

Rethink

fixed income investing

Modeling Mackenzie's
Fixed Income Funds



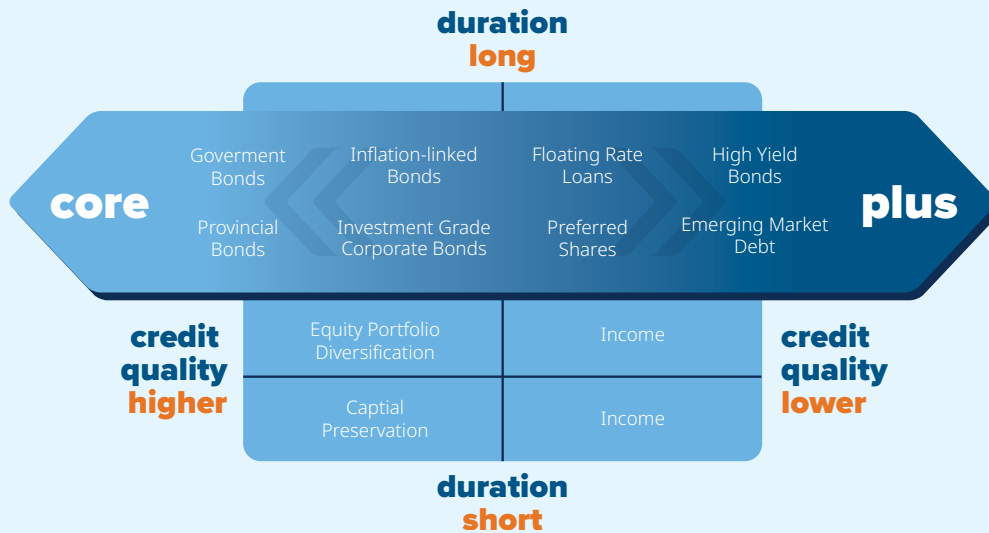
MACKENZIE
Investments

It's time for a rethink on fixed income investing

Understanding how to manage duration, credit risk and correlation when allocating fixed income securities is more important than ever. The current environment has left bond yields thin and investors contemplating the role of fixed income holdings in a portfolio at a time of seemingly “return-free risk.” The choice feels like either reaching for yield and adding risk to the portfolio versus accepting a return that could very well be negative in inflation-adjusted terms.

It's all about the right combination

Fixed income investments exist along a spectrum of principal loss and corresponding yields. There are several sub-asset classes that exhibit different volatilities and return patterns, and that therefore can play very different roles in a portfolio.



Defining objectives for a fixed income portfolio requires prioritizing among income generation, equity market diversification and capital preservation. Higher quality, longer-term bonds could provide the best diversification to equity holdings. However, they are the most sensitive to changes in interest rates. Shorter-term, high-quality bonds offer better relative capital preservation potential, but generally fall short of investor income needs.

Fixed income portfolios can be assembled, striking the desired balanced between credit and interest rate risk, to create exposures designed to deliver on the primary objective while optimizing the others. The first step is establishing more specific risk and return objectives.



Defining Objectives

Mackenzie Investments has created three objectives as examples of how Mackenzie mutual funds and / or Mackenzie ETFs could be used within portfolios for different goals, risk profiles and time horizons. The models hereunder broadly target a number of the different fixed income asset classes, weighing asset allocation based on a desired outcome. The models are based on generally accepted investment principles and take a broad approach to risk tolerances.

The first step is to organize our products into three buckets that intuitively correspond to three of the goals of fixed income investing as mentioned above, namely equity diversification, yield and capital preservation. The buckets themselves include **Core** securities, **Core Modifiers** and **Core Enhancers**.

Core fixed income holdings are those higher quality bonds, or funds / ETFs that invest in them, that often represent the primary benchmark of an investor. Most Canadian investors would likely consider the Canadian Fixed Income universe as a core allocation.

Core Enhancers are generally those fixed income securities that have the potential to deliver higher yields and total returns to a portfolio. With this potential for increased returns often comes higher levels of volatility through a market cycle. Core enhancers can include, but are not limited to, high yield bonds, public and private loans, emerging market debt and credit-focussed alternative strategies.

Finally, **Core Modifiers** is a broad basket situated between the aforementioned two. As the name implies, this group can tilt a fixed income portfolio according to the objectives that have been set or to make tactical allocations to respond to near-term market or economic conditions. Securities could range from very defensive high-quality short-term bonds to broad-based multi asset global fixed income portfolios.

