Quarterly commentary | December 31, 2024
Series F

Mackenzie Ivy Canadian Fund

Fund snapshot

Inception date	12/06/1999
AUM (millions in CAD)	736.2
Management Fee	0.75%
MER	0.98%
Benchmark	60% TSX Comp + 30% S&P500 + 10% EAFE
CIFSC Category	Canadian Focused Equity
Risk Rating	Low to Medium
Lead portfolio manager	James Morrison
Investment exp. Since	2005
Target # of holdings	35-55

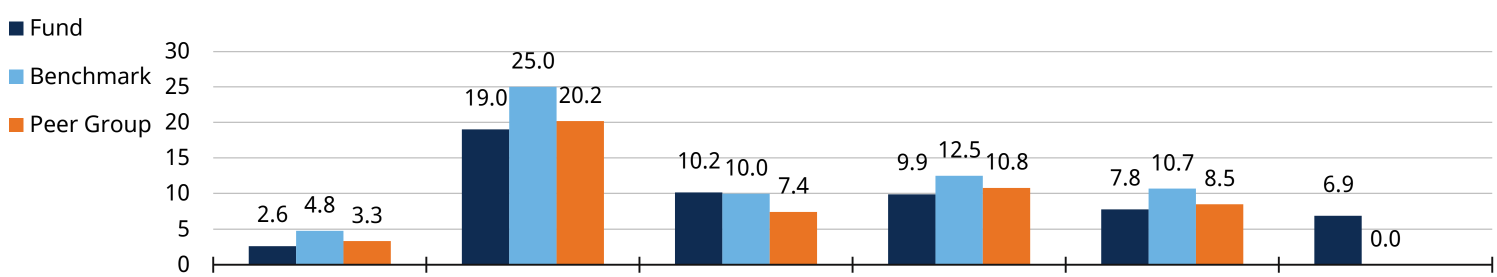
Strategy Overview

• Seeks to provide long-term capital appreciation by investing in a select group of high-quality companies

• Suitable as a long-term Canadian equity holding with lower-volatility characteristics and downside capture in volatile markets, the hallmark of Ivy's investment approach

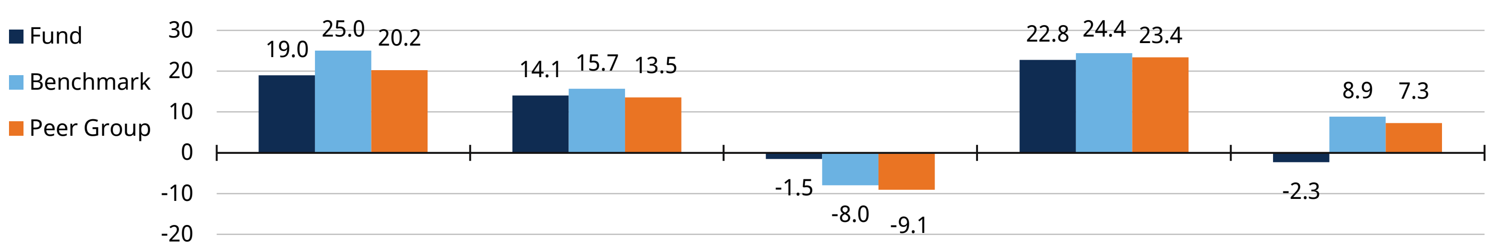
• Diversifies outside Canada including into sectors and businesses not well represented domestically

Trailing returns %



	3 Mth	1 Yr	3 Yr	5Yr	10Yr	SI
Excess return	-2.2	-6.0	0.2	-2.6	-2.9	6.9
% of peers beaten	38	50	79	43	44	NA

Calendar returns %



	2024	2023	2022	2021	2020
Excess return	-6.0	-1.6	6.5	-1.6	-11.2
% of peers beaten	50	59	85	46	14

Portfolio characteristics

	Portfolio	Benchmark
# of holdings	42	1,448
% top 10 holdings	39.5	23.4
Weighted average market cap	407,268.3	541,341.0
EPS growth (FY E)	14.1	15.3
Dividend yield	2.3	2.4
FCF margin	13.7	13.4
P/E Trailing 12M	23.0	20.7
P/E (forecast)	19.2	17.8
Net debt/EBITDA	2.7	1.7
ROE (latest FY)	16.1	14.4

