

Interim Unaudited Financial Statements

For the Six-Month Period Ended September 30, 2020

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

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

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

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

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

MACKENZIE STRATEGIC INCOME CLASS

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2020

BALANCED FUND

STATEMENTS OF FINANCIAL POSITION

*In thousands (except per security figures)
As at*

	Sep. 30 2020	Mar. 31 2020 (Audited)		Sep. 30 2020	Mar. 31 2020 (Audited)
	\$	\$		\$	\$
ASSETS					
Current assets			Net assets attributable to securityholders per security (note 3)		
Investments at fair value	168,875	164,211	Series A	14.11	13.13
Cash and cash equivalents	—	—	Series F	14.64	13.77
Accounts receivable for investments sold	5	13	Series F5	11.50	11.12
Accounts receivable for securities issued	—	—	Series F8	8.97	8.82
Taxes recoverable (note 5)	96	43	Series J	14.30	13.34
Total assets	168,976	164,267	Series J5	10.87	10.41
			Series J8	8.50	8.29
LIABILITIES			Series O	15.30	14.49
Current liabilities			Series T5	11.09	10.61
Bank indebtedness	66	123	Series T8	8.63	8.40
Accounts payable for investments purchased	—	—	Q Series	13.18	12.26
Accounts payable for securities redeemed	239	234	H Series	12.57	11.80
Due to manager	9	9	L Series	12.14	11.33
Taxes payable (note 5)	—	15	L5 Series	11.07	10.63
Total liabilities	314	381	N Series	12.20	11.55
Net assets attributable to securityholders	168,662	163,886	D5 Series	11.50	11.00
Net assets attributable to securityholders per series (note 3)			Series LB	11.33	10.53
Series A	91,532	87,891	Series LX	10.16	9.71
Series F	12,042	11,858			
Series F5	6,395	6,118			
Series F8	854	794			
Series J	1,421	1,404			
Series J5	93	85			
Series J8	230	212			
Series O	1,923	1,865			
Series T5	21,636	20,915			
Series T8	7,145	7,294			
Q Series	15,516	16,098			
H Series	1,042	1,071			
L Series	3,194	3,148			
L5 Series	272	248			
N Series	3,410	3,073			
D5 Series	273	251			
Series LB	1,261	1,180			
Series LX	423	381			

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

MACKENZIE STRATEGIC INCOME CLASS

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2020

BALANCED FUND

STATEMENTS OF COMPREHENSIVE INCOME

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

	2020	2019		2020	2019
	\$	\$		\$	\$
Income			Increase (decrease) in net assets attributable to securityholders from operations per security		
Dividends	3,331	4,171	Series A	1.53	0.41
Interest income	–	428	Series F	1.69	0.57
Other changes in fair value of investments and other net assets			Series F5	1.34	0.47
Net realized gain (loss)	831	3,387	Series F8	1.05	0.38
Net unrealized gain (loss)	16,604	310	Series J	1.58	0.44
Total income (loss)	20,766	8,296	Series J5	1.19	0.35
			Series J8	0.94	0.28
Expenses (note 6)			Series O	1.82	0.73
Management fees	1,541	1,907	Series T5	1.22	0.35
Administration fees	183	226	Series T8	0.96	0.28
Independent Review Committee fees	–	–	Q Series	1.46	0.39
Expenses before amounts absorbed by Manager	1,724	2,133	H Series	1.45	0.48
Expenses absorbed by Manager	–	–	L Series	1.34	0.39
Net expenses	1,724	2,133	L5 Series	1.23	0.37
Increase (decrease) in net assets attributable to securityholders from operations before tax	19,042	6,163	N Series	1.45	0.58
Foreign withholding taxes	–	–	D5 Series	1.25	0.36
Income taxes (note 5)	(2)	(79)	Series LB	1.22	0.33
Increase (decrease) in net assets attributable to securityholders from operations	19,044	6,242	Series LX	1.10	0.30
Increase (decrease) in net assets attributable to securityholders from operations per series					
Series A	10,155	3,094			
Series F	1,427	564			
Series F5	748	266			
Series F8	99	36			
Series J	156	50			
Series J5	10	3			
Series J8	25	7			
Series O	231	109			
Series T5	2,422	786			
Series T8	814	279			
Q Series	1,832	636			
H Series	123	58			
L Series	363	124			
L5 Series	29	8			
N Series	400	155			
D5 Series	28	8			
Series LB	137	47			
Series LX	45	12			

