

## ***Interim Unaudited Financial Statements***

*For the Six-Month Period Ended September 30, 2019*

*These Interim Unaudited Financial Statements do not contain the Interim Management Report of Fund Performance (“MRFP”) of the investment fund. You may obtain a copy of the Interim MRFP, at no cost, by contacting us using one of the methods noted under Fund Formation and Series Information or by visiting the SEDAR website at [www.sedar.com](http://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.*

*Securityholders may also contact us using one of these methods to request a copy of the investment fund’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 Fund, appoints independent auditors to audit the Fund’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 Fund’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 CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## STATEMENTS OF FINANCIAL POSITION

In thousands (except per security figures)  
As at

	Sep. 30 2019	Mar. 31 2019 (Audited)
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Investments at fair value	42,565	42,135
Cash and cash equivalents	5,464	7,384
Accrued interest receivable	294	286
Accounts receivable for investments sold	67	73
Accounts receivable for securities issued	310	–
Margin on derivatives	173	78
Unrealized gains on derivative contracts	216	206
<b>Total assets</b>	<b>49,089</b>	<b>50,162</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Investments sold short at fair value	1,725	1,507
Accounts payable for investments purchased	67	–
Accounts payable for securities redeemed	–	–
Interest payable on securities sold short	27	30
Unrealized losses on derivative contracts	58	47
<b>Total liabilities</b>	<b>1,877</b>	<b>1,584</b>
<b>Net assets attributable to securityholders</b>	<b>47,212</b>	<b>48,578</b>
<b>Net assets attributable to securityholders per series (note 3)</b>		
Series A	56	18
Series F	482	1
Series FB	1	1
Series O	1	2,523
Series PW	1	1
Series PWFB	1	13
Series PWX	1	1
Series R	46,669	46,020
<b>Net assets attributable to securityholders per security (note 3)</b>		
Series A	10.14	10.10
Series F	10.19	10.11
Series FB	10.17	10.10
Series O	10.26	10.12
Series PW	10.17	10.10
Series PWFB	10.19	10.11
Series PWX	10.26	10.12
Series R	10.26	10.12

## STATEMENT OF COMPREHENSIVE INCOME

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

	2019 \$
<b>Income (note 9(e))</b>	
Interest income	712
Other changes in fair value of investments and other net assets	
Net realized gain (loss)	13
Net unrealized gain (loss)	(28)
<b>Total income (loss)</b>	<b>697</b>
<b>Expenses (note 6)</b>	
Management fees	1
Interest charges	1
Borrowing fees	10
Commissions and other portfolio transaction costs	5
Independent Review Committee fees	–
<b>Expenses before amounts absorbed by Manager</b>	<b>17</b>
Expenses absorbed by Manager	–
<b>Net expenses</b>	<b>17</b>
<b>Increase (decrease) in net assets attributable to securityholders from operations before tax</b>	<b>680</b>
Foreign withholding taxes	–
Foreign income taxes paid (recovered)	–
<b>Increase (decrease) in net assets attributable to securityholders from operations</b>	<b>680</b>
<b>Increase (decrease) in net assets attributable to securityholders from operations per series</b>	
Series A	2
Series F	1
Series FB	–
Series O	28
Series PW	–
Series PWFB	–
Series PWX	–
Series R	649
<b>Increase (decrease) in net assets attributable to securityholders from operations per security</b>	
Series A	0.03
Series F	0.08
Series FB	0.10
Series O	0.21
Series PW	0.07
Series PWFB	0.21
Series PWX	0.14
Series R	0.14

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



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## STATEMENT OF CHANGES IN FINANCIAL POSITION

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

	2019 Series A	2019 Series F	2019 Series FB	2019 Series O	2019 Series PW
<b>NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Beginning of period</b>	<b>18</b>	<b>1</b>	<b>1</b>	<b>2,523</b>	<b>1</b>
Increase (decrease) in net assets from operations	2	1	-	28	-
Distributions paid to securityholders:					
Investment income	-	-	-	-	-
Capital gains	-	-	-	-	-
Total distributions paid to securityholders	-	-	-	-	-
Security transactions:					
Proceeds from securities issued	38	480	12	-	-
Reinvested distributions	-	-	-	-	-
Payments on redemption of securities	(2)	-	(12)	(2,550)	-
Total security transactions	36	480	-	(2,550)	-
<b>Total increase (decrease) in net assets</b>	<b>38</b>	<b>481</b>	<b>-</b>	<b>(2,522)</b>	<b>-</b>
<b>End of period</b>	<b>56</b>	<b>482</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Increase (decrease) in fund securities (note 7):</b>	<b>Securities</b>	<b>Securities</b>	<b>Securities</b>	<b>Securities</b>	<b>Securities</b>
<b>Securities outstanding – beginning of period</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>249</b>	<b>-</b>
Issued	4	47	1	-	-
Reinvested distributions	-	-	-	-	-
Redeemed	-	-	(1)	(249)	-
<b>Securities outstanding – end of period</b>	<b>6</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Series PWFB</b>	<b>Series PWX</b>	<b>Series R</b>	<b>Total</b>	
<b>NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Beginning of period</b>	<b>13</b>	<b>1</b>	<b>46,020</b>	<b>48,578</b>	
Increase (decrease) in net assets from operations	-	-	649	680	
Distributions paid to securityholders:					
Investment income	-	-	-	-	
Capital gains	-	-	-	-	
Total distributions paid to securityholders	-	-	-	-	
Security transactions:					
Proceeds from securities issued	-	-	720	1,250	
Reinvested distributions	-	-	-	-	
Payments on redemption of securities	(12)	-	(720)	(3,296)	
Total security transactions	(12)	-	-	(2,046)	
<b>Total increase (decrease) in net assets</b>	<b>(12)</b>	<b>-</b>	<b>649</b>	<b>(1,366)</b>	
<b>End of period</b>	<b>1</b>	<b>1</b>	<b>46,669</b>	<b>47,212</b>	
<b>Increase (decrease) in fund securities (note 7):</b>	<b>Securities</b>	<b>Securities</b>	<b>Securities</b>		
<b>Securities outstanding – beginning of period</b>	<b>1</b>	<b>-</b>	<b>4,549</b>		
Issued	-	-	72		
Reinvested distributions	-	-	-		
Redeemed	(1)	-	(72)		
<b>Securities outstanding – end of period</b>	<b>-</b>	<b>-</b>	<b>4,549</b>		

