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Mackenzie Monthly Income Portfolios

Investor brochure

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The best retirement life is yet to come.

Live long? Yes. Prosper? Yes, if you prepare.

German chancellor Otto von Bismarck introduced the first government pension in 1889. Since then, the concept of retirement income has become a huge success. Bismarck lived to 83, and many Canadians can expect to live as long or longer. With that in mind, the need for secure retirement income remains as strong as ever.

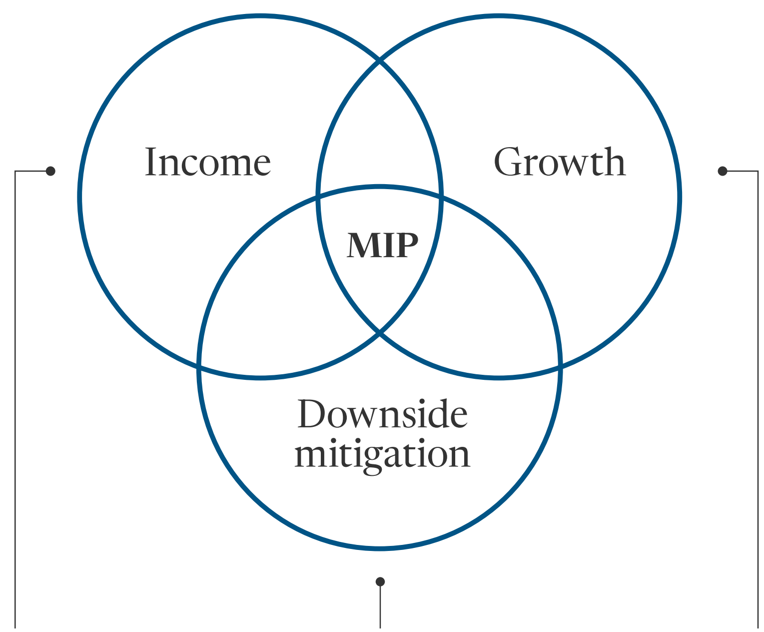
Your life changes in retirement, shouldn't your investments too?

As hundreds of thousands of people transition from banking a steady income and pursuing aggressive growth in their retirement accounts, to living off their investments, they realize their retirement portfolio will have to fulfill two goals: to provide sufficient income for their living expenses and to last decades. Living on investments, rather than employment income, presents several challenges: rising living costs (including health care), declining purchasing power, an unknown time horizon, a scarcity of viable income sources, and a volatile and uncertain investment landscape. A change in investment goals requires a change in investment approach.

There is a solution: Mackenzie Monthly Income Portfolios – all-in-one portfolios offering income, stability and growth.

Whether planning for retirement or already enjoying that new phase, it's always prudent to understand the challenges that come with generating and maintaining income from an investment portfolio. A financial advisor has solutions to help you plan, prepare and provide for your unique needs in retirement. Mackenzie can help.

Three objectives



- 4% fixed rate monthly distribution
- Dividends, interest and capital gains (return of capital as needed)

- Reduce the risk of a severe drawdown through the use of multiple defensive strategies, including options

- Diversified, managed exposure to growth assets such as equities and high yield bonds

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The retirement reality

Canadians are living longer

The average life expectancy is 86 years for someone 65 years of age today.[1] The average life expectancy for someone who has reached the age of 86 is 93 years of age. This means individuals should be prepared for a retirement that could last 21 years or more.

Increased sensitivity to investment risks

Retirees who do not have an independent income source to fully fund their day-to-day expenses, like a defined benefit pension plan, will likely depend on their savings and investments to produce income.

While individuals are in the workplace, they are focused on earning sufficient income to support their livelihood and to grow their nest egg. To manage inflation and life aspirations, income can be increased through developmental growth, gained experience and career pathing. Market turmoil can be an opportunity for greater capital accumulation through increased investment.

However, this changes in retirement, as the ability to increase income to manage inflation and rising costs is much more limited. Market turmoil is no longer an opportunity but a risk, as a significant erosion of the nest egg may severely impair future income.

With an investment approach focused on capital preservation, income generation and growth, the Mackenzie Monthly Income Portfolios are designed to help clients navigate these risks.

Retirees face new risks and are more sensitive to old risks. Here are a few:

Longevity risk: A top concern for retiring or retired Canadians, longevity risk is the risk that an individual will outlive their savings.

Inflation risk: Another top concern is inflation risk. Prices tend to rise over time and a $10 item today may cost $15 in a few years time. Inflation erodes the purchasing power of retirees.

