

Mackenzie Betterworld Global Equity Fund

Fund snapshot

Inception date	09/09/2021
AUM (millions in CAD)	98.0
Management Fee	0.80%
MER	1.06%
Benchmark	MSCI World ex Fossil Fuels Index
CIFSC Category	Global Equity
Risk Rating	Medium
Lead portfolio manager	Andrew Simpson
Investment exp. Since	2001
Target # of holdings	55-65

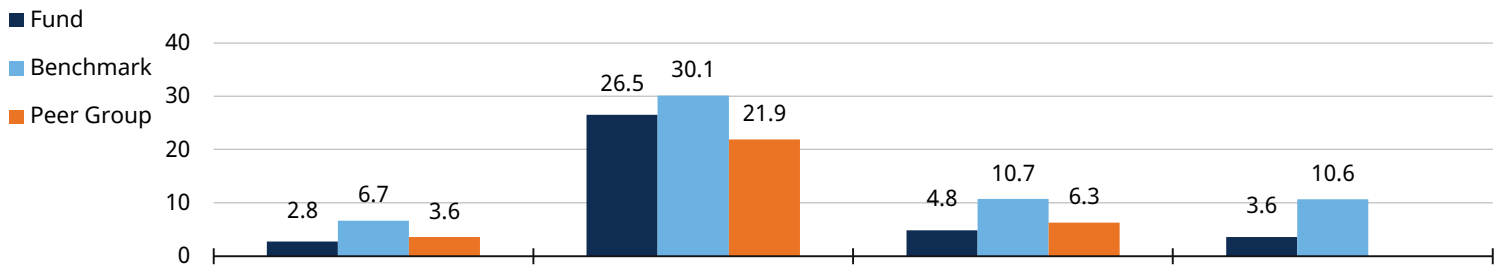
Strategy Overview

A core, benchmark aware and diversified equity portfolio designed to deliver competitive returns and steer capital to sustainable business generating value for all stakeholders and are active owners and encourage good companies to become even better.

Global all cap strategy with a specific focus on large cap companies.

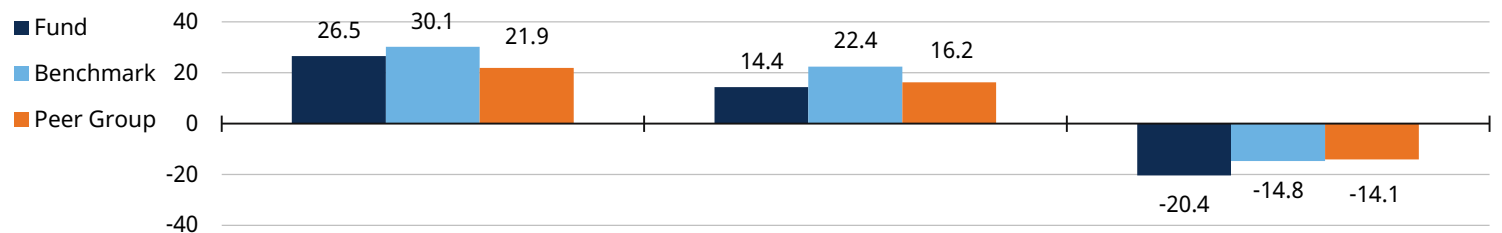
Expert team cumulating decades of experience and a proprietary investment process that combines fundamental and sustainability research along with an active engagement program with companies.

Trailing returns %



	3 Mth	1 Yr	3 Yr	SI
Excess return	-3.9	-3.6	-5.9	-7.0
% of peers beaten	39	75	31	NA

Calendar returns %



	2024	2023	2022
Excess return	-3.6	-8.0	-5.6
% of peers beaten	75	46	17

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	61	1,320
% top 10 holdings	38.0	27.8
Weighted average market cap	1,387,207.0	1,213,483.1
EPS growth (FY E)	19.7	16.5
Dividend yield	1.3	1.6
FCF margin	13.8	19.0
P/E Trailing 12M	27.4	24.9
P/E (forecast)	23.4	21.5
Net debt/EBITDA	0.6	0.9
ROE (latest FY)	19.7	19.4

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	16.1	13.07
Sharpe Ratio	0.1	0.53
Tracking Error	5.0	-
Information Ratio	-1.3	-
Alpha	-8.2	-
Beta	1.2	-
Upside Capture (%)	96.4	-
Downside Capture (%)	137.5	-

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
United States	70.5	74.7	-4.2
International	28.9	22.4	6.5
Canada	0.1	2.8	-2.7
Other	0.5	0.1	0.4