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



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## STATEMENT OF CASH FLOWS

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

	2019
	\$
<b>Cash flows from operating activities</b>	
Net increase (decrease) in net assets attributable to securityholders from operations	680
Adjustments for:	
Net realized loss (gain) on investments	(149)
Change in net unrealized loss (gain) on investments	28
Purchase of investments	(7,161)
Proceeds from sale and maturity of investments	7,169
Change in accrued interest receivable	(8)
Change in margin on derivatives	(95)
Change in interest payable on securities sold short	(3)
<b>Net cash from operating activities</b>	<b>461</b>
<b>Cash flows from financing activities</b>	
Proceeds from securities issued	190
Payments on redemption of securities	(2,546)
Distributions paid net of reinvestments	—
<b>Net cash from financing activities</b>	<b>(2,356)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,895)</b>
Cash and cash equivalents at beginning of period	7,384
Effect of exchange rate fluctuations on cash and cash equivalents	(25)
<b>Cash and cash equivalents at end of period</b>	<b>5,464</b>
Cash	2,888
Cash equivalents	2,576
<b>Cash and cash equivalents at end of period</b>	<b>5,464</b>
<b>Supplementary disclosures on cash flow from operating activities:</b>	
Dividends received	—
Foreign taxes paid	—
Interest received	748
Interest paid	42

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



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## SCHEDULE OF INVESTMENTS

As at September 30, 2019

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>LONG PORTFOLIO</b>					
<b>BONDS</b>					
Algonquin Power & Utilities Corp. 4.65% 02-15-2022	Canada	Corporate – Non Convertible	1,020,000	1,067	1,072
Alimentation Couche-Tard Inc. 3.899% 11-01-2022 Callable	Canada	Corporate – Non Convertible	1,020,000	1,053	1,066
AltaLink LP 2.98% 11-28-2022	Canada	Corporate – Non Convertible	1,040,000	1,059	1,070
Anheuser-Busch InBev Finance Inc. 2.60% 05-15-2024 Callable 2024	Belgium	Corporate – Non Convertible	840,000	817	844
AT&T Inc. 4.00% 11-25-2025 Callable 2025	United States	Corporate – Non Convertible	1,030,000	1,048	1,093
Bank of America Corp. F/R 09-20-2025 Callable 2024	United States	Corporate – Non Convertible	1,040,000	1,050	1,077
Bank of Montreal 2.89% 06-20-2023	Canada	Corporate – Non Convertible	840,000	850	862
Bank of Montreal 2.28% 07-29-2024	Canada	Corporate – Non Convertible	70,000	70	70
Bank of Montreal 3.32% 06-01-2026	Canada	Corporate – Non Convertible	630,000	637	640
Bank of Montreal F/R 09-17-2029 Callable 2024	Canada	Corporate – Non Convertible	30,000	30	30
The Bank of Nova Scotia 3.27% 01-11-2021	Canada	Corporate – Non Convertible	830,000	844	843
The Bank of Nova Scotia 1.83% 04-27-2022	Canada	Corporate – Non Convertible	860,000	842	854
The Bank of Nova Scotia 2.49% 09-23-2024	Canada	Corporate – Non Convertible	80,000	80	80
The Bank of Nova Scotia F/R 07-03-2029 Callable 2024	Canada	Corporate – Non Convertible	70,000	70	70
Bell Canada 2.00% 10-01-2021	Canada	Corporate – Non Convertible	1,040,000	1,034	1,037
BP Capital Markets PLC 3.497% 11-09-2020	United Kingdom	Corporate – Non Convertible	600,000	608	608
Brookfield Infrastructure Finance ULC 3.54% 10-30-2020 Reg S	Canada	Corporate – Non Convertible	1,040,000	1,055	1,054
Bruce Power LP 2.84% 06-23-2021	Canada	Corporate – Non Convertible	620,000	621	625
BWAY Holding Co. 7.25% 04-15-2025 144A	United States	Corporate – Non Convertible	USD 125,000	157	158
California Resources Corp. 8.00% 12-15-2022 Callable 2019 144A	United States	Corporate – Non Convertible	USD 20,000	19	13
Canadian Imperial Bank of Commerce 1.64% 07-12-2021 DPNT	Canada	Corporate – Non Convertible	860,000	844	853
Canadian Imperial Bank of Commerce 2.35% 08-28-2024	Canada	Corporate – Non Convertible	60,000	60	60
Canadian Imperial Bank of Commerce 3.42% 01-26-2026 Callable 2021	Canada	Corporate – Non Convertible	840,000	851	852
Canadian National Railway Co. 2.75% 02-18-2021 Callable 2021	Canada	Corporate – Non Convertible	1,060,000	1,066	1,070
Canadian Natural Resources Ltd. 2.89% 08-14-2020 Callable	Canada	Corporate – Non Convertible	1,060,000	1,064	1,065
Capital Power Corp. 4.28% 09-18-2024 Callable 2024	Canada	Corporate – Non Convertible	1,030,000	1,038	1,075
Choice Properties LP 3.60% 09-20-2022 Callable	Canada	Corporate – Non Convertible	1,030,000	1,049	1,059
Eagle Credit Card Trust 2.22% 07-17-2024	Canada	Corporate – Non Convertible	610,000	610	610
Emera Inc. 2.90% 06-16-2023	Canada	Corporate – Non Convertible	1,070,000	1,058	1,088
Enbridge Gas Distribution Inc. 4.04% 11-23-2020	Canada	Corporate – Non Convertible	1,020,000	1,047	1,042
EPCOR Utilities Inc. 1.95% 07-08-2022	Canada	Corporate – Non Convertible	200,000	200	200
FAGE International SA/FAGE USA Dairy Industry Inc. 5.63% 08-15-2026 Callable 2021 144A	Luxembourg	Corporate – Non Convertible	USD 200,000	218	238
First Quantum Minerals Ltd. 7.50% 04-01-2025 Callable 2020 144A	Zambia	Corporate – Non Convertible	USD 200,000	262	261
Fortified Trust 2.56% 03-23-2024	Canada	Corporate – Non Convertible	70,000	70	71
Greater Toronto Airports Authority 1.51% 02-16-2021	Canada	Corporate – Non Convertible	1,080,000	1,063	1,080
HSBC Bank Canada 2.25% 09-15-2022	Canada	Corporate – Non Convertible	50,000	50	50
Hydro One Inc. 2.57% 06-25-2021	Canada	Corporate – Non Convertible	1,060,000	1,062	1,069
Inter Pipeline Ltd. 4.967% 02-02-2021 Callable	Canada	Corporate – Non Convertible	1,020,000	1,062	1,054
Laurentian Bank of Canada 2.55% 06-20-2022	Canada	Corporate – Non Convertible	90,000	90	90
Manulife Bank of Canada 1.92% 09-01-2021	Canada	Corporate – Non Convertible	860,000	847	856
McDonald's Corp. 3.13% 03-04-2025 Callable 2025	United States	Corporate – Non Convertible	1,040,000	1,042	1,075



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## SCHEDULE OF INVESTMENTS (cont'd)

