

MACKENZIE FLOATING RATE INCOME ETF

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2018

ACTIVE FIXED INCOME ETF

MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by Mackenzie Financial Corporation, as Manager of Mackenzie Floating Rate Income ETF (the "ETF"). The Manager is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with International Financial Reporting Standards. The Manager is also responsible for the development of internal controls over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors (the "Board") of Mackenzie Financial Corporation is responsible for reviewing and approving the financial statements and overseeing the Manager's performance of its financial reporting responsibilities. The Board is assisted in discharging this responsibility by an Audit Committee, which reviews the financial statements and recommends them for approval by the Board. The Audit Committee also meets regularly with the Manager, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

Deloitte LLP is the external auditor of the ETF. It is appointed by the Board. The external auditor has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the securityholders its opinion on the financial statements. Its report is set out below.

On behalf of Mackenzie Financial Corporation,
Manager of the ETF



Barry McInerney
President and Chief Executive Officer



Terry Rountes
Chief Financial Officer, Funds

June 7, 2018

INDEPENDENT AUDITOR'S REPORT

To the Securityholders of Mackenzie Floating Rate Income ETF (the "ETF")

We have audited the accompanying financial statements of the ETF which comprise the statements of financial position as at March 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in financial position and statements of cash flows for the periods then ended, as indicated in Note 1, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the ETF as at March 31, 2018 and 2017, and its financial performance and its cash flows for the periods then ended, as indicated in Note 1, in accordance with International Financial Reporting Standards.



Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

June 7, 2018



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STATEMENTS OF FINANCIAL POSITION

*In thousands (except per unit figures)
As at March 31*

	2018	2017
	\$	\$
ASSETS		
Current assets		
Investments at fair value	347,614	27,194
Cash and cash equivalents	48,968	4,804
Accrued interest receivable	1,227	74
Accounts receivable for investments sold	14,565	4,404
Accounts receivable for securities issued	4,282	4,191
Unrealized gains on derivative contracts	846	38
Total assets	417,502	40,705
LIABILITIES		
Current liabilities		
Accounts payable for investments purchased	56,852	13,233
Accounts payable for securities redeemed	–	–
Distribution payable	–	94
Due to manager	198	3
Accrued expenses and miscellaneous payables	11	–
Unrealized losses on derivative contracts	4,909	105
Total liabilities	61,970	13,435
Net assets attributable to unitholders	355,532	27,270
Net assets attributable to unitholders per series (note 3)		
Series E	355,532	27,270
Net assets attributable to unitholders per unit (note 3)		
Series E	21.42	20.98

STATEMENTS OF COMPREHENSIVE INCOME

*For the periods ended March 31 (note 1)
In thousands (except per unit figures)*

	2018	2017
	\$	\$
Income		
Dividends	17	28
Interest income	11,256	510
Other changes in fair value of investments		
Net realized gain (loss)	1,230	133
Net unrealized gain (loss)	2,677	467
Securities lending income	3	–
Other	822	42
Total income (loss)	16,005	1,180
Expenses (note 6)		
Management fees	1,385	79
Management fee rebates	(609)	–
Interest charges	16	–
Commissions and other portfolio transaction costs	34	17
Independent Review Committee fees	1	–
Expenses before amounts absorbed by Manager	827	96
Expenses absorbed by Manager	–	–
Net expenses	827	96
Increase (decrease) in net assets attributable to unitholders from operations before tax	15,178	1,084
Foreign withholding taxes	1	1
Foreign income taxes paid (recovered)	–	–
Increase (decrease) in net assets attributable to unitholders from operations	15,177	1,083
Increase (decrease) in net assets attributable to unitholders from operations per series		
Series E	15,177	1,083
Increase (decrease) in net assets attributable to unitholders from operations per unit		
Series E	1.69	1.99

The accompanying notes are an integral part of these financial statements.



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STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the periods ended March 31 (note 1)
In thousands

	2018	2017
	Series E	
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	\$	
Beginning of period	27,270	–
Increase (decrease) in net assets from operations	15,177	1,083
Distributions paid to unitholders:		
Investment Income	(10,682)	(560)
Capital gains	(2,094)	(58)
Management fee rebates	(609)	–
Total distributions paid to unitholders	(13,385)	(618)
Unit transactions:		
Proceeds from units issued	326,508	26,747
Reinvested distributions	2,094	58
Value of units redeemed	(2,132)	–
Total unit transactions	326,470	26,805
Total increase (decrease) in net assets	328,262	27,270
End of period	355,532	27,270
	Units	
Increase (decrease) in units (note 7):		
Units outstanding – beginning of period	1,300	–
Issued	15,400	1,300
Reinvested distributions	–	–
Redeemed	(100)	–
Units outstanding – end of period	16,600	1,300

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STATEMENTS OF CASH FLOWS

For the periods ended March 31 (note 1)
In thousands

	2018	2017
	\$	\$
Cash flows from operating activities		
Net increase (decrease) in net assets attributable to unitholders from operations	15,177	1,083
Adjustments for:		
Net realized loss (gain) on investments	(1,230)	(133)
Change in net unrealized loss (gain) on investments	(2,677)	(467)
Purchase of investments	(453,824)	(32,798)
Proceeds from sale and maturity of investments	176,300	15,075
Change in accrued interest receivable	(1,153)	(74)
Change in due to manager	195	3
Change in accrued expenses	11	–
Net cash from operating activities	(267,201)	(17,311)
Cash flows from financing activities		
Proceeds from redeemable securities issued	326,417	22,556
Payments on redemption of redeemable securities	(2,132)	–
Distributions paid net of reinvestments	(11,385)	(466)
Net cash from financing activities	312,900	22,090
Net increase (decrease) in cash and cash equivalents	45,699	4,779
Cash and cash equivalents at beginning of period	4,804	–
Effect of exchange rate fluctuations on cash and cash equivalents	(1,535)	25
Cash and cash equivalents at end of period	48,968	4,804
Cash	48,968	4,804
Cash equivalents	–	–
Cash and cash equivalents at end of period	48,968	4,804
Supplementary disclosures on cash flow from operating activities:		
Dividends received	17	28
Foreign taxes paid	2	1
Interest received	10,103	436
Interest paid	16	–

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SCHEDULE OF INVESTMENTS

As at March 31, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
BONDS					
AAC holdings Inc. Term Loan 1st Lien F/R 06-30-2023	United States	Term Loans	USD 1,303,883	1,642	1,709
Acrisure LLC Term Loan B 1st Lien F/R 11-22-2023	United States	Term Loans	USD 179,100	228	234
Air Medical Group Holdings Inc. Term Loan B 1st Lien F/R 09-26-2024	United States	Term Loans	USD 498,750	611	649
AMC Entertainment Holdings Inc. 5.88% 11-15-2026 Callable	United States	Corporate - Non Convertible	USD 150,000	181	190
American Seafoods Group LLC Term Loan B 1st Lien F/R 08-21-2023	United States	Term Loans	USD 485,417	598	627
American Teleconferencing Services Ltd. Term Loan 1st Lien F/R 12-08-2021	United States	Term Loans	USD 189,446	251	244
Amneal Pharmaceuticals LLC Term loan B 1st Lien F/R 03-23-2025	United States	Term Loans	USD 3,210,000	4,111	4,144
AMS FinCo SARL Term Loan 1st Lien F/R 05-27-2024	Luxembourg	Term Loans	USD 2,459,415	3,186	3,196
Arch Merger Sub Inc. 8.50% 09-15-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 1,050,000	1,336	1,255
Artis Real Estate Investment Trust F/R 02-07-2020	Canada	Corporate - Non Convertible	970,000	970	971
ASP AMC Merger Sub Inc. 8.00% 05-15-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 200,000	267	243
ATS Consolidated Inc. Term Loan B 1st Lien F/R 02-23-2025	United States	Term Loans	USD 1,220,000	1,537	1,592
Beasley Mezzanine Holdings LLC Term Loan 1st Lien F/R 11-16-2023	United States	Term Loans	USD 740,000	940	958
Big Ass Fans LLC Term Loan 1st Lien F/R 05-07-2024	United States	Term Loans	USD 788,025	1,002	1,025
BMC Acquisition Inc. Term Loan 1st Lien F/R 12-15-2024	United States	Term Loans	USD 887,775	1,131	1,147
Boardriders Inc. Term Loan B 1st Lien F/R 03-21-2024	United States	Term Loans	USD 3,960,000	5,007	5,052
Bright Bidco BV Term Loan B 1st Lien F/R 06-30-2024	Netherlands	Term Loans	USD 895,750	1,129	1,172
Burger King France SAS F/R 05-01-2023 Callable 2018	France	Corporate - Non Convertible	EUR 100,000	141	161
Burger King France SAS 6.00% 05-01-2024 Callable 2020	France	Corporate - Non Convertible	EUR 100,000	142	168
BWAY Holding Co. 7.25% 04-15-2025 144A	United States	Corporate - Non Convertible	USD 40,000	53	53
California Resources Corp. 8.00% 12-15-2022 Callable 2018 144A	United States	Corporate - Non Convertible	USD 60,000	50	61
Calpine Corp. 5.25% 06-01-2026 Callable 2021 144A	United States	Corporate - Non Convertible	USD 90,000	113	112
Camelot Finance SA 7.88% 10-15-2024 Callable 2019 144A	United States	Corporate - Non Convertible	USD 40,000	53	54
Can Am Construction Inc./Canada Term Loan B 1st Lien F/R 07-01-2024	Canada	Term Loans	USD 1,987,487	2,541	2,586
Canada Goose Inc. Term Loan 1st Lien F/R 12-22-2021	Canada	Term Loans	USD 3,000,000	3,761	3,826
CareCentrix Inc. Term Loan B 1st Lien F/R 07-08-2021	United States	Term Loans	USD 2,382,531	3,044	3,087
Careerbuilder LLC Term Loan 1st Lien F/R 07-31-2023	United States	Term Loans	USD 3,900,000	4,751	5,019
Casablanca US Holdings Inc. Term Loan 1st Lien F/R 03-29-2024	United States	Term Loans	USD 1,395,900	1,866	1,816
Centennial Resource Production LLC 5.38% 01-15-2026 Callable 2021 144A	United States	Corporate - Non Convertible	USD 80,000	102	101
CenturyLink Inc. Term Loan B 1st Lien F/R 01-31-2025	United States	Term Loans	USD 1,007,475	1,329	1,279
Chassis Inc. Term Loan B 1st Lien F/R 11-10-2023	United States	Term Loans	USD 480,000	596	622
The Chemours Co. Term Loan B 1st Lien F/R 05-12-2022	United States	Term Loans	USD 113,502	148	146
Chemtrade Logistics Income Fund 4.75% 05-31-2024 Conv. Callable 2022	Canada	Corporate - Convertible	200,000	200	196
Chloe Ox Parent LLC Term Loan 1st Lien F/R 12-19-2024	United States	Term Loans	USD 1,680,000	2,141	2,191
Coeur Mining Inc. 5.88% 06-01-2024 Callable 2020	United States	Corporate - Non Convertible	USD 20,000	27	26
Colorado Buyer Inc. Term Loan 2nd Lien F/R 05-01-2025	United States	Term Loans	USD 100,000	132	129
Comfort Holding LLC Term Loan 1st Lien F/R 02-05-2024	United States	Term Loans	USD 524,700	707	657
Comfort Holding LLC Term Loan 2nd Lien F/R 02-03-2025	United States	Term Loans	USD 190,000	244	232