Sector allocation

Sector	Portfolio	Benchmark	Relative Weight
Financials	25.1	25.9	-0.9
Energy	8.8	11.5	-2.7
Materials	4.3	8.0	-3.7
Industrials	12.8	11.7	1.1
Information Technology	9.9	16.9	-7.0
Communication Services	6.1	4.8	1.3
Utilities	7.3	3.3	4.0
Consumer Staples	7.7	4.9	2.8
Consumer Discretionary	10.1	6.6	3.6
Real Estate	-	2.0	-2.0
Health Care	7.5	4.6	2.9
Other	0.6	-	0.6

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	10.2	12.9
Sharpe Ratio	0.6	0.5
Tracking Error	4.8	-
Information Ratio	0.0	-
Alpha	1.8	-
Beta	0.8	-
Upside Capture (%)	81.1	-
Downside Capture (%)	68.1	-

Country allocation

Country	Portfolio	Benchmark	RelativeWeight
Canada	67.2	60.0	7.2
United States	25.5	30.0	-4.5
United Kingdom	4.3	1.5	2.9
Switzerland	1.2	1.0	0.3
Germany	1.1	0.9	0.2
Hong Kong	-	0.2	-0.2
Other	0.6	6.4	-5.8

Regional breakdown

Region	Portfolio	Benchmark	Relative Weight
Canada	67.2	60.0	7.2
International	6.7	10.0	-3.3
United States	25.5	30.0	-4.5
Other	0.6	-	0.6

Currency exposure

Region	Gross	Benchmark
CAD	67.2	60.0
USD	26.2	30.2
Other	6.7	9.9

Top 10 holdings

Security name	Country	Sector	Weight
Brookfield Corporation	Canada	Financials	5.0
Intact Financial Corporation	Canada	Financials	5.0
Visa Inc. Class A	United States	Financials	4.0
Williams Companies, Inc.	United States	Energy	3.9
Restaurant Brands International, Inc.	Canada	Consumer Discretionary	3.8
Microsoft Corporation	United States	Information Technology	3.7
Emera Incorporated	Canada	Utilities	3.6
Alphabet Inc. Class C	United States	Communication Services	3.6
Royal Bank of Canada	Canada	Financials	3.5
Toronto-Dominion Bank	Canada	Financials	3.3

Security level contributors and detractors

	Security	Average Relative weight (%)	% Contribution to return
Contributors	Williams Companies, Inc.	3.7	0.9
	Brookfield Corporation	3.2	0.7
	Visa Inc. Class A	3.3	0.7
Detractors	CCL Industries Inc. Class B	3.3	-0.3
	Toronto-Dominion Bank	1.1	-0.4
	TELUS Corporation	2.2	-0.4

Sector attribution relative to the benchmark

	Sector	Average Relative weight (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Contributors	Materials	-3.9	0.4	-0.1	0.3
	Energy	-2.8	-0.1	0.2	0.3
	Real Estate	-2.1	0.3	0.0	0.3
Detractors	Health Care	2.8	-0.4	-0.1	-0.3
	Consumer Discretionary	3.9	0.2	-0.5	-0.6
	Information Technology	-6.6	-0.5	-1.0	-1.8

Commentary

Market overview

Without doubt, 2024 was a remarkable year for investors, marking a second consecutive year of strong returns powered by artificial intelligence (AI) enthusiasm, a resilient US economy and the beginning of a monetary easing cycle. The fourth quarter benefited from similar drivers as the year but was further enhanced by the depreciation of the Canadian dollar due to the divergence of US and Canadian interest rates, as well as concerns over the potential economic consequences of US tariffs.

The information technology, consumer discretionary and financials sectors were the strongest performers within the blended benchmark over the quarter, while the real estate, health care and materials sectors were the weakest. From a country perspective, Israel, Singapore and the United States were the strongest performing markets in the blended benchmark over the quarter, while Portugal, Denmark and Sweden were the weakest.

Fund Performance

The fund returned 2.6% (Series F), underperforming the benchmark return of 4.8%. Underweight allocations to materials and real estate, along with stock selection in energy and communication services contributed to fund performance. Stock selection in information technology, consumer discretionary and industrials, along with an overweight allocation to health care detracted from fund performance. From a country perspective, stock selection in the United Kingdom and Germany, along with underweight allocations to France, Denmark and Australia contributed to fund performance. Stock selection in Canada and the United States detracted from fund performance.

