

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

*For the Year 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 interim financial report, 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.*



# MACKENZIE MAXIMUM DIVERSIFICATION DEVELOPED EUROPE INDEX ETF

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## 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 to replicate, to the extent reasonably possible and before fees and expenses, the performance of the TOBAM Maximum Diversification Developed Europe Index, or any successor thereto. It invests primarily in equity securities of developed European markets.

### Risk

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

The ETF is suitable for medium- to long-term investors looking for a European equity fund to hold as part of their portfolio, who can handle the volatility of stock markets and who have a medium tolerance for risk.

### Results of Operations

#### Investment Performance

During the year, the ETF returned 11.5% (after deducting fees and expenses). This compares with a return of 10.8% for the ETF's broad-based index, the MSCI Europe (Net) Index, and a return of 12.7% for the ETF's narrow index, the TOBAM Maximum Diversification Developed Europe Index. 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.

European equity markets posted very strong returns earlier in the year in Canadian dollar terms, but were more subdued in the final quarter. Market volatility returned as investors reacted to higher global interest rates, trade tensions and skepticism over ever-increasing valuations.

The ETF's core investment philosophy is to seek enhanced diversification through a balanced exposure to all relevant risk factors in the European equity markets. As a result of this approach, the ETF may have less concentrated risk exposures than those of a market capitalization weighted index, such as the broad-based index.

The ETF outperformed the broad-based index primarily because of stock selection in the health care and information technology sectors. At a country level, stock selection in Germany and Switzerland contributed. Conversely, stock selection in the consumer discretionary sector and in the Netherlands detracted from performance. Given the ETF's mandate, the return of the narrow index is a more meaningful comparison.

The difference in performance between the ETF and the narrow index resulted primarily from management fees and other operating expenses. Withholding taxes paid on income also affected performance.

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

### Net Assets

The ETF's NAV increased by 1,823.0% to \$80.7 million at March 31, 2018, from \$4.2 million at March 31, 2017. This change was composed primarily of \$2.5 million in net income (including dividend income) from investment performance, after deducting fees and expenses, \$74.3 million in net sales, and \$0.2 million in cash distributions.

### Recent Developments

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

### Related Party Transactions

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

### Management Fees

The management expense ratio ("MER") for the ETF of 0.67% during the year ended March 31, 2018, was slightly lower than the annualized MER of 0.68% for the period ended March 31, 2017. The ETF paid management fees to Mackenzie at the annual rate of 0.60%.

The management fee for the ETF is calculated and accrued daily as a percentage of its NAV. The ETF's management fees were used by Mackenzie to pay for the costs of managing the investment portfolio of the ETF, including providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio, providing other services and licensing the index, and to pay for all costs and expenses (other than certain specified fund costs as more fully described in the Prospectus) required to operate the ETF.

### Other Related Party Transactions

Mackenzie is wholly owned by IGM Financial Inc. ("IGM"). IGM is a subsidiary of Power Financial Corp., which in turn is a subsidiary of Power Corp. of Canada. Companies related to Power Financial Corp. are therefore considered affiliates of Mackenzie. At March 31, 2018, the ETF held the following investment(s) in companies affiliated with Mackenzie: \$0.1 million invested in securities issued by SGS SA and \$0.1 million invested in securities issued by Umicore SA. The investment(s) represented 0.2% of ETF's NAV. In making the investment(s), Mackenzie relied on the approval of the Mackenzie Funds' Independent Review Committee. The Independent Review Committee issued the approval on the basis that the investment(s) would be made in compliance with Mackenzie's policies. Mackenzie's policies are designed to ensure that the related party transaction (i) is made free from any influence by an entity related to Mackenzie and without taking into account any considerations relevant



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to an entity related to Mackenzie; (ii) represents the business judgment of Mackenzie, uninfluenced by considerations other than the best interests of the ETF; and (iii) achieves a fair and reasonable result for the ETF.

Investment funds managed by Mackenzie invest in the ETF in accordance with the investment objectives of those funds. At March 31, 2018, funds managed by Mackenzie owned 5.8% of the ETF's NAV. All related party transactions are based on the current market price.

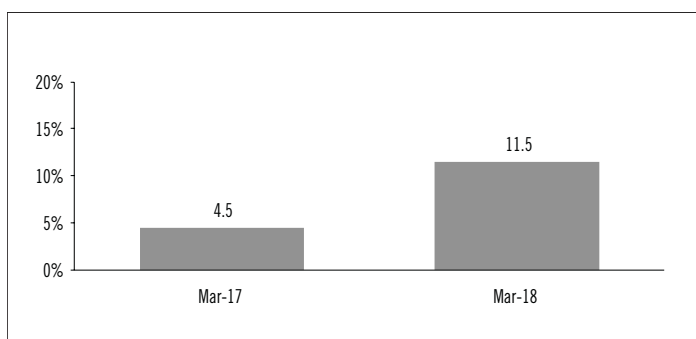
## Past Performance

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 (September 7, 2016), as applicable, would have increased or decreased by the last day of the fiscal period presented.



