

# MACKENZIE NORTHLEAF PRIVATE CREDIT INTERVAL FUND

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## **Annual Management Report of Fund Performance**

*For the Period Ended March 31, 2022*

*This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the annual financial statements, 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).*

*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. For more information, please refer to the Fund's Simplified Prospectus, Annual Information Form and Fund Facts, which may also be obtained, at no cost, using any of the methods outlined above.*

*For the Fund's current net asset values per security and for more recent information on general market events, please visit our website.*

### **A NOTE ON FORWARD-LOOKING STATEMENTS**

*This report may contain forward-looking statements that reflect our current expectations or forecasts of future events. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", "preliminary", "typical" and other similar expressions. In addition, these statements may relate to future corporate actions, future financial performance of a fund or a security and their future investment strategies and prospects. Forward-looking statements are inherently subject to, among other things, risks, uncertainties and assumptions that could cause actual events, results, performance or prospects to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and assumptions include, without limitation, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, the volatility of global equity and capital markets, business competition, technological change, changes in government regulations, changes in securities laws and regulations, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, outbreaks of disease or pandemics (such as COVID-19), and the ability of Mackenzie to attract or retain key employees. The foregoing list of important risks, uncertainties and assumptions is not exhaustive. Please consider these and other factors carefully and do not place undue reliance on forward-looking statements.*

*The forward-looking information contained in this report is current only as of the date of this report. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.*



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# MACKENZIE NORTHLEAF PRIVATE CREDIT INTERVAL FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended March 31, 2022

## Management Discussion of Fund Performance

June 3, 2022

This Management Discussion of Fund Performance presents the portfolio management team's view on the significant factors and developments that have affected the Fund's performance and outlook in the period ended March 31, 2022 (the "period"). If the Fund was established during the period, "period" represents the period since inception.

In this report, "Mackenzie" and "the Manager" refer to Mackenzie Financial Corporation, the manager of the Fund. In addition, net asset value ("NAV") refers to the value of the Fund as calculated for transaction purposes, on which the discussion of Fund performance is based.

Please read *A Note on Forward-Looking Statements* on the first page of this document.

### Investment Objective and Strategies

The Fund is structured as an interval fund and seeks to achieve income-oriented risk-adjusted returns primarily through exposure to private and public credit instruments and securities globally. The Fund will seek to obtain its exposure to private credit investments by investing 35% to 65% (the "Target Allocation") of its assets in illiquid private securities by investing in one or both of Northleaf Senior Private Credit Fund and Northleaf Senior Private Credit-L Fund (together the "Northleaf Private Credit Funds"). The remainder of the Fund will be invested in liquid public securities and other debt instruments by holding exchange-traded funds managed by Mackenzie or third parties.

### Risk

The risks of the Fund remain as discussed in the Fund's Simplified Prospectus.

The Fund is suitable for long-term investors looking for an interval fund that is a medium-risk, non-redeemable investment fund to hold as part of their portfolio, who can handle the volatility of private credit and fixed income markets, and who have a medium tolerance for risk.

The Fund is suitable only for investors who can accept the limited liquidity features of the Fund, including the possibility of not being able to redeem their desired amount on any quarterly repurchase date.

The Fund is not available for purchase under registered plans, but taxable accounts may continue to purchase the Fund.

### Results of Operations

#### Investment Performance

Global leveraged loan markets started the period strongly. However, Russia's invasion of Ukraine, as well as elevated inflation, added significant uncertainty and volatility in financial markets worldwide. Although private credit remained resilient as an asset class, new transaction volume stalled as participants paused to assess the impact of these developments. Loan issuance volumes and market prices of loans fell in the period. Despite the market volatility, the trailing 12-month leveraged loan index default rate reached the lowest level in nearly 15 years.

Investment performance is not presented because, as at March 31, 2022, the Fund had not yet completed its first full financial year.

Because private assets are much less liquid than public assets, the Fund is subject to a ramp-up period that is expected to last many months, meaning exposure to public assets will be higher (and exposure to private assets will be lower) than indicated by the Target Allocation.

