

**INVESTMENT MANAGER REVIEW (IMR) UPDATE**  
**MACKENZIE'S ACQUISITION OF GLC**

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## Update on Mackenzie's Acquisition of GLC

Further to our initial opinion piece released at the end of August, which can be found [here](#), and now with the sale now finalized, the IMR team has evaluated the manager changes, resulting from this transaction, and the impact to their respective IMR grades.

The following provides an in-depth assessment touching on each impacted investment team and fund, any lead manager changes where applicable, and shares our IMR ratings for each mandate affected.

### **Recap: Mackenzie Financial's acquisition of GLC Asset Management Group Ltd.**

To recap, on August 4<sup>th</sup>, Great-West Lifeco Inc. (Lifeco) announced it had reached an agreement to sell its Canadian asset management subsidiary, GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie) for cash consideration of C\$175 million.

The asset manager's sale to Mackenzie includes:

- GWL Investment Management
- London Capital Management
- Laketon Investment Management
- Portico Investment Management

The addition of these four investment boutiques, representing C\$30.1 billion in AUM, will increase Mackenzie's total AUM to C\$186.8 billion, making it one of Canada's largest asset managers. Note, Portfolio Solutions Group is not included in the transaction and will remain as part of Canada Life. On January 8<sup>th</sup>, 2021, Mackenzie and GLC announced that they have closed the previously announced sale of GLC Asset Management Group Ltd. (GLC) from Lifeco to Mackenzie as of December 31, 2020.

## Recent Developments

Two recent developments have occurred since our last update that have implications on the IMR grades:

### **1. Mackenzie's Chief Investment Officer (CIO) Announced Change:**

On November 18<sup>th</sup>, 2020 Mackenzie announced that Tony Elavia, Executive Vice-President and Chief Investment Officer ("CIO"), would retire on December 31, 2020. In conjunction with Mr. Elavia's retirement, the company announced it would institute a two-CIO model, a new approach, which reflects a growing trend in the investment management industry and addresses the growth in Mackenzie as an organization of the past several years. Immediately following this announcement, the IMR team sat down with Barry McInerney, President and Chief Executive Officer of Mackenzie Investments as well as with Tony Elavia and Steve Locke. The new structure will split the former role and include one CIO dedicated to Fixed Income and Multi-Asset Strategies and the other dedicated to Equities.

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Steve Locke, Senior Vice-President, Investment Management and Head of the Mackenzie Fixed Income Team, has been named the new CIO responsible for Fixed Income and Multi-Asset Strategies.

On January 5<sup>th</sup>, 2021 Mackenzie announced that Lesley Marks, former CIO and Head of Investment Management at BMO Private Wealth Canada, was officially named CIO of Equities at Mackenzie and will begin her new role in late January 2021. While new to Mackenzie, she previously served as Senior Vice-President and CIO (Fundamental Investments) at BMO Global Asset Management Canada where she led the Canadian active equity and fixed income investment teams and 25 investment professionals. It was indicated that Marks would not have portfolio manager responsibilities in addition to the CIO role.

### **2. Mackenzie Systematic Strategies Team Changes:**

On November 2<sup>nd</sup>, 2020 Mackenzie announced that Rick Weed, Head of the Mackenzie Systematic Strategies team, will be leaving the firm effective December 31, 2020. With Rick Weed's departure the Systematic Strategies team will move into the Multi-Asset Strategies team led by Nelson Arruda and Todd Mattina.

## **Our Position**

As indicated in our note in August the IMR Committee has confidence that this transaction will strengthen the overall capabilities of the combined Mackenzie-GLC asset manager. At the time of our August note, we expected that the transaction would result in minimal disruption to the management of those funds formerly managed by GLC. Our view was supported by the following three key reasons:

1. Transaction is internal and the Canada Life IMR team has been consulted from the beginning.
2. No material changes to the mandates involved as a result of this announcement.
3. Mandates to maintain distinctiveness of investment styles.

Now that the deal has closed, we now have clarity on the final plans for the specific funds previously managed by GLC. The IMR team and Canada Life leadership have had ongoing discussions with Mackenzie throughout this process to ensure minimal disruption to the funds' respective IPSs, mandates, and strategies. We have also worked collaboratively with Mackenzie to ensure any planned changes would align with the core competencies and be reflective of the strengths of the investment teams involved. We have continued to apply the IMR's rules-based approach, which considers both qualitative (firm, investment team, investment process, risk, etc.) and quantitative elements, to assess any associated impact of the recently announced manager changes to the funds and their unitholders as a result of the transaction. The remainder of this note will be a discussion of the resulting impacts and our view of these developments.

As described in the 'Recent Developments' section, based on Steve Locke's expanding responsibilities and the departure of Rick Weed as lead of the Systematic Team, the IMR

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Committee has placed certain funds associated with these teams '**Under Review**'. The following provides a summary of funds placed 'Under Review' and what the IMR team will be monitoring over the coming months to ensure we gain comfort:

- **Fixed income and fixed income balanced funds managed by Steve Locke:**

All fixed income and fixed income balanced funds managed by Steve Locke have been placed "Under Review" based on the amount of 'change' occurring to Steve Locke and his team. Locke's fixed income team is among the most notable impacted by this acquisition in terms of the additional AUM the team will be assuming, the additional mandates and the new GLC team members joining Locke's team. Add to this the recent announcement that Locke will be assuming new and significant responsibilities as the CIO for fixed income as well as for the Multi-Asset Strategies team in addition to keeping his role as lead of the fixed income team and continuing with his lead portfolio manager responsibilities leads us to the "Under Review" status.

