

# Mackenzie Bluewater Next Gen Growth Update

## *AI - What did we learn in 2025? Risks to Monitor and Positioning for 2026*

With 2025 now firmly in the rear-view mirror, we thought it was an opportune time to reflect on the market environment including what we learned in 2025 as it relates to AI and the build out of this transformative technology.

### What did we learn?

- AI is real and transformative and impacting all businesses.
- AI is no longer an add-on capability, it's a **general-purpose layer**, comparable to electricity, cloud, or the internet.
- Models have become commoditized.
- The winners have embedded **AI deeply in terms of “workflows, pricing, user interaction, cost structures”**.
- **Value accrued to firms that control AI distribution (platforms, ecosystems) or own irreplaceable data.**
- The **AI trade has broadened out** from the early players, and we are now seeing broader participation from key industry participants.
- **Real world AI applications are taking off.** We are seeing this both internally and from corporates we speak to. Examples include coding, customer support automation, digital advertising, healthcare (document automation/radiology), financial services (compliance, fraud detection), AI agents being applied to operations and logistics, legal, etc.

### Risks to monitor....

- The main risks to monitor include not overpaying, risk of overbuilding, leverage, overestimating the durability of growth and business models, and underestimating competition and innovation.
- The **capital intensity required for AI infrastructure could overwhelm returns.** While we believe AI will reshape the economy, this does not guarantee attractive returns for investors.
- As students of the market, large infrastructure build outs while good for overall society (i.e. railroads, internet, electricity) have historically come with the **risk of misallocation of capital** and the tendency to 'overshoot'.
- The **use of leverage**, circular financing and off-balance sheet exposure such as 'Special Purpose Vehicles' increase the overall level of risk.
- Transformative technologies have rarely rewarded the obvious early leaders; this creates greater risk and uncertainty of analyzing company advantages, moats, and business model durability. There is **risk in assuming today's champions are tomorrow's leaders.**
- Retail option activity and FOMO behaviour suggest that risk has drifted beyond company fundamentals and crowding exists in pockets of the market.
- **Overall valuations have moved higher**, all else equal this increases the level of downside risk.
- *Lastly, most often the greatest risks are behavioural in nature where there is overconfidence in forecasts, anchoring to the upside, underestimating the downside, and where most AI losses will come from not misunderstanding AI but from **misjudging the uncertainty around it.***

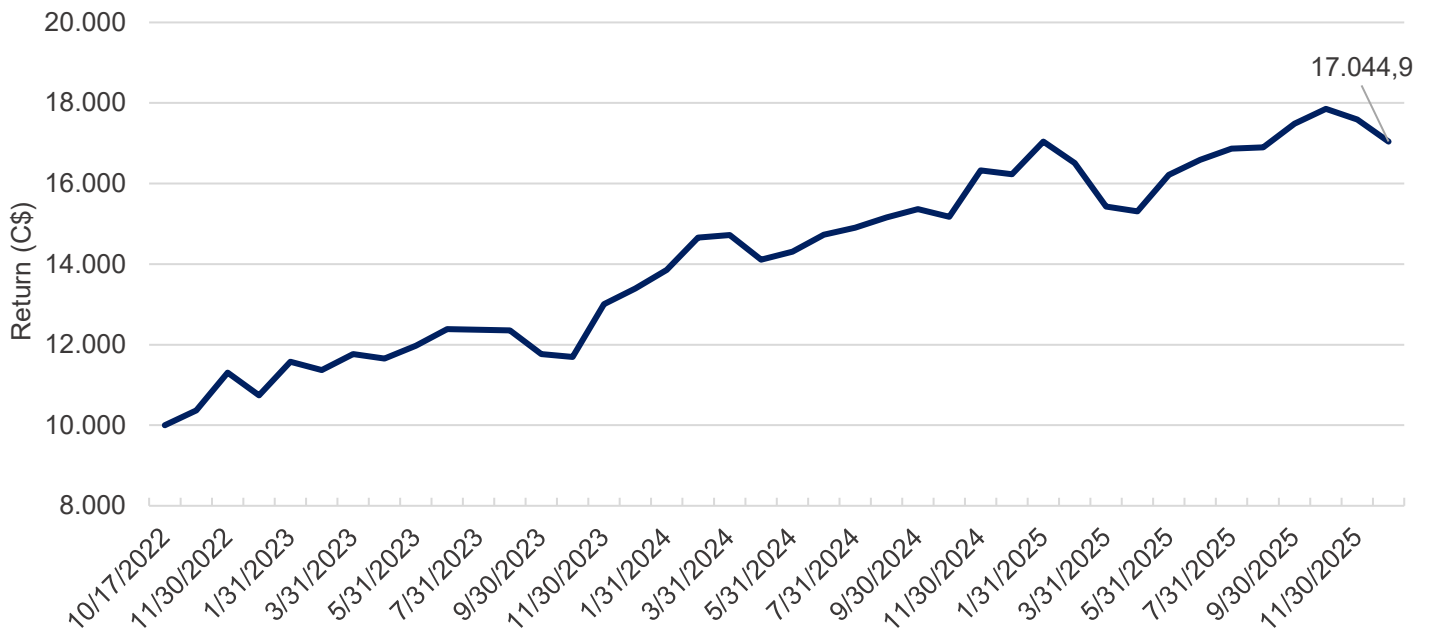
***“Bubbles are not caused by technology, but by investor psychology applied to technology” Howard Marks***

