

# Investing in durable growth themes



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## Seeking durable growth stocks that can outperform in a variety of economic environments

Mackenzie US All Cap Growth Fund invests in companies with durable long-term growth prospects, high and/or improving capital returns and a strong ownership culture. The managers seek businesses with the ability to grow at above-market rates and to sustain that growth.

## Blending investment themes with deep fundamental research

A thematic approach is a distinctive feature of the fund. The team analyzes global trends, as well as problems and potential solutions, to identify which themes could drive sustained growth for businesses over a multiyear time horizon.



**We seek businesses that could become disruptors in their industries with innovative products and services, and significant growth potential.**

- **Richard Bodzy**, Portfolio Manager

## MACKENZIE US ALL CAP GROWTH FUND

These are a few examples of current themes. Themes will change over time.



**5G connectivity and the internet of things**



**Cloud infrastructure and software**



**Artificial intelligence**



**A healthier tomorrow**



**E-commerce and payment processing**



**Controlled distribution**



**Subscriptions and consumables**



**Digital marketing**



**Personalized medicine**



**Increased screen time**



**Humanization of pets**



**The experience economy**



# Growth themes and companies that benefit from them



## 5G connectivity and the internet of things

5G stands for fifth-generation wireless technology, which increases speed and responsiveness and allows users to connect to more devices at once. The transition to 5G will play out in waves globally over the next 15 years. The “internet of things” is a term that describes the growing number of devices, from phones to wearable products to home security systems, that are connected to the internet and to one another.

The rapid growth in connected devices and systems will drive carriers to invest rapidly in 5G networks.

### American Tower (AMT)

This company rents space on towers and rooftop antennas to wireless carriers and broadcasters.



## Cloud infrastructure and software

Businesses are increasingly shifting their information technology systems from on-premise databases to cloud storage. The benefits are widely recognized and include reduced costs, enhanced data security, better collaboration and greater flexibility for employees accessing company documents and data.

The demand for cloud computing is on the rise as more businesses find it essential to transition their on-site data systems.

### Oracle (ORCL)

Oracle is a technology and software company that provides cloud applications and cloud platform services.



## Artificial intelligence

Generative AI is advancing at a remarkable pace and leverages massive computing power. Immediate AI beneficiaries include semiconductor and cloud service companies, but there is meaningful potential for future applications across many other sectors.

AI is exciting because many of the potential winners (and losers) fit squarely in the large-cap growth investable universe.

### Broadcom (AVGO)

Broadcom designs, develops and supplies semiconductor, enterprise software and security solutions.



## A healthier tomorrow

Around the world, people are embracing a comprehensive approach to health and wellness. Individuals are prioritizing exercise, diet and environmental health, and they are seeking greater access to and control over their personal health data. While the theme is focused on individuals, large growth companies can serve as the enablers of change. As demographic trends drive increased awareness of this theme, we expect public policy to support further growth in these markets.

This theme encompasses a wide range of sectors and companies, such as hospital operators, HVAC equipment manufacturers, medical device makers and workout apparel and skincare brands.

### Trane Technologies (TT)

This industrial company designs, sells, and services innovative HVAC systems.



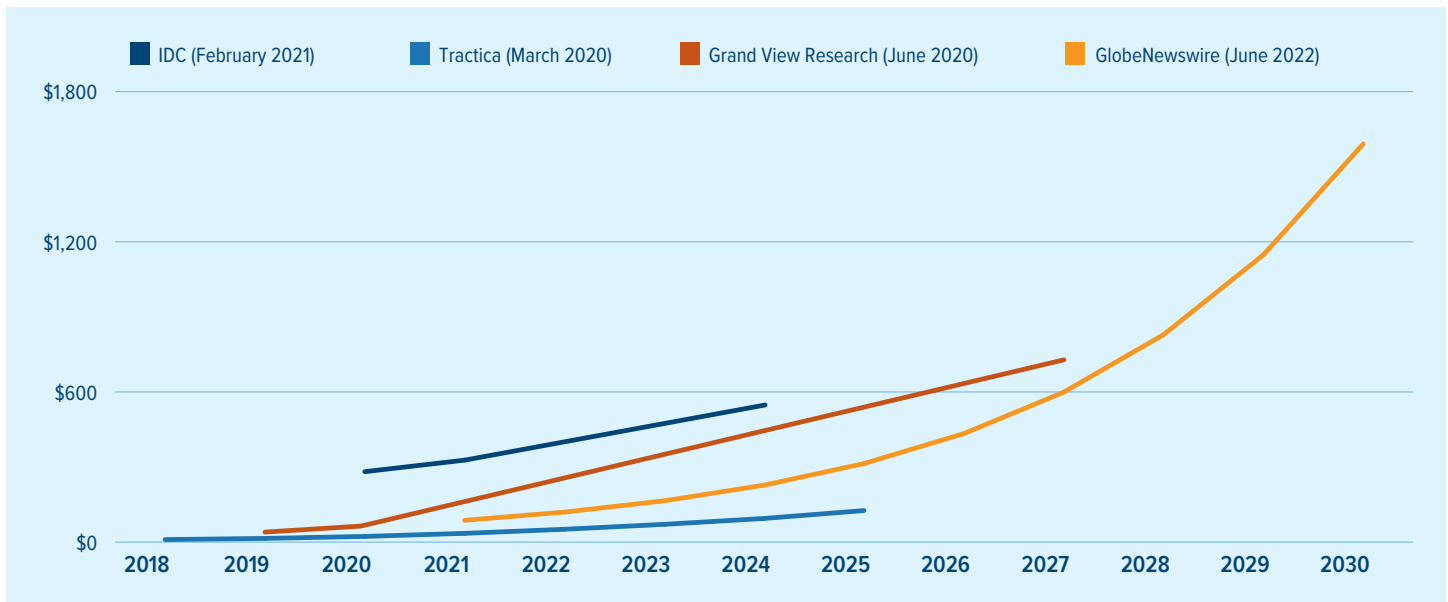
**Our strategy does not require economic acceleration to succeed.**