Capital market risk: Large market declines can significantly affect the value of a retiree's portfolio and its ability to generate future income.

Sequence of returns risk: Related to capital market risk, sequence of returns risk is a function of timing. Large portfolio losses, especially long-lasting ones, sustained early in retirement, may significantly reduce the life of a portfolio.

1 Source: Statistics Canada, 2024

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Longevity risk, inflation risk and the need for growth

“Risk-free” investing is not risk-less investing

Transitioning your nest egg to risk-free investments, like guaranteed investment certificates (GICs), might sound like a good idea because it guarantees you won’t lose capital. However, ultra-low risk investments will likely not address longevity and inflation risks over the long term, as shown in Tables 1 and 2. Over the past 25 years, GIC returns trailed inflation and substantially trailed investments like equities and bonds. This is profoundly negative for your capital base, especially if your withdrawals exceed your gains. To maintain or slow the decline of your nest egg, you need to invest in a blend of risk assets that generate sufficient income and growth to support your cashflow needs, today and tomorrow.

TABLE 1 – Annualized returns and risk over the past 20 years[2]

	Return	Risk
1-year GIC	1.5	-
CPI	2.2	-
Bonds	3.7	4.5
Equities	9.5	11.6

TABLE 2 – Ability of a GIC to handle retirement risks

Risk	GIC
Market	✓
Inflation	X
Longevity	X

Ultra-low risk investments will likely not address longevity and inflation risks over the long term.

2 Source: Morningstar, as of March 31, 2025, based on monthly data. Standard deviation is the measure used for risk. Indices: FTSE Canada Universe Bond Index is used as a measure for bonds, MSCI World GR CAD Inex used for equities, the Canada consumer price index (CPI) is used for CPI.

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Capital market risk

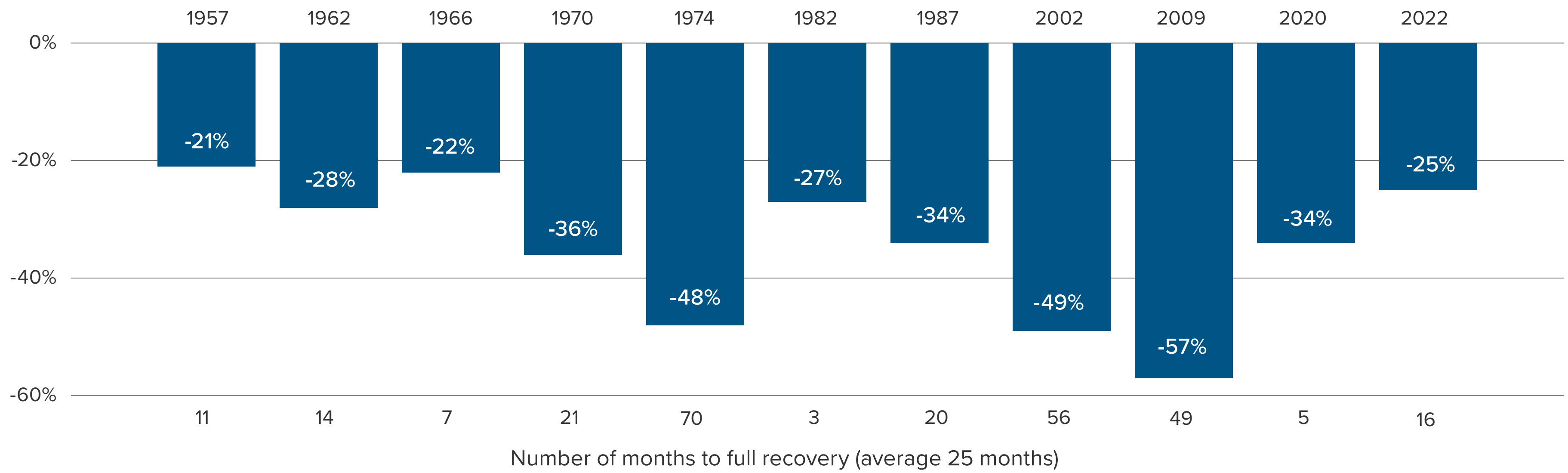
Market reality

When interest rates are low, retirees are likely to take on equity risk to generate sufficient returns to support their income needs. However, equity market crashes happen regularly.

Since 1950:

- The US has experienced 11 market crashes (drop of 20% or more).
- Market crashes occurred every six years, on average.
- Markets took an average of 25 months to recover.

Maximum drawdowns during previous market crashes



Source: Morningstar, based on S&P 500 price return in USD.