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SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
BONDS (cont'd)					
Commercial Vehicle Group Inc. Term Loan B 1st Lien F/R 03-30-2023	United States	Term Loans	USD 294,375	385	382
Communications Sales & Leasing Inc. Term Loan B 1st Lien F/R 10-24-2022	United States	Term Loans	USD 2,073,355	2,503	2,583
ConvergeOne Holdings Corp. Term Loan B 1st Lien F/R 06-20-2024	United States	Term Loans	USD 2,823,476	3,568	3,656
Coronado Australian Holdings Pty Ltd. Term Loan B 1st Lien F/R 03-21-2025	United States	Term Loans	USD 1,870,000	2,340	2,385
Coronado Australian Holdings Pty Ltd. Term Loan C 1st Lien F/R 03-21-2025	United States	Term Loans	USD 510,000	638	650
Crew Energy Inc. 6.50% 03-14-2024 Callable	Canada	Corporate - Non Convertible	20,000	20	19
Cryolife Inc. Term Loan B 1st Lien F/R 11-15-2024	United States	Term Loans	USD 748,125	950	976
CSC Holdings LLC Term Loan B 1st Lien F/R 01-12-2026	United States	Term Loans	USD 1,290,000	1,601	1,664
CSM Bakery Solutions LLC Term Loan 2nd Lien F/R 07-05-2021	United States	Term Loans	USD 1,220,000	1,390	1,512
CSM NV Term Loan B F/R 07-03-2020	United States	Term Loans	USD 1,000,000	1,268	1,276
CSP Technologies North America LLC Term Loan B 1st Lien F/R 01-29-2022	United States	Term Loans	USD 411,727	547	537
CVR Partners LP 9.25% 06-15-2023 Callable 2019 144A	United States	Corporate - Non Convertible	USD 1,000,000	1,270	1,377
Daseke Inc. Term Loan 1st Lien F/R 02-27-2024	United States	Term Loans	USD 2,292,935	2,929	2,987
DBRS Ltd. Term Loan 1st Lien F/R 03-04-2022	Canada	Term Loans	USD 3,493,643	4,364	4,540
Deerfield Holdings Corp. Term Loan B 1st Lien F/R 12-06-2024	United States	Term Loans	USD 880,000	1,123	1,139
DHX Media Ltd. 5.88% 09-30-2024 Conv.	Canada	Corporate - Convertible	160,000	150	147
Diamond (BC) BV Term Loan 1st Lien F/R 09-06-2024	United States	Term Loans	USD 658,350	811	848
Digicert Holdings Inc. Term Loan 1st Lien F/R 09-20-2024	United States	Term Loans	USD 3,000,000	3,680	3,914
Digicert Holdings Inc. Term Loan 2nd Lien F/R 10-31-2025	United States	Term Loans	USD 300,000	368	391
DISH DBS Corp. 5.875% 11-15-2024	United States	Corporate - Non Convertible	USD 70,000	89	81
Drive DeVilbiss Healthcare Ltd. Term Loan 1st Lien F/R 01-03-2023	United States	Term Loans	USD 3,309,914	3,991	4,030
EagleTree-Carbide Acquisition Corp. Term Loan 1st Lien F/R 08-28-2024	United States	Term Loans	USD 3,097,600	3,856	4,028
Elo Touch Solutions Inc. Term Loan B 1st Lien F/R 10-25-2023	United States	Term Loans	USD 1,479,933	1,879	1,925
Energy Solutions LLC Term Loan B 1st Lien F/R 05-29-2020	United States	Term Loans	USD 1,373,585	1,803	1,801
Envigo Holdings Inc. Term Loan B 1st Lien F/R 12-14-2023	United States	Term Loans	USD 2,220,000	2,735	2,810
Exela Intermediate LLC 10.00% 07-15-2023 Callable 2020 144A	United States	Corporate - Non Convertible	USD 2,000,000	2,567	2,619
Fairmount Santrol Term Loan B 1st Lien F/R 11-01-2022	United States	Term Loans	USD 3,914,315	4,997	5,111
Fastener Acquisition Inc. Term Loan 1st Lien F/R 03-28-2025	United States	Term Loans	USD 1,230,000	1,575	1,591
Fortress Transportation and Infrastructure Investors LLC 6.75% 03-15-2022 Callable 2020 144A	United States	Corporate - Non Convertible	USD 120,000	159	157
Garda World Security Corp. Term Loan B 1st Lien F/R 05-26-2024	Canada	Term Loans	USD 201,826	274	263
Garda World Security Corp. Term Loan B 1st Lien F/R 05-26-2024	Canada	Term Loans	2,703,306	2,716	2,720
Gates Global LLC Term Loan B2 1st Lien F/R 03-31-2024	United States	Term Loans	USD 93,049	117	121
Gateway Casinos & Entertainment Ltd. Term Loan B 1st Lien F/R 03-13-2025	Canada	Term Loans	USD 1,480,000	1,906	1,924
Gavilan Resources LLC Term Loan 2nd Lien F/R 02-23-2024	United States	Term Loans	USD 100,000	130	129
Genworth Holdings Inc. Term Loan 1st Lien F/R 02-28-2023	United States	Term Loans	USD 1,380,000	1,762	1,812
Gibson Energy Inc. 5.25% 07-15-2024 Callable 2020 REGS	Canada	Corporate - Non Convertible	630,000	630	634
G-III Apparel Group Ltd. Term Loan B 1st Lien F/R 12-01-2022	United States	Term Loans	USD 2,284,286	2,903	2,983
Gopher Resource LLC Term Loan 1st Lien F/R 02-09-2025	United States	Term Loans	USD 580,000	728	755