Security contributors

On an absolute basis, positions in Williams Companies, Visa, Brookfield, Alphabet and Onex Corporation were the largest contributors over the quarter. On a relative basis, positions in Williams Companies, Visa, Alphabet and Brookfield were the top contributors to fund performance versus the benchmark. Not holding BCE in the fund during the quarter also contributed to performance relative to the benchmark.

Security detractors

On an absolute basis, positions in TELUS, Toronto-Dominion Bank, CCL Industries, Danaher and Canadian Pacific Kansas City were the largest detractors over the quarter. On a relative basis, positions in CCL Industries, Danaher, TELUS and Restaurant Brands International were the top detractors from fund performance versus the benchmark. Not holding Shopify in the fund during the quarter also detracted from performance relative to the benchmark.

Portfolio activities

During the quarter we initiated a new position in Boyd Group Services in the industrials sector. We did not exit any positions. Largest increases in weight were ATS, Microsoft and Aritzia. Largest decreases in weight were CCL Industries, Dollarama and Canadian Pacific Kansas City.

Outlook, Positioning

As we turn our focus to 2025, uncertainty abounds. Trade wars are top of mind, particularly in Canada where the looming threat of US tariffs presents a considerable disincentive to investment and, if ultimately enacted, could be a material drag on the economy. In addition, a likely change in government could compound issues with an uncoordinated response. In the US, valuations present considerable downside risk, while geopolitical tensions present tail risks globally. Regarding the risk of a recession in Canada, we highlight several points. First, we believe our portfolio is well-positioned to absorb such a scenario given that many of our Canadian holdings are, in fact, global businesses, such as Alimentation Couche-Tard and Brookfield. Second, we believe many of the truly domestic businesses that we own are defensive, such as Dollarama, Metro, and Intact Insurance, and third, one-third of our portfolio is invested outside of Canada. In short, we believe the portfolio has limited leverage to the Canadian economy due to its diversified composition of resilient businesses.

While volatility is often seen as a risk, it can be advantageous for Ivy. Our long-term investment horizon and focus on high-quality, resilient businesses allows us to aim to capitalize on market downturns. While high-risk funds may strive to merely recover losses during sell-offs, our defensive approach positions us to seek to enhance returns during turbulent times. We believe that our disciplined strategy and diversified portfolio may enable us to navigate the uncertainties of 2025 effectively, continuing to make meaningful progress towards our clients' long-term financial goals. We are excited about the opportunities that may arise out of the current uncertainty.

Commentary

Stock stories

Alimentation Couche-Tard (ATD):

- Alimentation Couche-Tard has grown organically and through disciplined acquisitions to become one of the largest convenience store chains globally.
- In August 2024, the company confirmed that it submitted a friendly, non-binding proposal to purchase Seven & I Holdings. If completed, the acquisition would be the largest in its history (>US$45B equity value) and would likely require an equity issuance.
- We believe the shares are currently depressed due to concern over the potential equity issuance at a time when the macro environment is soft due to challenges with the low-end US consumer.
- We are supportive of the acquisition given the company's history as a disciplined acquirer and the opportunistic nature of the bid. The company has mergers and acquisitions (M&A) ingrained into its culture and we believe any potential deal would come with significant synergies and adhere to management's long-stated return hurdles. We also believe the weak environment is a cyclical phenomenon that will improve in time.
- ATD has closely watched and wanted to acquire Seven & I Holdings for many years, but the timing of the offer highlights ATD's patient and opportunistic nature. With the presence of an activist shareholder, the depreciation of the yen, increased regulatory pressure for companies to consider offers in Japan, and a weak share price, everything aligned.
- At the company's recent investor day, management laid out a plan to achieve a 12% compounded growth in earnings before interest, taxes, depreciation and amortization (EBITDA) over the next 5 years. As we look forward, we believe the company has multiple avenues to grow and achieve their targets. In the meantime, the stock has been driven by news flow around the deal – we have used our long-term approach to take advantage of the volatility and add to our position.

