

Interim Unaudited Financial Statements

For the Six-Month Period Ended September 30, 2017

These Interim Unaudited Financial Statements do not contain the Interim Management Report of Fund Performance (“MRFP”) of the investment fund. You may obtain a copy of the Interim MRFP, at no cost, by contacting us using one of the methods noted under Fund Formation and Series Information or by visiting the SEDAR website at www.sedar.com. Copies of the Annual Financial Statements or Annual MRFP may also be obtained, at no cost, using any of the methods outlined above.

Securityholders may also contact us using one of these methods to request a copy of the investment fund’s proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

Mackenzie Financial Corporation, the Manager of the Fund, appoints independent auditors to audit the Fund’s Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Interim Financial Statements, this must be disclosed in an accompanying notice.

The Fund’s independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.

INTERNATIONAL BOND FUND (CLI)

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2017

FIXED INCOME FUND

STATEMENTS OF FINANCIAL POSITION

In thousands (except per security figures)
As at

	Sep. 30 2017	Mar. 31 2017 (Audited)
	\$	\$
ASSETS		
Current assets		
Investments at fair value	74,298	69,521
Cash and cash equivalents	6,452	7,074
Accrued interest receivable	507	431
Accounts receivable for investments sold	10	553
Accounts receivable for securities issued	–	–
Total assets	81,267	77,579
LIABILITIES		
Current liabilities		
Accounts payable for investments purchased	–	531
Accounts payable for securities redeemed	–	–
Total liabilities	–	531
Net assets attributable to securityholders	81,267	77,048
Net assets attributable to securityholders per series (note 3)		
Series R	81,267	77,048
Net assets attributable to securityholders per security (note 3)		
Series R	9.80	9.99

STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended September 30 (note 1)
In thousands (except per security figures)

	2017 \$	2016 \$
Income		
Interest income	733	200
Other changes in fair value of investments		
Net realized gain (loss)	(515)	(230)
Net unrealized gain (loss)	(1,073)	436
Total income (loss)	(855)	406
Expenses (note 6)		
Interest charges	1	–
Independent Review Committee fees	–	–
Expenses before amounts absorbed by Manager	1	–
Expenses absorbed by Manager	–	–
Net expenses	1	–
Increase (decrease) in net assets attributable to securityholders from operations before tax	(856)	406
Foreign withholding taxes	–	5
Foreign income taxes paid (recovered)	–	–
Increase (decrease) in net assets attributable to securityholders from operations	(856)	401
Increase (decrease) in net assets attributable to securityholders from operations per series		
Series R	(856)	401
Increase (decrease) in net assets attributable to securityholders from operations per security		
Series R	(0.11)	0.16

INTERNATIONAL BOND FUND (CLI)

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2017

FIXED INCOME FUND

STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the periods ended September 30 (note 1)
In thousands

	2017	2016
	<u>Series R</u>	
NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS	\$	
Beginning of period	77,048	5,287
Increase (decrease) in net assets from operations	(856)	401
Distributions paid to securityholders:		
Investment income	(704)	(159)
Capital gains	—	—
Total distributions paid to securityholders	<u>(704)</u>	<u>(159)</u>
Security transactions:		
Proceeds from securities issued	8,634	62,125
Reinvested distributions	—	—
Value of securities redeemed	(2,855)	(4,843)
Total security transactions	<u>5,779</u>	<u>57,282</u>
Total increase (decrease) in net assets	4,219	57,524
End of period	81,267	62,811
	<u>Securities</u>	
Increase (decrease) in fund securities (note 7):		
Securities outstanding – beginning of period	7,716	515
Issued	860	5,871
Reinvested distributions	—	—
Redeemed	(283)	(461)
Securities outstanding – end of period	8,293	5,925

INTERNATIONAL BOND FUND (CLI)

