

Mackenzie US Mid Cap Opportunities Fund

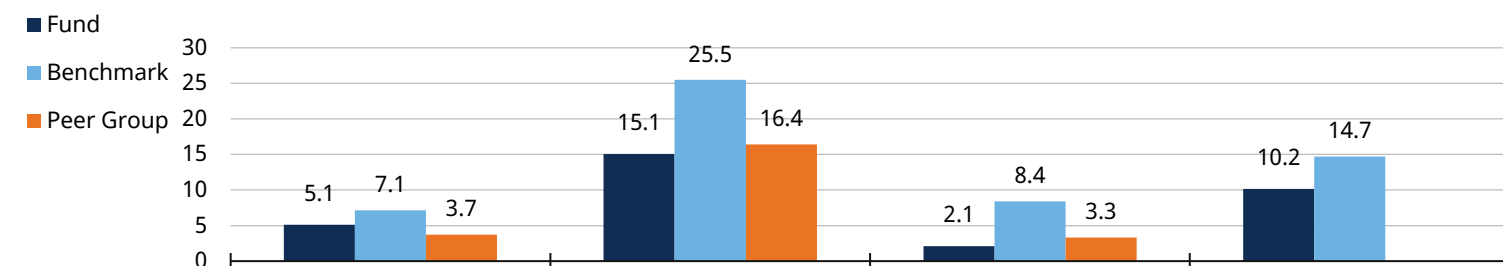
Fund snapshot

Inception date	05/27/2020
AUM (millions in CAD)	1825.6
Management Fee	0.80%
MER	1.05%
Benchmark	Russell Mid Cap
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

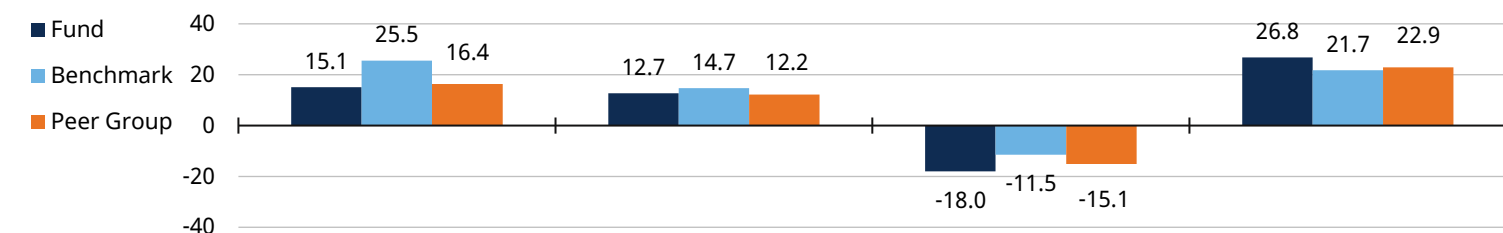
- The Fund seeks to provide long-term capital growth and a reasonable rate of return by investing primarily in equity securities of mid-capitalization companies in the United States.
- The Fund seeks companies with strong management, good growth prospects and attractive financial metrics.
- Emphasis 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	SI
Excess return	-2.0	-10.4	-6.3	-4.5
% of peers beaten	55	48	40	NA

Calendar returns %



	2024	2023	2022	2021
Excess return	-10.4	-2.0	-6.5	5.1
% of peers beaten	48	47	31	75

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	33	810
% top 10 holdings	49.0	6.1
Weighted average market cap	28,224.6	41,179.1
EPS growth (FY E)	11.5	14.3
Dividend yield	0.3	1.6
FCF margin	16.8	14.5
P/E Trailing 12M	28.8	21.7
P/E (forecast)	22.4	19.3
Net debt/EBITDA	-0.9	1.4
ROE (latest FY)	14.6	15.3

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	15.2	16.3
Sharpe Ratio	-0.1	0.3
Tracking Error	5.7	-
Information Ratio	-1.1	-
Alpha	-5.7	-
Beta	0.9	-
Upside Capture (%)	81.9	-
Downside Capture (%)	106.3	-

