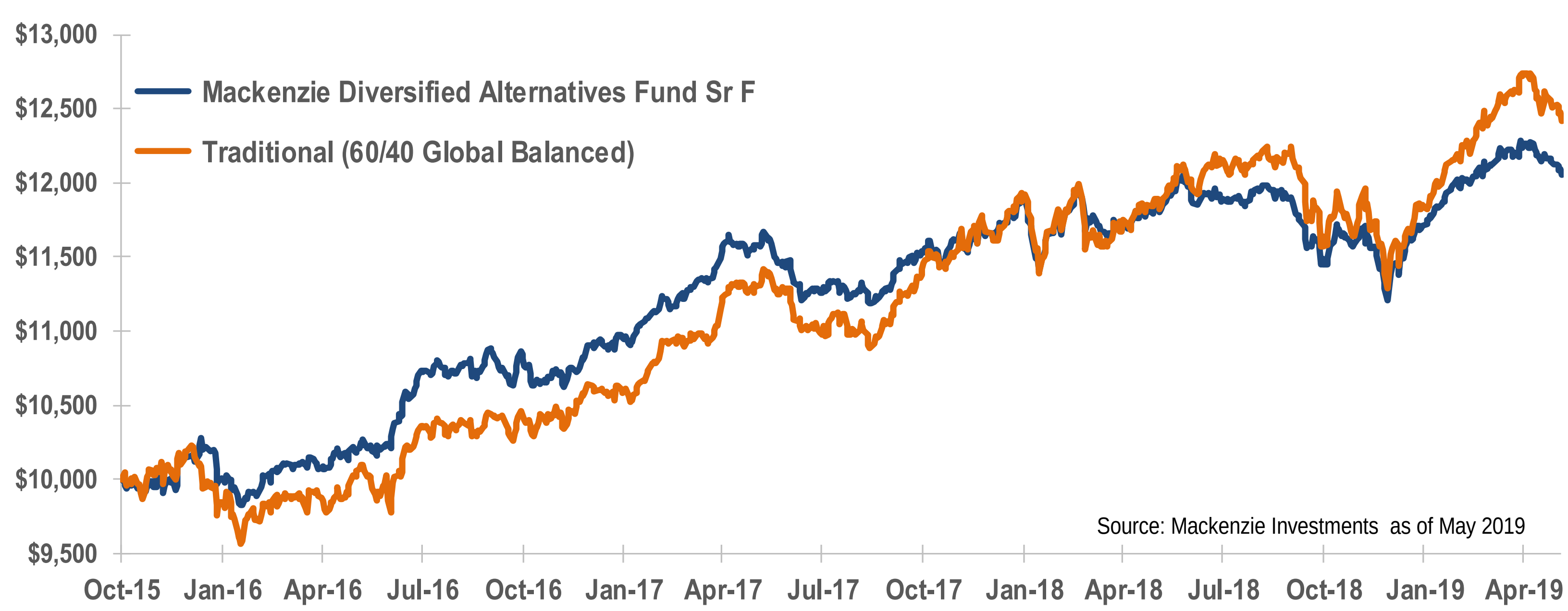
Fund Summary

Although it was a negative month in absolute terms (-1.6%), MDAF outperformed our traditional 60/40 reference benchmark (-2.4%) by a meaningful 0.8% in May. It was a difficult month for many asset classes. Basically, anything with equity beta embedded within it produced a negative return, and, on the flip side, anything with interest-rate risk produced a positive return—prototypical of a risk-off month.

U.S. prefs (+1.8%) were one of MDAF's top performers. The U.S. pref space is more streamlined than the Canadian pref space, with perpetuals being the dominant pref structure. Perpetuals pay a fixed dividend (coupon) but still can appreciate in price. Thus, they, like all prefs, are a hybrid security with both bond and equity features. In a month like May, the bond features tend to be prioritized by investors, which explains the positive return (along with the USD/CAD exchange rate appreciation).

In addition to U.S. prefs, several non-traditional fixed income sleeves inside MDAF also generated positive returns: inflation-linked debt (+2.1%), EM debt (+1.2%), and floating-rate debt (+1.1%). Other positive contributors included gold (+2.0%) and physical USD (+0.9%)—both of which flashed their safe-haven characteristics in May.

Despite MDAF not holding traditional investment-grade, long-duration, developed-market credits, the fund is able to use other less-traditional asset classes to mitigate drawdowns and add value in risk-off markets. This ability is important in an environment where investors could be forced to rely less on the power of the equity-market risk premium to deliver returns—an environment that we feel is not so far into the future.



Manager Bio

Matthew Cardillo, CFA

Manager Since
October 27, 2015

Matthew Cardillo, Vice President, is a senior portfolio manager on Mackenzie's Systematic Strategies team. Matthew manages Mackenzie mutual funds, conducts investment research, and develops new investment products for the firm.

