

## ***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 ETF. You may obtain a copy of the Interim MRFP, at no cost, by calling the toll-free number 1-800-387-0614, by writing to us at Mackenzie Financial Corporation, 180 Queen Street West, Toronto, Ontario M5V 3K1, by visiting our website at [www.mackenzieinvestments.com](http://www.mackenzieinvestments.com) 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.*

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

### **NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS**

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

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



# MACKENZIE US HIGH YIELD BOND INDEX ETF (CAD-HEDGED)

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

TRADITIONAL FIXED INCOME INDEX ETF

## STATEMENTS OF FINANCIAL POSITION

In thousands (except per unit figures)  
As at

	Sep. 30 2019	Mar. 31 2019 (Audited)
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Investments at fair value	33,807	35,200
Cash and cash equivalents	546	776
Accrued interest receivable	490	466
Dividends receivable	–	1
Accounts receivable for investments sold	1,193	6,433
Accounts receivable for units issued	–	–
Due from manager	1	1
Unrealized gains on derivative contracts	16	6
<b>Total assets</b>	<b>36,053</b>	<b>42,883</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable for investments purchased	1,501	5,744
Accounts payable for units redeemed	–	–
Due to manager	20	18
Unrealized losses on derivative contracts	12	575
<b>Total liabilities</b>	<b>1,533</b>	<b>6,337</b>
<b>Net assets attributable to unitholders</b>	<b>34,520</b>	<b>36,546</b>
<b>Net assets attributable to unitholders per series (note 3)</b>		
Series E	34,520	36,546
<b>Net assets attributable to unitholders per unit (note 3)</b>		
Series E	95.89	96.17

## STATEMENTS OF COMPREHENSIVE INCOME

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

	2019 \$	2018 \$
<b>Income</b>		
Dividends	86	163
Interest income	989	–
Other changes in fair value of investments and other net assets		
Net realized gain (loss)	(450)	(29)
Net unrealized gain (loss)	111	82
Securities lending income	28	1
Other	4	–
<b>Total income (loss)</b>	<b>768</b>	<b>217</b>
<b>Expenses (note 6)</b>		
Management fees	97	17
Management fee rebates	(93)	(12)
Commissions and other portfolio transaction costs	7	1
Independent Review Committee fees	–	–
Other	1	–
<b>Expenses before amounts absorbed by Manager</b>	<b>12</b>	<b>6</b>
Expenses absorbed by Manager	4	6
<b>Net expenses</b>	<b>8</b>	<b>–</b>
<b>Increase (decrease) in net assets attributable to unitholders from operations before tax</b>		
	<b>760</b>	<b>217</b>
Foreign withholding taxes	12	24
Foreign income taxes paid (recovered)	–	–
<b>Increase (decrease) in net assets attributable to unitholders from operations</b>	<b>748</b>	<b>193</b>
<b>Increase (decrease) in net assets attributable to unitholders from operations per series</b>		
Series E	748	193
<b>Increase (decrease) in net assets attributable to unitholders from operations per unit</b>		
Series E	2.05	3.06

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



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# MACKENZIE US HIGH YIELD BOND INDEX ETF (CAD-HEDGED)

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

TRADITIONAL FIXED INCOME INDEX ETF

## STATEMENTS OF CHANGES IN FINANCIAL POSITION

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

	2019	2018
	<b>Series E</b>	
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<b>\$</b>	
<b>Beginning of period</b>	<b>36,546</b>	<b>3,894</b>
Increase (decrease) in net assets from operations	748	193
Distributions paid to unitholders:		
Investment income	(738)	(184)
Capital gains	–	–
Management fee rebates	(93)	(12)
Total distributions paid to unitholders	(831)	(196)
Unit transactions:		
Proceeds from units issued	13,544	3,890
Reinvested distributions	–	–
Payments on redemption of units	(15,487)	–
Total unit transactions	(1,943)	3,890
<b>Total increase (decrease) in net assets</b>	<b>(2,026)</b>	<b>3,887</b>
<b>End of period</b>	<b>34,520</b>	<b>7,781</b>
	<b>Units</b>	
<b>Increase (decrease) in units (note 7):</b>		
<b>Units outstanding – beginning of period</b>	<b>380</b>	<b>40</b>
Issued	140	40
Reinvested distributions	–	–
Redeemed	(160)	–
<b>Units outstanding – end of period</b>	<b>360</b>	<b>80</b>

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INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

