

# MACKENZIE EMERGING MARKETS LOCAL CURRENCY BOND INDEX ETF

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

TRADITIONAL FIXED INCOME INDEX ETF

## MANAGEMENT REPORT

### Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by Mackenzie Financial Corporation, as Manager of Mackenzie Emerging Markets Local Currency Bond Index ETF (the "ETF"). The Manager is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with International Financial Reporting Standards. The Manager is also responsible for the development of internal controls over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors (the "Board") of Mackenzie Financial Corporation is responsible for reviewing and approving the financial statements and overseeing the Manager's performance of its financial reporting responsibilities. The Board is assisted in discharging this responsibility by an Audit Committee, which reviews the financial statements and recommends them for approval by the Board. The Audit Committee also meets regularly with the Manager, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

Deloitte LLP is the external auditor of the ETF. It is appointed by the Board. The external auditor has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the securityholders its opinion on the financial statements. Its report is set out below.

On behalf of Mackenzie Financial Corporation,  
Manager of the ETF



Barry McNerney  
President and Chief Executive Officer



Terry Rountes  
Chief Financial Officer, Funds

July 13, 2020

## INDEPENDENT AUDITOR'S REPORT

To the Securityholders of Mackenzie Emerging Markets Local Currency Bond Index ETF (the "ETF")

### Opinion

We have audited the financial statements of the ETF, which comprise the statement of financial position as at March 31, 2020, and the statements of comprehensive income, changes in financial position and cash flows for the period then ended, as indicated in Note 1, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ETF as at March 31, 2020, and its financial performance and its cash flows for the period then ended, as indicated in Note 1, in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the ETF in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information which comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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## INDEPENDENT AUDITOR'S REPORT (cont'd)

In preparing the financial statements, management is responsible for assessing the ETF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the ETF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ETF's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ETF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ETF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ETF to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mervyn Ramos.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Ontario  
July 13, 2020



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## STATEMENT OF FINANCIAL POSITION

*In thousands (except per unit figures)  
As at March 31*

	2020 \$
<b>ASSETS</b>	
<b>Current assets</b>	
Investments at fair value	217,977
Cash and cash equivalents	1,702
Accrued interest receivable	3,241
Accounts receivable for investments sold	–
Accounts receivable for units issued	–
Unrealized gains on derivative contracts	337
<b>Total assets</b>	<b>223,257</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable for investments purchased	–
Accounts payable for units redeemed	–
Due to manager	95
Unrealized losses on derivative contracts	323
<b>Total liabilities</b>	<b>418</b>
<b>Net assets attributable to unitholders</b>	<b>222,839</b>
<b>Net assets attributable to unitholders per series (note 3)</b>	
Series E	222,839
<b>Net assets attributable to unitholders per unit (note 3)</b>	
Series E	92.85

## STATEMENT OF COMPREHENSIVE INCOME

*For the period ended March 31 (note 1)  
In thousands (except per unit figures)*

	2020 \$
<b>Income</b>	
Interest income	3,570
Other changes in fair value of investments and other net assets	
Net realized gain (loss)	(237)
Net unrealized gain (loss)	(20,887)
Other	595
<b>Total income (loss)</b>	<b>(16,959)</b>
<b>Expenses (note 6)</b>	
Management fees	327
Management fee rebates	(231)
Interest charges	24
Commissions and other portfolio transaction costs	81
Independent Review Committee fees	–
<b>Expenses before amounts absorbed by Manager</b>	<b>201</b>
Expenses absorbed by Manager	–
<b>Net expenses</b>	<b>201</b>
<b>Increase (decrease) in net assets attributable to unitholders from operations before tax</b>	<b>(17,160)</b>
Foreign withholding taxes	35
Foreign income taxes paid (recovered)	–
<b>Increase (decrease) in net assets attributable to unitholders from operations</b>	<b>(17,195)</b>
<b>Increase (decrease) in net assets attributable to unitholders from operations per series</b>	
Series E	(17,195)
<b>Increase (decrease) in net assets attributable to unitholders from operations per unit</b>	
Series E	(11.28)

The accompanying notes are an integral part of these financial statements.



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## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the period ended March 31 (note 1)  
In thousands

	<b>2020</b>
	<b>Series E</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<b>\$</b>
<b>Beginning of period</b>	-
Increase (decrease) in net assets from operations	(17,195)
Distributions paid to unitholders:	
Investment income	(2,547)
Capital gains	-
Management fee rebates	(231)
Total distributions paid to unitholders	(2,778)
Unit transactions:	
Proceeds from units issued	242,812
Reinvested distributions	-
Payments on redemption of units	-
Total unit transactions	242,812
<b>Total increase (decrease) in net assets</b>	<b>222,839</b>
<b>End of period</b>	<b>222,839</b>
<b>Increase (decrease) in units (note 7):</b>	<b>Units</b>
<b>Units outstanding – beginning of period</b>	-
Issued	2,400
Reinvested distributions	-
Redeemed	-
<b>Units outstanding – end of period</b>	<b>2,400</b>

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## STATEMENT OF CASH FLOWS

For the period ended March 31 (note 1)  
In thousands

	2020
	\$
<b>Cash flows from operating activities</b>	
Net increase (decrease) in net assets attributable to unitholders from operations	(17,195)
Adjustments for:	
Net realized loss (gain) on investments	(554)
Change in net unrealized loss (gain) on investments	20,887
Purchase of investments	(262,972)
Proceeds from sale and maturity of investments	24,031
Change in accrued interest receivable	(3,241)
Change in due to manager	95
<b>Net cash from operating activities</b>	<b>(238,949)</b>
<b>Cash flows from financing activities</b>	
Proceeds from units issued	242,812
Payments on redemption of units	–
Distributions paid net of reinvestments	(2,778)
<b>Net cash from financing activities</b>	<b>240,034</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,085</b>
Cash and cash equivalents at beginning of period	–
Effect of exchange rate fluctuations on cash and cash equivalents	617
<b>Cash and cash equivalents at end of period</b>	<b>1,702</b>
Cash	1,702
Cash equivalents	–
<b>Cash and cash equivalents at end of period</b>	<b>1,702</b>
<b>Supplementary disclosures on cash flow from operating activities:</b>	
Dividends received	–
Foreign taxes paid	35
Interest received	329
Interest paid	24

The accompanying notes are an integral part of these financial statements.



