

## **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 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.

### Risk

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

The ETF is suitable for short- to medium-term investors looking for a currency-hedged U.S. fixed income fund to hold as part of their portfolio, who can handle the volatility of bond markets and who have a low to medium tolerance for risk.

### Results of Operations

#### Investment Performance

During the period, the ETF returned  $-8.6\%$  (after deducting fees and expenses). This compares with the Solactive USD High Yield Corporates Total Market Hedged to CAD Index return of  $-7.5\%$ . 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.

High-yield bond prices fell over the period, as the spread of COVID-19 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. In March, the U.S. Federal Reserve reduced the federal funds rate to near zero in response to the potential impact of the COVID-19 pandemic on global economic activity.

Through the period, the ETF invested substantially all its assets in the bonds that make up the index, holding each bond in approximately the same proportion as its weighting in the index. At times over the period, the ETF also used a sampling methodology to invest in broadly diversified securities that collectively approximate the full index in terms of key characteristics. The ETF uses derivative instruments to hedge its foreign currency exposure back to the Canadian dollar.

The difference in performance between the ETF and the index resulted primarily from management fees and other operating expenses, the cost of currency hedging and variations in the timing of currency conversions.

Over the period, changes were made to the ETF's holdings to reflect changes in the composition of the index.

### Net Assets

The ETF's NAV increased by 51.3% to \$55.3 million at March 31, 2020, from \$36.5 million at March 31, 2019. This change was composed primarily of \$6.5 million in net losses (after including dividend and interest income) from investment performance, after deducting fees and expenses, \$27.5 million in net sales, and \$2.2 million in cash distributions.

At March 31, 2020, 21.0% of the ETF's NAV was held as inventory by the ETF's designated broker primarily for the purpose of sales to investors in the secondary market. See also *Other Related Party Transactions* for the percentage of the ETF's NAV owned by related parties. As a result of these investments, the ETF is subject to large transaction risk as discussed in the Prospectus. Mackenzie manages this risk to reduce the possibility of any adverse effect on the ETF or on its investors, through such processes as settling transactions in kind, charging creation and/or redemption fees for transactions settling in cash, and establishing appropriate order cut-off times for transactions.

### 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.

Because the ETF is an index fund, neither market expectations nor recent developments affect the composition of the portfolio.

### 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 0.49% during the year ended March 31, 2020, was lower than the MER of 0.56% for the year ended March 31, 2019, due to a decrease in the management fee rate. On September 20, 2019, the management fee paid by the ETF to Mackenzie decreased to an annual rate of 0.40% from 0.50%, before including Mackenzie's waiver of fees. Mackenzie may discontinue the practice of waiving management fees at any time without prior notice to investors.



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

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TRADITIONAL FIXED INCOME INDEX ETF

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, providing other services and licensing the index, 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

Investment funds managed by Mackenzie invest in the ETF in accordance with the investment objectives of those funds. Investment funds managed by I.G. Investment Management, Ltd., an affiliate of Mackenzie, also invest in the ETF. At March 31, 2020, funds managed by Mackenzie owned 15.3% of the ETF's NAV, and funds managed by I.G. Investment Management, Ltd. owned 62.2% of the ETF's NAV. All related party transactions are based on the current market price.

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

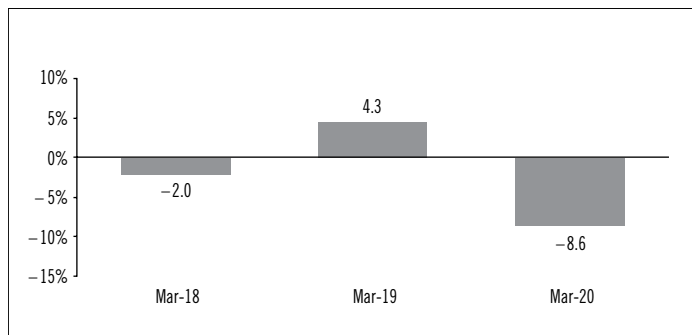
## Past Performance

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 (January 24, 2018), 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 US High Yield Bond Index ETF (CAD-Hedged)	-8.6	n/a	n/a	n/a	-3.0
Solactive USD High Yield Corporates Total Market Hedged to CAD Index	-7.5	n/a	n/a	n/a	-2.0

*The Solactive USD High Yield Corporates Total Market Hedged to CAD Index is a rules-based, market value weighted index designed to mirror the performance of non-investment grade corporate bonds issued in U.S. dollars. The U.S. dollar exposure is hedged to the Canadian dollar.*



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

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TRADITIONAL FIXED INCOME INDEX ETF

## Summary of Investment Portfolio at March 31, 2020

### Effective Portfolio Allocation % of NAV

Bonds	102.2
Cash and short-term investments	1.7
Other assets (liabilities)	(3.9)

### Effective Regional Allocation % of NAV

United States	89.8
Canada	2.3
Netherlands	1.7
Cash and short-term investments	1.7
France	1.5
United Kingdom	1.5
Israel	1.2
Italy	1.2
Luxembourg	0.8
Norway	0.7
Ireland	0.6
Hong Kong	0.5
Brazil	0.4
Other assets (liabilities)	(3.9)

### Effective Sector Allocation % of NAV

Corporate bonds – Healthcare	14.6
Corporate bonds – Telecommunications	13.3
Corporate bonds – Media	13.0
Corporate bonds – Services	7.3
Corporate bonds – Energy	6.9
Corporate bonds – Basic industry	6.8
Corporate bonds – Technology and electronics	6.5
Corporate bonds – Capital goods	6.4
Corporate bonds – Retail	4.9
Corporate bonds – Leisure	4.7
Corporate bonds – Consumer goods	4.7
Corporate bonds – Financial services	4.6
Other	3.4
Corporate bonds – Utility	2.6
Corporate bonds – Automotive	2.5
Cash and short-term investments	1.7
Other assets (liabilities)	(3.9)