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2017

FIXED INCOME FUND

STATEMENTS OF CASH FLOWS

For the periods ended September 30 (note 1)
In thousands

	2017	2016
	\$	\$
Cash flows from operating activities		
Net increase (decrease) in net assets attributable to securityholders from operations	(856)	401
Adjustments for:		
Net realized loss (gain) on investments	515	230
Change in net unrealized loss (gain) on investments	1,073	(436)
Purchase of investments	(11,905)	(58,274)
Proceeds from sale and maturity of investments	5,498	11,648
Change in accrued interest receivable	(76)	(234)
Net cash from operating activities	(5,751)	(46,665)
Cash flows from financing activities		
Proceeds from redeemable securities issued	8,634	62,125
Payments on redemption of redeemable securities	(2,855)	(4,843)
Distributions paid net of reinvestments	(704)	(159)
Net cash from financing activities	5,075	57,123
Net increase (decrease) in cash and cash equivalents	(676)	10,458
Cash and cash equivalents at beginning of period	7,074	256
Effect of exchange rate fluctuations on cash and cash equivalents	54	173
Cash and cash equivalents at end of period	6,452	10,887
Cash	6,452	10,887
Cash equivalents	—	—
Cash and cash equivalents at end of period	6,452	10,887
Supplementary disclosures on cash flow from operating activities:		
Dividends received	—	—
Foreign taxes paid	—	5
Interest received	657	—
Interest paid	1	34

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

QUADRUS ■ GROUP OF FUNDS

INTERNATIONAL BOND FUND (CLI)

