

# CANADA LIFE PATHWAYS CORE BOND FUND

(Formerly London Life Pathways Core Bond Fund)

CANADIAN FIXED INCOME FUND

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

For the Year Ended March 31, 2020

*This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the annual financial statements, at no cost, by contacting us using one of the methods noted under Fund Formation and Series Information or by visiting the SEDAR website at [www.sedar.com](http://www.sedar.com).*

*Securityholders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure. For more information, please refer to the Fund's Simplified Prospectus, Annual Information Form and Fund Facts, which may also be obtained, at no cost, using any of the methods outlined above.*

*For the Fund's current net asset values per security and for more recent information on general market events, please visit our website.*

### **A NOTE ON FORWARD-LOOKING STATEMENTS**

*This report may contain forward-looking statements that reflect our current expectations or forecasts of future events. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", "preliminary", "typical" and other similar expressions. In addition, these statements may relate to future corporate actions, future financial performance of a fund or a security and their future investment strategies and prospects. Forward-looking statements are inherently subject to, among other things, risks, uncertainties and assumptions that could cause actual events, results, performance or prospects to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and assumptions include, without limitation, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, the volatility of global equity and capital markets, business competition, technological change, changes in government regulations, changes in securities laws and regulations, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events and the ability of Mackenzie to attract or retain key employees. The foregoing list of important risks, uncertainties and assumptions is not exhaustive. Please consider these and other factors carefully and do not place undue reliance on forward-looking statements.*

*The forward-looking information contained in this report is current only as of the date of this report. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.*

**CANADA LIFE PATHWAYS FUNDS**

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## Management Discussion of Fund Performance

July 13, 2020

This Management Discussion of Fund Performance presents the portfolio management team's view on the significant factors and developments during the year ended March 31, 2020 (the "period"), that have affected the Fund's performance and outlook. If the Fund was established during the period, "period" represents the period from inception to the end of the fiscal period. For information on the Fund's longer-term performance, as applicable, please refer to the *Past Performance* section of the report. In this report, "Mackenzie" refers to Mackenzie Financial Corporation, the manager of the Fund. In addition, net asset value ("NAV") refers to the value of the Fund as calculated for transaction purposes, on which the discussion of Fund performance is based.

### Investment Objective and Strategies

The Fund seeks interest income and the potential for moderate capital appreciation by investing primarily in Canadian government and investment grade corporate bonds. The Fund may hold up to 10% of its assets in foreign investments.

### Risk

The risks of the Fund remain as discussed in the Fund's Simplified Prospectus.

The Fund is suitable for short- to medium-term investors looking for a Canadian fixed income fund to hold as part of their portfolio, who can handle the volatility of bond markets and who have a low tolerance for risk.

### Results of Operations

#### Investment Performance

During the period, the Fund's I Series securities returned 4.1% (after deducting fees and expenses paid by the series). This compares with the FTSE Canada Universe Bond Index return of 4.5%. All index and series returns are calculated on a total return basis in Canadian dollar terms. Investors cannot invest in an index without incurring fees, expenses and commissions, which are not reflected in the index returns.

Government bond prices rose as yields declined over the period, while corporate bond prices fell. In March, the Bank of Canada made emergency policy rate cuts in response to the COVID-19 crisis, as did the U.S. Federal Reserve after three earlier reductions of the federal funds rate. Yields on 10-year and 30-year Government of Canada bonds fell to record lows, leading long-term government bonds to outperform. Corporate bonds, especially in the energy sector, underperformed as credit risks began to reflect economic concerns.

The Fund underperformed the index, with security selection in provincial bonds and overweight exposure to federal bonds detracting from performance. The Fund's cash position also detracted from performance as fixed income markets rose.

Contributors to performance included security selection in corporate bonds, namely liquid issues, which more than offset the negative impact of overweight exposure to that sector.

Over the period, the Fund decreased exposure to federal government bonds as cash was redeployed to provincial and corporate bonds.

