

# CORE BOND FUND (PORTICO)

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

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

CANADIAN INCOME FUND

## MANAGEMENT REPORT

### Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by Mackenzie Financial Corporation, as Manager of Core Bond Fund (Portico) (the "Fund"). The Manager is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with International Financial Reporting Standards. The Manager is also responsible for the development of internal controls over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors (the "Board") of Mackenzie Financial Corporation is responsible for reviewing and approving the financial statements and overseeing the Manager's performance of its financial reporting responsibilities. The Board is assisted in discharging this responsibility by an Audit Committee, which reviews the financial statements and recommends them for approval by the Board. The Audit Committee also meets regularly with the Manager, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

Deloitte LLP is the external auditor of the Fund. It is appointed by the Board. The external auditor has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the securityholders its opinion on the financial statements. Its report is set out below.

On behalf of Mackenzie Financial Corporation,  
Manager of the Fund



Barry McInerney  
President and Chief Executive Officer



Terry Rountes  
Chief Financial Officer, Funds

July 13, 2020

## INDEPENDENT AUDITOR'S REPORT

To the Securityholders of Core Bond Fund (Portico) (the "Fund")

### Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2020 and 2019, and its financial performance and its cash flows for the periods then ended, as indicated in Note 1, in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

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

### Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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## 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.



Chartered Professional Accountants

Licensed Public Accountants

Toronto, Ontario

July 13, 2020

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

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CANADIAN INCOME FUND

## STATEMENTS OF FINANCIAL POSITION

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

	2020	2019
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Investments at fair value	298,076	225,699
Cash and cash equivalents	7,133	7,599
Accrued interest receivable	2,341	1,867
Accounts receivable for investments sold	1,139	60
Accounts receivable for securities issued	38	132
Due from manager	1	1
<b>Total assets</b>	<b>308,728</b>	<b>235,358</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable for investments purchased	2,427	1,436
Accounts payable for securities redeemed	448	158
Due to manager	5	–
<b>Total liabilities</b>	<b>2,880</b>	<b>1,594</b>
<b>Net assets attributable to securityholders</b>	<b>305,848</b>	<b>233,764</b>
<b>Net assets attributable to securityholders per series (note 3)</b>		
Quadrus Series	70,116	56,496
H Series	3,715	2,560
HW Series	1,116	680
L Series	44,220	32,689
N Series	84,466	67,275
QF Series	17,376	12,110
QFW Series	4,455	1,684
Series R	79,332	59,143
Series S	1,052	1,127
<b>Net assets attributable to securityholders per security (note 3)</b>		
Quadrus Series	11.88	11.76
H Series	11.86	11.75
HW Series	10.48	10.37
L Series	10.32	10.21
N Series	10.58	10.46
QF Series	9.79	9.69
QFW Series	10.48	10.37
Series R	11.37	11.25
Series S	11.50	11.37

## STATEMENTS OF COMPREHENSIVE INCOME

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

	2020	2019
	\$	\$
<b>Income</b>		
Interest income	8,283	5,999
Other changes in fair value of investments and other net assets		
Net realized gain (loss)	54	(718)
Net unrealized gain (loss)	1,949	6,028
Securities lending income	40	34
<b>Total income (loss)</b>	<b>10,326</b>	<b>11,343</b>
<b>Expenses (note 6)</b>		
Management fees	1,538	1,134
Management fee rebates	(51)	(38)
Administration fees	230	165
Commissions and other portfolio transaction costs	–	8
Independent Review Committee fees	1	1
Other	1	4
<b>Expenses before amounts absorbed by Manager</b>	<b>1,719</b>	<b>1,274</b>
Expenses absorbed by Manager	–	–
<b>Net expenses</b>	<b>1,719</b>	<b>1,274</b>
<b>Increase (decrease) in net assets attributable to securityholders from operations before tax</b>	<b>8,607</b>	<b>10,069</b>
Foreign withholding taxes	–	–
Foreign income taxes paid (recovered)	–	–
<b>Increase (decrease) in net assets attributable to securityholders from operations</b>	<b>8,607</b>	<b>10,069</b>
<b>Increase (decrease) in net assets attributable to securityholders from operations per series</b>		
Quadrus Series	1,355	1,865
H Series	89	108
HW Series	15	28
L Series	805	1,115
N Series	2,935	3,446
QF Series	404	479
QFW Series	39	63
Series R	2,923	2,908
Series S	42	57
<b>Increase (decrease) in net assets attributable to securityholders from operations per security</b>		
Quadrus Series	0.25	0.42
H Series	0.33	0.46
HW Series	0.18	0.49
L Series	0.21	0.39
N Series	0.39	0.75
QF Series	0.26	0.56
QFW Series	0.16	0.76
Series R	0.45	0.60
Series S	0.45	0.60

