MACKENZIE CANADIAN SHORT-TERM BOND INDEX ETF

Interim Unaudited Financial Statements

For the Six-Month Period Ended September 30, 2018

These Interim Unaudited Financial Statements do not contain the Interim Management Report of Fund Performance ("MRFP") of the ETF. You may obtain a copy of the Interim MRFP, at no cost, by calling the toll-free number 1-800-387-0614, by writing to us at Mackenzie Financial Corporation, 180 Queen Street West, Toronto, Ontario M5V 3K1, by visiting our website at www.mackenzieinvestments.com or by visiting the SEDAR website at www.sedar.com. Copies of the Annual Financial Statements or Annual MRFP may also be obtained, at no cost, using any of the methods outlined above.

Unitholders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

Mackenzie Financial Corporation, the Manager of the ETF, appoints independent auditors to audit the ETF's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Interim Financial Statements, this must be disclosed in an accompanying notice.

The ETF's independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.

MACKENZIE
Investments

STATEMENTS OF FINANCIAL POSITION

In thousands (except per unit figures)
As at

	Sep. 30 2018 $	Mar. 31 2018 (Audited) $
ASSETS		
Current assets		
Investments at fair value	11,831	9,945
Cash and cash equivalents	43	6
Accrued interest receivable	57	45
Accounts receivable for investments sold	463	104
Accounts receivable for units issued	–	–
Total assets	**12,394**	**10,100**
LIABILITIES		
Current liabilities		
Accounts payable for investments purchased	463	99
Accounts payable for units redeemed	–	–
Distribution payable	21	–
Due to manager	1	1
Total liabilities	**485**	**100**
Net assets attributable to unitholders	**11,909**	**10,000**
Net assets attributable to unitholders per series (note 3)		
Series E	**11,909**	**10,000**
Net assets attributable to unitholders per unit (note 3)		
Series E	**99.24**	**100.00**

STATEMENT OF COMPREHENSIVE INCOME

For the period ended September 30 (note 1)
In thousands (except per unit figures)

	2018 $
Income	
Interest income	108
Other changes in fair value of investments and other net assets	
Net realized gain (loss)	(9)
Net unrealized gain (loss)	(68)
Securities lending income	1
Total income (loss)	**32**
Expenses (note 6)	
Management fees	5
Independent Review Committee fees	–
Expenses before amounts absorbed by Manager	**5**
Expenses absorbed by Manager	–
Net expenses	**5**
Increase (decrease) in net assets attributable to unitholders from operations before tax	**27**
Foreign withholding taxes	–
Foreign income taxes paid (recovered)	–
Increase (decrease) in net assets attributable to unitholders from operations	**27**
Increase (decrease) in net assets attributable to unitholders from operations per series	
Series E	**27**
Increase (decrease) in net assets attributable to unitholders from operations per unit	
Series E	**0.26**

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the period ended September 30 (note 1)
In thousands

	2018 Series E
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	**$**
Beginning of period	**10,000**
Increase (decrease) in net assets from operations	27
Distributions paid to unitholders:	
Investment income	(107)
Capital gains	–
Total distributions paid to unitholders	(107)
Unit transactions:	
Proceeds from units issued	1,989
Reinvested distributions	–
Payments on redemption of units	–
Total unit transactions	1,989
Total increase (decrease) in net assets	**1,909**
End of period	**11,909**
Increase (decrease) in units (note 7):	**Units**
Units outstanding – beginning of period	**100**
Issued	20
Reinvested distributions	–
Redeemed	–
Units outstanding – end of period	**120**

STATEMENT OF CASH FLOWS

For the period ended September 30 (note 1)
In thousands

	2018 $
Cash flows from operating activities	
Net increase (decrease) in net assets attributable to unitholders from operations	27
Adjustments for:	
Net realized loss (gain) on investments	9
Change in net unrealized loss (gain) on investments	68
Purchase of investments	(5,243)
Proceeds from sale and maturity of investments	5,274
Change in accrued interest receivable	(12)
Net cash from operating activities	**123**
Cash flows from financing activities	
Proceeds from units issued	–
Payments on redemption of units	–
Distributions paid net of reinvestments	(86)
Net cash from financing activities	**(86)**
Net increase (decrease) in cash and cash equivalents	**37**
Cash and cash equivalents at beginning of period	6
Effect of exchange rate fluctuations on cash and cash equivalents	–
Cash and cash equivalents at end of period	**43**
Cash	43
Cash equivalents	–
Cash and cash equivalents at end of period	**43**
Supplementary disclosures on cash flow from operating activities:	
Dividends received	–
Foreign taxes paid	–
Interest received	96
Interest paid	–