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



MACKENZIE STRATEGIC INCOME CLASS

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2020

BALANCED FUND

STATEMENTS OF CHANGES IN FINANCIAL POSITION

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

	2020	2019	2020	2019	2020	2019	2020	2019
	Series A		Series F		Series F5		Series F8	
	\$		\$		\$		\$	
NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS								
Beginning of period	87,891	111,078	11,858	15,742	6,118	7,279	794	933
Increase (decrease) in net assets from operations	10,155	3,094	1,427	564	748	266	99	36
Dividends paid to securityholders:								
Ordinary	–	–	–	–	–	–	–	–
Capital gains	(3,475)	(4,752)	(652)	(876)	(342)	(411)	(45)	(54)
Return of capital	–	–	–	–	(179)	(179)	(39)	(38)
Total dividends paid to securityholders	(3,475)	(4,752)	(652)	(876)	(521)	(590)	(84)	(92)
Security transactions:								
Proceeds from securities issued	794	3,317	–	–	–	–	–	–
Reinvested dividends	3,281	4,508	542	713	395	462	50	57
Payments on redemption of securities	(7,114)	(11,544)	(1,133)	(1,712)	(345)	(263)	(5)	(8)
Total security transactions	(3,039)	(3,719)	(591)	(999)	50	199	45	49
Total increase (decrease) in net assets	3,641	(5,377)	184	(1,311)	277	(125)	60	(7)
End of period	91,532	105,701	12,042	14,431	6,395	7,154	854	926

	Securities		Securities		Securities		Securities	
Increase (decrease) in fund securities (note 7):								
Securities outstanding – beginning of period	6,693	7,545	861	1,013	550	552	90	86
Issued	59	228	–	–	–	–	–	–
Reinvested dividends	251	315	40	48	36	37	6	6
Redeemed	(517)	(795)	(79)	(112)	(30)	(21)	(1)	(1)
Securities outstanding – end of period	6,486	7,293	822	949	556	568	95	91

	Series J		Series J5		Series J8		Series O	
	\$		\$		\$		\$	
NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS								
Beginning of period	1,404	1,618	85	97	212	243	1,865	2,406
Increase (decrease) in net assets from operations	156	50	10	3	25	7	231	109
Dividends paid to securityholders:								
Ordinary	–	–	–	–	–	–	–	–
Capital gains	(57)	(76)	(4)	–	(9)	(11)	(120)	(162)
Return of capital	–	–	(3)	(2)	(10)	(10)	–	–
Total dividends paid to securityholders	(57)	(76)	(7)	(2)	(19)	(21)	(120)	(162)
Security transactions:								
Proceeds from securities issued	1	–	–	–	–	–	–	–
Reinvested dividends	53	72	5	–	12	14	99	127
Payments on redemption of securities	(136)	(9)	–	(4)	–	–	(152)	(58)
Total security transactions	(82)	63	5	(4)	12	14	(53)	69
Total increase (decrease) in net assets	17	37	8	(3)	18	–	58	16
End of period	1,421	1,655	93	94	230	243	1,923	2,422

	Securities		Securities		Securities		Securities	
Increase (decrease) in fund securities (note 7):								
Securities outstanding – beginning of period	105	108	8	8	26	24	129	147
Issued	–	–	1	–	–	–	–	–
Reinvested dividends	4	5	–	–	1	2	7	8
Redeemed	(10)	(1)	–	–	–	–	(10)	(4)
Securities outstanding – end of period	99	112	9	8	27	26	126	151

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



MACKENZIE STRATEGIC INCOME CLASS

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2020

BALANCED FUND

STATEMENTS OF CHANGES IN FINANCIAL POSITION (cont'd)