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	16.1	15.8	0.3
Energy	-	0.8	-0.8
Materials	3.5	2.8	0.7
Industrials	11.8	10.9	0.9
Information Technology	26.9	27.7	-0.8
Communication Services	8.5	8.5	0.0
Utilities	4.2	2.2	2.0
Consumer Staples	4.2	6.4	-2.2
Consumer Discretionary	11.2	11.8	-0.6
Real Estate	2.5	2.2	0.3
Health Care	10.8	10.9	-0.1
Other	0.3	-	0.3

Country allocation

Country	Portfolio	Benchmark	Relative Weight
United States	70.5	74.7	-4.2
France	6.1	2.5	3.6
Netherlands	5.6	1.1	4.4
United Kingdom	4.9	3.0	2.0
Japan	3.6	5.3	-1.7
Italy	3.3	0.6	2.7
Other	6.0	12.8	-6.8

Currency exposure

Region	Gross	Benchmark
CAD	0.2	2.8
USD	71.0	75.1
Other	28.9	22.2

Top 10 holdings

Security name	Country	Sector	Weight
Apple Inc.	United States	Information Technology	6.4
Microsoft Corporation	United States	Information Technology	6.3
NVIDIA Corporation	United States	Information Technology	5.8
Amazon.com, Inc.	United States	Consumer Discretionary	4.7
Alphabet Inc. Class A	United States	Communication Services	3.8
JPMorgan Chase & Co.	United States	Financials	2.5
Visa Inc. Class A	United States	Financials	2.4
Costco Wholesale Corporation	United States	Consumer Staples	2.2
Eli Lilly and Company	United States	Health Care	2.0
Sumitomo Mitsui Financial Group, Inc.	Japan	Financials	1.8

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Amazon.com, Inc.	1.43	1.0
	NVIDIA Corporation	0.56	0.9
	Apple Inc.	0.51	0.8
Detractors	Elevance Health, Inc.	1.1	-0.4
	Novo Nordisk A/S Class B	1.2	-0.4
	EDP Renovaveis SA	0.9	-0.4

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Consumer Staples	-1.7	0.1	0.1	0.3
	Materials	1.1	-0.2	0.2	0.2
	Communication Services	0.2	0.0	0.2	0.1
Detractors	Utilities	2.1	-0.2	-0.5	-0.8
	Consumer Discretionary	-0.6	0.0	-1.1	-0.9
	Information Technology	-1.0	0.0	-1.0	-1.0

Commentary

QFR Highlights

The fund underperformed its prospectus benchmark (MSCI World) during the quarter.

Fund Performance

The fund returned 2.8% during the quarter, trailing its prospectus benchmark return of 6.7%. Allocations in health care, utilities, and industrials were the largest detractors from performance. Allocations to the information technology, financials and communication services sectors contributed positively. From a country perspective, allocation to the United States, Japan and Germany contributed positively to performance, while allocation to Denmark, Portugal and the United Kingdom were the top detractors.

Security contributors

On an absolute basis, positions in Amazon, Alphabet, JPMorgan Chase, Visa and Salesforce were the largest contributors over the quarter. On a relative basis, positions in Alphabet, Amazon, Visa, JPMorgan Chase and Sumitomo were top contributors to fund performance versus the benchmark.

Security detractors

On an absolute basis, positions in EDP, Novo Nordisk, Elevance Health, D.R. Horton, and First Solar were the largest detractors over the quarter. On a relative basis, positions in EDP, Elevance Health and D.R. Horton were top detractors from fund performance versus the benchmark. Not holding Tesla and Broadcom in the fund during the quarter also detracted from performance relative to the benchmark.

Portfolio activities

During the quarter, we initiated six new positions, two in the financials sector, one in the real estate sector, one in the information technology sector, one in the industrials sector and one in the consumer staples sector. We exited nine positions, two in the financials sector, two in the consumer staples sector, one in the industrials sector, one in the utilities sector, one in the real estates sectors, one in the information technology sector and one in the consumer discretionary sector. Largest increases in weight were Apple, Nvidia, and Microsoft. Largest decreases in weight were CRH public limited, Elevance Health, and Advanced Micro Devices.

Market overview

In Q4 2024, global financial markets saw strong equity markets and volatility in fixed income due to economic uncertainty, persistent inflation, and the U.S. election. U.S. stocks performed relatively well, driven by gains in major tech companies. In contrast, China's economy faced ongoing challenges, including weak consumer confidence and declining property prices. The upcoming Trump presidency has sparked optimism in U.S. markets, with expectations of tax cuts and deregulation boosting investor sentiment, but also raised concerns over potential tariff threats.

