

Mackenzie US Small-Mid Cap Growth Fund

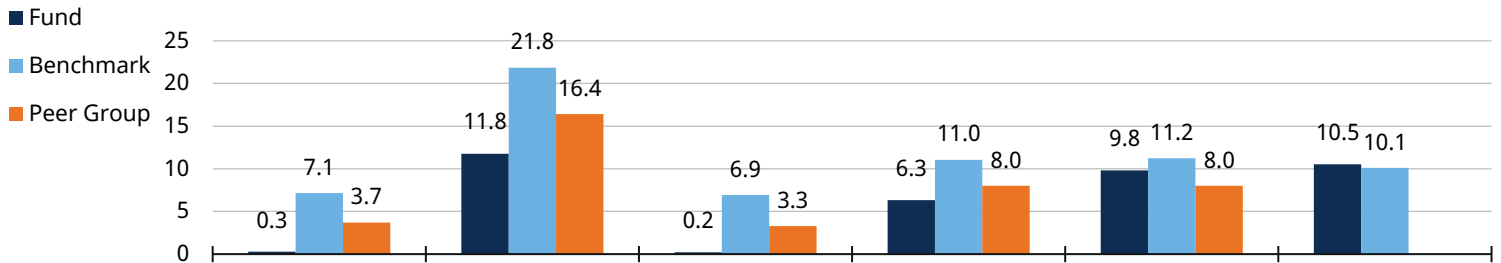
Fund snapshot

Inception date	01/09/2003
AUM (millions in CAD)	2799.0
Management 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

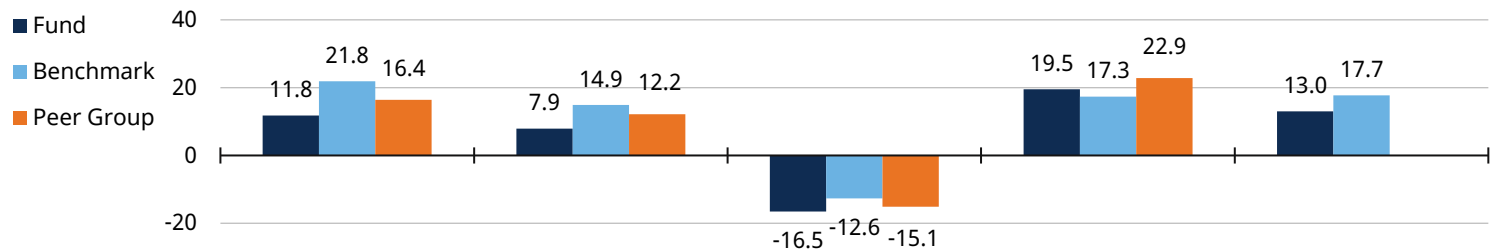
- The Fund seeks long-term growth of capital and a reasonable rate of return by investing primarily in U.S. equity securities.
- The investment approach follows a company-focused investment style, seeking companies with strong management, good growth prospects and a solid financial position.
- Emphasis 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	-6.8	-10.0	-6.7	-4.7	-1.4	0.4
% of peers beaten	28	29	23	31	75	-

Calendar returns %



	2024	2023	2022	2021	2020
Excess return	-10.1	-7.0	-3.9	2.2	-4.7
% of peers beaten	29	25	53	28	74

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	35	2,465
% top 10 holdings	47.5	3.5
Weighted average market cap	13,342.7	11,280.3
EPS growth (FY E)	-3.5	13.9
Dividend yield	0.3	1.4
FCF margin	11.4	-196.4
P/E Trailing 12M	31.6	18.9
P/E (forecast)	23.8	17.5
Net debt/EBITDA	-0.9	1.6
ROE (latest FY)	2.8	9.7

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	14.1	18.3
Sharpe Ratio	-0.3	0.2
Tracking Error	7.6	-
Information Ratio	-0.9	-
Alpha	-5.8	-
Beta	0.7	-
Upside Capture (%)	63.7	-
Downside Capture (%)	82.7	-

