

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

*For the Year Ended March 31, 2020*

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

*Unitholders may also contact us using one of these methods to request a copy of the ETF's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure. For more information, please refer to the ETF's Prospectus and ETF Facts, which may also be obtained, at no cost, using any of the methods outlined above.*

*For the ETF's current net asset value per unit 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 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.*



## Management Discussion of Fund Performance

July 13, 2020

This Management Discussion of Fund Performance presents the portfolio management team's view on the significant factors and developments during the year ended March 31, 2020 (the "period"), that have affected the ETF's performance and outlook. If the ETF was established during the period, "period" represents the period from inception to the end of the fiscal period. For information on the ETF's longer-term performance, as applicable, please refer to the *Past Performance* section of the report. In this report, "Mackenzie" refers to Mackenzie Financial Corporation, the manager of the ETF. In addition, net asset value ("NAV") refers to the value of the ETF as calculated for subscription and redemption purposes, on which the discussion of ETF performance is based.

### *Investment Objective and Strategies*

The ETF seeks a positive total return over a market cycle, regardless of market conditions, by investing primarily in fixed income securities of issuers anywhere in the world and in derivative instruments.

### *Risk*

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

The ETF is suitable for medium-term investors seeking to diversify a traditional portfolio of fixed income and equity investments, who can handle the volatility of bond markets and who have a low tolerance for risk.

### *Results of Operations*

#### **Investment Performance**

During the period, the ETF returned 1.5% (after deducting fees and expenses). This compares with the FTSE Canada 91-Day T-Bill Index return of 1.9%. All index returns are calculated on a total return basis in Canadian dollar terms. Investors cannot invest in an index without incurring fees, expenses and commissions, which are not reflected in the index returns.

Prices of global government bonds, particularly long-term bonds, rose as yields declined over the period. Investment grade corporate bond prices made smaller gains. Many global central banks reduced key interest rates, first in response to global trade tensions, then in response to the COVID-19 crisis. In March, the U.S. Federal Reserve reduced the federal funds rate to near zero. Yields on 10-year and 30-year U.S. Treasury bonds and Government of Canada bonds fell to record lows. Yields in Europe and Japan, which were already negative, fell further.

High-yield bond prices declined as the pandemic sent global markets into turmoil. Oil prices fell after Russia and the Organization of the Petroleum Exporting Countries failed to agree to cut production. High-yield spreads (the difference in yield between government bonds and high-yield bonds of similar maturity) widened significantly. Term loans largely underperformed high-yield bonds in response to lower interest rates. Loan credit spreads (the margin by which the interest rate, which fluctuates according to a loan's market price, exceeds the floating reference rate) widened significantly.

The ETF underperformed the index, with its holdings in high-yield bonds and term loans detracting from performance as higher-risk assets faced steep declines. Within corporate bonds and term loans, holdings in the industrial and energy sectors detracted from performance.

Conversely, holdings in sovereign bonds contributed to performance as interest rates fell.

The ETF's foreign currency exposure was substantially hedged, which detracted from absolute performance primarily as the U.S. dollar appreciated relative to the Canadian dollar.

Put options were held on a high-yield bond ETF, a long-term government bond ETF and a term loan ETF to mitigate credit risk, which contributed to performance. The ETF's short futures positions, used to manage portfolio duration, detracted from performance. Currency options, held tactically during the period, contributed to performance.

Over the period, the portfolio management team increased the ETF's exposure to the United States and to foreign government bonds based on the relative valuations of these securities. The ETF's exposure to term loans was decreased as the team actively managed credit risk. As these changes were made, the ETF's cash position decreased.

### **Net Assets**

The ETF's NAV increased by 48.8% to \$600.1 million at March 31, 2020, from \$403.4 million at March 31, 2019. This change was composed primarily of \$4.9 million in net income (including dividend and interest income) from investment performance, after deducting fees and expenses, and \$209.9 million in net sales, and \$18.2 million in cash distributions.

### **Recent Developments**

Governments worldwide have enacted emergency measures to combat the spread of the COVID-19 virus in the last several months. These measures have caused significant volatility and weakness in global equity markets and material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

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

The portfolio management team believes there are opportunities in an environment of lower yields. Specifically, the team believes short-term bonds could outperform as market demand for long-term bonds may result in more valuation risk. With the re-pricing in corporate bond markets, the team believes the risk-reward outlook for corporate bonds is becoming more attractive, particularly for short-term bonds, and is therefore considering increasing exposure to selected high-quality, shorter-term corporate bonds.