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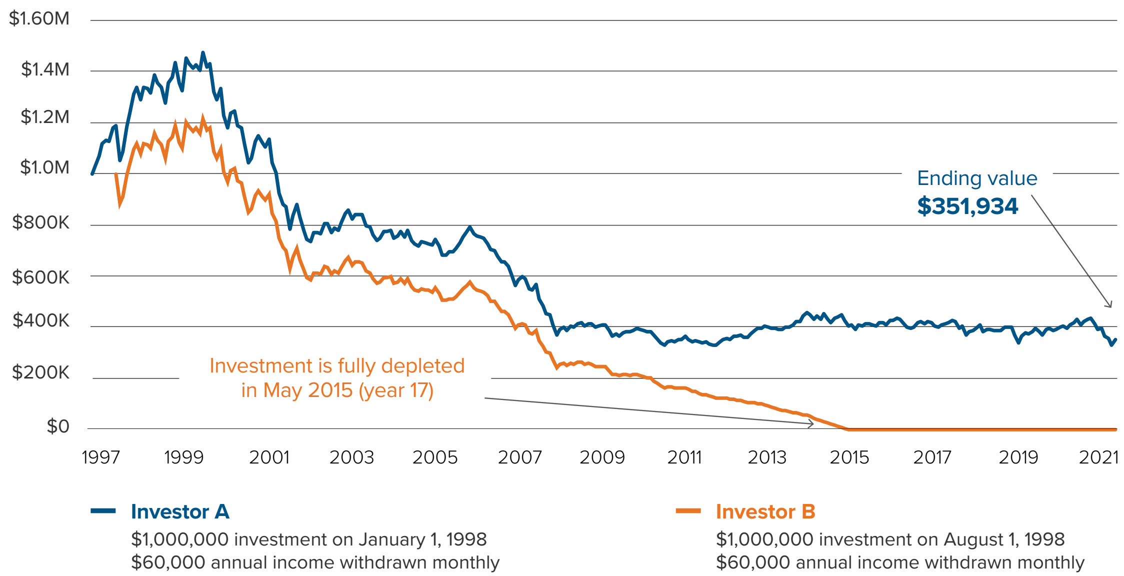
Sequence of returns risk

Market downturns can have a damaging impact on capital preservation.[3] When an investor is withdrawing an income from a portfolio, they must be aware that a large downturn can have serious consequences. If the total portfolio shrinks sharply, especially early in retirement, the withdrawals may become too large for the portfolio to bear, and it may never recover. This is called "sequence of returns risk" and it is one of the most critical risks retirees face.



This chart illustrates the significance of sequence of returns risk using actual market data. Investor A entered the market on January 1, 1998. Investor B entered seven months later on August 1, 1998, and was immediately hit by the Russian financial crisis.

Both investors then suffered the 2001-2003 equity bear market. Although the initial investments were made only seven months apart, the outcomes were entirely different.

Due to the steady pace of withdrawals, Investor B's portfolio was exhausted in just 17 years.

3 Source: Morningstar, based on S&P 500. For illustrative purposed only.

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Monthly Income Portfolios at a glance