Fund Codes

SERIES C$	PREFIX	FE	BE	LL2	LL3
A	MFC	4855	4856	7251	4857
F	MFC	4859	-	-	-
T5	MFC	4864	4865	7252	4866

Additional fund series available at
mackenzieinvestments.com/fundcodes

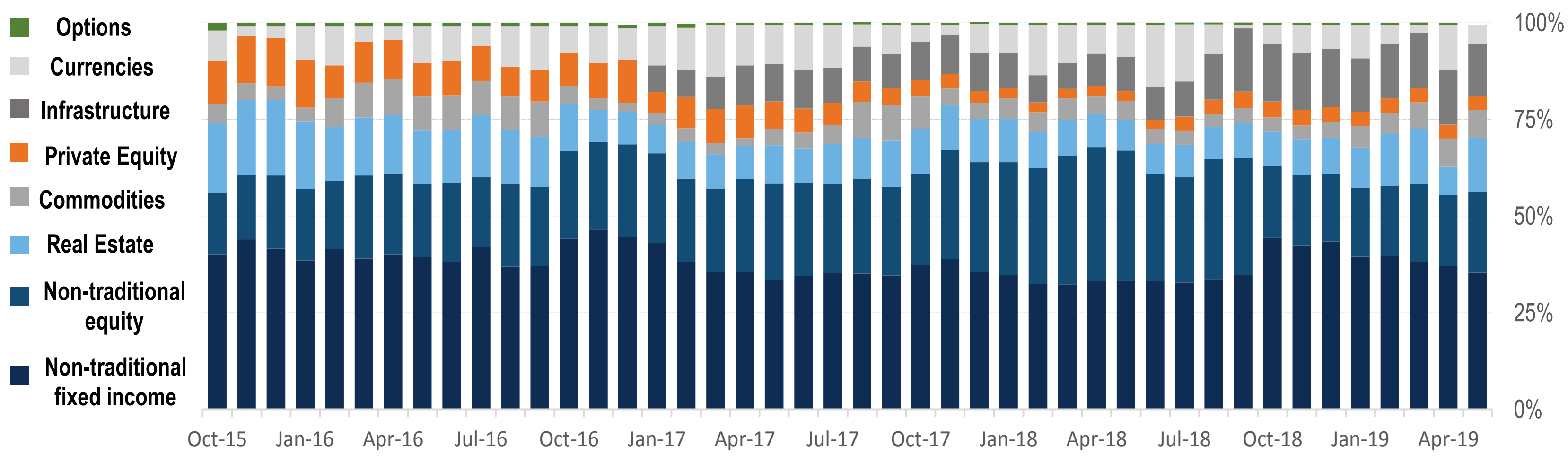
*Prior to Jan. 2017, Private Equity and Infrastructure sub asset classes were grouped as one

Top detractors for the fund included the sleeves with the most equity beta: special-sits equity (-5.2%), U.S. infrastructure (-4.8%), and resources equity (-6.1%). U.S. infrastructure seems to have been affected by both the equity sell-off and the breakdown in bipartisanship with regards to infrastructure investment in the U.S. Resources equity was slammed by the precipitous fall in oil prices.

Changes in Fund Composition

In May, we increased our U.S. prefs allocation from 7% to our maximum allowable weight of 10% (remember, MDAF has a diversification rule that stipulates no more than 10% in a given asset class, using our narrowest definition of asset class). U.S. prefs are a place for MDAF to add some duration in anticipation of the markets expecting a rate cut from the Fed.

MDAF's equity REIT allocation was raised by 5%, from 1% to 6% of the fund. We feel that real estate remains an important hard-asset category for a late-cycle market that enjoys steady cash flows, lower volatility, and possible defensive behavior in a continued sell-off.



Approximate month end weights rounded to the nearest 0.5%*

Themes for the Future: Tariffs as an Economic Weapon

Depending on the slant of your politics, Trump's threat of tariffs on goods imported into the U.S. from Mexico was either dangerous and economically-backward, or it was wily and effective. In the end, Mexico appears to have acquiesced on much of Washington's stipulations for the removal of the tariff threat, but not all (the U.S. would still like to see Mexico sign a "Safe Third Country" agreement).

Will the threat of tariffs return? Will the threat be held over the heads of other U.S. trading partners, namely, EU member states and Japan?

With regards to Mexico, we believe there is a high probability that the tariffs showdown returns in 90 days when Mexico both fails to effectively mitigate the flow of economic migrants north out of Honduras, Guatemala, Nicaragua, and El Salvador, and the country doesn't make enough progress in negotiating a parallel to the "Safe Third Country" accord. Our reasoning here is based on two observations: 1) Mexico is basically a narcocracy, with very real questions about whether it truly controls its southern and northern borders or whether drug cartels and human-smuggling operations do; and 2) creating new regional asylum rules is sure to hit many snags (like approval from Mexican lawmakers) that doom its delivery within 90 days. Thus, we think the circus will be back in town in three months and the most impactful end-result will be companies world-wide reconsidering the location of any manufacturing/assembly facilities in Mexico, since it will no longer be a given that they will have duty-free access to the U.S. economy from a cheap-labor country. If companies start to believe the only true duty-free access to the U.S. economy is from within the U.S. itself, Trump will surely have succeeded on his "America First" initiatives.

Will Trump try tariffs on other countries to win deals? Most assuredly. The Chinese tariffs have not shown up in a meaningful way in U.S. inflation numbers, so Trump's enemies can't make the argument that tariffs have caused U.S. consumers lots of harm. This is likely to embolden the U.S. president to use them as an economic deterrent again (especially with U.S. interest rates remaining low).

In the end, Trump has weaponized access to one of the U.S.'s most powerful assets: its amazing economy. The globalist model of the last 50 years is waning (in our view) and what has worked for Wall Street, at the expense of Main Street USA, is no longer the clear economic way forward.