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
United States	97.1	99.4	-2.3
Canada	-	0.2	-0.2
Emerging Markets	-	0.1	-0.1
Other	2.9	0.3	2.6

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	2.4	17.7	-15.3
Energy	-	5.1	-5.1
Materials	-	5.6	-5.6
Industrials	23.5	18.6	4.9
Information Technology	28.3	13.1	15.2
Communication Services	-	3.2	-3.2
Utilities	-	2.6	-2.6
Consumer Staples	2.9	3.4	-0.5
Consumer Discretionary	-	12.3	-12.3
Real Estate	6.5	6.6	-0.1
Health Care	33.4	11.9	21.5
Other	3.0	-0.1	3.1

Country allocation

Country	Portfolio	Benchmark	RelativeWeight
United States	97.1	99.4	-2.3
Argentina	-	0.2	-0.2
Bermuda	-	-	-
Brazil	-	0.1	-0.1
Canada	-	0.2	-0.2
Greece	-	-	-
Other	2.9	0.1	2.8

Currency exposure

Region	Gross	Benchmark
CAD	9.6	-
USD	90.4	100.0

Top 10 holdings

Security name	Country	Sector	Weight
MAXIMUS, Inc.	United States	Industrials	5.4
Akamai Technologies, Inc.	United States	Information Technology	5.2
iRhythm Technologies, Inc.	United States	Health Care	4.8
CoStar Group, Inc.	United States	Real Estate	4.8
Verra Mobility Corp. Class A	United States	Industrials	4.8
Bio-Techne Corporation	United States	Health Care	4.6
HealthEquity Inc	United States	Health Care	4.3
ExlService Holdings, Inc.	United States	Industrials	4.1
DoubleVerify Holdings, Inc.	United States	Information Technology	4.1
Charles River Laboratories International, Inc.	United States	Health Care	4.0

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	ExlService Holdings, Inc.	4.7	1.2
	HealthEquity Inc	4.3	1.1
	iRhythm Technologies, Inc.	3.9	1.0
Detractors	MAXIMUS, Inc.	5.3	-0.8
	Neogen Corp	3.8	-1.0
	TransMedics Group, Inc.	2.4	-2.1

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Materials	-5.9	0.4	0.0	0.4
	Consumer Discretionary	-12.4	0.2	0.0	0.2
	Real Estate	-0.2	0.0	0.0	0.1
Detractors	Industrials	5.4	0.1	-1.3	-1.2
	Information Technology	15.7	1.0	-2.7	-1.7
	Health Care	20.7	-1.6	-0.9	-2.5

Commentary

US SMID

1) QFR Highlights

- For Q4 of 2024, the fund's gross return was 0.57%.
- 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 0.57%, underperforming the benchmark (Russell 2500) return of 7.15%.
- An overweight allocation to Information Technology and an underweight allocation to Materials contributed to relative performance, while an overweight allocation to health Care and stock selection in Information Technology and Industrials detracted.

3) Security contributors

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

4) Security detractors

The top security detractors in Q4 of 2024 were TransMedics Group, Inc. and Neogen Corp.

5) Portfolio activities

New positions were opened in the Health Care sector while we closed one position in the Information Technology sector.

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 2500 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

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.

iRhythm Technologies Inc

- iRhythm Technologies is a cardiac monitoring company which provides the Zio service to detect abnormal heart rhythms over a 14-day wear period.
- The company applies artificial intelligence to over 1 billion hours of heart rhythm data to increase its diagnostic yields of severe medical conditions like atrial fibrillation.
- We expect iRhythm to benefit from advances in new modalities (pulsed field ablation) and grow its referral network to include primary care physicians over the coming years.

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

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 December 31, 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 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 December 31, 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 category funds for Mackenzie US Small-Mid Cap Growth Fund for each period are as follows: one year - 266 ; three years - 225 ; five years - 180 ; ten years - 122.

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