As at September 30, 2019

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>LONG PORTFOLIO (cont'd)</b>					
<b>BONDS (cont'd)</b>					
National Bank of Canada 1.81% 07-26-2021	Canada	Corporate – Non Convertible	860,000	848	856
National Bank of Canada 2.55% 07-12-2024	Canada	Corporate – Non Convertible	100,000	100	101
OMERS Realty Corp. 3.20% 07-24-2020	Canada	Corporate – Non Convertible	1,050,000	1,052	1,060
PayPal Holdings Inc. 2.20% 09-26-2022	United States	Corporate – Non Convertible	USD 80,000	106	106
PayPal Holdings Inc. 2.40% 10-01-2024 Callable 2024	United States	Corporate – Non Convertible	USD 40,000	53	53
Pembina Pipeline Corp. 4.89% 03-29-2021 Callable	Canada	Corporate – Non Convertible	1,000,000	1,044	1,037
Pembina Pipeline Corp. 2.56% 06-01-2023	Canada	Corporate – Non Convertible	170,000	170	170
PSP Capital Inc. 3.03% 10-22-2020 Series 5	Canada	Federal Government	1,040,000	1,058	1,054
Rite Aid Corp. 6.13% 04-01-2023 Callable 2020 144A	United States	Corporate – Non Convertible	USD 25,000	28	26
Rogers Communications Inc. 4.70% 09-29-2020 Callable	Canada	Corporate – Non Convertible	1,010,000	1,044	1,034
Royal Bank of Canada 1.65% 07-15-2021 DPNT	Canada	Corporate – Non Convertible	860,000	846	853
Royal Bank of Canada 3.31% 01-20-2026	Canada	Corporate – Non Convertible	840,000	849	851
Royal Bank of Canada F/R 07-25-2029	Canada	Corporate – Non Convertible	90,000	90	90
Shaw Communications Inc. 4.35% 01-31-2024 Callable	Canada	Corporate – Non Convertible	1,010,000	1,061	1,077
Sun Life Financial Inc. F/R 02-19-2026 Callable 2021	Canada	Corporate – Non Convertible	840,000	847	849
Sun Life Financial Inc. F/R 08-13-2029 Callable 2024	Canada	Corporate – Non Convertible	240,000	240	238
Suncor Energy Inc. 3.10% 11-26-2021 Callable 2021	Canada	Corporate – Non Convertible	1,040,000	1,051	1,058
Sysco Canada Inc. 3.65% 04-25-2025 Callable 2025	United States	Corporate – Non Convertible	1,020,000	1,043	1,071
The Toronto-Dominion Bank 2.05% 03-08-2021	Canada	Corporate – Non Convertible	850,000	846	850
The Toronto-Dominion Bank 2.85% 03-08-2024	Canada	Corporate – Non Convertible	30,000	30	31
The Toronto-Dominion Bank 2.982% 09-30-2025 Callable 2020	Canada	Corporate – Non Convertible	840,000	845	846
TransCanada PipeLines Ltd. 3.65% 11-15-2021	Canada	Corporate – Non Convertible	1,030,000	1,057	1,061
Uber Technologies Inc. 7.50% 09-15-2027 Callable 2022 144A	United States	Corporate – Non Convertible	USD 50,000	66	66
United States Treasury 2.25% 08-15-2049	United States	Foreign Governments	USD 30,000	42	41
Western Digital Corp. 4.75% 02-15-2026 Callable 2025	United States	Corporate – Non Convertible	USD 75,000	95	102
<b>Total bonds</b>				<b>42,175</b>	<b>42,565</b>
<b>Total long portfolio</b>				<b>42,175</b>	<b>42,565</b>
<b>SHORT PORTFOLIO</b>					
<b>BONDS</b>					
American Axle & Manufacturing Inc. 6.50% 04-01-2027 Callable 2022	United States	Corporate – Non Convertible	USD (125,000)	(163)	(158)
Carvana Co. 8.88% 10-01-2023 144A	United States	Corporate – Non Convertible	USD (75,000)	(94)	(102)
Chobani LLC 7.50% 04-15-2025 Callable 2020 144A	United States	Corporate – Non Convertible	USD (50,000)	(59)	(64)
Compagnie Generale des Etablissements Michelin 2.50% 09-03-2038 Callable 2038	France	Corporate – Non Convertible	EUR (200,000)	(356)	(378)
Energizer Holdings Inc. 6.38% 07-15-2026 Callable 2021 144A	United States	Corporate – Non Convertible	USD (150,000)	(199)	(213)
FMG Resources (August 2006) Pty. Ltd. 5.13% 05-15-2024 Callable 2024 144A	Australia	Corporate – Non Convertible	USD (100,000)	(69)	(138)
Freeport-McMoRan Inc. 4.55% 11-14-2024 Callable 2024	United States	Corporate – Non Convertible	USD (200,000)	(265)	(272)
Seagate Hdd Cayman 4.75% 01-01-2025	United States	Corporate – Non Convertible	USD (69,000)	(87)	(95)
Springleaf Finance Corp. 6.88% 03-15-2025	United States	Corporate – Non Convertible	USD (50,000)	(69)	(73)
Staples Inc. 7.50% 04-15-2026 Callable 2022 144A	United States	Corporate – Non Convertible	USD (25,000)	(33)	(34)
Tesla Inc. 2.38% 03-15-2022 Conv.	United States	Corporate – Non Convertible	USD (45,000)	(70)	(61)



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## SCHEDULE OF INVESTMENTS (cont'd)

As at September 30, 2019

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>SHORT PORTFOLIO (cont'd)</b>					
<b>BONDS (cont'd)</b>					
Walgreens Boots Alliance Inc. 4.80% 11-18-2044 Callable 2044	United States	Corporate – Non Convertible	USD (50,000)	(70)	(70)
WeWork Companies Inc. 7.88% 05-01-2025 144A	United States	Corporate – Non Convertible	USD (60,000)	(78)	(67)
<b>Total bonds</b>				<b>(1,612)</b>	<b>(1,725)</b>
<b>Total short portfolio</b>				<b>(1,612)</b>	<b>(1,725)</b>
Transaction costs				–	–
<b>Total investments</b>				<b>40,563</b>	<b>40,840</b>
Derivative instruments (see schedule of derivative instruments)					158
Cash and cash equivalents					5,464
Other assets less liabilities					750
<b>Total net assets</b>					<b>47,212</b>



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## SUMMARY OF INVESTMENT PORTFOLIO

September 30, 2019			
Portfolio Allocation	% of NAV		
	Long	Short	Net
Bonds	96.4	(22.5)	73.9
<i>Bonds</i>	90.1	(3.6)	86.5
<i>Futures</i>	6.3	(18.9)	(12.6)
Other assets (liabilities)	1.6	19.0	20.6
Cash and short-term investments	5.2	–	5.2
Swaps	0.3	–	0.3

Regional Allocation			
	% of NAV		
	Long	Short	Net
Canada	75.6	(18.3)	57.3
Other assets (liabilities)	1.6	19.0	20.6
United States	10.3	(3.2)	7.1
Cash and short-term investments	5.2	–	5.2
Germany	3.2	–	3.2
Switzerland	3.2	–	3.2
Belgium	1.8	–	1.8
United Kingdom	1.3	–	1.3
Zambia	0.6	–	0.6
Luxembourg	0.5	–	0.5
Other	0.2	0.1	0.3
Australia	–	(0.3)	(0.3)
France	–	(0.8)	(0.8)