Monthly income and risk-managed long-term growth

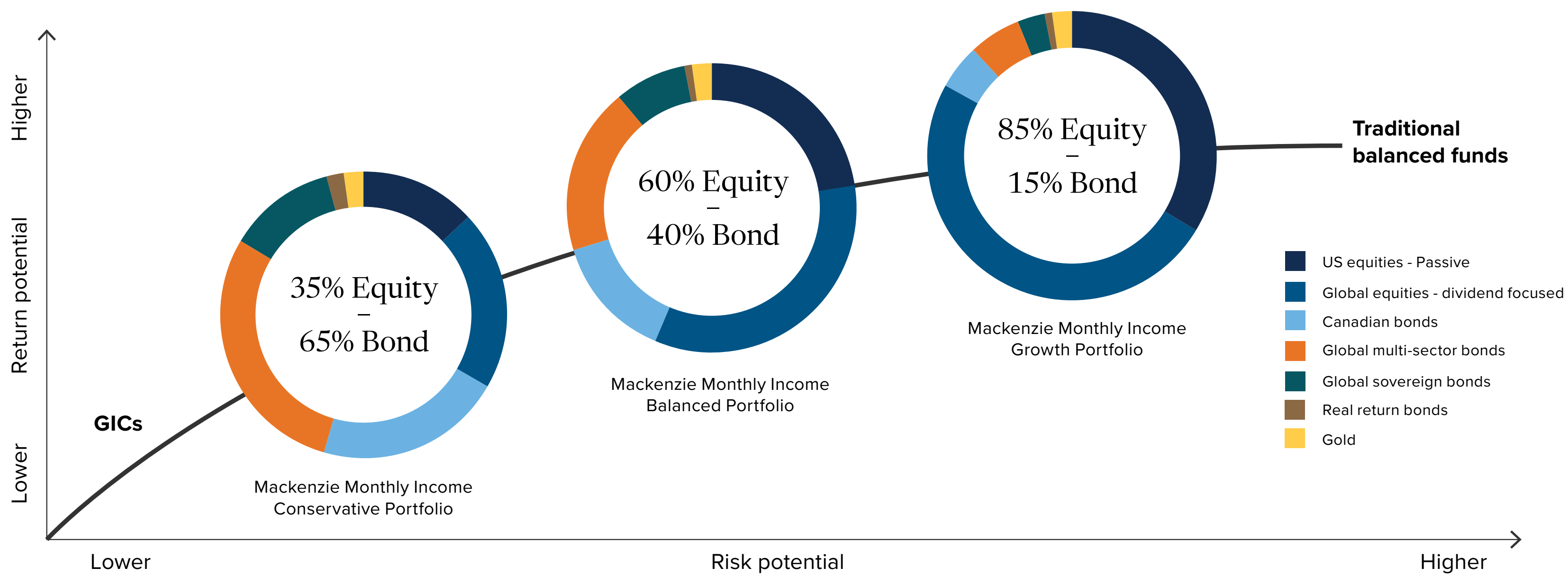
The Mackenzie Monthly Income Portfolios offer clients access to a diversified set of investments designed to deliver higher levels of income and generate long-term growth, while focusing on preserving capital.

Three portfolios

- Mackenzie Monthly Income Conservative Portfolio
- Mackenzie Monthly Income Balanced Portfolio
- Mackenzie Monthly Income Growth Portfolio

These three funds are positioned in a sweet spot that can offer higher growth and cash flow potential than GICs and better capital preservation properties (downside mitigation) than traditional balanced funds.

Favourable risk-return profile



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Risk mitigating design

To combat higher sensitivities to market risks retirees face, the Mackenzie Monthly Income Portfolios have been carefully constructed to provide investors with a balance of income and long-term capital appreciation, with reduced volatility. Here are the various elements that contribute to the portfolios' overall defensive strategy.

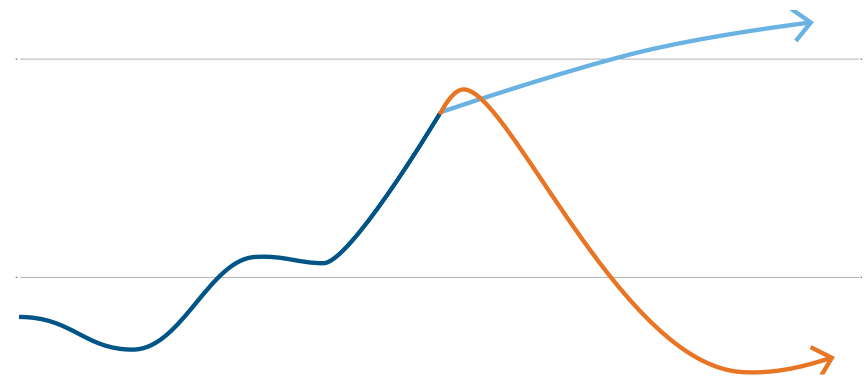
Diversification: Different asset classes behave differently across scenarios of economic stress. For example, gold has been shown to perform well during periods of high inflation. Government bonds work well to offset falling equity prices during recessionary periods. The economies of individual countries follow their own business cycles and when one is trending down, others may be experiencing the opposite. Investing in a broad set of asset classes, across geographies helps moderate overall portfolio risk.

Actively managed fixed income funds: Managers shift across geographies, sectors, durations and credit qualities to optimize returns, and reduce downside exposure.

Equity focus on stability and quality: The portfolios' high dividend strategy focuses on selecting lower volatility, higher quality companies which tend to offer more consistent returns and better downside protection during market downturns.

Options for enhanced protection: What truly sets these portfolios apart from traditional balanced funds is the options-based hedging strategies that are employed for equities and high-yield bonds. Unlike many of the defensive strategies described above which rely on asset class relationships (correlations), the use of options can act like an insurance policy and help directly mitigate losses. The illustration on the right demonstrates the mechanics of the equity options strategy.