SCHEDULE OF INVESTMENTS

As at September 30, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost ($ 000s)	Fair Value ($ 000s)
BONDS					
407 International Inc. 4.30% 05-26-2021 Callable	Canada	Corporate - Non Convertible	128,000	133	132
Alimentation Couche-Tard Inc. 3.899% 11-01-2022 Callable	Canada	Corporate - Non Convertible	15,000	16	15
Bank of Montreal 1.88% 03-31-2021 DPNT	Canada	Corporate - Non Convertible	186,000	183	182
Bank of Montreal 3.40% 04-23-2021	Canada	Corporate - Non Convertible	146,000	150	148
The Bank of Nova Scotia 3.27% 01-11-2021	Canada	Corporate - Non Convertible	281,000	287	284
The Bank of Nova Scotia 2.36% 11-08-2022	Canada	Corporate - Non Convertible	186,000	182	181
BMW Canada Inc. 1.88% 12-11-2020	Germany	Corporate - Non Convertible	32,000	32	31
BRP Finance ULC 4.79% 02-07-2022	Canada	Corporate - Non Convertible	34,000	36	36
Cameco Corp. 3.75% 11-14-2022	Canada	Corporate - Non Convertible	84,000	83	83
Canada Housing Trust No. 1 1.45% 06-15-2020	Canada	Federal Government	220,000	217	217
Canada Housing Trust No. 1 3.80% 06-15-2021	Canada	Federal Government	205,000	215	212
Canada Housing Trust No. 1 1.15% 12-15-2021	Canada	Federal Government	40,000	38	38
Canada Housing Trust No. 1 2.65% 03-15-2022	Canada	Federal Government	1,122,000	1,134	1,128
Canadian Imperial Bank of Commerce 1.66% 01-20-2020 DPNT	Canada	Corporate - Non Convertible	139,000	137	137
Canadian Imperial Bank of Commerce 1.90% 04-26-2021 DPNT	Canada	Corporate - Non Convertible	81,000	79	79
Canadian Imperial Bank of Commerce 1.64% 07-12-2021 DPNT	Canada	Corporate - Non Convertible	164,000	159	159
Canadian Natural Resources Ltd. 3.31% 02-11-2022	Canada	Corporate - Non Convertible	93,000	94	93
Daimler Canada Finance Inc. 1.91% 07-08-2021	Germany	Corporate - Non Convertible	48,000	47	46
Emera Inc. 2.90% 06-16-2023	Canada	Corporate - Non Convertible	51,000	50	50
Enbridge Pipelines Inc. 4.49% 11-12-2019 Callable	Canada	Corporate - Non Convertible	16,000	16	16
Fairfax Financial Holdings Ltd. 5.84% 10-14-2022	Canada	Corporate - Non Convertible	22,000	24	24
The Fédération des Caisses Desjardins du Québec 2.39% 08-25-2022	Canada	Corporate - Non Convertible	37,000	36	36
First Capital Realty Inc. 3.95% 12-05-2022	Canada	Corporate - Non Convertible	51,000	53	52
Ford Credit Canada Ltd. 2.923% 09-16-2020	United States	Corporate - Non Convertible	109,000	109	108
General Electric Capital Corp. 4.60% 01-26-2022	United States	Corporate - Non Convertible	48,000	51	50
Government of Canada 3.50% 06-01-2020	Canada	Federal Government	505,000	524	516
Government of Canada 0.75% 09-01-2020	Canada	Federal Government	1,247,000	1,212	1,213
Government of Canada 0.75% 03-01-2021	Canada	Federal Government	1,835,000	1,776	1,770
Government of Canada 0.75% 09-01-2021	Canada	Federal Government	469,000	450	449
HSBC Bank Canada 2.449% 01-29-2021	Canada	Corporate - Non Convertible	229,000	228	227
HSBC Bank Canada 2.908% 09-29-2021	Canada	Corporate - Non Convertible	50,000	50	50
Inter Pipeline Ltd. 4.967% 02-02-2021 Callable	Canada	Corporate - Non Convertible	193,000	202	201
International Bank for Reconstruction and Development 2.25% 01-17-2023	Supra - National	n/a	80,000	79	79
John Deere Capital Corp 1.60% 07-13-2020	United States	Corporate - Non Convertible	10,000	10	10
Loblaw Companies Ltd. 5.22% 06-18-2020 Callable	Canada	Corporate - Non Convertible	90,000	94	94
Magna International Inc. 3.10% 12-15-2022 Callable 2022	Canada	Corporate - Non Convertible	249,000	248	247
National Bank of Canada 1.81% 07-26-2021	Canada	Corporate - Non Convertible	76,000	74	74
National Bank of Canada 2.105% 03-18-2022	Canada	Corporate - Non Convertible	37,000	36	36
Province of Alberta 1.25% 06-01-2020	Canada	Provincial Governments	87,000	85	86
Province of Alberta 1.35% 09-01-2021	Canada	Provincial Governments	36,000	35	35
Province of Ontario 4.00% 06-02-2021	Canada	Provincial Governments	204,000	215	212
Province of Ontario 2.85% 06-02-2023	Canada	Provincial Governments	859,000	867	864
Province of Quebec 4.50% 12-01-2020	Canada	Provincial Governments	104,000	111	109
Province of Quebec 4.25% 12-01-2021	Canada	Provincial Governments	318,000	340	335
Province of Quebec 1.65% 03-03-2022 Green Bond	Canada	Provincial Governments	135,000	131	131
RioCan Real Estate Investment Trust 3.72% 12-13-2021 Series R	Canada	Corporate - Non Convertible	51,000	52	52
Rogers Communications Inc. 4.00% 06-06-2022	Canada	Corporate - Non Convertible	63,000	66	65
Royal Bank of Canada 1.92% 07-17-2020	Canada	Corporate - Non Convertible	126,000	124	124
Royal Bank of Canada 2.86% 03-04-2021	Canada	Corporate - Non Convertible	357,000	358	357

