Quarterly commentary | June 30, 2024
Series F

Mackenzie US Small-Mid Cap Growth Fund

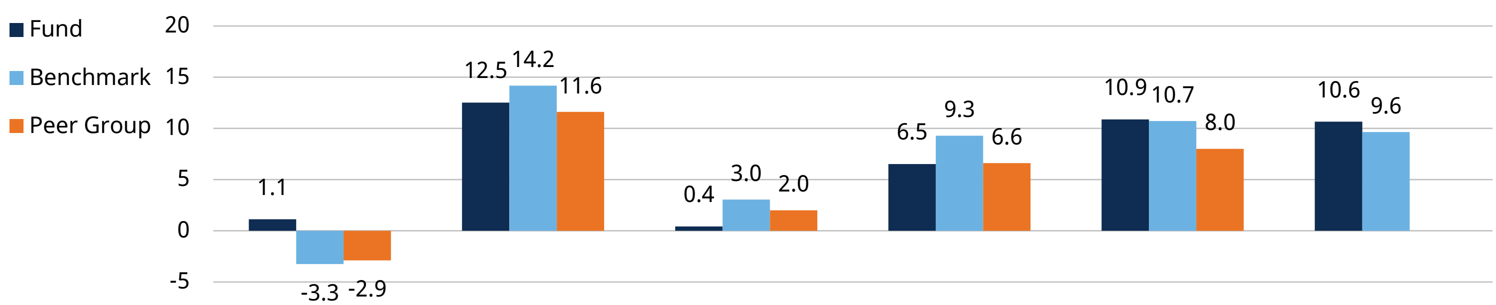
Fund snapshot

Inception date	01/09/2003
AUM (millions in CAD)	2936.6
Mangement Fee	0.80%
MER	1.05%
Benchmark	Russell 2500
CIFSC Category	US Small/Mid Cap Equity
Risk Rating	Medium
Lead portfolio manager	Phil Taller
Investment exp. Since	1991
Target # of holdings	25-50

Strategy Overview

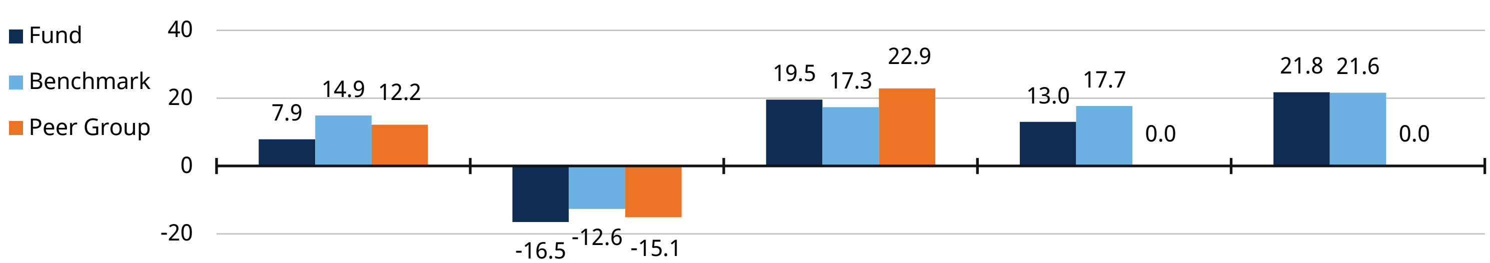
- The Fund seeks long-term growth of capital and a reasonable rate of return by investing primarily in U.S. equity securities.
- The investment approach follows a company-focused investment style, seeking companies with strong management, good growth prospects and a solid financial position.
- Emphasis is also placed on paying reasonable prices for the growth that companies in the portfolio are expected to achieve.

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	4.4	-1.7	-2.6	-2.8	0.2	1.0
% of peers beaten	91	63	36	44	85	NA

Calendar returns %



	2023	2022	2021	2020	2019
Excess return	-7.0	-3.9	2.2	-4.7	0.2
% of peers beaten	25	53	28	74	0

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	31.0	2,418.0
% top 10 holdings	49.4	4.2
Weighted average market cap	11,793.4	10,998.9
EPS growth (FY E)	253.8	1.3
Dividend yield	0.3	1.5
FCF margin	8.0	-145.1
P/E Trailing 12M	33.3	17.2
P/E (forecast)	24.9	16.1
Net debt/EBITDA	-0.8	1.7
ROE (latest FY)	3.5	11.8