Sector Allocation			
	% of NAV		
	Long	Short	Net
Corporate bonds	87.8	(3.6)	84.2
Other assets (liabilities)	1.6	19.0	20.6
Foreign government bonds	6.5	(0.7)	5.8
Cash and short-term investments	5.2	–	5.2
Other	0.2	0.1	0.3
Federal bonds	2.2	(18.3)	(16.1)

March 31, 2019			
Portfolio Allocation	% of NAV		
	Long	Short	Net
Bonds	94.7	(3.1)	91.6
<i>Bonds</i>	86.7	(3.1)	83.6
<i>Futures</i>	8.0	(0.0)	8.0
Cash and short-term investments	7.3	–	7.3
Other assets (liabilities)	0.9	–	0.9
Swaps	0.2	–	0.2

Regional Allocation			
	% of NAV		
	Long	Short	Net
Canada	74.1	–	74.1
United States	10.4	(2.6)	7.8
Cash and short-term investments	7.3	–	7.3
Germany	4.1	–	4.1
Switzerland	3.9	–	3.9
Belgium	2.2	–	2.2
Other assets (liabilities)	0.9	–	0.9
Other	0.2	–	0.2
United Kingdom	–	(0.5)	(0.5)

Sector Allocation			
	% of NAV		
	Long	Short	Net
Corporate bonds	84.5	(3.1)	81.4
Foreign government bonds	8.0	–	8.0
Cash and short-term investments	7.3	–	7.3
Federal bonds	2.2	–	2.2
Other assets (liabilities)	0.9	–	0.9
Other	0.2	–	0.2



**MACKENZIE**  
Investments



# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## SCHEDULE OF DERIVATIVE INSTRUMENTS

As at September 30, 2019

### Schedule of Swap Contracts

Counterparty Credit Rating	Counterparty	Number of Contracts	Maturity Date	Fund Pays Counterparty Return On	Counterparty Pays Fund Return On	Notional Value (\$ 000s)	Unrealized Gains (\$ 000s)
AA	Bank of Montreal	62,491	Nov. 13, 2019	Floating interest LIBOR (USD) 3 month rate plus 0.35%	Invesco Senior Loan ETF	1,874	1
AA	Bank of Montreal	16,031	Nov. 13, 2019	Floating interest LIBOR (USD) 3 month rate plus 0.35%	iShares iBoxx \$ High Yield Corporate Bond ETF	1,832	18
AA	Bank of Montreal	13,160	Nov. 13, 2019	Floating interest LIBOR (USD) 3 month rate plus 0.35%	iShares 0-5 Year High Yield Corporate Bond ETF	805	5
AA	Bank of Montreal	15,120	Oct. 15, 2019	Floating interest LIBOR (USD) 3 month rate plus 0.38%	iShares J.P. Morgan USD Emerging Markets Bond ETF	2,236	8
AA	Bank of Montreal	18,416	Oct. 15, 2019	Floating interest LIBOR (USD) 3 month rate plus 0.38%	iShares iBoxx \$ Investment Grade Corporate Bond ETF	2,978	91
Unrealized Gains						9,725	123
<b>Total swap contract</b>						<b>9,725</b>	<b>123</b>

### Schedule of Futures Contracts

Number of Contracts	Type of Contract	Expiration Date	Average Rate of Contracts (\$)	Notional Value* (\$ 000s)	Unrealized Gains (Losses) (\$ 000s)
(2)	10 Year Canadian Government Bond Futures December 2019	Dec. 18, 2019	143.85 CAD	(285)	3
(68)	5 Year Canadian Government Bond Futures December 2019	Dec. 18, 2019	124.03 CAD	(8,369)	64
Unrealized Gains				(8,654)	67
6	Euro-Bund Futures December 2019	Dec. 6, 2019	174.57 EUR	1,509	(4)
7	Swiss Federal Bond Futures December 2019	Dec. 6, 2019	165.19 CHF	1,507	(27)
(2)	10 Year United States Treasury Note Futures December 2019	Dec. 19, 2019	130.30 USD	(345)	–
Unrealized (Losses)				2,671	(31)
<b>Total futures contracts</b>				<b>(5,983)</b>	<b>36</b>

\* Notional value represents the exposure to the underlying instruments as at September 30, 2019

### 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	588 Australian dollar	(397) U.S. dollar	Oct. 3, 2019	525	526	1
A	378 Canadian dollar	(283) U.S. dollar	Oct. 3, 2019	(378)	(375)	3
A	243 U.S. dollar	(240) Swiss franc	Oct. 3, 2019	(322)	(319)	3
A	37 British pound	(45) U.S. dollar	Oct. 3, 2019	59	60	1
A	45 U.S. dollar	(37) British pound	Oct. 3, 2019	(60)	(60)	–
A	210 U.S. dollar	(22,700) Japanese yen	Oct. 3, 2019	(278)	(278)	–
A	542 U.S. dollar	(860) New Zealand dollar	Oct. 3, 2019	(717)	(711)	6
A	860 New Zealand dollar	(539) U.S. dollar	Oct. 3, 2019	713	713	–
A	1,720 Swedish krona	(175) U.S. dollar	Oct. 3, 2019	231	231	–
A	175 U.S. dollar	(1,720) Swedish krona	Oct. 3, 2019	(232)	(232)	–
A	2,950 Taiwanese dollar	(94) U.S. dollar	Oct. 9, 2019	125	126	1
A	760 Taiwanese dollar	(24) U.S. dollar	Oct. 9, 2019	32	32	–



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## SCHEDULE OF DERIVATIVE INSTRUMENTS (cont'd)