What the IMR team will be monitoring to gain comfort with the changes impacting Locke and team, include:

1. Locke's successful transition to the role of CIO and his and key team leads' ability to assume additional portfolio management and team leadership responsibilities as result of the acquisition with minimal disruption to the team dynamics and overall management of the funds.
2. No material impact to expected risk and performance metrics as result of Locke's additional responsibilities and the team leads needing to assume additional leadership responsibilities.
3. Continuity in the investment team. In particular, we will be watching for change in team dynamics, morale, and any potential key team departures that may occur as result of these changes.

- **Funds managed by the Systematic Strategies Team:**

With Rick Weed's departure and the Systematic Strategies Team transitioning to the Multi-Asset Strategies team led by Nelson Arruda and Todd Mattina, the funds managed by the former Systematic Strategies team have been placed "Under Review".

What the IMR team will be monitoring to gain comfort with this change and potential impact to the funds, include:

1. Effective and seamless transition of the remaining Systematic Strategies Team to the Multi-Asset Strategies team led by Nelson Arruda and Todd Mattina.
2. No material negative impact to expected risk and performance metrics as a result of this change.
3. Continuity in the investment team. In particular, we will be watching for change in team dynamics, morale, and any potential key team departures that may occur as result of these changes.

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While these funds have been placed “Under Review”, this rating does not constitute a sell recommendation by IMR. We have confidence in Steve Locke and the structure he has put forth to assimilate the GLC mandates and team members to his team as well as Locke’s ability to assume the additional CIO responsibilities. We also view Mackenzie’s decision to fold the Systematic Strategies Team into the Multi-Asset Strategies Team as a positive as the teams’ quantitative investing expertise functions as one of the many relevant inputs into the Multi-Asset Strategies Team’s multi-faceted investment process for managing balanced/multi-asset portfolios. The IMR ratings and funds being placed “Under Review” are the result of our rules-based approach and are prudent to ensure the transition communicated to us is enacted as planned without any material negative consequences.

We will continue to monitor developments within the Fixed Income and Systematic Strategies Teams as well as any funds ‘Under Review’ over the next 6 months and will communicate our assessment and resulting IMR ratings upon completion of our review.

### Investment Team/Strategy Assessment

Overall, the leadership teams at Mackenzie are not changing as a result of the GLC acquisition. Mackenzie will become the portfolio manager for several mandates. Select Portfolio Managers from GLC will be integrated into the appropriate teams at Mackenzie, to align with their areas of expertise. Mackenzie has large and established teams with proven track records in the asset classes and investment strategies they have acquired and are taking over from GLC. Specifically, this includes North American equities (growth, value, quantitative and dividend-oriented), fixed income and multi-asset strategies. We believe the combined entities will benefit from a larger resource pool to draw from when managing these asset classes. The following is our assessment of Mackenzie’s capabilities in managing the funds they are taking over.

## Mackenzie GLC Team:

### GLC Funds Impacted

Mackenzie GLC Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Canadian Dividend (Laketon)	Brad Cann	Brad Cann	●	●
Canadian Equity (GWLIM)	Patricia Nesbitt	Patricia Nesbitt	●	●
Dividend (GWLIM)	Clayton Bittner	Clayton Bittner	●	●
Mid Cap Canada (GWLIM)	Bryan Shearer	Bryan Shearer	●	●
Science & Technology Fund (London Capital)	Martin Rose	Martin Rose/Brenda Nicholls	●	●
SRI Canadian Equity (GWLIM)	Dylan Fricker	Dylan Fricker	●	●
U.S. Dividend (GWLIM)	Clayton Bittner	Clayton Bittner	●	●

\*Note that the former grades are reflective of the most recently published grades (June 2020), which was prior to the announcement of the GLC acquisition, and the new grades incorporate changes as a result of the GLC acquisition by Mackenzie.

### IMR Rating

No change.

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### Rationale for Rating

Lead managers remain the same as under GLC. There will be no change in the management of these funds. Overall, the GLC managers will naturally benefit from the additional resources from Mackenzie, but we don't expect this to change the way the funds are managed.

### Team

Mackenzie will establish a new Mackenzie GLC Team comprised of the fundamental equity portfolio managers from GLC and led by Patricia Nesbitt. Key portfolio managers from the former GWLIM and Laketon teams will remain responsible for managing the strategies they had run previously. Continuing portfolio managers joining Mackenzie include: Patricia Nesbitt, Dylan Fricker, Clayton Bittner (GWLIM), Brad Cann, Ben Fawcett (Laketon), Bryan Shearer (GWLIM), Martin Rose (London Capital) and Brenda Nicholls (London Capital).

### Process

We do not expect any changes to investment approach, style or strategy given the continuity of the GLC managers on these impacted funds. Those familiar with the investment approaches of both the GLC teams will see no change to the investment process as the teams combine resources under the Mackenzie GLC Team. The process will continue to be driven primarily by bottom-up security selection. The teams take a fundamental approach to investing, focusing on quality businesses that are prudent capital allocators able to generate sustainable free cash flow.

### Portfolio Characteristics – What to Expect



Clients can expect similar experiences with the continuing team as portfolio holdings continue to focus on quality businesses and the team continues to take a long-term view to investing. Going forward we can expect the team to take full advantage of their broader team resources and the flexibility allowed by the funds' mandates.