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

	2020	2019	2020	2019	2020	2019	2020	2019
	Series T5		Series T8		Q Series		H Series	
	\$		\$		\$		\$	
NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS								
Beginning of period	20,915	28,343	7,294	10,001	16,098	23,823	1,071	1,771
Increase (decrease) in net assets from operations	2,422	786	814	279	1,832	636	123	58
Dividends paid to securityholders:								
Ordinary	–	–	–	–	–	–	–	–
Capital gains	(835)	(1,216)	(280)	(428)	(627)	(984)	(52)	(91)
Return of capital	(599)	(669)	(328)	(388)	–	–	–	–
Total dividends paid to securityholders	(1,434)	(1,885)	(608)	(816)	(627)	(984)	(52)	(91)
Security transactions:								
Proceeds from securities issued	140	1,057	53	606	22	6	1	2
Reinvested dividends	1,080	1,517	422	601	627	984	52	91
Payments on redemption of securities	(1,487)	(3,542)	(830)	(1,172)	(2,436)	(3,499)	(153)	(354)
Total security transactions	(267)	(968)	(355)	35	(1,787)	(2,509)	(100)	(261)
Total increase (decrease) in net assets	721	(2,067)	(149)	(502)	(582)	(2,857)	(29)	(294)
End of period	21,636	26,276	7,145	9,499	15,516	20,966	1,042	1,477

	Securities		Securities		Securities		Securities	
Increase (decrease) in fund securities (note 7):								
Securities outstanding – beginning of period	1,972	2,267	868	978	1,313	1,733	91	133
Issued	13	85	6	61	1	–	–	–
Reinvested dividends	102	125	50	61	51	74	4	7
Redeemed	(135)	(289)	(97)	(118)	(188)	(258)	(12)	(27)
Securities outstanding – end of period	1,952	2,188	827	982	1,177	1,549	83	113

	L Series		L5 Series		N Series		D5 Series	
	\$		\$		\$		\$	
NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS								
Beginning of period	3,148	4,527	248	272	3,073	3,416	251	283
Increase (decrease) in net assets from operations	363	124	29	8	400	155	28	8
Dividends paid to securityholders:								
Ordinary	–	–	–	–	–	–	–	–
Capital gains	(137)	(189)	(11)	(13)	(211)	(230)	(10)	(12)
Return of capital	–	–	(7)	(7)	–	–	(7)	(7)
Total dividends paid to securityholders	(137)	(189)	(18)	(20)	(211)	(230)	(17)	(19)
Security transactions:								
Proceeds from securities issued	4	121	–	–	–	–	–	–
Reinvested dividends	137	189	13	17	211	230	11	14
Payments on redemption of securities	(321)	(1,064)	–	–	(63)	(131)	–	(1)
Total security transactions	(180)	(754)	13	17	148	99	11	13
Total increase (decrease) in net assets	46	(819)	24	5	337	24	22	2
End of period	3,194	3,708	272	277	3,410	3,440	273	285

	Securities		Securities		Securities		Securities	
Increase (decrease) in fund securities (note 7):								
Securities outstanding – beginning of period	278	356	23	22	266	261	23	22
Issued	–	9	1	–	–	–	–	–
Reinvested dividends	12	15	1	1	19	18	1	1
Redeemed	(27)	(84)	–	–	(6)	(10)	–	–
Securities outstanding – end of period	263	296	25	23	279	269	24	23

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



MACKENZIE STRATEGIC INCOME CLASS

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2020

BALANCED FUND

STATEMENTS OF CHANGES IN FINANCIAL POSITION (cont'd)

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

	2020	2019	2020	2019	2020	2019
	Series LB		Series LX		Total	
	\$		\$		\$	
NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS						
Beginning of period	1,180	1,734	381	491	163,886	214,057
Increase (decrease) in net assets from operations	137	47	45	12	19,044	6,242
Dividends paid to securityholders:						
Ordinary	–	–	–	–	–	–
Capital gains	(46)	(69)	(15)	(21)	(6,928)	(9,595)
Return of capital	–	–	(11)	(11)	(1,183)	(1,311)
Total dividends paid to securityholders	(46)	(69)	(26)	(32)	(8,111)	(10,906)
Security transactions:						
Proceeds from securities issued	–	–	–	–	1,015	5,109
Reinvested dividends	46	69	26	32	7,062	9,697
Payments on redemption of securities	(56)	(196)	(3)	(66)	(14,234)	(23,623)
Total security transactions	(10)	(127)	23	(34)	(6,157)	(8,817)
Total increase (decrease) in net assets	81	(149)	42	(54)	4,776	(13,481)
End of period	1,261	1,585	423	437	168,662	200,576
Increase (decrease) in fund securities (note 7):						
Securities outstanding – beginning of period	112	147	39	43		
Issued	–	–	–	–		
Reinvested dividends	4	6	3	3		
Redeemed	(5)	(17)	–	(6)		
Securities outstanding – end of period	111	136	42	40		

