Quarterly commentary | June 30, 2024
Series F

Mackenzie Global Sustainable Bond Fund

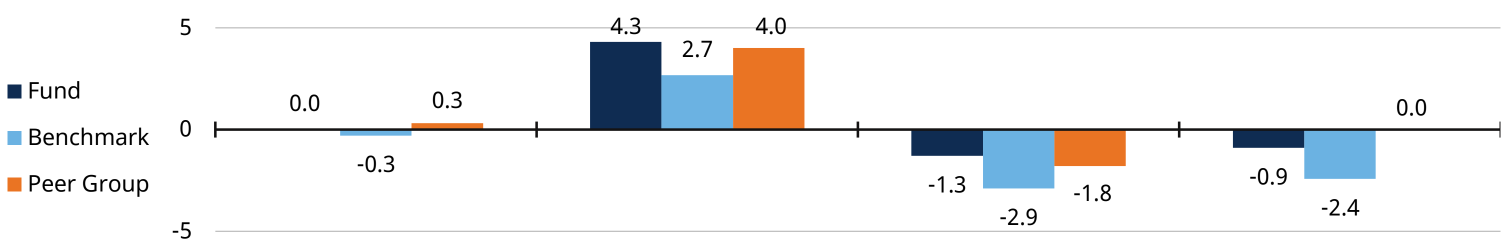
Fund snapshot

Inception date	04/09/2021
AUM (millions in CAD)	54.0
Management fee	0.55%
MER	0.80%
Benchmark	ICE BofA Gbl Broad Mkt (Hgd to CAD)
CIFSC category	Global Fixed Income
Risk rating	Low
Lead portfolio manager	Konstantin Boehmer
Investment exp. since	2003

Strategy overview

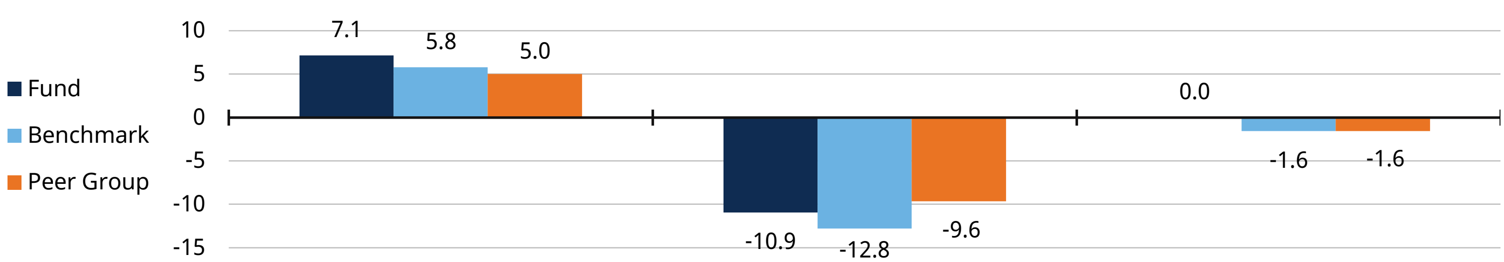
- The Fund seeks to generate income with the potential for long-term capital appreciation by investing primarily in fixed-income securities of issuers anywhere in the world.
- The Fund follows an approach to investing that focuses on sustainable and responsible issuers.
- The Fund invests in "best-in-class" ESG leaders, along with various types of sustainable or ESG labelled debt, such as green bonds, social bonds, sustainable bonds and sustainability-linked bonds and notes. The Fund aims to have a 50-50 mix of best-in-class issuers with ESG labelled debt.