### Performance and Risk Characteristics – What to Expect

Clients can expect similar experiences with the continuing team including good downside protection and the team's focus on quality businesses should continue to offer portfolios with lower than market risk characteristics as measured by standard deviation.

## North American Equity Team:

### GLC Funds Impacted

North American Equity Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Canadian Value Equity Fund (Laketon)	Ryan Marcy	Will Aldridge		

\*Note that the former grades are reflective of the most recently published grades (June 2020), which was prior to the announcement of the GLC acquisition, and the new grades incorporate changes as a result of the GLC acquisition by Mackenzie.

### IMR Rating

No change.

## INVESTMENT MANAGER REVIEW UPDATE

### **Rationale for Rating**

The Mackenzie North American Equity Team will assume responsibility for the Canadian Value mandate previously managed by Laketon and former manager Ryan Marcy. Incoming manager Will Aldridge has industry experience dating back to 2002 including 9 years managing the Mackenzie Canadian Equity Fund, a value domestic equity strategy. Aldridge is assuming lead manager responsibilities for the GLC Canadian Value mandate and will manage it within the existing GLC IPS guidelines, and consistent with the way he's managed his Canadian Equity funds for the past 9 years.

### **Team**

This fund was previously managed at Laketon using a lead manager approach under Ryan Marcy with one dedicated analyst. The North American Equity Team at Mackenzie is led by Martin Downie and consists of 7 portfolio managers and 6 analysts. The team's structure has dedicated coverage by geography (Canada, U.S.), and investment mandate including expertise across the market cap spectrum. There are no changes to Aldridge's team.

### **Process**

The North American Equity Team invests in what they identify as the best value opportunities across North America. The team believes that investing in companies with quality characteristics provides a better opportunity to close the value gap while limiting potential downside risk. The team is valuation-sensitive and looks to build in a margin of safety, which lends well to the previous manager's value style. We do not expect any changes to Aldridge's investment approach, style or strategy.

### **Portfolio Characteristics – What to Expect**

Clients can expect the following changes when comparing the Mackenzie North American team's investment process to the way GLC managed the mandate historically. Aldridge applies more of an all-cap approach, however Aldridge's highest conviction holdings are typically large-cap Canadian companies as had been the case with the Laketon team's investment process. Aldridge typically runs a slightly more concentrated portfolio, however his approach will continue to be valuation sensitive with ideas driven by bottom-up stock selection with a focus on downside protection.

### **Performance and Risk Characteristics – What to Expect**

While the fund under Aldridge will remain true to the Canadian Value Fund's mandate and expectations are that it performs well in when value is in favour, the comparable Mackenzie Canadian Equity Fund has performed strongly and is 1<sup>st</sup> quartile over 1, 3, 5 and 10 years as of December 31, 2020, achieving this return profile while maintaining lower risk (measured by standard deviation) than both the benchmark and peers over the longer term (3, 5 years). This is a testament to the deep team and resources available to Aldridge and team.



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### Fixed Income Team:

#### GLC Funds Impacted

Fixed Income Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Canadian Bond Universe Index Fund (Portico)	Dale Haynes	Konstantin Boehmer/Felix Wong/Caroline Chan/ Jeff Li		
Core Plus (Portico)	Janet Salter/ Mark Hamlin	Mark Hamlin/Steve Locke/Felix Wong/Caroline Chan		
Canadian Bond Fund (Portico)	Dale Haynes	Steve Locke/Felix Wong		
Core Bond (Portico)	Dale Haynes	Steve Locke/Felix Wong		
Corporate Bond (Portico)	Janet Salter/ Mark Hamlin	Steve Locke/Felix Wong		
Government Bond (Portico)	Janet Salter/ Mark Hamlin	Steve Locke/Felix Wong		
Money Market (LK) Fund (Portico)	Dale Haynes	Steve Locke/Felix Wong		
Money Market (Portico)	Dale Haynes	Steve Locke/Felix Wong		
Short Term Bond (Portico)	Jenny Wan	Steve Locke/Felix Wong		
SRI Bond (Portico)	Natalie Laden	Steve Locke/Felix Wong		

\*Note that the former grades are reflective of the most recently published grades (June 2020), which was prior to the announcement of the GLC acquisition, and the new grades incorporate changes as a result of the GLC acquisition by Mackenzie.

#### IMR Rating

All funds moving to the Fixed Income Team (Locke) will be placed 'Under Review', with the exception of index-oriented, money market and short-term bond funds.

#### Rationale for Rating

Veteran manager Steve Locke has a sterling reputation for managing fixed income portfolios with 25 years of industry experience, and has been instrumental in building out the capabilities of the \$60 billion Mackenzie Fixed Income Team, one of the largest managers in Canada. Locke and team have been managing fixed income portfolios at Mackenzie for 13+ years, during which time they have built a strong track record of success. Our key rationale for placing the Fixed Income mandates 'Under Review' are as follows:

- 1) Steve Locke's role is evolving materially as he has taken on a new, broader and significant role as CIO of fixed income and Multi-Asset strategies in addition to maintaining his fund management responsibilities while continuing to lead the overall Fixed Income Team. While we believe Locke's plan for assuming these new responsibilities and the delegating of other responsibilities across key leads on his team is sound, these funds are placed 'Under Review' such that we can closely monitor to ensure the plan described to us comes to fruition without any material or adverse effects to client experience.
- 2) Locke and the Fixed Income investment team at Mackenzie is among the teams most impacted by the acquisition in that Locke is assuming significant assets and mandates and will be absorbing new members to his team from GLC. While his and Mackenzie's transition plans appear reasonable, the acquisition's impact to Locke's team in addition to Locke's new CIO responsibilities trigger an 'Under Review' status for his funds as we monitor the overall transition.