- Gregory McCullough, Portfolio Manager



## ARTIFICIAL INTELLIGENCE MARKET SIZE/REVENUE COMPARISONS

Market size and revenue comparison for AI worldwide (actual and projected, 2018 to 2030, in \$B USD)



Sources: IDC, Tractica, Grand View Research, Statista, GlobeNewswire.



### E-commerce and payment processing

As the US e-commerce market has grown over the past 20 years, peer-to-peer electronic money transfers have rapidly become more common. Credit card usage for consumer-to-business payments has increased at a steady pace globally. This should continue as regions with less card usage close the gap with North America and Europe.

The digitization of other large payment markets has yet to catch up with the penetration of credit cards in the consumer-to-business market.

#### Mastercard (MA)

This payment card company offers digitization of cash through cards and e-commerce as well as value-added services such as fraud monitoring, authentication and analytics.



### Controlled distribution

An increasing number of retail brand owners are favouring direct distribution — selling their products solely through their own stores or websites. These companies have few, if any, third-party distributors or indirect sales. They rarely have markdowns or outlet stores, and their products won't be found at online retailers like Amazon. The advantage of this business model is that it allows businesses to better control inventory, pricing, promotion and brand presentation. It also leads to a better, more comprehensive relationship with end customers. As a result, direct sales typically yield higher margins than wholesale, with higher conversion rates.

In our research, one key question we ask is how companies sell and distribute their products and services. Controlled distribution can offer a distinct advantage and is our preferred go-to-market strategy.

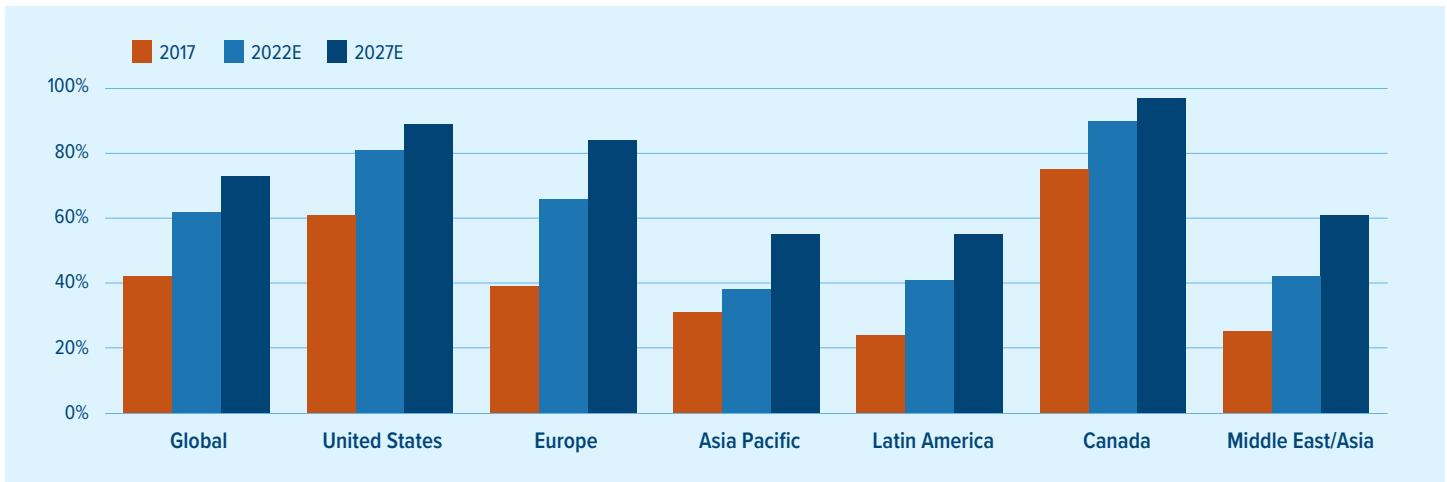
#### Sherwin-Williams (SHW)

