

# MACKENZIE MULTI-STRATEGY ABSOLUTE RETURN FUND

Series F | Monthly commentary | June 2019

## INVESTMENT STRATEGY & HIGHLIGHTS

Alternative mutual funds may use leverage and shorting to isolate and magnify alternative risk premia, factor exposures, alpha sources, and reduce the influence of traditional market beta on performance. Mackenzie Multi-Strategy Absolute Return Fund combines numerous independent alternative strategies according to a structured risk budgeting framework to create a well-diversified portfolio that aims to offer an attractive expected return over a market cycle with low volatility and low beta exposure to global equity and bond markets. This combination of strategies may provide a stabilizing influence on a traditional portfolio, especially when broad equity and fixed income markets are challenged.

## FUND SNAPSHOT

As of June 30, 2019

Inception	23-May-18
AUM	\$ 268,082,471
Management Fee	1.15%
MER	1.44%*
Performance Fee	None
Redemption Notice	None
Min. Investment	\$500
NAVPU	\$ 9.95

\*Pro forma estimate

## RISK TOLERANCE

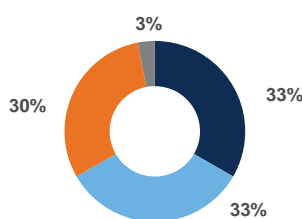
Low Moderate High

## PERFORMANCE & PORTFOLIO ANALYSIS

### Monthly Performance Net of Fees (Series F, %)

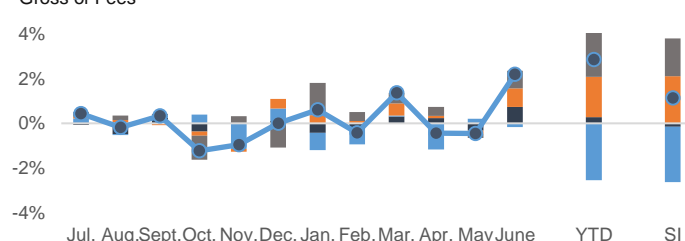
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	SI
2019	0.5%	-0.5%	1.2%	-0.6%	-0.6%	2.1%							2.1%	-0.4%
2018					0.0%	-0.2%	0.3%	-0.3%	0.2%	-1.4%	-1.1%	-0.1%	-2.5%	

## STRATEGY SLEEVE ALLOCATION



## TTM RETURN CONTRIBUTION BY STRATEGY SLEEVE

Gross of Fees



■ Global Macro ■ Equity Long/Short ■ Credit Absolute Return ■ Overlay ● MSAR Total Fund

## STRATEGY SLEEVE GROSS CONTRIBUTION TO MONTHLY RETURN

As of June 30, 2019

Global Macro	0.73%
Equity Long/Short	-0.17%
Absolute Return Fixed Income	0.83%
Overlay	0.80%
Total (gross of fees)	2.20%

## PORTFOLIO STATS (SINCE INCEPTION)

As of June 30, 2019

Total Return	-0.4%
Volatility (Annualized)	3.1%
Realized Equity Beta (1)	0.12
Realized Fixed Income Beta (2)	0.27
Realized Correlation to Equity (1)	0.44
Realized Correlation to Bonds (2)	0.16

(1) MSCI World GR CAD

(2) BBgBarc Global Aggregate TR Hdg CAD

## PORTFOLIO CHARACTERISTICS

As of June 30, 2019

Beta Positioning (MSCI World CAD)	0.22
Gross Exposure	249%
Gross Notional Long	139%
Gross Notional Short	110%

This exposure measure does not take hedging activities into consideration.

## GLOBAL MARKET HIGHLIGHTS

The positive climate for equity markets that has existed in much of 2019 reappeared in June after having gone away in May. As proof, the MSCI World returned a very strong +3.3% in CAD terms. The S&P 500 led the way, returning +7.0% in USD terms, followed by Europe and EM, which each returned +4.6% in local-currencies. Canada and Japan were also positive, but lagged on a relative basis, returning +2.9% and +2.5%, respectively. It was also a good month for duration-sensitive assets, as interest rates compressed around the world. Global government bonds earned +1.3% in local-currency and Canadian government bonds earned 0.9% in CAD terms. Taking credit risk was rewarded too, with high yield returning +2.5% in local-currency. Oil was negative (-3.2% in USD terms) and Gold was up significantly (+9.0% in USD terms). The CAD rebounded strongly against USD (+3.1%), JPY (+2.8%), EUR (+1.4%), and GBP (+2.6%).

## GLOBAL ALTERNATIVE STRATEGY AND MSAR HIGHLIGHTS

The HFRI Fund Weighted Composite Index (An index frequently referenced to gauge the performance of a diverse collection of hedge funds) gained +2.6% for the month. Equity hedge funds led the way with the HFRI Equity Hedge (Total) Index gaining +3.2%. Not surprisingly, in a month where equity beta was very constructive, the HFRI Equity Market Neutral Index underperformed, returning just +0.14%. Trend following strategies generally did well, as positive sentiment returned to numerous asset classes in June after having taken a pause in May. Positive markets generally across the board (except for oil) was also constructive for Risk Parity strategies. MSAR was impacted by some of these themes in June, returning +2.1% after series f fees.

## GLOBAL MACRO

The Global Macro sleeve was positive in June, contributing +0.7% to total fund performance (gross of fees). Our relative value currency trades within emerging markets (long Turkish Lira, Mexican Peso, and South African Rand and short the Korean Won) were well rewarded as was our sentiment based long position in the Canadian dollar. These trades did well enough to overcome modest losses from our long USD, short Euro position in June. We continue to maintain this position based on our macro-economic view that central bank policy between these two regions is likely to continue diverging going forward. Tactical long exposure to equity and fixed income beta, built on a continuing period of strong momentum for both asset classes was well rewarded in June. Our relative value commodity strategy was the main detractor this month. Although we did benefit from golds rise, short positions in Nickel and Copper built on valuation themes detracted more, as both cyclical metals rebounded with the greater market.