Over the next 6 months, we will be monitoring the transition, specifically:

- Locke's successful transition to the role of CIO and his and key team leads' ability to assume additional portfolio management and team leadership responsibilities as result of the acquisition
- No material impact to expected risk and performance metrics on the funds

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- Continuity in the investment team. In particular, we will be watching for any potential key team departures that may result and their impact

### **Team**

Mackenzie's Fixed Income Team is deeply resourced at 25+ members and led by fixed income industry veteran Steve Locke. The team will grow its capabilities with the addition of key members from the Portico Team. Asset class specialists are responsible for their areas of expertise (investment grade and high yield credit, loans, governments, etc.) and have a proven track record across geographies and markets within fixed income. Clients should benefit from the strength of the Fixed Income Team at Mackenzie, which has a strong track record managing similar mandates, and has proven their ability to invest in all sub-asset classes and geographies within fixed income.

We believe Locke's team is further strengthened by the addition of former Portico portfolio manager Mark Hamlin who will be moving over to assist the overall team and providing additional depth to the Mackenzie Fixed Income Team. Janet Salter has joined Portfolio Solutions Group as co-Portfolio Manager.

### **Process**

There will be no change to the investment process used by Steve Locke and team in managing their respective mandates. The team combines macroeconomic, quantitative and fundamental research to manage a broad array of fixed income investments globally with a disciplined investment framework to maximize risk-adjusted returns. The team's structure which includes asset-class specialists responsible for their specific areas of expertise will potentially enhance the toolkit available in managing the respective fixed-income mandates as Mackenzie's team is larger and well resourced.

### **Portfolio Characteristics – What to Expect**

The team uses a holistic approach to fixed income investment management. The structure of the team allows the respective asset class specialists to collaborate and construct portfolios using the full spectrum of tools available to them to both enhance return and mitigate risk within the flexibility allowed by the funds' constraints. This has at times included the tactical use of corporate bonds and government bonds, a broadening out of geographic exposures, and the use of non-core strategies such as high yield and emerging market debt. The team will apply their process to the Canada Life mandates and will manage to the existing investment policy statements and guidelines. Investors can expect broader diversification to global fixed income markets under Mackenzie relative to the more domestic, home country biased portfolios under GLC. Mackenzie's holistic approach to fixed income has historically proven to benefit the funds' risk-adjusted return profiles.

### **Performance and Risk Characteristics – What to Expect**

We expect the team to continue to deploy the full use of their capabilities across asset classes and geographies in the management of the Canada Life funds, and will use both core and non-core strategies in the effort to produce strong risk-adjusted returns. Mackenzie has traditionally demonstrated a focus on global and non-core capabilities versus Portico. This added diversification, particularly in non-core fixed income strategies, have been additive to the funds' risk-return profiles by lowering the fund's standard deviation and improving returns overall. For example, the Mackenzie Strategic Bond Fund, which has a non-core component has demonstrated a comparable or stronger return profile while exhibiting less risk (standard deviation) compared to Portico's Core Plus Fund. Investors may at times experience slightly higher volatility as a result of the different portfolio exposures, which has been the case with

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some Mackenzie funds (i.e. Mackenzie Corporate Bond Fund, which includes a higher weight to high yield and non-investment grade securities), albeit historically this has resulted in a higher return profile.

### Canada Life Fixed Income:

Certain fixed income and specialty mandates formerly managed by Portico are remaining with Canada Life and are not transitioning over to Mackenzie.

Canada Life Fixed Income Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Ultra Long Term Bond Fund (Portico)	Mark Hamlin/Dale Haynes/Alexa Richardson	Alexa Richardson	●	●
Long Term Bond (Portico)	Mark Hamlin/Dale Haynes/Alexa Richardson	Alexa Richardson	●	●
Real Return Bond (Portico)	Mark Hamlin/Dale Haynes/Alexa Richardson	Alexa Richardson	●	●
Mortgage (Portico)	Suvir Haripersad	Suvir Haripersad	●	●
Commercial Mortgage (Portico)	Suvir Haripersad	Suvir Haripersad	●	●

\*Note that the former grades are reflective of the most recently published grades (June 2020), which was prior to the announcement of the GLC acquisition, and the new grades incorporate changes as a result of the GLC acquisition by Mackenzie.

#### IMR Rating

No change.

#### Rationale for Rating

Lead manager remains the same as under GLC, therefore the funds will not be placed “Under Review”.

#### Team

The mandates managed by Alexa Richardson (Ultra Long-Term Bond, Long-Term Bond and Real Return Bond) and Suvir Haripersad (Mortgage, Commercial Mortgage) will remain with Canada Life Asset Management.

#### Process

There will be no change to the investment process in applied to these funds. Canada Life has a proven track record in managing long duration, real-return and mortgage mandates. We do not expect any changes to investment approach, style or strategy as it will remain consistent with how these funds were managed in the past.

#### Portfolio Characteristics – What to Expect

No change to portfolio characteristics.

#### Performance and Risk Characteristics – What to Expect

No change to performance and risk characteristics.

