

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## MANAGEMENT REPORT

### Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by Mackenzie Financial Corporation, as Manager of Short Term Bond Fund (Portico) (the "Fund"). 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 Fund. 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 Fund



Barry McInerney  
President and Chief Executive Officer



Terry Rountes  
Chief Financial Officer, Funds

July 13, 2020

## INDEPENDENT AUDITOR'S REPORT

To the Securityholders of Short Term Bond Fund (Portico) (the "Fund")

### Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at March 31, 2020 and 2019, and the statements of comprehensive income, changes in financial position and cash flows for the periods then ended, as indicated in Note 1, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2020 and 2019, 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 ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information which comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## INDEPENDENT AUDITOR'S REPORT (cont'd)

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Ontario  
July 13, 2020

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## STATEMENTS OF FINANCIAL POSITION

In thousands (except per security figures)  
As at March 31

	2020	2019
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Investments at fair value	27,241	28,361
Cash and cash equivalents	314	243
Accrued interest receivable	143	161
Accounts receivable for investments sold	360	32
Accounts receivable for securities issued	–	5
<b>Total assets</b>	<b>28,058</b>	<b>28,802</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable for investments purchased	635	35
Accounts payable for securities redeemed	14	12
<b>Total liabilities</b>	<b>649</b>	<b>47</b>
<b>Net assets attributable to securityholders</b>	<b>27,409</b>	<b>28,755</b>
<b>Net assets attributable to securityholders per series (note 3)</b>		
Quadrus Series	2,855	3,686
H Series	248	265
HW Series	231	235
L Series	1,425	2,503
N Series	4,624	5,766
QF Series	122	93
QFW Series	1	1
Series R	17,903	16,206
<b>Net assets attributable to securityholders per security (note 3)</b>		
Quadrus Series	9.79	9.74
H Series	9.69	9.65
HW Series	10.20	10.16
L Series	9.76	9.71
N Series	9.83	9.79
QF Series	9.78	9.74
QFW Series	10.20	10.16
Series R	9.81	9.76

## STATEMENTS OF COMPREHENSIVE INCOME

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

	2020	2019
	\$	\$
<b>Income</b>		
Interest income	721	1,002
Other changes in fair value of investments and other net assets		
Net realized gain (loss)	93	(714)
Net unrealized gain (loss)	15	970
<b>Total income (loss)</b>	<b>829</b>	<b>1,258</b>
<b>Expenses (note 6)</b>		
Management fees	67	94
Management fee rebates	(1)	(2)
Administration fees	11	15
Commissions and other portfolio transaction costs	1	1
Independent Review Committee fees	–	–
Other	2	4
<b>Expenses before amounts absorbed by Manager</b>	<b>80</b>	<b>112</b>
Expenses absorbed by Manager	–	–
<b>Net expenses</b>	<b>80</b>	<b>112</b>
<b>Increase (decrease) in net assets attributable to securityholders from operations before tax</b>	<b>749</b>	<b>1,146</b>
Foreign withholding taxes	–	–
Foreign income taxes paid (recovered)	–	–
<b>Increase (decrease) in net assets attributable to securityholders from operations</b>	<b>749</b>	<b>1,146</b>
<b>Increase (decrease) in net assets attributable to securityholders from operations per series</b>		
Quadrus Series	48	83
H Series	5	10
HW Series	5	6
L Series	34	61
N Series	153	220
QF Series	2	3
QFW Series	–	–
Series R	502	763
<b>Increase (decrease) in net assets attributable to securityholders from operations per security</b>		
Quadrus Series	0.15	0.17
H Series	0.20	0.19
HW Series	0.22	0.28
L Series	0.16	0.19
N Series	0.28	0.29
QF Series	0.21	0.17
QFW Series	0.26	0.31
Series R	0.28	0.32