SCHEDULE OF INVESTMENTS (cont'd)

As at September 30, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost ($ 000s)	Fair Value ($ 000s)
BONDS (cont'd)					
Royal Bank of Canada 2.36% 12-05-2022	Canada	Corporate - Non Convertible	120,000	117	117
Sun Life Financial Inc. 4.57% 08-23-2021	Canada	Corporate - Non Convertible	67,000	71	70
Teranet Holdings LP 4.807% 12-16-2020	Canada	Corporate - Non Convertible	28,000	29	29
Thomson Reuters Corp. 4.35% 09-30-2020	United States	Corporate - Non Convertible	28,000	29	29
The Toronto-Dominion Bank 2.05% 03-08-2021	Canada	Corporate - Non Convertible	275,000	272	270
Toyota Credit Canada Inc. 2.20% 02-25-2021	Canada	Corporate - Non Convertible	38,000	38	37
Toyota Credit Canada Inc. 1.75% 07-21-2021	Canada	Corporate - Non Convertible	42,000	41	41
Wells Fargo Canada Corp. 3.04% 01-29-2021	United States	Corporate - Non Convertible	325,000	326	326
Wells Fargo Financial Canada Corp. 3.46% 01-24-2023	Canada	Corporate - Non Convertible	39,000	40	39
Total bonds				**11,891**	**11,831**
Transaction costs				–	–
Total investments				**11,891**	**11,831**
Cash and cash equivalents					43
Other assets less liabilities					35
Total net assets					**11,909**

SUMMARY OF INVESTMENT PORTFOLIO

September 30, 2018

Portfolio Allocation	% of NAV
Bonds	99.3
Cash and short-term investments	0.4
Other assets (liabilities)	0.3

Regional Allocation	% of NAV
Canada	94.3
United States	4.4
Germany	0.6
Cash and short-term investments	0.4
Other assets (liabilities)	0.3

Sector Allocation	% of NAV
Federal bonds	46.4
Corporate bonds	38.0
Provincial bonds	14.9
Cash and short-term investments	0.4
Other assets (liabilities)	0.3

March 31, 2018

Portfolio Allocation	% of NAV
Bonds	99.5
Other assets (liabilities)	0.5

Regional Allocation	% of NAV
Canada	96.2
United States	2.5
Germany	0.8
Other assets (liabilities)	0.5

Sector Allocation	% of NAV
Federal bonds	56.3
Corporate bonds	30.0
Provincial bonds	13.2
Other assets (liabilities)	0.5

NOTES TO FINANCIAL STATEMENTS

1. Fiscal Periods and General Information

The information provided in these financial statements and notes thereto is for the six-month periods ended or as at September 30, 2018 and 2017, except for the comparative information presented in the Statements of Financial Position and notes thereto, which is as at March 31, 2018, as applicable. In the year an exchange-traded fund ("the ETF") is established, 'period' represents the period from inception to the period end of that fiscal year. Refer to Note 10 for the formation date of the ETF.

The ETF is organized as an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust as amended and restated from time to time. The address of the ETF's registered office is 180 Queen Street West, Toronto, Ontario, Canada. The ETF is authorized to issue an unlimited number of units for sale under a Prospectus. The units of the ETF are listed on the Toronto Stock Exchange/Aequitas NEO Exchange ("the Exchange").

Mackenzie Financial Corporation ("Mackenzie") is the manager of the ETF and is wholly owned by IGM Financial Inc., a subsidiary of Power Financial Corporation, which itself is a subsidiary of Power Corporation of Canada. Investments in companies within the Power Group of companies held by the ETF are identified in the Schedule of Investments.