### Multi-Asset Strategies Team:

The Multi-Asset Strategies Team at Mackenzie will be responsible for managing GLC’s balanced fund mandates as well as ETF portfolios.

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### GLC Funds Impacted

Multi-Asset Strategies Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Diversified (GWLIM)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
Equity/Bond Fund (GWLIM)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
SRI Balanced Fund (GWLIM)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
Diversified Fund (London Capital)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
Global Monthly Income Fund (London Capital)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
North American Balanced Fund (London Capital)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
Income (Portico)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●

\*Note that the former grades are reflective of the most recently published grades (June 2020), which was prior to the announcement of the GLC acquisition, and the new grades incorporate changes as a result of the GLC acquisition by Mackenzie.

### IMR Rating

The former GLC balanced funds now managed by the Mackenzie Multi-Asset Strategies Team will retain their current grades. However, as a result of the fact that the Canadian Income Fund (Portico) and Income Fund (Portico) are mandates with a heavy exposure to underlying fixed income funds and are therefore impacted by our view of the Mackenzie Fixed Income Team, these mandates will be placed “Under Review”.

### Rationale for Rating

The Multi-Asset Strategies Team has a proven track record of asset allocation and management of various balanced fund investment strategies. The team is taking over the management of the former GLC balanced mandates, previously managed GLC’s Global Multi-Asset Strategy Team (GMAS) and will manage the funds to their established investment policy statement parameters. While the Multi-Asset Strategies Team will implement their asset allocation views within these balanced funds and clients will benefit from this team’s experience in asset allocation, we do not expect material changes to these balanced funds.

Balanced funds that are heavily weighted to fixed income will be placed “Under Review” as they are impacted by the same events impacting the fixed income funds under Steve Locke.

Passively managed funds designed to replicate an index are well within the capabilities of this team and warrant a lower level of risk to the client. Given these are not actively managed funds their IMR ratings are not impacted and do not change.

### Team

The 10-person Multi-Asset Strategies Team is led by Nelson Arruda and Todd Mattina who have an average of 16 years of industry experience between them. Pei Li from London Capital will also join the team enriching the already deep research team at Mackenzie with another experienced portfolio manager.

### Process

The Team utilizes a disciplined, systematic decision-making process, based on years of accumulated research and is driven by sound investment insights and strong economic foundations. This is consistent with other industry leading firms. Their expertise, technology, and approach are similar to those found in leading, world-class pension plans with many senior members of the team having direct experience from some of Canada’s largest pension plans. This means that risk management is present at every step of a highly disciplined investment

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process. This compares to GLC's primarily lead-manager driven approach to asset allocation, which had recently evolved into the Global Multi-Asset Strategies Team, formed in early 2020.

The Mackenzie Multi-Asset Strategies Team utilizes a systematic decision-making process, based on years of accumulated research and driven by sound investment insights and strong economic foundations. This assists with the identification of attractive investment opportunities and better diversification of exposures in terms of factors, assets, geographies and strategies.

The team's capabilities include global tactical asset allocation, active currency management, equity factor investing, active equity management, active commodities management and the use of a broad range of derivatives. The team will apply their same processes to the management of the former GLC balanced mandates, which we have full confidence in.

### Portfolio Characteristics

Mackenzie's systematic approach to managing balanced and multi-asset portfolios will ensure diversification and strong risk management, the portfolio optimization process has been proven to lead to strong risk-adjusted returns. We do not expect material changes to the portfolio characteristics of the former GLC balanced funds in the near term given the Multi-Asset Strategy Team at Mackenzie will manage these funds to the existing IPS parameters of the Canada Life funds and largely maintain existing underlying fund exposures. While the Multi-Asset Strategies Team will incorporate their various geographical and asset class views within the Canada Life IPS framework, we do not expect material changes.

### Performance and Risk Characteristics

The team's risk management approach seeks to ensure that portfolio risks are carefully calibrated, allocated and monitored to optimize the risk/return profile while growing capital. The team benefits from Mackenzie's multi-boutique structure which provides them a diverse set of products and expertise to leverage off when building portfolios.

## Systematic Strategies Team:

The Systematic Strategies Team utilizes a quantitative modeling approach to investing and has historically been the go-to quantitative team at Mackenzie. Recently this team underwent a management transition with the departure of Rick Weed. As a result, the Systematic Strategies Team was folded into the Multi-Asset Strategies Team led by Nelson Arruda and Todd Mattina.

### GLC Funds Impacted

Systematic Strategies Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Balanced Index Fund (GWLIM)**	GLC Trader	Larry Llaguno/Richard Zhu/Eric Ng	●	●
Canadian Equity Index Fund (GWLIM)**	GLC Trader	Larry Llaguno/Richard Zhu/Eric Ng	●	●
U.S. Index Registered (GWLIM)**	GLC Trader	Larry Llaguno/Richard Zhu/Eric Ng	●	●
Global Infrastructure Equity (London Capital)**	Robert Lee/ Pei Li	Larry Llaguno/Richard Zhu/Eric Ng	●	●
Canadian Low Volatility (LC)**	Robert Lee/ Pei Li	Larry Llaguno/Richard Zhu/Eric Ng	●	●

\*Note that the former grades are reflective of the most recently published grades (June 2020), which was prior to the announcement of the GLC acquisition, and the new grades incorporate changes as a result of the GLC acquisition by Mackenzie.