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

CANADA LIFE MUTUAL FUNDS

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## STATEMENTS OF CHANGES IN FINANCIAL POSITION

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

	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Quadrus Series		H Series		HW Series		L Series		N Series	
	\$		\$		\$		\$		\$	
<b>NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS</b>										
<b>Beginning of period</b>	3,686	5,606	265	715	235	–	2,503	3,242	5,766	8,569
Increase (decrease) in net assets from operations	48	83	5	10	5	6	34	61	153	220
Distributions paid to securityholders:										
Investment income	(33)	(54)	(4)	(8)	(4)	(3)	(24)	(39)	(129)	(186)
Capital gains	–	–	–	–	–	–	–	–	–	–
Management fee rebates	(1)	(1)	–	(1)	–	–	–	–	–	–
Total distributions paid to securityholders	(34)	(55)	(4)	(9)	(4)	(3)	(24)	(39)	(129)	(186)
Security transactions:										
Proceeds from securities issued	342	1,202	3	19	–	239	173	848	572	3,572
Reinvested distributions	34	55	4	8	4	3	24	39	128	186
Payments on redemption of securities	(1,221)	(3,205)	(25)	(478)	(9)	(10)	(1,285)	(1,648)	(1,866)	(6,595)
Total security transactions	(845)	(1,948)	(18)	(451)	(5)	232	(1,088)	(761)	(1,166)	(2,837)
<b>Total increase (decrease) in net assets</b>	<b>(831)</b>	<b>(1,920)</b>	<b>(17)</b>	<b>(450)</b>	<b>(4)</b>	<b>235</b>	<b>(1,078)</b>	<b>(739)</b>	<b>(1,142)</b>	<b>(2,803)</b>
<b>End of period</b>	<b>2,855</b>	<b>3,686</b>	<b>248</b>	<b>265</b>	<b>231</b>	<b>235</b>	<b>1,425</b>	<b>2,503</b>	<b>4,624</b>	<b>5,766</b>

<b>Increase (decrease) in fund securities (note 7):</b>	<b>Securities</b>		<b>Securities</b>		<b>Securities</b>		<b>Securities</b>		<b>Securities</b>	
<b>Securities outstanding – beginning of period</b>	378	581	27	75	23	–	258	337	589	883
Issued	36	124	–	1	–	24	18	89	59	370
Reinvested distributions	3	6	–	1	–	–	2	4	13	19
Redeemed	(125)	(333)	(1)	(50)	–	(1)	(132)	(172)	(190)	(683)
<b>Securities outstanding – end of period</b>	<b>292</b>	<b>378</b>	<b>26</b>	<b>27</b>	<b>23</b>	<b>23</b>	<b>146</b>	<b>258</b>	<b>471</b>	<b>589</b>

	<b>QF Series</b>		<b>QFW Series</b>		<b>Series R</b>		<b>Total</b>	
	\$		\$		\$		\$	
<b>NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS</b>								
<b>Beginning of period</b>	93	277	1	–	16,206	24,286	28,755	42,695
Increase (decrease) in net assets from operations	2	3	–	–	502	763	749	1,146
Distributions paid to securityholders:								
Investment income	(2)	(3)	–	–	(433)	(613)	(629)	(906)
Capital gains	–	–	–	–	–	–	–	–
Management fee rebates	–	–	–	–	–	–	(1)	(2)
Total distributions paid to securityholders	(2)	(3)	–	–	(433)	(613)	(630)	(908)
Security transactions:								
Proceeds from securities issued	82	109	–	1	3,822	3,481	4,994	9,471
Reinvested distributions	2	3	–	–	28	49	224	343
Payments on redemption of securities	(55)	(296)	–	–	(2,222)	(11,760)	(6,683)	(23,992)
Total security transactions	29	(184)	–	1	1,628	(8,230)	(1,465)	(14,178)
<b>Total increase (decrease) in net assets</b>	<b>29</b>	<b>(184)</b>	<b>–</b>	<b>1</b>	<b>1,697</b>	<b>(8,080)</b>	<b>(1,346)</b>	<b>(13,940)</b>
<b>End of period</b>	<b>122</b>	<b>93</b>	<b>1</b>	<b>1</b>	<b>17,903</b>	<b>16,206</b>	<b>27,409</b>	<b>28,755</b>