Funds	ETFs
<p>Core</p> <ul style="list-style-type: none"> • Mackenzie Canadian Bond Fund* • Mackenzie Strategic Bond Fund* <p>Core Modifiers</p> <ul style="list-style-type: none"> • Mackenzie Canadian Short term Income Fund* • Mackenzie Investment Grade Floating Rate Fund* • Mackenzie Global Tactical Bond Fund • Mackenzie Unconstrained Fixed Income Fund • Mackenzie Global Sustainable Bond Fund • Mackenzie Global Tactical Investment Grade Bond Fund • Mackenzie ChinaAMC All China Bond Fund <p>Enhancers</p> <ul style="list-style-type: none"> • Mackenzie Floating Rate Income Fund • Mackenzie Corporate Bond Fund • Mackenzie North American Corporate Bond Fund • Mackenzie Northleaf Private Credit Fund • Mackenzie Credit Absolute Return Fund 	<p>Core</p> <ul style="list-style-type: none"> • Mackenzie Canadian Aggregate Bond Index ETF (QBB)* • Mackenzie Core Plus Canadian Fixed Income ETF (MKB)* • Mackenzie Developed ex-North America Aggregate Bond Index ETF (CAD-Hedged) (QDXB)* <p>Core Modifiers</p> <ul style="list-style-type: none"> • Mackenzie Canadian Short-Term Bond Index ETF (QSB)* • Mackenzie Canadian Short-Term Fixed Income ETF (MCSB)* • Mackenzie US Investment Grade Corporate Bond Index ETF (CAD-Hedged) (QUIG) • Mackenzie Core Plus Global Fixed Income ETF (MGB) • Mackenzie US Aggregate Bond Index ETF (CAD-Hedged) (QUB) • Mackenzie US TIPS Index ETF (CAD-Hedged) (QTIP) • Mackenzie Unconstrained Bond ETF (MUB) • Mackenzie Global Fixed Income Allocation ETF (MGAB) • Mackenzie Canadian All Corporate Bond Index ETF (QCB) <p>Enhancers</p> <ul style="list-style-type: none"> • Mackenzie Emerging Markets Bond Index ETF (CAD-Hedged) (QEBH) • Mackenzie Emerging Markets Local Currency Bond Index ETF (QEBL) • Mackenzie Floating Rate Income ETF (MFT) • Mackenzie Global High Yield Fixed Income ETF (MHYB) • Mackenzie US High Yield Bond Index ETF (CAD-Hedged) (QHY)

* For the Low Duration portfolio, short-term bond products become Core, while the Core products become Core Modifiers

Establish Your Objective

For each of the objectives below allocation ranges have been suggested using the three buckets described. These ranges are primarily influenced by the outlook an investor has for policy rates. The goal is to lean into opportunities in credit or duration while leaving ample flexibility to tilt a portfolio. Note that for the Low Duration objective, short-term fixed income products are considered Core allocations, while Core products become Core Modifiers.

Product selection among the Core, Core Modifiers and Core Enhancers buckets would further consider risk tolerance and tactical elements. The ultimate goal is to diversify sources of returns within the return and risk targets that have been set for a portfolio.

	Low duration	Optimized core bond	Enhanced yield
Investor's objective	Designed to target a lower level of duration than in conventional core fixed income products for investors whose objectives might include lower levels of volatility or a preference for capital preservation.	Designed for investors seeking to largely preserve the role of conventional core fixed-income holdings in terms of lowering correlation to equity holdings while still offering the potential for a moderate level of income.	Designed for investors seeking a higher level of income over a market cycle while attempting to preserve some of the diversification benefits of conventional fixed income portfolios.
Model's objective	Intended to maintain an average portfolio duration below that of the index over a market cycle, differentiating returns in periods of rising rates or market stress.	Intended to approximate the return of the FTSE Canada Bond Universe Index with a lower level of volatility.	Intended to deliver a higher level of income with lower levels of volatility than conventional higher-yielding investments.
Allocation ranges	<p>Rate environment:</p> <p>Cutting</p> <p>35-45% 45-65% 0-10%</p> <p>Static</p> <p>40-50% 25-50% 10-25%</p> <p>Rising</p> <p>45-55% 20-40% 15-25%</p> <p>■ Core ■ Core modifier ■ Enhancer</p>	<p>Rate environment:</p> <p>Cutting</p> <p>60-70% 20-40% 0-10%</p> <p>Static</p> <p>50-60% 20-40% 10-20%</p> <p>Rising</p> <p>40-50% 25-45% 15-25%</p>	<p>Rate environment:</p> <p>Cutting</p> <p>50-60% 15-35% 15-25%</p> <p>Static</p> <p>40-50% 20-40% 20-30%</p> <p>Rising</p> <p>30-40% 25-45% 25-35%</p>

*The Mackenzie Fixed Income Model Portfolios are made available to investment advisors for illustrative purposes only. These models demonstrate potential ways in which Mackenzie Mutual Funds and/or Mackenzie ETFs could be used to create investment portfolios for different objectives, risk profiles and time horizons. These models do not constitute investment recommendations or a solicitation to buy or sell Mackenzie Mutual Funds and/or Mackenzie ETFs. The information provided is not investment advice and is not customized to the individual circumstances of any particular investor. These model portfolios may be adjusted from time to time without notice. Mackenzie Investments shall not be liable to any person for the quality, accuracy or completeness of these model portfolios. Investors cannot invest directly in a Mackenzie Fixed Income Model Portfolios as these models are not offered by Mackenzie Investments as stand-alone investment options. Should an investor choose to adopt an investment approach similar to a model portfolio, it will require multiple trades to purchase the individual mutual fund(s)/ETF(s).



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Speak to a Mackenzie Sales Representative to learn more about our Fixed Income Funds.