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2017

FIXED INCOME FUND

SCHEDULE OF INVESTMENTS

As at September 30, 2017

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
BONDS					
Allianz SE F/R 10-29-2049 Callable 2023	Germany	Corporate - Non Convertible	EUR 1,200,000	1,858	2,063
AT&T Inc. 3.20% 03-01-2022 Callable 2022	United States	Corporate - Non Convertible	USD 900,000	1,170	1,145
AT&T Inc. 2.35% 09-04-2029 Callable 2029	United States	Corporate - Non Convertible	EUR 1,200,000	1,823	1,798
AXA SA F/R 01-17-2047 Callable 2027	France	Corporate - Non Convertible	USD 1,360,000	1,798	1,833
Barclays PLC 1.88% 12-08-2023	United Kingdom	Corporate - Non Convertible	EUR 1,500,000	2,127	2,316
BPCE SA 1.13% 01-18-2023	France	Corporate - Non Convertible	EUR 1,000,000	1,395	1,503
Caterpillar Financial Services Corp. 2.10% 01-10-2020	United States	Corporate - Non Convertible	USD 1,400,000	1,852	1,757
The Coca-Cola Co. 1.10% 09-02-2036	United States	Corporate - Non Convertible	EUR 400,000	580	533
Cooperatieve Rabobank U.A. F/R 04-10-2029 Callable 2024	Netherlands	Corporate - Non Convertible	USD 400,000	530	506
Corporacion Andina de Fomento 2.13% 09-27-2021	Supra - National	n/a	USD 2,500,000	3,297	3,098
CRH Finance BV 5.00% 01-25-2019	Ireland	Corporate - Non Convertible	EUR 900,000	1,463	1,417
Daimler AG 1.40% 01-12-2024	Germany	Corporate - Non Convertible	EUR 300,000	451	462
Deutschland Republic 4.75% 07-04-2034	Germany	Foreign Governments	EUR 400,000	1,046	948
Development Bank of Japan Inc. 1.70% 09-20-2022	Japan	Foreign Governments	JPY 50,000,000	680	600
Development Bank of Japan Inc. 1.05% 06-20-2023	Japan	Foreign Governments	JPY 150,000,000	2,007	1,753
Development Bank of Japan Inc. 2.30% 03-19-2026	Japan	Foreign Governments	JPY 20,000,000	286	262
Engie SA 0.88% 03-27-2024 Callable 2023	France	Corporate - Non Convertible	EUR 800,000	1,134	1,195
General Electric Co. 2.13% 05-17-2037 Callable 2037	United States	Corporate - Non Convertible	EUR 700,000	1,029	1,028
Goldman Sachs Group Inc. 3.00% 04-26-2022 Callable 2021	United States	Corporate - Non Convertible	USD 360,000	476	455
Government of Canada 2.75% 06-01-2022	Canada	Federal Government	1,210,000	1,348	1,266
Government of Canada 2.25% 06-01-2025	Canada	Federal Government	1,100,000	1,219	1,120
Government of Canada 5.00% 06-01-2037	Canada	Federal Government	370,000	577	518
Government of Japan 0.40% 09-20-2025	Japan	Foreign Governments	JPY 10,500,000	116	120
Government of Japan 0.10% 06-20-2027	Japan	Foreign Governments	JPY 200,000,000	2,383	2,230
Government of Japan 1.60% 06-20-2030	Japan	Foreign Governments	JPY 100,000,000	1,364	1,306
Government of Japan 1.20% 09-20-2035	Japan	Foreign Governments	JPY 23,000,000	258	287
Government of Japan 1.50% 12-20-2044	Japan	Foreign Governments	JPY 55,000,000	925	715
Government of Japan 0.30% 06-20-2046	Japan	Foreign Governments	JPY 300,000,000	3,791	2,880
Government of Spain 2.15% 10-31-2025	Spain	Foreign Governments	EUR 1,330,000	2,116	2,106
Government of United Kingdom 4.75% 12-07-2030	United Kingdom	Foreign Governments	GBP 400,000	1,016	922
ING Groep N.V. (ING) 3.15% 03-29-2022	Netherlands	Corporate - Non Convertible	USD 1,000,000	1,332	1,273
Italy Buoni Poliennali Del Tesoro 0.45% 06-01-2021	Italy	Foreign Governments	EUR 2,000,000	2,924	2,961
Japan Finance Org. for Municipalities 1.90% 06-22-2018	Japan	Foreign Governments	JPY 60,000,000	764	674
Portugal Obrigacoes do Tesouro 4.80% 06-15-2020	Portugal	Foreign Governments	EUR 2,200,000	3,597	3,653
Renault SA 0.75% 11-26-2018	France	Corporate - Non Convertible	JPY 200,000,000	2,569	2,233
Siemens Financieringsmaatschappij NV 3.30% 09-15-2046	Germany	Corporate - Non Convertible	USD 3,000,000	3,840	3,459
Spain Government Bond 2.75% 10-31-2024	Spain	Foreign Governments	EUR 900,000	1,473	1,495
Sumitomo Life Insurance Co. F/R 09-14-2077 Callable 2027	Japan	Corporate - Non Convertible	USD 1,200,000	1,455	1,470
Thermo Fisher Scientific Inc. 2.88% 07-24-2037 Callable 2037	United States	Corporate - Non Convertible	EUR 300,000	436	445
United Kingdom Treasury 2.00% 09-07-2025	United Kingdom	Foreign Governments	GBP 300,000	585	535
United Kingdom Treasury 4.50% 09-07-2034	United Kingdom	Foreign Governments	GBP 755,000	1,945	1,764
United States Treasury 0.88% 11-30-2017	United States	Foreign Governments	USD 440,000	584	549
United States Treasury 1.25% 11-15-2018	United States	Foreign Governments	USD 3,400,000	4,547	4,236
United States Treasury 1.00% 11-15-2019	United States	Foreign Governments	USD 3,200,000	4,295	3,953
United States Treasury 1.88% 03-31-2022	United States	Foreign Governments	USD 830,000	1,127	1,036
United States Treasury 1.75% 05-15-2023	United States	Foreign Governments	USD 1,300,000	1,699	1,599
United States Treasury 2.13% 02-29-2024	United States	Foreign Governments	USD 900,000	1,199	1,124
VF Corp. 0.63% 09-20-2023 Callable 2023	United States	Corporate - Non Convertible	EUR 1,000,000	1,464	1,470

