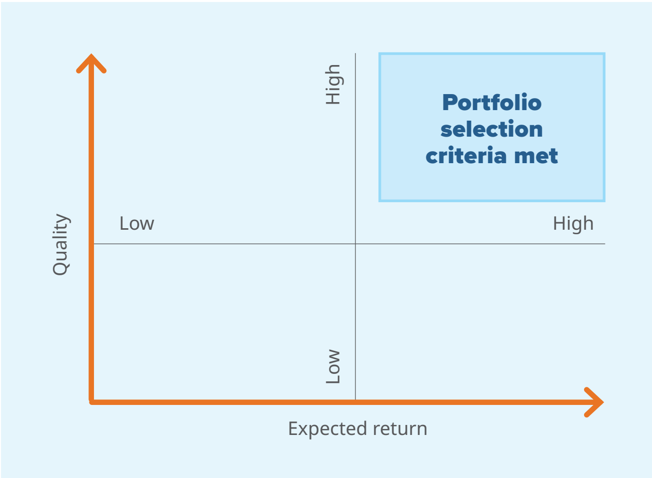
Mackenzie Ivy Foreign Equity Fund

Our philosophy

We believe that a concentrated portfolio comprised of high-quality businesses purchased at reasonable prices will deliver strong long-term risk-adjusted returns.

Our process

Our process begins with the development and continuous refinement of a list of potential high-quality businesses. After that, we really get to work. A high-quality company will have a strong balance sheet, good returns on capital and significant free cash flow. It will also have a strong corporate culture. We need to be assured that management has a vision for, and is focused on, maintaining the company's competitive advantages long term. Also important to understand is management's commitment to the fair treatment of all stakeholders. Finally, price. We will not overpay. We will patiently wait for a good entry point. A key part of our process is to model the long-term return potential of each business and assign to it a quality rating. This rating helps drive portfolio construction where the highest quality businesses with the highest expected return will be among the fund's largest holdings.



What happened in your portfolio?

The buy and sell activity were higher than normal and much of this can be attributed to the significant increase in market volatility. Eight new positions were initiated. Five others saw a meaningful increase in weight, for some that was due to stronger relative performance. The fund exited six positions while seven others saw a meaningful decline in weight even though most were strong relative performers.

Over the course of the period, the fund's cash weight increased to about 13.5% while its gold exposure decreased to 2.4%. We are comfortable with our cash weight and will wait patiently for the right opportunities to deploy into businesses where valuations are compelling and allow for an expected return that will compensate us for the assumed risk.

Why did we buy?

We (the Ivy team) claim no superior predictive insight into how markets will behave over the coming months or quarters. However, by taking a longer-term view, we believe it gives us a better chance of identifying businesses that have a strong corporate culture driven by capable management, which through the prudent use of capital can sustain the company's competitive advantages. These businesses, in our view, have a narrower dispersion of outcomes which allows us to estimate their expected return over a 10-year horizon.

Over the course of the first five months of 2022, all new positions initiated can be described as global leaders in their industries. These are businesses that have been long-term winners. For some, such as McDonald's, we are reinvesting in an old favourite. We also were opportunistic during the period adding to positions where price declines made valuations more compelling.

Top changes: January 1, 2022 to May 31, 2022

Company	Change in position	What it is	Why we bought	Change rationale
McDonald's Corporation	**2.1%**	McDonald's is the pre-eminent global quick-serve restaurant chain.	McDonald's will continue to provide exceptional value and innovative menu products, while elevating the experience with a new digital and loyalty strategy. We expect this will translate into compelling financial value while offering stability in times of economic stress.	New purchase
Marsh & McLennan Companies, Inc.	**1.3%**	Marsh & McLennan is the market leader in insurance broking and pension consulting.	The company is well-run and well-positioned in a defensive end market with modest secular tailwinds. The business is low-capital and high-FCF, organic growth is moderate but stable, margins are reasonable with a clear runway for expansion. We expect Marsh & McLennan to strengthen its role as a trusted risk advisor by expanding the breadth and depth of its expertise and capabilities to help clients mitigate increasingly complex risks.	New purchase
Stryker Corporation	**1.3%**	Stryker is one of the world's leading medical technology companies with a strong presence in orthopaedic implants and medical surgical equipment.	Stryker operates in an attractive industry given its consolidated structure and switching costs, has a track record of winning market share, and has a corporate culture that is results-oriented and customer-focused. We expect SYK can continue to grow in excess of its industry given its decentralized organizational structure, culture of sales excellence, and M&A capabilities	New purchase
Terumo Corporation	**1.1%**	Terumo is a Japan-based diversified healthcare company. They operate a leading global cardiac and vascular platform focused on intervention solutions, as well as a large hospital products business, and a blood and cell technologies business.	Terumo has a leading position in niche areas that, when taken together, offer a good combination of attractive growth, stability and good economics. The company has grown over the years organically and through savvy and disciplined M&A. Management is very capable, capital allocation has been sound, and the balance sheet is very strong. We initiated a position in February 2022 following a sharp decline in the share price on the back of a broader sell-off in high quality stocks.	New purchase
Starbucks Corporation	**1.1%**	Starbucks is the premier roaster, marketer and retailer of specialty coffee and other handcrafted beverages.	Starbucks has a strong brand that is supported and grown through consistent consumer experiences enabled by corporate owned stores, and a friendly, inclusive and service-oriented corporate culture. We have confidence that the company will be able to overcome current pressures with investments in training, wages, equipment and new store layouts. Howard Schultz's announcement that he will remain on the board of directors after his interim CEO role will help keep the company oriented on the long-term health of the business.	New purchase