\*\*Note that the Systematic Strategies Team is now part of the Multi-Asset Strategies Team.

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### **IMR Rating**

All actively managed funds going to the Systematic Strategies Team will be placed “Under Review” status. The IMR team will closely monitor this transition. While we support this move, the IMR team recognizes that changes to leadership and team structure could cause some unintended friction. We will monitor to ensure the team move is seamless and the performance of the funds does not suffer.

Passive funds being managed by the former Mackenzie Systematic Strategies Team, which are managed to replicate an index, will not be placed ‘Under Review’.

### **Rationale for Rating**

Given the leadership and team changes resulting from Rick Weed’s departure the IMR team will be monitoring the following to gain comfort with these changes and potential impact to the funds:

- 1) Effective and seamless transition of the remaining Systematic Strategies team to the Multi-Asset Strategies Team led by Nelson Arruda and Todd Mattina.
- 2) No material impact to expected risk and performance metrics as a result of this change
- 3) Continuity in the investment team. In particular, we will be watching for change in team dynamics, morale, and any potential key team departures that may occur as result of these changes.

### **Team**

As previously mentioned, the Systematic Strategies Team has been folded into the Multi-Asset Strategies team bolstering the resources available to both teams. The Systematic Strategies Team will continue to be responsible for managing index and specialty mandates with a quantitative approach. This team will benefit from combining its dedicated quantitative expertise to the larger multi-asset resources team including the addition of Pei Li from GLC.

### **Process**

The team takes a disciplined benchmark-relative approach, systematically ranking securities based on fundamental factors to capitalize on mispricing while mitigating and reducing any unwanted risks. This allows them to take a long-term view and ensures the process is consistent and repeatable over time.

### **Portfolio Characteristics**



This team utilizes an alpha model that is designed for each sector to recognize the unique alpha generation differences to overweight or underweight these factors, sector by sector. Majority of value add is designed to come from security selection, with the remainder stemming from asset allocation and geographic tilts. The use of a ranking system ensures proper diversification across these factors and market specific risks.

### **Performance and Risk Characteristics**

The Systematic Strategies Team has undergone multiple changes ranging from leadership to factors used in their investment process, leading to the IMR team to place these actively managed funds “Under Review”. The IMR team will continue to monitor the evolution of this team and its process through the integration into the larger Multi-Asset Strategies team. We expect the team’s performance and risk characteristics to become more aligned with the Multi-Asset Strategy team who utilizes a pension style approach and has a history of strong risk management.

## US Growth Team:

### GLC Funds Impacted

US Growth Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
U.S. Mid Cap Fund (London Capital)	Brenda Nicholls	Phil Taller		

\*Note that the former grades are reflective of the most recently published grades (June 2020), which was prior to the announcement of the GLC acquisition, and the new grades incorporate changes as a result of the GLC acquisition by Mackenzie.

### IMR Rating

No change.

### Rationale for Rating

Lead manager Phil Taller is already subject to the IMR process regarding a similar U.S. Equity fund which is currently available on the platform. The IMR team is comfortable with Taller's ability within this investable universe. There is no change to the IMR rating on this fund.

### Team

The Mackenzie Growth Team led by Phil Taller, is an award-winning growth manager with a proven track record. Taller has 30 years of investment experience and has been managing the Mackenzie U.S. Mid Cap strategy 17 years, and is supported by a highly experienced team of 4 people (Portfolio Manager, Associate Portfolio Manager, Trader and Investment Director).

### Process

Taller uses a bottom-up portfolio construction approach to deliver strong performance over a full market cycle focusing on high-quality, innovative businesses of all sizes and in all sectors. This has been a consistent approach utilized by Taller for nearly two decades.

### Portfolio Characteristics

Clients can expect the portfolio under Taller to be more concentrated, focusing on secular growth businesses offering robust return potential across market cycles. The Fund will have increased exposure to small cap names which could lead to potential increased volatility and return expectations.

### Performance and Risk Characteristics

The Mackenzie U.S. Mid Cap Fund managed by Taller has consistently outperformed peers in the U.S. small/mid cap peer group. While the manager's growth style of investing may lead to increased risk, the long-term results garnered by Taller have more than made up for it. The Fund has been a strong 1<sup>st</sup> quartile performer over the long-term 3 and 5-year period (as of December 31, 2020).

## Bluewater Team:

### GLC Funds Impacted

Bluewater Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
U.S. Equity Fund (London Capital)	Brenda Nicholls/ Martin Rose	David Arpin	●	●
U.S. Large Cap Equity Fund (London Capital)	Brenda Nicholls/ Martin Rose	David Arpin	●	●

\*Note that the former grades are reflective of the most recently published grades (June 2020), which was prior to the announcement of the GLC acquisition, and the new grades incorporate changes as a result of the GLC acquisition by Mackenzie.

### IMR Rating

No change.

### Rationale for Rating

The Bluewater Team is taking over the mandate and not changing their process. The team will manage GLC funds as they have other similar U.S. equity funds for several years. The IMR team has long standing familiarity with the Mackenzie Bluewater Team, who have shown a long track record and consistent outperformance in managing U.S. equities.

### Team

The Mackenzie Bluewater Team is led by Dina DeGeer and David Arpin who have extensive experience of 35 and 25 years respectively managing growth-oriented equity portfolios. The team has existing Canadian, U.S. and global growth equity mandates. Dina and David are supported by an experienced team of 3 individuals (Portfolio Manager, Associate Portfolio Manager and Investment Director).