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## SCHEDULE OF INVESTMENTS

As at March 31, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS</b>					
Banco Central de Chile 6.00% 03-01-2022	Chile	Foreign Governments	CLP 55,000,000	109	99
Bank of Thailand 1.75% 02-18-2021	Thailand	Foreign Governments	THB 15,723,000	684	680
Bank of Thailand 2.09% 09-24-2021	Thailand	Foreign Governments	THB 54,012,000	2,330	2,359
Bank of Thailand 1.81% 03-25-2022	Thailand	Foreign Governments	THB 23,476,000	1,023	1,026
Brazil Notas do Tesouro Nacional 10.00% 01-01-2027	Brazil	Foreign Governments	BRL 8,000,000	2,997	2,512
Government of Brazil 0% 04-01-2021	Brazil	Foreign Governments	4,000,000	1,187	1,047
Government of Brazil 0% 07-01-2021	Brazil	Foreign Governments	7,000,000	2,078	1,813
Government of Brazil 0% 10-01-2021	Brazil	Foreign Governments	5,000,000	1,482	1,278
Government of Brazil 0% 01-01-2022	Brazil	Foreign Governments	8,000,000	2,288	2,017
Government of Brazil 0% 04-01-2022	Brazil	Foreign Governments	1,000,000	273	246
Government of Brazil 0% 07-01-2022	Mexico	Foreign Governments	7,000,000	1,928	1,703
Government of Brazil 10.00% 01-01-2023	Brazil	Foreign Governments	BRL 10,000,000	3,568	3,077
Government of Brazil 0% 07-01-2023	Brazil	Foreign Governments	11,000,000	2,867	2,477
Government of Brazil 0% 01-01-2024	Brazil	Foreign Governments	1,000,000	243	216
Government of Brazil 10.00% 01-01-2025	Brazil	Foreign Governments	BRL 11,000,000	4,010	3,437
Government of Brazil 10.00% 01-01-2029	Brazil	Foreign Governments	BRL 5,000,000	1,943	1,577
Government of Chile 4.50% 03-01-2021	Chile	Foreign Governments	CLP 195,000,000	338	333
Government of Chile 4.00% 03-01-2023	Chile	Foreign Governments	CLP 315,000,000	559	555
Government of Chile 4.50% 03-01-2026	Chile	Foreign Governments	CLP 485,000,000	919	875
Government of Chile 4.70% 09-01-2030	Chile	Foreign Governments	CLP 515,000,000	980	932
Government of Chile 5.00% 03-01-2035	Chile	Foreign Governments	CLP 350,000,000	766	643
Government of Chile 6.00% 01-01-2043	Chile	Foreign Governments	CLP 500,000,000	1,150	1,063
Government of Chile 5.10% 07-15-2050	Chile	Foreign Governments	CLP 130,000,000	288	249
Government of Colombia 7.00% 05-04-2022	Colombia	Foreign Governments	COP 4,714,000,000	1,918	1,696
Government of Colombia 10.00% 07-24-2024	Colombia	Foreign Governments	COP 2,207,400,000	1,031	874
Government of Colombia 6.25% 11-26-2025	Colombia	Foreign Governments	COP 3,750,900,000	1,497	1,260
Government of Colombia 7.50% 08-26-2026	Colombia	Foreign Governments	COP 4,579,200,000	1,971	1,625
Government of Colombia 6.00% 04-28-2028	Colombia	Foreign Governments	COP 2,683,600,000	1,057	868
Government of Colombia 7.75% 09-18-2030	Colombia	Foreign Governments	COP 2,094,500,000	925	754
Government of Colombia 7.00% 06-30-2032	Colombia	Foreign Governments	COP 4,020,100,000	1,677	1,364
Government of Colombia 7.25% 10-18-2034	Colombia	Foreign Governments	COP 575,100,000	246	200
Government of Czech Republic 3.85% 09-29-2021	Czech Republic	Foreign Governments	CZK 14,450,000	867	856
Government of Czech Republic 0.45% 10-25-2023	Czech Republic	Foreign Governments	CZK 14,680,000	808	813
Government of Czech Republic 5.70% 05-25-2024	Czech Republic	Foreign Governments	CZK 18,790,000	1,286	1,260
Government of Czech Republic 2.40% 09-17-2025	Czech Republic	Foreign Governments	CZK 7,980,000	484	478
Government of Czech Republic 1.00% 06-26-2026	Czech Republic	Foreign Governments	CZK 3,230,000	182	182
Government of Czech Republic 0.25% 02-10-2027	Czech Republic	Foreign Governments	CZK 13,850,000	742	735
Government of Czech Republic 2.50% 08-25-2028	Czech Republic	Foreign Governments	CZK 21,850,000	1,362	1,360
Government of Czech Republic 2.75% 07-23-2029	Czech Republic	Foreign Governments	CZK 12,130,000	788	753
Government of Czech Republic 0.95% 05-15-2030	Czech Republic	Foreign Governments	CZK 11,580,000	642	631
Government of Czech Republic 2.00% 10-13-2033	Czech Republic	Foreign Governments	CZK 7,830,000	475	456
Government of Czech Republic 4.20% 12-04-2036	Czech Republic	Foreign Governments	CZK 9,280,000	750	716
Government of Hungary 0.50% 04-21-2021	Hungary	Foreign Governments	HUF 10,960,000	48	47
Government of Hungary 7.00% 06-24-2022	Hungary	Foreign Governments	HUF 123,560,000	642	603
Government of Hungary 1.75% 10-26-2022	Hungary	Foreign Governments	HUF 219,550,000	988	958
Government of Hungary 6.00% 11-24-2023	Hungary	Foreign Governments	HUF 125,510,000	671	630
Government of Hungary 3.00% 06-26-2024	Hungary	Foreign Governments	HUF 109,880,000	521	503
Government of Hungary 2.50% 10-24-2024	Hungary	Foreign Governments	HUF 175,430,000	817	788
Government of Hungary 5.50% 06-24-2025	Hungary	Foreign Governments	HUF 162,770,000	888	833