Company	Change in position	What it is	Why we bought	Change rationale
Barry Callebaut AG	**0.9%**	Barry Callebaut is the world's largest manufacturer of cocoa and chocolate products, sold primarily on a B2B basis.	Barry Callebaut is focused entirely on the economically resilient chocolate industry, and combines scale-based competitive advantages with an attractive culture to support ongoing market share gains and superior economics.	New purchase
Chr. Hansen Holding A/S	**0.8%**	Chr. Hansen develops and produces bacteria and other microbial products as ingredients for end markets such as dairy products, vitamins and animal feed.	Chr. Hansen is the global leader in a growing and resilient industry. Its products generally provide high value while representing a low proportion of customers' costs. The company is highly profitable with a track record of good growth, and we believe its competitive advantages and culture of commercial excellence will allow it to sustain its superior performance.	New purchase
Union Pacific Corporation	**0.4%**	Union Pacific is one of the largest Class 1 railroads in North America. The company operates predominantly in the Western two-thirds of the United States and has connections to several key ports in the Gulf of Mexico and West Coast, as well as a sizeable business in Mexico.	We believe the Class 1 railroads operate in an attractive industry with high barriers to entry, and within that, Union Pacific is particularly well positioned given its leading scale and strong network, which provide it with a strong competitive advantage. While the company has improved efficiency significantly over the years, we believe there are further opportunities for revenue growth and potential for further modest profitability improvements in the years ahead.	New purchase
Halma plc	**0.6%**	Halma is a decentralized collection of several smaller businesses focused on technology-based products for a variety of end markets, tied together by an impressive corporate culture of talent development, product development and internal collaboration.	The company's share price declined substantially early in the year, while the business fundamentals remain intact. The valuation became more attractive, justifying an increase in position size.	Valuation
Texas Instruments Incorporated	**0.8%**	Leader in analog semiconductors as well as embedded processing, large exposure to auto and industrial end markets. Texas Instruments is unique from its peers due to its sizeable owned manufacturing footprint and increasingly internalized distribution business.	We increased our position as the valuation became attractive following a decline in share price. We believe Texas Instruments has good long-term growth opportunities from increasing content of analog and other semiconductors in autos, industrial and other applications. The company's unique strategy should allow it to better serve customers and deal with supply chain disruptions. The company is very well managed and capital allocation has been excellent over the long-term.	Valuation

Why did we sell?

Through our active management style and intensive research efforts, we aim to guard against valuation risk and ensure that the overall portfolio is attractively valued. During the period, most sells fell into one of two buckets. The first bucket was "quality rating change". The sale of these businesses was motivated by a focus on the fund's downside capture and volatility. While each of the businesses sold have good long-term prospects the path to this may be more volatile in the medium-term with potential for higher downside capture than desired for the fund. The second bucket was valuation. Many of the positions we exited or trimmed in this bucket were performing relatively well. But we reduced exposure to allocate to other opportunities that offered a more compelling risk/reward profile, and to improve the downside profile of the overall fund.

Company	Change in position	What it is	Why we sold	Change rationale
Tencent Holdings Ltd.	**-1.7%**	Owner and operator of several large media and social communication platforms in China, leading global gaming business, and large and growing domestic cloud services and payments businesses.	We exited our position to reallocate to other opportunities and to improve the downside profile of the fund. Risk profile for Tencent has increased over the past year and a half due to regulatory and geopolitical risks. While we still think the business can perform well over the long-term, the path to this may be more volatile in the medium-term with potential for higher downside capture than desired for the fund.	Quality rating changed
Alibaba Group Holding Ltd.	**-1.3%**	Owner and operator of the largest e-commerce and cloud platforms in China. Alibaba also owns a large and growing international e-commerce business and has a large ownership position in Ant Group.	We exited our position to reallocate to other opportunities and to improve the downside profile of the fund. Risk profile for Alibaba has increased over the past year and a half due to regulatory and geopolitical risks, as well as increased competitive pressure. We believe Alibaba can be successful over the long-term, however the path to this may be more volatile in the medium-term, potentially exposing the fund to higher than desired downside capture.	Quality rating changed
Henkel AG & Co. KGaA Pref	**-1.1%**	Henkel is the global leader in industrial adhesives for a variety of end markets, and also has a sizeable consumer products business in laundry and home care and beauty care.	Henkel has struggled for a few years in its consumer business, with deteriorating profitability and lost market share. While the company has taken sensible and aggressive steps to correct this, the timing and effectiveness of this turnaround are uncertain. The lowered quality of the consumer business is not enough to compensate for the ongoing attractiveness of the adhesives business, so in keeping with our quality discipline we removed the position.	Quality rating changed