# MACKENZIE UNCONSTRAINED BOND ETF

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In the high-yield market, the team remains concerned about the uncertain timeframe and ultimate impact of the COVID-19 pandemic. The team therefore plans to maintain a defensive tilt within the portfolio, with a higher overall credit rating than the broader high-yield market.

In the team's view, prices for term loans could continue to fall if the steep decline in U.S. and global economic activity persists. The team believes this presents a buying opportunity over the long term, notwithstanding short-term volatility.

## Related Party Transactions

The following arrangements result in fees paid by the ETF to Mackenzie or to companies affiliated with the ETF.

## Management Fees

The management expense ratio ("MER") for the ETF of 0.55% during the year ended March 31, 2020, was slightly lower than the MER of 0.58% for the year ended March 31, 2019. The ETF paid management fees to Mackenzie at the annual rate of 0.50%.

The management fee for the ETF is calculated and accrued daily as a percentage of its NAV. The ETF's management fees were used by Mackenzie to pay for the costs of managing the investment portfolio of the ETF, 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, and to pay for all costs and expenses (other than certain specified fund costs as more fully described in the Prospectus) required to operate the ETF.

## Other Related Party Transactions

The ETF did not rely on an approval, positive recommendation or standing instruction from the Mackenzie Funds' Independent Review Committee with respect to a related party transaction because it did not engage in any related party transactions.

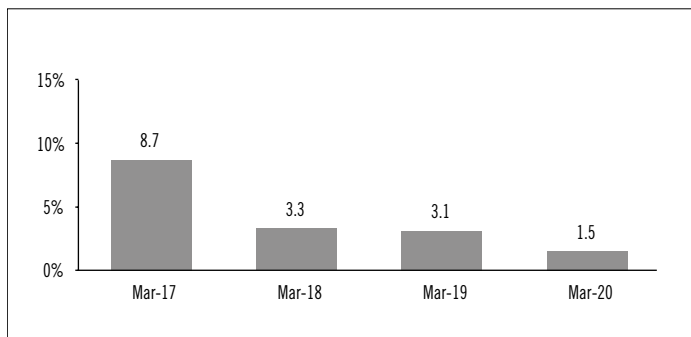
## Past Performance

The ETF's past performance information is presented in the following chart and table. It assumes all distributions made by the ETF in the periods presented are reinvested in additional units of the ETF. The chart and table do not take into account brokerage commissions or income taxes payable by any investor that would have reduced returns. The past performance of the ETF is not necessarily an indication of how it will perform in the future.

If you hold this ETF outside of a registered plan, income and capital gains distributions paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units of the ETF. The amount of reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gain or increase your capital loss when you later sell from the ETF, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

## Year-by-Year Returns

The following bar chart presents the performance of the ETF for each of the fiscal periods shown. The chart shows, in percentage terms, how much an investment made on the first day of each fiscal period, or on the ETF's inception date (April 19, 2016), as applicable, would have increased or decreased by the last day of the fiscal period presented.



## Annual Compound Returns

The following table compares the historical annual compound total returns for the ETF with the relevant index or indices shown below for each of the periods ended March 31, 2020. Investors cannot invest in an index without incurring fees, expenses and commissions, which are not reflected in these performance figures.

All index returns are calculated in Canadian dollars on a total return basis, meaning that all dividend payments, interest income accruals and interest payments are reinvested.

| Percentage Return:               | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Since Inception |
|----------------------------------|------|------|------|-------|-----------------|
| Mackenzie Unconstrained Bond ETF | 1.5  | 2.6  | n/a  | n/a   | 4.1             |
| FTSE Canada 91-Day T-Bill Index  | 1.9  | 1.4  | n/a  | n/a   | 1.2             |

*The FTSE Canada 91-Day T-Bill Index is an index of Government of Canada treasury bills with maturities of less than 91 days.*



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# MACKENZIE UNCONSTRAINED BOND ETF

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## Summary of Investment Portfolio at March 31, 2020

| <i>Effective Portfolio Allocation</i> | <i>% of NAV</i> |
|---------------------------------------|-----------------|
| Bonds                                 | 98.5            |
| <i>Bonds</i>                          | 96.4            |
| <i>Purchased options*</i>             | 2.0             |
| <i>Short futures**</i>                | (0.1)           |
| <i>Written options*</i>               | (0.0)           |
| Cash and short-term investments       | 2.8             |
| Equities                              | 0.9             |
| Other assets (liabilities)            | (2.1)           |