### Net Assets

From its inception on January 31, 2022, to March 31, 2022, the Fund experienced \$0.1 million in net losses (including any interest and/or dividend income) from investment performance, after deducting fees and expenses, and an increase of \$4.0 million due to net securityholder activity (including sales, redemptions and cash distributions).

### Fees and Expenses

The annualized management expense ratio ("MER") for each series during the period ended March 31, 2022, is presented in the *Financial Highlights* section of this report. The Manager waived a portion of the management fees charged to the Fund during the period because the Fund had not yet reached its Target Allocation. These waivers will cease when the Target Allocation is reached.

### Recent Developments

Ongoing uncertainty regarding the duration and long-term impact of the COVID-19 pandemic and the effectiveness of vaccines against new variants of the virus contributes to uncertainty regarding the timing of a full economic recovery. As a result, it is not possible to reliably estimate the impact of the pandemic on the financial results and condition of the Fund in future periods.

Base rates rose quickly in the period, with the three-month U.S. dollar London interbank offered rate ("LIBOR") increasing by 75 basis points in the first quarter of 2022. As base rates continue to rise, the portfolio management team believes private credit investor returns may benefit from floating-rate exposure provided by the asset class, although borrower interest expense could start to reduce company liquidity for more levered borrowers.

Effective September 22, 2021, Atul Tiwari was appointed to the Mackenzie Funds' Independent Review Committee.

### Related Party Transactions

#### Management and Administration Services

For each applicable series, the Fund paid management fees and administration fees to the Manager at the annual rates specified under *Fund Formation and Series Information* in this report and as more fully described in the Prospectus. In return for the administration fees, the Manager pays all costs and expenses (other than certain specified fund costs) required to operate the Fund that are not included in management fees. See also *Management Fees*.

#### Other Related Party Transactions

As at March 31, 2022, the Fund has entered into commitments to invest US\$13 million in Northleaf Senior Private Credit-L Fund. These commitments are payable in instalments beginning with a payment of US\$1.6 million on April 1, 2022.

The Manager and the Fund have entered into an agreement in which the Manager will make additional investments in the Fund up to a maximum of \$25 million, if required, to ensure the Fund will satisfy its payment obligations under the commitments to the Northleaf Private Credit Funds.

At March 31, 2022, Mackenzie had an investment of \$3.9 million in the Fund (100% of the Fund's NAV). If Mackenzie decides to redeem its investment, it will do so in a manner that reduces the possibility of adverse effects on the Fund.

During the period, the Fund received \$0.004 million in income distributions from investments in exchange-traded funds ("ETFs") managed by Mackenzie to offset fees paid within those ETFs. There is no assurance that these distributions will continue in the future.

The Fund relies on a standing instruction from the Mackenzie Funds' Independent Review Committee in order to invest in the Northleaf Private Credit Funds.

### Past Performance

Past performance is not presented because, as at March 31, 2022, the Fund had not yet completed its first full financial year.

# MACKENZIE NORTHLEAF PRIVATE CREDIT INTERVAL FUND

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## Summary of Investment Portfolio at March 31, 2022

EFFECTIVE PORTFOLIO ALLOCATION	% OF NAV
Cash and short-term investments	56.6
Bonds	41.9
Other assets (liabilities)	0.8
Equities	0.6
Exchange-traded funds/notes	0.1

EFFECTIVE REGIONAL ALLOCATION	% OF NAV
Cash and short-term investments	56.6
United States	30.0
Canada	5.9
Luxembourg	1.7
Netherlands	1.2
Other	1.0
Other assets (liabilities)	0.8
United Kingdom	0.8
Mexico	0.4
Colombia	0.3
Ireland	0.3
Spain	0.2
Chile	0.2
France	0.2
China	0.2
Germany	0.1
Brazil	0.1

EFFECTIVE SECTOR ALLOCATION	% OF NAV
Cash and short-term investments	56.6
Term loans	25.4
Corporate bonds	16.0
Other assets (liabilities)	0.8
Foreign government bonds	0.3
Utilities	0.3
Energy	0.2
Mortgage backed	0.2
Exchange-traded funds/notes	0.1
Financials	0.1

EFFECTIVE NET CURRENCY EXPOSURE	% OF NAV
Canadian dollar	96.0
U.S. dollar	3.5
Euro	0.2
Brazilian real	0.1
Colombian peso	0.1
Mexican peso	0.1

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

TOP 25 POSITIONS	% OF NAV
<b>Issuer/Underlying Fund</b>	
Cash and short-term investments	54.4
Mackenzie Floating Rate Income ETF	27.0
Mackenzie Global High Yield Fixed Income ETF	18.4
<b>Top long positions as a percentage of total net asset value</b>	<b>99.8</b>

The Fund held no direct short positions at the end of the period.