<b>Increase (decrease) in fund securities (note 7):</b>	<b>Securities</b>		<b>Securities</b>		<b>Securities</b>	
<b>Securities outstanding – beginning of period</b>	10	29	–	–	1,660	2,509
Issued	8	12	–	–	389	361
Reinvested distributions	–	–	–	–	3	5
Redeemed	(6)	(31)	–	–	(226)	(1,215)
<b>Securities outstanding – end of period</b>	<b>12</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>1,826</b>	<b>1,660</b>

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

CANADA LIFE MUTUAL FUNDS

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## STATEMENTS OF CASH FLOWS

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

	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Net increase (decrease) in net assets attributable to securityholders from operations	749	1,146
Adjustments for:		
Net realized loss (gain) on investments	(93)	714
Change in net unrealized loss (gain) on investments	(15)	(970)
Purchase of investments	(23,599)	(25,833)
Proceeds from sale and maturity of investments	25,099	40,212
Change in accrued interest receivable	18	124
Change in due from manager	–	1
Change in due to manager	–	(1)
<b>Net cash from operating activities</b>	<b>2,159</b>	<b>15,393</b>
<b>Cash flows from financing activities</b>		
Proceeds from securities issued	4,975	9,112
Payments on redemption of securities	(6,657)	(23,718)
Distributions paid net of reinvestments	(406)	(565)
<b>Net cash from financing activities</b>	<b>(2,088)</b>	<b>(15,171)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>71</b>	<b>222</b>
Cash and cash equivalents at beginning of period	243	21
Effect of exchange rate fluctuations on cash and cash equivalents	–	–
<b>Cash and cash equivalents at end of period</b>	<b>314</b>	<b>243</b>
Cash	14	43
Cash equivalents	300	200
<b>Cash and cash equivalents at end of period</b>	<b>314</b>	<b>243</b>
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received	–	–
Foreign taxes paid	–	–
Interest received	739	1,126
Interest paid	–	–