MACKENZIE Investments

Company	Change in position	What it is	Why we sold	Change rationale
United Parcel Service, Inc. Class B	**-1.1%**	United Parcel Service (UPS) is the world's largest package delivery company and a leading provider of global supply chain management solutions.	We sold our holding in UPS as we felt our estimate of expected return no longer sufficiently compensated us for uncertainty regarding long-term industry dynamics, and uncertainty related to the degree to which recent profitability improvements can be attributed to sustainable internal measures versus temporary industry tailwinds. We continue to think UPS has a strong competitive advantage related to the volumes and related route density of its integrated package delivery network.	Valuation
Chubb Limited	**-0.9%**	CB is a global diversified leader in property and casualty insurance, life insurance and reinsurance, spanning 54 countries with leadership positions in many countries and products.	Chubb's share price had appreciated on the back of market expectations for continued price increases. We believe the valuation had become less compelling relative to our expectations for a return to a more normalized environment, so we recycled the capital into more compelling opportunities.	Valuation
Brambles Limited	**-0.8%**	Brambles owns the largest global pallet pool. Brambles' pallets are used in the supply chains of several multinational CPG companies, other FMCG providers, and retailers.	We exited our position in Brambles to allocate to other opportunities that offered a more compelling risk/reward profile.	Valuation
Jack Henry & Associates, Inc.	**-1.2%**	Jack Henry provides software systems and related services to financial institutions focusing on the niche of smaller banks and credit unions within the United States.	We sold our holding in Jack Henry as the company's share price has performed well, while the broader market environment has created opportunities with better expected returns. We also note some heightened uncertainty regarding the company's pursuit of a new product roadmap announced in February.	Valuation
Berkshire Hathaway Inc., Class B	**-1.0%**	Berkshire Hathaway is a large, diversified insurance and investment company.	Berkshire Hathaway's share price had appreciated with other value-oriented stocks. We believe the valuation became less compelling, so we took the opportunity to reduce our position size and deploy the capital into other holdings.	Valuation
SPDR Gold Shares	**-1.9%**	The largest physically backed gold ETF in the world.	We added gold originally as insurance against reckless monetary and fiscal policy. And although real interest rates are still deeply negative and the US has a large fiscal deficit position, both factors look to be moving in the right direction, so we deemed it prudent to reduce our gold position.	Insurance reduction
Procter & Gamble Company	**-1.3%**	P&G is the largest consumer products company in the world with an emphasis on home and personal care.	We reduced our position in P&G due to valuation and allocated to other high quality defensive businesses.	Valuation

Markets got you down? Here are Ivy's sources of downside protection.

Quality: The Ivy investment style focuses on high-quality businesses that can grow carefully over time, but with a valuation discipline to ensure we avoid overpaying for great businesses and ending up with sub-par investments. High-quality businesses are often industry leaders with recognized brands and products that are not easily displaced. For this reason, they have a narrower dispersion of outcomes as earnings tend to be more predictable even over longer periods of time. Every purchase we make is with a long-term mindset and therefore the quality of management and a positive corporate culture are important to our decision-making process.

Valuation discipline: While the S&P 500 is off about 21% (in USD to June 13, 2022) and NASDAQ down more than 31%, we know that many stocks that were trading at very high valuations coming into 2022 are down much more – and many profitless technology names are down more than 50%. Ivy always is price disciplined and won't chase unproven high growth stocks. We buy businesses at reasonable prices – we also sell businesses when the price runs too far ahead of our view of business fundamentals. This can help provide protection in environments where multiples contract and the rosy assumptions underpinning the share prices of some companies are called into question.

Cash + gold: The fund's combined exposure is about 15%. In comparison, in June 2008, just as the Global Financial Crisis selloff was about to get ugly, Ivy Foreign had just less than 14% cash. When we reflect on that crisis, we see that it was our stocks that provided most of our downside protection.

Resilient end markets: We are overweight businesses with less economic sensitivity. This is a relatively consistent sector feature of the Ivy Foreign Equity Fund, as they have a narrower dispersion of outcomes with better earnings visibility. We believe that our equities are currently much more defensively positioned than they were entering the 2020 Covid-inspired downturn, which has partly compensated for the lower cash weight.