For the prospectus and other information about the underlying fund(s) held in the portfolio, visit [www.mackenzieinvestments.com](http://www.mackenzieinvestments.com) or [www.sedar.com](http://www.sedar.com).

The investments and percentages may have changed since March 31, 2022, due to the ongoing portfolio transactions of the Fund. Quarterly updates of holdings are available within 60 days of the end of each quarter except for March 31, the Fund's fiscal year-end, when they are available within 90 days.

# MACKENZIE NORTHLEAF PRIVATE CREDIT INTERVAL FUND

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## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for each of the fiscal periods presented below. If during the period a fund or series was established or reinstated, "period" represents the period from inception or reinstatement to the end of that fiscal period. Series inception or reinstatement dates can be found under *Fund Formation and Series Information*.

### THE FUND'S NET ASSETS PER SECURITY (\$)¹

	Mar. 31 2022
<b>Series A</b>	
<b>Net assets, beginning of period</b>	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.05
Total expenses	(0.04)
Realized gains (losses) for the period	(0.22)
Unrealized gains (losses) for the period	(0.14)
<b>Total increase (decrease) from operations²</b>	<b>(0.35)</b>
<b>Distributions:</b>	
From net investment income (excluding Canadian dividends)	–
From Canadian dividends	–
From capital gains	–
Return of capital	–
<b>Total annual distributions³</b>	–
<b>Net assets, end of period</b>	<b>9.66</b>

	Mar. 31 2022
<b>Series F</b>	
<b>Net assets, beginning of period</b>	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.05
Total expenses	(0.01)
Realized gains (losses) for the period	(0.21)
Unrealized gains (losses) for the period	(0.14)
<b>Total increase (decrease) from operations²</b>	<b>(0.31)</b>
<b>Distributions:</b>	
From net investment income (excluding Canadian dividends)	–
From Canadian dividends	–
From capital gains	–
Return of capital	–
<b>Total annual distributions³</b>	–
<b>Net assets, end of period</b>	<b>9.69</b>

Series RR	Mar. 31 2022
<b>Net assets, beginning of period</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.05
Total expenses	(0.01)
Realized gains (losses) for the period	(0.21)
Unrealized gains (losses) for the period	(0.14)
<b>Total increase (decrease) from operations²</b>	<b>(0.31)</b>
<b>Distributions:</b>	
From net investment income (excluding Canadian dividends)	–
From Canadian dividends	–
From capital gains	–
Return of capital	–
<b>Total annual distributions³</b>	–
<b>Net assets, end of period</b>	<b>9.69</b>

(1) These calculations are prescribed by securities regulations and are not intended to be a reconciliation between opening and closing net assets per security. This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements may differ from the net asset value per security calculated for fund pricing purposes. An explanation of these differences, if any, can be found in the *Notes to Financial Statements*.

(2) Net assets and distributions are based on the actual number of securities outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of securities outstanding over the fiscal period.

(3) Distributions were paid in cash/reinvested in additional securities of the Fund, or both.

# MACKENZIE NORTHLEAF PRIVATE CREDIT INTERVAL FUND

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## RATIOS AND SUPPLEMENTAL DATA