TRADITIONAL FIXED INCOME INDEX ETF

## STATEMENTS OF CASH FLOWS

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

	2019	2018
	\$	\$
<b>Cash flows from operating activities</b>		
Net increase (decrease) in net assets attributable to unitholders from operations	748	193
Adjustments for:		
Net realized loss (gain) on investments	(16)	(7)
Change in net unrealized loss (gain) on investments	(111)	(82)
Purchase of investments	(23,969)	(169)
Proceeds from sale and maturity of investments	22,940	200
Change in accrued interest receivable	(24)	–
Change in dividends receivable	1	–
Change in due to manager	2	1
<b>Net cash from operating activities</b>	<b>(429)</b>	<b>136</b>
<b>Cash flows from financing activities</b>		
Proceeds from units issued	2,012	58
Payments on redemption of units	(980)	–
Distributions paid net of reinvestments	(831)	(159)
<b>Net cash from financing activities</b>	<b>201</b>	<b>(101)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(228)</b>	<b>35</b>
Cash and cash equivalents at beginning of period	776	11
Effect of exchange rate fluctuations on cash and cash equivalents	(2)	1
<b>Cash and cash equivalents at end of period</b>	<b>546</b>	<b>47</b>
Cash	546	47
Cash equivalents	–	–
<b>Cash and cash equivalents at end of period</b>	<b>546</b>	<b>47</b>
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received	87	163
Foreign taxes paid	12	24
Interest received	965	–
Interest paid	–	–

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# MACKENZIE US HIGH YIELD BOND INDEX ETF (CAD-HEDGED)

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

TRADITIONAL FIXED INCOME INDEX ETF

## SCHEDULE OF INVESTMENTS

As at September 30, 2019

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS</b>					
The ADT Corp. 6.25% 10-15-2021	United States	Corporate - Non Convertible	USD 239,000	329	339
Advanced Disposal Services Inc. 5.63% 11-15-2024 Callable 2019 144A	United States	Corporate - Non Convertible	USD 75,000	103	104
AHP Health Partners Inc. 9.75% 07-15-2026 Callable 2021 144A	United States	Corporate - Non Convertible	USD 133,000	188	188
Albertsons Companies LLC 5.75% 03-15-2025 Callable 2019	United States	Corporate - Non Convertible	USD 262,000	323	359
Allegheny Technologies Inc. 5.95% 01-15-2021 Callable 2020	United States	Corporate - Non Convertible	USD 240,000	325	327
Allison Transmission Inc. 5.88% 06-01-2029 Callable 2024 144A	United States	Corporate - Non Convertible	USD 140,000	194	202
Ally Financial Inc. 5.75% 11-20-2025 Callable 2025	United States	Corporate - Non Convertible	USD 37,000	55	55
Altice Financing SA 7.50% 05-15-2026 Callable 2021 144A	Luxembourg	Corporate - Non Convertible	USD 300,000	377	423
Antero Midstream Partners LP 5.75% 01-15-2028 Callable 2023 144A	United States	Corporate - Non Convertible	USD 183,000	201	202
Antero Resources Corp. 5.00% 03-01-2025	United States	Corporate - Non Convertible	USD 184,000	199	200
APX Group Inc. 8.75% 12-01-2020	United States	Corporate - Non Convertible	USD 24,000	30	31
Ardagh Packaging Finance PLC 4.25% 09-15-2022 Callable 2020 144A	Ireland	Corporate - Non Convertible	USD 216,000	291	291
