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## HIGHLIGHTS

- Mutual fund assets under management were \$46.0 billion at December 31, 2013, an increase of 13.9% from the previous year.
- Mutual fund gross sales were \$6.7 billion, up 22% from the prior year's level of \$5.5 billion and reflect our best result in the last five years.
- Mutual fund net redemptions were \$0.5 billion, an improvement of \$1.5 billion relative to net redemptions of \$2.0 billion during 2012.
- Total assets under management were \$65.3 billion at year-end, up 6.2% from the previous year.

## Mackenzie INVESTMENTS

Mackenzie provides investment management services through multiple product offerings utilizing proprietary investment research and experienced investment professionals. We distribute our investment services through industry distribution channels to both retail and institutional investors.

## REPORT ON OPERATIONS

In 2013, Mackenzie redefined our strategic direction, enhanced our investment team, streamlined our product lineup and branding, and focused on business growth.

Senior leaders across Mackenzie collaborated to assess our business, both on absolute terms and relative to the competitive landscape. Following extensive research and analysis, a new vision and key strategies emerged.

Our new vision: We are committed to the financial success of investors, through their eyes.

Our new key strategies:

- Get the basics right every time, everywhere
- Deliver competitive and consistent risk-adjusted performance
- Transform distribution to drive sales and market share
- Deliver high-quality products to investors and advisors and actively anticipate their future needs
- Advocate for strong, advice-driven financial solutions for investors
- Build a winning culture

In 2014, we will be investing in a number of key initiatives to execute on our new strategy.

## INVESTMENT MANAGEMENT

The quality and depth of investment research, and the talent of Mackenzie's portfolio managers and sub-advisors, have all contributed to our ability to provide clients with consistent long-term investment performance results. As at December 31, 2013, 43% of Mackenzie fund assets were rated 4 or 5 Star by Morningstar,<sup>†</sup> and 72% were in the first or second quartile relative to their peers over the most recent 10-year period.

Mackenzie earned three Lipper Fund Awards in 2013. For the fifth year in a row, Mackenzie Sentinel Income Fund was the best fund in its category over the past 10-year period. Mackenzie Sentinel Strategic Income Fund and Mackenzie Ivy Enterprise Fund were winners in their respective categories

over the past three-year period. Mackenzie was also recognized for winning 18 FundGrade A+ Rating awards that honour funds with consistent strong risk-adjusted returns.

Under the leadership of Chief Investment Officer Tony Elavia, the investment management team continued to grow in depth and breadth as several key investment professionals were added. For instance, the fixed-income team welcomed new expertise in high yield, floating rate and global bonds. We also added a new leader to the Mackenzie Asset Allocation Team and an entirely new Mackenzie Global Equity & Income Team that focuses on the growing investor need for regular cash flow.

## PRODUCT FOCUS

In 2013, through 27 fund mergers and a number of fund enhancements and changes to fund investment objectives, we significantly revitalized our product lineup to meet the evolving needs of investors and their advisors.

We launched Mackenzie Strategic Bond Fund and Mackenzie Floating Rate Income Fund, two

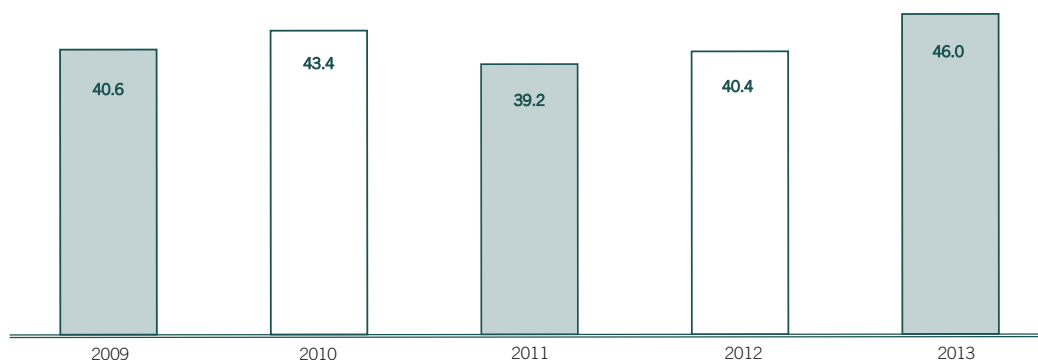
in-demand strategies designed to satisfy investors' heightened desire for income and more defensive investing. We also launched Mackenzie All Cap Dividend Class for those investors wanting exposure to the successful all-cap strategy of Mackenzie Canadian All Cap Dividend Fund with a higher degree of foreign content.