2. Basis of Preparation and Presentation

These unaudited interim financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including international Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). These financial statements were prepared using the same accounting policies, critical accounting judgements and estimates as applied in the ETF's most recent audited annual financial statements for the year ended March 31, 2018. A summary of the ETF's significant accounting policies under IFRS is presented in Note 3.

These financial statements are presented in Canadian dollars, which is the ETF's functional and presentation currency, and rounded to the nearest thousand unless otherwise indicated. These financial statements are prepared on a going concern basis using the historical cost basis, except for financial assets and liabilities that have been measured at fair value.

These financial statements were authorized for issue by the Board of Directors of Mackenzie Financial Corporation on November 13, 2018.

Standards issued but not yet effective for the current accounting year, as applicable, are described in Note 3.

3. Significant Accounting Policies

(a) Financial instruments

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives. The ETF classifies and measures financial instruments in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"). Upon initial recognition, financial instruments are classified as fair value through profit or loss ("FVTPL"). All financial instruments are recognized in the Statement of Financial Position when the ETF becomes a party to the contractual requirements of the instrument. Financial assets are derecognized when the right to receive cash flows from the instrument has expired or the ETF has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expires. As such, investment purchase and sale transactions are recorded as of the trade date.

Financial instruments are subsequently measured at FVTPL with changes in fair value recognized in the Statement of Comprehensive Income – Other changes in fair value of investments and other net assets – Net unrealized gain (loss).

The ETF's redeemable units are held by different types of unitholders that are entitled to different redemption rights. Unitholders may redeem units of the ETF at a redemption price per unit equal to 95% of the closing price of the units on the Exchange on the effective day of the redemption, subject to a maximum redemption price of the applicable NAV per unit. These different redemption features create equally subordinate but not identical units of the ETF which therefore meet the criteria for classification as financial liabilities under IAS 32, *Financial Instruments: Presentation*. The ETF's obligation for net assets attributable to unitholders is presented at the redemption amount. Refer to Note 7 for details of subscriptions and redemptions of the ETF's units.

IAS 7, *Statement of Cash Flows*, requires disclosures related to changes in liabilities and assets, such as the units of the ETF, arising from financing activities. Changes in units of the ETF, including both changes from cash flows and non-cash changes, are included in the Statement of Changes in Financial Position. Any changes in the units not settled in cash as at the end of the period are presented as either Accounts receivable for units issued or Accounts payable for units redeemed in the Statement of Financial Position. These accounts receivable and accounts payable amounts typically settle shortly after year-end.

Realized and unrealized gains and losses on investments are calculated based on the weighted average cost of investments and exclude commissions and other portfolio transaction costs, which are separately reported in the Statement of Comprehensive Income – Commissions and other portfolio transaction costs.

NOTES TO FINANCIAL STATEMENTS

3. Significant Accounting Policies (cont'd)

(a) Financial instruments (cont'd)

Gains and losses arising from changes in the fair value of the investments are included in the Statement of Comprehensive Income for the period in which they arise.

The ETF accounts for its holdings in unlisted open-ended investment funds and exchange-traded funds, if any, at FVTPL. Mackenzie has concluded that any unlisted open-ended investment fund and exchange-traded funds in which the ETF invests, does not meet either the definition of a structured entity or the definition of an associate.

(b) Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments listed on a public securities exchange or traded on an over-the-counter market are valued on the basis of the last traded market price or close price recorded by the security exchange on which the security is principally traded, where this price falls within the quoted bid-ask spread for the investment. In circumstances where this price is not within the bid-ask spread, Mackenzie determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Mutual fund securities of an underlying fund are valued on a business day at the price calculated by the manager of such underlying fund in accordance with the constating documents of such underlying fund. Unlisted or non-exchange traded investments, or investments where a last sale or close price is unavailable or investments for which market quotations are, in Mackenzie's opinion, inaccurate, unreliable, or not reflective of all available material information, are valued at their fair value as determined by Mackenzie using appropriate and accepted industry valuation techniques including valuation models. The fair value determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the fair value may be determined using valuation techniques that are not supported by observable market data.

The cost of investments is determined on a weighted average cost basis.

Cash and cash equivalents which includes cash on deposit with financial institutions and short-term investments that are readily convertible to cash, are subject to an insignificant risk of changes in value, and are used by the ETF in the management of short-term commitments. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to their nature of being highly liquid and having short terms to maturity. Bank overdraft positions are presented under current liabilities as bank indebtedness in the Statement of Financial Position.