As at September 30, 2019

### 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	28	U.S. dollar	(650)	Czech koruna	Oct. 10, 2019	(37)	(36)	1
A	61	U.S. dollar	(18,100)	Hungarian forint	Oct. 10, 2019	(81)	(78)	3
A	460,000	Indonesian rupiah	(32)	U.S. dollar	Oct. 10, 2019	42	42	–
A	430,000	Indonesian rupiah	(30)	U.S. dollar	Oct. 10, 2019	40	40	–
A	13	U.S. dollar	(180,000)	Indonesian rupiah	Oct. 10, 2019	(17)	(17)	–
A	2,300	Indian rupee	(32)	U.S. dollar	Oct. 10, 2019	42	43	1
A	300	Indian rupee	(4)	U.S. dollar	Oct. 10, 2019	5	5	–
A	36,000	South Korean won	(29)	U.S. dollar	Oct. 10, 2019	39	39	–
A	10,000	South Korean won	(8)	U.S. dollar	Oct. 10, 2019	11	11	–
A	480	Mexican peso	(24)	U.S. dollar	Oct. 10, 2019	32	33	1
A	22	U.S. dollar	(420)	Mexican peso	Oct. 10, 2019	(29)	(29)	–
A	170	Peruvian New Sol	(50)	U.S. dollar	Oct. 10, 2019	66	67	1
A	2,500	Philippine peso	(48)	U.S. dollar	Oct. 10, 2019	63	63	–
A	46	U.S. dollar	(180)	Polish Zloty	Oct. 10, 2019	(61)	(60)	1
A	1,500	Russian ruble	(23)	U.S. dollar	Oct. 10, 2019	30	31	1
A	160	Turkish lira	(28)	U.S. dollar	Oct. 10, 2019	37	38	1
A	280	South African rand	(18)	U.S. dollar	Oct. 10, 2019	24	24	–
A	29	U.S. dollar	(420)	South African rand	Oct. 10, 2019	(38)	(37)	1
A	203	Australian dollar	(138)	U.S. dollar	Nov. 7, 2019	182	182	–
A	23	U.S. dollar	(23)	Swiss franc	Nov. 7, 2019	(31)	(31)	–
A	269	U.S. dollar	(29,000)	Japanese yen	Nov. 7, 2019	(356)	(356)	–
A	29	U.S. dollar	(260)	Norwegian krone	Nov. 7, 2019	(38)	(38)	–
A	162	U.S. dollar	(258)	New Zealand dollar	Nov. 7, 2019	(214)	(214)	–
A	18	U.S. dollar	(180)	Swedish krona	Nov. 7, 2019	(24)	(24)	–
A	166	Canadian dollar	(125)	U.S. dollar	Nov. 15, 2019	(166)	(166)	–
<b>Unrealized Gains</b>								<b>26</b>
A	397	U.S. dollar	(588)	Australian dollar	Oct. 3, 2019	(525)	(525)	–
A	286	U.S. dollar	(378)	Canadian dollar	Oct. 3, 2019	378	378	–
A	240	Swiss franc	(241)	U.S. dollar	Oct. 3, 2019	319	319	–
A	22,700	Japanese yen	(214)	U.S. dollar	Oct. 3, 2019	283	276	(7)
A	206	U.S. dollar	(1,880)	Norwegian krone	Oct. 3, 2019	(272)	(273)	(1)
A	1,880	Norwegian krone	(207)	U.S. dollar	Oct. 3, 2019	274	274	–
A	395	Canadian dollar	(300)	U.S. dollar	Oct. 4, 2019	(395)	(397)	(2)
AA	395	Canadian dollar	(300)	U.S. dollar	Oct. 4, 2019	(395)	(397)	(2)
A	300	U.S. dollar	(398)	Canadian dollar	Oct. 4, 2019	398	397	(1)
AA	143	U.S. dollar	(190)	Canadian dollar	Oct. 4, 2019	190	189	(1)
AA	131	Canadian dollar	(100)	U.S. dollar	Oct. 4, 2019	(131)	(133)	(2)
AA	151	Canadian dollar	(115)	U.S. dollar	Oct. 4, 2019	(151)	(153)	(2)
A	710	Taiwanese dollar	(23)	U.S. dollar	Oct. 9, 2019	30	30	–
A	70	Brazilian real	(17)	U.S. dollar	Oct. 10, 2019	23	23	–
A	80,000	Colombian Peso	(23)	U.S. dollar	Oct. 10, 2019	31	30	(1)
A	60	Czech koruna	(2)	U.S. dollar	Oct. 10, 2019	3	3	–
A	590	Czech koruna	(25)	U.S. dollar	Oct. 10, 2019	33	33	–
A	1,200	Hungarian forint	(4)	U.S. dollar	Oct. 10, 2019	5	5	–



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## SCHEDULE OF DERIVATIVE INSTRUMENTS (cont'd)

As at September 30, 2019

### 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	16,900	Hungarian forint	(56)	U.S. dollar	Oct. 10, 2019	74	73	(1)
A	21	U.S. dollar	(1,500)	Indian rupee	Oct. 10, 2019	(28)	(28)	–
A	34,000	South Korean won	(29)	U.S. dollar	Oct. 10, 2019	38	38	–
A	24	U.S. dollar	(480)	Mexican peso	Oct. 10, 2019	(32)	(33)	(1)
A	50	U.S. dollar	(170)	Peruvian New Sol	Oct. 10, 2019	(66)	(66)	–
A	270	Peruvian New Sol	(81)	U.S. dollar	Oct. 10, 2019	107	106	(1)
A	180	Polish Zloty	(45)	U.S. dollar	Oct. 10, 2019	60	59	(1)
A	23	U.S. dollar	(1,500)	Russian ruble	Oct. 10, 2019	(30)	(31)	(1)
A	1,740	Thai baht	(57)	U.S. dollar	Oct. 10, 2019	75	75	–
A	1,160	Thai baht	(38)	U.S. dollar	Oct. 10, 2019	50	50	–
A	20	U.S. dollar	(120)	Turkish lira	Oct. 10, 2019	(27)	(28)	(1)
A	7	U.S. dollar	(40)	Turkish lira	Oct. 10, 2019	(9)	(9)	–
A	33	Canadian dollar	(25)	U.S. dollar	Oct. 11, 2019	(33)	(34)	(1)
A	46	Canadian dollar	(35)	U.S. dollar	Oct. 11, 2019	(46)	(46)	–
A	203	Canadian dollar	(154)	U.S. dollar	Nov. 1, 2019	(203)	(204)	(1)
A	482	Canadian dollar	(364)	U.S. dollar	Nov. 7, 2019	(482)	(482)	–
A	108	U.S. dollar	(99)	Euro	Nov. 7, 2019	(143)	(143)	–
A	185	British pound	(228)	U.S. dollar	Nov. 7, 2019	302	302	–
Unrealized (Losses)								(27)
<b>Total forward currency contracts</b>								<b>(1)</b>
<b>Total derivative instruments at fair value</b>								<b>158</b>



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## 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, 2019 and 2018, except for the comparative information presented in the Statements of Financial Position and notes thereto, which is as at March 31, 2019, as applicable. In the year a Fund or series is established or reinstated, 'period' represents the period from inception or reinstatement. Refer to Note 9 for the formation date of the Fund and the inception date of each series.

The Fund 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 Fund's registered office is 180 Queen Street West, Toronto, Ontario, Canada. The Fund is authorized to issue an unlimited number of units (referred to as "security" or "securities") of multiple series. Series of the Fund are available for sale under Simplified Prospectus or exempt distribution options.

Mackenzie Financial Corporation ("Mackenzie") is the manager of the Fund and is wholly owned by IGM Financial Inc., a subsidiary of Power Financial Corporation, which itself is a subsidiary of Power Corporation of Canada. The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company (collectively, the "Related Insurance Companies") are wholly owned by Great-West Lifeco Inc., which is also a subsidiary of Power Financial Corporation. The Related Insurance Companies are moving to formally amalgamate into one company, The Canada Life Assurance Company, effective January 1, 2020. This amalgamation is subject to a policyholder vote and other regulatory approvals. Investments in companies within the Power Group of companies held by the Fund 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 Fund's most recent audited annual financial statements for the year ended March 31, 2019. A summary of the Fund's significant accounting policies under IFRS is presented in Note 3.

These financial statements are presented in Canadian dollars, which is the Fund'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 12, 2019.

### 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 Fund 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 Fund 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 Fund has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled and 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 Fund's redeemable securities contain multiple dissimilar contractual obligations and therefore meet the criteria for classification as financial liabilities under IAS 32, *Financial Instruments: Presentation*. The Fund's obligation for net assets attributable to securityholders is presented at the redemption amount.