Paint retailer Sherwin-Williams employs a direct distribution model, reaching consumers through its 4,000-store network and some large retail partners.



## CREDIT CARD USE IS EXPANDING GLOBALLY

Card penetration of consumer-to-business payments as a percentage of personal consumption expenditure. Historical volumes are adjusted for European payments regulation, and card penetration data are adjusted for domestic schemes and US private-label card penetration.



Sources: Nilson Report, World Bank, IMF, and Bernstein estimates and analysis.



### Subscriptions and consumables

This theme reflects the priority we place on revenue visibility and our focus on recurring revenue. Two key strategies for generating recurring revenue are subscriptions (ongoing payments from consumers) and consumables (products or services that must constantly be repurchased).

Businesses in our portfolio that benefit from recurring revenue include those that offer streaming services or technology subscriptions. For consumables, we own companies that sell medical devices, and those that offer prescriptions, test kits and other disposable supplies.

#### Intuitive Surgical (ISRG)

This company develops robotic-assisted surgical systems and instruments for physicians and health-care providers.



### Digital marketing

Digital marketing — promoting products or services through electronic devices — is imperative for success in many industries. It enables companies to capture and use customer data to achieve goals such as sales conversions and building brand awareness. Spending on digital marketing has risen as attention has shifted from traditional media to digital platforms.

Companies know the increasing importance of social media, mobile applications, email, search engines and websites for driving the growth of their businesses.

#### CoStar Group (CSGP)

CoStar provides data, tools, listings and online marketplaces for the commercial real estate industry.



## Personalized medicine

We are in the very early innings of a shift toward a broader application of personalized medicine, where therapies will be targeted to a particular patient based on that individual's DNA, RNA and genetic composition. Many companies are making great strides in cell and gene therapy to help in the diagnosis and treatment of cancers and genetic diseases.

A patient's genetic makeup will become increasingly more important in the therapy and treatment they receive.

### Danaher (DHR)

Danaher manufactures and sells next-generation therapeutics and health-care equipment, consumables and services.



## Humanization of pets

Pets have become an increasingly important part of the typical household, receiving the same level of attention, care and health maintenance as human family members do. Preventative-care treatments and testing for companion animals are growing, along with overall pet ownership levels. Consumer demand for these services is unwavering, and the diagnostic market outside the United States provides another long-term opportunity for growth.

With this theme, we seek to capitalize on the strong and rapidly growing demand for quality pet care.

### Idexx Laboratories (IDXX)

This animal health care company specializes in diagnostic testing, and provides in-office testing kits, components and supplies for veterinarians.



## Increased screen time

People are spending considerably more time consuming content on electronic devices. Mobile device usage is growing rapidly as streaming platforms, newly created apps, social media, gaming and targeted advertising campaigns increasingly cater to consumers outside the home.

In 2019, for the first time, US consumers spent more time with their mobile devices than they did watching TV, according to eMarketer. Smartphones account for 70% of that mobile time.

### Microsoft (MSFT)

Microsoft provides operating systems and productivity software through its PC, productivity and cloud businesses.



## The experience economy

This theme is based on a growing preference for experiences over material possessions. More consumers are seeking to spend money on live entertainment and events, luxury travel and destinations, or interactions within social communities.

We believe the appeal of experiences has become more widespread after the pandemic lockdowns in 2020.

This demand, combined with higher levels of personal savings, should help a number of businesses grow at above-market rates for an extended period of time.

### TransDigm Group (TGD)

TransDigm produces and supplies highly engineered aircraft components.



**The cell and gene therapy market was valued at \$5 billion in 2021. It is expected to reach \$47 billion by 2030, growing at a compound annual growth rate of 26.6% from 2023 to 2030.**



## Conclusion

Mackenzie US All Cap Growth Fund seeks to invest in a concentrated portfolio of 60 to 90 companies with durable growth businesses that the team believes will be able to sustain that growth in most macroeconomic environments. As such, the fund may be suitable as part of an investor's US equity holdings.

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