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

CANADA LIFE MUTUAL FUNDS

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## SCHEDULE OF INVESTMENTS

As at March 31, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS</b>					
407 International Inc. 2.47% 09-08-2022 Callable 2022	Canada	Corporate - Non Convertible	142,000	141	143
AltaGas Ltd. 2.61% 12-16-2022	Canada	Corporate - Non Convertible	161,000	162	156
Bank of America Corp. F/R 04-24-2022 Callable 2021	United States	Corporate - Non Convertible	198,000	198	197
Bank of America Corp. F/R 04-25-2025 Callable 2024	United States	Corporate - Non Convertible	215,000	215	214
Bank of Montreal 2.37% 02-03-2025 Callable 2025	Canada	Corporate - Non Convertible	29,000	29	29
Bank of Montreal F/R 06-01-2027 Callable 2022	Canada	Corporate - Non Convertible	115,000	112	113
The Bank of Nova Scotia 2.36% 11-08-2022	Canada	Corporate - Non Convertible	257,000	255	259
The Bank of Nova Scotia 2.38% 05-01-2023	Canada	Corporate - Non Convertible	417,000	421	414
The Bank of Nova Scotia 2.29% 06-28-2024	Canada	Corporate - Non Convertible	158,000	155	158
The Bank of Nova Scotia 2.49% 09-23-2024	Canada	Corporate - Non Convertible	101,000	101	100
bclMC Realty Corp. 2.15% 08-11-2022 Callable 2022	Canada	Corporate - Non Convertible	356,000	354	357
Bell Canada Inc. 2.00% 10-01-2021	Canada	Corporate - Non Convertible	414,000	407	412
Bell Canada Inc. 3.35% 03-12-2025 Callable 2025	Canada	Corporate - Non Convertible	38,000	37	39
Brookfield BPY Holdings Inc. 3.93% 01-15-2027 Callable 2026	United States	Corporate - Non Convertible	68,000	68	66
Brookfield Property Finance ULC 4.12% 10-19-2021	Canada	Corporate - Non Convertible	514,000	527	518
Brookfield Property Finance ULC 4.35% 07-03-2023 Callable 2023	Canada	Corporate - Non Convertible	29,000	30	30
Brookfield Property Finance ULC 4.30% 03-01-2024 Callable 2024	Canada	Corporate - Non Convertible	183,000	184	186
Bruce Power LP 2.84% 06-23-2021	Canada	Corporate - Non Convertible	77,000	79	77
Canada Housing Trust 2.65% 03-15-2022	Canada	Federal Government	369,000	385	383
Canada Housing Trust 2.35% 09-15-2023	Canada	Federal Government	435,000	434	456
Canada Housing Trust 2.90% 06-15-2024	Canada	Federal Government	404,000	430	435
Canada Housing Trust 1.80% 12-15-2024	Canada	Federal Government	447,000	448	462
Canada Mortgage & Housing Corp. 0.95% 06-15-2025	Canada	Federal Government	580,000	580	577
Canadian Imperial Bank of Commerce 2.47% 12-05-2022	Canada	Corporate - Non Convertible	340,000	337	343
Canadian Imperial Bank of Commerce 2.35% 08-28-2024	Canada	Corporate - Non Convertible	161,000	161	158
Canadian Imperial Bank of Commerce 3.42% 01-26-2026 Callable 2021	Canada	Corporate - Non Convertible	176,000	177	176
Canadian Imperial Bank of Commerce F/R 04-04-2028 Callable 2023	Canada	Corporate - Non Convertible	200,000	201	201
Central 1 Credit Union 2.58% 12-06-2023	Canada	Corporate - Non Convertible	207,000	204	201
Centre Street Trust 3.69% 06-14-2021 Callable	Canada	Corporate - Non Convertible	546,000	546	551
Choice Properties Real Estate Investment Trust 3.498% 02-08-2021	Canada	Corporate - Non Convertible	123,000	129	124
CI Financial Corp. 3.22% 07-22-2024 Callable 2024	Canada	Corporate - Non Convertible	144,000	144	140
Coast Capital Savings Credit Union F/R 07-21-2021	Canada	Corporate - Non Convertible	251,000	251	245
Coast Capital Savings Credit Union F/R 05-03-2028 Callable 2023	Canada	Corporate - Non Convertible	122,000	125	124
Coast Capital Savings Credit Union F/R 10-29-2030 Callable 2025	Canada	Corporate - Non Convertible	97,000	100	100
CT Real Estate Investment Trust 2.16% 06-01-2021 Callable 2021	Canada	Corporate - Non Convertible	416,000	411	412
Dollarama Inc. 2.34% 07-22-2021	Canada	Corporate - Non Convertible	429,000	425	429
Eagle Credit Card Trust 2.63% 10-17-2022	Canada	Corporate - Non Convertible	230,000	230	231
The Empire Life Insurance Co. F/R 03-15-2028 Callable 2023	Canada	Corporate - Non Convertible	439,000	447	442
Enbridge Inc. 3.16% 03-11-2021	Canada	Corporate - Non Convertible	169,000	169	169
Enbridge Inc. 3.19% 12-05-2022	Canada	Corporate - Non Convertible	155,000	155	154
Equitable Bank 2.95% 09-26-2022	Canada	Corporate - Non Convertible	73,000	73	73
Fairstone Financial Inc. 3.95% 03-21-2033	Canada	Mortgage Backed	161,000	161	161
First National Financial Corp. 3.58% 11-25-2024	Canada	Corporate - Non Convertible	47,000	47	47
Glacier Credit Card Trust 4.14% 09-20-2023	Canada	Corporate - Non Convertible	70,000	70	72
Glacier Credit Card Trust 3.43% 06-06-2024	Canada	Corporate - Non Convertible	323,000	323	323
Government of Canada 1.00% 09-01-2022	Canada	Federal Government	473,000	453	479
Government of Canada 1.75% 03-01-2023	Canada	Federal Government	226,000	220	234
Government of Canada 1.50% 06-01-2023	Canada	Federal Government	577,000	559	595