Ball Corp. 4.375% 12-15-2020	United States	Corporate - Non Convertible	USD 207,000	279	281
Bausch Health Cos Inc. 7.00% 01-15-2028 Callable 2023 144A	United States	Corporate - Non Convertible	USD 186,000	263	266
Berry Global Escrow Corp. 4.88% 07-15-2026 Callable 2022 144A	United States	Corporate - Non Convertible	USD 132,000	182	181
Berry Global Inc. 4.50% 02-15-2026 Callable 2021 144A	United States	Corporate - Non Convertible	USD 148,000	196	194
Blue Cube Spinco LLC 10.00% 10-15-2025 Callable 2020	United States	Corporate - Non Convertible	USD 257,000	389	383
Bombardier Inc. 7.50% 12-01-2024 Callable 2020 144A	Canada	Corporate - Non Convertible	USD 230,000	320	305
Brazos Valley Longhorn LLC 6.88% 02-01-2025 Callable 2020	United States	Corporate - Non Convertible	USD 114,000	154	131
Building Materials Corp. 6.00% 10-15-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 264,000	345	368
California Resources Corp. 8.00% 12-15-2022 Callable 2019 144A	United States	Corporate - Non Convertible	USD 177,000	187	117
Calpine Corp. 5.75% 01-15-2025 Callable 2019	United States	Corporate - Non Convertible	USD 374,000	461	506
Calumet Specialty Products Partners LP 6.50% 04-15-2021	United States	Corporate - Non Convertible	USD 149,000	195	198
CBL & Associates Properties Inc. 5.95% 12-15-2026 Callable 2026	United States	Corporate - Non Convertible	USD 31,000	31	29
CCO Holdings LLC 5.00% 02-01-2028 Callable 2022 144A	United States	Corporate - Non Convertible	USD 567,000	711	779
CD&R Waterworks Merger Sub LLC 6.13% 08-15-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 95,000	127	126
Centene Escrow I Corp. 5.38% 06-01-2026 Callable 2021 144A	United States	Corporate - Non Convertible	USD 161,000	225	224
CenturyLink Inc. 5.80% 03-15-2022	United States	Corporate - Non Convertible	USD 128,000	176	180
Cheniere Corpus Christi Holdings LLC 5.88% 03-31-2025	United States	Corporate - Non Convertible	USD 143,000	208	211
Chesapeake Energy Corp. 8.00% 06-15-2027 Callable	United States	Corporate - Non Convertible	USD 214,000	265	194
CHS/Community Health Systems Inc. 6.25% 03-31-2023 Callable	United States	Corporate - Non Convertible	USD 299,000	375	395
CHS/Community Health Systems Inc. 8.13% 06-30-2024 Callable 144A	United States	Corporate - Non Convertible	USD 36,000	38	38
Cinemark USA Inc. 5.13% 12-15-2022 Callable	United States	Corporate - Non Convertible	USD 94,000	129	127
CIT Group Inc. 5.00% 08-01-2023	United States	Corporate - Non Convertible	USD 140,000	198	198
Clear Channel Worldwide Holdings Inc. 9.25% 02-15-2024 Callable 2021 144A	United States	Corporate - Non Convertible	USD 121,000	174	177
CommScope Technologies Finance LLC 5.50% 03-01-2024 Callable 2021 144A	United States	Corporate - Non Convertible	USD 154,000	208	211
CommScope Technologies LLC 6.00% 06-15-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 182,000	226	219
CommScope Technologies LLC 5.00% 03-15-2027 Callable 2022 144A	United States	Corporate - Non Convertible	USD 74,000	81	81
Continental Resources Inc. 5.00% 09-15-2022 Callable	United States	Corporate - Non Convertible	USD 130,000	173	174