### Effective Net Currency Exposure % of NAV

Canadian dollar	112.0
U.S. dollar	(12.0)

### Bonds by Credit Rating\* % of NAV

BBB	6.6
BB	40.8
B	32.4
Less than B	8.7
Unrated	1.0

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

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 Positions

Issuer/Underlying Fund	% of NAV
Xtrackers USD High Yield Corporate Bond ETF	7.0
Cash and short-term investments	1.7
CCO Holdings LLC 5.00% 02-01-2028 Callable 2022	1.5
HCA Holdings Inc. 5.25% 06-15-2026 Callable 2025	1.3
THC Escrow Corp. III 5.13% 05-01-2025 Callable 2020	1.1
DaVita Healthcare Partners Inc. 5.00% 05-01-2025 Callable 2020	1.1
Springleaf Finance Corp. 5.63% 03-15-2023	1.0
Tesla Inc. 5.30% 08-15-2025 Callable 2020	1.0
CSC Holdings LLC 5.25% 06-01-2024	1.0
SSL Robotics LLC 9.75% 12-31-2023 Callable 2021	0.9
Cincinnati Bell Inc. 7.00% 07-15-2024 Callable 2020	0.9
Darling Ingredients Inc. 5.25% 04-15-2027 Callable 2022	0.8
Netflix Inc. 4.38% 11-15-2026	0.8
Western Digital Corp. 4.75% 02-15-2026 Callable 2025	0.8
T-Mobile USA Inc. 4.75% 02-01-2028 Callable 2023	0.8
Numericable-SFR 7.38% 05-01-2026 Callable 2021	0.8
Ziggo BV 5.50% 01-15-2027 Callable 2022	0.8
Jeld-Wen Inc. 4.63% 12-15-2025 Callable 2020	0.7
VRX Escrow Corp. 6.13% 04-15-2025 Callable 2020	0.7
Beacon Escrow Corp. 4.88% 11-01-2025 Callable 2020	0.7
Avon Products Inc. 7.00% 03-15-2023	0.7
Albertsons Companies LLC 5.75% 03-15-2025 Callable 2020	0.7
C&W Senior Financing DAC 6.88% 09-15-2027 Callable 2022	0.7
Diamond 1 Finance Corp. 7.13% 06-15-2024 Callable 2020	0.7
Building Materials Corp. 6.00% 10-15-2025 Callable 2020	0.7

**Top long positions as a percentage of total net asset value 28.9**

The ETF 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.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml).

The investments and percentages may have changed since March 31, 2020, due to the ongoing portfolio transactions of the ETF.



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

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TRADITIONAL FIXED INCOME INDEX 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: QHY)	Mar. 31 2020	Mar. 31 2019	Mar. 31 2018
<b>Net assets, beginning of period</b>	<b>96.17</b>	97.35	100.00
<b>Increase (decrease) from operations:</b>			
Total revenue	5.97	5.79	0.64
Total expenses	(0.10)	(0.09)	(0.10)
Realized gains (losses) for the period	(5.71)	0.77	(3.30)
Unrealized gains (losses) for the period	(15.21)	1.68	2.19
<b>Total increase (decrease) from operations²</b>	<b>(15.05)</b>	8.15	(0.57)
<b>Distributions:</b>			
From net investment income (excluding dividends)	(5.05)	(5.17)	–
From dividends	–	–	(0.92)
From capital gains	–	–	–
Return of capital	(0.02)	(0.01)	–
<b>Total annual distributions³</b>	<b>(5.07)</b>	(5.18)	(0.92)
<b>Net assets, end of period</b>	<b>83.81</b>	96.17	97.35

(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.

## Index Provider Disclaimer

The Mackenzie US High Yield Bond Index ETF (CAD-Hedged) is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using Solactive USD High Yield Corporates Total Market Hedged to CAD Index (the "Underlying Index"), including its trademark and/or prices, at any time or in any other respect. The Underlying Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Underlying Index is calculated correctly. Irrespective of its obligations toward Mackenzie, Solactive AG has no obligation to point out errors in the Underlying Index to third parties including but not limited to investors and/or financial intermediaries of the Mackenzie US High Yield Bond Index ETF (CAD-Hedged). Neither publication of the Underlying Index by Solactive AG nor the licensing of the Underlying Index or Underlying Index trademark for the purpose of use in connection with the Mackenzie US High Yield Bond Index ETF (CAD-Hedged) constitutes a recommendation by Solactive AG to invest capital in Mackenzie US High Yield Bond Index ETF (CAD-Hedged) nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in Mackenzie US High Yield Bond Index ETF (CAD-Hedged).

## RATIOS AND SUPPLEMENTAL DATA

Series E (Ticker: QHY)	Mar. 31 2020	Mar. 31 2019	Mar. 31 2018
Total net asset value (\$000)¹	<b>55,313</b>	36,546	3,894
Units outstanding (000)¹	<b>660</b>	380	40
Management expense ratio (%)²	<b>0.49</b>	0.56	0.57
Management expense ratio before waivers or absorptions (%)²	<b>0.51</b>	0.71	0.77
Trading expense ratio (%)³	<b>0.00</b>	0.03	0.01
Trading expense ratio before reimbursements(%)³	<b>0.00</b>	0.05	0.01
Portfolio turnover rate (%)⁴	<b>198.10</b>	211.78	n/a
Net asset value per unit (\$)	<b>83.76</b>	96.17	97.35
Closing market price (\$)⁵	<b>83.27</b>	96.22	97.39

(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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