IAS 7, *Statement of Cash Flows*, requires disclosures related to changes in liabilities and assets, such as the securities of the Fund, arising from financing activities. Changes in securities of the Fund, including both changes from cash flows and non-cash changes, are included in the Statement of Changes in Financial Position. Any changes in the securities not settled in cash as at the end of the period are presented as either Accounts receivable for securities issued or Accounts payable for securities 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.

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund's portfolio manager(s), provided that the use of the derivative is consistent with the Fund's investment objectives. Any use of derivatives will comply with Canadian mutual fund laws, subject to the regulatory exemptions granted to the Fund, as applicable. Refer to "Exemptions from National Instrument 81-102" in the Annual Information Form of the Fund for further details, including the complete conditions of these exemptions, 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 Fund 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 Fund 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 September 30, 2019.

## NOTES TO FINANCIAL STATEMENTS

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

(c) Income and expense recognition

Interest income and expense from interest bearing investments is recognized using the effective interest method. Dividend income and expense is recognized as of the ex-dividend date. Dividends and interest paid on the short selling of equity and bond securities are included in the Statement of Comprehensive Income – Dividends and Interest Income, respectively. 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, expense, realized gains (losses) on sale of investments or fee rebate income, as appropriate.

Income, realized gains (losses) and unrealized gains (losses) are allocated daily among the series on a pro-rata basis.

(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 9. The value of certain proprietary services provided by brokers cannot be reasonably estimated.

(e) Securities lending, repurchase and reverse repurchase transactions

The Fund is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the Fund's Simplified 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 9 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 Fund 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 9 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 Fund.

(g) Foreign currency

The functional and presentation currency of the Fund 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 securityholders per security

Net assets attributable to securityholders per security is computed by dividing the net assets attributable to securityholders of a series of securities on a business day by the total number of securities of the series outstanding on that day.

(i) Net asset value per security

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 securityholders (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 9 for the Fund's NAV per security.

## NOTES TO FINANCIAL STATEMENTS

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

(j) Increase (decrease) in net assets attributable to securityholders from operations per security

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

(k) Mergers

The Fund applies the acquisition method of accounting for Fund mergers. Under this method, one of the Funds in each merger is identified as the acquiring Fund, and is referred to as the Continuing Fund, and the other Fund involved in the merger is referred to as the Terminated Fund. This identification is based on the comparison of the relative net asset values of the Funds as well as consideration of the continuation of such aspects of the Continuing Fund as: investment advisors; investment objectives and practices; type of portfolio securities; and management fees and expenses.

(l) Short selling and borrowing fees

The Fund may engage in the short selling of equity and bond securities as a part of its overall investment strategy. When the Fund sells an equity or bond security short, it must borrow the security from a broker, and in exchange pay a borrowing fee to that broker, to complete the sale. The Fund can realize a gain on a short sale, if the price of the security decreases from the date the security was sold short until the date at which the Fund closes out its short position, by buying the security at a lower price and returning it back to the broker. A loss will be incurred if the price of the security increases. Limitations within the Fund's investment strategy on the Fund's ability to engage in short selling and borrowing include: (i) the aggregate market value of all securities sold short by the Fund will not exceed 50% of the total net assets of the Fund; (ii) the aggregate market value of all securities of any particular issuer sold short by the Fund will not exceed 20% of the total net assets of the Fund; (iii) the Fund may borrow cash up to a maximum of 50% of its net asset value; and (iv) the combined use of short-selling and cash borrowing by the Fund is subject to an overall limit of 50% of its net asset value. Gains and losses realized on the short selling of equity and bond securities are included in the Statement of Comprehensive Income – Net realized gain (loss).

### 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 Fund 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 Fund.

#### Use of Judgments

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

In classifying and measuring financial instruments held by the Fund, Mackenzie is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. Mackenzie has assessed the Fund'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 Fund's financial instruments.

##### *Functional currency*

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

##### *Structured entities and associates*

In determining whether an unlisted open-ended investment fund or an exchange-traded fund in which the Fund 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 Fund does not have contracts or financing arrangements with these underlying funds and the Fund does not have an ability to influence the activities of these underlying funds or the returns it receives from investing in these underlying funds.

## NOTES TO FINANCIAL STATEMENTS

### 5. Income Taxes

The Fund 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 securityholders as at the end of the taxation year. It is the intention of the Fund to distribute all of its net income and sufficient net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable.

Losses of the Fund cannot be allocated to investors and are retained in the Fund 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 9 for the Fund'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, making brokerage arrangements relating to the purchase and sale of the investment portfolio and making arrangements with registered dealers for the purchase and sale of securities of the Fund by investors. The management fee is calculated on each series of securities of the Fund as a fixed annual percentage of the daily net asset value of the series.

Each series of the Fund is charged a fixed rate annual administration fee ("Administration Fee") and in return, Mackenzie bears all of the operating expenses of the Fund, other than certain specified fund costs. The Administration Fee is calculated on each series of securities of the Fund as a fixed annual percentage of the daily net asset value of the series.

Other fund costs include taxes (including, but not limited to GST/HST and income tax), interest and borrowing costs, all fees and expenses of the Mackenzie Funds' Independent Review Committee (IRC), costs of complying with the regulatory requirement to produce Fund Facts, fees paid to external service providers associated with tax reclaims, refunds or the preparation of foreign tax reports on behalf of the Funds, new fees related to external services that were not commonly charged in the Canadian mutual fund industry and introduced after the date of the most recently filed simplified prospectus, and the costs of complying with any new regulatory requirements, including, without limitation, any new fees introduced after the date of the most recently filed simplified prospectus.

Mackenzie may waive or absorb management fees and/or Administration Fees at its discretion and stop waiving or absorbing such fees at any time without notice. Refer to Note 9 for the management fee and Administration Fee rates charged to each series of securities.

### 7. Fund's Capital

The capital of the Fund, which is comprised of the net assets attributable to securityholders, is divided into different series with each series having an unlimited number of securities. The securities outstanding for the Fund as at September 30, 2019 and 2018 and securities issued, reinvested and redeemed for the periods are presented in the Statement of Changes in Financial Position. Mackenzie manages the capital of the Fund in accordance with the investment objectives as discussed in Note 9.

### 8. Financial Instruments Risk

#### i. Risk exposure and management

The Fund's investment activities expose it to a variety of financial risks, as defined in IFRS 7 Financial Instruments: Disclosures ("IFRS 7"). The Fund's exposure to financial risks is concentrated in its investments, which are presented in the Schedule of Investments, as at September 30, 2019, grouped by asset type, with geographic and sector information.

Mackenzie seeks to minimize potential adverse effects of financial risks on the Fund's performance by employing professional, experienced portfolio advisors, by monitoring the Fund's positions and market events daily, by diversifying the investment portfolio within the constraints of the Fund'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 Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines, and securities regulations.