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INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

TRADITIONAL FIXED INCOME INDEX ETF

## 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>BONDS (cont'd)</b>					
CrownRock LP / CrownRock Finance Inc. 5.63% 10-15-2025 Callable 144A	United States	Corporate - Non Convertible	USD 267,000	339	357
CSC Holdings LLC 6.75% 11-15-2021 Callable	United States	Corporate - Non Convertible	USD 146,000	207	209
CSC Holdings LLC 5.25% 06-01-2024	United States	Corporate - Non Convertible	USD 226,000	300	323
Diamond 1 Finance Corp. 7.13% 06-15-2024 Callable 2019 144A	United States	Corporate - Non Convertible	USD 254,000	351	355
Diamond Sports Group LLC 6.63% 08-15-2027 Callable 2022 144A	United States	Corporate - Non Convertible	USD 135,000	186	186
Diebold Inc. 8.50% 04-15-2024 Series WI	United States	Corporate - Non Convertible	USD 182,000	218	228
Dish DBS Corp. 5.125% 05-01-2020	United States	Corporate - Non Convertible	USD 3,000	4	4
DISH DBS Corp. 6.75% 06-01-2021 Callable	United States	Corporate - Non Convertible	USD 120,000	165	168
DISH DBS Corp. 7.75% 07-01-2026	United States	Corporate - Non Convertible	USD 262,000	306	354
Elanco Animal 3.91% 08-27-2021	United States	Corporate - Non Convertible	USD 279,000	369	379
Eldorado Resorts Inc. 6.00% 09-15-2026	United States	Corporate - Non Convertible	USD 86,000	123	125
Energy Transfer LP 5.88% 01-15-2024	United States	Corporate - Non Convertible	USD 163,000	241	240
EnLink Midstream LLC 5.38% 06-01-2029 Callable 2029	United States	Corporate - Non Convertible	USD 170,000	216	216
Enlink Midstream Partners LP 4.15% 06-01-2025 Callable 2025	United States	Corporate - Non Convertible	USD 226,000	280	279
Equinix Inc. 5.38% 05-15-2027 Callable 2022	United States	Corporate - Non Convertible	USD 122,000	163	175
Fiat Chrysler Automobiles NV 5.25% 04-15-2023	United Kingdom	Corporate - Non Convertible	USD 61,000	81	86
Freeport-McMoRan Inc. 3.55% 03-01-2022 Callable 2021	United States	Corporate - Non Convertible	USD 376,000	485	501
Frontier Communications Corp. 10.50% 09-15-2022 Callable 2022	United States	Corporate - Non Convertible	USD 186,000	185	115
Frontier Communications Corp. 11.00% 09-15-2025 Callable 2025	United States	Corporate - Non Convertible	USD 181,000	161	111
Genesis Energy LP 6.75% 08-01-2022 Callable 2019	United States	Corporate - Non Convertible	USD 124,000	164	167
GFL Environmental Inc. 5.38% 03-01-2023 Callable 2020 144A	Canada	Corporate - Non Convertible	USD 142,000	172	191
The Goodyear Tire & Rubber Co. 4.88% 03-15-2027 Callable 2026	United States	Corporate - Non Convertible	USD 21,000	26	28
GTH Finance BV 6.25% 04-26-2020 Callable 2020 144A	Netherlands	Corporate - Non Convertible	USD 317,000	430	425
HCA Holdings Inc. 5.25% 06-15-2026 Callable 2025	United States	Corporate - Non Convertible	USD 495,000	675	732
The Hertz Corp. 5.50% 10-15-2024 Callable 2019 144A	United States	Corporate - Non Convertible	USD 305,000	315	405
Hilcorp Energy I LP 6.25% 11-01-2028 Callable 2023 144A	United States	Corporate - Non Convertible	USD 131,000	174	162
Hilton Domestic Operating Co. Inc. 5.13% 05-01-2026	United States	Corporate - Non Convertible	USD 312,000	412	435
Hilton Domestic Operating Co. Inc. 4.88% 01-15-2030 Callable 2025 144A	United States	Corporate - Non Convertible	USD 7,000	9	10
Howard Hughes Corp. 5.38% 03-15-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 171,000	220	237
Icahn Enterprises LP 6.25% 02-01-2022 Callable 2019	United States	Corporate - Non Convertible	USD 200,000	268	273
iHeartCommunications Inc. 8.38% 05-01-2027	United States	Corporate - Non Convertible	USD 148,000	206	213
Informatica LLC 7.13% 07-15-2023 Callable 2020 144A	United States	Corporate - Non Convertible	USD 142,000	190	192
Intelsat Jackson Holdings SA 9.50% 09-30-2022	Luxembourg	Corporate - Non Convertible	USD 378,000	581	583
Intelsat Luxembourg SA 7.75% 06-01-2021	Luxembourg	Corporate - Non Convertible	USD 62,000	79	78
Intesa Sanpaolo SpA 5.02% 06-26-2024 144A	Italy	Corporate - Non Convertible	USD 317,000	381	432
Iron Mountain Inc. 6.00% 08-15-2023 Callable 2023	United States	Corporate - Non Convertible	USD 159,000	216	216
JBS USA Lux SA 5.88% 07-15-2024 Callable 2019 144A	Brazil	Corporate - Non Convertible	USD 147,000	200	201
JBS USA Lux SA 5.50% 01-15-2030 Callable 2025 144A	United States	Corporate - Non Convertible	USD 291,000	412	410
KFC Holding Co. 5.25% 06-01-2026 Callable 2021 144A	United States	Corporate - Non Convertible	USD 154,000	212	216
L Brands Inc. 5.25% 02-01-2028	United States	Corporate - Non Convertible	USD 155,000	193	192
Landry's Inc. 6.75% 10-15-2024 Callable 2019 144A	United States	Corporate - Non Convertible	USD 218,000	289	295
Laureate Education Inc. 8.25% 05-01-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 93,000	136	135
Lennar Corp. 5.88% 11-15-2024 Callable 2024	United States	Corporate - Non Convertible	USD 324,000	444	477
Level 3 Financing Inc. 5.13% 05-01-2023 Callable 2020	United States	Corporate - Non Convertible	USD 191,000	259	257



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TRADITIONAL FIXED INCOME INDEX ETF