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SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
BONDS (cont'd)					
Gopher Sub Inc. Delayed Draw Term Loan 1st Lien F/R 01-29-2025	United States	Term Loans	USD 154,839	191	199
Gopher Sub Inc. Term Loan 1st Lien F/R 01-29-2025	United States	Term Loans	USD 1,445,161	1,778	1,862
Government of Canada 2.50% 06-01-2024	Canada	Federal Government	70,000	72	72
Government of Canada 1.00% 06-01-2027	Canada	Federal Government	40,000	36	36
Green Plains Inc. Term Loan B 1st Lien F/R 08-29-2023	United States	Term Loans	USD 3,482,500	4,329	4,509
Greenhill & Co. Inc. Term Loan B 1st Lien F/R 10-12-2022	United States	Term Loans	USD 997,375	1,245	1,298
Horizon Global Corp. Term Loan 1st Lien F/R 06-30-2021	United States	Term Loans	USD 68,692	88	89
Hornblower Sub LLC Term Loan 1st Lien F/R 04-28-2025	United States	Term Loans	USD 2,630,000	3,382	3,397
Hudson River Trading LLC Term Loan 1st Lien F/R 03-20-2025	United States	Term Loans	USD 2,180,000	2,824	2,819
Hyster-Yale Group Inc. Term Loan B 1st Lien F/R 05-30-2023	United States	Term Loans	USD 1,585,000	2,070	2,060
I-Logic Technologies Bidco Ltd. Term Loan B 1st Lien F/R 12-20-2024	United States	Term Loans	USD 1,496,250	1,910	1,934
Imagine! Print Solutions Inc. Term Loan 1st Lien F/R 06-21-2022	United States	Term Loans	USD 2,378,797	3,039	2,881
Impala Private Holdings II LLC Term Loan 1st Lien F/R 11-10-2024	United States	Term Loans	USD 1,755,600	2,218	2,275
Indivior Finance SARL Term Loan B 1st Lien F/R 12-14-2022	United Kingdom	Term Loans	USD 1,097,250	1,393	1,422
Integro Ltd. United States Term Loan B1 1st Lien F/R 10-31-2022	United States	Term Loans	USD 4,789,126	6,085	6,171
Interior Logic Group Inc. Term Loan B 1st Lien F/R 03-01-2024	United States	Term Loans	USD 332,500	432	432
International Equipment Solutions LLC Term Loan B F/R 08-15-2022	United States	Term Loans	USD 471,848	593	615
Invenergy Thermal Operating I LLC Term Loan B 1st Lien F/R 10-19-2022	United States	Term Loans	USD 812,456	1,040	1,002
iQor US Inc. Term Loan 2nd Lien F/R 04-01-2022	United States	Term Loans	USD 2,000,000	2,389	2,490
iQor US Inc. Term Loan B 1st Lien F/R 04-01-2021	United States	Term Loans	USD 780,558	1,023	1,010
Jane Street Group LLC Term Loan B 1st Lien F/R 08-25-2022	United States	Term Loans	USD 1,943,625	2,449	2,523
JBS USA Lux SA Term Loan B 1st Lien F/R 10-30-2022	Brazil	Term Loans	USD 2,377,980	3,033	3,059
KEMET Corp. Term Loan B 1st Lien F/R 04-26-2024	United States	Term Loans	USD 481,250	630	632
Keystone Peer Review Organization Holdings Inc. Term Loan 1st Lien F/R 05-01-2024	United States	Term Loans	USD 2,507,400	3,218	3,251
Kronos Acquisition Holdings Inc. 9.00% 08-15-2023 144A	Canada	Corporate - Non Convertible	USD 480,000	580	589
Lanai Holdings III Inc. Term Loan B 1st Lien F/R 08-14-2022	United States	Term Loans	USD 928,625	1,214	1,163
Lannett Co. Inc. Term Loan B 1st Lien F/R 11-25-2022	United States	Term Loans	USD 558,204	717	719
Lantheus Medical Imaging Inc. Term Loan B 1st Lien F/R 06-30-2022	United States	Term Loans	USD 108,900	145	141
LBM Borrower LLC Term Loan 1st Lien F/R 08-20-2022	United States	Term Loans	USD 197,470	263	257
LD Intermediate Holdings Inc. Term Loan B 1st Lien F/R 12-09-2022	United States	Term Loans	USD 2,931,900	3,449	3,400
LifeMiles Ltd. Term Loan B 1st Lien F/R 08-18-2022	Colombia	Term Loans	USD 2,200,000	2,761	2,905
LifeMiles Ltd. Term Loan B 1st Lien F/R 08-18-2022	Colombia	Term Loans	USD 1,250,000	1,637	1,651
Lifetime Brands Inc. Term Loan B 1st Lien F/R 03-31-2025	United States	Term Loans	USD 580,000	727	753
Lionbridge Technologies Inc. Term Loan 1st Lien F/R 02-28-2024	United States	Term Loans	USD 206,706	272	266
Livingston International Inc. Term Loan 1st Lien F/R 03-18-2020	Canada	Term Loans	USD 907,725	1,108	1,169
Livingston International Inc. Term Loan 1st Lien F/R 03-18-2020	Canada	Term Loans	3,107,698	2,960	2,983
Livingston International Inc. Term Loan 2nd Lien F/R 04-17-2020	Canada	Term Loans	USD 100,000	121	124
Logibec Groupe Informatique Ltd. Term Loan 1st Lien F/R 12-31-2018	Canada	Term Loans	1,189,256	1,130	1,130



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As at March 31, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
BONDS (cont'd)					
MacDonald, Dettwiler & Associates Ltd. Term Loan B 1st Lien F/R 10-04-2024	Canada	Term Loans	USD 1,496,250	1,918	1,933
Mattamy Group Corp. 6.50% 10-01-2025 Callable 2020	Canada	Corporate - Non Convertible	220,000	223	225
Mattamy Group Corp. 6.50% 10-01-2025 Callable 2020 144A	Canada	Corporate - Non Convertible	USD 160,000	200	209
McAfee LLC Term Loan 2nd Lien F/R 09-29-2025	United States	Term Loans	USD 2,200,000	2,744	2,878
McAfee LLC Term Loan B 1st Lien F/R 09-30-2024	United States	Term Loans	USD 1,880,013	2,337	2,450
MEG Energy Corp. Term Loan B 1st Lien F/R 12-31-2023	Canada	Term Loans	USD 62,700	84	81
Meredith Corp. Term Loan B 1st Lien F/R 01-18-2025	United States	Term Loans	USD 3,050,000	3,778	3,958
Meredith Corp. 6.88% 02-01-2026 Callable 2021 144A	United States	Corporate - Non Convertible	USD 100,000	125	133
Micron Technology Inc. Term Loan B 1st Lien F/R 04-26-2022	United States	Term Loans	USD 245,847	325	319
Mission Broadcasting Inc. Term Loan 1st Lien F/R 01-17-2024	United States	Term Loans	USD 174,573	226	226
MND Holdings III Corp. Term Loan 1st Lien F/R 06-19-2024	United States	Term Loans	USD 2,231,197	2,887	2,907
NAVEX Global Inc. Term Loan B 1st Lien F/R 11-19-2021	United States	Term Loans	USD 544,504	700	705
Neenah Foundry Co. Term Loan B 1st Lien F/R 12-08-2022	United States	Term Loans	USD 1,392,375	1,774	1,785
New Arclin US Holding Corp. Term Loan 1st Lien F/R 02-14-2024	United States	Term Loans	USD 368,400	478	479
Nexstar Broadcasting Inc. Term Loan B 1st Lien F/R 01-17-2024	United States	Term Loans	USD 1,356,004	1,753	1,754
NWH Escrow Corp. 7.50% 08-01-2021 Callable 144A	United States	Corporate - Non Convertible	USD 1,000,000	1,101	1,179
Ocean Bidco Inc. Term Loan B 1st Lien F/R 03-02-2025	United States	Term Loans	USD 1,530,000	1,968	1,980
OCI Beaumont LLC Term Loan B 1st Lien F/R 02-16-2025	United States	Term Loans	USD 1,580,000	1,981	2,051
Office Depot Inc. Term Loan B 1st Lien F/R 11-08-2022	United States	Term Loans	USD 3,061,500	3,820	4,026
Osteon Merger Sub Inc. Term Loan B 1st Lien F/R 02-06-2025	United States	Term Loans	USD 1,030,000	1,282	1,340
Oxbow Carbon LLC Term Loan B 1st Lien F/R 12-18-2022	United States	Term Loans	USD 671,500	862	877
Oxbow Carbon LLC Term Loan B 2nd Lien F/R 12-18-2023	United States	Term Loans	USD 590,000	751	773
Paradigm Acquisition Corp. Term Loan 1st Lien F/R 10-11-2024	United States	Term Loans	USD 2,174,550	2,720	2,830
Parkland Fuel Corp. 5.75% 09-16-2024 Callable 2019	Canada	Corporate - Non Convertible	50,000	50	51
Parkland Fuel Corp. 6.00% 04-01-2026 Callable 2021 144A	Canada	Corporate - Non Convertible	USD 440,000	576	571
The Pasha Group Term Loan B 1st Lien F/R 12-13-2022	United States	Term Loans	USD 3,044,063	3,859	3,961
Petroleos De Venezuela SA 6.00% 05-16-2024	Venezuela	Corporate - Non Convertible	USD 1,063,000	339	380
PetSmart Inc. Term Loan B2 1st Lien F/R 03-10-2022	United States	Term Loans	USD 853,824	1,018	886
Pisces Midco Inc. Term Loan B 1st Lien F/R 03-29-2025	United States	Term Loans	USD 2,790,000	3,577	3,577
PM Merger Sub Inc. Term Loan B 1st Lien F/R 03-07-2025	United States	Term Loans	USD 990,000	1,261	1,279
PNI Canada Acquireco Corp. Term Loan B 1st Lien F/R 08-23-2022	Canada	Term Loans	USD 2,491,241	3,074	3,202
Project Leopard Holdings Inc. Term Loan 1st Lien F/R 07-07-2023	United States	Term Loans	USD 1,019,881	1,354	1,328
Propulsion Acquisition LLC Term Loan 1st Lien F/R 07-13-2021	United States	Term Loans	USD 963,779	1,182	1,229
Prospect Medical Holdings Inc. Term Loan B 1st Lien F/R 02-15-2024	United States	Term Loans	USD 3,940,000	4,847	5,090
Province of Ontario 2.60% 09-08-2023	Canada	Provincial Governments	10,000	10	10
PS HoldCo LLC Term Loan 1st Lien F/R 03-02-2025	United States	Term Loans	USD 900,000	1,154	1,171
PSC Industrial Outsourcing LP Term Loan 2nd Lien F/R 10-05-2025	United States	Term Loans	USD 450,000	554	575
PSC Industrial Outsourcing LP Term Loan B 1st Lien F/R 10-05-2024	United States	Term Loans	USD 1,635,900	2,036	2,130
Q Holding Co. Term Loan B 1st Lien F/R 12-17-2021	United States	Term Loans	USD 1,981,074	2,606	2,583
QCP SNF West 8.125% 11-01-2023 Callable 2019	United States	Corporate - Non Convertible	USD 50,000	66	67
Quest Software US Holdings Inc. Term Loan 1st Lien F/R 10-31-2022	United States	Term Loans	USD 1,121,213	1,495	1,473



