

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

*For the Period Ended March 31, 2018*

*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 proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure. Every effort has been made to ensure that the information contained in this report is accurate as of the dates indicated in the report; however, the ETF cannot guarantee the accuracy or the completeness of this material. 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 values 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

June 7, 2018

This Management Discussion of Fund Performance presents the portfolio management team's view on the significant factors and developments during the period ended March 31, 2018, 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 steady flow of income with an emphasis on capital preservation by investing mainly in fixed income securities issued in Canada by governments, government-related entities and corporations. It will generally invest in high-quality fixed income securities with relatively shorter terms to maturity and may hold up to 40% of its assets in foreign investments.

### Risk

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

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

### Results of Operations

#### Investment Performance

From the ETF's inception on November 22, 2017, to March 31, 2018, the ETF returned 0.3% (after deducting fees and expenses). This compares with a return of -0.1% for the ETF's broad-based index, the FTSE TMX Canada Universe Bond Index, and a return of -0.1% for the ETF's narrow index, the FTSE TMX Canada Short Term Bond Index, for the same period. All index returns are calculated on a total return basis in Canadian dollar terms. Investors cannot invest in the index without incurring fees, expenses and commissions, which are not reflected in the index returns.

The Canadian bond market lagged the broader global bond market during the period. After raising its policy rate in early January in response to robust economic data, the Bank of Canada put further increases on hold amid uncertainty prompted by threatened U.S. tariffs and a slowdown in household borrowing. The Canadian yield curve continued to flatten as yields on shorter- and medium-term bonds rose more than yields on longer-term bonds.

The ETF outperformed the broad-based index because of its yield curve positioning, specifically its higher exposure to the short-term end of the curve. Given the ETF's mandate, the return of the narrow index is a more meaningful comparison.

The ETF outperformed the narrow index primarily because of its duration positioning and security selection within federal bonds. The ETF's cash position detracted from performance, as did yield curve positioning within corporate bonds.

The ETF partially hedged its foreign currency exposure, which detracted from absolute performance primarily as the U.S. dollar and British pound appreciated relative to the Canadian dollar over the period.

### Net Assets

From its inception on November 22, 2017, to March 31, 2018, the ETF experienced net sales of \$7.0 million.

At March 31, 2018, 40.7% 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 Mackenzie. 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

The portfolio management team believes there is some uncertainty as to whether the U.S. Federal Reserve, under new chair Jerome Powell, will be sensitive to market volatility in its messaging and actions. The market continues to anticipate two to three more increases in the federal funds rate in 2018. With U.S. economic growth likely to remain solid, the team believes the Federal Reserve will pursue this path unless volatility increases or economic data is disappointing. In Canada, the team believes growing business confidence strengthens the case for another policy rate increase in July.

If more rate increases occur in either the United States or Canada, the team expects the yield curve to continue flattening as shorter-term yields rise.

### 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 was 0.55% since inception. The ETF paid management fees to Mackenzie at the annual rate of 0.49%.

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.

# MACKENZIE CANADIAN SHORT TERM FIXED INCOME ETF

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## 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 any related party transactions.

At March 31, 2018, Mackenzie had an investment of \$3.0 million in the ETF (42.9% of the ETF's NAV). If Mackenzie decides to dispose of its investment, it will do so in a manner that reduces the possibility of adverse effects on the ETF.

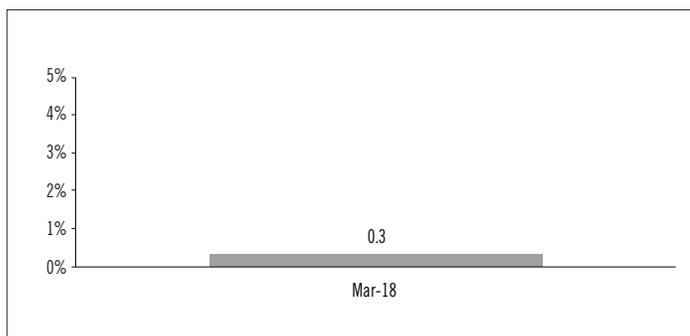
## Past Performance

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 sales, redemption, distribution or optional charges, 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 redeem from the ETF, thereby ensuring that you are not taxed on this amount again. Please consult your tax adviser 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 (November 22, 2017), 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, 2018. 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 distributions are reinvested.

Percentage Return:	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Mackenzie Canadian Short Term Fixed Income ETF	n/a	n/a	n/a	n/a	0.3
FTSE TMX Canada Universe Bond Index*	n/a	n/a	n/a	n/a	-0.1
FTSE TMX Canada Short Term Bond Index	n/a	n/a	n/a	n/a	-0.1

\* Broad-based index

The FTSE TMX Canada Universe Bond Index is a broad measure of Canadian bonds with terms to maturity of more than one year. It includes federal, provincial, municipal and corporate bonds rated "BBB" or higher.