The ETF may use derivatives (such as written options, futures, forward contracts, swaps or customized derivatives) to hedge against losses caused by changes in securities prices, interest rates or exchange rates. The ETF may also use derivatives for non-hedging purposes in order to invest indirectly in securities or financial markets, to gain exposure to other currencies, to seek to generate additional income, and/or for any other purpose considered appropriate by the ETF's portfolio manager(s), provided that the use of the derivative is consistent with the ETF's investment objectives. Any use of derivatives will comply with Canadian mutual fund laws, subject to the regulatory exemptions granted to the ETF, as applicable.

Valuations of derivative instruments are carried out daily, using normal exchange reporting sources for exchange-traded derivatives and specific broker enquiry for over-the-counter derivatives.

The value of forward contracts is the gain or loss that would be realized if, on the valuation date, the positions were to be closed out. The change in value of forward contracts is included in the Statement of Comprehensive Income – Other changes in fair value of investments and other net assets – Net unrealized gain (loss).

The value of futures contracts or swaps fluctuates daily, and cash settlements made daily, where applicable, by the ETF are equal to the unrealized gains or losses on a "mark to market" basis. These unrealized gains or losses are recorded and reported as such until the ETF closes out the contract or the contract expires. Margin paid or deposited in respect of futures contracts or swaps is reflected as a receivable in the Statement of Financial Position – Margin on futures contracts or swaps. Any change in the variation margin requirement is settled daily.

Premiums received from writing options are included in the Statement of Financial Position as a liability and subsequently adjusted daily to fair value. If a written option expires unexercised, the premium received is recognized as a realized gain. If a written call option is exercised, the difference between the proceeds of the sale plus the value of the premium, and the cost of the security is recognized as a realized gain or loss. If a written put option is exercised, the cost of the security acquired is the exercise price of the option less the premium received.

Refer to the Schedule of Derivative Instruments and Schedule of Options Purchased/Written, as applicable, included in the Schedule of Investments for a listing of derivative and options positions as at September 30, 2018.

NOTES TO FINANCIAL STATEMENTS

3. Significant Accounting Policies (cont'd)

(c) Income recognition

Interest income from interest bearing investments is recognized using the effective interest method. Dividends are accrued as of the ex-dividend date. Realized gains or losses on the sale of investments, including foreign exchange gains or losses on such investments, are calculated on an average cost basis. Distributions received from an underlying fund are included in interest income, dividend income or realized gains (losses) on sale of investments, as appropriate.

(d) Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are costs incurred to acquire, issue or dispose of financial assets or liabilities. They include fees and commissions paid to agents, advisers, brokers and dealers. Commissions may be paid to brokerage firms which provide (or pay for) certain services, other than order execution, which may include investment research, analysis and reports, and databases or software in support of these services. Where applicable and ascertainable, the value of third-party services that were paid for by brokers during the periods is disclosed in Note 10. The value of certain proprietary services provided by brokers cannot be reasonably estimated. Mackenzie may reimburse the ETF for certain commissions and other portfolio transaction costs. Mackenzie may make these reimbursements at its discretion and stop these reimbursements at any time without notice. Any such reimbursements are included in expenses absorbed by Manager in the Statement of Comprehensive Income.

(e) Securities lending, repurchase and reverse repurchase transactions

The ETF is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the ETF's Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date. Securities lending transactions are administered by Canadian Imperial Bank of Commerce (the "Securities Lending Agent"). The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in the Statement of Comprehensive Income – Securities lending income and recognized when earned.

Note 10 summarizes the details of securities loaned and collateral received, as well as a reconciliation of securities lending income, if applicable.

(f) Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the ETF enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. Note 10 summarizes the details of such offsetting, if applicable.

Income and expenses are not offset in the Statement of Comprehensive Income unless required or permitted to by an accounting standard, as specifically disclosed in the IFRS policies of the ETF.

(g) Foreign currency

The functional and presentation currency of the ETF is Canadian dollars. Foreign currency purchases and sales of investments and foreign currency dividend and interest income and expenses are translated to Canadian dollars at the rate of exchange prevailing at the time of the transactions.

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included in the Statement of Comprehensive Income – Other changes in fair value of investments and other net assets – Net realized gain (loss).

The fair value of investments and other assets and liabilities, denominated in foreign currencies, are translated to Canadian dollars at the rate of exchange prevailing on each business day.

(h) Net assets attributable to unitholders per unit

Net assets attributable to unitholders per unit is computed by dividing the net assets attributable to unitholders on a business day by the total number of units outstanding on that day.

(i) Net asset value per unit

The daily Net Asset Value ("NAV") of an investment fund may be calculated without reference to IFRS as per the Canadian Securities Administrators' ("CSA") regulations. The difference between NAV and Net assets attributable to unitholders (as reported in the financial statements), if any, is mainly due to differences in fair value of investments and other financial assets and liabilities. Refer to Note 10 for the ETF's NAV per unit.