## How is Next Gen positioned?

For the Next Gen Growth strategy, our north star remains providing a high growth compounding ‘innovation’ vehicle for our clients, one that balances both risk and companies pursuing a strategy that prioritizes innovation through their products, services, and business models.

As a result of this relentless pursuit of innovation, Mackenzie Bluewater Next Gen Series F has achieved a since inception return of 18%.

### Growth of C\$10,000 since inception



Source: Morningstar Direct, as of December 31, 2025. Mackenzie Bluewater Next Gen Fund F Inception date October 17, 2022.

## AI positioning

We are focused on companies that play **essential, defensible roles in the AI ecosystem**, underpinned by proven business models and durable competitive advantages. Our exposure is NOT speculative “AI concepts,” but businesses that are **demonstrating how AI enhances existing franchises**, improves productivity, and reinforces long-term revenue streams.

We seek to **own enablers**, companies with strong fundamentals, recurring revenues, and meaningful free cash flow where AI acts as an accelerant to already robust economics rather than the sole pillar of the investment case.

Our approach reflects a deliberate balance: **we do not chase hype, but we do not ignore structural shifts**. AI represents a powerful and growing force across the global economy, yet history shows that periods of technological transformation are often accompanied by capital misallocation and uneven outcomes. We are therefore **selective, valuation-aware, and focused on resilience**.

In practice, this means avoiding the riskiest parts of the AI buildout where returns are most uncertain and maintaining exposure to companies best positioned to **compound value as AI adoption deepens over time**.

## Shopify

In mid-October 2024, we initiated a new position in Shopify. Shopify is not a new name for the team, having been a part of the initial IPO of the company in May 2015.

Shopify has evolved into a fully integrated, cloud-native commerce platform that enables merchants to build, scale, and operate seamlessly across both digital and physical channels. Secular tailwinds remain powerful: global e-commerce penetration is still underdeveloped, omnichannel retail has become a baseline expectation, and Shopify is increasingly moving upmarket into enterprise and B2B.

With a clear merchant-first philosophy and the rapid rollout of AI-driven tools, the company is not only benefiting from these trends but reinforcing its position as a long-term share gainer in global commerce. Investor debate has historically centered on the sustainability of free cash flow, particularly during Shopify's foray into logistics; with that chapter behind them, we believe the company has reached a meaningful inflection point in profitability.

Shopify continues to gain share in e-commerce, expand wallet share with existing merchants, and remains in the early stages of penetrating the enterprise market. Taken together, these dynamics support our conviction that Shopify is well positioned to compound durable free cash flow and create significant long-term value as AI enhances the platform over time.