### Net Assets

The Fund's NAV increased by 364.1% to \$15.5 million at March 31, 2020, from \$3.3 million at March 31, 2019. This change was composed primarily of \$0.3 million in net income (including interest income) from investment performance, after deducting fees and expenses, and \$11.8 million in net sales.

### Fees and Expenses

The management expense ratio ("MER") for I Series of 0.00% during the year ended March 31, 2020, was slightly lower than the annualized MER of 0.01% for the period ended March 31, 2019. Other than certain specific fund costs, the management fee and administration fee were paid directly to Mackenzie by investors in this series.

### Recent Developments

Governments worldwide have enacted emergency measures to combat the spread of the COVID-19 virus in the last several months. These measures have caused significant volatility and weakness in global equity markets and material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

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.

The portfolio management team believes the COVID-19 pandemic will have a significant impact on the markets throughout the 2020 calendar year. The team believes that the Bank of Canada's interest rate moves will be secondary to its bond purchases in its effort to keep the markets functioning. The team anticipates that corporate spreads (the difference in yield between corporate and government bonds of similar maturities) will stabilize by the latter part of 2020, given their exceptionally wide levels at period-end, and tighten partway back to a more normal range. Ongoing new issue supply has been taken up aggressively.

In light of this backdrop, the Fund's duration positioning was slightly shorter than that of the index at period-end. The Fund ended the period with overweight exposure to corporate bonds and a focus on liquidity. The Fund also had an overweight position in 10-year provincial bonds. Should corporate spreads widen further, the team will consider increasing the Fund's corporate bond exposure.

On October 21, 2019, the Fund was renamed Canada Life Pathways Core Bond Fund.

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## Related Party Transactions

The Fund did not rely on an approval, positive recommendation or standing instruction from the Mackenzie Funds' Independent Review Committee with respect to a related party transaction because it did not engage in any related party transactions.

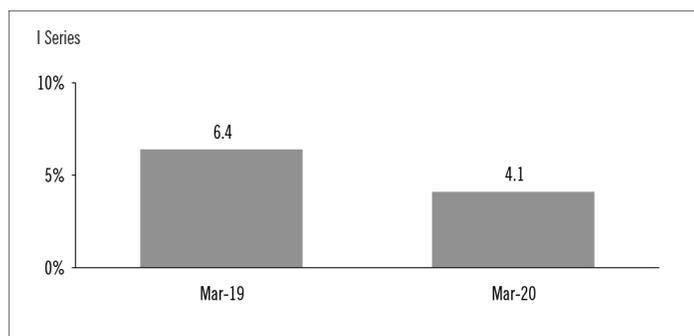
## Past Performance

The Fund's past performance information is presented in the following chart and table. It assumes all distributions made by the Fund in the periods presented are reinvested in additional securities of the relevant series of the Fund. The chart and table do not take into account sales, redemption, distribution or optional charges, or income taxes payable by any investor that would have reduced returns. The past performance of the Fund is not necessarily an indication of how it will perform in the future.

If you hold this Fund outside of a registered plan, income and capital gains distributions paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional securities of the Fund. The amount of reinvested taxable distributions is added to the adjusted cost base of the securities that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

## Year-by-Year Returns

The following bar chart presents the performance of I Series of the Fund for each of the fiscal periods shown. The chart shows, in percentage terms, how much an investment made on the first day of each fiscal period, or on the series inception or reinstatement date, as applicable, would have increased or decreased by the last day of the fiscal period presented. Series inception or reinstatement dates can be found under *Fund Formation and Series Information*.



## Annual Compound Returns

The following table compares the historical annual compound total returns for each series of the Fund with the relevant index or indices shown below for each of the periods ended March 31, 2020. Investors cannot invest in an index without incurring fees, expenses and commissions, which are not reflected in these performance figures.