Trailing returns %



	3 Mth	1 Yr	3 Yr	SI
Excess return	0.3	1.7	1.6	1.5
% of peers beaten	37	55	66	NA

Calendar returns %



	2023	2022	2021
Excess return	1.3	1.9	1.6
% of peers beaten	87	45	NA

Portfolio characteristics

Ratios & metrics	Portfolio	Benchmark
Fund Avg Yield	5.7	4.1
Fund Mod. Dur	6.1	6.5
Fund Rating	A	AA
Average Price	90.4	114.8
Average Coupon	3.8	2.7

Asset allocation

Asset	Portfolio	Benchmark
Corporate	52.9	-
Provincial + Municipal	2.1	-
Federal	40.3	-
Cash & Equival. + WC	4.7	-

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	6.0	6.3
Sharpe Ratio	-0.7	-1.0
Tracking Error	2.2	-
Information Ratio	0.7	-
Alpha	1.0	-
Beta	0.9	-
Upside Capture (%)	91.8	-
Downside Capture (%)	78.3	-

Geographic allocation

Region	Weight
North America	93.0
Europe	13.6
LATAM & Caribbean	0.3
Other	-6.9

Maturity breakdown

Bucket	Portfolio	Benchmark
0 to 3	32.4	-
3 to 7	29.0	-
7 to 12	28.4	-
12+	10.2	-

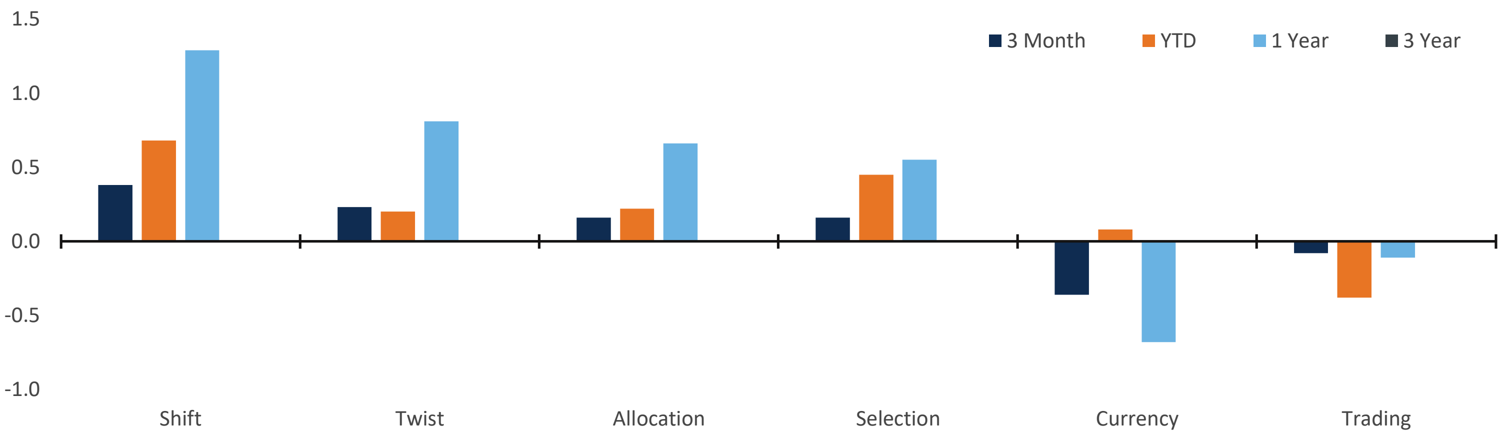
Currency exposure

Currency	Gross	Net
CAD	30.2	92.5
USD	38.6	4.9
Other	31.2	2.6

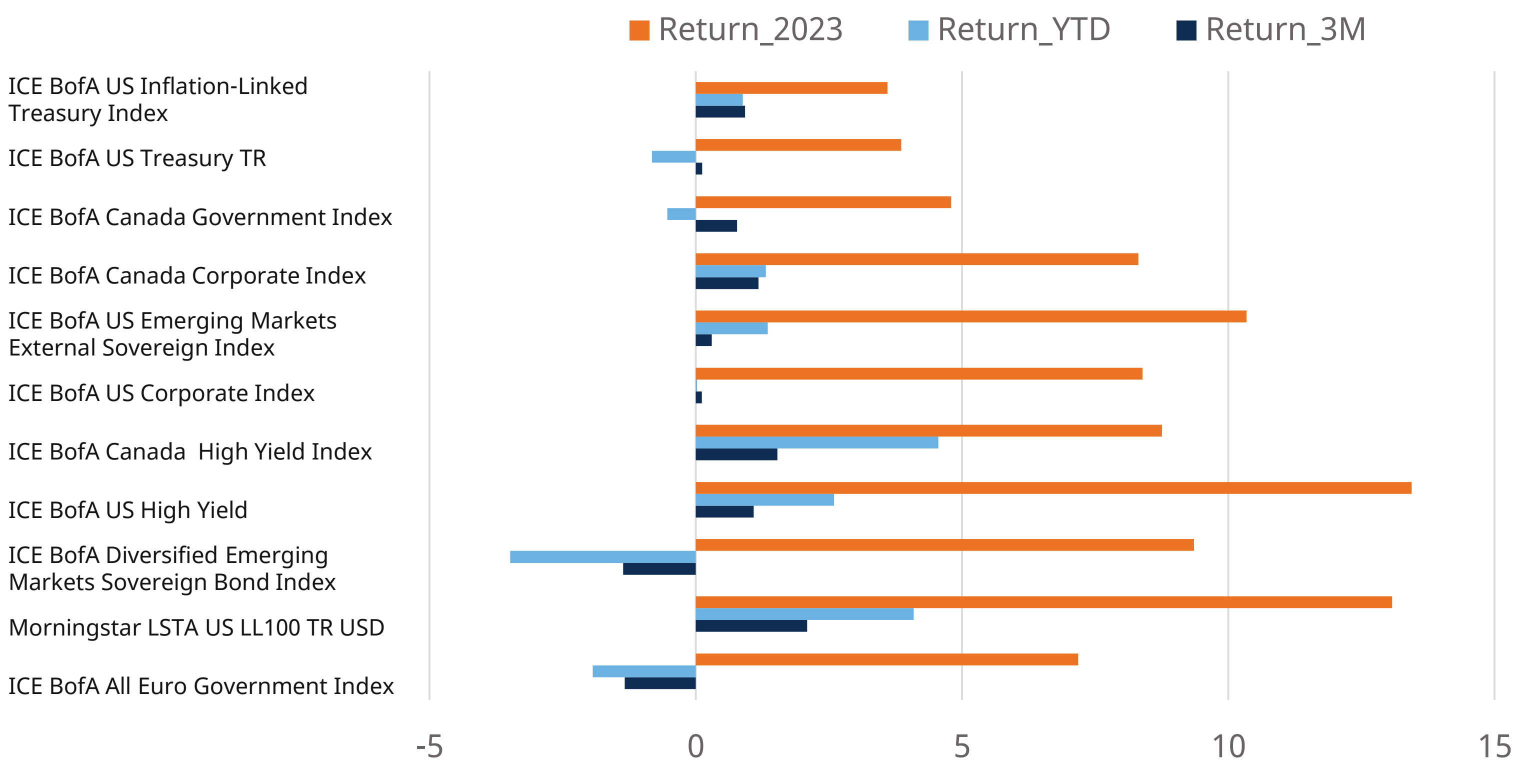
Credit breakdown

Rating	Portfolio	Benchmark
AAA	26.9	12.9
AA	16.8	50.3
A	16.1	22.9
BBB	22.2	13.9
BB	11.3	0.0
B	6.6	-
CCC & Below	0.2	-
NR	-	-

Attribution



Market Overview



Commentary

Markets generally focus on the fundamental outlook, with technicals, flows, positioning, and momentum occasionally taking the lead. However, geopolitics can sometimes spike cross-asset volatility, as seen in 2024, "The Year of the Election." In the second quarter, three electoral surprises in South Africa, India, and Mexico negatively impacted markets, especially emerging markets (EM). Mexico's Morena party's Congressional majority affected Mexican and EM assets. Coupled with the other electoral surprises, this caused increased volatility in EM markets, and while EM volatility has decreased, the risks of higher volatility remain with global VaR models likely having been tweaked.

In France, a snap election followed the EU elections where center and far-right parties performed strongly. French President Macron lost Lower House seats, causing French bonds to widen against German benchmarks from around 45-50bp to over 80bp before retreating into the 60s. The ECB's concern over French fiscal stability highlights significant market recalibration. Despite minor ECB comments, the main policy focus remains on semi-frothy real-time inflation, sticky elevated wages, and the central bank's ability to ease into high inflation rates. We expect the ECB to ease rates in September but doubt a significant easing cycle beyond 50bp, making us cautious on European duration compared to North America.