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	3.2	16.1	-12.9
Energy	-	5.3	-5.3
Materials	-	5.4	-5.4
Industrials	26.5	20.0	6.5
Information Technology	28.4	13.9	14.5
Communication Services	-	2.5	-2.5
Utilities	-	2.9	-2.9
Consumer Staples	3.8	3.3	0.5
Consumer Discretionary	-	12.7	-12.7
Real Estate	5.1	6.4	-1.3
Health Care	30.6	11.5	19.1
Other	2.6	-	2.6

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	13.3	16.6
Sharpe Ratio	-0.2	-
Tracking Error	7.4	-
Information Ratio	-0.4	-
Alpha	-2.6	-
Beta	0.7	-
Upside Capture (%)	70.2	-
Downside Capture (%)	78.7	-

Country allocation

Country	Portfolio	Benchmark	Relative Weight
United States	97.3	99.4	-2.1
Argentina	-	0.1	-0.1
Bermuda	-	-	-
Brazil	-	-	-
Canada	-	0.2	-0.2
Greece	-	-	-
Other	2.7	0.3	2.4

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
United States	97.3	99.4	-2.1
Canada	-	0.2	-0.2
Emerging Markets	-	0.1	-0.1
Other	2.7	0.3	2.4

Currency exposure

Region	Portfolio	Benchmark
CAD	-	-
USD	100	100

Top 10 holdings

Security name	Country	Sector	Weight
MAXIMUS, Inc.	United States	Industrials	5.4
iRhythm Technologies, Inc.	United States	Health Care	5.2
ExlService Holdings, Inc.	United States	Industrials	5.1
Verra Mobility Corp. Class A	United States	Industrials	5.0
Parsons Corporation	United States	Industrials	5.0
Cirrus Logic, Inc.	United States	Information Technology	5.0
Commvault Systems, Inc.	United States	Information Technology	4.6
HealthEquity Inc	United States	Health Care	4.4
Tenable Holdings, Inc.	United States	Information Technology	4.3
Akamai Technologies, Inc.	United States	Information Technology	4.2

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Cirrus Logic, Inc.	5.0	1.8
	TransMedics Group, Inc.	2.5	1.8
	Commvault Systems, Inc.	4.6	1.0
Detractors	CoStar Group, Inc.	3.8	-1.0
	Grocery Outlet Holding Corp.	4.0	-1.1
	Charles River Laboratories International, Inc.	4.1	-1.2

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Industrials	6.3	-0.1	2.4	2.3
	Information Technology	14.5	0.3	2.0	2.3
	Health Care	17.4	-0.2	1.6	1.5
Detractors	Utilities	-2.9	-0.3	0.0	-0.3
	Real Estate	-1.1	0.0	-0.7	-0.8
	Consumer Staples	0.7	0.0	-1.0	-1.0

Commentary

1) QFR Highlights (if QFR is produced) (15 words per bullet)

Our presence in various life sciences markets is congruent with our strategy to remain under weighted in cyclical exposures. Recent economic releases, like the US employment statistics, have been weak. We remain positioned with a relatively low exposure to more cyclical businesses, and we trimmed weightings in some of these holdings where the market was more optimistic earlier in the second quarter.

We continue to maintain an overweight in the Information Technology, Health Care and Industrials sectors. In fact, we have increased our exposure in Health Care from 27% to 30% and in Information Technology from 26% to 28%. We believe that the secular growth available in those sectors will serve us well. We have removed our exposure to consumer discretionary owing to its cyclical nature along with the fact that there has been a strain on consumers due to inflation and higher interest rates.

We focus mainly on free cash flow as a metric for company valuations. This measure has become even more important in recent years given the increase in interest rates and also as companies have moved increasingly to present earnings in an “adjusted” fashion, which may obscure reality. We continue to maintain a concentrated portfolio of approximately 30 high quality businesses that despite being smaller in market cap, are often leaders (top 3 players) in the markets they serve.

2) Fund Performance - discuss Sector/Country Contributors and Detractors (ID to comment, PIT to provide attributions) (100 word limit)

For Q2 of this year, the fund's gross return was 1.47%, which is a drop from last quarter but outperformed the benchmark (Russell 2500) return of -3.26% by 474 basis points.

Selection and Interaction effect in Health Care, Industrials and Information Technology contributed to relative positive performance while Selection and Interaction effect in Consumer Staples and Real Estate detracted performance.