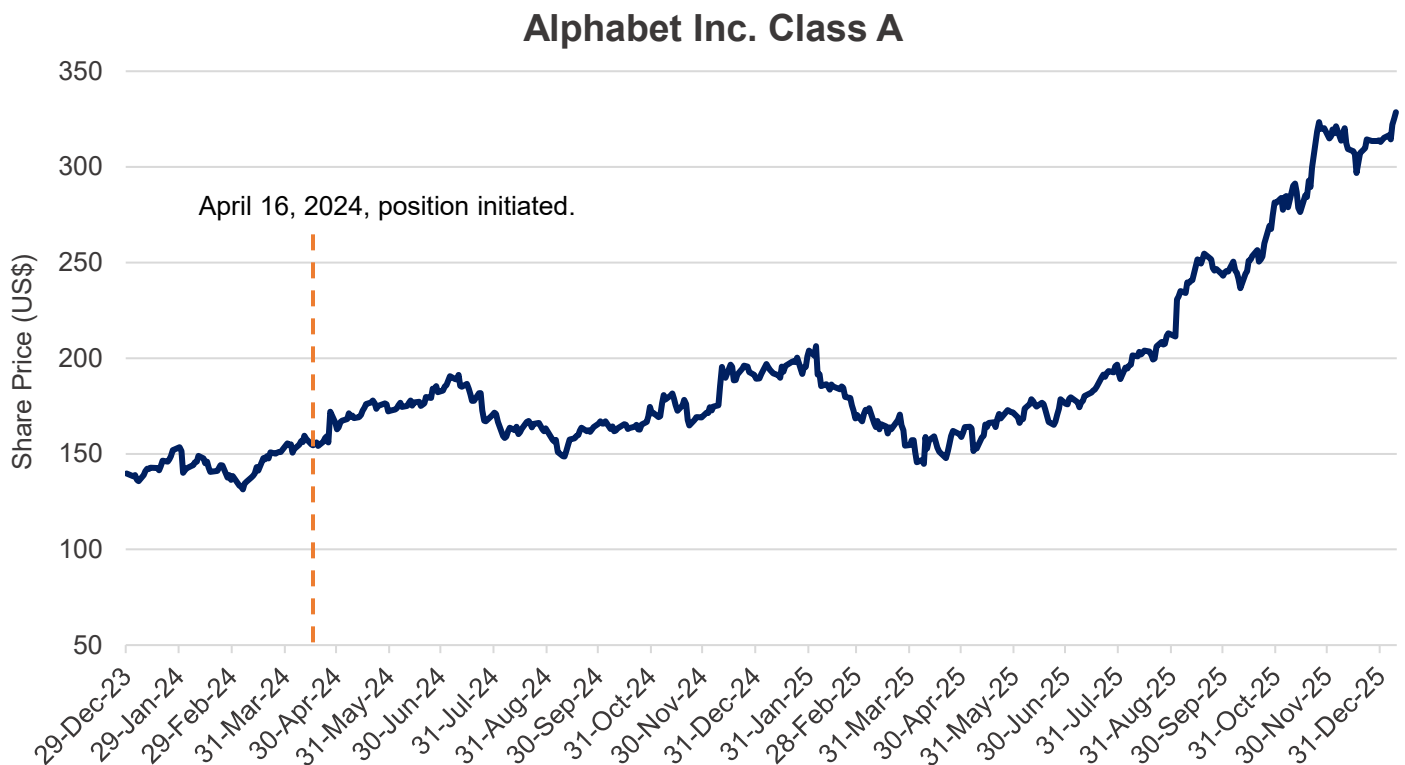
Source: Bloomberg, as of January 9, 2026.

## Alphabet (Google)

In 2024, many investors abandoned the stock amid concerns that generative AI would structurally disrupt Search. One year later, Alphabet has been the best-performing MAG name and a meaningful contributor to our performance.

Search remains one of the most powerful business models ever created, and recent results have reinforced its durability rather than undermined it. Alphabet continues to deliver strong operating performance while demonstrating clear AI execution, particularly through AI Overviews, which are monetizing at rates comparable to traditional search. Core search revenues remain healthy, alleviating concerns around material cannibalization.

Cost structure is a key advantage. Alphabet operates the lowest-cost AI infrastructure among leading model developers, driven by its in-house TPU capabilities. Combined with substantial free-cash-flow generation, this allows the company to fund AI investment internally while preserving financial flexibility and long-term earnings power. Beyond Search, assets such as YouTube, Google Cloud Platform, and Waymo provide meaningful long-term optionality, each benefiting from Alphabet’s AI leadership, data advantages, and global scale.



Source: Bloomberg, as of January 9, 2026.