## 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>BONDS (cont'd)</b>					
Mallinckrodt International Finance SA 5.75% 08-01-2022 Callable 2017 144A	United States	Corporate - Non Convertible	USD 196,000	238	99
McDermott Escrow 1 Inc. 10.63% 05-01-2024 Callable 2021 144A	United States	Corporate - Non Convertible	USD 190,000	225	60
MEG Energy Corp. 7.00% 03-31-2024 Callable 2019 144A	Canada	Corporate - Non Convertible	USD 97,000	129	125
MGM Resorts International 7.75% 03-15-2022	United States	Corporate - Non Convertible	USD 162,000	240	241
Moss Creek Resources Holdings Inc. 7.50% 01-15-2026 Callable 2021 144A	United States	Corporate - Non Convertible	USD 56,000	59	55
MSCI Inc. 5.75% 08-15-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 44,000	62	61
Nationstar Mortgage LLC/Nationstar Capital Corp. 6.50% 07-01-2021 Callable	United States	Corporate - Non Convertible	USD 145,000	191	193
The Neiman Marcus Group Ltd. LLC 8.00% 10-25-2024 Callable 144A	United States	Corporate - Non Convertible	USD 65,000	38	25
Netflix Inc. 5.50% 02-15-2022	United States	Corporate - Non Convertible	USD 112,000	158	158
Netflix Inc. 5.88% 11-15-2028	United States	Corporate - Non Convertible	USD 109,000	158	157
New Red Finance Inc. 5.00% 10-15-2025 Callable 2020 144A	Canada	Corporate - Non Convertible	USD 61,000	77	84
NGPL PipeCo LLC 4.38% 08-15-2022 Callable 2022 144A	United States	Corporate - Non Convertible	USD 44,000	58	60
NGPL PipeCo LLC 4.88% 08-15-2027 Callable 2027 144A	United States	Corporate - Non Convertible	USD 48,000	64	68
The Nielsen Co. (Luxembourg) S.a.r.l. 5.00% 02-01-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 119,000	157	156
NOVA Chemicals Corp. 5.25% 06-01-2027 Callable 2027 144A	Canada	Corporate - Non Convertible	USD 148,000	205	205
NRG Energy Inc. 7.25% 05-15-2026 Callable 2021	United States	Corporate - Non Convertible	USD 146,000	209	213
Numericable-SFR 7.38% 05-01-2026 Callable 2021 144A	France	Corporate - Non Convertible	USD 300,000	410	427
Olin Corp. 5.00% 02-01-2030 Callable 2024	United States	Corporate - Non Convertible	USD 31,000	40	41
Panther BF Aggregator 2 LP 8.50% 05-15-2027 Callable 2022 144A	United States	Corporate - Non Convertible	USD 152,000	203	204
Par Pharmaceutical Inc. 7.50% 04-01-2027 Callable 2022 144A	United States	Corporate - Non Convertible	USD 47,000	57	57
Park Aerospace Holdings Ltd. 5.50% 02-15-2024 144A	Ireland	Corporate - Non Convertible	USD 191,000	255	274
PetSmart Inc. 8.88% 06-01-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 88,000	112	111
Post Holdings Inc. 5.75% 03-01-2027 Callable 2022 144A	United States	Corporate - Non Convertible	USD 243,000	315	343
PQ Corp. 6.75% 11-15-2022 Callable 2019 144A	United States	Corporate - Non Convertible	USD 139,000	192	191
Project Homestake Merger Corp. 8.88% 03-01-2023 Callable 2020 144A	United States	Corporate - Non Convertible	USD 47,000	43	34
Revlon Consumer Products Corp. 5.75% 02-15-2021	United States	Corporate - Non Convertible	USD 164,000	194	191
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/ Reynolds Group Issuer Lu 5.75% 10-15-2020 Callable	United States	Corporate - Non Convertible	USD 384,736	512	511
Scientific Games International Inc. 10.00% 12-01-2022 Callable 2019	United States	Corporate - Non Convertible	USD 134,000	186	185
Sirius XM Radio Inc. 5.00% 08-01-2027 Callable 2022 144A	United States	Corporate - Non Convertible	USD 171,000	230	235
SLM Corp. 7.25% 01-25-2022	United States	Corporate - Non Convertible	USD 200,000	287	286
SM Energy Co. 6.63% 01-15-2027 Callable 2022	United States	Corporate - Non Convertible	USD 132,000	160	152
Solera Finance Inc. 10.50% 03-01-2024 Callable 2019 144A	United States	Corporate - Non Convertible	USD 59,000	84	83
Springleaf Finance Corp. 5.63% 03-15-2023	United States	Corporate - Non Convertible	USD 413,000	532	584
Sprint Corp. 7.88% 09-15-2023	United States	Corporate - Non Convertible	USD 143,000	209	209
Sprint Corp. 7.63% 03-01-2026 Callable 2025	United States	Corporate - Non Convertible	USD 136,000	185	199
Sprint Nextel Corp. 6.00% 11-15-2022	United States	Corporate - Non Convertible	USD 139,000	194	196
Staples Inc. 7.50% 04-15-2026 Callable 2022 144A	United States	Corporate - Non Convertible	USD 153,000	206	209
Surgery Center Holdings Inc. 10.00% 04-15-2027 Callable 2022 144A	United States	Corporate - Non Convertible	USD 147,000	193	198



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TRADITIONAL FIXED INCOME INDEX ETF

