MACKENZIE Investments

Mackenzie Global Strategic Income Fund

Series F Monthly Commentary **As of:** May 31, 2019

Performance Highlights

Portfolio Information	
Equity	53.9%
Fixed Income	43.9%
Cash	2.2%
Portfolio Yield	3.1%

Equity Statistics	
Dividend Yield	2.96%
Regional Exposure	
Canada	1.4%
US	48.7%
Europe	37.0%
Japan	6.3%
Emerging Markets	4.7%

Fixed Income Statistics	
Fixed Income Yield	3.58%
Average Credit Quality	A-
Duration	2.36
Credit Exposure	
Investment Grade	75.2%
High Yield (BB to B)	23.1%
Hight Yield (CCC & lower)	1.0%
Regional Exposure	
Canada	21.2%
US	43.5%
Europe	9.3%
Emerging Markets	14.2%

Major currency exposures	Gross currency exposure	Net exposure after hedging
CAD	11.1%	42.1%
USD	50.4%	30.7%
JPY	4.8%	4.3%
CHF	4.0%	3.8%

- The Fund underperformed in May due to the underperformance of its fixed income portfolio.
- The global developed bond market rally which started in mid-November, resumed in May after a pause in April. Worries about global growth prospects due to rising trade tensions drove investors back into the safety of high quality, long duration government bonds. May also saw the first rate cut from a developed market central bank as New Zealand lowered rates 25 bps to 1.50% due to unexpected weakness in inflation and hiring. The Fund's fixed income sleeve's short duration was the key reason for its underperformance in May. Also detracting from performance was the Fund's exposure to high yield bonds and loans.
- The market has aggressively built in FED rate cuts (75 bps at the end of 2019) with the possibility that one could come as early as July. We believe that the FED would like to be more patient and are watching incoming data closely as new information will direct the FED's hand. As much of the current confusion is being caused by trade negotiations, should a deal be struck with China sooner than later, it might be hard for the FED to justify an early move. But on the other hand, it could be argued that a little extra insurance would do no harm and could shore up consumer and business confidence before they slide. In other words, a little rate relief now could be more effective than more later, and the FED can get away with being pre-emptive rather than reactionary.
- Overall, fixed income returns in developed bond markets have been very strong year to date with longer duration bonds providing the highest total returns. But it is difficult to chase duration at this point. In fact, without a dramatic slowing in growth or a recession, we think it would be unwise. Trade talks with China have resumed and threats of tariffs against Mexico have been called off for now. If both situations are resolved before damage is done to the real economy, we would expect global growth to rebound and yields to rise. Further, should issues in Europe be resolved, it would provide another impetus for growth.
- Our views over the last month are little changed, although the probability for a significant growth slowdown is now higher than we would have expected. The risks in our portfolio include exposures to EM bonds (both in hard and local currency), loans, TIPS and our low overall duration driven by our significant underweight to long dated bonds. The Fund retains its overweight to Australian duration which has worked well. We have PUT protection for our high yield bond exposure – our view is that we are short some of the worst credits but remain long in our best idiosyncratic ideas. Our TIPS position (which we added to in May) contributed to performance but underperformed nominal bonds. Our base case is that inflation will move higher later in the year helped by tariffs and supply chain changes and a FED that is very willing to allow an inflation overshoot. Also helpful to performance was our longer duration, high quality Canadian corporate bonds and Canadian government bonds. From the EM, our positions in Philippines, Russia and Brazil performed well.
- The USD appreciated approximately 1% against the CAD, this was helpful to Fund performance given its 30% exposure to the USD.
- Stock selection in Germany and the UK were most helpful to performance while stock selection in China and Hong Kong detracted the most.
- Stock selection in financials and consumer discretionary were the most helpful to performance. Among the Fund's top contributors to performance were CME Group Inc., DENTSPLY SIRONA and Deutsche Boerse AG.

- Stocks that detracted most significantly were Allergan plc, Safran SA, Broadcom Inc. and United Technologies.

- Given the volatility investors have faced the last three quarters (including this one), this might be an opportune time to assess where we are and put some context around recent history. It's fair to say that in 2009 when stock markets around the world were hitting generational lows and people were questioning the viability of the global financial system NO one was thinking about – or cared – what the world might look like ten years out. As members of the team have been running a global equity product since that time, a simple observation should be made: many people (which includes friends and family, clients, competitors, and all shades of Wall Street experts) have been calling for the next significant bear market and/or recession for a long time. We've often commented to investors that this has been the worst-feeling bull market in our 20+ year career as most everyone seems permanently scarred from the Global Financial Crisis and are constantly waiting for the bogeyman to jump out from around the corner. This is not to say there have been bouts of volatility that have *felt* like bear markets. The European sovereign debt crisis in 2011 helped take global markets down over 20% (from high to low) at one point during the year. From mid-2015 to early 2016, driven by a recession scare and subsequent commodity sell off, markets came down almost 18%. And, of course, from September 20, 2018 to Christmas Eve markets came off over 18% (and over 20% if one measures performance from their late January 2018 highs). And yet despite these dislocations and investors seemingly in a constant state of apprehension, markets compounded, after re-invested dividends, at over 12% per annum over this time. In other words, markets have more than tripled in those ensuing ten years. In each case, if one attempted to adjust their portfolio significantly to ex-post economic data or, worse yet, macro and/or geopolitical predictions, investors would have added little value and actually hurt performance.

  As for the next ten years? We still think owning a collection of high-quality, reasonably priced, dividend paying equities will produce the highest long-term real returns. Stocks have gone up on average over two out of every three years since World War II, and with ten-year government yields around the world still at low absolute and relative levels, benign inflation, and valuations that do not appear overly stretched, there is reason to believe those odds will continue to hold over the next decade. Will there be scary bouts of volatility, some of which will leave us all scratching our heads or blaming it on the vagaries of faceless yet increasingly influential market "participants" such as passives (which can include a range of vehicles, from index ETFs to algorithmic trading programs)? To that we answer: 100% yes. Despite knowing this will occur, we still feel that owning stocks will prove to be more rewarding than almost any other asset class.

Performance	1 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Mackenzie Global Strategic Income Fund – F	-2.2%	7.4%	4.5%	5.8%	6.5%	9.1%
52.5% MSCI World Total Return Index +47.5% ICE BofAML Global Broad Market Hedged Index	-1.9%	6.7%	5.0%	6.6%	7.2%	8.7%

*Since inception. Inception date: November 24, 2006

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The rate of return is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual fund or returns on investment in the mutual fund.

On April 30, 2014 the Fund changed its mandate from investing primarily in securities of other mutual funds that invest in Canadian and foreign equity and fixed income securities and/or income trusts to investing primarily in fixed-income and/or income-oriented equity securities of issuers anywhere in the world. The past performance before this date was achieved under the previous objectives.