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## SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS (cont'd)</b>					
Government of Hungary 2.75% 12-22-2026	Hungary	Foreign Governments	HUF 130,350,000	617	591
Government of Hungary 3.00% 10-27-2027	Hungary	Foreign Governments	HUF 173,980,000	839	791
Government of Hungary 6.75% 10-22-2028	Hungary	Foreign Governments	HUF 70,520,000	441	402
Government of Hungary 3.00% 08-21-2030	Hungary	Foreign Governments	HUF 126,800,000	603	559
Government of Hungary 3.25% 10-22-2031	Hungary	Foreign Governments	HUF 7,880,000	38	35
Government of Indonesia 6.50% 05-15-2021	Indonesia	Foreign Governments	IDR 10,509,000,000	988	916
Government of Indonesia 8.25% 07-15-2021	Indonesia	Foreign Governments	IDR 5,095,000,000	514	454
Government of Indonesia 7.00% 05-15-2022	Indonesia	Foreign Governments	IDR 12,116,000,000	1,187	1,065
Government of Indonesia 9.50% 07-15-2023	Indonesia	Foreign Governments	IDR 18,347,000,000	1,948	1,704
Government of Indonesia 8.38% 03-15-2024	Indonesia	Foreign Governments	IDR 19,490,000,000	1,943	1,752
Government of Indonesia 6.50% 06-15-2025	Indonesia	Foreign Governments	IDR 15,928,000,000	1,559	1,334
Government of Indonesia 7.00% 05-15-2027 FR59	Indonesia	Foreign Governments	IDR 6,126,000,000	575	504
Government of Indonesia 7.00% 09-15-2030	Indonesia	Foreign Governments	IDR 3,395,000,000	317	275
Government of Indonesia 8.38% 03-15-2034	Indonesia	Foreign Governments	IDR 15,905,000,000	1,674	1,365
Government of Indonesia 7.50% 06-15-2035	Indonesia	Foreign Governments	IDR 3,006,000,000	284	244
Government of Indonesia 8.25% 05-15-2036	Indonesia	Foreign Governments	IDR 23,514,000,000	2,317	1,977
Government of Indonesia 8.38% 04-15-2039	Indonesia	Foreign Governments	IDR 13,349,000,000	1,396	1,156
Government of Indonesia 7.38% 05-15-2048	Indonesia	Foreign Governments	IDR 5,811,000,000	535	451
Government of Malaysia 4.16% 07-15-2021	Malaysia	Foreign Governments	MYR 3,044,000	958	1,012
Government of Malaysia 3.74% 08-26-2021	Malaysia	Foreign Governments	MYR 3,378,000	1,100	1,117
Government of Malaysia 3.62% 11-30-2021	Malaysia	Foreign Governments	MYR 863,000	278	285
Government of Malaysia 3.73% 03-31-2022	Malaysia	Foreign Governments	MYR 1,123,000	362	373
Government of Malaysia 3.80% 09-30-2022	Malaysia	Foreign Governments	MYR 7,666,000	2,531	2,555
Government of Malaysia 3.48% 03-15-2023	Malaysia	Foreign Governments	MYR 1,743,000	549	578
Government of Malaysia 3.76% 04-20-2023	Malaysia	Foreign Governments	MYR 2,100,000	681	701
Government of Malaysia 4.09% 11-30-2023	Malaysia	Foreign Governments	MYR 613,000	202	206
Government of Malaysia 4.44% 05-22-2024	Malaysia	Foreign Governments	MYR 3,699,000	1,210	1,263
Government of Malaysia 4.13% 08-15-2025	Malaysia	Foreign Governments	MYR 2,807,000	919	953
Government of Malaysia 3.99% 10-15-2025	Malaysia	Foreign Governments	MYR 8,429,000	2,840	2,856
Government of Malaysia 4.26% 07-26-2027	Malaysia	Foreign Governments	MYR 2,556,000	858	880
Government of Malaysia 3.90% 11-16-2027 Series 0417	Malaysia	Foreign Governments	MYR 1,946,000	624	654
Government of Malaysia 3.73% 06-15-2028	Malaysia	Foreign Governments	MYR 5,100,000	1,718	1,692
Government of Malaysia 4.94% 12-06-2028	Malaysia	Foreign Governments	MYR 2,309,000	817	829
Government of Malaysia 4.50% 04-15-2030	Malaysia	Foreign Governments	MYR 4,275,000	1,514	1,475
Government of Malaysia 4.23% 06-30-2031	Malaysia	Foreign Governments	MYR 3,830,000	1,280	1,305
Government of Malaysia 4.12% 11-30-2034	Malaysia	Foreign Governments	MYR 1,773,000	586	592
Government of Malaysia 4.76% 04-07-2037	Malaysia	Foreign Governments	MYR 5,349,000	2,037	1,896
Government of Malaysia 4.89% 06-08-2038	Malaysia	Foreign Governments	MYR 1,168,000	415	425
Government of Malaysia 4.47% 09-15-2039	Malaysia	Foreign Governments	MYR 906,000	304	302
Government of Malaysia 4.94% 09-30-2043	Malaysia	Foreign Governments	MYR 1,065,000	389	386
Government of Malaysia 4.74% 03-15-2046	Malaysia	Foreign Governments	MYR 1,170,000	417	407
Government of Malaysia 4.92% 07-06-2048	Malaysia	Foreign Governments	MYR 2,132,000	810	781
Government of Malaysia 4.64% 11-15-2049	Malaysia	Foreign Governments	MYR 322,000	122	109
Government of Mexico 6.50% 06-10-2021	Mexico	Foreign Governments	MXN 29,510,000	2,032	1,753
Government of Mexico 7.25% 12-09-2021	Mexico	Foreign Governments	MXN 31,460,000	2,214	1,898
Government of Mexico 6.50% 06-09-2022	Mexico	Foreign Governments	MXN 13,140,000	895	782
Government of Mexico 6.75% 03-09-2023	Mexico	Foreign Governments	MXN 1,260,000	87	76
Government of Mexico 8.00% 09-05-2024	Mexico	Foreign Governments	MXN 18,900,000	1,362	1,182
Government of Mexico 10.00% 12-05-2024	Mexico	Foreign Governments	MXN 27,360,000	2,185	1,836