| <i>Effective Regional Allocation</i> | <i>% of NAV</i> |
|--------------------------------------|-----------------|
| United States                        | 45.7            |
| Canada                               | 35.2            |
| Other                                | 7.0             |
| Japan                                | 4.1             |
| Cash and short-term investments      | 2.8             |
| China                                | 2.4             |
| United Kingdom                       | 1.5             |
| Mexico                               | 0.9             |
| Netherlands                          | 0.8             |
| France                               | 0.5             |
| Russia                               | 0.4             |
| Colombia                             | 0.4             |
| Ireland                              | 0.4             |
| Other assets (liabilities)           | (2.1)           |

| <i>Effective Sector Allocation</i> | <i>% of NAV</i> |
|------------------------------------|-----------------|
| Corporate bonds                    | 38.9            |
| Foreign government bonds           | 28.0            |
| Federal bonds                      | 15.6            |
| Term loans                         | 12.5            |
| Cash and short-term investments    | 2.8             |
| Other                              | 1.9             |
| Provincial bonds                   | 1.5             |
| Consumer discretionary             | 0.3             |
| Utilities                          | 0.2             |
| Financials                         | 0.2             |
| Energy                             | 0.1             |
| Communication services             | 0.1             |
| Other assets (liabilities)         | (2.1)           |

| <i>Effective Net Currency Exposure</i> | <i>% of NAV</i> |
|--|-----------------|
| Canadian dollar                        | 83.1            |
| U.S. dollar                            | 9.6             |
| Japanese yen                           | 2.8             |
| Other                                  | 2.3             |
| Chinese yuan                           | 2.2             |

| <i>Bonds by Credit Rating†</i> | <i>% of NAV</i> |
|--------------------------------|-----------------|
| AAA                            | 16.3            |
| AA                             | 16.4            |
| A                              | 8.8             |
| BBB                            | 10.5            |
| BB                             | 13.7            |
| B                              | 14.3            |
| Less than B                    | 4.7             |
| Unrated                        | 3.6             |

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

## Top 25 Long Positions

| <i>Issuer/Underlying Fund</i>                                       | <i>% of NAV</i> |
|---|-----------------|
| Government of Canada 1.50% 09-01-2024                               | 10.2            |
| United States Treasury 1.75% 06-30-2024                             | 8.9             |
| Government of Japan 0.10% 06-01-2020                                | 4.1             |
| Mackenzie Canadian Short-Term Bond Index ETF                        | 3.3             |
| Cash and short-term investments                                     | 3.0             |
| Government of China 3.13% 11-21-2029                                | 2.2             |
| Government of Canada 1.25% 03-01-2025                               | 2.1             |
| Government of Canada 1.25% 06-01-2030                               | 2.0             |
| Mackenzie Emerging Markets Local Currency Bond Index ETF            | 1.9             |
| United States Treasury 0.75% 07-15-2028 Inflation Indexed           | 1.9             |
| United States Treasury 0.50% 04-15-2024 Inflation Indexed           | 1.8             |
| Mackenzie Emerging Markets Bond Index ETF (CAD-Hedged)              | 1.8             |
| Mackenzie US Investment Grade Corporate Bond Index ETF (CAD-Hedged) | 1.5             |
| Government of Canada 2.75% 12-01-2048                               | 1.5             |
| United States Treasury 2.38% 05-15-2029                             | 1.2             |
| Enbridge Inc. 5.37% 09-27-2077 Callable 2027                        | 1.2             |
| United States Treasury 1.00% 02-15-2049 Inflation Indexed           | 1.1             |
| Gibson Energy Inc. 5.25% 07-15-2024 Callable 2020                   | 0.8             |
| Uber Technologies Inc. 8.00% 11-01-2026 Callable 2021               | 0.6             |
| HCA Healthcare Inc. 3.50% 09-01-2030 Callable 2030                  | 0.6             |
| Inter Pipeline Ltd. F/R 03-26-2079 Callable 2029                    | 0.5             |
| eG Global Finance PLC 6.75% 02-07-2025 Callable 2021                | 0.5             |
| The Goldman Sachs Group Inc. 2.43% 04-26-2023 Callable              | 0.5             |
| Panther BF Aggregator 2 LP 8.50% 05-15-2027 Callable 2022           | 0.5             |
| Bell Canada Inc. 2.70% 02-27-2024 Callable 2023                     | 0.5             |

**Top long positions as a percentage of total net asset value** **54.2**

## Top 25 Short Positions

| <i>Issuer</i>   | <i>% of NAV</i> |
|---|-----------------|
| CME Ultra Long-Term U.S. Treasury Bond Futures**  | (0.1)           |
| iShares iBoxx \$ High Yield Corporate Bond ETF Written Put Option @ \$60.00 Exp. 04-17-2020 * | (0.0)           |
| Euro BTP Futures**  | 0.0             |

**Top short positions as a percentage of total net asset value** **(0.1)**

\* Notional principal values represent 18.8% of NAV for purchased options and -2.0% of NAV for written options.