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SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
BONDS (cont'd)					
Quinpario Acquisition Corp. 2 B Term Loan 1st Lien F/R 06-30-2023	United States	Term Loans	USD 2,316,961	2,897	3,016
Rackspace Hosting Inc. 8.63% 11-15-2024 Callable 2019 144A	United States	Corporate - Non Convertible	USD 555,000	747	708
Red Ventures LLC Term Loan B 1st Lien F/R 11-08-2024	United States	Term Loans	USD 2,228,800	2,750	2,900
Reliance Intermediate Holdings LP 6.50% 04-01-2023 Callable 2018 144A	Canada	Corporate - Non Convertible	USD 235,000	315	315
Renfro Corp. Term Loan B 1st Lien F/R 03-31-2021	United States	Term Loans	USD 3,233,516	4,044	4,197
REP WWEX Acquisition Parent LLC Term Loan 1st Lien F/R 01-02-2025	United States	Term Loans	USD 488,741	603	632
Research Now Group Inc. Term Loan 1st Lien F/R 12-20-2024	United States	Term Loans	USD 3,491,250	4,268	4,477
Research Now Group Inc. Term Loan 2nd Lien F/R 12-20-2025	United States	Term Loans	USD 580,000	694	699
Resolute Investment Managers Inc. Term Loan 2nd Lien F/R 04-30-2023	United States	Term Loans	USD 300,000	391	393
Rite Aid Corp. 7.70% 02-15-2027	United States	Corporate - Non Convertible	USD 20,000	26	22
Riverbed Technology Inc. Term Loan B 1st Lien F/R 04-24-2022	United States	Term Loans	USD 891,276	1,143	1,146
Robertshaw US Holding Corp. Term Loan 1st Lien F/R 02-15-2025	United States	Term Loans	USD 690,000	859	898
Russel Metals Inc. 6.00% 03-16-2026 Callable 2021	Canada	Corporate - Non Convertible	170,000	170	171
Scientific Games International Inc. Term Loan B5 1st Lien F/R 08-14-2024	United States	Term Loans	USD 400,000	496	518
SciQuest Inc. Term Loan 1st Lien F/R 12-29-2024	United States	Term Loans	USD 940,000	1,190	1,217
Shutterstock Inc. Term Loan B2 1st Lien F/R 08-17-2024	United States	Term Loans	USD 1,990,000	2,534	2,580
Sigma Bidco BV Term Loan B 1st Lien F/R 03-07-2025	Netherlands	Term Loans	EUR 2,300,000	3,664	3,616
Sigma US Corp. Term Loan B 1st Lien F/R 03-06-2025	Netherlands	Term Loans	USD 2,300,000	2,962	2,966
SMI Acquisition Inc. Term Loan 1st Lien F/R 10-27-2024	United States	Term Loans	USD 628,425	804	816
SMI Acquisition Inc. Term Loan 2nd Lien F/R 10-27-2025	United States	Term Loans	USD 190,000	241	247
Solenis International LP Term Loan 2nd Lien F/R 07-31-2022	United States	Term Loans	USD 120,000	156	147
Source Energy Services Canada LP 10.50% 12-15-2021 Callable 2018	Canada	Corporate - Non Convertible	42,000	42	46
Sprint Capital Corp. 6.875% 11-15-2028	United States	Corporate - Non Convertible	USD 150,000	203	181
Sprint Corp. 7.875% 09-15-2023	United States	Corporate - Non Convertible	USD 50,000	69	66
Sprint Corp. 7.63% 02-15-2025 Callable 2024	United States	Corporate - Non Convertible	USD 50,000	66	63
St. George's University Scholastic Services LLC Term Loan B 1st Lien F/R 07-06-2022	United States	Term Loans	USD 730,732	953	951
Staples Inc. Term Loan 1st Lien F/R 08-15-2024	United States	Term Loans	USD 2,084,775	2,652	2,665
Star West Generation LLC Term Loan B 1st Lien F/R 03-13-2020	United States	Term Loans	USD 5,011,975	5,681	5,893
Stepstone Group LP Term Loan B 1st Lien F/R 03-19-2025	United States	Term Loans	USD 1,170,000	1,507	1,517
Sunshine Investments BV Term Loan B3 1st Lien F/R 12-15-2024	Netherlands	Term Loans	USD 1,080,000	1,384	1,391
Superior Industries International Inc. Term Loan 1st Lien F/R 03-22-2024	United States	Term Loans	USD 2,567,789	3,256	3,345
Superior Plus LP 5.25% 02-27-2024 Callable 2020	Canada	Corporate - Non Convertible	230,000	233	232
Syniverse Holdings Inc. Term Loan 1st Lien F/R 02-09-2023	United States	Term Loans	USD 880,000	1,097	1,148
Talen Energy Supply LLC 9.50% 07-15-2022 Callable 2020 144A	United States	Corporate - Non Convertible	USD 300,000	390	377
Talen Energy Supply LLC 10.50% 01-15-2026 Callable 2022 144A	United States	Corporate - Non Convertible	USD 220,000	275	245
Team Health Holdings Inc. 6.38% 02-01-2025 Callable 2020 144A	United States	Corporate - Non Convertible	USD 100,000	123	111
Tenet Healthcare Corp. 6.75% 06-15-2023	United States	Corporate - Non Convertible	USD 40,000	49	51