Aritzia:

- In 2023, we were able to opportunistically build a position in Aritzia, a high-quality women's apparel retailer with a well-established business in Canada and an attractive growth runway in the United States. In 2024, it was the top performing holding for Mackenzie Ivy Canadian Fund, up 94% as of December 31, 2024 with subsequent gains continuing into the new year.
- We believe Aritzia has the opportunity to continue to expand their presence in the United States, leveraging their strong brand, differentiated products, and compelling store economics. The company has a unique model that is vertically integrated, quick to adapt, and remains focused on their niche (affordable luxury).
- When we initiated our position, the stock was down over 40% from its previous peak, due to near-term concerns for a potential recession in Canada and margin headwinds. After extensive due diligence, we were able to build confidence that these headwinds were temporary, the margin of safety embedded in the valuation offered a buffer for a deteriorating macroeconomic environment, and the long-term fundamentals remained solid. Since then, management has continued to methodically execute against its plan and our thesis, and the share price has responded accordingly.

Boyd Group Services:

- We recently initiated a new position in Boyd, a consolidator in the automotive collision repair industry.
- The industry is highly fragmented with significant benefits to scale, which has supported Boyd's long track record of growth by consolidation as the big get bigger and the small go away. Since the Global Financial Crisis, Boyd has compounded its top line at a rate of 21%, generated attractive return on invested capital (ROIC) and rewarded shareholders with market leading returns.
- Although the industry has historically been viewed as quite resilient due to the stable frequency of collisions and predominance of insurance carriers footing the bill, a number of factors have resulted in a temporary slowdown in repair volumes, which have been compounded on the bottom line by diseconomies of scale. This has weighed heavily on the share price.
- In our due diligence, a key focus was assessing the permanence of the current headwinds. Although we do not have any visibility to an immediate turn in the industry's fortunes, we don't see the issues as being structural. Given the depressed valuation, attractive growth runway, clear competitive advantages and strong balance sheet, we felt compelled to add the company to our portfolio.

Commentary

Emera:

- Emera operates transmission and distribution assets across North America, with the majority of its assets located in the attractive jurisdiction of Florida.
- The company has a highly visible growth runway supported by the essential role of transmission in the electrification and decarbonization of the economy and the need for grid-resilience in the face of climate change.
- The stock has traded at a discounted valuation for some time due to concerns that their attractive growth pipeline would be diluted by the need for a large amount of equity in order to avoid credit rating downgrades.
- In 2024, management made considerable progress toward de-risking its funding plan, through the announced sale of two non-core assets, a positive rate case outcome in its largest utility, and a pragmatic reduction in the growth of its dividend. Over the next five years, Emera is targeting to grow its rate base by 7-8%, earnings per share (EPS) by 5-7% and its dividend by 1-2%.
- We see the shares as offering an attractive combination of growth (5%-7%), yield (+5%) and protection, with valuation upside as it continues to execute against its plan to de-risk its funding requirements.

TD Bank:

- TD Bank was a significant laggard in 2024 as the company worked with regulators to atone for and address serious deficiencies in its anti-money laundering (AML) programs in the US.
- A long-awaited resolution was announced in October, which ultimately resulted in a large fine and an asset cap on its US banking subsidiaries until the issues are remediated to the regulator’s satisfaction. This will be a multi-year journey, however substantial progress has been made.
- These events, while serious and disappointing, apply to 30% of the business and has distracted investors from the enduring quality of the company’s Canadian franchise. The Canadian segment remains on a strong footing with clear advantages in its robust deposit franchise and a low cost of funding that has consistently generated attractive returns on capital for decades.
- We recently had the opportunity to meet with incoming CEO, Raymond Chun. Raymond has extensive leadership experience having run many of the bank's key business segments. We believe his transparent communication style and operational credibility is likely to drive strong followership internally and renew confidence externally.
- Despite the challenges related to AML, TD’s key competitive advantages remain intact and the valuation is attractive. Under new leadership, we are building confidence that TD can move past these issues and focus on their areas of strength.

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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 Canadian Focused Equity category and reflect the performance of the Mackenzie Ivy Canadian 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 Canadian Focused Equity category funds for Mackenzie Ivy Canadian Fund for each period are as follows: one year - 487 ; three years - 474 ; five years - 458 ; ten years - 322.

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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