Mackenzie Unconstrained Fixed Income Fund

Fund snapshot

Inception date	12/03/2014
AUM (millions in CAD)	3210.0
Management fee	0.55%
MER	0.78%
Benchmark	Bloomberg Barclays Multiverse (Hgd to CAD)
CIFSC category	Multi-Sector Fixed Income
Risk rating	Low
Lead portfolio manager	Konstantin Boehmer
Investment exp. since	2003

Strategy overview

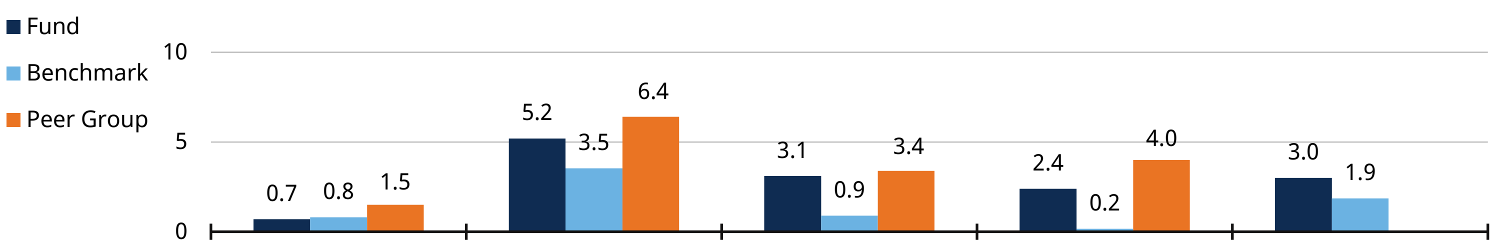
• Seeks a positive total return with low volatility over a market cycle and throughout various economic environments.

• Benchmark agnostic and flexible across the entire fixed income spectrum, managed within a credit focused framework, employing additional sources of alpha: tactical duration, dynamic allocation and credit management.

• The neutral currency exposure is 100% hedged back to CAD, however currency positions can be used tactically for alpha and to manage overall risk in the portfolio (generally no more than 10% to 15% open positions).

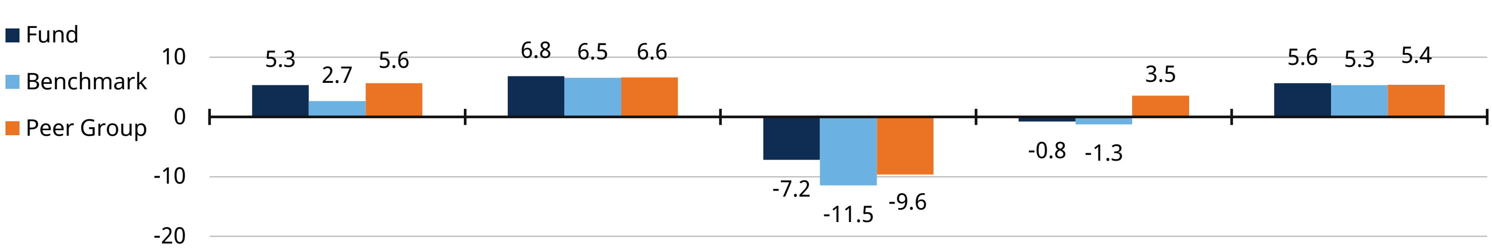
• Uses an "always-on" hedging strategy to manage the downside risk associated with the High Yield bond exposure (riskiest sleeve).

Trailing returns %



	3 Mth	1yr	3Yr	5Yr	SI
Excess return	-0.1	1.7	2.2	2.2	1.1
% of peers beaten	12	42	55	31	NA

Calendar returns %



	2024	2023	2022	2021	2020
Excess return	2.6	0.3	4.3	0.5	0.3
% of peers beaten	57	57	74	10	71

Portfolio characteristics

Ratios & metrics	Portfolio	Benchmark
Fund Avg Yield	6.0	3.9
Fund Mod. Dur	4.7	6.3
Fund Rating	BBB	AA
Average Price	95.4	108.3
Average Coupon	5.1	3.1
Average Term	10.0	-

Asset allocation

Asset	Portfolio	Benchmark
Investment Grade Corporate	31.8	24.0
Government Bonds	9.4	65.9
Emerging Markets	3.5	-
High Yield	27.2	-
Loans	8.2	-
Cash & Equivalent	9.7	-
Other	10.2	10.1

Performance metrics (3 year trailing)