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SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
BONDS (cont'd)					
Tensar International Corp. Term Loan 2nd Lien F/R 07-09-2022	United States	Term Loans	USD 10,000	11	10
Terex Corp. Term Loan 1st Lien F/R 01-31-2024	United States	Term Loans	USD 79,200	104	102
TerraForm Power Operating LLC 5.00% 01-31-2028 Callable 2027 144A	United States	Corporate - Non Convertible	USD 290,000	372	356
Teva Pharmaceutical Finance Netherlands III BV 3.15% 10-01-2026 Callable	Israel	Corporate - Non Convertible	USD 270,000	280	280
Titan Acquisition Ltd. Term Loan 1st Lien F/R 03-16-2025	United Kingdom	Term Loans	USD 1,740,000	2,273	2,240
Titan Acquisition Ltd. 7.75% 04-15-2026 Callable 2021 144A	United Kingdom	Corporate - Non Convertible	USD 540,000	708	695
The Toronto-Dominion Bank F/R 07-25-2029 Callable 2024	Canada	Corporate - Non Convertible	10,000	10	10
Tortoise Borrower LLC Term Loan 1st Lien F/R 11-20-2024	United States	Term Loans	USD 790,000	1,007	1,031
Traverse Midstream Partners LLC Term Loan B 1st Lien F/R 09-21-2024	United States	Term Loans	USD 3,000,000	3,683	3,892
Trico Products Corp. Term Loan 1st Lien F/R 02-02-2024	United States	Term Loans	USD 1,370,000	1,647	1,778
TricorBraun Inc. (KRAIND) Term Loan 1st Lien F/R 11-30-2023	United States	Term Loans	USD 72,000	96	93
TricorBraun Inc. (KRAIND) Term Loan Delayed Draw 1st Lien F/R 11-28-2023	United States	Term Loans	USD 7,236	10	9
TriMark USA LLC Term Loan 1st Lien F/R 09-15-2024	United States	Term Loans	USD 1,990,214	2,419	2,583
TTM Technologies Inc. Term Loan 1st Lien F/R 09-28-2024	United States	Term Loans	USD 497,500	603	643
U.S. Renal Care Inc. Term Loan 1st Lien F/R 12-31-2022	United States	Term Loans	USD 1,294,171	1,617	1,677
Uber Technologies Inc. Term Loan 1st Lien F/R 03-21-2025	United States	Term Loans	USD 3,570,000	4,590	4,627
Uber Technologies Inc. Term Loan B 1st Lien F/R 07-13-2023	United States	Term Loans	USD 3,950,952	5,034	5,117
Valeant Pharmaceuticals International Inc. 5.63% 12-01-2021 Callable 144A	United States	Corporate - Non Convertible	USD 10,000	12	12
VCVH Holding Corp. Term Loan 1st Lien F/R 05-10-2023	United States	Term Loans	USD 1,329,345	1,746	1,730
VIP Cineman Holdings Inc. Term Loan 1st Lien F/R 03-01-2023	United States	Term Loans	USD 1,164,359	1,516	1,517
Vistage Worldwide Inc. Term Loan 1st Lien F/R 02-01-2025	United States	Term Loans	USD 1,670,000	2,085	2,168
WellDyneDx Inc. Term Loan 1st Lien F/R 08-16-2022	United States	Term Loans	USD 4,265,625	5,171	5,428
Werner FinCo LP Term Loan 1st Lien F/R 06-23-2024	United States	Term Loans	USD 1,402,463	1,802	1,820
Western Dental Services Inc. Term Loan B 1st Lien F/R 06-23-2023	United States	Term Loans	USD 3,211,730	4,105	4,187
Wind Tre SPA 5.00% 01-20-2026 Callable 2020	Italy	Corporate - Non Convertible	USD 200,000	224	220
Windstream Services LLC Term Loan B6 1st Lien F/R 03-16-2021	United States	Term Loans	USD 2,232,165	2,920	2,774
Wirepath Home Systems LLC Term Loan 1st Lien F/R 07-27-2024	United States	Term Loans	USD 2,985,019	3,703	3,865
YRC Worldwide Inc. Term Loan 1st Lien F/R 07-21-2022	United States	Term Loans	USD 2,953,580	3,666	3,842
Zotec Partners LLC Term Loan 1st Lien F/R 02-09-2024	United States	Term Loans	USD 2,360,000	2,942	3,041
Total bonds				339,926	347,066
EQUITIES					
AltaGas Ltd. Pfd. Series K	Canada	Energy	1,230	31	31
Brookfield Asset Management Inc. Pfd. Series 46	Canada	Real Estate	958	24	25
Brookfield Asset Management Inc. Pfd. Series 48	Canada	Real Estate	10,440	261	265
Brookfield Renewable Partners LP Pfd. Series 11	Canada	Utilities	1,810	45	46
Source Energy Services Ltd.	Canada	Energy	385	-	2
TransAlta Corp. Pfd. Series A	Canada	Utilities	2,626	36	39
TransCanada Corp. Pfd. Series 15	Canada	Energy	1,954	49	51
Total equities				446	459



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SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
OPTIONS					
Options purchased (see schedule of options purchased)				95	89
Total options				95	89
Transaction costs				(1)	—
Total investments				340,466	347,614
Derivative instruments (see schedule of derivative instruments)					(4,063)
Cash and cash equivalents					48,968
Other assets less liabilities					(36,987)
Total net assets					355,532



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SUMMARY OF INVESTMENT PORTFOLIO

March 31, 2018	
Portfolio Allocation	% of NAV
Bonds	97.6
<i>Bonds</i>	97.6
<i>Purchased options</i>	0.0
Cash and short-term investments	13.8
Equities	0.1
Other assets (liabilities)	(11.5)

Regional Allocation	
	% of NAV
United States	81.6
Cash and short-term investments	13.8
Canada	8.8
Netherlands	2.6
Colombia	1.3
United Kingdom	1.2
Brazil	0.9
Luxembourg	0.9
France	0.1
Israel	0.1
Italy	0.1
Venezuela	0.1
Other assets (liabilities)	(11.5)

Sector Allocation	
	% of NAV
Term loans	93.1
Cash and short-term investments	13.8
Corporate bonds	4.5
Financials	0.1
Other assets (liabilities)	(11.5)

March 31, 2017	
Portfolio Allocation	% of NAV
Bonds	99.0
Cash and short-term investments	17.6
Equities	0.8
Other assets (liabilities)	(17.4)

Regional Allocation	
	% of NAV
United States	87.9
Cash and short-term investments	17.6
Canada	6.4
Netherlands	2.3
Sweden	1.1
Cayman Islands	1.0
United Kingdom	0.9
Luxembourg	0.2
Other assets (liabilities)	(17.4)

Sector Allocation	
	% of NAV
Term loans	93.7
Cash and short-term investments	17.6
Corporate bonds	5.3
Energy	0.5
Utilities	0.2
Real estate	0.1
Other assets (liabilities)	(17.4)



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SCHEDULE OF OPTIONS PURCHASED

As at March 31, 2018

Underlying Interest	Number of Contracts	Option Type	Expiration Date	Strike Price \$	Premium Paid (\$ 000s)	Fair Value (\$ 000s)
iShares iBoxx \$ High Yield Corporate Bond ETF	214	Put	Sep. 21, 2018	83 USD	54	50
iShares iBoxx \$ High Yield Corporate Bond ETF	111	Put	Sep. 21, 2018	85 USD	41	39
Total options					95	89



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SCHEDULE OF DERIVATIVE INSTRUMENTS

As at March 31, 2018

Schedule of Forward Currency Contracts

Counterparty Credit Rating	Bought (\$ 000s)		Sold (\$ 000s)		Settlement Date	Contract Cost (\$ 000s)	Current Fair Value (\$ 000s)	Unrealized Gains (Losses) (\$ 000s)
A	5,826	Canadian dollar	(4,460)	U.S. dollar	Apr. 27, 2018	(5,826)	(5,743)	83
AA	6,949	Canadian dollar	(5,325)	U.S. dollar	Jun. 15, 2018	(6,949)	(6,851)	98
AA	5,998	Canadian dollar	(4,660)	U.S. dollar	Jun. 22, 2018	(5,998)	(5,995)	3
AA	32,863	Canadian dollar	(25,513)	U.S. dollar	Jun. 22, 2018	(32,863)	(32,819)	44
AA	53,666	Canadian dollar	(41,245)	U.S. dollar	Jun. 29, 2018	(53,666)	(53,048)	618
Unrealized Gains								846
AA	6,279	Canadian dollar	(5,000)	U.S. dollar	Apr. 13, 2018	(6,279)	(6,441)	(162)
AA	19,342	Canadian dollar	(15,450)	U.S. dollar	Apr. 13, 2018	(19,342)	(19,901)	(559)
AA	17,645	Canadian dollar	(14,100)	U.S. dollar	Apr. 20, 2018	(17,645)	(18,160)	(515)
AA	4,392	Canadian dollar	(3,500)	U.S. dollar	Apr. 20, 2018	(4,392)	(4,508)	(116)
AA	328	Canadian dollar	(210)	Euro	Apr. 20, 2018	(328)	(333)	(5)
AA	1,463	Canadian dollar	(1,150)	U.S. dollar	Apr. 20, 2018	(1,463)	(1,481)	(18)
AA	7,560	Canadian dollar	(5,900)	U.S. dollar	Apr. 20, 2018	(7,560)	(7,599)	(39)
A	1,477	Canadian dollar	(1,200)	U.S. dollar	Apr. 27, 2018	(1,477)	(1,545)	(68)
AA	51,530	Canadian dollar	(41,210)	U.S. dollar	May 11, 2018	(51,530)	(53,054)	(1,524)
AA	1,463	Canadian dollar	(1,150)	U.S. dollar	May 11, 2018	(1,463)	(1,481)	(18)
AA	32,640	Canadian dollar	(26,620)	U.S. dollar	May 18, 2018	(32,640)	(34,267)	(1,627)
AA	2,339	Canadian dollar	(1,820)	U.S. dollar	May 18, 2018	(2,339)	(2,343)	(4)
AA	6,047	Canadian dollar	(4,810)	U.S. dollar	Jun. 08, 2018	(6,047)	(6,189)	(142)
AA	30,466	Canadian dollar	(23,745)	U.S. dollar	Jun. 15, 2018	(30,466)	(30,549)	(83)
AA	2,337	Canadian dollar	(1,820)	U.S. dollar	Jun. 15, 2018	(2,337)	(2,342)	(5)
AA	2,339	Canadian dollar	(1,820)	U.S. dollar	Jun. 22, 2018	(2,339)	(2,341)	(2)
A	2,332	Canadian dollar	(1,820)	U.S. dollar	Jul. 13, 2018	(2,332)	(2,340)	(8)
AA	2,336	Canadian dollar	(1,820)	U.S. dollar	Jul. 13, 2018	(2,336)	(2,340)	(4)
AA	2,337	Canadian dollar	(1,820)	U.S. dollar	Jul. 20, 2018	(2,337)	(2,340)	(3)
AA	2,333	Canadian dollar	(1,820)	U.S. dollar	Jul. 27, 2018	(2,333)	(2,340)	(7)
Unrealized (Losses)								(4,909)
Total forward currency contracts								(4,063)
Total derivative instruments at fair value								(4,063)



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NOTES TO FINANCIAL STATEMENTS

1. Fiscal Periods and General Information

The information provided in these financial statements and notes thereto is for the periods ended or as at March 31, 2018 and 2017, as applicable. In the year an exchange-traded fund (“the ETF”) is established, ‘period’ represents the period from inception to the period end of that fiscal year. Refer to Note 10 for the formation date of the ETF.