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

MACKENZIE STRATEGIC INCOME CLASS

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2020

BALANCED FUND

STATEMENTS OF CASH FLOWS

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

	2020	2019
	\$	\$
Cash flows from operating activities		
Net increase (decrease) in net assets attributable to securityholders from operations	19,044	6,242
Adjustments for:		
Net realized loss (gain) on investments	(827)	(1,838)
Change in net unrealized loss (gain) on investments	(16,604)	(310)
Purchase of investments	(2,443)	(4,301)
Proceeds from sale and maturity of investments	15,222	19,931
Change in taxes recoverable	(53)	21
Change in taxes payable	(15)	(79)
Net cash from operating activities	14,324	19,666
Cash flows from financing activities		
Proceeds from securities issued	18	189
Payments on redemption of securities	(13,232)	(18,626)
Dividends paid net of reinvestments	(1,049)	(1,208)
Net cash from financing activities	(14,263)	(19,645)
Net increase (decrease) in cash and cash equivalents	61	21
Cash and cash equivalents at beginning of period	(123)	–
Effect of exchange rate fluctuations on cash and cash equivalents	(4)	–
Cash and cash equivalents at end of period	(66)	21
Cash	–	21
Cash equivalents	–	–
Bank indebtedness	(66)	–
Cash and cash equivalents at end of period	(66)	21
Supplementary disclosures on cash flow from operating activities:		
Dividends received	3,331	4,171
Taxes paid	13	–
Interest received	–	428
Interest paid	–	–

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

MACKENZIE STRATEGIC INCOME CLASS

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2020

BALANCED FUND

SCHEDULE OF INVESTMENTS

As at September 30, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
MUTUAL FUNDS					
Mackenzie Strategic Income Fund Series R	Canada	Mutual Funds	16,872,865	154,476	168,875
Total mutual funds				154,476	168,875
Transaction costs				—	—
Total investments				154,476	168,875
Bank indebtedness					(66)
Other assets less liabilities					(147)
Total net assets					168,662

MACKENZIE STRATEGIC INCOME CLASS

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2020

BALANCED FUND

SUMMARY OF INVESTMENT PORTFOLIO OF THE UNDERLYING FUND*

September 30, 2020		March 31, 2020	
Effective Portfolio Allocation	% of NAV	Effective Portfolio Allocation	% of NAV
Equities	52.3	Equities	48.4
<i>Equities</i>	52.3	Bonds	46.7
<i>Purchased options</i>	0.0	<i>Bonds</i>	46.6
<i>Written options</i>	(0.0)	<i>Purchased options</i>	0.1
Bonds	46.8	<i>Short futures</i>	0.0
Cash and short-term investments	0.7	Cash and short-term investments	6.3
Other assets (liabilities)	0.2	Other assets (liabilities)	(1.4)
Purchased currency options	0.0		
Written currency options	(0.0)		
Effective Regional Allocation	% of NAV	Effective Regional Allocation	% of NAV
Canada	42.2	Canada	44.4
United States	33.9	United States	32.6
Other	6.1	Cash and short-term investments	6.3
United Kingdom	3.3	Other	4.3
China	3.1	United Kingdom	2.7
Japan	2.1	China	1.9
France	1.9	Netherlands	1.8
Switzerland	1.9	Japan	1.6
Netherlands	1.7	Switzerland	1.6
Germany	1.4	France	1.6
Ireland	0.8	Germany	1.1
Cash and short-term investments	0.7	Denmark	0.5
Brazil	0.7	Luxembourg	0.5
Other assets (liabilities)	0.2	Ireland	0.5
		Other assets (liabilities)	(1.4)
Effective Sector Allocation	% of NAV	Effective Sector Allocation	% of NAV
Corporate bonds	30.4	Corporate bonds	27.2
Financials	14.1	Financials	14.2
Term loans	7.0	Term loans	8.9
Foreign government bonds	6.8	Cash and short-term investments	6.3
Information technology	6.1	Foreign government bonds	6.2
Consumer staples	5.0	Industrials	5.6
Industrials	4.9	Information technology	5.0
Communication services	4.8	Consumer staples	4.3
Consumer discretionary	3.9	Energy	3.7
Materials	3.6	Communication services	3.3
Health care	3.2	Consumer discretionary	3.0
Energy	3.1	Materials	3.0
Utilities	2.5	Health care	3.0
Other	2.2	Other	2.9
Provincial bonds	1.5	Federal bonds	2.9
Cash and short-term investments	0.7	Utilities	1.9
Other assets (liabilities)	0.2	Other assets (liabilities)	(1.4)

* The Fund is currently fully invested in Mackenzie Strategic Income Fund (the "Underlying Fund").