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## SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS (cont'd)</b>					
Government of Mexico 5.75% 03-05-2026	Mexico	Foreign Governments	MXN 10,020,000	652	562
Government of Mexico 7.50% 06-03-2027	Mexico	Foreign Governments	MXN 33,600,000	2,442	2,028
Government of Mexico 8.50% 05-31-2029	Mexico	Foreign Governments	MXN 25,280,000	1,976	1,620
Government of Mexico 7.75% 11-23-2034	Mexico	Foreign Governments	MXN 1,650,000	119	100
Government of Mexico 10.00% 11-20-2036	Mexico	Foreign Governments	MXN 16,220,000	1,431	1,171
Government of Mexico 8.50% 11-18-2038	Mexico	Foreign Governments	MXN 17,050,000	1,392	1,070
Government of Mexico 8.00% 11-07-2047	Mexico	Foreign Governments	MXN 16,240,000	1,253	963
Government of Peru 5.70% 08-12-2024	Peru	Foreign Governments	PEN 537,000	233	251
Government of Peru 8.20% 08-12-2026	Peru	Foreign Governments	PEN 2,336,000	1,171	1,197
Government of Peru 6.35% 08-12-2028	Peru	Foreign Governments	PEN 1,944,000	886	887
Government of Peru 5.94% 02-12-2029	Peru	Foreign Governments	PEN 753,000	334	334
Government of Peru 6.95% 08-12-2031	Peru	Foreign Governments	PEN 2,001,000	961	942
Government of Peru 6.15% 08-12-2032	Peru	Foreign Governments	PEN 2,082,000	941	919
Government of Peru 5.40% 08-12-2034	Peru	Foreign Governments	PEN 1,542,000	647	632
Government of Peru 6.90% 08-12-2037	Peru	Foreign Governments	PEN 2,170,000	1,049	1,028
Government of Peru 5.35% 08-12-2040	Peru	Foreign Governments	PEN 591,000	234	235
Government of Peru 6.85% 02-12-2042	Peru	Foreign Governments	PEN 764,000	369	354
Government of Poland 2.00% 04-25-2021	Poland	Foreign Governments	PLN 1,302,000	448	449
Government of Poland 0% 05-25-2021	Poland	Foreign Governments	PLN 5,698,000	1,916	1,924
Government of Poland 1.75% 07-25-2021 Callable 2020	Poland	Foreign Governments	PLN 4,261,000	1,452	1,470
Government of Poland 2.25% 04-25-2022	Poland	Foreign Governments	PLN 3,118,000	1,085	1,090
Government of Poland 0% 07-25-2022	Poland	Foreign Governments	PLN 146,000	48	49
Government of Poland 5.75% 09-23-2022	Poland	Foreign Governments	PLN 6,490,000	2,453	2,467
Government of Poland 2.50% 01-25-2023	Poland	Foreign Governments	PLN 4,336,000	1,516	1,539
Government of Poland 4.00% 10-25-2023	Poland	Foreign Governments	PLN 1,036,000	384	389
Government of Poland 2.50% 04-25-2024	Poland	Foreign Governments	PLN 4,598,000	1,618	1,655
Government of Poland 2.25% 10-25-2024	Poland	Foreign Governments	PLN 2,553,000	890	914
Government of Poland 3.25% 07-25-2025	Poland	Foreign Governments	PLN 4,671,000	1,712	1,750
Government of Poland 2.50% 07-25-2027	Poland	Foreign Governments	PLN 4,925,000	1,731	1,783
Government of Poland 2.75% 04-25-2028	Poland	Foreign Governments	PLN 2,526,000	912	925
Government of Poland 5.75% 04-25-2029	Poland	Foreign Governments	PLN 554,000	251	251
Government of Poland 2.75% 10-25-2029	Poland	Foreign Governments	PLN 4,061,000	1,467	1,515
Government of Romania 3.25% 03-22-2021	Romania	Foreign Governments	RON 275,000	84	88
Government of Romania 5.95% 06-11-2021	Romania	Foreign Governments	RON 1,260,000	400	416
Government of Romania 4.00% 10-27-2021	Romania	Foreign Governments	RON 2,615,000	810	846
Government of Romania 3.40% 03-08-2022	Romania	Foreign Governments	RON 900,000	276	288
Government of Romania 4.00% 08-08-2022	Romania	Foreign Governments	RON 130,000	40	42
Government of Romania 3.50% 12-19-2022	Romania	Foreign Governments	RON 65,000	20	21
Government of Romania 5.85% 04-26-2023	Romania	Foreign Governments	RON 3,360,000	1,101	1,142
Government of Romania 4.25% 06-28-2023	Romania	Foreign Governments	RON 1,810,000	562	588
Government of Romania 4.40% 09-25-2023	Romania	Foreign Governments	RON 735,000	229	240
Government of Romania 4.50% 06-17-2024	Romania	Foreign Governments	RON 815,000	256	266
Government of Romania 4.75% 02-24-2025	Romania	Foreign Governments	RON 1,780,000	568	586
Government of Romania 4.85% 04-22-2026	Romania	Foreign Governments	RON 2,295,000	735	761
Government of Romania 5.80% 07-26-2027	Romania	Foreign Governments	RON 600,000	202	210
Government of Romania 5.00% 02-12-2029	Romania	Foreign Governments	RON 1,805,000	586	586
Government of Romania 3.65% 09-24-2031	Romania	Foreign Governments	RON 575,000	163	157
Government of Russia 7.50% 08-18-2021	Russia	Foreign Governments	RUB 58,977,000	1,257	1,078
Government of Russia F/R 11-24-2021	Russia	Foreign Governments	RUB 21,166,600	436	380



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## SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS (cont'd)</b>					
Government of Russia 7.00% 12-15-2021	Russia	Foreign Governments	RUB 11,329,000	240	206
Government of Russia 7.60% 07-20-2022	Russia	Foreign Governments	RUB 88,033,000	1,879	1,628
Government of Russia 7.00% 01-25-2023	Russia	Foreign Governments	RUB 64,259,000	1,387	1,168
Government of Russia 7.00% 08-16-2023	Russia	Foreign Governments	RUB 14,251,000	304	260
Government of Russia 5.30% 10-04-2023	Russia	Foreign Governments	RUB 46,319,000	915	798
Government of Russia 6.50% 02-28-2024	Russia	Foreign Governments	RUB 12,026,000	251	216
Government of Russia 7.40% 07-17-2024	Russia	Foreign Governments	RUB 88,843,000	1,952	1,646
Government of Russia 7.10% 10-16-2024	Russia	Foreign Governments	RUB 36,202,000	768	664
Government of Russia 7.15% 11-12-2025	Russia	Foreign Governments	RUB 37,892,000	825	698
Government of Russia 7.75% 09-16-2026	Russia	Foreign Governments	RUB 54,139,000	1,227	1,032
Government of Russia 7.95% 10-07-2026	Russia	Foreign Governments	RUB 17,744,000	407	342
Government of Russia 8.15% 02-03-2027	Russia	Foreign Governments	RUB 55,783,000	1,290	1,090
Government of Russia 6.00% 10-06-2027	Russia	Foreign Governments	RUB 4,975,000	99	87
Government of Russia 6.90% 05-23-2029	Russia	Foreign Governments	RUB 23,464,000	490	429
Government of Russia 8.50% 09-17-2031	Russia	Foreign Governments	RUB 9,067,000	219	186
Government of Russia 7.70% 03-23-2033	Russia	Foreign Governments	RUB 11,383,000	265	221
Government of Russia 7.25% 05-10-2034	Russia	Foreign Governments	RUB 163,554,000	3,655	3,064
Government of Russia 7.70% 03-16-2039	Russia	Foreign Governments	RUB 15,426,000	346	301
Government of South Africa 6.75% 03-31-2021	South Africa	Foreign Governments	ZAR 6,889,000	612	549
Government of South Africa 7.75% 02-28-2023	South Africa	Foreign Governments	ZAR 14,734,000	1,337	1,181
Government of South Africa 10.50% 12-21-2026	South Africa	Foreign Governments	ZAR 32,522,000	3,241	2,613
Government of South Africa 8.00% 01-31-2030	South Africa	Foreign Governments	ZAR 19,352,000	1,610	1,250
Government of South Africa 7.00% 02-28-2031	South Africa	Foreign Governments	ZAR 7,915,000	594	461
Government of South Africa 8.25% 03-31-2032	South Africa	Foreign Governments	ZAR 28,539,000	2,319	1,787
Government of South Africa 8.88% 02-28-2035	South Africa	Foreign Governments	ZAR 10,597,000	893	673
Government of South Africa 6.25% 03-31-2036	South Africa	Foreign Governments	ZAR 742,000	49	36
Government of South Africa 8.50% 01-31-2037	South Africa	Foreign Governments	ZAR 47,625,000	3,727	2,838
Government of South Africa 9.00% 01-31-2040	South Africa	Foreign Governments	ZAR 17,300,000	1,435	1,072
Government of South Africa 6.50% 02-28-2041	South Africa	Foreign Governments	ZAR 2,557,000	151	120
Government of South Africa 8.75% 01-31-2044	South Africa	Foreign Governments	ZAR 13,124,000	1,036	782
Government of South Africa 8.75% 02-28-2048	South Africa	Foreign Governments	ZAR 37,953,000	2,966	2,243
Government of Thailand 1.62% 03-12-2021	Thailand	Foreign Governments	THB 6,379,000	277	276
Government of Thailand 1.88% 06-17-2022	Thailand	Foreign Governments	THB 24,290,000	1,069	1,065
Government of Thailand 2.40% 12-17-2023	Thailand	Foreign Governments	THB 71,029,000	3,174	3,203
Government of Thailand 1.45% 12-17-2024	Thailand	Foreign Governments	THB 3,451,000	150	151
Government of Thailand 3.85% 12-12-2025	Thailand	Foreign Governments	THB 8,590,000	427	423
Government of Thailand 3.58% 12-17-2027	Thailand	Foreign Governments	THB 50,311,000	2,519	2,498
Government of Thailand 2.88% 12-17-2028	Thailand	Foreign Governments	THB 3,468,000	167	166
Government of Thailand 4.88% 06-22-2029	Thailand	Foreign Governments	THB 13,585,000	767	751
Government of Thailand 3.65% 06-20-2031	Thailand	Foreign Governments	THB 35,493,000	1,866	1,807
Government of Thailand 3.78% 06-25-2032	Thailand	Foreign Governments	THB 25,384,000	1,373	1,341
Government of Thailand 3.40% 06-17-2036	Thailand	Foreign Governments	THB 41,910,000	2,257	2,209
Government of Thailand 3.30% 06-17-2038	Thailand	Foreign Governments	THB 17,801,000	965	923
Government of Thailand 4.68% 06-29-2044	Thailand	Foreign Governments	THB 34,584,000	2,329	2,128
Government of Thailand 2.88% 06-17-2046	Thailand	Foreign Governments	THB 6,225,000	316	291
Government of Thailand 3.60% 06-17-2067	Thailand	Foreign Governments	THB 31,542,000	1,965	1,726
Government of the Philippines 4.95% 01-15-2021	Philippines	Foreign Governments	PHP 8,000,000	208	220
Government of the Philippines 4.00% 01-26-2022	Philippines	Foreign Governments	PHP 19,730,000	512	538
Government of the Philippines 4.75% 07-04-2022	Philippines	Foreign Governments	PHP 25,090,000	661	697