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
United States	97.2	99.5	-2.3
Canada	-	0.1	-0.1
Emerging Markets	-	0.3	-0.3
Other	2.8	0.1	2.7

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	8.8	16.7	-7.9
Energy	-	5.3	-5.3
Materials	-	5.3	-5.3
Industrials	22.1	16.8	5.3
Information Technology	25.8	14.2	11.6
Communication Services	-	3.8	-3.8
Utilities	-	5.7	-5.7
Consumer Staples	3.7	4.8	-1.1
Consumer Discretionary	0.8	10.7	-9.9
Real Estate	4.8	7.5	-2.7
Health Care	31.3	9.3	22.0
Other	2.7	-0.1	2.8

Country allocation

Country	Portfolio	Benchmark	RelativeWeight
United States	97.2	99.5	-2.2
Argentina	-	0.1	-0.1
Brazil	-	0.3	-0.3
Canada	-	0.1	-0.1
Other	2.8	-	2.8

Currency exposure

Region	Gross	Benchmark
CAD	9.3	-
USD	90.7	100.0

Top 10 holdings

Security name	Country	Sector	Weight
DexCom, Inc.	United States	Health Care	5.6
Akamai Technologies, Inc.	United States	Information Technology	5.1
SS&C Technologies Holdings, Inc.	United States	Industrials	5.0
Vontier Corp	United States	Information Technology	4.9
Bio-Techne Corporation	United States	Health Care	4.8
CoStar Group, Inc.	United States	Real Estate	4.8
Charles River Laboratories International, Inc.	United States	Health Care	4.7
Cirrus Logic, Inc.	United States	Information Technology	4.5
HealthEquity Inc	United States	Health Care	4.3
Hologic, Inc.	United States	Health Care	4.1

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	ExlService Holdings, Inc.	4.7	1.2
	DexCom, Inc.	4.9	1.1
	HealthEquity Inc	4.3	1.1
Detractors	Bio-Techne Corporation	4.8	-0.2
	MAXIMUS, Inc.	4.1	-0.6
	Cirrus Logic, Inc.	4.4	-0.7

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Health Care	21.3	-1.9	2.6	0.7
	Consumer Staples	-2.0	0.2	0.5	0.7
	Materials	-5.6	0.7	0.0	0.7
Detractors	Energy	-5.3	-0.5	0.0	-0.5
	Financials	-8.0	-0.5	-0.6	-1.2
	Information Technology	12.0	1.2	-3.9	-2.6

Commentary

US MID CAP OPPORTUNITIES

1) QFR Highlights

- For Q4 of 2024, the fund's gross return was 5.23%.
- Sector allocations are generally a residual of the security selection process. As a growth team we are typically more invested (and thus overweight) in the sectors where sustainable growth is more easily found – information technology, health care and industrials. These sectors have been long-term winners in the market. We try to diversify outside these areas by deliberately looking for companies that satisfy our criteria in other sectors.
- 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.

2) Fund Performance

- For Q4 of 2024, the Fund's gross return was 5.23%, underperforming the benchmark (Russell Midcap) return of 7.15%.
- Stock selection in Health Care and an overweight allocation to Information Technology contributed to relative performance, while stock selection in Information Technology and an overweight allocation in Health Care detracted.

3) Security contributors

The top security contributors in Q4 of 2024 were ExlService Holdings, Inc., DexCom, Inc. and HealthEquity Inc.

4) Security detractors

The top security detractors in Q4 of 2024 were Cirrus Logic, Inc. and MAXIMUS, Inc.

5) Portfolio activities

A new position was opened in the Health Care sector, the fund increased positions in the Health Care and Information technology sectors while reducing positions in the Industrial sector over the last quarter.