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

MACKENZIE STRATEGIC INCOME CLASS

INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2020

BALANCED FUND

NOTES TO FINANCIAL STATEMENTS

1. Fiscal Periods and General Information

The information provided in these financial statements and notes thereto is for the six-month periods ended or as at September 30, 2020 and 2019, except for the comparative information presented in the Statements of Financial Position and notes thereto, which is as at March 31, 2020, 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 comprised of one or more classes of shares (referred to as "security" or "securities") of Mackenzie Financial Capital Corporation ("Capitalcorp"), a mutual fund corporation incorporated under the laws of the Province of Ontario, and is authorized to issue up to 1,000 classes of securities of multiple series. The address of the Fund's registered office is 180 Queen Street West, Toronto, Ontario, Canada. Reference is made to the Fund's annual information form for additional information on the Fund's structure.

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other funds of Capitalcorp have also been prepared.

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 unaudited interim financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). These financial statements were prepared using the same accounting policies, critical accounting judgements and estimates as applied in the Fund's most recent audited annual financial statements for the year ended March 31, 2020. 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 November 10, 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.

NOTES TO FINANCIAL STATEMENTS

3. Significant Accounting Policies (cont'd)

(a) Financial instruments (cont'd)

The Fund accounts for its holdings in unlisted open-ended investment funds and exchange-traded funds, if any, at FVTPL. Mackenzie has concluded that 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.

(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 September 30, 2020.

NOTES TO FINANCIAL STATEMENTS

3. Significant Accounting Policies (cont'd)

(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.

(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 annual information form. 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.

NOTES TO FINANCIAL STATEMENTS

3. Significant Accounting Policies (cont'd)

(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.

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 duration and long-term impact of the novel coronavirus (COVID-19) pandemic on businesses and markets, and the extent of additional economic relief measures which may be offered by some governments and central banks, are unknown at the reporting date. The Manager uses judgment in assessing the impact from such events on the assumptions and estimates applied in reporting the assets and liabilities in the Fund's financial statements at September 30, 2020. However, this uncertainty means it is impossible 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.

NOTES TO FINANCIAL STATEMENTS

5. Income Taxes

Capitalcorp qualifies as a mutual fund corporation under the provisions of the Income Tax Act (Canada). The taxation year-end for Capitalcorp is March 31.

Capitalcorp is a single legal entity for tax purposes and is not taxed on a fund-by-fund basis. As such, non-capital and capital losses of Capitalcorp may be applied against the income and/or capital gains attributable to Capitalcorp as a whole irrespective of the Fund from which the income, gains and/or losses arose. Therefore, where a Fund has positive net taxable income, the current tax liability has been offset with the utilization of unused tax losses of Capitalcorp to the extent possible.

Taxable Canadian dividends received and capital gains realized by Capitalcorp are subject to tax in a similar manner as any other corporation. Any taxes paid in respect of Canadian dividends or capital gains are refundable upon the payment of Canadian dividends or capital gains dividends, respectively, to securityholders based on a formula which includes proceeds paid on securities of Capitalcorp redeemed by securityholders. As a result, no tax provision is made in respect of Canadian dividends or capital gains. Any refundable tax allocated to the Fund is included in the Statement of Financial Position – Taxes recoverable. Payment of Canadian dividends, if any, will be made by Capitalcorp's taxation year-end and capital gains dividends, if any, will be paid within 60 days of Capitalcorp's taxation year-end. Dividends are declared separately for each series of each Fund.

Income from other sources, such as interest and foreign income ("Ordinary Income"), is taxed at standard corporate rates. To the extent that Capitalcorp has positive Ordinary Income net of expenses ("Net Ordinary Income") Capitalcorp will be required to pay corporate income tax as a whole. The Fund is allocated a portion of this expense based on its series' contribution to Capitalcorp's overall tax liability. Any income tax expense allocated to the Fund is included in the Statement of Comprehensive Income – Income taxes.