The ETF is organized as an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust as amended and restated from time to time. The address of the ETF’s registered office is 180 Queen Street West, Toronto, Ontario, Canada. The ETF is authorized to issue an unlimited number of units for sale under a Prospectus. The units of the ETF are listed on the Toronto Stock Exchange/Aequitas NEO Exchange (“the Exchange”).

Mackenzie Financial Corporation (“Mackenzie”) is the manager of the ETF and is wholly owned by IGM Financial Inc., a subsidiary of Power Financial Corporation, which itself is a subsidiary of Power Corporation of Canada. Investments in companies within the Power Group of companies held by the ETF are identified in the Schedule of Investments.

2. Basis of Preparation and Presentation

These audited annual financial statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). A summary of the ETF’s significant accounting policies under IFRS is presented in Note 3.

These financial statements are presented in Canadian dollars, which is the ETF’s functional and presentation currency, and rounded to the nearest thousand unless otherwise indicated. These financial statements are prepared on a going concern basis using the historical cost basis, except for financial assets and liabilities that have been measured at fair value.

These financial statements were authorized for issue by the Board of Directors of Mackenzie Financial Corporation on June 7, 2018.

Standards issued but not yet effective for the current accounting year, as applicable, are described in Note 3.

3. Significant Accounting Policies

(a) Financial instruments

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives. The ETF classifies and measures financial instruments in accordance with IFRS 9 *Financial Instruments* (“IFRS 9”). Upon initial recognition, financial instruments are classified as fair value through profit or loss (“FVTPL”). All financial instruments are recognized in the Statement of Financial Position when the ETF becomes a party to the contractual requirements of the instrument. Financial assets are derecognized when the right to receive cash flows from the instrument has expired or the ETF has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expires. As such, investment purchase and sale transactions are recorded as of the trade date.

Financial instruments are subsequently measured at FVTPL with changes in fair value recognized in the Statement of Comprehensive Income – Net unrealized gain (loss).

The ETF’s redeemable units are held by different types of unitholders that are entitled to different redemption rights. Unitholders may redeem units of the ETF at a redemption price per unit equal to 95% of the closing price of the units on the Exchange on the effective day of the redemption, subject to a maximum redemption price of the applicable NAV per unit. These different redemption features create equally subordinate but not identical units of the ETF which therefore meet the criteria for classification as financial liabilities under IAS 32, *Financial Instruments: Presentation*. The ETF’s obligation for net assets attributable to unitholders is presented at the redemption amount. Refer to Note 7 for details of subscriptions and redemptions of the ETF’s units.

IAS 7, *Statement of Cash Flows*, requires disclosures related to changes in liabilities and assets, such as the units of the ETF, arising from financing activities. Changes in units of the ETF, including both changes from cash flows and non-cash changes, are included in the Statement of Changes in Financial Position. Any changes in the units not settled in cash as at the end of the period are presented as either Accounts receivable for units issued or Accounts payable for units redeemed in the Statement of Financial Position. These accounts receivable and accounts payable amounts typically settle shortly after year-end.

Realized and unrealized gains and losses on investments are calculated based on the weighted average cost of investments and exclude commissions and other portfolio transaction costs, which are separately reported in the Statement of Comprehensive Income – Commissions and other portfolio transaction costs.

Gains and losses arising from changes in the fair value of the investments are included in the Statement of Comprehensive Income for the period in which they arise.

NOTES TO FINANCIAL STATEMENTS

3. Significant Accounting Policies (cont'd)

(a) Financial instruments (cont'd)

The ETF accounts for its holdings in unlisted open-ended investment funds and exchange-traded funds, if any, at fair value through profit and loss. Mackenzie has concluded that any unlisted open-ended investment fund and exchange-traded funds in which the ETF invests, does not meet either the definition of a structured entity or the definition of an associate.

(b) Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments listed on a public securities exchange or traded on an over-the-counter market are valued on the basis of the last traded market price or close price recorded by the security exchange on which the security is principally traded, where this price falls within the quoted bid-ask spread for the investment. In circumstances where this price is not within the bid-ask spread, Mackenzie determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Mutual fund securities of an underlying fund are valued on a business day at the price calculated by the manager of such underlying fund in accordance with the constating documents of such underlying fund. Unlisted or non-exchange traded investments, or investments where a last sale or close price is unavailable or investments for which market quotations are, in Mackenzie's opinion, inaccurate, unreliable, or not reflective of all available material information, are valued at their fair value as determined by Mackenzie using appropriate and accepted industry valuation techniques including valuation models. The fair value determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the fair value may be determined using valuation techniques that are not supported by observable market data.

The cost of investments is determined on a weighted average cost basis.

Cash and cash equivalents which includes cash on deposit with financial institutions and short term investments that are readily convertible to cash, are subject to an insignificant risk of changes in value, and are used by the ETF in the management of short-term commitments. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to their nature of being highly liquid and having short terms to maturity. Bank overdraft positions are presented under current liabilities as bank indebtedness in the Statement of Financial Position.

The ETF may use derivatives (such as written options, futures, forward contracts, swaps or customized derivatives) to hedge against losses caused by changes in securities prices, interest rates or exchange rates. The ETF may also use derivatives for non-hedging purposes in order to invest indirectly in securities or financial markets, to gain exposure to other currencies, to seek to generate additional income, and/or for any other purpose considered appropriate by the ETF's portfolio manager(s), provided that the use of the derivative is consistent with the ETF's investment objectives. Any use of derivatives will comply with Canadian mutual fund laws, subject to the regulatory exemptions granted to the ETF, as applicable.

Valuations of derivative instruments are carried out daily, using normal exchange reporting sources for exchange-traded derivatives and specific broker enquiry for over-the-counter derivatives.

The value of forward contracts is the gain or loss that would be realized if, on the valuation date, the positions were to be closed out. The change in value of forward contracts is included in the Statement of Comprehensive Income – Other changes in fair value of investments – Net unrealized gain (loss).

The value of futures contracts or swaps fluctuates daily, and cash settlements made daily, where applicable, by the ETF are equal to the unrealized gains or losses on a "mark to market" basis. These unrealized gains or losses are recorded and reported as such until the ETF closes out the contract or the contract expires. Margin paid or deposited in respect of futures contracts or swaps is reflected as a receivable in the Statement of Financial Position – Margin on futures contracts or swaps. Any change in the variation margin requirement is settled daily.

Premiums received from writing options are included in the Statement of Financial Position as a liability and subsequently adjusted daily to fair value. If a written option expires unexercised, the premium received is recognized as a realized gain. If a written call option is exercised, the difference between the proceeds of the sale plus the value of the premium, and the cost of the security is recognized as a realized gain or loss. If a written put option is exercised, the cost of the security acquired is the exercise price of the option less the premium received.

Refer to the Schedule of Derivative Instruments and Schedule of Options Purchased/Written, as applicable, included in the Schedule of Investments for a listing of derivative and options positions as at March 31, 2018.

(c) Income recognition

Interest income from interest bearing investments is recognized using the effective interest method. Dividends are accrued as of the ex-dividend date. Realized gains or losses on the sale of investments, including foreign exchange gains or losses on such investments, are calculated on an average cost basis. Distributions received from an underlying fund are included in interest income, dividend income or realized gains (losses) on sale of investments, as appropriate.

NOTES TO FINANCIAL STATEMENTS

3. Significant Accounting Policies (cont'd)

(d) Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are costs incurred to acquire, issue or dispose of financial assets or liabilities. They include fees and commissions paid to agents, advisers, brokers and dealers. Commissions may be paid to brokerage firms which provide (or pay for) certain services, other than order execution, which may include investment research, analysis and reports, and databases or software in support of these services. Where applicable and ascertainable, the value of third-party services that were paid for by brokers during the periods is disclosed in Note 10. The value of certain proprietary services provided by brokers cannot be reasonably estimated. Mackenzie may reimburse the ETF for certain commissions and other portfolio transaction costs. Mackenzie may make these reimbursements at its discretion and stop these reimbursements at any time without notice. Any such reimbursements are included in expenses absorbed by Manager in the Statement of Comprehensive Income.

(e) Securities lending, repurchase and reverse repurchase transactions

The ETF is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the ETF's Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date. Securities lending transactions are administered by Canadian Imperial Bank of Commerce (the "Securities Lending Agent"). The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in the Statement of Comprehensive Income – Securities lending income and recognized when earned.

Note 10 summarizes the details of securities loaned and collateral received, as well as a reconciliation of securities lending income, if applicable.