	Mar. 31 2022
<b>Series A</b>	
Total net asset value (\$000) <sup>1</sup>	184
Securities outstanding (000) <sup>1</sup>	19
Management expense ratio (%) <sup>2</sup>	2.60
Management expense ratio before waivers or absorptions (%) <sup>2</sup>	3.33
Trading expense ratio (%) <sup>3</sup>	0.48
Portfolio turnover rate (%) <sup>4</sup>	n/a
Net asset value per security (\$)	9.66
<b>Series F</b>	
Total net asset value (\$000) <sup>1</sup>	1
Securities outstanding (000) <sup>1</sup>	–
Management expense ratio (%) <sup>2</sup>	1.43
Management expense ratio before waivers or absorptions (%) <sup>2</sup>	2.16
Trading expense ratio (%) <sup>3</sup>	0.48
Portfolio turnover rate (%) <sup>4</sup>	n/a
Net asset value per security (\$)	9.69
<b>Series RR</b>	
Total net asset value (\$000) <sup>1</sup>	3,731
Securities outstanding (000) <sup>1</sup>	385
Management expense ratio (%) <sup>2</sup>	–
Management expense ratio before waivers or absorptions (%) <sup>2</sup>	0.61
Trading expense ratio (%) <sup>3</sup>	0.48
Portfolio turnover rate (%) <sup>4</sup>	n/a
Net asset value per security (\$)	9.69

- (1) This information is provided as at the end of the fiscal period shown.
- (2) Management expense ratio (“MER”) is based on total expenses, excluding commissions and other portfolio transaction costs, income taxes and withholding taxes, for the stated period and is expressed as an annualized percentage of daily average net assets during the period, except as noted. In the period a series is established, the MER is annualized from the date of inception to the end of the period. Where the Fund directly invests in securities of another fund (including exchange-traded funds or ETFs), the MERs presented for the Fund include the portion of MERs of the other fund(s) attributable to this investment. Any income distributions received from ETFs managed by the Manager, with the intention of offsetting fees paid within those ETFs but which are not considered to be duplicative fees under regulatory requirements, are treated as waived expenses for MER purposes. The Manager may waive or absorb operating expenses at its discretion and stop waiving or absorbing such expenses at any time without notice.
- (3) The trading expense ratio (“TER”) represents total commissions and other portfolio transaction costs incurred as an annualized percentage of daily average net assets during the period. Where the Fund invests in securities of another fund (including exchange-traded funds or ETFs), the TERs presented for the Fund include the portion of TERs of the other fund(s) attributable to this investment.
- (4) The Fund’s portfolio turnover rate indicates how actively the Fund’s portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund’s portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is not provided when the Fund is less than one year old. The value of any trades to realign the Fund’s portfolio after a fund merger, if any, is excluded from the portfolio turnover rate.

## Management Fees

The management fee for each applicable series is calculated and accrued daily as a percentage of its NAV. The Fund’s management fees were used by the Manager to pay for the costs of managing the investment portfolio of the Fund and/or the underlying fund(s), as applicable, including providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio, and providing other services. The Manager also used the management fees to fund sales commissions, trailing commissions and any other compensation (collectively “distribution-related payments”) to registered dealers and brokers whose clients invest in the Fund.

The following dealers affiliated with the Manager may be entitled to distribution-related payments from the Manager on the same basis as unrelated registered brokers and dealers: IPC Securities Corporation, Investors Group Securities Inc., IPC Investment Corporation and Investors Group Financial Services Inc.

The Manager used approximately 44% of the total management fee revenues received from all Mackenzie funds during the period to fund distribution-related payments to registered dealers and brokers. In comparison, such distribution-related payments for the Fund represented on average 35% of the management fees paid by all applicable series of the Fund during the period. The actual percentage for each series may be higher or lower than the average depending on the level of trailing commissions and sales commissions paid for that series. Because the Fund is in its first year, the percentage of management fees used to fund such distribution-related payments is not representative.

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## Fund Formation and Series Information

The Fund may have undergone a number of changes, such as a reorganization or a change in manager, mandate or name. A history of the major changes affecting the Fund in the last 10 years can be found in the Fund's Annual Information Form.

Date of Formation: January 26, 2022

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 *Financial Highlights*.

**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 securities are offered to retail investors investing a minimum of \$500.

Series F securities are offered to 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 RR securities are offered only to other funds managed by Mackenzie on a non-prospectus basis in connection with fund-of-fund arrangements.

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

Series	Inception/ Reinstatement Date	Management Fees	Administration Fees
Series A	January 31, 2022	2.25%	0.20%
Series F	January 31, 2022	1.25%	0.15%
Series RR	January 31, 2022	—*	—*

\* Not applicable.