#### ii. Liquidity risk

Liquidity risk arises when the Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable securities. In order to monitor the liquidity of its assets, the Fund utilizes a liquidity risk management program that calculates the number of days to convert the investments held by the Fund into cash using a multi-day liquidation approach. This liquidity risk analysis assesses the Fund's liquidity against predetermined minimum liquidity percentages established for different time periods and is monitored quarterly. In addition, the Fund has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions.



## NOTES TO FINANCIAL STATEMENTS

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

#### ii. Liquidity risk (cont'd)

In order to comply with securities regulations, the Fund must maintain at least 90% of its assets in liquid investments (i.e., investments that can be readily sold).

#### 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 Fund's reporting currency, fluctuates due to changes in exchange rates. Note 9 summarizes the Fund'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 Fund to significant amounts of interest rate risk. Note 9 summarizes the Fund'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 and securities sold short, 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 Fund 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 Fund. This risk is mitigated by ensuring that the Fund 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. In the case of securities sold short, the loss to the Fund continues to increase, without limit, as the fair value of the underlying interest increases. This risk is mitigated by placing limitations on the Fund's ability to sell securities short, which are outlined in Note 3(I). Note 9 summarizes the Fund'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 Fund. Note 9 summarizes the Fund'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 Fund 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 funds

The Fund may invest in underlying funds 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 funds. Note 9 summarizes the Fund's exposure, if applicable and significant, to these risks from underlying funds.

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## NOTES TO FINANCIAL STATEMENTS

### 9. Fund Specific Information (in '000s, except for (a))

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

Date of Formation January 31, 2019

The Fund may issue an unlimited number of securities of each series. The number of issued and outstanding securities of each series is disclosed in the Statement of Changes in Financial Position.

**Series Offered by Mackenzie Financial Corporation** (180 Queen Street West, Toronto, Ontario, M5V 3K1; 1-800-387-0614; [www.mackenzieinvestments.com](http://www.mackenzieinvestments.com))

Series A are offered to retail investors investing a minimum of \$500.

Series F securities are offered to retail investors who are enrolled in a dealer-sponsored fee-for-service or wrap program, who are subject to an asset-based fee rather than commissions on each transaction and who invest at least \$500; they are also available to employees of Mackenzie and its subsidiaries, and directors of Mackenzie.

Series FB securities are offered to retail investors investing a minimum of \$500. Investors are required to negotiate their advisor service fee, which cannot exceed 1.50%, with their financial advisor.

Series O securities are offered only to investors investing a minimum of \$500,000 who have an account with Mackenzie Private Wealth Counsel; certain institutional investors; investors in a qualified group plan, and certain qualifying employees of Mackenzie and its subsidiaries.

Series PW securities are offered through our Private Wealth Solutions to certain high net worth investors who invest a minimum of \$100,000.

Series PWFB securities are offered through our Private Wealth Solutions to certain high net worth investors who invest a minimum of \$100,000. Investors are required to negotiate their advisor service fee, which cannot exceed 1.50%, with their financial advisor.

Series PWX securities are offered through our Private Wealth Solutions to certain high net worth investors who invest a minimum of \$100,000. Investors are required to negotiate their advisor service fee, which cannot exceed 1.50%, with their financial advisor.

Series R securities are offered only to other affiliated funds and certain institutional investors in connection with fund-of-fund arrangements.

Each series is available for purchase under the sales charge purchase option. The charges under the sales charge purchase option are negotiated by investors with their dealers. For further details on this purchase option, please refer to the Fund's Simplified Prospectus and Fund Facts.

Series	Inception/ Reinstatement Date	Management Fees	Administration Fees	Net Asset Value per Security (\$)	
				Sep. 30, 2019	Mar. 31, 2019
Series A	February 26, 2019	1.55%	0.24%	10.14	10.10
Series F	February 26, 2019	0.95%	0.15%	10.19	10.11
Series FB	February 26, 2019	1.05%	0.24%	10.17	10.10
Series O	February 26, 2019	— <sup>(1)</sup>	— *	10.26	10.12
Series PW	February 26, 2019	1.45%	0.15%	10.17	10.10
Series PWFB	February 26, 2019	0.95%	0.15%	10.19	10.11
Series PWX	February 26, 2019	— <sup>(2)</sup>	— <sup>(2)</sup>	10.26	10.12
Series R	February 26, 2019	— *	— *	10.26	10.12

\* Not applicable.

(1) This fee is negotiable and payable directly to Mackenzie by investors in this series.

(2) This fee is payable directly to Mackenzie by investors in this series through redemptions of their securities.

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

As at September 30, 2019, Mackenzie and other funds managed by Mackenzie had investments of \$7 and \$46,669 (March 31, 2019 – \$9 and \$46,020), respectively, in the Fund.

#### (c) Loss Carryforwards

As the Fund was launched January 31, 2019, 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.

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## NOTES TO FINANCIAL STATEMENTS

### 9. Fund Specific Information (in '000s, except for (a)) (cont'd)

(d) Securities Lending

As at September 30, 2019 and March 31, 2019, the Fund did not have any open securities lending, repurchase or reverse repurchase transactions.

(e) Interest income

Included in interest income for the period ended September 30, 2019 is interest paid on securities sold short of \$44 (March 31, 2019 – \$7).

(f) Leverage

Leverage occurs when the Fund borrows money or securities, or uses derivatives, to generate investment exposure that would otherwise not be possible. The Fund's leverage is measured by calculating its aggregate exposure through the sum of the following: (i) the market value of short holdings; (ii) the amount of cash borrowed for investment purposes; and (iii) the notional value of the Fund's derivatives positions, excluding any derivatives used for hedging purposes.

For the period ended September 30, 2019, the Fund's aggregate exposure ranged from 39.4% to 59.8% of the Fund's NAV. The low end of the range occurred in June while the high end of the range was reached in May. The primary sources of leverage were physical short positions in fixed income securities, forward currency contracts and swaps. The temporary rise in the Fund's leverage in May 2019 was attributable to the decision to tactically invest in US dollar put options, based on the portfolio management team's expectation of weakness in the US dollar given the U.S. Federal Reserve's stance towards interest rates. Including the notional value of derivatives used for hedging, the low and high amounts above would be 58.3% and 108.4%.

During the period from the Fund's inception to March 31, 2019, the Fund's aggregate exposure ranged from 15.2% to 44.3% of the Fund's NAV. The low end of the range occurred at the time of the Fund's launch, when its strategies were implemented. The high end of the range was reached in March, when the Fund increased its exposure to credit markets and shorted selected currencies. The primary sources of leverage were physical short positions in bond securities, forward currency contracts and swaps. Including the notional value of derivatives used for hedging, the low and high amounts above would be 22.8% and 50.7%.

(g) 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.