Equity downside risk mitigation: the collar strategy[4]



Put options
Helps to eliminate the downside.

Call options
Sell some of the upside to compensate for the downside.

- A "put" strategy limits the downside of an investment relative to the market's performance by locking in a selling price.
- To fund the cost of the "put" strategy, "calls" are sold, which sell some of the upside performance to another investor.
- The use of puts and calls together in this way is called a "collar" which helps manage the range of return outcomes, illustrated by the grey lines in the graphic above.

4 Hypothetical market performance.

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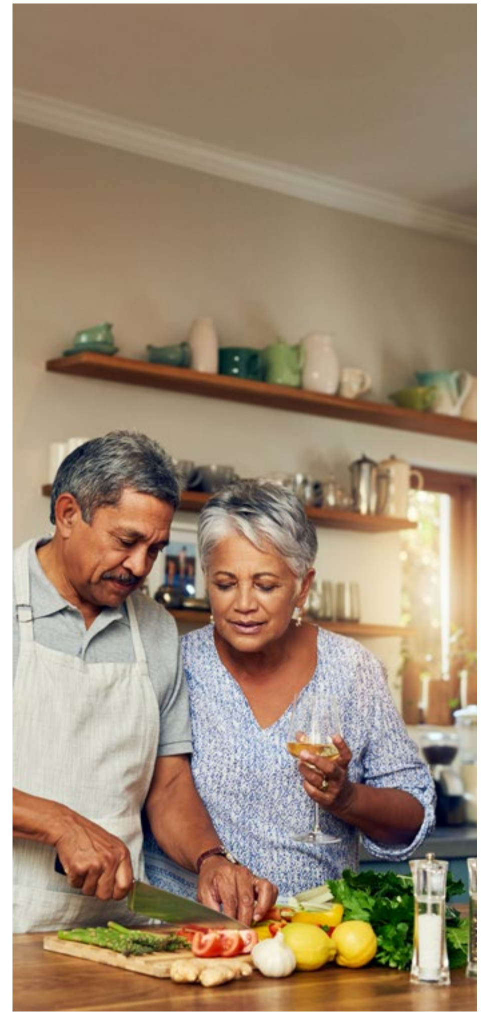
Navigating market challenges for retirees

Higher inflation rates and market volatility combined with increasing longevity and a longer investment horizon may appear to be the perfect storm for older investors. The reality is retirees need their portfolios to deliver both growth and security and they require a predictable cash flow throughout their retirement.



Mackenzie Monthly Income Portfolios offer the following key benefits:

1. Monthly predictable cash flow: 4% fixed rate monthly distribution (or higher).**
2. Built-in downside mitigation: the portfolios use traditional and non-traditional, sophisticated options strategies, to mitigate downside risk.
3. Growth with an income focus: exposure to multiple types of growth assets aimed at generating higher levels of income.
4. Experienced management team: the Mackenzie Multi-Asset Strategies Team has extensive asset allocation and risk management experience honed at large and sophisticated Canadian institutions. They bring decades of experience growing portfolios in a risk managed way and protecting wealth using a wide variety of assets and strategies.

Mackenzie Monthly Income Portfolios are built for investors who:

- Are concerned about investing at the “wrong time” and suffering sharp portfolio losses;
- Want the option of drawing income from their portfolio; and
- Need potential growth but delivered in a way that acknowledges market risks.

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Why invest with Mackenzie

As a Canadian-owned global asset management provider, we've been helping advisors deliver the best possible advice and investment solutions for more than 50 years. With over $213.7 billion in assets under management* and a comprehensive line of investment solutions, we are one of Canada's leading asset management companies. Our journey began with one client and one advisor working together, and though we've grown, we remain committed to the same belief, advice matters. When we work together with advisors and investors, we can achieve better financial outcomes.

Talk to an advisor about how you can enjoy consistent cash flow and growth with less risk with Mackenzie Monthly Income Portfolios.

* As of April 30, 2025.

** The payment of distributions is not guaranteed and may fluctuate. The payment of distributions should not be confused with a fund's performance, rate of return or yield. If distributions paid by the fund are greater than the performance of the fund, your original investment will shrink. Distributions paid as a result of capital gains realized by a fund, and income and dividends earned by a fund are taxable in your hands in the year they are paid. Your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base goes below zero, you will have to pay capital gains tax on the amount below zero. Other Fixed Rate Distribution Series are available for distribution needs that are higher than 4%.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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Unlike mutual funds, the returns and principal of GICs are guaranteed.

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