### Process

Bluewater invests in global companies with a focus on strong management teams that create value for shareholders over the long term, with a focus on free cash flow. The team strives to invest in companies trading at a discount to their assessment of fair value, and their consistent repeatable process has rewarded their clients over the long term.

### Portfolio Characteristics

Clients should expect a consistent core to growth mandate utilizing an all capitalization structure. The Fund will have similar geographic exposure to the former mandate, with some limited exposure outside of the U.S.

### Performance and Risk Characteristics

The comparable Mackenzie US Growth Fund managed by Arpin has outperformed peers (1<sup>st</sup> or 2<sup>nd</sup> quartile over 1, 3 and 5 years trailing to December 31, 2020) in the U.S. Equity category. Bluewater typically manages highly concentrated portfolios which may increase risk, however their keen focus on free cashflow and investing in global leaders, helps mitigate risk with less exposure to cyclicity.



## Global Quantitative Team:

### GLC Funds Impacted

Global Quantitative Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
U.S. Value (London Capital)	Robert Lee/ Pei Li	Arup Datta	●	●

\*Note that the former grades are reflective of the most recently published grades (June 2020), which was prior to the announcement of the GLC acquisition, and the new grades incorporate changes as a result of the GLC acquisition by Mackenzie.

### IMR Rating

No change. The Fund remains “Under Review.”

### Rationale for Rating

25+ year industry veteran Arup Datta has previous experience running both U.S. Large Cap Core (combining Core and Value) and U.S. Large Cap Value portfolios for 8+ years at his previous firm Numeric Investors (1994-2012). However, his U.S. Value track record dates back to his time at his previous firm, and he does not have a continuous track record to port over to Mackenzie. The IMR team would like to continue to monitor the evolution of the pure value mandate. The U.S. Value (London Capital) Fund is currently “Under Review” due to poor performance, though we expect to see improvements under Arup’s leadership. Given we need to build comfort with the Global Quantitative Team’s ability to manage a U.S. Value mandate at Mackenzie, the Fund will remain ‘Under Review’.

### Team

The Mackenzie Global Quantitative Equity Team is led by Arup Datta. He is supported by a deep research pool of 5 dedicated analysts. The investment team has an average of 15 years of industry experience and has a history working together dating back to their prior firm. The Global Quantitative Team will assume responsibility for the U.S. Value Fund formerly managed by Pei Li and Robert Lee. Pei Li will be joining the Multi-Asset Strategies Team, supporting other mandates.

### Process

This team uses a proprietary multi-factor quantitative approach to investing, allowing them to tactically position their mandates for all investing environments. This team has a core focus that aims to add value across a variety of market environments. The approach includes daily rebalancing and trading, utilizing a predictive transaction cost model with heightened focus on capacity.

### Portfolio Characteristics

The mandate typically has 150 holdings of which about 25% will be in the top 10. The Fund include mid-cap exposure, while selectively overweighting/underweighting specific sectors (+/- 2%).

### Performance and Risk Characteristics

While Arup and team do not currently manage a U.S. Large Cap value portfolio for Mackenzie using a quantitative approach, he did manage U.S. Large Cap Core (combining Core and Value) and U.S. Large Cap Value portfolios for 8+ years at his previous firm Numeric Investors (1994-2012). This previous track record suggests the Global Quantitative Team will be able to

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add value over the benchmark while having positive risk-adjusted returns, however the IMR team will be monitoring this transition closely.

### Resource Team:

#### GLC Funds Impacted

Resource Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Canadian Resources Fund (GWLIM)	Patricia Nesbitt/ Dylan Fricker	Benoit Gervais	●	●

\*Note that the former grades are reflective of the most recently published grades (June 2020), which was prior to the announcement of the GLC acquisition, and the new grades incorporate changes as a result of the GLC acquisition by Mackenzie.

#### IMR Rating

No change. The Fund remains “Under Review”.

#### Rationale for Rating

The deep and experienced Resource Team at Mackenzie will assume responsibility for the Canadian Resource Fund formerly managed by Dylan Fricker. Fricker will be joining the Mackenzie GLC Team and be responsible for other mandates. Historically performance has lagged in this mandate under the management of GLC, and the Fund has been “Under Review”. In Spring 2021 this mandate will change from Canadian to Global, to broaden the opportunity set and better align with the existing mandates managed by the Mackenzie Resource Team. While we view this as a positive change the IMR team will need to continue to monitor the management and the transition to the global investment strategy over time.

#### Team

The Mackenzie Resource Team is led by Benoit Gervais and includes Onno Rutten, Scott Prieur and one dedicated analyst. Senior members (Benoit and Onno), have been working together since 2001.

#### Process

The team aims to provide above-average capital appreciation from equity investments in natural resource companies. The team believes that a company’s ability to generate sustainable free cash flow over a full pricing cycle combined with management’s acumen in allocating capital wisely, are key drivers of long-term value creation.

In Spring 2021 this mandate will change from Canadian to a Global Resource mandate, to better align with the existing mandates managed by the Mackenzie Resource Team.

#### Portfolio Characteristics – What to Expect

Given the mandate will be more globally focused (benchmark 55% MSCI World Energy/45% World Materials) and less concentrated than the Fricker-managed mandate, this should ultimately lead to a more diversified experience for clients. This is key as Canadian clients typically have a home-country bias, and therefore likely have considerable exposure to natural resource holdings, due to the sector’s dominance in the S&P/TSX Composite Index. Owning a

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more global mandate may lower any overlap in client resources holdings, and broaden the opportunity set for the managers when this fund becomes a global mandate in the spring.