(j) Increase (decrease) in net assets attributable to unitholders from operations per unit

Increase (decrease) in net assets attributable to unitholders from operations per unit in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to unitholders from operations for the period, divided by the weighted average number of units outstanding during the period.

NOTES TO FINANCIAL STATEMENTS

4. Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make estimates and assumptions that primarily affect the valuation of investments. Estimates and assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Use of Estimates

Fair value of securities not quoted in an active market

The ETF may hold financial instruments that are not quoted in active markets and are valued using valuation techniques that make use of observable data, to the extent practicable. Various valuation techniques are utilized, depending on a number of factors, including comparison with similar instruments for which observable market prices exist and recent arm's length market transactions. Key inputs and assumptions used are company specific and may include estimated discount rates and expected price volatilities. Changes in key inputs, could affect the reported fair value of these financial instruments held by the ETF.

Use of Judgments

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the ETF, Mackenzie is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. Mackenzie has assessed the ETF's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the ETF's financial instruments.

Functional currency

The ETF's functional and presentation currency is the Canadian dollar, which is the currency considered to best represent the economic effects of the ETF's underlying transactions, events and conditions taking into consideration the manner in which units are issued and redeemed and how returns and performance by the ETF are measured.

Structured entities and associates

In determining whether an unlisted open-ended investment fund or an exchange-traded fund in which the ETF invests, but that it does not consolidate, meets the definitions of either a structured entity or of an associate, Mackenzie is required to make significant judgments about whether these underlying funds have the typical characteristics of a structured entity or of an associate. Mackenzie has assessed the characteristics of these underlying funds and has concluded that they do not meet the definition of either a structured entity or of an associate because the ETF does not have contracts or financing arrangements with these underlying funds and the ETF does not have an ability to influence the activities of these underlying funds or the returns it receives from investing in these underlying funds.

5. Income Taxes

The ETF qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to tax on its income including net realized capital gains in the taxation year, which is not paid or payable to its unitholders as at the end of the taxation year. It is the intention of the ETF to distribute all of its net income and sufficient net realized capital gains so that the ETF will not be subject to income taxes other than foreign withholding taxes, if applicable.

Losses of the ETF cannot be allocated to investors and are retained in the ETF for use in future years. Non-capital losses may be carried forward up to 20 years to reduce taxable income and realized capital gains of future years. Capital losses may be carried forward indefinitely to reduce future realized capital gains. Refer to Note 10 for the ETF's loss carryforwards.

6. Management Fees and Operating Expenses

Mackenzie is paid a management fee for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions and making brokerage arrangements relating to the purchase and sale of the investment portfolio. The management fee is calculated as a fixed annual percentage of the daily net asset value of the units of the ETF.

In addition to the applicable management fee, the operating expenses payable by the ETF include interest and borrowing costs, brokerage expenses and related transaction fees, fees and expenses relating to the operation of the Mackenzie ETFs' Independent Review Committee (IRC), fees under any derivative instrument used by the ETF, cost of complying with the regulatory requirement to produce summary documents, ETF facts or other similar disclosure documents, the costs of complying with governmental or regulatory requirements introduced after the date of the most recently filed prospectus, including, without limitation, any new fees or increases in fees, the fees related to external services that are not commonly charged in the Canadian exchange-traded fund industry after the date of the most recently filed prospectus, fees paid to external service providers associated with tax reclaims, refunds or the preparation of foreign tax reports on behalf of the ETFs, fees paid to external legal counsel and/or others in connection with corporate or other actions affecting the portfolio holdings of the ETF, and any applicable taxes, including income, withholding or other taxes and also including G.S.T. or H.S.T. on expenses.

NOTES TO FINANCIAL STATEMENTS

6. Management Fees and Operating Expenses (cont'd)

Mackenzie may waive or absorb management fees and operating expenses at its discretion and stop waiving or absorbing such fees at any time without notice. Mackenzie may charge a reduced management fee rate with respect to investments in the ETF by large investors, including other funds managed by Mackenzie or affiliates of Mackenzie. An amount equal to the difference between the fee otherwise chargeable and the reduced fee will be distributed in cash to those unitholders by the ETF as a management fee distribution. Refer to Note 10 for the management fee rates charged to units of the ETF.

7. Units and Unit Transactions

Mackenzie, on behalf of the ETF, has entered into a designated broker agreement with one or more designated brokers pursuant to which the designated broker has agreed to perform certain duties relating to the ETF including, without limitation: (i) to subscribe for a sufficient number of units to satisfy the Exchange's original listing requirements; (ii) to subscribe for units on an ongoing basis in connection with any rebalancing event, as applicable, and when cash redemptions of units occur; and (iii) to post a liquid two-way market for the trading of units on the Exchange. In accordance with the designated broker agreement, Mackenzie may from time to time require the designated broker to subscribe for units of the ETF for cash.

