

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## MANAGEMENT REPORT

### Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by Canada Life Investment Management Ltd., as Manager of Canada Life North American Specialty Fund (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 Canada Life Investment Management Ltd. is responsible for reviewing and approving the financial statements and overseeing the Manager's performance of its financial reporting responsibilities. The Board 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 Canada Life Investment Management Ltd.,  
Manager of the Fund



Steve Fiorelli  
Chief Executive Officer



Jeff Van Hoeve  
Chief Financial Officer

June 3, 2021

## INDEPENDENT AUDITOR'S REPORT

To the Securityholders of Canada Life North American Specialty Fund (the "Fund")

### Opinion

We have audited the financial statements of the Fund, which comprise the statement of financial position as at March 31, 2021, and the statements of comprehensive income, changes in financial position and cash flows for the period 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, 2021, and its financial performance and its cash flows for the period 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 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.

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

---

## 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  
June 3, 2021

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## STATEMENT OF FINANCIAL POSITION

at March 31 (in \$ 000 except per security amounts)

	2021
	\$
<b>ASSETS</b>	
<b>Current assets</b>	
Investments at fair value	51,909
Cash and cash equivalents	17
Dividends receivable	1
Accounts receivable for investments sold	1
Accounts receivable for securities issued	–
<b>Total assets</b>	<b>51,928</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable for investments purchased	1
Accounts payable for securities redeemed	44
Due to manager	2
<b>Total liabilities</b>	<b>47</b>
<b>Net assets attributable to securityholders</b>	<b>51,881</b>

	Net assets attributable to securityholders (note 3)	
	per security	per series
	2021	2021
Q Series	12.88	13,677
H Series	12.99	674
HW Series	13.02	1,092
L Series	12.91	12,927
N Series	13.13	22,635
QF Series	12.99	807
QFW Series	13.02	69
		<b>51,881</b>

## STATEMENT OF COMPREHENSIVE INCOME

for the period ended March 31 (in \$ 000 except per security amounts)

	2021	
	\$	
<b>Income</b>		
Dividends	686	
Interest income	59	
Other changes in fair value of investments and other net assets		
Net realized gain (loss)	1,293	
Net unrealized gain (loss)	11,368	
<b>Total income (loss)</b>	<b>13,406</b>	
<b>Expenses (note 6)</b>		
Management fees	455	
Management fee rebates	(5)	
Administration fees	47	
Independent Review Committee fees	–	
Other	1	
<b>Expenses before amounts absorbed by Manager</b>	<b>498</b>	
Expenses absorbed by Manager	–	
<b>Net expenses</b>	<b>498</b>	
<b>Increase (decrease) in net assets attributable to securityholders from operations before tax</b>	<b>12,908</b>	
Foreign withholding taxes	–	
Foreign income taxes paid (recovered)	–	
<b>Increase (decrease) in net assets attributable to securityholders from operations</b>	<b>12,908</b>	
	<b>Increase (decrease) in net assets attributable to securityholders from operations (note 3)</b>	
	<b>per security</b>	<b>per series</b>
	<b>2021</b>	<b>2021</b>
Q Series	3.24	3,432
H Series	3.36	176
HW Series	3.39	269
L Series	3.23	3,126
N Series	3.50	5,674
QF Series	3.36	212
QFW Series	3.43	19
		<b>12,908</b>

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

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## STATEMENT OF CHANGES IN FINANCIAL POSITION

for the period ended March 31 (in \$ 000 except per security amounts)

	2021 Q Series	2021 H Series	2021 HW Series	2021 L Series
	\$	\$	\$	\$
<b>NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS</b>				
<b>Beginning of period</b>	–	–	–	–
Increase (decrease) in net assets from operations	3,432	176	269	3,126
Distributions paid to securityholders:				
Investment income	–	–	–	–
Capital gains	–	–	–	–
Management fee rebates	(4)	(1)	–	–
Total distributions paid to securityholders	(4)	(1)	–	–
Security transactions:				
Proceeds from securities issued	449	2	4	597
Proceeds from securities issued on merger	12,862	662	924	11,584
Reinvested distributions	4	–	–	–
Payments on redemption of securities	(3,066)	(165)	(105)	(2,380)
Total security transactions	10,249	499	823	9,801
<b>Total increase (decrease) in net assets</b>	<b>13,677</b>	<b>674</b>	<b>1,092</b>	<b>12,927</b>
<b>End of period</b>	<b>13,677</b>	<b>674</b>	<b>1,092</b>	<b>12,927</b>