### **Performance and Risk Characteristics – What to Expect**

Overall, the new positioning of the mandate should help increase returns and lower risk in this typically volatile asset class. Gervais and team have been able to achieve strong long-term performance, with their more globally focused mandate. The team uses a proprietary multifactor risk model which provides optimal portfolio allocation while minimizing risk and trading costs.

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Appendix – Impacted Funds and Final IMR Grades

Mackenzie GLC Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Canadian Dividend (Laketon)	Brad Cann	Brad Cann	●	●
Canadian Equity (GWLIM)	Patricia Nesbitt	Patricia Nesbitt	●	●
Dividend (GWLIM)	Clayton Bittner	Clayton Bittner	●	●
Mid Cap Canada (GWLIM)	Bryan Shearer	Bryan Shearer	●	●
Science & Technology Fund (London Capital)	Martin Rose	Martin Rose/Brenda Nicholls	●	●
SRI Canadian Equity (GWLIM)	Dylan Fricker	Dylan Fricker	●	●
U.S. Dividend (GWLIM)	Clayton Bittner	Clayton Bittner	●	●
North American Equity Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Canadian Value Equity Fund (Laketon)	Ryan Marcy	Will Aldridge	●	●
Fixed Income Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Canadian Bond Universe Index Fund (Portico)	Dale Haynes	Konstantin Boehmer/Felix Wong/Caroline Chan/ Jeff Li	●	●
Core Plus (Portico)	Janet Salter/ Mark Hamlin	Mark Hamlin/Steve Locke/Felix Wong/Caroline Chan	●	●
Canadian Bond Fund (Portico)	Dale Haynes	Steve Locke/Felix Wong	●	●
Core Bond (Portico)	Dale Haynes	Steve Locke/Felix Wong	●	●
Corporate Bond (Portico)	Janet Salter/ Mark Hamlin	Steve Locke/Felix Wong	●	●
Government Bond (Portico)	Janet Salter/ Mark Hamlin	Steve Locke/Felix Wong	●	●
Money Market (LK) Fund (Portico)	Dale Haynes	Steve Locke/Felix Wong	●	●
Money Market (Portico)	Dale Haynes	Steve Locke/Felix Wong	●	●
Short Term Bond (Portico)	Jenny Wan	Steve Locke/Felix Wong	●	●
SRI Bond (Portico)	Natalie Laden	Steve Locke/Felix Wong	●	●
Canada Life Fixed Income Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Ultra Long Term Bond Fund (Portico)	Mark Hamlin/Dale Haynes/Alexa Richardson	Alexa Richardson	●	●
Long Term Bond (Portico)	Mark Hamlin/Dale Haynes/Alexa Richardson	Alexa Richardson	●	●
Real Return Bond (Portico)	Mark Hamlin/Dale Haynes/Alexa Richardson	Alexa Richardson	●	●
Mortgage (Portico)	Suvir Haripersad	Suvir Haripersad	●	●
Commercial Mortgage (Portico)	Suvir Haripersad	Suvir Haripersad	●	●
Multi-Asset Strategies Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Diversified (GWLIM)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
Equity/Bond Fund (GWLIM)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
SRI Balanced Fund (GWLIM)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
Diversified Fund (London Capital)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
Global Monthly Income Fund (London Capital)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
North American Balanced Fund (London Capital)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
Income (Portico)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
Diversified (GWLIM/GLC)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
Equity/Bond (GLC)	Global Multi-Asset Strategy team (GMAS)	Nelson Arruda/ Todd Mattina	●	●
Systematic Strategies Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Balanced Index Fund (GWLIM)**	GLC Trader	Larry Llaguno/Richard Zhu/Eric Ng	●	●
Canadian Equity Index Fund (GWLIM)**	GLC Trader	Larry Llaguno/Richard Zhu/Eric Ng	●	●
U.S. Index Registered (GWLIM)**	GLC Trader	Larry Llaguno/Richard Zhu/Eric Ng	●	●
Global Infrastructure Equity (London Capital)**	Robert Lee/ Pei Li	Larry Llaguno/Richard Zhu/Eric Ng	●	●
Canadian Low Volatility (LC)**	Robert Lee/ Pei Li	Larry Llaguno/Richard Zhu/Eric Ng	●	●
US Growth Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
U.S. Mid Cap Fund (London Capital)	Brenda Nicholls	Phil Taller	●	●
Bluewater Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
U.S. Equity Fund (London Capital)	Brenda Nicholls/ Martin Rose	David Arpin	●	●
U.S. Large Cap Equity Fund (London Capital)	Brenda Nicholls/ Martin Rose	David Arpin	●	●
Global Quantitative Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
U.S. Value (London Capital)	Robert Lee/ Pei Li	Arup Datta	●	●
Resource Team	Former Lead PM	New Lead PM	Former Grade*	New Grade*
Canadian Resources Fund (GWLIM)	Patricia Nesbitt/ Dylan Fricker	Benoit Gervais	●	●

\*Note that the former grades are reflective of the most recently published grades (June 2020), which was prior to the announcement of the GLC acquisition, and the new grades incorporate changes as a result of the GLC acquisition by Mackenzie.

\*\*Note that the Systematic Strategies Team is now part of the Multi-Asset Strategies Team.