The number of units issued for subscription orders (the "Prescribed Number of Units") is determined by Mackenzie. On any trading day, a designated broker may place a subscription or redemption order for an integral multiple of the Prescribed Number of Units of the ETF based on the NAV per unit determined on the applicable trading day. A trading day is each day on which the Exchange is opened for business.

Generally, all orders to purchase units directly from an ETF must be placed by a designated broker or a dealer. The ETF reserves the absolute right to reject any subscription order placed by a designated broker or a dealer. No fees will be payable by the ETF to a designated broker or a dealer in connection with the issuance of units. On the issuance of units, an amount may be charged to a designated broker or a dealer to offset the expenses incurred in issuing the units.

For each Prescribed Number of Units issued, a dealer must deliver payment consisting of: (i) a basket of securities and cash equal to the aggregate NAV per unit of the Prescribed Number of Units next determined following the receipt of the subscription order; (ii) cash in an amount equal to the aggregate NAV per unit of the Prescribed Number of Units next determined following the receipt of the subscription order; or (iii) a combination of securities and cash, as determined by Mackenzie, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate NAV per unit of the Prescribed Number of Units next determined following the receipt of the subscription order.

8. ETF's Capital

The capital of the ETF is comprised of the net assets attributable to unitholders. The units outstanding for the ETF as at September 30, 2018 and 2017 and units issued, reinvested and redeemed for the periods are presented in the Statement of Changes in Financial Position. Mackenzie manages the capital of the ETF in accordance with the investment objectives as discussed in Note 10.

9. Financial Instruments Risk

i. Risk exposure and management

The ETF's investment activities expose it to a variety of financial risks, as defined in IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7"). The ETF's exposure to financial risks is concentrated in its investments, which are presented in the Schedule of Investments, as at September 30, 2018, grouped by asset type, with geographic and sector information.

Mackenzie seeks to minimize potential adverse effects of financial risks on the ETF's performance by employing professional, experienced portfolio advisors, by monitoring the ETF's positions and market events daily, by diversifying the investment portfolio within the constraints of the ETF's investment objectives, and where applicable, by using derivatives to hedge certain risk exposures. To assist in managing risks, Mackenzie also maintains a governance structure that oversees the ETF's investment activities and monitors compliance with the ETF's stated investment strategy, internal guidelines, and securities regulations.

ii. Liquidity risk

Liquidity risk arises when the ETF encounters difficulty in meeting its financial obligations as they come due. The ETF is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. In accordance with securities regulations, the ETF must maintain at least 90% of its assets in liquid investments (i.e., investments that can be readily sold). The ETF also has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions and an additional 5% of its net assets for the purpose of funding distributions paid to its investors.

NOTES TO FINANCIAL STATEMENTS

9. Financial Instruments Risk (cont'd)

iii. Currency risk

Currency risk arises when the fair value of financial instruments that are denominated in a currency other than the Canadian dollar, which is the ETF's reporting currency, fluctuates due to changes in exchange rates. Note 10 summarizes the ETF's exposure, if applicable and significant, to currency risk.

iv. Interest rate risk

Interest rate risk arises when the fair value of interest-bearing financial instruments fluctuates due to changes in the prevailing levels of market interest rates. Cash and cash equivalents do not expose the ETF to significant amounts of interest rate risk. Note 10 summarizes the ETF's exposure, if applicable and significant, to interest rate risk.

v. Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. This risk is managed through a careful selection of investments and other financial instruments within the parameters of the investment strategies. Except for certain derivative contracts, the maximum risk resulting from financial instruments is equivalent to their fair value. The maximum risk of loss on certain derivative contracts such as forwards, swaps, and futures contracts is equal to their notional values. In the case of written call (put) options and short futures contracts, the loss to the ETF continues to increase, without limit, as the fair value of the underlying interest increases (decreases). However, these instruments are generally used within the overall investment management process to manage the risk from the underlying investments and do not typically increase the overall risk of loss to the ETF. This risk is mitigated by ensuring that the ETF holds a combination of the underlying interest, cash cover and/or margin that is equal to or greater than the value of the derivative contract. Note 10 summarizes the ETF's exposure, if applicable and significant, to other price risk.

vi. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the ETF. Note 10 summarizes the ETF's exposure, if applicable and significant, to credit risk.

All transactions in listed securities are executed with approved brokers. To minimize the possibility of settlement default, securities are exchanged for payment simultaneously, where market practices permit, through the facilities of a central depository and/or clearing agency where customary.

The carrying amount of investments and other assets represents the maximum credit risk exposure as at the date of the Statement of Financial Position.

