

## **Interim Management Report of Fund Performance**

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

*This Interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial report or annual financial statements of the exchange-traded fund ("ETF"). You may obtain a copy of the interim financial report or 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 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.*



# MACKENZIE GLOBAL HIGH YIELD FIXED INCOME ETF

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended September 30, 2019

ACTIVE FIXED INCOME ETF

## Management Discussion of Fund Performance

November 12, 2019

This Management Discussion of Fund Performance presents the portfolio management team's view on the significant factors and developments during the period ended September 30, 2019, 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.

### Results of Operations

#### Investment Performance

During the period, the ETF returned 2.9% (after deducting fees and expenses). This compares with a return of 4.1% for a blended index composed of a 25% weighting in the ETF's broad-based index, the ICE BofAML Global Broad Market (Hedged) Index (returned 5.2%), and a 75% weighting in the ICE BofAML Global High Yield (Hedged) Index (returned 3.6%). 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.

Developed global sovereign bond markets rallied strongly over the period, with longer-term bonds providing the biggest gains. Yield curves flattened, and even inverted, as many developed market central banks lowered interest rates or discussed ways to support their economies. The U.S. bond market significantly outperformed Canada's as the U.S. Federal Reserve lowered the federal funds rate twice. In emerging markets, bond performances varied greatly, and currencies generally depreciated relative to the Canadian dollar.

High-yield bonds performed well over the period, led by higher-quality bonds, while spreads (the incremental yield between a government bond and a high-yield bond of similar maturity) remained stable. Bond yields dropped significantly in response to weaker global growth and intensifying geopolitical risks such as trade tensions.

The ETF underperformed the broad-based index, with its exposure to high-yield bonds detracting from performance. Although high-yield bonds performed well, they underperformed the broader global bond market due to their shorter duration than government bonds. Given the ETF's mandate, the return of the blended index is a more meaningful comparison.

The ETF underperformed the blended index, with holdings in financial services and media sector bonds detracting from performance. The ETF's underweight exposure to and duration positioning within government bonds detracted from performance as government bonds with longer terms to maturity performed best. In particular, underweight exposure to provincial bonds detracted as these bonds outperformed due to their longer duration.

Conversely, the ETF's holdings in term loans in the industrial and infrastructure sectors contributed to performance.

The ETF substantially hedged its foreign currency exposure. However, the remaining unhedged exposure detracted from performance, primarily as the U.S. dollar, British pound and euro depreciated relative to the Canadian dollar.

Over the period, portfolio activity and market effect resulted in decreased exposure to Ireland and Luxembourg, while exposure to France was eliminated. At the sector level, exposure to corporate bonds in the healthcare and retail sectors increased, while exposure to corporate bonds in the energy and financial services sectors decreased.

#### Net Assets

The ETF's NAV increased by 13.9% to \$196.3 million at September 30, 2019, from \$172.3 million at March 31, 2019. This change was composed primarily of \$5.5 million in net income (including dividend and interest income) from investment performance, after deducting fees and expenses, \$23.4 million in net sales, and \$5.0 million in cash distributions.

See *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.

#### Recent Developments

Although recession risks in the United States are rising, the labour market remains historically tight, consumer spending is strong, credit is ample and the Federal Reserve appears ready to implement additional monetary easing to extend the economic cycle. The portfolio management team maintains a positive outlook on high-yield bonds and term loans and believes there are pockets of opportunity in the market that offer attractive valuations and strong risk-adjusted return potential. The team remained focused on capital preservation given the late stage in the economic cycle, ongoing trade disputes and geopolitical uncertainties, such as the United Kingdom's potential withdrawal from the European Union and U.S. political issues. At period-end, the team had therefore maintained the ETF's defensive stance and increased its credit quality.



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## 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 annualized management expense ratio ("MER") for the ETF of 0.67% during the period ended September 30, 2019, was slightly lower than the MER of 0.70% for the year ended March 31, 2019. The ETF paid management fees to Mackenzie at the annual rate of 0.60%.

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.

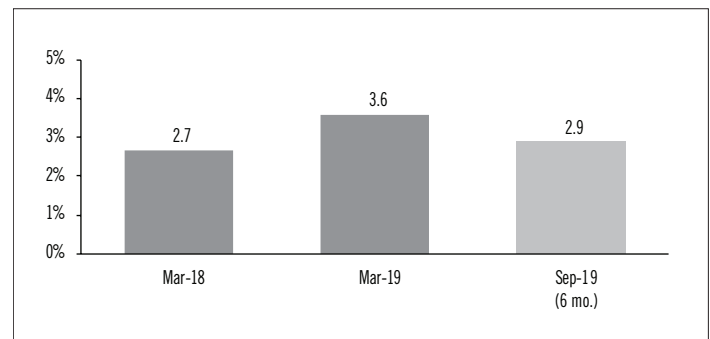
### Other Related Party Transactions

Investment funds managed by Mackenzie invest in the ETF in accordance with the investment objectives of those funds. At September 30, 2019, funds managed by Mackenzie owned 95.5% 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 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 26, 2017), as applicable, would have increased or decreased by the last day of the fiscal period presented.