Capitalcorp follows the asset and liability method of accounting for income taxes whereby deferred income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are expected to be in effect when the underlying items of Net Ordinary Income are expected to be realized.

Temporary differences between the carrying value of assets and liabilities for accounting and tax purposes give rise to deferred income tax assets and liabilities. Where the fair value of the portfolio investments exceeds their cost, a deferred tax liability arises. This deferred tax liability for refundable taxes payable is offset with the refund expected upon payment of capital gains dividends. Where the cost of the portfolio investments exceeds their market value, a deferred tax asset is generated. A full valuation allowance is taken to offset this asset given the uncertainty that such deferred assets will ultimately be realized. Unused capital and non-capital losses, as disclosed below, also represent deferred tax assets for which a full valuation allowance has been established.

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

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 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), 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 annual information form, 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 annual information form.

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.

NOTES TO FINANCIAL STATEMENTS

7. Fund's Capital

The capital of the Fund, which is comprised of the net assets attributable to securityholders, is divided into different series with each series having an unlimited number of securities. The securities outstanding for the Fund as at September 30, 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 September 30, 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.

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.

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NOTES TO FINANCIAL STATEMENTS

8. Financial Instruments Risk (cont'd)

vi. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. Note 9 summarizes the Fund's exposure, if applicable and significant, to credit risk.

All transactions in listed securities are executed with approved brokers. To minimize the possibility of settlement default, securities are exchanged for payment simultaneously, where market practices permit, through the facilities of a central depository and/or clearing agency where customary.

The carrying amount of investments and other assets represents the maximum credit risk exposure as at the date of the Statement of Financial Position.

The Fund may enter into securities lending transactions with counterparties and it may also be exposed to credit risk from the counterparties to the derivative instruments it may use. Credit risk associated with these transactions is considered minimal as all counterparties have a 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.

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

(a) Fund Formation and Series Information

Date of Formation October 30, 2009

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 Offered by Mackenzie Financial Corporation (180 Queen Street West, Toronto, Ontario, M5V 3K1; 1-800-387-0614; www.mackenzieinvestments.com)

Series A, Series F, Series F5, Series F8, Series J, Series J5, Series J8, Series O, Series T5 and Series T8 are closed to new sales.

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

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

Q Series, H Series, L Series, L5 Series, N Series and D5 Series are closed to new sales. Before August 14, 2020, Q Series securities were known as Quadrus Series.

Series Distributed by LBC Financial Services Inc. (1360 René-Lévesque Blvd. West, 13th Floor, Montréal, Québec H3G 0A9; 1-800-522-1846; www.laurentianbank.ca/mackenzie)

Series LB and Series LX are closed to new sales.

Series	Inception/ Reinstatement Date	Management Fees	Administration Fees	Net Asset Value per Security (\$)	
				Sep. 30, 2020	Mar. 31, 2020
Series A	November 16, 2009	1.85%	0.21%	14.11	13.13
Series F	November 18, 2009	0.70%	0.15%	14.64	13.77
Series F5	November 18, 2009	0.70%	0.15%	11.50	11.12
Series F8	November 23, 2009	0.70%	0.15%	8.97	8.82
Series J	November 20, 2009	1.55%	0.20%	14.30	13.34
Series J5	November 2, 2010	1.55%	0.27%	10.87	10.41
Series J8	May 13, 2010	1.55%	0.27%	8.50	8.29
Series O	December 4, 2009	— ⁽¹⁾	— *	15.30	14.49
Series T5	November 17, 2009	1.85%	0.21%	11.09	10.61
Series T8	November 18, 2009	1.85%	0.21%	8.63	8.40
Q Series ⁽²⁾	July 21, 2010	1.85%	0.21%	13.18	12.26
H Series	November 19, 2010	0.85%	0.15%	12.57	11.80
L Series	October 18, 2011	1.55%	0.15%	12.14	11.33
L5 Series	January 3, 2013	1.55%	0.15%	11.07	10.63
N Series	December 9, 2011	— ⁽¹⁾	— ⁽¹⁾	12.20	11.55
D5 Series	September 22, 2010	1.85%	0.21%	11.50	11.00
Series LB	February 6, 2012	1.85%	0.21%	11.33	10.53
Series LX	February 13, 2012	1.85%	0.21%	10.16	9.71

* Not applicable.