All index returns are calculated in Canadian dollars on a total return basis, meaning that all dividend payments, interest income accruals and interest payments are reinvested.

Percentage Return:	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
I Series	4.1	n/a	n/a	n/a	7.3
FTSE Canada Universe Bond Index	4.5	n/a	n/a	n/a	7.5

*The FTSE Canada Universe Bond Index is a broad measure of Canadian bonds with terms to maturity of more than one year. It includes federal, provincial, municipal and corporate bonds rated "BBB" or higher.*

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## Summary of Investment Portfolio at March 31, 2020

<b>Portfolio Allocation</b>	<b>% of NAV</b>
Bonds	98.0
Cash and short-term investments	1.9
Other assets (liabilities)	0.1
<b>Regional Allocation</b>	<b>% of NAV</b>
Canada	98.0
Cash and short-term investments	1.9
Other assets (liabilities)	0.1
<b>Sector Allocation</b>	<b>% of NAV</b>
Corporate bonds	40.3
Provincial bonds	35.1
Federal bonds	22.6
Cash and short-term investments	1.9
Other assets (liabilities)	0.1
<b>Bonds by Credit Rating*</b>	<b>% of NAV</b>
AAA	27.4
AA	14.6
A	35.3
BBB	10.7
Unrated	10.0

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

## Top 25 Positions

<b>Issuer</b>	<b>% of NAV</b>
Government of Canada 2.00% 06-01-2028	5.4
Province of Quebec 3.50% 12-01-2048	3.4
Province of Ontario 2.65% 12-02-2050	2.5
Province of British Columbia 2.95% 06-18-2050	2.5
Government of Canada 2.75% 06-01-2022	2.2
Province of Ontario 2.90% 06-02-2049	2.1
Province of Ontario 1.75% 09-08-2025	2.1
Province of Ontario 4.70% 06-02-2037	2.0
Government of Canada 2.00% 12-01-2051	1.9
Government of Canada 2.50% 06-01-2024	1.9
Cash and short-term investments	1.9
Canada Housing Trust 2.90% 06-15-2024	1.7
Bank of Montreal 2.85% 03-06-2024	1.6
The Toronto-Dominion Bank 1.68% 06-08-2021	1.5
Royal Bank of Canada 3.30% 09-26-2023	1.5
Government of Canada 2.25% 06-01-2025	1.5
The Toronto-Dominion Bank 2.85% 03-08-2024	1.5
Province of New Brunswick 1.80% 08-14-2025	1.5
Canada Housing Trust 1.50% 12-15-2021	1.4
Government of Canada 2.00% 09-01-2023	1.4
Royal Bank of Canada 2.03% 03-15-2021	1.3
Government of Canada 4.00% 06-01-2041	1.2
Government of Canada 2.75% 12-01-2048	1.2
Bell Canada Inc. 2.70% 02-27-2024 Callable 2023	1.2
Saputo Inc. 2.88% 11-19-2024 Callable 2024	1.1

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

**47.5**

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

The investments and percentages may have changed since March 31, 2020, due to the ongoing portfolio transactions of the Fund. Quarterly updates of holdings are available within 60 days of the end of each quarter except for March 31, the Fund's fiscal year-end, when they are available within 90 days.

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## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for each of the fiscal periods presented below. If during the period a fund or series was established or reinstated, "period" represents the period from inception or reinstatement to the end of that fiscal period. Series inception or reinstatement dates can be found under *Fund Formation and Series Information*.