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## SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS (cont'd)</b>					
Government of the Philippines 4.63% 12-04-2022	Philippines	Foreign Governments	PHP 1,670,000	44	46
Government of the Philippines 5.50% 03-08-2023	Philippines	Foreign Governments	PHP 37,100,000	1,009	1,053
Government of the Philippines 5.75% 04-12-2025	Philippines	Foreign Governments	PHP 50,800,000	1,401	1,483
Government of the Philippines 6.25% 02-14-2026	Philippines	Foreign Governments	PHP 7,660,000	215	231
Government of the Philippines 6.25% 03-22-2028	Philippines	Foreign Governments	PHP 9,530,000	280	288
Government of the Philippines 6.88% 01-10-2029	Philippines	Foreign Governments	PHP 49,840,000	1,565	1,582
Government of the Philippines 8.00% 07-19-2031	Philippines	Foreign Governments	PHP 44,985,000	1,505	1,566
Government of the Philippines 6.13% 10-24-2037	Philippines	Foreign Governments	PHP 77,815,000	2,310	2,381
Government of the Philippines 6.75% 01-24-2039	Philippines	Foreign Governments	PHP 1,430,000	46	48
Government of Turkey 20.90% 04-21-2021	Turkey	Foreign Governments	TRL 3,992,000	997	934
Government of Turkey 13.80% 10-20-2021	Turkey	Foreign Governments	TRL 1,563,000	365	345
Government of Turkey 9.50% 01-12-2022	Turkey	Foreign Governments	TRL 2,240,000	486	460
Government of Turkey 11.00% 03-02-2022	Turkey	Foreign Governments	TRL 3,847,000	867	806
Government of Turkey 12.20% 01-18-2023	Turkey	Foreign Governments	TRL 3,026,000	708	644
Government of Turkey 7.10% 03-08-2023	Turkey	Foreign Governments	TRL 1,088,000	215	203
Government of Turkey 16.20% 06-14-2023	Turkey	Foreign Governments	TRL 653,000	169	153
Government of Turkey 8.80% 09-27-2023	Turkey	Foreign Governments	TRL 4,461,000	882	849
Government of Turkey 10.40% 03-20-2024	Turkey	Foreign Governments	TRL 514,000	109	102
Government of Turkey 9.00% 07-24-2024	Turkey	Foreign Governments	TRL 4,515,000	967	845
Government of Turkey 8.00% 03-12-2025	Turkey	Foreign Governments	TRL 414,000	81	73
Government of Turkey 10.60% 02-11-2026	Turkey	Foreign Governments	TRL 1,849,000	391	356
Government of Turkey 11.00% 02-24-2027	Turkey	Foreign Governments	TRL 2,762,000	634	536
Government of Turkey 10.50% 08-11-2027	Turkey	Foreign Governments	TRL 2,178,000	435	412
Government of Turkey 12.40% 03-08-2028	Turkey	Foreign Governments	TRL 1,542,000	381	317
Indonesia Treasury Bond 9.00% 03-15-2029	Indonesia	Foreign Governments	IDR 69,464,000,000	7,514	6,329
Mexican Bonos 8.00% 12-07-2023	Mexico	Foreign Governments	MXN 36,960,000	2,696	2,301
Mexican Bonos 7.75% 05-29-2031	Mexico	Foreign Governments	MXN 16,320,000	1,225	994
Mexican Bonos 7.75% 11-13-2042	Mexico	Foreign Governments	MXN 17,180,000	1,279	997
Poland Government Bond 2.50% 07-25-2026	Poland	Foreign Governments	PLN 5,461,000	1,923	1,974
Russian Federal Loan Bond - OFZ 7.05% 01-19-2028	Russia	Foreign Governments	RUB 68,770,000	1,466	1,266
<b>Total bonds</b>				<b>238,718</b>	<b>217,977</b>
Transaction costs				(55)	—
<b>Total investments</b>				<b>238,663</b>	<b>217,977</b>
Derivative instruments (see schedule of derivative instruments)					14
Cash and cash equivalents					1,702
Other assets less liabilities					3,146
<b>Total net assets</b>					<b>222,839</b>



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## SUMMARY OF INVESTMENT PORTFOLIO

March 31, 2020

<b>Portfolio Allocation</b>	<b>% of NAV</b>
Bonds	97.8
Other assets (liabilities)	1.4
Cash and short-term investments	0.8

<b>Regional Allocation</b>	<b>% of NAV</b>
Malaysia	10.7
Thailand	10.3
Mexico	9.4
Poland	9.0
Brazil	8.8
Indonesia	8.8
Russia	7.5
South Africa	7.0
Other	5.2
Philippines	4.5
Colombia	3.9
Czech Republic	3.7
Turkey	3.2
Hungary	3.0
Romania	2.8
Other assets (liabilities)	1.4
Cash and short-term investments	0.8

<b>Sector Allocation</b>	<b>% of NAV</b>
Foreign government bonds	97.8
Other assets (liabilities)	1.4
Cash and short-term investments	0.8



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## SCHEDULE OF DERIVATIVE INSTRUMENTS