In our sector allocations in Q2 of this year, we were underweight Communication Services, Financials, Consumer Discretionary, Energy, Materials, Real Estate and Utilities while being overweight in Information Technology, Industrials and Healthcare.

3) Security contributors (ID to provide information on what contributed and detracted) (50 word limit)

The top contributors in the second quarter of 2024 were Cirrus Logic, Inc., TransMedics Group, Inc., Commvault Systems, Inc., Verra Mobility Corp. Class A and Westinghouse Air Brake Technologies Corporation.

4) Security detractors (ID to provide information on what contributed and detracted) (50 word limit)

The top detractors were Charles River Laboratories International, Inc., Grocery Outlet Holding Corp., CoStar Group, Inc. and Akamai Technologies, Inc..

5) Portfolio activities (ID to comment, PIT to provide buy/sell from attributions) (100 word limit)

We added new positions and increased current ones within the Health Care and Information Technology sector while eliminating our positions within the Consumer Discretionary and reducing our positions within the Industrial and Financial sector. We continue to look at businesses within the Information Technology sector that are helping companies automate their processes and implement Artificial Intelligence while health care names (drug developers) are seeing an uptick in business activity.

6) Market overview

The U.S. markets over the last quarter have seen a continued rally in the stock prices of the largest U.S. companies by market capitalization, concentrated in the Technology Sector. We believe that the US economy, like many others, already faced structural challenges in the form of high debt levels and slow growth in the working age population. As we navigate 2024, consumers are dealing with elevated interest rates and inflation and so we remain cautious about consumer balance sheets and spending behaviour. With that macro-economic backdrop, we believe that in the long term the world may continue to proceed in a lower growth environment compared to history.

While we do not attempt to forecast near-term economic growth, the current tightening of financial conditions may slow the global economy for a period. We try to be realistic about what companies can achieve in a more challenging environment.

We don’t think anybody really knows what the level of ongoing inflation will be, nor what impact it might have on markets. We do believe that many of our companies offer high value-added products and services, and this should give them reasonable pricing power.

Commentary

7) Outlook and Positioning

We believe that there may be increased investments in communications, Cloud and public infrastructure, physical and digital security, data analytics, regional supply chains in many industries, commerce, pharmaceutical and medical technology research, the Internet of Things, automation and robotics, online services, advancements in semiconductor, hardware, and network capability. We will be looking for ways to participate in these opportunities as equity markets evolve.

More recently we have become interested in diagnostics. The reality in the diagnostics market is that a company needs more than just good science. That is a necessary thing, but a diagnostics business also needs to be good at gathering data and

evidence, dealing with regulatory compliance and testing guidelines, obtaining reimbursement for tests (not a given since payers try to avoid writing cheques as long as possible), and targeting solid financial results.

We believe companies will seek to invest in new technology and services that can help them participate in a global trend towards digital transformation that can help them be more agile and secure in their operations. The use of data to understand trends should only become more important over time. There may also be increased demand for outsourced business services. We think several of our companies can assist in this effort.

We continue to maintain an overweight in the Industrials, Technology and Health Care sectors. We believe that the secular growth available in those sectors will serve us well. We continue to maintain a low exposure to cyclicals. This change was driven by what we perceived as an overall optimistic tone that didn't reflect the possibility of a slowdown, which may or may not happen.

Our presence in various life sciences markets is congruent with our strategy to remain under weighted in cyclical exposures. Recent economic releases, like the US employment statistics, have been weak. We remain positioned with a relatively low exposure to more cyclical businesses, and we trimmed weightings in some of these like Wabtec where the market was more optimistic earlier in the second quarter.

What we aim to do is to know as many great businesses as we can and learn what they might be worth. When markets offer us attractive share prices for these businesses, we become buyers.

We focus most of our attention on owning innovative secular growth businesses. These types of companies offer products and services that make the world better, cheaper, and faster – enabling them to grow at a faster pace than the overall economy. We see this as a more "all weather" approach – our companies can do well in a rising economy, but also perform relatively better in a difficult economy.

We focus mainly on free cash flow as a metric for company valuations. This measure has become even more important in recent years, as companies have moved increasingly to present earnings in an "adjusted" fashion, which may obscure reality. In our view, accounting risk has risen, and we believe securities regulators are becoming increasingly concerned with these "adjusted" disclosures based on recent guidance.