INTERNATIONAL BOND FUND (CLI)

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2017

FIXED INCOME FUND

SCHEDULE OF INVESTMENTS (cont'd)

As at September 30, 2017

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
BONDS (cont'd)					
Volkswagen International Finance NV 1.13% 10-02-2023	Germany	Corporate - Non Convertible	EUR 1,500,000	2,142	2,227
Total bonds				78,092	74,298
Transaction costs				—	—
Total investments				78,092	74,298
Cash and cash equivalents					6,452
Other assets less liabilities					517
Total net assets					81,267

INTERNATIONAL BOND FUND (CLI)

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2017

FIXED INCOME FUND

SUMMARY OF INVESTMENT PORTFOLIO

September 30, 2017	
Portfolio Allocation	% of NAV
Bonds	91.4
Cash and short-term investments	7.9
Other assets (liabilities)	0.7

Regional Allocation	
	% of NAV
United States	26.0
Japan	15.2
Germany	11.3
France	8.3
Cash and short-term investments	7.9
United Kingdom	6.8
Portugal	4.5
Spain	4.4
Venezuela	3.8
Italy	3.6
Canada	3.6
Netherlands	2.2
Ireland	1.7
Other assets (liabilities)	0.7

Sector Allocation	
	% of NAV
Foreign government bonds	46.4
Corporate bonds	37.6
Cash and short-term investments	7.9
Supra-national bonds	3.8
Federal bonds	3.6
Other assets (liabilities)	0.7

March 31, 2017	
Portfolio Allocation	% of NAV
Bonds	90.2
Cash and short-term investments	9.2
Other assets (liabilities)	0.6

Regional Allocation	
	% of NAV
United States	25.6
Germany	13.2
France	11.0
Japan	10.2
Cash and short-term investments	9.2
United Kingdom	7.1
Portugal	4.5
Venezuela	4.2
Canada	3.9
Italy	3.7
Spain	2.6
Netherlands	2.4
Ireland	1.8
Other assets (liabilities)	0.6

Sector Allocation	
	% of NAV
Foreign government bonds	46.1
Corporate bonds	36.0
Cash and short-term investments	9.2
Supra-national bonds	4.2
Federal bonds	3.9
Other assets (liabilities)	0.6

NOTES TO FINANCIAL STATEMENTS

1. Fiscal Periods and General Information

The information provided in these financial statements and notes thereto is for the six-month periods ended or as at September 30, 2017 and 2016, except for the comparative information presented in the Statements of Financial Position and notes thereto, which is as at March 31, 2017, as applicable. In the year a Fund or series is established or reinstated, 'period' represents the period from inception or reinstatement. Refer to Note 9 for the formation date of the Fund and the inception date of each series.

The Fund is organized as an open-ended unit 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 Fund's registered office is 180 Queen Street West, Toronto, Ontario, Canada. The Fund is authorized to issue an unlimited number of units (referred to as "security" or "securities") of multiple series. Series of the Fund are available for sale under Simplified Prospectus or exempt distribution options.

Mackenzie Financial Corporation ("Mackenzie") is the manager of the Fund and is wholly owned by IGM Financial Inc., a subsidiary of Power Financial Corporation, which itself is a subsidiary of Power Corporation of Canada. The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company (collectively, the "Related Insurance Companies") are wholly owned by Great-West Lifeco Inc., which is also a subsidiary of Power Financial Corporation. Investments in companies within the Power Group of companies held by the Fund are identified in the Schedule of Investments.

2. Basis of Preparation and Presentation

These unaudited interim financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). These financial statements were prepared using the same accounting policies, critical accounting judgments and estimates as applied in the Fund's most recent audited annual financial statements for the year ended March 31, 2017. A summary of the Fund's significant accounting policies under IFRS is presented in Note 3.

These financial statements are presented in Canadian dollars, which is the Fund'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 on November 14, 2017.