As at March 31, 2020

### Schedule of Forward Currency Contracts

Counterparty Credit Rating	Bought (\$ 000s)	Sold (\$ 000s)	Settlement Date	Contract Cost (\$ 000s)	Current Fair Value (\$ 000s)	Unrealized Gains (\$ 000s)	
A	7,530	Chilean peso (9)	U.S. dollar	Apr. 7, 2020	12	12	–
A	1,325	Czech koruna (53)	U.S. dollar	Apr. 7, 2020	75	75	–
A	3,704	Mexican peso (153)	U.S. dollar	Apr. 7, 2020	216	220	4
A	51	Peruvian New Sol (15)	U.S. dollar	Apr. 7, 2020	21	21	–
A	115	Peruvian New Sol (33)	U.S. dollar	Apr. 7, 2020	47	47	–
A	18	Peruvian New Sol (5)	U.S. dollar	Apr. 7, 2020	7	7	–
A	62	Peruvian New Sol (17)	U.S. dollar	Apr. 7, 2020	25	26	1
A	1,107	Philippine peso (22)	U.S. dollar	Apr. 7, 2020	30	31	1
A	850	Philippine peso (16)	U.S. dollar	Apr. 7, 2020	23	24	1
A	209	Poland zloty (50)	U.S. dollar	Apr. 7, 2020	71	71	–
A	31	Romanian Leu (7)	U.S. dollar	Apr. 7, 2020	10	10	–
A	8,358	Russian ruble (104)	U.S. dollar	Apr. 7, 2020	147	150	3
A	14	U.S. dollar (65)	Brazilian real	Apr. 7, 2020	(20)	(18)	2
A	177	U.S. dollar (789)	Brazilian real	Apr. 7, 2020	(248)	(215)	33
A	47	U.S. dollar (161,400)	Colombian Peso	Apr. 7, 2020	(66)	(56)	10
A	185	U.S. dollar (3,578)	Mexican peso	Apr. 7, 2020	(260)	(213)	47
A	67	U.S. dollar (4,372)	Russian ruble	Apr. 7, 2020	(94)	(78)	16
A	5	U.S. dollar (31)	Turkish lira	Apr. 7, 2020	(7)	(7)	–
A	407	U.S. dollar (6,251)	South African rand	Apr. 7, 2020	(573)	(492)	81
A	30	U.S. dollar (671)	Czech koruna	Apr. 7, 2020	(42)	(38)	4
A	52	U.S. dollar (15,680)	Hungarian forint	Apr. 7, 2020	(73)	(67)	6
A	140	U.S. dollar (2,000,000)	Indonesian rupiah	Apr. 7, 2020	(198)	(173)	25
A	66	U.S. dollar (226)	Peruvian New Sol	Apr. 7, 2020	(93)	(92)	1
A	61	U.S. dollar (3,087)	Philippine peso	Apr. 7, 2020	(86)	(85)	1
A	68	U.S. dollar (262)	Poland zloty	Apr. 7, 2020	(96)	(89)	7
A	46	U.S. dollar (199)	Romanian Leu	Apr. 7, 2020	(65)	(64)	1
A	153	U.S. dollar (4,782)	Thai baht	Apr. 7, 2020	(215)	(205)	10
A	3	U.S. dollar (2,670)	Chilean peso	Apr. 7, 2020	(5)	(4)	1
A	69	U.S. dollar (1,365)	Mexican peso	Apr. 7, 2020	(97)	(81)	16
A	60	U.S. dollar (4,022)	Russian ruble	Apr. 7, 2020	(84)	(72)	12
A	113	U.S. dollar (1,770)	South African rand	Apr. 7, 2020	(160)	(140)	20
A	101	U.S. dollar (477)	Brazilian real	Apr. 7, 2020	(141)	(129)	12
A	16	U.S. dollar (13,700)	Chilean peso	Apr. 7, 2020	(23)	(23)	–
A	19	U.S. dollar (71,500)	Colombian Peso	Apr. 7, 2020	(27)	(25)	2
A	67	U.S. dollar (1,414)	Mexican peso	Apr. 7, 2020	(95)	(84)	11
A	2	U.S. dollar (115)	Philippine peso	Apr. 7, 2020	(3)	(3)	–
A	4	U.S. dollar (19)	Romanian Leu	Apr. 7, 2020	(6)	(6)	–
A	68	U.S. dollar (354)	Brazilian real	Apr. 7, 2020	(96)	(96)	–
A	81	U.S. dollar (68,270)	Chilean peso	Apr. 7, 2020	(113)	(112)	1
A	1	U.S. dollar (2,500)	Colombian Peso	Apr. 7, 2020	(1)	(1)	–
A	192	U.S. dollar (3,116,000)	Indonesian rupiah	Apr. 7, 2020	(270)	(269)	1
A	143	U.S. dollar (3,350)	Mexican peso	Apr. 7, 2020	(201)	(199)	2
A	149	U.S. dollar (11,681)	Russian ruble	Apr. 7, 2020	(210)	(209)	1
A	305	U.S. dollar (10,012)	Thai baht	Apr. 7, 2020	(430)	(429)	1



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## SCHEDULE OF DERIVATIVE INSTRUMENTS (cont'd)