Among our fund enhancements, the fixed-income portions of Mackenzie Ivy Global Balanced Fund, Mackenzie Ivy Growth & Income Fund and Mackenzie Cundill Canadian Balanced Fund are now managed by the Mackenzie Fixed Income Team. With the changes, the fixed-income portion of all Mackenzie Investments' balanced funds will be managed by a dedicated fixed-income team.

To help investors and their advisors navigate our product shelf more easily, we changed many fund names to provide better consistency, transparency and clarity of each fund's investment objective. We followed a clear and simple naming logic to make it more convenient for clients to choose an appropriate fund; each fund name adequately describes its investment mandate and objective.

### Mutual Fund Assets under Management

As at December 31 (\$ billions)



We launched the Mackenzie Private Wealth Program that offers a continuum of value-added benefits and services – including tiered pricing that becomes more attractive as investment levels increase – designed for households with more than \$100,000 to invest. The program provides a convenient, practical way to help investors build, manage and protect capital while working to achieve their long-term financial goals.

To provide do-it-yourself (DIY) investors with a fair option, we created a Series D of our funds for the discount brokerage channel. DIY investors typically pay a fee to the dealer for advice, even though they don't want or receive any advice. With this new Series D option, the advice component of the fee is removed. While our primary focus has always been on supporting advice and the advisors who provide this essential service, for the small percentage of fund investors who choose the DIY route, Series D is a fair solution.

## **DISTRIBUTION**

Mackenzie's distribution efforts cover the market, with teams focused on the retail, strategic alliances and institutional channels, ensuring that we are positioned to serve the needs of different clients.

The strength of our retail distribution network is built on our long-standing and expanding relationships with financial advisors, consultants and representatives across the breadth of our distribution channels. These relationships allow our products to be efficiently distributed through retail brokers, financial advisors, insurance agents, banks, pension consulting firms and financial institutions, giving us one of the broadest retail distribution platforms in Canada.

Mackenzie proceeded with the second stage of our integrated communications strategy to address investor concerns, under the tagline "Take Control." Through print and online advertising, we acknowledged investor

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caution and emphasized the importance of financial advice, as well as strategies to address investor needs in a low yield, high volatility environment. The impactful, solutions-based messaging continues to resonate with our clients and helps our sales team work with advisors to meet investor needs. We also continued to enhance our institutional capabilities, building on the 2012 relaunch of our institutional business.

## **CORPORATE SOCIAL RESPONSIBILITY**

In 2013, Mackenzie undertook activities that support our continuing commitment to economic development while improving quality of life for our employees, industry and communities.

### **Employee initiatives**

- From a diversity perspective, we continued our partnership with the Toronto Regional Immigrant Employment Council (TRIEC). Our employees mentored new immigrants and helped them integrate into the labour market.

### **Operations**

- Mackenzie is also committed to environmental issues such as reducing the impact on forests through the responsible use of paper. We encourage clients to receive electronic statements and reports rather than printed copies. We also constantly monitor

what materials we print and the quantities printed. Many items are only printed upon specific request. All vendors and paper stock we select are Forest Stewardship Council (FSC) certified.

### Industry involvement

- Mackenzie has taken on a leadership role in investment funds and financial services industry affairs through participation in key industry associations. We continue to have representation on the Board of Directors of the Investment Funds Institute of Canada (IFIC) to ensure our voice is heard on key initiatives and issues affecting the industry.
- We also sit on the Board of Directors of the Toronto Financial Services Alliance, a public/private initiative of individuals seeking to enhance and promote the competitiveness of Toronto as a premier North American financial services centre.

### Community activities

- We support charities across the country through the Mackenzie Investments Charitable Foundation, our corporate giving and our employee volunteer programs. Our focus is on charities that benefit underprivileged, challenged and sick children, youth and young adults, especially children and youth at risk. We also focus on financial literacy.

Mackenzie remains dedicated to providing clients with high-quality, innovative investment solutions that meet their needs.

- The Mackenzie Charitable Giving Fund offers Canadians a donor-advised giving program designed to manage their ongoing charitable giving and leave their own community legacy. Developed with the Strategic Charitable Giving Foundation, this program builds the capacity of hundreds of charities across Canada.
- In each of the last six years, Mackenzie has named Canada's Top Teen Philanthropist in a coast-to-coast competition. Entrants submit an essay on their volunteering and fundraising activities. By engaging youth, this contest reflects Mackenzie's broader commitment to philanthropy in communities.

Mackenzie remains dedicated to providing clients with high-quality, innovative investment solutions that meet their needs and strives to maintain strong long-term investment performance across our multiple product offerings. We are proud of our track record, our people and our business.