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 Fund 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 Fund 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 Fund 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 Fund's redeemable securities contain multiple dissimilar contractual obligations and therefore meet the criteria for classification as financial liabilities under IAS 32, *Financial Instruments: Presentation*. The Fund's obligation for net assets attributable to securityholders is presented at the redemption amount.

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.

The Fund 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 unlisted open-ended investment funds and exchange-traded funds in which the Fund invests, does not meet either the definition of a structured entity or the definition of an associate.

NOTES TO FINANCIAL STATEMENTS

3. Significant Accounting Policies (cont'd)

(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 Fund 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 Fund 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 Fund 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 Fund's portfolio manager(s), provided that the use of the derivative is consistent with the Fund's investment objectives. Any use of derivatives will comply with Canadian mutual fund laws, subject to the regulatory exemptions granted to the Fund, as applicable. Refer to "Exemptions from National Instrument 81-102" in the Annual Information Form of the Fund for further details, including the complete conditions of these exemptions, 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 Fund 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 Fund 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 September 30, 2017.

(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, realized gains (losses) on sale of investments or fee rebate income, as appropriate.

Income, realized gains (losses) and unrealized gains (losses) are allocated daily among the series on a pro-rata basis.

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 9. The value of certain proprietary services provided by brokers cannot be reasonably estimated.

(e) Securities lending, repurchase and reverse repurchase transactions

The Fund is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the Fund's Simplified 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 9 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 Fund 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 9 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 Fund.

(g) Foreign currency

The functional and presentation currency of the Fund 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 securityholders per security

Net assets attributable to securityholders per security is computed by dividing the net assets attributable to securityholders of a series of securities on a business day by the total number of securities of the series outstanding on that day.

(i) Net asset value per security

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 securityholders (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 9 for the Fund's NAV per security.

(j) Increase (decrease) in net assets attributable to securityholders from operations per security

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

(k) Mergers

The Fund applies the acquisition method of accounting for Fund mergers. Under this method, one of the Funds in each merger is identified as the acquiring Fund, and is referred to as the Continuing Fund, and the other Fund involved in the merger is referred to as the Terminated Fund. This identification is based on the comparison of the relative net asset values of the Funds as well as consideration of the continuation of such aspects of the Continuing Fund as: investment advisors; investment objectives and practices; type of portfolio securities; and management fees and expenses.

NOTES TO FINANCIAL STATEMENTS

3. Significant Accounting Policies (cont'd)

(l) Future accounting changes

In January 2016, the IASB issued amendments to IAS 7, *Statements of Cash Flows*, which is effective for annual periods beginning on or after January 1, 2017. The IASB requires that the following changes in liabilities arising from financial activities be disclosed in the financial statements (to the extent necessary); (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates (iv) changes in fair values; and (v) other changes. Mackenzie is assessing the implications, if any, on the Fund's annual 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 Fund 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 Fund.

Use of Judgments

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

In classifying and measuring financial instruments held by the Fund, Mackenzie is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. Mackenzie has assessed the Fund'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 Fund's financial instruments.

Functional currency

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

Structured entities and associates

In determining whether an unlisted open-ended investment fund or an exchange-traded fund in which the Fund 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 Fund does not have contracts or financing arrangements with these underlying funds and the Fund 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 Fund qualifies as a unit 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 securityholders as at the end of the taxation year. It is the intention of the Fund to distribute all of its net income and sufficient net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable.

Losses of the Fund cannot be allocated to investors and are retained in the Fund 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 9 for the Fund's loss carryforwards.

NOTES TO FINANCIAL STATEMENTS

6. Management Fees and Operating Expenses

No management fee or operating expenses, other than certain specific fund costs, are charged to the Fund.