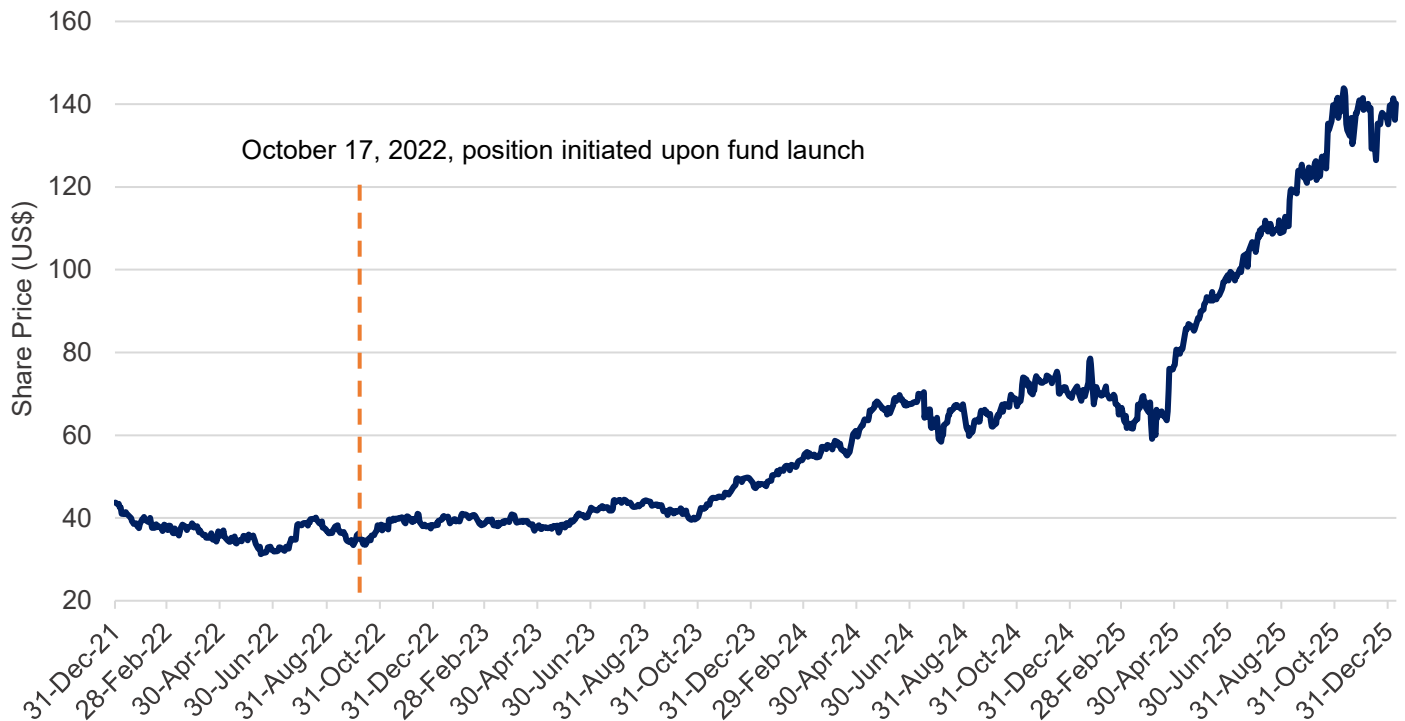
## Amphenol

Amphenol is incredibly well positioned and has been a strong contributor to portfolio performance.

As a leading supplier of highly engineered connectors and antennas, the company sits at a critical junction of rising computing intensity, system complexity, and data transmission requirements. The acceleration of AI, cloud infrastructure, and advanced electronics is driving greater connectivity needs across data centers, industrial systems, and communications equipment, all areas where Amphenol's solutions are increasingly essential.

Importantly, this growth is additive to long-standing secular trends toward higher electronic content per device, rather than dependent on any single technology cycle. The company's decentralized operating model, disciplined capital allocation, and relentless focus on cash flow have allowed it to compound value through multiple technology transitions. We view Amphenol as a durable enabler of AI adoption, benefiting from the buildout without assuming the risks inherent in more speculative parts of the ecosystem.