\*\* Notional principal values represent -1.7% of NAV for CME Ultra Long-Term U.S. Treasury Bond Futures and -2.5% of NAV for Euro BTP Futures.

† Credit ratings and rating categories are based on ratings issued by a designated rating organization. This table includes only bonds held directly by the ETF.

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, 2020, due to the ongoing portfolio transactions of the ETF. Quarterly updates of holdings are available within 60 days of the end of each quarter except for March 31, the ETF's fiscal year-end, when they are available within 90 days.



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# MACKENZIE UNCONSTRAINED BOND ETF

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ACTIVE FIXED INCOME ETF

## Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for each of the fiscal periods presented below. In the period when the ETF was established, "period" represents the period from inception to the end of that fiscal period. The inception date can be found under *Past Performance*.

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

| Series E (Ticker: MUB)                            | Mar. 31<br>2020 | Mar. 31<br>2019 | Mar. 31<br>2018 | Mar. 31<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|
| <b>Net assets, beginning of period</b>            | <b>20.58</b>    | 20.82           | 21.07           | 20.00           |
| <b>Increase (decrease) from operations:</b>       |                 |                 |                 |                 |
| Total revenue                                     | 0.93            | 1.01            | 0.97            | 0.88            |
| Total expenses                                    | (0.12)          | (0.13)          | (0.14)          | (0.16)          |
| Realized gains (losses) for the period            | 0.36            | (0.31)          | 0.01            | 0.58            |
| Unrealized gains (losses) for the period          | (0.98)          | 0.12            | (0.14)          | 0.66            |
| <b>Total increase (decrease) from operations²</b> | <b>0.19</b>     | 0.69            | 0.70            | 1.96            |
| <b>Distributions:</b>                             |                 |                 |                 |                 |
| From net investment income (excluding dividends)  | (0.77)          | (0.86)          | (0.76)          | (1.05)          |
| From dividends                                    | (0.01)          | (0.01)          | (0.02)          | –               |
| From capital gains                                | –               | –               | (0.09)          | (0.04)          |
| Return of capital                                 | –               | (0.01)          | (0.05)          | –               |
| <b>Total annual distributions³</b>                | <b>(0.78)</b>   | (0.88)          | (0.92)          | (1.09)          |
| <b>Net assets, end of period</b>                  | <b>20.17</b>    | 20.58           | 20.82           | 21.07           |

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

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

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

## RATIOS AND SUPPLEMENTAL DATA

| Series E (Ticker: MUB)                                      | Mar. 31<br>2020 | Mar. 31<br>2019 | Mar. 31<br>2018 | Mar. 31<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|
| Total net asset value (\$000)¹                              | 600,063         | 403,384         | 237,363         | 29,494          |
| Units outstanding (000)¹                                    | 29,750          | 19,600          | 11,400          | 1,400           |
| Management expense ratio (%)²                               | 0.55            | 0.58            | 0.61            | 0.62            |
| Management expense ratio before waivers or absorptions (%)² | 0.55            | 0.58            | 0.61            | 0.62            |
| Trading expense ratio (%)³                                  | 0.00            | 0.00            | 0.00            | 0.00            |
| Trading expense ratio before reimbursements (%)³            | 0.00            | 0.00            | 0.00            | 0.00            |
| Portfolio turnover rate (%)⁴                                | 86.29           | 95.45           | 119.05          | n/a             |
| Net asset value per unit (\$)                               | 20.17           | 20.58           | 20.82           | 21.07           |
| Closing market price (\$)⁵                                  | 20.15           | 20.64           | 20.96           | 21.15           |

(1) This information is provided as at the end of the fiscal period shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. If the ETF was established in the period, the management expense ratio is annualized from the date of inception. Mackenzie 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 represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. Mackenzie may reimburse the ETF for certain brokerage commissions and other transaction costs (including those payable to the custodian or its agents). Mackenzie may make these reimbursements at its discretion and stop these reimbursements at any time without notice.

(4) The ETF's portfolio turnover rate indicates how actively the ETF's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the period. The higher an ETF's portfolio turnover rate in a period, the greater the trading costs payable by the ETF 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 an ETF. The portfolio turnover rate is not provided when the ETF is less than one year old.

(5) Closing market price, or the midpoint of the bid and ask prices in the absence of a closing market price, on the last trading day of the period as reported on the Toronto Stock Exchange.



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