Other fund costs include taxes (including, but not limited to GST/HST and income tax), interest and borrowing costs, all fees and expenses of the Mackenzie Funds' Independent Review Committee (IRC), costs of complying with the regulatory requirement to produce Fund Facts, fees paid to external service providers associated with tax reclaims, refunds or the preparation of foreign tax reports on behalf of the Funds, any new fees related to external services that were not commonly charged in the Canadian mutual fund industry and introduced after September 29, 2017 and the costs of complying with any new regulatory requirements, including, without limitation, any new fees introduced after September 29, 2017.

7. Fund's Capital

The capital of the Fund, which is comprised of the net assets attributable to securityholders, is divided into different series with each series having an unlimited number of securities. The securities outstanding for the Fund as at September 30, 2017 and 2016 and securities issued, reinvested and redeemed for the periods are presented in the Statement of Changes in Financial Position. Mackenzie manages the capital of the Fund in accordance with the investment objectives as discussed in Note 9.

8. Financial Instruments Risk

i. Risk exposure and management

The Fund's investment activities expose it to a variety of financial risks, as defined in IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7"). The Fund's exposure to financial risks is concentrated in its investments, which are presented in the Schedule of Investments, as at September 30, 2017, grouped by asset type, with geographic and sector information.

Mackenzie seeks to minimize potential adverse effects of financial risks on the Fund's performance by employing professional, experienced portfolio advisors, by monitoring the Fund's positions and market events daily, by diversifying the investment portfolio within the constraints of the Fund'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 Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines, and securities regulations.

ii. Liquidity risk

Liquidity risk arises when the Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable securities. In accordance with securities regulations, the Fund must maintain at least 90% of its assets in liquid investments (i.e., investments that can be readily sold). In addition, the Fund retains sufficient cash and short-term investment positions to maintain adequate liquidity. The Fund also has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions.

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 Fund's reporting currency, fluctuates due to changes in exchange rates. Note 9 summarizes the Fund'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 Fund to significant amounts of interest rate risk. Note 9 summarizes the Fund'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 Fund 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 Fund. This risk is mitigated by ensuring that the Fund 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 9 summarizes the Fund's exposure, if applicable and significant, to other price risk.

NOTES TO FINANCIAL STATEMENTS

8. Financial Instruments Risk (cont'd)

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 Fund. Note 9 summarizes the Fund'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 Fund 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 designated rating equivalent to a Standard & Poor'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 funds

The Fund may invest in underlying funds 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 funds. Note 9 summarizes the Fund's exposure, if applicable and significant, to these risks from underlying funds.

INTERNATIONAL BOND FUND (CLI)

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FIXED INCOME FUND

NOTES TO FINANCIAL STATEMENTS

9. Fund Specific Information *(in '000s, except for (a))*

(a) Fund Formation and Series Information

Date of Formation November 27, 2015

The Fund may issue an unlimited number of securities of each series. The number of issued and outstanding securities of each series is disclosed in the Statements of Changes in Financial Position.

Series Distributed by Quadrus Investment Services Ltd. *(255 Dufferin Ave., London, Ontario, N6A 4K1; 1-888-532-3322; www.quadrusgroupoffunds.com)*

Quadrus Investment Services Ltd. ("Quadrus") is the principal distributor of the series of securities listed below:

Series R securities are offered only to other affiliated funds and certain institutional investors in connection with fund-of-fund arrangements.

Series	Inception/ Reinstatement Date	Management Fees	Administration Fees	Net Asset Value per Security (\$)	
				Sep. 30, 2017	Mar. 31, 2017
Series R	December 7, 2015	— *	— *	9.80	9.99

* Not applicable.

(b) Investments by Other Funds Managed by Mackenzie

As at September 30, 2017, other funds managed by Mackenzie had an investment of \$81,267 (March 31, 2017 – \$77,048) in the Fund.

(c) Loss Carryforwards

As at the last taxation year end, the Fund has capital losses of \$236 which may be carried forward indefinitely to reduce future realized capital gains. There were no non-capital losses available to carry forward for tax purposes.

(d) Securities Lending

As at September 30, 2017 and March 31, 2017, the Fund did not have any open securities lending, repurchase or reverse repurchase transactions.