(f) Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the ETF enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. Note 10 summarizes the details of such offsetting, if applicable.

Income and expenses are not offset in the Statement of Comprehensive Income unless required or permitted to by an accounting standard, as specifically disclosed in the IFRS policies of the ETF.

(g) Foreign currency

The functional and presentation currency of the ETF is Canadian dollars. Foreign currency purchases and sales of investments and foreign currency dividend and interest income and expenses are translated to Canadian dollars at the rate of exchange prevailing at the time of the transactions.

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included in the Statement of Comprehensive Income – Net realized gain (loss).

The fair value of investments and other assets and liabilities, denominated in foreign currencies, are translated to Canadian dollars at the rate of exchange prevailing on each business day.

(h) Net assets attributable to unitholders per unit

Net assets attributable to unitholders per unit is computed by dividing the net assets attributable to unitholders on a business day by the total number of units outstanding on that day.

(i) Net asset value per unit

The daily Net Asset Value ("NAV") of an investment fund may be calculated without reference to IFRS as per the Canadian Securities Administrators' ("CSA") regulations. The difference between NAV and Net assets attributable to unitholders (as reported in the financial statements), if any, is mainly due to differences in fair value of investments and other financial assets and liabilities. Refer to Note 10 for the ETF's NAV per unit.

(j) Increase (decrease) in net assets attributable to unitholders from operations per unit

Increase (decrease) in net assets attributable to unitholders from operations per unit in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to unitholders from operations for the period, divided by the weighted average number of units outstanding during the period.

NOTES TO FINANCIAL STATEMENTS

4. Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make estimates and assumptions that primarily affect the valuation of investments. Estimates and assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Use of Estimates

Fair value of securities not quoted in an active market

The ETF may hold financial instruments that are not quoted in active markets and are valued using valuation techniques that make use of observable data, to the extent practicable. Various valuation techniques are utilized, depending on a number of factors, including comparison with similar instruments for which observable market prices exist and recent arm's length market transactions. Key inputs and assumptions used are company specific and may include estimated discount rates and expected price volatilities. Changes in key inputs, could affect the reported fair value of these financial instruments held by the ETF.

Use of Judgments

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the ETF, Mackenzie is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. Mackenzie has assessed the ETF's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the ETF's financial instruments.

Functional currency

The ETF's functional and presentation currency is the Canadian dollar, which is the currency considered to best represent the economic effects of the ETF's underlying transactions, events and conditions taking into consideration the manner in which units are issued and redeemed and how returns and performance by the ETF are measured.

Structured entities and associates

In determining whether an unlisted open-ended investment fund or an exchange-traded fund in which the ETF invests, but that it does not consolidate, meets the definitions of either a structured entity or of an associate, Mackenzie is required to make significant judgments about whether these underlying funds have the typical characteristics of a structured entity or of an associate. Mackenzie has assessed the characteristics of these underlying funds and has concluded that they do not meet the definition of either a structured entity or of an associate because the ETF does not have contracts or financing arrangements with these underlying funds and the ETF does not have an ability to influence the activities of these underlying funds or the returns it receives from investing in these underlying funds.

5. Income Taxes

The ETF qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to tax on its income including net realized capital gains in the taxation year, which is not paid or payable to its unitholders as at the end of the taxation year. It is the intention of the ETF to distribute all of its net income and sufficient net realized capital gains so that the ETF will not be subject to income taxes other than foreign withholding taxes, if applicable.

Losses of the ETF cannot be allocated to investors and are retained in the ETF for use in future years. Non-capital losses may be carried forward up to 20 years to reduce taxable income and realized capital gains of future years. Capital losses may be carried forward indefinitely to reduce future realized capital gains. Refer to Note 10 for the ETF's loss carryforwards.

6. Management Fees and Operating Expenses

Mackenzie is paid a management fee for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions and making brokerage arrangements relating to the purchase and sale of the investment portfolio. The management fee is calculated as a fixed annual percentage of the daily net asset value of the units of the ETF.

NOTES TO FINANCIAL STATEMENTS

6. Management Fees and Operating Expenses (cont'd)

In addition to the applicable management fee, the operating expenses payable by the ETF include interest and borrowing costs, brokerage expenses and related transaction fees, fees and expenses relating to the operation of the Mackenzie ETFs' Independent Review Committee (IRC), fees under any derivative instrument used by the ETF, cost of complying with the regulatory requirement to produce summary documents, ETF facts or other similar disclosure documents, the costs of complying with governmental or regulatory requirements introduced after the date of the most recently filed prospectus, including, without limitation, any new fees or increases in fees, the fees related to external services that are not commonly charged in the Canadian exchange-traded fund industry after the date of the most recently filed prospectus, fees paid to external service providers associated with tax reclaims, refunds or the preparation of foreign tax reports on behalf of the ETFs, fees paid to external legal counsel and/or others in connection with corporate or other actions affecting the portfolio holdings of the ETF, and any applicable taxes, including income, withholding or other taxes and also including G.S.T. or H.S.T. on expenses.

Mackenzie may waive or absorb management fees and operating expenses at its discretion and stop waiving or absorbing such fees at any time without notice. Mackenzie may charge a reduced management fee rate with respect to investments in the ETF by large investors, including other funds managed by Mackenzie or affiliates of Mackenzie. An amount equal to the difference between the fee otherwise chargeable and the reduced fee will be distributed in cash to those unitholders by the ETF as a management fee distribution. Refer to Note 10 for the management fee rates charged to units of the ETF.

7. Units and Unit Transactions

Mackenzie, on behalf of the ETF, has entered into a designated broker agreement with one or more designated brokers pursuant to which the designated broker has agreed to perform certain duties relating to the ETF including, without limitation: (i) to subscribe for a sufficient number of units to satisfy the Exchange's original listing requirements; (ii) to subscribe for units on an ongoing basis in connection with any rebalancing event, as applicable, and when cash redemptions of units occur; and (iii) to post a liquid two-way market for the trading of units on the Exchange. In accordance with the designated broker agreement, Mackenzie may from time to time require the designated broker to subscribe for units of the ETF for cash.

The number of units issued for subscription orders (the "Prescribed Number of Units") is determined by Mackenzie. On any trading day, a designated broker may place a subscription or redemption order for an integral multiple of the Prescribed Number of Units of the ETF based on the NAV per unit determined on the applicable trading day. A trading day is each day on which the Exchange is opened for business.

Generally, all orders to purchase units directly from an ETF must be placed by a designated broker or a dealer. The ETF reserves the absolute right to reject any subscription order placed by a designated broker or a dealer. No fees will be payable by the ETF to a designated broker or a dealer in connection with the issuance of units. On the issuance of units, an amount may be charged to a designated broker or a dealer to offset the expenses incurred in issuing the units.

For each Prescribed Number of Units issued, a dealer must deliver payment consisting of: (i) a basket of securities and cash equal to the aggregate NAV per unit of the Prescribed Number of Units next determined following the receipt of the subscription order; (ii) cash in an amount equal to the aggregate NAV per unit of the Prescribed Number of Units next determined following the receipt of the subscription order; or (iii) a combination of securities and cash, as determined by Mackenzie, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate NAV per unit of the Prescribed Number of Units next determined following the receipt of the subscription order.

8. ETF's Capital

The capital of the ETF is comprised of the net assets attributable to unitholders. The units outstanding for the ETF as at March 31, 2018 and 2017 and units issued, reinvested and redeemed for the periods are presented in the Statement of Changes in Financial Position. Mackenzie manages the capital of the ETF in accordance with the investment objectives as discussed in Note 10.

9. Financial Instruments Risk

i. Risk exposure and management

The ETF's investment activities expose it to a variety of financial risks, as defined in IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7"). The ETF's exposure to financial risks is concentrated in its investments, which are presented in the Schedule of Investments, as at March 31, 2018, grouped by asset type, with geographic and sector information.

Mackenzie seeks to minimize potential adverse effects of financial risks on the ETF's performance by employing professional, experienced portfolio advisors, by monitoring the ETF's positions and market events daily, by diversifying the investment portfolio within the constraints of the ETF's investment objectives, and where applicable, by using derivatives to hedge certain risk exposures. To assist in managing risks, Mackenzie also maintains a governance structure that oversees the ETF's investment activities and monitors compliance with the ETF's stated investment strategy, internal guidelines, and securities regulations.