The FTSE TMX Canada Short Term Bond Index is an index of Canadian bonds with terms to maturity of one to five years and rated "BBB" or higher.



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## Summary of Investment Portfolio at March 31, 2018

<b>Effective Portfolio Allocation</b>	<b>% of NAV</b>
Bonds	95.4
Cash and short-term investments	6.3
Equities	0.1
Other assets (liabilities)	(1.8)

<b>Effective Regional Allocation</b>	<b>% of NAV</b>
Canada	78.3
United States	12.3
Cash and short-term investments	6.3
United Kingdom	1.8
Australia	1.2
Netherlands	0.6
Germany	0.5
Israel	0.3
Bahamas	0.1
Brazil	0.1
Colombia	0.1
France	0.1
Luxembourg	0.1
Other assets (liabilities)	(1.8)

<b>Effective Sector Allocation</b>	<b>% of NAV</b>
Corporate bonds	63.8
Provincial bonds	12.9
Federal bonds	12.1
Term loans	6.4
Cash and short-term investments	6.3
Foreign government bonds	0.2
Other	0.1
Other assets (liabilities)	(1.8)

<b>Effective Net Currency Exposure</b>	<b>% of NAV</b>
Canadian dollar	95.8
U.S. dollar	4.0
Euro	0.1
British pound	0.1

<b>Bonds by Credit Rating*</b>	<b>% of NAV</b>
AAA	16.7
AA	27.1
A	16.9
BBB	24.5
Less than BBB	2.8
Unrated	0.4

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 Holdings

<b>Issuer/Underlying Fund</b>	<b>% of NAV</b>
Province of Ontario F/R 06-27-2022	8.6
Canada Housing Trust F/R 09-15-2022	6.1
Cash and short-term investments	5.5
Canada Housing Trust No. 1 F/R 03-15-2023	5.5
Mackenzie Floating Rate Income ETF	3.9
Mackenzie Global High Yield Fixed Income ETF	3.8
Province of Ontario 2.60% 09-08-2023	2.9
Fortified Trust 1.67% 07-23-2021	2.0
OMERS Realty Corp. 2.971% 04-05-2021	1.9
Enbridge Inc. 3.19% 12-05-2022	1.8
Industrial Alliance Insurance and Financial Services Inc. 2.80% 05-16-2024 Callable 2019	1.8
Bell Canada 3.00% 10-03-2022 Callable	1.7
Canadian Western Bank 2.74% 06-16-2022	1.7
Royal Bank of Canada 2.00% 03-21-2022	1.7
Allied Properties Real Estate Investment Trust 3.93% 11-14-2022	1.7
Manulife Bank of Canada 1.92% 09-01-2021	1.6
Wells Fargo & Co. 2.51% 10-27-2023	1.5
Federation des Caisses Desjardins du Quebec 2.09% 01-17-2022	1.4
Province of Ontario 2.60% 06-02-2027	1.3
Dollarama Inc. F/R 03-16-2020	1.3
Laurentian Bank of Canada 2.81% 06-13-2019	1.3
Capital Power Corp. 4.28% 09-18-2024 Callable 2024	1.3
Chartwell Retirement Residences 3.79% 12-11-2023 Callable 2023	1.3
Eagle Credit Card Trust 2.63% 10-17-2022	1.3
Hollis Receivables Term Trust II 1.788% 02-26-2020	1.3

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

64.2

\* 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.

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.mackenzieinvestments.com](http://www.mackenzieinvestments.com) or [www.sedar.com](http://www.sedar.com).

The investments and percentages may have changed since March 31, 2018, 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 CANADIAN SHORT TERM FIXED INCOME 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

	Mar. 31 2018
<b>Series E (Ticker: MCSB)</b>	
<b>Net assets, beginning of period</b>	<b>20.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.20
Total expenses	(0.04)
Realized gains (losses) for the period	0.05
Unrealized gains (losses) for the period	(0.11)
<b>Total increase (decrease) from operations²</b>	<b>0.10</b>
<b>Distributions:</b>	
From net investment income (excluding dividends)	0.11
From dividends	-
From capital gains	0.04
Return of capital	-
<b>Total annual distributions³</b>	<b>0.15</b>
<b>Net assets, end of period</b>	<b>19.96</b>

(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: MCSB)	Mar. 31 2018
Total net asset value (\$000)¹	6,985
Units outstanding (000)¹	350
Management expense ratio (%)²	0.55
Management expense ratio before waivers or absorptions (%)²	0.55
Trading expense ratio (%)³	0.04
Trading expense ratio before reimbursements (%)³	0.04
Portfolio turnover rate (%)⁴	n/a
Net asset value per unit (\$)	19.95
Closing market price (\$)⁵	19.91

(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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