(e) Large Transaction Activity

In November 2016, a fund managed by Mackenzie purchased approximately \$11,000 of securities of the Fund. As a result of this investment, the Fund was subject to large transaction risk as discussed in the Prospectus. Mackenzie managed this risk to reduce the possibility of any adverse effect on the Fund or on its investors.

(f) Offsetting of Financial Assets and Liabilities

As at September 30, 2017 and March 31, 2017, there were no amounts subject to offsetting.

(g) Risks Associated with Financial Instruments

i. Risk exposure and management

The Fund seeks interest income with the potential for capital growth by investing primarily in fixed income securities issued by governments, corporations and international agencies anywhere in the world.

INTERNATIONAL BOND FUND (CLI)

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FIXED INCOME FUND

NOTES TO FINANCIAL STATEMENTS

9. Fund Specific Information (in '000s, except for (a)) (cont'd)

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

ii. Currency risk

The table below indicates currencies to which the Fund 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 Fund to significant currency risk.

Currency	September 30, 2017			
	Investments (\$)	Cash and Short-Term Investments (\$)	Derivative Instruments (\$)	Net Exposure* (\$)
Euro	27,620	48	–	27,668
U.S. dollar	27,493	37	–	27,530
Japanese yen	13,060	1,882	–	14,942
British pound	3,221	25	–	3,246
Total	71,394	1,992	–	73,386
% of Net Assets	87.9	2.4	–	90.3

Currency	March 31, 2017			
	Investments (\$)	Cash and Short-Term Investments (\$)	Derivative Instruments (\$)	Net Exposure* (\$)
U.S. dollar	27,829	136	–	27,965
Euro	24,878	30	–	24,908
Japanese yen	10,513	5,627	–	16,140
British pound	3,302	25	–	3,327
Total	66,522	5,818	–	72,340
% of Net Assets	86.3	7.6	–	93.9

* Includes both monetary and non-monetary financial instruments

As at September 30, 2017, 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 \$3,669 or 4.5% (March 31, 2017 – \$3,617 or 4.7%) of total net assets. In practice, the actual trading results may differ and the difference could be material.

iii. Interest rate risk

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

Bonds	September 30, 2017	March 31, 2017
	(\$)	(\$)
Less than 1 year	1,223	2,408
1-5 years	29,083	25,924
5-10 years	21,517	21,385
Greater than 10 years	22,475	19,804
Total	74,298	69,521

As at September 30, 2017, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased by approximately \$5,333 or 6.6% (March 31, 2017 – \$5,053 or 6.6%) of total net assets. In practice, the actual trading results may differ and the difference could be material.

INTERNATIONAL BOND FUND (CLI)

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FIXED INCOME FUND

NOTES TO FINANCIAL STATEMENTS

9. Fund Specific Information (in '000s, except for (a)) (cont'd)

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

iv. Other price risk

As at September 30, 2017 and March 31, 2017, the Fund did not have a significant exposure to price risk.

v. Credit risk

The Fund'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 September 30, 2017, was 15.4% (March 31, 2017 – 17.9%) of the net assets of the Fund.

As at September 30, 2017 and March 31, 2017, debt securities by credit rating are as follows:

Bond Rating*	September 30, 2017	March 31, 2017
	% of Net Assets	% of Net Assets
AAA	20.1	29.0
AA	9.7	5.8
A	33.9	27.8
BBB	20.5	24.5
Less than BBB	4.5	–
Unrated	2.7	3.1
Total	91.4	90.2

* Credit ratings and rating categories are based on Standard & Poor's or DBRS (or equivalent ratings issued by other designated rating organizations)

(h) Fair Value Classification

The table below summarizes the fair value of the Fund'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.

	September 30, 2017				March 31, 2017			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds	–	74,298	–	74,298	–	69,521	–	69,521
Total	–	74,298	–	74,298	–	69,521	–	69,521

The Fund'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.