CANADA LIFE MUTUAL FUNDS

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS (cont'd)</b>					
Government of Canada 2.00% 09-01-2023	Canada	Federal Government	472,000	472	495
Government of Canada 2.25% 03-01-2024	Canada	Federal Government	337,000	354	359
Government of Canada 1.50% 09-01-2024	Canada	Federal Government	813,000	828	844
Government of Canada 1.25% 03-01-2025	Canada	Federal Government	593,000	614	612
Honda Canada Finance Inc. 1.82% 12-07-2021 Series 16-4	Canada	Corporate - Non Convertible	487,000	484	479
iA Financial Corp. Inc. F/R 02-21-2030 Callable 2025	Canada	Corporate - Non Convertible	39,000	39	36
Industrial Alliance Insurance and Financial Services Inc. F/R 02-23-2027 Callable 2022	Canada	Corporate - Non Convertible	130,000	130	129
Manulife Bank of Canada 1.92% 09-01-2021	Canada	Corporate - Non Convertible	752,000	751	748
Manulife Bank of Canada 2.84% 01-12-2023	Canada	Corporate - Non Convertible	418,000	422	423
Master Credit Card Trust II 3.06% 01-21-2022	Canada	Corporate - Non Convertible	700,000	698	694
MCAP Commercial LP 5.00% 12-14-2022	Canada	Corporate - Non Convertible	33,000	33	34
MCAP Commercial LP 4.15% 06-17-2024	Canada	Corporate - Non Convertible	162,000	162	163
Morguard Corp. 4.01% 11-18-2020	Canada	Corporate - Non Convertible	291,000	295	293
Municipal Finance Authority of British Columbia 3.35% 06-01-2022	Canada	Municipal Governments	146,000	157	153
Municipal Finance Authority of British Columbia 2.15% 12-01-2022	Canada	Municipal Governments	283,000	284	291
Municipal Finance Authority of British Columbia 2.15% 06-03-2024	Canada	Municipal Governments	63,000	63	65
Municipal Finance Authority of British Columbia 2.65% 10-02-2025	Canada	Municipal Governments	265,000	276	279
National Bank of Canada 1.81% 07-26-2021	Canada	Corporate - Non Convertible	390,000	388	389
National Bank of Canada 1.96% 06-30-2022	Canada	Corporate - Non Convertible	276,000	276	275
National Bank of Canada 2.98% 03-04-2024	Canada	Corporate - Non Convertible	23,000	24	23
OPB Finance Trust 1.88% 02-24-2022 Series D	Canada	Provincial Governments	526,000	523	534
Pembina Pipeline Corp. 2.56% 06-01-2023	Canada	Corporate - Non Convertible	324,000	324	313
Province of Alberta 2.65% 09-01-2023	Canada	Provincial Governments	112,000	115	117
Province of Manitoba 2.55% 06-02-2023	Canada	Provincial Governments	568,000	572	592
Province of New Brunswick 1.80% 08-14-2025	Canada	Provincial Governments	526,000	530	530
Province of Ontario 2.60% 09-08-2023	Canada	Provincial Governments	73,000	72	76
Province of Ontario 2.30% 09-08-2024	Canada	Provincial Governments	100,000	102	104
Province of Ontario 1.75% 09-08-2025	Canada	Provincial Governments	258,000	261	261
Province of Quebec 2.25% 02-22-2024	Canada	Provincial Governments	323,000	331	335
Province of Quebec 3.75% 09-01-2024	Canada	Provincial Governments	53,000	58	58
Reliance LP 3.813% 09-15-2020	Canada	Corporate - Non Convertible	325,000	328	327
Reliance LP 3.75% 03-15-2026 Callable 2026	Canada	Corporate - Non Convertible	81,000	81	82
RioCan Real Estate Investment Trust 2.19% 04-09-2021	Canada	Corporate - Non Convertible	791,000	791	787
RioCan Real Estate Investment Trust 2.58% 02-12-2025	Canada	Corporate - Non Convertible	189,000	188	182
RioCan Real Estate Investment Trust 2.36% 03-10-2027	Canada	Corporate - Non Convertible	156,000	156	144
Rogers Communications Inc. 4.00% 06-06-2022	Canada	Corporate - Non Convertible	184,000	197	190
Royal Bank of Canada 2.00% 03-21-2022	Canada	Corporate - Non Convertible	165,000	163	165
Royal Bank of Canada 2.36% 12-05-2022	Canada	Corporate - Non Convertible	91,000	91	92
Royal Bank of Canada 2.33% 12-05-2023 DPNT	Canada	Corporate - Non Convertible	175,000	175	176
Royal Bank of Canada 2.35% 07-02-2024	Canada	Corporate - Non Convertible	134,000	133	132
Royal Bank of Canada 3.45% 09-29-2026 Callable 2021	Canada	Corporate - Non Convertible	120,000	122	120
Royal Bank of Canada F/R 07-25-2029	Canada	Corporate - Non Convertible	235,000	235	228
Royal Bank of Canada F/R 12-23-2029 Callable 2024	Canada	Corporate - Non Convertible	54,000	54	52
Saputo Inc. 2.196% 06-23-2021	Canada	Corporate - Non Convertible	195,000	195	194
Saputo Inc. 1.94% 06-13-2022 Callable 2022	Canada	Corporate - Non Convertible	293,000	290	287
Sienna Senior Living Inc. 3.11% 11-04-2024	Canada	Corporate - Non Convertible	32,000	32	32
Smart Real Estate Investment Trust 2.88% 03-21-2022	Canada	Corporate - Non Convertible	115,000	114	115
Smart Real Estate Investment Trust 3.73% 07-22-2022	Canada	Corporate - Non Convertible	220,000	227	224