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

(2) Before August 14, 2020, Q Series securities were known as Quadrus Series.

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BALANCED FUND

NOTES TO FINANCIAL STATEMENTS

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

(b) Securities Lending

As at September 30, 2020 and March 31, 2020, the Fund did not have any open securities lending, repurchase or reverse repurchase transactions.

(c) Offsetting of Financial Assets and Liabilities

As at September 30, 2020 and March 31, 2020, there were no amounts subject to offsetting.

(d) Risks Associated with Financial Instruments

i. Risk exposure and management

The Fund seeks income and long-term capital growth by investing primarily in fixed income and/or income-oriented equities issued anywhere in the world, although it currently invests primarily in North America either directly or through securities of other mutual funds. It currently invests all its assets in Mackenzie Strategic Income Fund (the "Underlying Fund"). Depending on economic conditions and relative valuations by the Fund's portfolio managers, the Fund will generally invest 30% to 70% of its assets in each of equity and fixed income securities, but may invest up to 100% of its assets in either asset class.

ii. Currency risk

The Underlying Fund is denominated in Canadian dollars. However, the Underlying Fund is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. Investments held by the Underlying Fund, which trade in foreign markets, are also exposed to currency risk as the price in local terms on the foreign exchange is converted to Canadian dollars to determine fair value. The Underlying Fund may hedge some or all of its currency exposure.

As at September 30, 2020, 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 \$2,665 or 1.6% of total net assets (March 31, 2020 – \$2,390 or 1.5%). In practice, the actual trading results may differ and the difference could be material.

iii. Interest rate risk

The Fund does not directly hold any interest-bearing financial instruments other than a nominal amount of cash and short-term investments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the Underlying Fund will fluctuate due to changes in the prevailing levels of market interest rates.

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

Term to Maturity	September 30, 2020 (%)		March 31, 2020 (%)	
	Bonds	Derivative Instruments	Bonds	Derivative Instruments
Less than 1 year	1.3	–	1.5	100.0
1-5 years	32.0	–	28.1	–
5-10 years	51.1	–	48.2	–
Greater than 10 years	15.6	–	22.2	–
Total	100.0	–	100.0	100.0

As at September 30, 2020, had prevailing interest rates increased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased by approximately \$4,211 or 2.5% (March 31, 2020 – \$4,185 or 2.6%) of total net assets. Similarly, had prevailing interest rates decreased by 1%, with all other variables held constant, net assets would have increased by approximately \$4,218 or 2.5% (March 31, 2020 – \$4,190 or 2.6%) of total net assets. In practice, the actual trading results may differ and the difference could be material.

iv. Other price risk

The Fund's most significant exposure to price risk arises from its exposure to the Underlying Fund's investment in equity securities, exchange-traded funds/notes and mutual funds. As at September 30, 2020, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased by approximately \$10,096 or 6.0% (March 31, 2020 – \$7,944 or 4.8%) of total net assets. In practice, the actual trading results may differ and the difference could be material.

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NOTES TO FINANCIAL STATEMENTS

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

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

v. Credit risk

The Fund's greatest concentration of credit risk is in debt securities, such as bonds held by the Underlying Fund. The fair value of debt securities includes considerations of the creditworthiness of the debt issuer. The maximum exposure to any one debt issuer as at September 30, 2020, was 2.3% of the net assets of the Underlying Fund (March 31, 2020 – 3.2%).

As at September 30, 2020 and March 31, 2020, the Underlying Fund's debt securities by credit rating are as follows:

Bond Rating*	September 30, 2020	March 31, 2020
	% of Net Assets	% of Net Assets
AAA	1.5	3.0
AA	3.5	4.2
A	5.0	4.2
BBB	9.1	7.1
BB	7.3	6.5
B	6.6	7.7
Less than B	2.2	1.7
Unrated	2.5	2.7
Total	37.7	37.1

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

(e) Fair Value Classification

The table below summarizes the fair value of the Fund's financial instruments using the following fair value hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The inputs are considered observable if they are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

	September 30, 2020				March 31, 2020			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Mutual funds	168,875	–	–	168,875	164,211	–	–	164,211
Total	168,875	–	–	168,875	164,211	–	–	164,211

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.