Market Cap Breakdown:

Mkt Cap Bucket	Weight
<USD$4 Billion:	24.18%
USD$4-5 Billion:	9.64%
USD$5-7.5 Billion:	28.79%
USD$7.5-10 Billion:	9.37%
USD$10- 45 Billion:	25.45%
>USD$45 Billion:	0.00%

Sector Breakdown:

Sector	Weight
Communication Services	0.00%
Consumer Discretionary	0.00%
Consumer Staples	3.74%
Energy	0.00%
Financials	3.23%
Health Care	30.59%
Industrials	26.44%
Information Technology	28.35%
Materials	0.00%
Real Estate	5.08%
Utilities	0.00%

- **8) Stock stories (5 top/interesting stories) (4-6 bullet points)**

Commentary

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ExlService Holdings Inc

• EXL is a global analytics and digital solutions company that partners with clients to improve business outcomes and support growth. EXL brings together deep industry domain expertise and data analytics capability.

• Clients go to EXL to outsource business processes. EXL can execute these processes faster and cheaper, and with its data expertise it can also discover insights and help grow revenues.

• The company's core industry domains are Insurance and Healthcare with a growing Emerging segment that works in areas like Finance, Logistics and Travel

• EXL's leadership team has demonstrated great vision in starting to build its data analytics capability many years ago

• We have owned shares in EXL in our portfolios for almost a decade - since 2015 the company has grown its revenues at a 12% rate and the market cap has grown from $1.3 billion to just under $5 billion today.

Akamai Technologies

• The backbone of the internet. The company speeds up content delivery through their web accelerating services, provide cloud agnostic security solutions, and offer edge computing capabilities.

• Akamai delivers daily web traffic reaching more than 120 terabytes per second.

• Highly distributed content delivery network (CDN) with over 340,000 servers in more than 135 countries.

• Edge computing is an area that is small today but with a big future in our view.

• Akamai can save clients millions of dollars in “egress fees” or data access fees compared to the traditional hyperscalers

• Working in the digital world, Akamai analyzes 290 TB of new attack data every day.

• Secular grower that benefits from Internet-based TV and video consumption and personal business, such as banking and shopping, being conducted online.

PowerSchool ($PWSC)

• Leading provider of cloud-based K-12 software Sticky customer base – think TDSB or a local school board – these products take a ton of money and time to implement.

• Think anything from attendance tracking, scheduling, report cards, to parent-teacher communication

• Supports over 50+ million students

• Have built out new business unit that uses AI to customize homework for students – provides scale to overworked teacher community

CommVault Systems, Inc.

• CommVault Systems Inc provides data management systems that help customers back up and recover critical data.

• Growth in data that requires management provides a natural tailwind for the company’s niche.

• The massive increase in ransomware attacks in recent years has reinforced the importance of having secure and accessible data backups.

• The company’s introduction of its Metallic product line has given customers a SaaS-based, simpler choice that competes well in the marketplace.

Commentary

Westinghouse Air Brake Technologies Corp

• Westinghouse Air Brake Technologies Corp is a provider of value-added, technology-based products and services for the rail industry.

• It provides its products and services through two main business segments, the Freight and Transit.

• Safety of train operations is an ongoing concern for rail companies and Wabtec can provide all the equipment and parts to ensure safety and reliability for a train.

Verra Mobility

• Two main segments to the company – one offers speed and red-light cameras for safety and the other offers toll payment systems to rental car companies

• As more municipalities and states sign on for increased public safety Verra wins a large share of those deals

• The rental car companies do not bother doing the toll payments themselves given the required infrastructure.

• Both businesses result in high margins and free cash flows to the company

• The company sees itself as a high single digit grower over the long-term

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.

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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 US Small/Mid Cap Equity category and reflect the performance of the Mackenzie US Small-Mid Cap Growth 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 US Small/Mid Cap Equity funds for Mackenzie Mackenzie US Small-Mid Cap Growth Fund for each period are as follows: one year –271; three years –233 ; five years – 184 ; ten years – 120 .

Morningstar data is shown as of the most recent reporting period by each fund family. Allocations may not equal 100% and will vary overtime. Assets contained within "Other" category are not classified by Morningstar. All information presented in this tool is for informational purposes only and is not intended to be investment advice. The information is not meant to be an offer to sell or a recommendation to buy any investment product. Unless otherwise noted, performance is shown before sales charge. For more fund information, click the POS Documents link.

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