	Securities	Securities	Securities	Securities
<b>Increase (decrease) in fund securities (note 7):</b>				
<b>Securities outstanding – beginning of period</b>	–	–	–	–
Issued	41	–	1	50
Issued on merger	1,286	66	92	1,158
Reinvested distributions	–	–	–	–
Redeemed	(265)	(14)	(9)	(207)
<b>Securities outstanding – end of period</b>	<b>1,062</b>	<b>52</b>	<b>84</b>	<b>1,001</b>

	N Series	QF Series	QFW Series	Total
	\$	\$	\$	\$
<b>NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS</b>				
<b>Beginning of period</b>	–	–	–	–
Increase (decrease) in net assets from operations	5,674	212	19	12,908
Distributions paid to securityholders:				
Investment income	–	–	–	–
Capital gains	–	–	–	–
Management fee rebates	–	–	–	(5)
Total distributions paid to securityholders	–	–	–	(5)
Security transactions:				
Proceeds from securities issued	38	44	14	1,148
Proceeds from securities issued on merger	19,463	769	54	46,318
Reinvested distributions	–	–	–	4
Payments on redemption of securities	(2,540)	(218)	(18)	(8,492)
Total security transactions	16,961	595	50	38,978
<b>Total increase (decrease) in net assets</b>	<b>22,635</b>	<b>807</b>	<b>69</b>	<b>51,881</b>
<b>End of period</b>	<b>22,635</b>	<b>807</b>	<b>69</b>	<b>51,881</b>

	Securities	Securities	Securities
<b>Increase (decrease) in fund securities (note 7):</b>			
<b>Securities outstanding – beginning of period</b>	–	–	–
Issued	2	3	1
Issued on merger	1,946	77	5
Reinvested distributions	–	–	–
Redeemed	(224)	(18)	(1)
<b>Securities outstanding – end of period</b>	<b>1,724</b>	<b>62</b>	<b>5</b>

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

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## STATEMENT OF CASH FLOWS

for the period ended March 31 (in \$ 000 except per security amounts)

	2021
	\$
<b>Cash flows from operating activities</b>	
Net increase (decrease) in net assets attributable to securityholders from operations	12,908
Adjustments for:	
Net realized loss (gain) on investments	(1,293)
Change in net unrealized loss (gain) on investments	(11,368)
Distributions received in-kind from underlying funds	(174)
Purchase of investments	(3,019)
Proceeds from sale and maturity of investments	10,016
Change in dividends receivable	(1)
Change in due to manager	2
<b>Net cash from operating activities</b>	<b>7,071</b>
<b>Cash flows from financing activities</b>	
Proceeds from securities issued	1,352
Payments on redemption of securities	(8,405)
Distributions paid net of reinvestments	(1)
<b>Net cash from financing activities</b>	<b>(7,054)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>17</b>
Cash and cash equivalents at beginning of period	–
Effect of exchange rate fluctuations on cash and cash equivalents	–
<b>Cash and cash equivalents at end of period</b>	<b>17</b>
Cash	17
Cash equivalents	–
<b>Cash and cash equivalents at end of period</b>	<b>17</b>
<b>Supplementary disclosures on cash flow from operating activities:</b>	
Dividends received	685
Foreign taxes paid	–
Interest received	59
Interest paid	–

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

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## SCHEDULE OF INVESTMENTS

As at March 31, 2021

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000)	Fair Value (\$ 000)
<b>MUTUAL FUNDS</b>					
<sup>1</sup> Canada Life Mid Cap Canada Fund (GWLIM) Series R	Canada	Mutual Funds	176,578	3,560	4,433
<sup>1</sup> Canada Life US All Cap Growth Fund Series R	Canada	Mutual Funds	109,544	5,977	6,755
<sup>1</sup> Canada Life US Value Fund (Putnam) Series R	Canada	Mutual Funds	250,865	3,224	4,058
Fidelity Canadian Opportunities Fund Series O	Canada	Mutual Funds	172,587	4,631	5,742
Invesco Main Street U.S. Small Cap Class Series I	Canada	Mutual Funds	106,137	5,813	8,289
<sup>2</sup> Mackenzie Canadian Equity Fund Series CL	Canada	Mutual Funds	147,606	2,798	3,542
<sup>2</sup> Mackenzie Canadian Small Cap Fund Series CL	Canada	Mutual Funds	115,132	3,302	4,529
<sup>2</sup> Mackenzie Cundill Canadian Security Class Series CL	Canada	Mutual Funds	363,023	5,114	6,501
<sup>2</sup> Mackenzie US Small-Mid Cap Growth Class Series CL	Canada	Mutual Funds	316,245	6,121	8,060
<b>Total mutual funds</b>				<b>40,540</b>	<b>51,909</b>
Transaction costs				—	—
<b>Total investments</b>				<b>40,540</b>	<b>51,909</b>
Cash and cash equivalents					17
Other assets less liabilities					(45)
<b>Net assets attributable to securityholders</b>					<b>51,881</b>