## 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>BONDS (cont'd)</b>					
Targa Resources Partners LP 5.88% 04-15-2026 Callable 2021 144A	United States	Corporate - Non Convertible	USD 126,000	178	178
Tesla Inc. 5.30% 08-15-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 153,000	177	183
Teva Pharmaceutical Finance Netherlands III BV 3.15% 10-01-2026	Israel	Corporate - Non Convertible	USD 204,000	212	190
Teva Pharmaceutical Industries Ltd. 2.20% 07-21-2021	Israel	Corporate - Non Convertible	USD 154,000	192	187
THC Escrow Corp. III 5.13% 05-01-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 466,000	623	628
THC Escrow Corp. III 7.00% 08-01-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 21,000	28	28
TIBCO Software Inc. 11.38% 12-01-2021 Callable 2019 144A	United States	Corporate - Non Convertible	USD 70,000	101	97
T-Mobile USA Inc. 4.75% 02-01-2028 Callable 2023	United States	Corporate - Non Convertible	USD 295,000	385	410
TransDigm Inc. 6.50% 05-15-2025 Callable 2020	United States	Corporate - Non Convertible	USD 224,000	305	309
Transocean Inc. 9.00% 07-15-2023 Callable 2020 144A	United States	Corporate - Non Convertible	USD 131,000	182	179
United Retnals (North America) Inc. 5.25% 01-15-2030 Callable 2025	United States	Corporate - Non Convertible	USD 145,000	193	202
VeriSign Inc. 4.75% 07-15-2027 Callable 2022	United States	Corporate - Non Convertible	USD 136,000	177	189
Vidéotron Ltd./Vidéotron Ltée. 5.13% 04-15-2027 Callable 2022 144A	Canada	Corporate - Non Convertible	USD 134,000	178	188
Viking Cruises Ltd. 5.88% 09-15-2027 Callable 2022 144A	United States	Corporate - Non Convertible	USD 214,000	279	301
VRX Escrow Corp. 6.13% 04-15-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 295,000	366	406
Whiting Petroleum Corp. 6.63% 01-15-2026 Callable 2025	United States	Corporate - Non Convertible	USD 56,000	71	50
XPO Logistics Inc. 6.13% 09-01-2023 Callable 2019 144A	United States	Corporate - Non Convertible	USD 138,000	183	189
Zayo Group LLC 5.75% 01-15-2027 144A	United States	Corporate - Non Convertible	USD 340,000	424	462
Ziggo BV 5.50% 01-15-2027 Callable 2022 144A	Netherlands	Corporate - Non Convertible	USD 295,000	366	409
<b>Total bonds</b>				<b>31,661</b>	<b>32,052</b>
<b>EQUITIES</b>					
MYT Holding Co. 10.00% Pfd.	United States	Consumer Discretionary	13,189	18	17
<b>Total equities</b>				<b>18</b>	<b>17</b>
<b>EXCHANGE-TRADED FUNDS/NOTES</b>					
Xtrackers USD High Yield Corporate Bond ETF	United States	Exchange-Traded Funds/Notes	26,174	1,708	1,738
<b>Total exchange-traded funds/notes</b>				<b>1,708</b>	<b>1,738</b>
Transaction costs				(1)	—
<b>Total investments</b>				<b>33,386</b>	<b>33,807</b>
Derivative instruments (see schedule of derivative instruments)					4
Cash and cash equivalents					546
Other assets less liabilities					163
<b>Total net assets</b>					<b>34,520</b>



**MACKENZIE**  
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# MACKENZIE US HIGH YIELD BOND INDEX ETF (CAD-HEDGED)

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

TRADITIONAL FIXED INCOME INDEX ETF

## SUMMARY OF INVESTMENT PORTFOLIO

September 30, 2019		March 31, 2019	
<b>Effective Portfolio Allocation</b>	<b>% of NAV</b>	<b>Effective Portfolio Allocation</b>	<b>% of NAV</b>
Bonds	97.0	Bonds	99.9
Cash and short-term investments	1.6	Cash and short-term investments	0.2
Other assets (liabilities)	1.4	Other assets (liabilities)	(0.1)
<b>Effective Regional Allocation</b>	<b>% of NAV</b>	<b>Effective Regional Allocation</b>	<b>% of NAV</b>
United States	81.3	United States	83.4
Canada	3.4	Canada	5.2
Luxembourg	3.3	Luxembourg	3.3
Netherlands	2.5	Italy	2.5
Ireland	1.7	Netherlands	2.5
Cash and short-term investments	1.6	United Kingdom	1.4
Other assets (liabilities)	1.4	Ireland	1.2
France	1.3	France	0.2
Italy	1.3	Cash and short-term investments	0.2
Israel	1.2	Other	0.2
Brazil	0.6	Other assets (liabilities)	(0.1)
United Kingdom	0.3		
Other	0.1		
<b>Effective Sector Allocation</b>	<b>% of NAV</b>	<b>Effective Sector Allocation</b>	<b>% of NAV</b>
Corporate bonds – Telecommunications	13.1	Corporate bonds	99.9
Corporate bonds – Healthcare	12.3	Cash and short-term investments	0.2
Corporate bonds – Media	11.6	Other assets (liabilities)	(0.1)
Corporate bonds – Energy	10.4		
Corporate bonds – Basic industry	8.4		
Corporate bonds – Capital goods	6.4		
Corporate bonds – Services	5.8		
Corporate bonds – Financial services	5.1		
Corporate bonds – Leisure	4.5		
Corporate bonds – Technology and electronics	4.3		
Corporate bonds – Consumer goods	3.7		
Other corporate bonds	3.7		
Corporate bonds – Retail	3.3		
Corporate bonds – Utility	2.3		
Corporate bonds – Automotive	2.1		
Cash and short-term investments	1.6		
Other assets (liabilities)	1.4		

The effective allocation shows the portfolio, regional or sector exposure of the ETF calculated by combining its direct and indirect investments.