The Trump-Biden debate at the end of the quarter raised concerns about Republican fiscal policies. Biden's perceived underperformance led to fears of unchecked fiscal spending, debt issuance, and curve steepening, though market reaction was muted. Internal Democratic Party polling showed Trump potentially winning 350 electoral college seats, increasing calls for Biden to step aside. Former House Speaker Pelosi's refusal to endorse Biden added to the speculation. This debate's aftermath saw a concern over a Republican Party "down the ticket" outcome, which could lead to significant fiscal spending and higher yields.

With the upcoming US election, we are aware of risks in sovereign fixed income, especially in the long end of the US curve if fiscal concerns grow. US inflation is slowing, but core PCE needs to drop below 20 basis points (bp) per month for a significant decrease. The April and May data suggest US inflation is back on a slowing track. The Fed requires at least three months of favorable inflation data before considering rate cuts, possibly by the September meeting if the labor market continues to weaken. Indicators like slowing temporary employment, a lower hiring rate, and a lower quits rate suggest the labor market is coming "better into balance."

The Bank of Canada (BoC) has already begun easing, cutting rates by 25bp in June. We expect further cuts in July or September, with the BoC possibly cutting three times before the Fed starts. The BoC is cautious about easing too much to avoid Canadian dollar depreciation and imported inflation. As a small, open market economy, the BoC must manage these risks carefully. We prefer long North American duration positions but favor short-duration positions in Japan. The Bank of Japan (BoJ) may continue its hiking cycle, possibly surprising markets with a 10bp hike in July, justified by domestic data and wage growth. Another federal election in Japan could overlap with BoJ meetings, pushing the BoJ to act sooner.

Overall, elections have significant market consequences, and we remain vigilant about the macro risks and opportunities in the current economic and political landscape. With the US election approaching, fiscal and electoral risks, combined with slowing economic fundamentals, particularly in the US and Canada, create a complex environment for investors. We continue to monitor these developments closely to navigate the evolving landscape effectively.

Entering Q3, our duration strategy remains close to neutral. We maintain a positive duration outlook in North America, especially in Canada, where we expect the Bank of Canada to continue lowering its policy rate following the initial cut in June. Conversely, we hold a substantial underweight duration view in regions like Japan and the Eurozone. Our strategic position in long-dated TIPS persists, based on our forecast that US inflation, though possibly past its peak, will stay higher than historical averages for a prolonged period. This strategy underscores our confidence in TIPS' protective advantages in an ongoing inflationary setting. Moreover, we continue to favor long positions in emerging market local rates due to their appealing carry and the potential for lower rates in Latin America

We remain cautiously optimistic on credit but prefer low beta, high quality corporate bonds and are cognizant that the upcoming US election and the uncertainties it might bring – from fiscal concerns to tariffs to the potential for a resurgence of inflation – can quickly alter our base-case outlook.

As we navigate Q3 2024, we anticipate continued rate volatility and remain focused on opportunistic strategies. We will closely monitor global economic indicators and geopolitical developments to balance risk mitigation and seizing opportunities.

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 June 30, 2024 including changes in share 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 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.

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Standard deviation provides a measure of the variability of returns that have occurred relative to the average return. The higher the standard deviation, the greater is the range of returns that has been experienced. Standard deviation is commonly used as a measure of risk.

Percentile rankings are from Morningstar Research Inc., an independent research firm, based on the Canada Fund Global Fixed Income category and reflect the performance of the Mackenzie Global Sustainable Bond Fund for the 3-month, 1-, 3-, 5- and 10-year periods as of June 30, 2024 . The percentile rankings compare how a fund has performed relative to other funds in a particular category and are subject to change monthly. The number of Canada Fund Global Fixed Income category funds for Mackenzie Global Sustainable Bond Fund for each period are as follows: one year - 474 ; three years - 346 ; five years - 245 ; ten years - 100 .

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