<sup>1</sup> This fund is managed by CLIML.

<sup>2</sup> This fund is managed by an affiliate of CLIML.

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## SUMMARY OF INVESTMENT PORTFOLIO

March 31, 2021

<b>Effective Portfolio Allocation</b>	<b>% of NAV</b>
Equities	98.6
Cash and short-term investments	1.7
Other assets (liabilities)	(0.3)

<b>Effective Regional Allocation</b>	<b>% of NAV</b>
United States	56.3
Canada	39.9
Cash and short-term investments	1.7
United Kingdom	0.6
Switzerland	0.3
Other	0.2
Japan	0.2
Netherlands	0.2
France	0.2
South Korea	0.1
Hong Kong	0.1
Ireland	0.1
Taiwan	0.1
Argentina	0.1
Germany	0.1
Australia	0.1
Other assets (liabilities)	(0.3)

<b>Effective Sector Allocation</b>	<b>% of NAV</b>
Information technology	18.3
Financials	16.5
Industrials	15.4
Consumer discretionary	12.8
Health care	9.2
Materials	6.0
Real estate	5.1
Consumer staples	4.1
Energy	4.1
Communication services	4.0
Utilities	3.1
Cash and short-term investments	1.7
Other assets (liabilities)	(0.3)

The effective allocation shows the portfolio, regional or sector exposure of the Fund calculated by combining its direct and indirect investments.

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## 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, 2021 and 2020, as applicable. In the year a Fund or series is established or reinstated, 'period' represents the period from inception or reinstatement. Where a series of a Fund was terminated during either period, the information for the series is provided up to close of business on the termination date. Refer to Note 10 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 255 Dufferin Avenue, London, 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.

Canada Life Investment Management Ltd. ("CLIML") is the manager of the Fund and is wholly owned by The Canada Life Assurance Company ("Canada Life"), a subsidiary of Power Corporation of Canada. Prior to January 1, 2021, Mackenzie Financial Corporation ("Mackenzie") was the manager of the Fund. Effective January 1, 2021, the Fund's manager and trustee changed from Mackenzie to CLIML. Mackenzie is also a subsidiary of Power Corporation of Canada. CLIML has entered into a fund administration agreement with Mackenzie. 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 CLIML on June 3, 2021.

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

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. CLIML 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.

The Fund's redeemable securities entitle securityholders the right to redeem their interest in the Fund for cash equal to their proportionate share of the net asset value of the Fund, amongst other contractual rights. The Fund's redeemable securities 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.



# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## NOTES TO FINANCIAL STATEMENTS

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

#### (a) Financial instruments (cont'd)

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.

#### (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, CLIML 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 CLIML's opinion, inaccurate, unreliable, or not reflective of all available material information, are valued at their fair value as determined by CLIML 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.

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 change in unrealized gains or losses that are best determined at the settlement price. 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 paid for purchasing an option are recorded in the Statement of Financial Position – Investments at fair value.

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, 2021.

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## NOTES TO FINANCIAL STATEMENTS

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

#### (b) Fair value measurement (cont'd)

The Fund categorizes the fair value of its assets and liabilities into three categories, which are differentiated based on the observable nature of the inputs and extent of estimation required.

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. Examples of Level 2 valuations include quoted prices for similar securities, quoted prices on inactive markets and from recognized investment dealers, and the application of factors derived from observable data to non-North American quoted prices in order to estimate the impact of differences in market closing times.

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.

The estimated fair values for these securities may be different from the values that would have been used had a ready market for the investment existed; 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.

See Note 10 for the fair value classifications of the Fund.