CANADA LIFE MUTUAL FUNDS

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS (cont'd)</b>					
SmartCentres Real Estate Investment Trust F/R 12-21-2020	Canada	Corporate - Non Convertible	188,000	188	187
Sun Life Financial Inc. F/R 11-23-2027 Callable 2022	Canada	Corporate - Non Convertible	282,000	282	281
Sun Life Financial Inc. F/R 08-13-2029 Callable 2024	Canada	Corporate - Non Convertible	145,000	143	139
The Toronto-Dominion Bank 1.99% 03-23-2022	Canada	Corporate - Non Convertible	300,000	298	300
The Toronto-Dominion Bank 3.01% 05-30-2023	Canada	Corporate - Non Convertible	266,000	267	273
The Toronto-Dominion Bank 1.91% 07-18-2023 DPNT	Canada	Corporate - Non Convertible	489,000	488	485
The Toronto-Dominion Bank 2.50% 12-02-2024	Canada	Corporate - Non Convertible	66,000	66	65
The Toronto-Dominion Bank 1.94% 03-13-2025	Canada	Corporate - Non Convertible	173,000	173	167
The Toronto-Dominion Bank F/R 09-14-2028 Callable 2023	Canada	Corporate - Non Convertible	106,000	106	107
Vancouver Fraser Port Authority 4.63% 04-20-2020	Canada	Provincial Governments	39,000	40	39
<b>Total bonds</b>				<b>27,131</b>	<b>27,241</b>
Transaction costs				—	—
<b>Total investments</b>				<b>27,131</b>	<b>27,241</b>
Cash and cash equivalents					314
Other assets less liabilities					(146)
<b>Total net assets</b>					<b>27,409</b>



# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## SUMMARY OF INVESTMENT PORTFOLIO

March 31, 2020	
Portfolio Allocation	% of NAV
Bonds	99.4
Cash and short-term investments	1.1
Other assets (liabilities)	(0.5)
Regional Allocation	% of NAV
Canada	97.7
United States	1.7
Cash and short-term investments	1.1
Other assets (liabilities)	(0.5)
Sector Allocation	% of NAV
Corporate bonds	64.6
Federal bonds	21.6
Provincial bonds	9.7
Municipal bonds	2.9
Cash and short-term investments	1.1
Mortgage backed	0.6
Other assets (liabilities)	(0.5)

March 31, 2019	
Portfolio Allocation	% of NAV
Bonds	98.6
Cash and short-term investments	0.9
Other assets (liabilities)	0.5
Regional Allocation	% of NAV
Canada	97.8
Cash and short-term investments	0.9
United States	0.8
Other assets (liabilities)	0.5
Sector Allocation	% of NAV
Corporate bonds	64.5
Federal bonds	21.1
Provincial bonds	7.6
Municipal bonds	4.8
Cash and short-term investments	0.9
Mortgage backed	0.6
Other assets (liabilities)	0.5

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## 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, 2020 and 2019, 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 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 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 Corporation of Canada. The Canada Life Assurance Company is also a subsidiary of Power Corporation of Canada. 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 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 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 of Mackenzie Financial Corporation on July 13, 2020.