Metrics	Portfolio	Benchmark
Standard Dev.	4.7	5.8
Sharpe Ratio	-0.2	-0.6
Tracking Error	2.6	-
Information Ratio	0.9	-
Alpha	1.4	-
Beta	0.7	-
Upside Capture (%)	93.6	-
Downside Capture (%)	64.2	-

Geographic allocation

Country	Weight
North America	77.1
Europe	6.8
LATAM & Caribbean	1.3
Other	4.5

Maturity breakdown

Bucket	Portfolio	Benchmark
0 to 3	34.9	23.9
3 to 7	38.9	31.5
7 to 15	11.7	19.5
15+	14.5	25.1

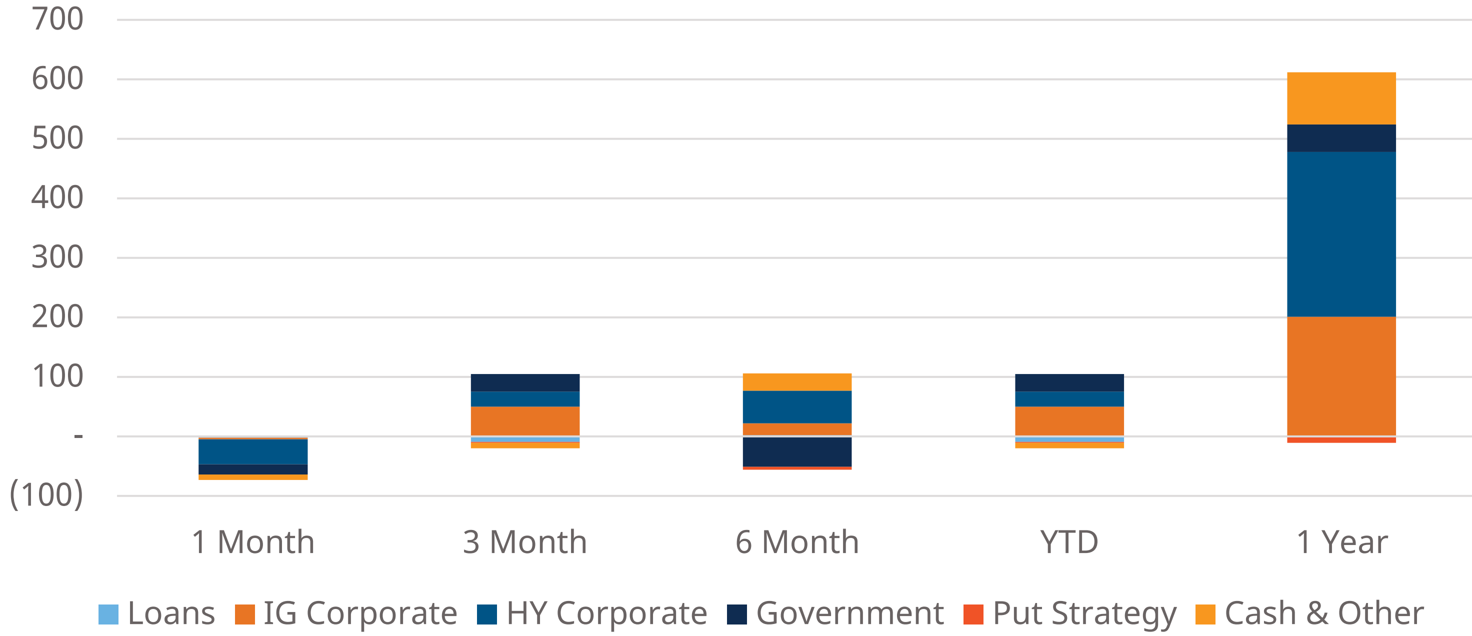
Credit breakdown

Rating	Portfolio	Benchmark
AAA	6.5	21.2
AA	24.8	30.9
A	6.7	29.8
BBB	23.9	14.2
BB	17.0	2.4
B	14.6	1.2
CCC & Below	3.6	0.4
NR	2.9	-