#### (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, on the ex-dividend or distribution date.

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

#### (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, exchanges, brokers, dealers and other intermediaries. The total brokerage commissions incurred by the Fund in connection with portfolio transactions for the periods, together with other transaction charges, is disclosed in the Statements of Comprehensive Income. Brokerage business is allocated to brokers based on the best net result for the Fund. Subject to this criteria, commissions may be paid to brokerage firms which provide (or pay for) certain services, other than order execution, which may include investment research, analysis and reports, and databases or software in support of these services. Where applicable and ascertainable, the value of third-party services that were paid for by brokers during the periods is disclosed in Note 10. The value of certain proprietary services provided by brokers cannot be reasonably estimated.

#### (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.

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 included in the Statement of Comprehensive Income and recognized when earned. Securities lending transactions are administered by The Bank of New York Mellon (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.

Note 10 summarizes the details of securities loaned and collateral received, as well as a reconciliation of securities lending income, if applicable. Collateral received is comprised of debt obligations of the Government of Canada and other countries, Canadian provincial and municipal governments, and financial institutions.

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## NOTES TO FINANCIAL STATEMENTS

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

#### (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 10 summarizes the details of such offsetting, if applicable, subject to master netting arrangements or other similar agreements and the net impact to the Statements of Financial Position if all such rights were exercised.

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) 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 and is disclosed in Note 10.

#### (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.

#### (l) Future accounting changes

The Fund has determined there are no material implications to the Fund’s financial statements arising from IFRS issued but not yet effective.

### 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.

Governments worldwide have enacted various measures in seeking to combat the spread of the COVID-19 virus. These measures have led to significant volatility in equity markets and material disruption to businesses globally, resulting in an economic slowdown.

Ongoing uncertainty regarding the duration and long-term impact of the pandemic and the implementation of vaccination programs, as well as the efficacy of government and central bank monetary and fiscal interventions, may continue to affect the Fund’s performance in future periods.

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## NOTES TO FINANCIAL STATEMENTS

### 4. Critical Accounting Estimates and Judgments (cont'd)

The following discusses the most significant accounting judgments and estimates made in preparing the financial statements:

#### 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, CLIML is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. CLIML 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, CLIML is required to make significant judgments about whether these underlying funds have the typical characteristics of a structured entity or of an associate. CLIML 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 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. The Fund maintains a December year-end for tax purposes. 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 10 for the Fund's loss carryforwards.

### 6. Management Fees and Operating Expenses

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. 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.

For each applicable series, the Fund paid management fees and administration fees ("Administration Fee") to Mackenzie for the period from April 1, 2020 to December 31, 2020 ("the pre-manager change period"), and to CLIML thereafter at the annual rates specified under *Fund Formation and Series Information* in this report and as more fully described in the Prospectus. After the pre-manager change period, CLIML paid the administration fee to Mackenzie for providing day-to-day administration services, including, financial reporting, communications to investors and securityholder reporting, maintaining the books and records of the Fund, NAV calculations, and processing orders for securities of the Funds. In return for the administration fees, Mackenzie pays all costs and expenses (other than certain specified fund costs) required to operate the Fund that are not included in management fees.

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## NOTES TO FINANCIAL STATEMENTS

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

In the pre-manager change period, Mackenzie was paid a management fee. The management fees were used by Mackenzie in part to pay GLC Asset Management Group Ltd., an affiliate of Mackenzie, 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.

Subsequent to the change in manager, the management fees were used by CLIML in part to pay Mackenzie 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.

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 CLIML 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.

CLIML 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 10 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, 2021 and 2020 and securities issued, reinvested and redeemed for the periods are presented in the Statement of Changes in Financial Position. CLIML manages the capital of the Fund in accordance with the investment objectives as discussed in Note 10.

### 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, 2021, grouped by asset type, with geographic and sector information.

CLIML 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, CLIML 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 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 85% of its assets in liquid investments (i.e., investments that can be readily sold).

#### iii. Currency risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's functional currency, will fluctuate due to changes in exchange rates. Generally, foreign denominated investments increase in value when the value of the Canadian dollar (relative to foreign currencies) falls. Conversely, when the value of the Canadian dollar rises relative to foreign currencies, the values of foreign denominated investments fall.

Note 10 indicates the foreign currencies, if applicable, to which the Fund had significant exposure, including both monetary and non-monetary financial instruments, and illustrates the potential impact, in Canadian dollar terms, to the Fund's net assets had the Canadian dollar strengthened or weakened by 5% relative to all foreign currencies, all other variables held constant. In practice, the actual trading results may differ and the difference could be material.