### 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 – Other changes in fair value of investments and other net assets – 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.

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

The Fund accounts for its holdings in unlisted open-ended investment funds and exchange-traded funds, if any, at FVTPL. Mackenzie has concluded that any unlisted open-ended investment funds and exchange-traded funds in which the Fund invests, do not meet either the definition of a structured entity or the definition of an associate.

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## 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 and other net assets – 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 derivatives. 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, 2020.

#### (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.

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## 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 – Other changes in fair value of investments and other net assets – 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.

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## NOTES TO FINANCIAL STATEMENTS

### 3. Significant Accounting Policies (cont'd)

#### (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.

### 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.

The outbreak of the novel coronavirus (COVID-19) developed rapidly over the first three months of 2020, with the World Health Organization declaring it a pandemic on March 11, 2020, and governments around the world enacting emergency measures that resulted in business disruptions, volatility in markets and a global economic slowdown.

The Manager uses judgment in assessing the impact from such events on assumptions and estimates applied in reporting the assets and liabilities in the Fund's financial statements at March 31, 2020.

The duration and impact of the COVID-19 pandemic on businesses and markets, and the extent of economic relief measures provided by governments and central banks, are unknown at the reporting date and it is therefore not possible to reliably estimate the impact on the financial results and position of the Fund in future periods.

#### 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.

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## NOTES TO FINANCIAL STATEMENTS

### 5. Income Taxes

The Fund 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 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.

### 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, making brokerage arrangements relating to the purchase and sale of the investment portfolio and making arrangements with registered dealers for the purchase and sale of securities of the Fund by investors. The management fee is calculated on each series of securities of the Fund as a fixed annual percentage of the daily net asset value of the series.

Each series of the Fund, except B-Series, is charged a fixed rate annual administration fee ("Administration Fee") and in return, Mackenzie bears all of the operating expenses of the Fund, other than certain specified fund costs. The Administration Fee is calculated on each series of securities of the Fund as a fixed annual percentage of the daily net asset value of the series.

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, new fees related to external services that were not commonly charged in the Canadian mutual fund industry and introduced after the date of the most recently filed simplified prospectus, and the costs of complying with any new regulatory requirements, including, without limitation, any new fees introduced after the date of the most recently filed simplified prospectus.

All expenses relating to the operation of the Fund attributable to B-Series securities will be charged to that particular series. Operating expenses include legal, audit, transfer agent, custodian, administration and trustee services, cost of financial reporting and Simplified Prospectus printing, regulatory filing fees and other miscellaneous expenses specifically attributable to the B-Series securities and any applicable taxes.

Mackenzie may waive or absorb management fees and/or Administration Fees at its discretion and stop waiving or absorbing such fees at any time without notice. Refer to Note 9 for the management fee and Administration Fee rates charged to each series of securities.

### 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 March 31, 2020 and 2019 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 March 31, 2020, 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.

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## NOTES TO FINANCIAL STATEMENTS

### 8. Financial Instruments Risk (cont'd)

#### 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 order to monitor the liquidity of its assets, the Fund utilizes a liquidity risk management program that calculates the number of days to convert the investments held by the Fund into cash using a multi-day liquidation approach. This liquidity risk analysis assesses the Fund's liquidity against predetermined minimum liquidity percentages established for different time periods and is monitored quarterly. In addition, the Fund has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions.

In order to comply with securities regulations, the Fund must maintain at least 90% of its assets in liquid investments (i.e., investments that can be readily sold).

#### 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.

#### 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 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 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.

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

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 June 28, 2013

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](http://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.

Quadrus Series, H Series, HW Series, L Series, N Series, QF Series and QFW Series securities are no longer available for sale, except for additional purchases by investors who have held these securities since October 1, 2018.

An investor in the Fund may choose among different purchase options that are available under each series. These purchase options are a sales charge purchase option and a no-load purchase option. The charges under the sales charge purchase option are negotiated by investors with their dealers. Not all purchase options are available under each series of the Fund, and the charges for each purchase option may vary among the different series. For further details on these purchase options, please refer to the Fund's Simplified Prospectus and Fund Facts.