6) Market overview

The fourth quarter in 2024 gave steady returns in the US markets with the broader market (S&P 500) returning 9.05% while the Russell Midcap Index returned 7.15%. The election results gave markets a positive stimulus based on various policy expectations, the quarter however ended on a cautious note as a result of the relatively hawkish message sent by Jerome Powell at the latest Federal Reserve meeting suggesting that further interest rate cuts are no longer guaranteed given the recent data, be it employment-related or inflation related.

7) Outlook and Positioning

We have continued to overweight Healthcare, non-cyclical Industrials, and Information Technology sectors. Sector allocations are generally a residual of the security selection process. As a growth team we are typically more invested (and thus overweight) in the sectors where sustainable growth is more easily found – information technology, health care and industrials. These sectors have been long-term winners in the market. We try to diversify outside these areas by deliberately looking for companies that satisfy our criteria in other sectors.

We do believe that many of our companies offer high value-added products and services, and this should give them reasonable pricing power. This power may serve them well if we undergo another period of inflation.

In 2022 and 2023, the drug life sciences and supply chain industry experienced a slow down in spending after the surge that it had gone through in 2020 and 2021 because of the covid-19 pandemic. This period of destocking may be close to an end entering 2025. Our holdings in this industry like Bio-Techne Corporation, Waters Corporation and Charles River Laboratories International are suppliers to the drug industry. They offer services, instruments, and consumables to the industry but are not drug companies themselves, which we usually avoid due to the binary risk of drug development.

Additionally, we recently acquired shares of Inari, a medical device company that helps patients suffering from vascular disease. This is an example of a business that we believe has differentiated intellectual property (IP).

Commentary

7) Outlook and Positioning

Elsewhere, a lot of market euphoria from Gen AI has continued from 2024 on to this year. It was interesting to see how this first caused a negative price dislocation in our holding, EXL Services, which was first perceived as a firm whose services would be replaced by AI. However, in 2024 the firm has been pivotal to AI implementation for businesses highlighted by its initiative to create enterprise-wide data and AI applications for insurance, banking, healthcare and retail.

As one can see by the recent additions to the portfolios, and the current positioning of our largest weightings, we own many businesses that could do reasonably well regardless of the economic environment. These allocations and changes have maintained a relatively low beta against our benchmark, which may prove beneficial if the global economies struggle from higher interest costs and sticky levels of inflation.

8) Stock stories

Bio-Techne Corp

- Bio-Techne is a leading supplier of high quality and innovative tools for Life Science Research, Therapeutic Manufacturing and Clinical Diagnostics.
- The company reports in two segments, protein sciences (75% of revenue), and diagnostics and genomics (25%). The protein-focused segment makes equipment and associated consumables for protein characterization and analysis and sells antibodies for research and clinical purposes.
- In diagnostics, Bio-Techne provides controls and calibrators for diagnostic manufacturers and has a portfolio of diagnostic oncology assays.
- Bio-techne manufactures and distributes some of the world's high-quality proteins and reagents used in healthcare research and drug development. The company has expanded their portfolio in recent years to include fast growing areas like Cell & Gene Therapy, Spatial Biology, Liquid Biopsy, Molecular Diagnostics etc.

Vontier Corp

- Vontier serves the retail fueling (69% of revenue), auto repair (22%), telematics (7%), and traffic control (2%) markets.
- Next time you go to the gas station to fill up the car, the chances the fueling system and integrated POS system at the store belonging to Vontier are very high.
- A secondary business that they run is a car repair mobile service. The business is called Matco, they provide vans equipped with all the tools to repair cars on the go.
- Vontier also has a stake in EV chargers and have made acquisitions on that front.

Cirrus Logic Inc

- Cirrus Logic is a provider of analog semiconductors for audio applications and increasingly in high-performance mixed-signal applications like power management.
- Apple has long been a major customer for Cirrus, and the company is growing its content in new generations of the iPhone in areas beyond audio. As a trusted supplier, we believe Cirrus will have a chance to participate in new product categories at Apple.
- Both segments at Cirrus are targeting new avenues of growth in devices beyond the smartphone in high-end audio, fast charging and battery management and haptics. For example, Cirrus is gaining new revenues in the laptop market.

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