	September 30, 2019			
	Gross amount of assets/liabilities (\$)	Amount available for offset (\$)	Margin (\$)	Net amount (\$)
Unrealized gains on derivative contracts	81	(42)	–	39
Unrealized losses on derivative contracts	(49)	42	173	166
Liability for options written	–	–	–	–
Total	32	–	173	205

  

	March 31, 2019			
	Gross amount of assets/liabilities (\$)	Amount available for offset (\$)	Margin (\$)	Net amount (\$)
Unrealized gains on derivative contracts	74	(23)	–	51
Unrealized losses on derivative contracts	(23)	23	78	78
Liability for options written	–	–	–	–
Total	51	–	78	129



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## NOTES TO FINANCIAL STATEMENTS

### 9. Fund Specific Information (in '000s, except for (a)) (cont'd)

#### (h) Risks Associated with Financial Instruments

##### *i. Risk exposure and management*

The Fund seeks a positive total return over a market cycle, regardless of general market direction, by employing a variety of fundamentally-driven and systematically-driven investment strategies. The Fund will invest in long and short positions in corporate and government fixed income securities and instruments of issuers anywhere in the world. The Fund may also engage in physical short sales, borrowing and/or derivatives for investment purposes.

##### *ii. Currency risk*

The table below indicates currencies to which the Fund 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 Fund to significant currency risk.

Currency	September 30, 2019			
	Investments (\$)	Cash and Short-Term Investments (\$)	Derivative Instruments (\$)	Net Exposure* (\$)
U.S. dollar	(283)	1,418	7,956	9,091
British pound	–	–	302	302
Taiwanese dollar	–	–	188	188
Australian dollar	–	(2)	183	181
Thai baht	–	–	125	125
Peruvian nuevo sol	–	–	107	107
South Korean won	–	–	88	88
Indonesian rupiah	–	–	65	65
Philippine peso	–	–	63	63
Columbian peso	–	–	30	30
Brazilian real	–	–	23	23
Indian rupee	–	–	20	20
Turkish lira	–	–	1	1
Polish zloty	–	–	(1)	(1)
South African rand	–	–	(13)	(13)
Swedish krona	–	–	(25)	(25)
Mexican peso	–	–	(29)	(29)
Norwegian krone	–	–	(37)	(37)
Swiss franc	–	21	(58)	(37)
Euro	(378)	344	(147)	(181)
New Zealand dollar	–	–	(212)	(212)
Japanese yen	–	–	(358)	(358)
Total	(661)	1,781	8,271	9,391
% of Net Assets	(1.4)	3.8	17.5	19.9



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## NOTES TO FINANCIAL STATEMENTS

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

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

*ii. Currency risk (cont'd)*

Currency	March 31, 2019			
	Investments (\$)	Cash and Short-Term Investments (\$)	Derivative Instruments (\$)	Net Exposure* (\$)
U.S. dollar	(684)	1,586	9,500	10,402
New Zealand dollar	–	–	517	517
Japanese yen	–	–	371	371
British pound	–	–	147	147
Hungarian forint	–	–	89	89
Australian dollar	–	–	78	78
Polish zloty	–	–	62	62
Singapore dollar	–	–	(1)	(1)
Turkish lira	–	–	(33)	(33)
Indian rupee	–	–	(55)	(55)
Chilean peso	–	–	(61)	(61)
Columbian peso	–	–	(101)	(101)
Indonesian rupiah	–	–	(134)	(134)
Norwegian krone	–	–	(151)	(151)
Euro	–	(2)	(213)	(215)
Peruvian nuevo sol	–	–	(233)	(233)
Swiss franc	–	1	(468)	(467)
Swedish krona	–	–	(671)	(671)
<b>Total</b>	<b>(684)</b>	<b>1,585</b>	<b>8,643</b>	<b>9,544</b>
<b>% of Net Assets</b>	<b>(1.4)</b>	<b>3.3</b>	<b>17.7</b>	<b>19.6</b>

\* Includes both monetary and non-monetary financial instruments

As at September 30, 2019, 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 \$470 or 1.0% (March 31, 2019 – \$477 or 1.0%) of total net assets. In practice, the actual trading results may differ and the difference could be material.

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## NOTES TO FINANCIAL STATEMENTS

### 9. Fund Specific Information (in '000s, except for (a)) (cont'd)

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

##### iii. Interest rate risk

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

Term to Maturity	September 30, 2019			
	Bonds		Derivative Instruments	
	Long	Short	Long	Short
Less than 1 year	2,125	–	12,741	(8,999)
1-5 years	30,740	(301)	–	–
5-10 years	9,659	(976)	–	–
Greater than 10 years	41	(448)	–	–
Total	42,565	(1,725)	12,741	(8,999)

Term to Maturity	March 31, 2019			
	Bonds		Derivative Instruments	
	Long	Short	Long	Short
Less than 1 year	–	(1,056)	13,457	(27,844)
1-5 years	30,739	(66)	–	–
5-10 years	11,396	(387)	–	–
Greater than 10 years	–	–	–	–
Total	42,135	(1,509)	13,457	(27,844)

As at September 30, 2019, had prevailing interest rates increased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased by approximately \$1,327 or 2.8% (March 31, 2019 – \$858 or 1.8%) 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, 2019 and March 31, 2019, the Fund did not have a significant exposure to price risk.



**MACKENZIE**  
Investments

# MACKENZIE CREDIT ABSOLUTE RETURN FUND

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

ALTERNATIVE FUND

## NOTES TO FINANCIAL STATEMENTS

### 9. Fund Specific Information (in '000s, except for (a)) (cont'd)

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

##### *v. Credit risk*

The Fund'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, 2019, was 2.3% (March 31, 2019 – 3.6%) of the net assets of the Fund.

As at September 30, 2019 and March 31, 2019, debt securities by credit rating are as follows:

Bond Rating*	September 30, 2019	March 31, 2019
	% of Net Assets	% of Net Assets
AAA	3.7	4.1
AA	13.4	12.7
A	28.5	26.3
BBB	41.7	42.0
Less than BBB	(0.8)	(1.3)
Unrated	–	(0.2)
Total	86.5	83.6

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

#### (i) Fair Value Classification

The table below summarizes the fair value of the Fund'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, 2019				March 31, 2019			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds – Long	–	42,565	–	42,565	–	42,135	–	42,135
Bonds – Short	–	(1,725)	–	(1,725)	–	(1,507)	–	(1,507)
Derivative assets	67	149	–	216	57	149	–	206
Derivative liabilities	(31)	(27)	–	(58)	(19)	(28)	–	(47)
Short-term investments	–	2,576	–	2,576	–	4,405	–	4,405
Total	36	43,538	–	43,574	38	45,154	–	45,192

The Fund'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.

In accordance with the Fund's valuation policy, the Fund applies fair value adjustment factors to the quoted market prices for non-North American equities when North American intraday stock market movements exceed pre-determined tolerances. The adjustment factors are applied in order to estimate the impact on fair values of events occurring between the close of the non-North American stock markets and the close of business for the Fund. If fair value adjustment factors are applied, non-North American equities are classified as Level 2. Consequently, during the period ended September 30, 2019, non-North American equities frequently transferred between Level 1 (unadjusted quoted market prices) and Level 2 (adjusted market prices). As at September 30, 2019, these securities were classified as Level 1 (March 31, 2019 – Level 1).