Series	Inception/ Reinstatement Date	Management Fees	Administration Fees	Net Asset Value per Security (\$)	
				Mar. 31, 2020	Mar. 31, 2019
Quadrus Series <sup>(2)</sup>	July 10, 2013	1.10%	0.17%	9.79	9.74
H Series	July 5, 2013	0.60%	0.15%	9.69	9.65
HW Series	August 7, 2018	0.50%	0.15%	10.20	10.16
L Series	July 19, 2013	1.00%	0.15%	9.76	9.71
N Series	August 28, 2013	— <sup>(1)</sup>	— <sup>(1)</sup>	9.83	9.79
QF Series	July 12, 2016	0.60%	0.17%	9.78	9.74
QFW Series	August 7, 2018	0.50%	0.15%	10.20	10.16
Series R	July 14, 2016	—*	—*	9.81	9.76

\* Not applicable.

(1) This fee is negotiable and payable directly to Mackenzie by investors in this series.

(2) On August 17, 2020, Quadrus Series will be renamed Q Series.

#### (b) Investments by Mackenzie and Affiliates

As at March 31, 2020, other funds managed by Mackenzie had an investment of \$17,903 (2019 – \$16,206) in the Fund.

#### (c) Loss Carryforwards

As at the last taxation year-end, the Fund has capital losses of \$1,377 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 March 31, 2020 and 2019, the Fund did not have any open securities lending, repurchase or reverse repurchase transactions.

#### (e) Fund Merger

On January 21, 2019, investors in the Fund voted to reject the proposed merger of the Fund into Money Market Fund. This merger therefore did not proceed.

#### (f) Offsetting of Financial Assets and Liabilities

As at March 31, 2020 and 2019, there were no amounts subject to offsetting.

#### (g) Subsequent Event

On August 17, 2020, the Fund will be renamed Canada Life Short Term Bond Fund (Portico).



# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## NOTES TO FINANCIAL STATEMENTS

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

#### (h) Risks Associated with Financial Instruments

##### *i. Risk exposure and management*

The Fund seeks income by investing primarily in high-quality, short-term fixed income securities issued by Canadian federal, provincial or municipal governments or by Canadian corporations, either directly and/or through other mutual funds. The Fund may hold up to 30% of its assets in foreign investments.

##### *ii. Currency risk*

As at March 31, 2020 and 2019, the Fund did not have a significant exposure to currency risk.

##### *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.

	March 31, 2020	March 31, 2019
Bonds	(\$)	(\$)
Less than 1 year	1,139	780
1-5 years	21,540	20,902
5-10 years	4,301	6,480
Greater than 10 years	261	199
Total	27,241	28,361

As at March 31, 2020, 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 \$758 or 2.8% of total net assets (2019 – \$767 or 2.7%). In practice, the actual trading results may differ and the difference could be material.

##### *iv. Other price risk*

As at March 31, 2020 and 2019, 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 March 31, 2020, was 21.6% of the net assets of the Fund (2019 – 21.1%).

As at March 31, 2020 and 2019, debt securities by credit rating are as follows:

	March 31, 2020	March 31, 2019
Bond Rating*	% of Net Assets	% of Net Assets
AAA	24.5	26.1
AA	8.0	14.8
A	21.5	32.5
BBB	19.4	25.2
Less than BBB	–	–
Unrated	26.0	–
Total	99.4	98.6

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

# SHORT TERM BOND FUND (PORTICO)

(To be renamed Canada Life Short Term Bond Fund (Portico) on August 17, 2020)

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

FIXED INCOME FUND

## NOTES TO FINANCIAL STATEMENTS

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

#### (i) 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.

	March 31, 2020				March 31, 2019			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds	–	27,241	–	27,241	–	28,361	–	28,361
Short-term investments	–	300	–	300	–	200	–	200
Total	–	27,541	–	27,541	–	28,561	–	28,561

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 transfers between Level 1 and Level 2.

Other 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. Short-term investments classified as Level 2 investments are valued based on amortized cost plus accrued interest which closely approximates fair value.