### Amphenol Corp. Class A

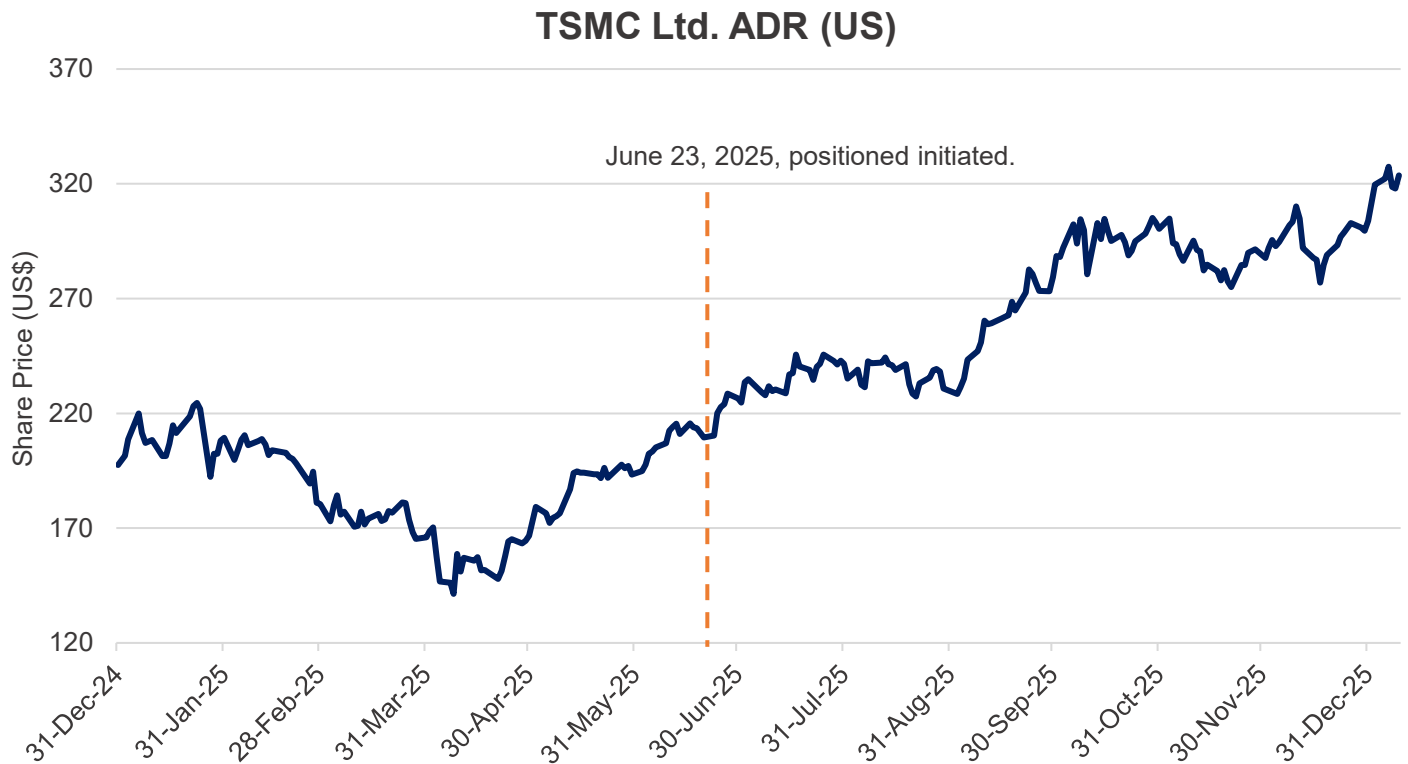


Source: Bloomberg, as of January 9, 2026.

## TSMC

TSMC is the ultimate enabler of the AI ecosystem, manufacturing advanced chips for virtually all of the world's leading fabless semiconductor companies, including Apple, Nvidia, and AMD. With approximately ~70% global foundry market share, TSMC benefits from unmatched economies of scale and a position that is extraordinarily difficult to replicate.

Barriers to entry are immense, requiring tens of billions of dollars in capital spending, sustained R&D investment, and decades of accumulated process know-how. The company's technological leadership is equally critical: TSMC is typically a full generation ahead of competing foundries, enabling customers to push performance, power efficiency, and yield improvements that are essential for AI workloads. These advantages translate into very high switching costs, deep customer relationships, and durable demand visibility. We view TSMC as a company that benefits from the long-term growth of AI and advanced computing while possessing the scale, discipline, and competitive insulation necessary to compound value through cycles.



Source: Bloomberg, as of January 9, 2026.

## Fund lead PM biographies



**Tyler Hewlett, CFA**  
SVP, Portfolio Manager  
Mackenzie Bluewater Team, Co-lead

Tyler Hewlett, Vice President, Investment Management, is a Portfolio Manager on the Mackenzie Bluewater Team.

Prior to joining Mackenzie Investments in 2022, Tyler worked for a leading global asset management firm for 15 years, most recently as lead portfolio manager and head of Growth Equities, focused on North American equity mandates. Tyler began his career in the investment industry in 2001.

Tyler has a BComm from Queen's University. He is also a CFA charterholder.



**Dave Taylor, CFA**  
VP, Portfolio Manager  
Mackenzie Bluewater Team

Dave Taylor, Vice President, Investment Management, is a Portfolio Manager on the Mackenzie Bluewater Team.

Dave joined Bluewater Investment Management in 2022. He worked for 10 years at a leading investment firm as a portfolio manager on a number of strategies. He also worked in equity research for a tier-one Canadian investment dealer, and at a high-net-worth investment boutique.

Dave has a BA (Hons.) from the University of Western Ontario and is a CFA charterholder.

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