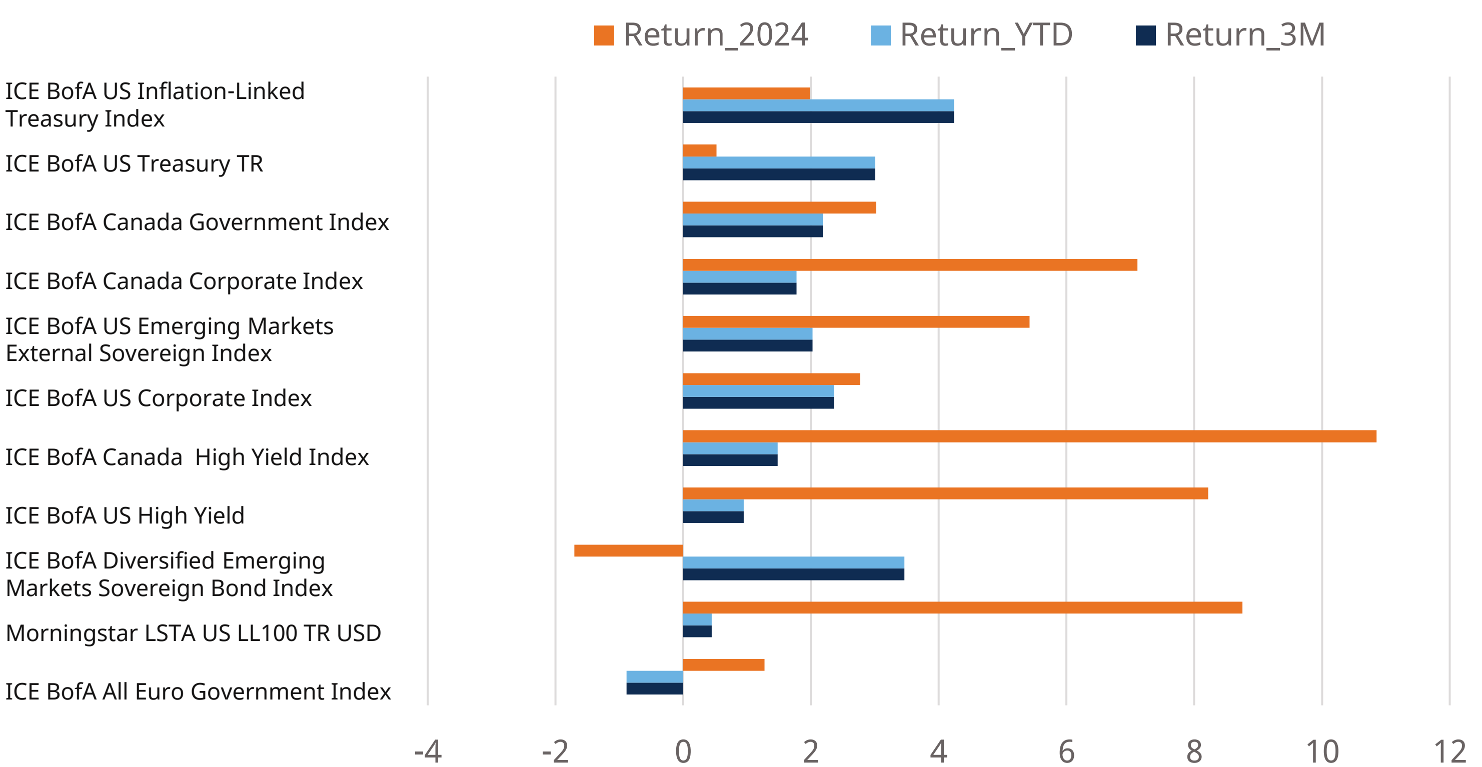
Currency exposure

Currency	Gross	Net
CAD	29.3	93.1
USD	61.9	5.9
Other	8.8	1.0

Attribution



Market Overview



Commentary

Market Overview

The second quarter of 2025 is picking up right where Q1 left off - on a rollercoaster.

Heading into Inauguration Day on January 20th, the so-called “Trump Trades” - long USD, long equities, short duration and tighter credit - continued to perform well. But that momentum began to stall almost immediately. A flurry of executive orders surrounding the inauguration sent shockwaves through both the real economy and financial markets. While the initial tariff salvos were modest, largely aimed at China, the early focus quickly shifted toward Canada and Mexico, with headlines dominated by fentanyl, border security, and bilateral trade. By early February and again in March, both Canada and Mexico narrowly escaped more extreme outcomes, but significant tariffs on steel, aluminum, autos, and other sectors are already in place and are having an impact.

The bigger issue has been volatility in policy communication. The constant back-and-forth from the Trump administration over tariff baselines and scope created substantial uncertainty. US business and consumer sentiment, long buoyed by the narrative of economic exceptionalism, began to wobble. “Soft” survey data started to roll over in February, and by March markets were pricing out US growth exceptionalism. Stagflation-lite began to take hold as the new underlying narrative.