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## NOTES TO FINANCIAL STATEMENTS

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

#### iii. Currency risk (cont'd)

The Fund's sensitivity to currency risk illustrated in Note 10 includes potential indirect impacts from underlying funds and ETFs in which the Fund invests, and/or derivative contracts including forward currency contracts. Other financial assets and liabilities (including dividends and interest receivable, and receivables/payables for investments sold/purchased) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

#### iv. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Generally, these securities increase in value when interest rates fall and decrease in value when interest rates rise.

If significant, Note 10 summarizes the Fund's interest-bearing financial instruments by remaining term to maturity and illustrates the potential impact to the Fund's net assets had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, all other variables held constant. In practice, the actual trading results may differ and the difference could be material.

The Fund's sensitivity to interest rate risk illustrated in Note 10 includes potential indirect impacts from underlying funds and ETFs in which the Fund invests, and/or derivative contracts. Cash and cash equivalents and other money market instruments are short term in nature and are not generally subject to significant amounts of 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, theoretically 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.

Other price risk typically arises from exposure to equity and commodity securities. If significant, Note 10 illustrates the potential increase or decrease in the Fund's net assets, had the prices on the respective exchanges for these securities increased or decreased by 10%, all other variables held constant. In practice, the actual trading results may differ and the difference could be material.

The Fund's sensitivity to other price risk illustrated in Note 10 includes potential indirect impacts from underlying funds and ETFs in which the Fund invests, and/or derivative contracts.

#### 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 10 summarizes the Fund's exposure, if applicable and significant, to credit risk.

If presented, credit ratings and rating categories are based on ratings issued by a designated rating organization. Indirect exposure to credit risk may arise from fixed-income securities, such as bonds, held by underlying funds and ETFs, if any. The fair value of debt securities includes consideration of the creditworthiness of the debt issuer.

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 10 summarizes the Fund's exposure, if applicable and significant, to these risks from underlying funds.

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## NOTES TO FINANCIAL STATEMENTS

### 9. Other Information

Abbreviations

Foreign currencies, if any, are presented in these financial statements using the following abbreviated currency codes:

<b>Currency Code</b>	<b>Description</b>	<b>Currency Code</b>	<b>Description</b>	<b>Currency Code</b>	<b>Description</b>
<b>AUD</b>	Australian dollars	<b>HKD</b>	Hong Kong dollars	<b>PKR</b>	Pakistani rupee
<b>AED</b>	United Arab Emirates Dirham	<b>HUF</b>	Hungarian forint	<b>PLN</b>	Polish zloty
<b>BRL</b>	Brazilian real	<b>IDR</b>	Indonesian rupiah	<b>QAR</b>	Qatar Rial
<b>CAD</b>	Canadian dollars	<b>ILS</b>	Israeli shekel	<b>RON</b>	Romanian leu
<b>CHF</b>	Swiss franc	<b>INR</b>	Indian rupee	<b>RUB</b>	Russian ruble
<b>CKZ</b>	Czech koruna	<b>JPY</b>	Japanese yen	<b>SAR</b>	Saudi riyal
<b>CLP</b>	Chilean peso	<b>KOR</b>	South Korean won	<b>SEK</b>	Swedish krona
<b>CNY</b>	Chinese yuan	<b>MXN</b>	Mexican peso	<b>SGD</b>	Singapore dollars
<b>COP</b>	Colombian peso	<b>MYR</b>	Malaysian ringgit	<b>THB</b>	Thailand baht
<b>CZK</b>	Czech koruna	<b>NGN</b>	Nigerian naira	<b>TRL</b>	Turkish lira
<b>DKK</b>	Danish krone	<b>NOK</b>	Norwegian krona	<b>USD</b>	United States dollars
<b>EGP</b>	Egyptian pound	<b>NTD</b>	New Taiwan dollar	<b>VND</b>	Vietnamese dong
<b>EUR</b>	Euro	<b>NZD</b>	New Zealand dollars	<b>ZAR</b>	South African rand
<b>GBP</b>	United Kingdom pounds	<b>PEN</b>	Peruvian nuevo sol	<b>ZMW</b>	Zambian kwacha
<b>GHS</b>	Ghana Cedi	<b>PHP</b>	Philippine peso		

# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## NOTES TO FINANCIAL STATEMENTS

### 10. Fund Specific Information (in '000, except for (a))

#### (a) Fund Formation and Series Information

Date of Formation May 15, 2020

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 Statement of Changes in Financial Position.