The ETF may enter into securities lending transactions with counterparties and it may also be exposed to credit risk from the counterparties to the derivative instruments it may use. Credit risk associated with these transactions is considered minimal as all counterparties have a rating equivalent to a designated rating organization's credit rating of not less than A-1 (low) on their short-term debt and of A on their long-term debt, as applicable.

vii. Underlying ETFs

The ETF may invest in underlying ETFs and may be indirectly exposed to currency risk, interest rate risk, other price risk and credit risk from fluctuations in the value of financial instruments held by the underlying ETFs. Note 10 summarizes the ETF's exposure, if applicable and significant, to these risks from underlying ETF.

NOTES TO FINANCIAL STATEMENTS

10. ETF Specific Information *(in '000s, except for (a))*

(a) ETF Formation and Series Information

Date of Formation January 9, 2018

The ETF may issue an unlimited number of units. The number of issued and outstanding units is disclosed in the Statement of Changes in Financial Position.

Series E units were listed on the TSX under the symbol QSB on January 29, 2018. The closing market price, or the midpoint of the bid and ask prices in the absence of a closing market price, at September 30, 2018 was $99.23 (March 31, 2018 – $100.00).

The management fee rate for Series E units is 0.09%.

As at September 30, 2018, the ETF's NAV per unit was $99.23 (March 31, 2018 – $100.00) and its Net Assets per unit calculated in accordance with IFRS was $99.24 (March 31, 2018 – $100.00).

(b) Loss Carryforwards

As the ETF was launched January 9, 2018, it has not had a taxation year end and does not have any capital and non-capital losses available to carry forward for tax purposes.

(c) Securities Lending

The value of securities loaned and collateral received from securities lending at September 30, 2018 and March 31, 2018 were as follows:

	September 30, 2018 ($)	March 31, 2018 ($)
Value of securities loaned	5,302	–
Value of collateral received	5,567	–

Collateral received is comprised of debt obligations of the Government of Canada and other countries, Canadian provincial and municipal governments and financial institutions.

A reconciliation of the gross amount generated from the securities lending transactions to the security lending income to the Fund for the period ended September 30, 2018 is as follows:

	2018	
	($)	(%)
Gross securities lending income	1	100.0
Tax withheld	–	–
	1	100.0
Payments to Securities Lending Agent	–	–
Securities lending income	1	100.0

(d) Offsetting of Financial Assets and Liabilities

As at September 30, 2018 and March 31, 2018, there were no amounts subject to offsetting.

(e) Risks Associated with Financial Instruments

i. Risk exposure and management

The ETF seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Canadian Select Short Term Bond Index, or any successor thereto. It invests primarily in Canadian investment grade bonds.

NOTES TO FINANCIAL STATEMENTS

10. ETF Specific Information *(in '000s, except for (a)) (cont'd)*

(f) Risks Associated with Financial Instruments (cont'd)

ii. Currency risk

As at September 30, 2018 and March 31, 2018, the ETF did not have a significant exposure to currency risk.

iii. Interest rate risk

The table below summarizes the ETF's exposure to interest rate risks from its investments in bonds by term to maturity.

	September 30, 2018	March 31, 2018
Bonds	**($)**	**($)**
Less than 1 year	–	–
1-5 years	11,831	9,945
5-10 years	–	–
Greater than 10 years	–	–
Total	11,831	9,945

As at September 30, 2018, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased by approximately $313 or 2.6% (March 31, 2018 – $241 or 2.4%) of total net assets. In practice, the actual trading results may differ and the difference could be material.

iv. Other price risk

As at September 30, 2018 and March 31, 2018, the ETF did not have a significant exposure to price risk.

v. Credit risk

The ETF's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt securities includes consideration of the creditworthiness of the debt issuer. The maximum exposure to any one debt issuer as at September 30, 2018, was 46.5% (March 31, 2018 – 56.3%) of the net assets of the ETF.

As at September 30, 2018 and March 31, 2018, debt securities by credit rating are as follows:

	September 30, 2018	March 31, 2018
Bond Rating*	**% of Net Assets**	**% of Net Assets**
AAA	47.1	56.7
AA	39.3	35.3
A	5.1	2.3
BBB	7.8	5.2
Total	99.3	99.5

* Credit ratings and rating categories are based on ratings issued by a designated rating organization

NOTES TO FINANCIAL STATEMENTS

10. ETF Specific Information *(in '000s, except for (a)) (cont'd)*

(g) Fair Value Classification

The table below summarizes the fair value of the ETF's financial instruments using the following fair value hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The inputs are considered observable if they are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

	September 30, 2018				March 31, 2018			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Bonds	–	11,831	–	11,831	–	9,945	–	9,945
Total	–	11,831	–	11,831	–	9,945	–	9,945

The ETF's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

During the period, there were no significant transfers between Level 1 and Level 2.

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data and using standard market convention practices.