As at March 31, 2020

### Schedule of Forward Currency Contracts (cont'd)

Counterparty Credit Rating	Bought (\$ 000s)		Sold (\$ 000s)		Settlement Date	Contract Cost (\$ 000s)	Current Fair Value (\$ 000s)	Unrealized Gains (Losses) (\$ 000s)
A	41	U.S. dollar	(274)	Turkish lira	Apr. 7, 2020	(58)	(58)	–
A	51	U.S. dollar	(3,976)	Russian ruble	May 8, 2020	(71)	(71)	–
A	6,410	Hungarian forint	(20)	U.S. dollar	May 11, 2020	27	28	1
A	42	Peruvian New Sol	(12)	U.S. dollar	May 11, 2020	17	17	–
A	2,471	Philippine peso	(48)	U.S. dollar	May 11, 2020	68	68	–
A	71	Poland zloty	(17)	U.S. dollar	May 11, 2020	24	24	–
A	230	U.S. dollar	(1,196)	Brazilian real	May 11, 2020	(324)	(323)	1
A	74	U.S. dollar	(1,323)	South African rand	May 11, 2020	(104)	(103)	1
Unrealized Gains								337
A	503	Brazilian real	(111)	U.S. dollar	Apr. 7, 2020	156	136	(20)
A	58	Brazilian real	(12)	U.S. dollar	Apr. 7, 2020	18	16	(2)
A	1,124	Brazilian real	(218)	U.S. dollar	Apr. 7, 2020	306	304	(2)
A	5,420	Chilean peso	(7)	U.S. dollar	Apr. 7, 2020	9	9	–
A	57,380	Chilean peso	(71)	U.S. dollar	Apr. 7, 2020	100	94	(6)
A	14,310	Chilean peso	(18)	U.S. dollar	Apr. 7, 2020	25	24	(1)
A	14,000	Colombian Peso	(4)	U.S. dollar	Apr. 7, 2020	6	5	(1)
A	211,600	Colombian Peso	(61)	U.S. dollar	Apr. 7, 2020	86	73	(13)
A	35,400	Colombian Peso	(10)	U.S. dollar	Apr. 7, 2020	14	12	(2)
A	89	Czech koruna	(4)	U.S. dollar	Apr. 7, 2020	5	5	–
A	1,011	Czech koruna	(45)	U.S. dollar	Apr. 7, 2020	63	57	(6)
A	273	Czech koruna	(12)	U.S. dollar	Apr. 7, 2020	17	15	(2)
A	162	Czech koruna	(7)	U.S. dollar	Apr. 7, 2020	10	9	(1)
A	5,030	Hungarian forint	(16)	U.S. dollar	Apr. 7, 2020	23	22	(1)
A	18,840	Hungarian forint	(63)	U.S. dollar	Apr. 7, 2020	88	81	(7)
A	6,150	Hungarian forint	(20)	U.S. dollar	Apr. 7, 2020	29	26	(3)
A	4,640	Hungarian forint	(16)	U.S. dollar	Apr. 7, 2020	22	20	(2)
A	228,000	Indonesian rupiah	(16)	U.S. dollar	Apr. 7, 2020	22	20	(2)
A	2,099,000	Indonesian rupiah	(148)	U.S. dollar	Apr. 7, 2020	208	180	(28)
A	634,000	Indonesian rupiah	(44)	U.S. dollar	Apr. 7, 2020	62	55	(7)
A	118,000	Indonesian rupiah	(8)	U.S. dollar	Apr. 7, 2020	11	10	(1)
A	2,037,000	Indonesian rupiah	(129)	U.S. dollar	Apr. 7, 2020	181	176	(5)
A	170	Mexican peso	(9)	U.S. dollar	Apr. 7, 2020	12	10	(2)
A	5,833	Mexican peso	(298)	U.S. dollar	Apr. 7, 2020	419	345	(74)
A	141	Peruvian New Sol	(41)	U.S. dollar	Apr. 7, 2020	58	58	–
A	2,842	Philippine peso	(56)	U.S. dollar	Apr. 7, 2020	79	79	–
A	1,657	Philippine peso	(33)	U.S. dollar	Apr. 7, 2020	46	46	–
A	94	Poland zloty	(24)	U.S. dollar	Apr. 7, 2020	33	32	(1)
A	407	Poland zloty	(106)	U.S. dollar	Apr. 7, 2020	149	138	(11)
A	92	Poland zloty	(24)	U.S. dollar	Apr. 7, 2020	34	31	(3)
A	124	Poland zloty	(33)	U.S. dollar	Apr. 7, 2020	46	42	(4)
A	206	Romanian Leu	(48)	U.S. dollar	Apr. 7, 2020	67	66	(1)
A	96	Romanian Leu	(22)	U.S. dollar	Apr. 7, 2020	31	31	–
A	1,112	Russian ruble	(16)	U.S. dollar	Apr. 7, 2020	23	20	(3)
A	7,673	Russian ruble	(116)	U.S. dollar	Apr. 7, 2020	163	136	(27)



**MACKENZIE**  
Investments

# MACKENZIE EMERGING MARKETS LOCAL CURRENCY BOND INDEX ETF

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

TRADITIONAL FIXED INCOME INDEX ETF

## SCHEDULE OF DERIVATIVE INSTRUMENTS (cont'd)

As at March 31, 2020

### Schedule of Forward Currency Contracts (cont'd)

Counterparty Credit Rating	Bought (\$ 000s)	Sold (\$ 000s)	Settlement Date	Contract Cost (\$ 000s)	Current Fair Value (\$ 000s)	Unrealized Gains (Losses) (\$ 000s)
A	2,932 Russian ruble	(39) U.S. dollar	Apr. 7, 2020	55	52	(3)
A	4,891 Thai baht	(155) U.S. dollar	Apr. 7, 2020	218	210	(8)
A	5,381 Thai baht	(172) U.S. dollar	Apr. 7, 2020	242	231	(11)
A	1,553 Thai baht	(49) U.S. dollar	Apr. 7, 2020	69	67	(2)
A	135 Thai baht	(4) U.S. dollar	Apr. 7, 2020	6	6	–
A	2,834 Thai baht	(87) U.S. dollar	Apr. 7, 2020	123	122	(1)
A	5 Turkish lira	(1) U.S. dollar	Apr. 7, 2020	1	1	–
A	207 Turkish lira	(34) U.S. dollar	Apr. 7, 2020	48	44	(4)
A	40 Turkish lira	(6) U.S. dollar	Apr. 7, 2020	9	8	(1)
A	26 Turkish lira	(4) U.S. dollar	Apr. 7, 2020	6	6	–
A	26 Turkish lira	(4) U.S. dollar	Apr. 7, 2020	6	6	–
A	6 U.S. dollar	(25,600) Colombian Peso	Apr. 7, 2020	(9)	(9)	–
A	85 U.S. dollar	(2,189) Czech koruna	Apr. 7, 2020	(119)	(124)	(5)
A	40 U.S. dollar	(13,170) Hungarian forint	Apr. 7, 2020	(56)	(57)	(1)
A	156 U.S. dollar	(663) Poland zloty	Apr. 7, 2020	(219)	(226)	(7)
A	17 U.S. dollar	(79) Romanian Leu	Apr. 7, 2020	(25)	(25)	–
A	18 U.S. dollar	(5,810) Hungarian forint	Apr. 7, 2020	(25)	(25)	–
A	47 U.S. dollar	(162) Peruvian New Sol	Apr. 7, 2020	(66)	(66)	–
A	64 U.S. dollar	(3,254) Philippine peso	Apr. 7, 2020	(90)	(90)	–
A	8 U.S. dollar	(36) Romanian Leu	Apr. 7, 2020	(11)	(11)	–
A	113 South African rand	(7) U.S. dollar	Apr. 7, 2020	10	9	(1)
A	2,145 South African rand	(139) U.S. dollar	Apr. 7, 2020	196	169	(27)
A	911 South African rand	(57) U.S. dollar	Apr. 7, 2020	80	72	(8)
A	868 South African rand	(50) U.S. dollar	Apr. 7, 2020	70	68	(2)
A	3,984 South African rand	(223) U.S. dollar	Apr. 7, 2020	314	313	(1)
A	45,500 Chilean peso	(54) U.S. dollar	May 11, 2020	76	75	(1)
A	3,931,000 Indonesian rupiah	(241) U.S. dollar	May 11, 2020	339	338	(1)
A	1,718 Mexican peso	(73) U.S. dollar	May 11, 2020	102	101	(1)
A	10,396 Thai baht	(317) U.S. dollar	May 11, 2020	446	446	–
A	7 Turkish lira	(1) U.S. dollar	May 11, 2020	1	1	–
A	108 U.S. dollar	(441,200) Colombian Peso	May 11, 2020	(152)	(152)	–
A	77 U.S. dollar	(1,914) Czech koruna	May 11, 2020	(108)	(108)	–
A	2 U.S. dollar	(10) Romanian Leu	May 11, 2020	(3)	(3)	–
Unrealized (Losses)						(323)
<b>Total forward currency contracts</b>						<b>14</b>
<b>Total derivative instruments at fair value</b>						<b>14</b>



**MACKENZIE**  
Investments

# MACKENZIE EMERGING MARKETS LOCAL CURRENCY BOND INDEX ETF

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

TRADITIONAL FIXED INCOME INDEX ETF

## NOTES TO FINANCIAL STATEMENTS

### 1. Fiscal Periods and General Information

The information provided in these financial statements and notes thereto is for the periods ended or as at March 31, 2020 and 2019, 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 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 audited annual financial statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). 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 July 13, 2020.