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## Summary of Investment Portfolio at September 30, 2019

<i>Portfolio Allocation</i>	<i>% of NAV</i>
Bonds	87.5
<i>Bonds</i>	87.4
<i>Purchased options*</i>	0.1
Cash and short-term investments	11.1
Equities	2.1
Other assets (liabilities)	(0.7)
<i>Regional Allocation</i>	<i>% of NAV</i>
United States	39.4
Canada	24.0
Cash and short-term investments	11.1
Other	5.8
United Kingdom	5.2
Netherlands	3.9
Luxembourg	2.1
Australia	1.6
Mexico	1.6
Russia	1.2
Italy	0.9
Singapore	0.9
Bahamas	0.9
Uruguay	0.7
Ireland	0.7
Israel	0.7
Other assets (liabilities)	(0.7)
<i>Sector Allocation</i>	<i>% of NAV</i>
Corporate bonds – Energy	12.2
Cash and short-term investments	11.1
Term loans	8.4
Corporate bonds – Basic industry	8.4
Corporate bonds – Healthcare	8.2
Corporate bonds – Media	7.1
Corporate bonds – Consumer goods	7.0
Corporate bonds – Retail	6.8
Other	6.3
Corporate bonds – Technology and electronics	4.1
Corporate bonds – Capital goods	3.9
Corporate bonds – Services	3.9
Foreign government bonds	3.6
Corporate bonds – Financial services	3.4
Corporate bonds – Telecommunications	3.3
Corporate bonds – Utility	3.0
Other assets (liabilities)	(0.7)
<i>Net Currency Exposure</i>	<i>% of NAV</i>
Canadian dollar	86.6
U.S. dollar	11.9
Russian ruble	1.2
Brazilian real	0.1
British pound	0.1
South African rand	0.1
<i>Bonds by Credit Rating**</i>	<i>% of NAV</i>
AAA	0.2
A	2.7
BBB	9.5
BB	31.5
B	32.3
Less than B	10.2
Unrated	1.0

## Top 25 Holdings

<i>Issuer</i>	<i>% of NAV</i>
Cash and short-term investments	11.1
Enbridge Inc. 5.37% 09-27-2077 Callable 2027	1.5
Gibson Energy Inc. 5.25% 07-15-2024 Callable 2020	1.2
Russian Federal Loan Bond - OFZ 7.05% 01-19-2028	1.2
Superior Plus LP 5.25% 02-27-2024 Callable 2020	1.2
FAGE International SA / FAGE USA Dairy Industry Inc. 5.63% 08-15-2026 Callable 2021	1.1
Panther BF Aggregator 2 LP 8.50% 05-15-2027 Callable 2022	1.1
eG Global Finance PLC 6.75% 02-07-2025 Callable 2021	1.1
Uber Technologies Inc. 8.00% 11-01-2026 Callable 2021	1.1
Inter Pipeline Ltd. F/R 03-26-2079 Callable 2029	1.1
Sable International Finance Ltd. 5.75% 09-07-2027 Callable 2022	1.0
Keyera Corp. F/R 06-13-2079 Callable 2029	1.0
Nufarm Australia Ltd. 5.75% 04-30-2026 Callable 2021	1.0
Constellium NV 5.88% 02-15-2026 Callable 2020	1.0
Parkland Fuel Corp. 6.00% 04-01-2026 Callable 2021	0.9
Guala Closures SpA F/R 04-15-2024 Callable 2019	0.9
OCI NV 6.63% 04-15-2023 Callable 2020	0.9
Superior Plus LP 7.00% 07-15-2026 Callable 2021	0.9
Puma International Financing SA 5.00% 01-24-2026 Callable 2021	0.9
Entertainment One Ltd. 4.63% 07-15-2026 Callable 2022	0.9
Tenet Healthcare Corp. 6.75% 06-15-2023	0.9
Coca-Cola Femsa SAB de CV 3.88% 11-26-2023	0.9
Talen Energy Supply LLC 7.25% 05-15-2027 Callable 2022	0.9
New Red Finance Inc. 5.00% 10-15-2025 Callable 2020	0.9
Stonegate Pub Company Financing PLC 4.88% 03-15-2022 Callable 2019	0.8

## Top long positions as a percentage of total net asset value

**35.5**

\* Notional principal values represent 8.4% of NAV for purchased options.

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

The ETF held no short positions at the end of the period.

The investments and percentages may have changed since September 30, 2019, 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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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: MHYB)	Sep. 30 2019	Mar. 31 2019	Mar. 31 2018
<b>Net assets, beginning of period</b>	<b>19.26</b>	19.61	20.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.57	1.17	1.10
Total expenses	(0.01)	(0.01)	(0.02)
Realized gains (losses) for the period	0.13	(0.77)	0.23
Unrealized gains (losses) for the period	(0.10)	0.42	(0.64)
<b>Total increase (decrease) from operations²</b>	<b>0.59</b>	0.81	0.67
<b>Distributions:</b>			
From net investment income (excluding dividends)	(0.55)	(1.00)	(0.79)
From dividends	(0.01)	(0.02)	(0.02)
From capital gains	—	—	(0.64)
Return of capital	—	(0.01)	(0.01)
<b>Total annual distributions³</b>	<b>(0.56)</b>	(1.03)	(1.46)
<b>Net assets, end of period</b>	<b>19.34</b>	19.26	19.61

(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 unaudited interim financial statements and 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: MHYB)	Sep. 30 2019	Mar. 31 2019	Mar. 31 2018
Total net asset value (\$000)¹	196,280	172,343	190,170
Units outstanding (000)¹	10,150	8,950	9,700
Management expense ratio (%)²	0.67	0.70	0.73
Management expense ratio before waivers or absorptions (%)²	0.67	0.70	0.73
Trading expense ratio (%)³	0.00	0.00	0.00
Trading expense ratio before reimbursements (%)³	0.00	0.00	0.00
Portfolio turnover rate (%)⁴	35.71	72.78	n/a
Net asset value per unit (\$)	19.34	19.25	19.60
Closing market price (\$)⁵	19.35	19.35	19.64

(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 Aequitas NEO Exchange Inc.



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