# MACKENZIE MULTI-STRATEGY ABSOLUTE RETURN FUND

Top 5 long and short trades by asset class.  
Weights are as % of total Fund.

April 30, 2019

COMMODITIES		
WTI Crude Oil		1.0%
Zinc		0.9%
Soybean Oil		0.6%
Nickel		0.6%
Lead		0.6%
Corn	-0.3%	
Heating Oil	-0.5%	
Silver	-0.5%	
KC Wheat	-0.8%	
Copper	-1.3%	
FX		
U.S. Dollar		7.4%
Mexican Peso		2.5%
Norwegian Krone		2.0%
Turkish Lira		2.0%
New Zealand Dollar		1.2%
Japanese Yen	-1.2%	
Swiss Franc	-1.6%	
Korean Won	-3.4%	
Euro	-3.7%	
Israeli New Shekel	-4.0%	
FIXED INCOME MARKETS		
iShares iBoxx \$ Inv. Gr. Corp. Bd. Fd.		14.7%
Euro-Bund Future		12.3%
iShares JP Morgan USD EM Bd. Fd.		10.0%
SWISS FED BND FUT		9.3%
Invesco Senior Loan ETF		8.7%
US 10YR Note	-1.5%	
CAN 10YR BOND	-1.8%	

EQUITIES (MARKETS)		
S&P500		6.4%
EURO STOXX 50		2.3%
MSCI EmgMkt		0.7%
S&P/TSX 60		0.5%
Russ 200		0.5%
NASDAQ 100	-0.1%	
SWISS MKT IX	-0.2%	
FTSE/JSE TOP 40	-0.3%	
DAX INDEX	-0.3%	
MEX BOLSA IDX	-0.4%	

EQUITIES (SINGLE NAMES)		
Drax Group PLC		0.4%
The Marcus Corp.		0.4%
Warrior Met Coal Inc.		0.4%
AMC Entertainment Holdings Inc. Class A		0.4%
Darden Restaurants Inc.		0.3%
Nordic Semiconductor ASA	-0.2%	
Ensign Energy Services Inc.	-0.2%	
Ocado Group PLC	-0.3%	
Zalando SE	-0.3%	
The Stars Group Inc.	-0.3%	

Holdings details are delayed by 60 days for selective disclosure and compliance reasons.

## EQUITY LONG/SHORT

In Q4 2018 our Equity Long/Short sleeve delivered positive returns in two very challenging months for equities (October and December). The only difficult month for equities so far in 2019 has been May, when once again, our equity long/short mandate managed a positive return. Although it has been a good diversifier for the fund, our Equity Long/Short strategy has generally underperformed since the inception of MSAR, and that has been the case for quantitative long/short equity strategies in general over the same period. In June this sleeve had a slightly negative return, contributing -0.2% to total fund performance (gross of fees). This sleeve has two components. Our small-mid cap alpha strategy did well in June, benefitting from positive long and short stock selection in every sector except utilities. This however, was offset by weak performance from our larger cap factor-oriented strategy. In June, market neutral low volatility was negative, while momentum, value, and quality factors were flat.

## ABSOLUTE RETURN FIXED INCOME

It was another strong month for Absolute Return Fixed Income as it contributed +0.83% to total returns in June (gross of fees), making that 6 positive months out of the last 7. Looking back at changes to the asset allocation within the credit momentum component of the fund, the combined High Yield and Loan allocations were as high as 53% in October 2018, but were eliminated in November, replaced entirely with high quality Government Bonds and cash equivalents. The High Yield and Loan market technicals deteriorated over this period, including a crossing over of their respective 200 days moving averages. These signals were picked up by the credit momentum model, which led to a drastic change in asset allocation to the benefit of our portfolio during the risk off month of December. As we moved into the new year, positive momentum returned to the risky end of fixed income markets, and the position in Loans and High Yield were rebuilt along with a new position in Emerging Markets debt. The timing of these asset mix adjustments has been constructive to portfolio returns. Since the new year, activity in this strategy has been quieter, with only a modest increase in investment grade bonds and a modest decrease in high quality government bond exposure.

## OVERLAY

Our overlay sleeve exists to manage the funds overall equity beta exposure, which will typically be about 0.2. In December 2018 this was kept close to 0.12 but has since been allowed to drift a bit higher. As of June month-end the portfolio beta stood at 0.22. In June the overlay contributed +0.8% to MSAR total return (gross of fees) as equity markets were generally quite strong.

## CHANGES IN STRATEGY ALLOCATION

There were no significant adjustments made to the mix of alternative strategies within MSAR over the month. We continue to seek the optimal combination of return generating liquid alternative strategies for high risk adjusted returns and low beta to equity and fixed income markets.

## PORTFOLIO MANAGEMENT TEAMS



**Alain Bergeron**, M.Sc., CFA, CMT

Senior Vice President, Portfolio Manager, Head of Team  
Mackenzie Multi-Asset Strategies Team

Investment experience since 2000



**Richard Weed**, CFA

Senior Vice President, Portfolio Manager, Head of Team  
Mackenzie Systematic Strategies Team

Investment experience since 1992



**Nelson Arruda**, M.Fin., M.Sc, CFA

Vice President, Portfolio Manager  
Mackenzie Multi-Asset Strategies Team

Investment experience since 2009



**Steve Locke**, MBA, CFA

Senior Vice President, Portfolio Manager, Head of Team  
Mackenzie Fixed Income Team

Investment experience since 1995

### Disclaimer

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