## Annual Compound Returns

The following table compares the historical annual compound total returns for the ETF with the relevant index or indices shown below for each of the periods ended March 31, 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 Maximum Diversification Developed Europe Index ETF	11.5	n/a	n/a	n/a	10.3
MSCI Europe (Net) Index*	10.8	n/a	n/a	n/a	12.3
TOBAM Maximum Diversification Developed Europe Index	12.7	n/a	n/a	n/a	11.4

\* Broad-based index

The MSCI Europe (Net) Index is a free float adjusted, market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. It consists of 15 developed market country indices. Net total returns are after the deduction of withholding tax from the foreign income and dividends of its constituents.

The TOBAM Maximum Diversification Developed Europe Index is designed to measure the performance of large- and mid-capitalization equity securities of developed European markets selected and weighted in order to enhance diversification.



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## Summary of Investment Portfolio at March 31, 2018

<b>Portfolio Allocation</b>	<b>% of NAV</b>
Equities	99.7
Cash and short-term investments	0.4
Exchange-traded funds/notes	0.1
Other assets (liabilities)	(0.2)

<b>Regional Allocation</b>	<b>% of NAV</b>
United Kingdom	25.1
Switzerland	12.5
Germany	11.0
France	9.5
Denmark	7.3
Other	6.9
Netherlands	4.5
Ireland	4.4
Finland	4.0
Spain	3.7
Sweden	2.6
Belgium	2.5
Italy	2.4
Austria	1.9
Jersey	1.5
Cash and short-term investments	0.4
Other assets (liabilities)	(0.2)

<b>Sector Allocation</b>	<b>% of NAV</b>
Health care	15.3
Consumer discretionary	15.1
Consumer staples	14.9
Financials	13.7
Materials	11.4
Industrials	8.5
Information technology	6.6
Energy	4.5
Utilities	3.6
Telecommunication services	3.5
Real estate	2.6
Cash and short-term investments	0.4
Exchange-traded funds/notes	0.1
Other assets (liabilities)	(0.2)

The ETF did not hedge its foreign currency exposure at the end of the period.

## Top 25 Holdings

<b>Issuer</b>	<b>% of NAV</b>
Randgold Resources Ltd.	1.5
Anglo American PLC	1.5
Neste Oil OYJ	1.5
Pandora AS	1.4
Novo Nordisk AS	1.4
Nestlé SA	1.4
Pearson PLC	1.4
Kerry Group PLC	1.4
Ams AG	1.4
Roche Holding AG	1.3
Novozymes AS	1.3
Novartis AG	1.2
Sika AG	1.2
Wirecard AG	1.1
AstraZeneca PLC	1.1
Lindt & Sprungli AG-PC	1.0
Vifor Pharma AG	1.0
UCB SA	1.0
AIB Group PLC	1.0
GlaxoSmithKline PLC	1.0
Zalando SE	1.0
Bankia SA	0.9
Cobham PLC	0.9
Indivior PLC	0.9
IG Group Holdings PLC	0.9

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

**29.7**

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

The investments and percentages may have changed since March 31, 2018, due to the ongoing portfolio transactions of the ETF.



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## Financial Highlights

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

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

Series E (Ticker: MEU)	Mar. 31 2018	Mar. 31 2017
<b>Net assets, beginning of period</b>	<b>21.00</b>	20.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.55	0.17
Total expenses	(0.35)	(0.11)
Realized gains (losses) for the period	0.73	–
Unrealized gains (losses) for the period	0.63	0.98
<b>Total increase (decrease) from operations²</b>	<b>1.56</b>	1.04
<b>Distributions:</b>		
From net investment income (excluding dividends)	0.33	(0.49)
From dividends	–	–
From capital gains	–	–
Return of capital	–	–
<b>Total annual distributions³</b>	<b>0.33</b>	(0.49)
<b>Net assets, end of period</b>	<b>23.07</b>	21.00

(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: MEU)	Mar. 31 2018	Mar. 31 2017
Total net asset value (\$000)¹	80,747	4,199
Units outstanding (000)¹	3,500	200
Management expense ratio (%)²	0.67	0.68
Management expense ratio before waivers or absorptions (%)²	0.67	0.68
Trading expense ratio (%)³	0.25	0.25
Trading expense ratio before reimbursements (%)³	0.41	1.69
Portfolio turnover rate (%)⁴	74.99	n/a
Net asset value per unit (\$)	23.07	21.00
Closing market price (\$)⁵	23.16	20.90

(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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