NOTES TO FINANCIAL STATEMENTS

9. Financial Instruments Risk (cont'd)

ii. Liquidity risk

Liquidity risk arises when the ETF encounters difficulty in meeting its financial obligations as they come due. The ETF is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. In accordance with securities regulations, the ETF must maintain at least 90% of its assets in liquid investments (i.e., investments that can be readily sold). The ETF also has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions and an additional 5% of its net assets for the purpose of funding distributions paid to its investors.

iii. Currency risk

Currency risk arises when the fair value of financial instruments that are denominated in a currency other than the Canadian dollar, which is the ETF's reporting currency, fluctuates due to changes in exchange rates. Note 10 summarizes the ETF's exposure, if applicable and significant, to currency risk.

iv. Interest rate risk

Interest rate risk arises when the fair value of interest-bearing financial instruments fluctuates due to changes in the prevailing levels of market interest rates. Cash and cash equivalents do not expose the ETF to significant amounts of interest rate risk. Note 10 summarizes the ETF's exposure, if applicable and significant, to interest rate risk.

v. Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. This risk is managed through a careful selection of investments and other financial instruments within the parameters of the investment strategies. Except for certain derivative contracts, the maximum risk resulting from financial instruments is equivalent to their fair value. The maximum risk of loss on certain derivative contracts such as forwards, swaps, and futures contracts is equal to their notional values. In the case of written call (put) options and short futures contracts, the loss to the ETF continues to increase, without limit, as the fair value of the underlying interest increases (decreases). However, these instruments are generally used within the overall investment management process to manage the risk from the underlying investments and do not typically increase the overall risk of loss to the ETF. This risk is mitigated by ensuring that the ETF holds a combination of the underlying interest, cash cover and/or margin that is equal to or greater than the value of the derivative contract. Note 10 summarizes the ETF's exposure, if applicable and significant, to other price risk.

vi. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the ETF. Note 10 summarizes the ETF's exposure, if applicable and significant, to credit risk.

All transactions in listed securities are executed with approved brokers. To minimize the possibility of settlement default, securities are exchanged for payment simultaneously, where market practices permit, through the facilities of a central depository and/or clearing agency where customary.

The carrying amount of investments and other assets represents the maximum credit risk exposure as at the date of the Statement of Financial Position.

The ETF may enter into securities lending transactions with counterparties and it may also be exposed to credit risk from the counterparties to the derivative instruments it may use. Credit risk associated with these transactions is considered minimal as all counterparties have a rating equivalent to a designated rating organization's credit rating of not less than A-1 (low) on their short-term debt and of A on their long-term debt, as applicable.

vii. Underlying ETFs

The ETF may invest in underlying ETFs and may be indirectly exposed to currency risk, interest rate risk, other price risk and credit risk from fluctuations in the value of financial instruments held by the underlying ETFs. Note 10 summarizes the ETF's exposure, if applicable and significant, to these risks from underlying ETF.



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NOTES TO FINANCIAL STATEMENTS

10. ETF Specific Information *(in '000s, except for (a))*

(a) ETF Formation and Series Information

Date of Formation April 1, 2016

The ETF may issue an unlimited number of units. The number of issued and outstanding units is disclosed in the Statements of Changes in Financial Position.

Series E units were listed on the TSX under the symbol MFT on April 19, 2016. The closing market price, or the midpoint of the bid and ask prices in the absence of a closing market price, at March 31, 2018 was \$21.53 (2017 – \$21.06).

The management fee rate for Series E units is 0.65%.

As at March 31, 2018 and 2017, the ETF's NAV per unit was \$21.53 (2017 – \$21.06) and its Net Assets per unit calculated in accordance with IFRS was \$21.42 (2017 – \$20.98).

(b) Investments by Mackenzie and Affiliates

As at March 31, 2018, other funds managed by Mackenzie had an investment of \$60,176 (2017 – \$3,146) in the ETF.

(c) Loss Carryforwards

As at the last taxation year-end, there were no capital and non-capital losses available to carry forward for tax purposes.

(d) Securities Lending

The value of securities loaned and collateral received from securities lending at March 31, 2018 and 2017, were as follows:

	March 31, 2018	March 31, 2017
	(\$)	(\$)
Value of securities loaned	1,870	53
Value of collateral received	1,990	56

Collateral received is comprised of debt obligations of the Government of Canada and other countries, Canadian provincial and municipal governments and financial institutions.

A reconciliation of the gross amount generated from the securities lending transactions to the security lending income to the ETF for the periods ended March 31, 2018 and 2017 is as follows:

	2018		2017	
	(\$)	(%)	(\$)	(%)
Gross securities lending income	5	100.0	–	–
Tax withheld	(1)	(20.0)	–	–
	4	80.0	–	–
Payments to Securities Lending Agent	(1)	(20.0)	–	–
Securities lending income	3	60.0	–	–



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10. ETF Specific Information *(in '000s, except for (a)) (cont'd)*

(e) Offsetting of Financial Assets and Liabilities

The table below presents financial assets and financial liabilities that are subject to master netting arrangements or other similar agreements and the net impact on the Fund's Statements of Financial Position if all set-off rights were exercised as part of future events such as bankruptcy or termination of contracts. No amounts were offset in the financial statements.

	March 31, 2018			
	Gross amount of assets/liabilities (\$)	Amount available for offset (\$)	Margin (\$)	Net amount (\$)
Unrealized gains on derivative contracts	–	–	–	–
Unrealized losses on derivative contracts	(2,355)	–	–	(2,355)
Liability for options written	–	–	–	–
Total	(2,355)	–	–	(2,355)

As at March 31, 2017, there were no amounts subject to offsetting.

(f) Risks Associated with Financial Instruments

i. Risk exposure and management

The ETF seeks to generate current income by investing primarily in floating-rate debt instruments and/or high-yield debt securities of issuers located anywhere in the world.

The ETF invests in senior loans, which are generally rated below investment grade debt. Settlement periods for senior secured loans may be longer than for other types of debt securities, such as corporate bonds. The ETF is not a substitute for holding cash or money market securities.

ii. Currency risk

The table below indicates currencies to which the ETF had significant exposure as at period end in Canadian dollar terms, including the underlying principal amount of any derivative instruments. Other financial assets and liabilities (including accrued interest and dividends receivable, and receivables/payables for investments sold/purchased) that are denominated in foreign currencies do not expose the ETF to significant currency risk.

Currency	March 31, 2018			
	Investments (\$)	Cash and Short-Term Investments (\$)	Derivative Instruments (\$)	Net Exposure* (\$)
U.S. dollar	333,557	16,218	(306,017)	43,758
Euro	3,945	–	(333)	3,612
Total	337,502	16,218	(306,350)	47,370
% of Net Assets	94.9	4.6	(86.2)	13.3

Currency	March 31, 2017			
	Investments (\$)	Cash and Short-Term Investments (\$)	Derivative Instruments (\$)	Net Exposure* (\$)
U.S. dollar	26,435	2,848	(21,961)	7,322
Total	26,435	2,848	(21,961)	7,322
% of Net Assets	96.9	10.4	(80.5)	26.8

* Includes both monetary and non-monetary financial instruments

As at March 31, 2018, had the Canadian dollar increased or decreased by 5% relative to all foreign currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$2,369 or 0.7% of total net assets (2017 – \$366 or 1.3%). In practice, the actual trading results may differ and the difference could be material.



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NOTES TO FINANCIAL STATEMENTS

10. ETF Specific Information *(in '000s, except for (a)) (cont'd)*

(f) Risks Associated with Financial Instruments (cont'd)

iii. Interest rate risk

The table below summarizes the ETF's exposure to interest rate risks from its investments in bonds by term to maturity.

	March 31, 2018	March 31, 2017
Bonds	(\$)	(\$)
Less than 1 year	1,130	–
1-5 years	118,093	8,534
5-10 years	227,652	18,407
Greater than 10 years	191	40
Total	347,066	26,981

As at March 31, 2018, had prevailing interest rates increased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased by approximately \$1,537 or 0.4% (2017 – \$145 or 0.5%) of total net assets. Similarly, had prevailing interest rates decreased by 1%, with all other variables held constant, net assets would have increased by approximately \$1,528 or 0.4% (2017 – \$145 or 0.5%) of total net assets. In practice, the actual trading results may differ and the difference could be material.

iv. Other price risk

As at March 31, 2018 and 2017, the ETF did not have a significant exposure to price risk.

v. Credit risk

The ETF's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt securities includes consideration of the creditworthiness of the debt issuer. The maximum exposure to any one debt issuer as at March 31, 2018, was 1.7% of the net assets of the ETF (2017 – 2.1%).

As at March 31, 2018 and 2017, debt securities by credit rating are as follows:

	March 31, 2018	March 31, 2017
Bond Rating*	% of Net Assets	% of Net Assets
BBB	0.8	2.7
BB	16.7	24.0
B	58.7	56.2
Less than B	2.7	4.5
Unrated	18.7	11.6
Total	97.6	99.0

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



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10. ETF Specific Information *(in '000s, except for (a)) (cont'd)*

(g) Fair Value Classification

The table below summarizes the fair value of the ETF's financial instruments using the following fair value hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The inputs are considered observable if they are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

	March 31, 2018				March 31, 2017			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds	–	347,066	–	347,066	22	26,959	–	26,981
Equities	459	–	–	459	213	–	–	213
Options	89	–	–	89	–	–	–	–
Derivative assets	–	846	–	846	–	38	–	38
Derivative liabilities	–	(4,909)	–	(4,909)	–	(105)	–	(105)
Total	548	343,003	–	343,551	235	26,892	–	27,127

The ETF's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

During the period, there were no significant transfers between Level 1 and Level 2.

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data and using standard market convention practices.



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