Artificial Intelligence (AI) is playing a crucial role in the energy transition by optimizing renewable energy sources, improving grid stability, and enhancing energy efficiency. AI-driven innovations, such as predictive maintenance and smart grid management, are helping to reduce emissions and lower operational costs. Despite upcoming political and potential economic turbulence, the energy transition remains well-positioned due to its systemic impact, with AI being a key component driving this positive outlook.

Outlook and Positioning

The Betterworld team concluded 2024 with impressive performance, ranking in the top quartile among peers. Despite a challenging year marked by geopolitical risks, US market concentration in the 'Magnificent 7,' volatility from central bank monetary policies, numerous national elections worldwide, and ongoing pressures on sustainability and net-zero commitments, the team navigated these obstacles successfully. The team's outlook for 2025 anticipates ongoing challenges, many of which are linked to the incoming US President Trump. Factors such as tax cuts, tariffs, immigration, inflation, climate change, and armed conflicts all contribute to economic uncertainty. Despite these challenges, 2025 US GDP estimates have been revised upwards, now exceeding 2%. Economists do not foresee any signs of a prolonged slowdown that would necessitate lower estimates. At these levels, the monetary policy easing cycle is expected to continue in 2025, with the Fed remaining vigilant for inflationary pressures. The team anticipates that Canada and Europe will progress further along the easing cycle than the US, which will maintain pressure on the euro and CAD dollar.

What the team appreciates about this environment is that strong business models are likely to continue thriving. Companies that offer reasonable valuations, attractive earnings growth, moderate debt levels, effectively balance stakeholder interests, and provide valuable products and services to their customers are well-positioned for success. The team is entering the year with the expectation that US economic growth will remain resilient while inflation continues to trend towards the Fed's 2% target. The portfolio is currently positioned to put greater emphasis on cyclical stocks such as Financials, Consumer Discretionary, Industrials, Technology, and Materials. On a final note, the team finds the potential for a broadening of market participation beyond the 'Magnificent 7' to be attractive.

Commentary

Stock stories

The Walt Disney Co.

- Over recent years, the company has emphasized building content assets to capitalize on the significant direct-to-consumer streaming opportunities ahead.
- Disney is capitalizing significantly on sports content. From a financial perspective, it is one of the most valuable types of premium TV content today, as it attracts large, hard-to-reach audiences and commands long engagement times. The company's ESPN division remains the leader in sports broadcasting.
- Disney's intellectual property remains best-in-class, supporting long term content monetization opportunities.
- The Betterworld team believes that the strong underlying demand for streaming platforms, combined with Disney's focus on yield optimization initiatives (a strategy to maximize the value of digital advertising), will support healthy revenue growth and margin expansion at US Parks in 2025.

Kurita Water Industries (New holding added in Q4 2024)

- Kurita Water is a leading player in the water treatment industry, known for its comprehensive solutions that integrate chemicals, facilities, and maintenance services.
- This integrated approach gives Kurita a competitive edge by offering a one-stop solution for customers, which many competitors do not provide.
- The company's advanced R&D capabilities, strong intellectual property portfolio, and extensive network enable it to offer unique, value-added solutions that streamline processes, boost productivity, and minimize downtime for its customers.
- Customers note that Bloom's power generation is cost-competitive on a stand-alone basis (without subsidies), can be rapidly deployed, and avoids the need to wait for grid connections.
- Kurita has a significant market share in water treatment chemicals, facilities, and maintenance across markets including Japan, Mainland China, South Korea, Southeast Asia, and Europe. With its solutions in ultrapure water supply, precision tool cleaning, and other services, the company generates 40% of its revenue and 60% of its operating profit from customers in the semiconductor industry.

First Solar (New holding added in Q3 2024)

- Founded in 1999, First Solar is a leading American solar technology company and a global provider of responsibly produced, eco-efficient solar modules, advancing the fight against climate change.
- The company is unique among the world's ten largest solar manufacturers, being the only US-headquartered company that does not manufacture in China
- An additional differentiator is that First Solar's thin-film solar modules are not silicon-based.
- First Solar's advanced thin-film photovoltaic (PV) modules represent the next generation of solar technologies, offering a competitive, high-performance, lower-carbon alternative to conventional crystalline silicon PV panels.
- The Betterworld team considers First Solar a lower-risk investment, given that US solar panel demand significantly exceeds domestic supply. Consequently, First Solar's production capacity is sold out through 2027.

Veolia Environment

- France-based industrial company Veolia Environment designs and provides solutions for water, waste, and energy management.
- In 2023, the Veolia group served 113 million people with drinking water and 103 million with wastewater services, produced 42 terawatt-hours of energy, and recovered 63 million metric tons of waste
- The Betterworld team believes Veolia's unique positioning to remediate key 'forever chemicals' (PFAS) offers significant upside potential.

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