# MACKENZIE US HIGH YIELD BOND INDEX ETF (CAD-HEDGED)

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## SCHEDULE OF DERIVATIVE 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 (Losses) (\$ 000s)
A	7,700	Canadian dollar	(5,811)	U.S. dollar	Oct. 2, 2019	(7,700)	(7,699)	1
A	9,197	Canadian dollar	(6,939)	U.S. dollar	Oct. 2, 2019	(9,197)	(9,194)	3
AA	5,661	Canadian dollar	(4,272)	U.S. dollar	Oct. 2, 2019	(5,661)	(5,660)	1
AA	12,661	Canadian dollar	(9,556)	U.S. dollar	Oct. 2, 2019	(12,661)	(12,660)	1
A	21	U.S. dollar	(28)	Canadian dollar	Oct. 2, 2019	28	28	–
A	7,206	Canadian dollar	(5,440)	U.S. dollar	Nov. 4, 2019	(7,206)	(7,203)	3
A	8,590	Canadian dollar	(6,485)	U.S. dollar	Nov. 4, 2019	(8,590)	(8,588)	2
AA	5,659	Canadian dollar	(4,272)	U.S. dollar	Nov. 4, 2019	(5,659)	(5,657)	2
AA	12,656	Canadian dollar	(9,556)	U.S. dollar	Nov. 4, 2019	(12,656)	(12,653)	3
A	5	Canadian dollar	(4)	U.S. dollar	Nov. 4, 2019	(5)	(5)	–
<b>Unrealized Gains</b>								<b>16</b>
A	25	U.S. dollar	(33)	Canadian dollar	Oct. 2, 2019	33	33	–
A	408	U.S. dollar	(543)	Canadian dollar	Oct. 2, 2019	543	541	(2)
A	371	U.S. dollar	(492)	Canadian dollar	Oct. 2, 2019	492	491	(1)
A	5,440	U.S. dollar	(7,209)	Canadian dollar	Oct. 2, 2019	7,209	7,207	(2)
A	6,485	U.S. dollar	(8,594)	Canadian dollar	Oct. 2, 2019	8,594	8,592	(2)
AA	4,272	U.S. dollar	(5,662)	Canadian dollar	Oct. 2, 2019	5,662	5,660	(2)
AA	9,556	U.S. dollar	(12,663)	Canadian dollar	Oct. 2, 2019	12,663	12,660	(3)
A	282	Canadian dollar	(213)	U.S. dollar	Nov. 4, 2019	(282)	(282)	–
<b>Unrealized (Losses)</b>								<b>(12)</b>
<b>Total forward currency contracts</b>								<b>4</b>
<b>Total derivative instruments at fair value</b>								<b>4</b>



**MACKENZIE**  
Investments

# MACKENZIE US HIGH YIELD BOND INDEX ETF (CAD-HEDGED)

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2019

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 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 an exchange-traded fund (“the ETF”) is established, ‘period’ represents the period from inception to the period end of that fiscal year. Refer to Note 10 for the formation date of the ETF.

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

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

### 2. Basis of Preparation and Presentation

These unaudited interim financial statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), including international Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). These financial statements were prepared using the same accounting policies, critical accounting judgements and estimates as applied in the Fund’s most recent audited annual financial statements for the year ended March 31, 2019. A summary of the ETF’s significant accounting policies under IFRS is presented in Note 3.

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

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

# MACKENZIE US HIGH YIELD BOND INDEX ETF (CAD-HEDGED)

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TRADITIONAL FIXED INCOME INDEX ETF

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

#### (b) Fair value measurement

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

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

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

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

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

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

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

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

# MACKENZIE US HIGH YIELD BOND INDEX ETF (CAD-HEDGED)

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## NOTES TO FINANCIAL STATEMENTS

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

#### (c) Income recognition

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

#### (d) Commissions and other portfolio transaction costs

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

#### Use of Estimates

##### *Fair value of securities not quoted in an active market*

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

#### Use of Judgments

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

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

##### *Functional currency*

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

##### *Structured entities and associates*

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

### 5. Income Taxes

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

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

### 6. Management Fees and Operating Expenses

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

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



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## NOTES TO FINANCIAL STATEMENTS

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

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

### 7. Units and Unit Transactions

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

The number of units issued/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 September 30, 2019 and 2018 and units issued, reinvested and redeemed for the periods are presented in the Statement of Changes in Financial Position. Mackenzie manages the capital of the ETF in accordance with the investment objectives as discussed in Note 10.

### 9. Financial Instruments Risk

#### i. Risk exposure and management

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

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

#### ii. Liquidity risk

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

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).



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

#### iii. Currency risk

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

#### iv. Interest rate risk

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

#### v. Other price risk

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

#### vi. Credit risk

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

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

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

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

#### vii. Underlying ETFs

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



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

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

Date of Formation January 9, 2018

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

Series E units were listed on the TSX under the symbol QHY on January 24, 2018. The closing market price, or the midpoint of the bid and ask prices in the absence of a closing market price, at September 30, 2019 was \$95.96 (March 31, 2019 – \$96.22).