### 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 period-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.

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.

# MACKENZIE EMERGING MARKETS LOCAL CURRENCY BOND INDEX ETF

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## NOTES TO FINANCIAL STATEMENTS

### 3. Significant Accounting Policies (cont'd)

#### (a) Financial instruments (cont'd)

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 funds and exchange-traded funds in which the ETF invests, do 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 derivatives. 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 March 31, 2020.

#### (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.



# MACKENZIE EMERGING MARKETS LOCAL CURRENCY BOND INDEX ETF

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## NOTES TO FINANCIAL STATEMENTS

### 3. Significant Accounting Policies (cont'd)

#### (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 the Statement of Comprehensive Income – expenses absorbed by Manager.

#### (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.

The outbreak of the novel coronavirus (COVID-19) developed rapidly over the first three months of 2020, with the World Health Organization declaring it a pandemic on March 11, 2020, and governments around the world enacting emergency measures that resulted in business disruptions, volatility in markets and a global economic slowdown.

The Manager uses judgment in assessing the impact from such events on assumptions and estimates applied in reporting the assets and liabilities in the ETF's financial statements at March 31, 2020.

The duration and impact of the COVID-19 pandemic on businesses and markets, and the extent of economic relief measures provided by governments and central banks, are unknown at the reporting date and it is therefore not possible to reliably estimate the impact on the financial results and position of the ETF in future periods.

#### 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.

# MACKENZIE EMERGING MARKETS LOCAL CURRENCY BOND INDEX ETF

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## NOTES TO FINANCIAL STATEMENTS

### 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.

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/redeemed for subscription/redemption 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 any 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 March 31, 2020 and 2019 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 March 31, 2020, grouped by asset type, with geographic and sector information.

# MACKENZIE EMERGING MARKETS LOCAL CURRENCY BOND INDEX ETF

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## NOTES TO FINANCIAL STATEMENTS

### 9. Financial Instruments Risk (cont'd)

#### i. Risk exposure and management (cont'd)

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.

#### 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.

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## NOTES TO FINANCIAL STATEMENTS

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

#### (a) ETF Formation and Series Information

Date of Formation June 25, 2019

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 QEBL on October 24, 2019. The closing market price, or the midpoint of the bid and ask prices in the absence of a closing market price, at March 31, 2020 was \$92.35.

The management fee rate for Series E units is 0.45%.

As at March 31, 2020, the ETF's NAV per unit was \$92.84 and its Net Assets per unit calculated in accordance with IFRS was \$92.85.

#### (b) Investments by Mackenzie and Affiliates

As at March 31, 2020, other funds managed by Mackenzie and I.G. Investment Management, Ltd. had an investment of \$137,012 and \$85,263, respectively, in the ETF.

#### (c) Loss Carryforwards

As at the last taxation year-end, there were no capital and non-capital losses available to carry forward for tax purposes.

#### (d) Securities Lending

As at March 31, 2020, the Fund did not have any open securities lending, repurchase or reverse repurchase transactions.

#### (e) Offsetting of Financial Assets and Liabilities

The table below presents financial assets and financial liabilities that are subject to master netting arrangements or other similar agreements and the net impact on the Fund's Statements of Financial Position if all set-off rights were exercised as part of future events such as bankruptcy or termination of contracts. No amounts were offset in the financial statements.

	March 31, 2020			
	Gross amount of assets/liabilities (\$)	Amount available for offset (\$)	Margin (\$)	Net amount (\$)
Unrealized gains on derivative contracts	337	(323)	–	14
Unrealized losses on derivative contracts	(323)	323	–	–
Total	14	–	–	14

#### (f) 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 EM Local Currency Government Bond Select NTR Index, or any successor thereto. It invests primarily in local currency denominated, emerging market government bonds.



**MACKENZIE**  
Investments

# MACKENZIE EMERGING MARKETS LOCAL CURRENCY BOND INDEX ETF

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

TRADITIONAL FIXED INCOME INDEX ETF

## 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

The table below indicates currencies to which the ETF had significant exposure as at period end in Canadian dollar terms, including the underlying principal amount of any derivative instruments. Other financial assets and liabilities (including accrued interest and dividends receivable, and receivables/payables for investments sold/purchased) that are denominated in foreign currencies do not expose the ETF to significant currency risk.

Currency	March 31, 2020			
	Investments (\$)	Cash and Short-Term Investments (\$)	Derivative Instruments (\$)	Net Exposure* (\$)
Malaysian ringgit	23,632	151	–	23,783
Thai baht	23,023	31	(634)	22,420
Brazilian real	21,400	–	(781)	20,619
Polish zloty	20,144	–	(315)	19,829
Indonesian rupiah	19,526	408	(442)	19,492
Mexican peso	19,333	–	(577)	18,756
Russian ruble	16,760	37	(430)	16,367
South African rand	15,605	112	(735)	14,982
Philippine peso	10,133	35	(178)	9,990
Colombian peso	8,641	–	(243)	8,398
Czech koruna	8,240	2	(270)	7,972
Turkish lira	7,035	–	(65)	6,970
Peruvian nuevo sol	6,779	34	(158)	6,655
Hungarian forint	6,740	–	(149)	6,591
U.S. dollar	–	620	5,559	6,179
Romanian Leu	6,237	3	(109)	6,131
Chilean peso	4,749	93	(139)	4,703
Total	217,977	1,526	334	219,837
% of Net Assets	97.8	0.7	0.1	98.6

\* Includes both monetary and non-monetary financial instruments

As at March 31, 2020, had the Canadian dollar increased or decreased by 5% relative to all foreign currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$10,992 or 4.9% of total net assets. In practice, the actual trading results may differ and the difference could be material.



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## NOTES TO FINANCIAL STATEMENTS

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

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

##### *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.

	<u>March 31, 2020 (\$)</u>
<u>Term to Maturity</u>	<u>Bonds</u>
Less than 1 year	1,597
1-5 years	92,760
5-10 years	65,106
Greater than 10 years	58,514
Total	<u>217,977</u>

As at March 31, 2020, 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 \$11,785 or 5.3% of total net assets. In practice, the actual trading results may differ and the difference could be material.

##### *iv. Other price risk*

As at March 31, 2020, 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 March 31, 2020, was 10.6% of the net assets of the ETF.

As at March 31, 2020, debt securities by credit rating are as follows:

	<u>March 31, 2020</u>
<u>Bond Rating*</u>	<u>% of Net Assets</u>
AA	5.8
A	31.7
BBB	39.1
Less than BBB	19.8
Unrated	1.4
Total	<u>97.8</u>

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

# MACKENZIE EMERGING MARKETS LOCAL CURRENCY BOND INDEX ETF

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

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## 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.

	March 31, 2020			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds	–	217,977	–	217,977
Derivative assets	–	337	–	337
Derivative liabilities	–	(323)	–	(323)
Total	–	217,991	–	217,991

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 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.



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