It wasn’t just economics. Geopolitics had a hand on the wheel, too. The much-publicized Oval Office meeting between Trump, Vance, and Zelensky was widely seen as a diplomatic misfire. The fallout accelerated Europe’s push for greater self-reliance, particularly on defense. Germany moved with surprising speed, suspending its debt brake and unveiling a EUR 1 trillion fiscal package focused on defense and infrastructure. German bund yields repriced almost overnight, reflecting both a stronger growth outlook and rekindled inflation risks in the eurozone.

Now in early Q2, market volatility remains high. Trump’s latest move, a 90-day pause on reciprocal tariffs for non-retaliatory nations, while increasing tariffs on China to 125%, has temporarily lifted risk sentiment in North America. For now though, it’s a tariff a pause, not a pivot. And for companies, it’s still likely a holding pattern: capex is delayed, hiring plans frozen, and inventory restocking put on hold. The danger is that a stall in “soft data” could turn into something more real if this uncertainty persists and we see it appear in the hard data throughout the second quarter.

If the US does have a material economic slowdown, Canada won’t be immune. The existing tariffs on Canadian exports are meaningful, but likely not enough to push the country into recession on their own. However, a weaker US consumer, hit by triple-digit tariffs on Chinese goods, could dampen Canadian business investment and consumer demand. The Bank of Canada remains poised to ease, and has signaled it would tolerate a temporary rise in inflation if driven by one-time price adjustments. Barring a left-tail shock, we expect one to two more cuts this year, broadly in line with market pricing.

The Fed, by contrast, may remain stickier. Inflation dynamics in the US carry more upside risk, particularly with the 125% China tariffs. That alone could add 100bp to headline PCE inflation. With US growth still outpacing peers and nominal GDP holding firm, rate cuts are not imminent unless markets become exceptionally “unruly.”

Unconstrained Fixed Income Fund

The US high yield bond market started the year on a strong note with a 0.95% return in the first quarter. Weakness was evident in March though, as high yield fell 1.1% due to the escalating trade war between the US and the rest of the world, resulting in the worst month for returns since October 2023. After a very strong 18.18% return in 2024, CCCs have lagged YTD and responsible for a large part of high yields underperformance in March, falling -2.31% and underperforming Bs (-1.36%) and BBs (-0.57%). Given the volatility, the new issue market also slowed meaningfully year-over-year with $68.3 billion of new deals compared to $87.6 billion (-22%) for the same period in 2024.

As of March 31st, the high yield market spread of 351 bps is meaningfully elevated compared to 290 bps at YE 2024, reflecting significant anxiety over President Trump’s trade war, and its impact on both individual business fundamentals and broader inflation. Despite these risks, we see opportunity in the space with relatively attractive all-in yield-to-maturity at 7.81% providing reasonably good compensation even in a market downturn, with the exception of certain CCC rated credits that may have difficulty raising new capital and servicing its debt.

Commentary

We continue to monitor the trajectory of the interest rates in the face of competing pressures. Given a high degree of market uncertainty, which would create a particularly difficult backdrop for highly leveraged companies to refinance their existing debt, our team has a preference for higher-quality high yield exposure that has cheapened in this selloff. We're also finding attractive opportunities in other areas of the fixed income market that we feel may offer attractive risk-return characteristic and diversification opportunities for our mandates such as Private Credit, the US Cannabis debt market, and the Hybrid/LRCN markets.

Contributors

-Underweight Japan & China duration
-Overweight Canada duration
-Overweight US duration
-Underweight Europe duration
-Open currency exposure

Detractors

-Underweight Government bonds
-Overweight high yield exposure
-Overweight leveraged loan exposure
-Overweight investment grade corporate exposure
-Put protection hedging

Closing Commentary

Looking ahead, Q2 is already setting up to be all about bilateral trade negotiations, and the 90-day pause only heightens the stakes. As trade flows become more politicized, monetary and fiscal policy will increasingly be deployed on a country-by-country basis. This fragmentation is likely to feed into bond markets, with US duration continuing to drive global yields. But with European yields rebounding, potentially on the back of fiscal expansion, global bond leadership may not be as unipolar as it has been in recent quarters.

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Percentile rankings are from Morningstar Research Inc., an independent research firm, based on the Canada Fund Multi-Sector Fixed Income category and reflect the performance of the Mackenzie Unconstrained Fixed Income Fund for the 3-month, 1-, 3-, 5- and 10-year periods as of March 31, 2025 . 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 Multi-Sector Fixed Income category funds for for each period are as follows: one year - 288; three years - 271; five years - 237; ten years - 116.

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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