The management fee rate for Series E units is 0.40%. Prior to September 20, 2019, the management fee rate for Series E units was 0.50%.

As at September 30, 2019, the ETF's NAV per unit was \$95.92 (March 31, 2019 – \$96.17) and its Net Assets per unit calculated in accordance with IFRS was \$95.89 (March 31, 2019 – \$96.17).

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

As at September 30, 2019, other funds managed by Mackenzie and I.G. Investments, Ltd. had an investment of \$20,136 and \$10,794 (March 31, 2019 – \$22,928 and \$10,826), 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

The value of securities loaned and collateral received from securities lending at September 30, 2019 and March 31, 2019 were as follows:

	September 30, 2019	March 31, 2019
	(\$)	(\$)
Value of securities loaned	1,146	693
Value of collateral received	1,204	736

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

A reconciliation of the gross amount generated from the securities lending transactions to the security lending income to the ETF for the periods ended September 30, 2019 and 2018 is as follows:

	2019		2018	
	(\$)	(%)	(\$)	(%)
Gross securities lending income	41	100.0	2	100.0
Tax withheld	(4)	(9.8)	(1)	(50.0)
	37	90.2	1	50.0
Payments to Securities Lending Agent	(9)	(22.0)	–	–
Securities lending income	28	68.2	1	50.0

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## NOTES TO FINANCIAL STATEMENTS

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

#### (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.

	September 30, 2019			
	Gross amount of assets/liabilities (\$)	Amount available for offset (\$)	Margin (\$)	Net amount (\$)
Unrealized gains on derivative contracts	8	(6)	–	2
Unrealized losses on derivative contracts	(6)	6	–	–
Liability for options written	–	–	–	–
Total	2	–	–	2

	March 31, 2019			
	Gross amount of assets/liabilities (\$)	Amount available for offset (\$)	Margin (\$)	Net amount (\$)
Unrealized gains on derivative contracts	2	(2)	–	–
Unrealized losses on derivative contracts	(480)	2	–	(478)
Liability for options written	–	–	–	–
Total	(478)	–	–	(478)

#### (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 USD High Yield Corporates Total Market Hedged to CAD Index, or any successor thereto. It invests primarily in high-yield corporate bonds issued in U.S. dollars, either directly or indirectly, with its foreign currency exposure hedged back to the Canadian dollar.

##### *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	September 30, 2019			
	Investments (\$)	Cash and Short-Term Investments (\$)	Derivative Instruments (\$)	Net Exposure* (\$)
U.S. dollar	33,807	48	(34,389)	(534)
Total	33,807	48	(34,389)	(534)
% of Net Assets	97.9	0.1	(99.6)	(1.6)

Currency	March 31, 2019			
	Investments (\$)	Cash and Short-Term Investments (\$)	Derivative Instruments (\$)	Net Exposure* (\$)
U.S. dollar	35,200	786	(36,145)	(159)
Total	35,200	786	(36,145)	(159)
% of Net Assets	96.3	2.2	(98.9)	(0.4)

\* Includes both monetary and non-monetary financial instruments



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

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

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

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 increased or decreased by approximately \$139 or 0.4% (March 31, 2019 – \$6 or 0.0%) of total net assets. In practice, the actual trading results may differ and the difference could be material.

##### 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.

Bonds	September 30, 2019	March 31, 2019
	(\$)	(\$)
Less than 1 year	429	–
1-5 years	12,610	15,589
5-10 years	18,350	17,548
Greater than 10 years	663	–
Total	32,052	33,137

As at September 30, 2019, 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 \$928 or 2.7% (March 31, 2019 – \$1,153 or 3.2%) 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 ETF did not have a significant exposure to price risk.

##### v. Credit risk

The Fund's greatest indirect concentration of credit risk is in debt securities, such as bonds, held by the underlying ETF. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The maximum effective exposure to any one debt issuer held by the underlying ETF, as at September 30, 2019 was 2.3% (March 31, 2019 – 4.3%) of the net assets of the Underlying Fund. For more information regarding the credit risk of the Underlying Fund, refer to the Underlying Fund's financial statements available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

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

Bond Rating*	September 30, 2019	March 31, 2019
	% of Net Assets	% of Net Assets
BBB	7.7	7.5
BB	38.2	37.1
B	36.2	41.4
Less than B	7.5	4.7
Unrated	3.3	–
Total	92.9	90.7

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



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

#### (g) Fair Value Classification

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

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

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

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

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

	September 30, 2019				March 31, 2019			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds	–	32,052	–	32,052	–	33,137	–	33,137
Equities	17	–	–	17	–	–	–	–
Exchange-traded funds/notes	1,738	–	–	1,738	2,063	–	–	2,063
Derivative assets	–	16	–	16	–	6	–	6
Derivative liabilities	–	(12)	–	(12)	–	(575)	–	(575)
Total	1,755	32,056	–	33,811	2,063	32,568	–	34,631

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

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

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



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