Where to from here?

We truly are in uncharted territory from a macro and investment perspective.

On the macro front, the world has never been this awash with debt coincident with rampant inflation and rock-bottom interest rates. After years of juicing asset prices through quantitative easing and massive fiscal stimulus post-COVID, the inflation cat is finally out of the bag, and it won't be easy getting it back in. The fact of the matter is that the world's balance sheet cannot afford higher interest rates. However, with interest rates far below the natural rate (as opposed to the "neutral" rate), which best allocates scarce resources through the price discovery mechanism, keeping interest rates at these "unnatural" levels not only leads to inflation, but also a misallocation of scarce resources, leading to declining productivity growth. So, the Fed is caught between the proverbial rock and a hard place of its own making from which all of us will continue to suffer. Of course, no one knows what will happen and it's possible the Fed manages to slow demand enough to quell inflation without causing a recession and declining asset prices. However, math is against them, and with the fiscal deficit now going the other way things could very well turn-out far worse than they expect.

Recently we've seen credit card usage soar as savings rates have plummeted back to where they were during the Global Financial Crisis. Of course, the savings rate number is an average and includes the savings of the likes of Elon Musk and Warren Buffet, which skews the average higher than it otherwise would be. Dividing the savings rate into quintiles of income would show a far different and depressing story. But these are the consequences of "soft" money.

Prior to Nixon taking the US off the gold standard in 1971, productivity growth was far greater than it is now and there was a more equitable distribution of wealth and persistently higher savings. Since we have been on a "soft" money or fiat standard, productivity growth has steadily declined, and the wealth disparity has steadily grown.

On the investment side, market valuations are still at the upper end of their historic range. Making matters worse is that near record multiples are being paid on record profit margins. This is not a good recipe for strong longer-term returns. All market downturns seem to have their own distinctive character.

This downturn seems to be driven more by investors worried about the impact of inflation on company profitability rather than the risk of entering a recession. As a result, some defensive names such as those in the consumer staples sector have not held up as well as they usually would when the market goes south. However, if inflation persists, it's only a matter of time until its pressures make their way up the chain affecting most businesses. And if we do enter a recession, we believe that our portfolios are well positioned to cushion the blow of a bear market.

Although market valuations are still quite lofty, the recent declines in markets have enabled us to find some reasonable investment opportunities. Our Ivy Team is stronger than ever and has been built to offer our clients a sustainable lower volatility option for participating in stock markets. And despite the unprecedented risks we currently face, we believe that by sticking to our Ivy investment principles we have a very good chance of helping our clients achieve their long-term financial objectives.

As of June 30, 2022 (Annual Compounded rate of return)	**3 month**	**YTD**	**1 year**	**3 year**	**5 year**	**10 year**	**Since Inception**
Mackenzie Ivy Foreign Equity Fund	**-7.5%**	**-14.1%**	**-9.5%**	**4.1%**	**3.8%**	**8.3%**	**6.1%**
MSCI World TR	**-13.4%**	**-18.8%**	**-10.8%**	**6.5%**	**7.5%**	**12.1%**	**4.2%**

MACKENZIE Investments

This document may contain forward-looking information which reflect our or third-party current expectations or forecasts of future events. Forward-looking information is inherently subject to, among other things, risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed herein. These risks, uncertainties and assumptions include, without limitation, general economic, political and market factors, interest and foreign exchange rates, the volatility of equity and capital markets, business competition, technological change, changes in government regulations, changes in tax laws, unexpected judicial or regulatory proceedings and catastrophic events. Please consider these and other factors carefully and not place undue reliance on forward-looking information. The forward-looking information contained herein is current only as of May 31, 2022.There should be no expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

[1] **Sharpe ratio:** A measure that is helpful in understanding the performance of an investment compared to its risk. An investment's standard deviation is used to calculate the Sharpe ratio (where standard deviation measures the dispersion of returns relative to a portfolio's average return). The higher the Sharpe ratio, the better the risk-adjusted performance of the portfolio.

[2] **Treynor ratio:** A measure of portfolio performance that adjusts for market risk or systematic risk. It examines how well a portfolio outperforms the equity market as a whole. It does this by using beta (while the Sharpe ratio uses standard deviation) where beta is defined as the rate of return due to overall market performance. The Treynor ratio can be used to determine if an investment portfolio is significantly outperforming the market's average gains. A higher Treynor is better.

[3] **Sortino ratio:** Helps investors understand downside risk. The thinking behind the Sortino ratio is that upside volatility is a plus for investors and, therefore, should not be included in a risk calculation. Therefore, the Sortino ratio uses only the downside volatility as measured by standard deviation. A higher Sortino ratio is better, as it indicates the portfolio's ability to earn a higher return for each unit of downside risk.

The MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries.

2446476 07/22