### THE FUND'S NET ASSETS PER SECURITY (\$)<sup>1</sup>

I Series	Mar. 31 2020	Mar. 31 2019
<b>Net assets, beginning of period</b>	<b>10.48</b>	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	<b>0.29</b>	0.13
Total expenses	–	–
Realized gains (losses) for the period	<b>0.08</b>	0.04
Unrealized gains (losses) for the period	<b>(0.08)</b>	0.50
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.29</b>	0.67
<b>Distributions:</b>		
From net investment income (excluding dividends)	<b>(0.27)</b>	(0.12)
From dividends	–	–
From capital gains	–	(0.03)
Return of capital	–	–
<b>Total annual distributions<sup>3</sup></b>	<b>(0.27)</b>	(0.15)
<b>Net assets, end of period</b>	<b>10.64</b>	10.48

(1) These calculations are prescribed by securities regulations and are not intended to be a reconciliation between opening and closing net assets per security. This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements may differ from the net asset value per security calculated for fund pricing purposes. An explanation of these differences can be found in the *Notes to Financial Statements*.

(2) Net assets and distributions are based on the actual number of securities outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of securities outstanding over the fiscal period.

(3) Distributions were paid in cash/reinvested in additional securities of the Fund, or both.

## RATIOS AND SUPPLEMENTAL DATA

I Series	Mar. 31 2020	Mar. 31 2019
Total net asset value (\$000) <sup>1</sup>	<b>15,455</b>	3,330
Securities outstanding (000) <sup>1</sup>	<b>1,452</b>	318
Management expense ratio (%) <sup>2</sup>	–	0.01
Management expense ratio before waivers or absorptions (%) <sup>2</sup>	–	0.01
Trading expense ratio (%) <sup>3</sup>	<b>0.01</b>	0.08
Portfolio turnover rate (%) <sup>4</sup>	<b>35.79</b>	n/a
Net asset value per security (\$)	<b>10.64</b>	10.48

(1) This information is provided as at the end of the fiscal period shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. If in the period a series was established or reinstated, the management expense ratio is annualized from the date of inception or reinstatement. Mackenzie may waive or absorb operating expenses at its discretion and stop waiving or absorbing such expenses at any time without notice.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is not provided when the Fund is less than one year old. The value of any trades to realign the Fund's portfolio after a fund merger, if any, is excluded from the portfolio turnover rate.

## Management Fees

The management fee for each series is calculated and accrued daily as a percentage of its NAV and payable quarterly to Mackenzie directly by investors and not by the Fund. These management fees were used by Mackenzie in part to pay GLC Asset Management Group Ltd., an affiliate of Mackenzie, for investment advisory services, including managing the investment portfolio of the Fund and/or the underlying fund(s), as applicable, including providing investment analysis and recommendations, making investment decisions and making brokerage arrangements for the purchase and sale of the investment portfolio.

Quadrus Investment Services Ltd. ("Quadrus"), an affiliate of Mackenzie, is the principal distributor for the Fund. The Canada Life Assurance Company, which is also an affiliate of Mackenzie, provides certain services to Mackenzie in connection with Mackenzie's portfolio management activities and pays certain administrative costs. As such, Quadrus and The Canada Life Assurance Company receive a portion of the management fees that investors in the Fund pay directly to Mackenzie. Approximately 78% of the total management fees that Mackenzie received from the Quadrus Group of Funds during the year was paid under these arrangements.

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## Fund Formation and Series Information

The Fund may have undergone a number of changes, such as a reorganization or a change in manager, mandate or name. A history of the major changes affecting the Fund in the last 10 years can be found in the Fund's Annual Information Form.

Date of Formation October 12, 2018

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 *Financial Highlights*.

**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:

I Series securities are offered to investors investing a minimum of \$25,000, who are participating in the Canada Life Constellation Managed Portfolios program, and who have entered into an I Series Account Agreement with Mackenzie and Quadrus which specifies the fees applicable to this account.

Series S securities are offered to The Canada Life Assurance Company and certain other mutual funds, but may be sold to other investors as determined by Mackenzie.

I Series of the Fund is only available for purchase under a no-load purchase option. For further details on this purchase option, 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
I Series	October 22, 2018	— <sup>(1)</sup>	— <sup>(1)</sup>	10.64	10.48
Series S	None issued	— <sup>(2)</sup>	0.02%	—	—

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

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