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

Q 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 series since June 26, 2020.

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, a redemption charge purchase option, a low-load purchase option and a no-load purchase option. The charges under the sales charge purchase option are negotiated by investors with their dealers. The charges under the redemption charge and low-load purchase options are paid to CLIML if an investor redeems securities of the Fund during specific periods. 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
Q Series	June 26, 2020	2.10%	0.24%
H Series	June 26, 2020	1.10%	0.15%
HW Series	June 26, 2020	0.85%	0.15%
L Series	June 26, 2020	1.85%	0.15%
N Series	June 26, 2020	— <sup>(1)</sup>	— <sup>(1)</sup>
QF Series	June 26, 2020	1.10%	0.24%
QFW Series	June 26, 2020	0.85%	0.15%

(1) This fee is negotiable and payable directly to CLIML by investors in this series through redemptions of their securities.

#### (b) Investments by Canada Life, CLIML and Affiliates

As at March 31, 2021, Canada Life had an investment of \$205 in the Fund.

#### (c) Loss Carryforwards

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

#### (d) Securities Lending

As at March 31, 2021, the Fund did not have any open securities lending, repurchase or reverse repurchase transactions.

#### (e) Change in Sub-Advisor

On December 31, 2020, Mackenzie acquired GLC Asset Management Group Ltd. ("GLC"), a subsidiary of Canada Life. Effective January 1, 2021, the Fund's manager and trustee changed from Mackenzie to CLIML.

Concurrent with these changes, GLC ceased to be the sub-advisor to the Fund. At the same time, Mackenzie replaced GLC as sub-advisor to underlying fund Canada Life Mid Cap Canada Fund (GWLIM).

#### (f) Fund Merger

Following the approval of the Mackenzie Funds' Independent Review Committee, North American Specialty Class (the "Terminating Fund") merged into the Fund on June 26, 2020. The merger was effective after the close of business on June 26, 2020. The merger was effected by transferring the net assets of the Terminating Fund in exchange for the securities of the Fund at fair market value. Q Series, H Series, HW Series, L Series, N Series, QF Series and QFW Series of the Terminating Fund were issued 1,286 Q Series securities, 66 H Series securities, 92 HW Series securities, 1,158 L Series securities, 1,946 N Series securities, 77 QF Series securities and 5 QFW Series securities of the Fund in exchange for net assets of \$46,318, which was the fair value on June 26, 2020. The merger has been accounted for as an acquisition of the Terminating Fund.

Following the merger, the Terminating Fund was terminated. Mackenzie paid the expenses incurred to effect the merger.



# CANADA LIFE NORTH AMERICAN SPECIALTY FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2021

## NOTES TO FINANCIAL STATEMENTS

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

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

As at March 31, 2021, there were no amounts subject to offsetting.

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

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

The Fund seeks long-term capital growth by investing primarily in North American equities, either directly or through other investment funds. The Fund utilizes multiple investment management teams to provide diversification. Generally each management team will have a particular focus, such as smaller-capitalization companies or companies in a specific sector.

##### *ii. Currency risk*

The Fund is exposed to currency risk from its investments in mutual funds. All underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to the risk that the value of foreign currency denominated financial instruments held by underlying funds will fluctuate due to changes in exchange rates. The underlying funds may hedge some or all of their currency exposure.

As at March 31, 2021, 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 \$1,513 or 2.9% of total net assets. In practice, the actual trading results may differ and the difference could be material.

##### *iii. Interest rate risk*

As at March 31, 2021, the Fund did not have a significant exposure to interest rate risk.

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

The table below summarizes the Fund's exposure to other price risk.

Impact on net assets	Increased by 10%		Decreased by 10%	
	(\$)	(%)	(\$)	(%)
March 31, 2021	5,104	9.8	(5,104)	(9.8)

##### *v. Credit risk*

As at March 31, 2021, the Fund did not have a significant exposure to credit risk.

#### (i) Fair Value Classification

The table below summarizes the fair value of the Fund's financial instruments using the fair value hierarchy described in note 3.

	March 31, 2021			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Mutual funds	51,909	–	–	51,909
Total	51,909	–	–	51,909

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.