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

CANADA LIFE MUTUAL FUNDS

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

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## STATEMENTS OF CHANGES IN FINANCIAL POSITION

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

	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Quadrus Series		H Series		HW Series		L Series		N Series	
	\$		\$		\$		\$		\$	
<b>NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS</b>										
<b>Beginning of period</b>	<b>56,496</b>	<b>52,792</b>	<b>2,560</b>	<b>3,119</b>	<b>680</b>	<b>–</b>	<b>32,689</b>	<b>28,049</b>	<b>67,275</b>	<b>33,312</b>
Increase (decrease) in net assets from operations	1,355	1,865	89	108	15	28	805	1,115	2,935	3,446
Distributions paid to securityholders:										
Investment income	(863)	(773)	(70)	(64)	(19)	(9)	(636)	(509)	(2,292)	(1,455)
Capital gains	–	–	–	–	–	–	–	–	–	–
Management fee rebates	(37)	(29)	(3)	(3)	–	–	–	–	–	–
Total distributions paid to securityholders	(900)	(802)	(73)	(67)	(19)	(9)	(636)	(509)	(2,292)	(1,455)
Security transactions:										
Proceeds from securities issued	38,044	17,591	2,372	886	664	654	23,011	11,324	31,057	41,478
Proceeds from securities issued on merger	–	1,391	–	5	–	1	–	392	–	885
Reinvested distributions	900	794	72	66	19	9	636	508	2,289	1,453
Payments on redemption of securities	(25,779)	(17,135)	(1,305)	(1,557)	(243)	(3)	(12,285)	(8,190)	(16,798)	(11,844)
Total security transactions	13,165	2,641	1,139	(600)	440	661	11,362	4,034	16,548	31,972
<b>Total increase (decrease) in net assets</b>	<b>13,620</b>	<b>3,704</b>	<b>1,155</b>	<b>(559)</b>	<b>436</b>	<b>680</b>	<b>11,531</b>	<b>4,640</b>	<b>17,191</b>	<b>33,963</b>
<b>End of period</b>	<b>70,116</b>	<b>56,496</b>	<b>3,715</b>	<b>2,560</b>	<b>1,116</b>	<b>680</b>	<b>44,220</b>	<b>32,689</b>	<b>84,466</b>	<b>67,275</b>

Increase (decrease) in fund securities (note 7):	Securities		Securities		Securities		Securities		Securities	
<b>Securities outstanding – beginning of period</b>	<b>4,804</b>	<b>4,578</b>	<b>218</b>	<b>271</b>	<b>66</b>	<b>–</b>	<b>3,202</b>	<b>2,804</b>	<b>6,432</b>	<b>3,250</b>
Issued	3,173	1,537	198	78	61	65	2,206	1,136	2,916	4,119
Issued on merger	–	121	–	–	–	–	–	39	–	86
Reinvested distributions	75	70	6	6	2	1	61	51	215	143
Redeemed	(2,148)	(1,502)	(109)	(137)	(23)	–	(1,184)	(828)	(1,577)	(1,166)
<b>Securities outstanding – end of period</b>	<b>5,904</b>	<b>4,804</b>	<b>313</b>	<b>218</b>	<b>106</b>	<b>66</b>	<b>4,285</b>	<b>3,202</b>	<b>7,986</b>	<b>6,432</b>

	QF Series		QFW Series		Series R		Series S		Total	
	\$		\$		\$		\$		\$	
<b>NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS</b>										
<b>Beginning of period</b>	<b>12,110</b>	<b>5,818</b>	<b>1,684</b>	<b>–</b>	<b>59,143</b>	<b>46,368</b>	<b>1,127</b>	<b>1,031</b>	<b>233,764</b>	<b>170,489</b>
Increase (decrease) in net assets from operations	404	479	39	63	2,923	2,908	42	57	8,607	10,069
Distributions paid to securityholders:										
Investment income	(313)	(186)	(59)	(14)	(2,131)	(1,661)	(31)	(32)	(6,414)	(4,703)
Capital gains	–	–	–	–	–	–	–	–	–	–
Management fee rebates	(11)	(6)	–	–	–	–	–	–	(51)	(38)
Total distributions paid to securityholders	(324)	(192)	(59)	(14)	(2,131)	(1,661)	(31)	(32)	(6,465)	(4,741)
Security transactions:										
Proceeds from securities issued	9,057	8,925	3,470	1,630	32,542	17,649	51	67	140,268	100,204
Proceeds from securities issued on merger	–	142	–	1	–	9,166	–	–	–	11,983
Reinvested distributions	324	190	59	14	188	130	31	32	4,518	3,196
Payments on redemption of securities	(4,195)	(3,252)	(738)	(10)	(13,333)	(15,417)	(168)	(28)	(74,844)	(57,436)
Total security transactions	5,186	6,005	2,791	1,635	19,397	11,528	(86)	71	69,942	57,947
<b>Total increase (decrease) in net assets</b>	<b>5,266</b>	<b>6,292</b>	<b>2,771</b>	<b>1,684</b>	<b>20,189</b>	<b>12,775</b>	<b>(75)</b>	<b>96</b>	<b>72,084</b>	<b>63,275</b>
<b>End of period</b>	<b>17,376</b>	<b>12,110</b>	<b>4,455</b>	<b>1,684</b>	<b>79,332</b>	<b>59,143</b>	<b>1,052</b>	<b>1,127</b>	<b>305,848</b>	<b>233,764</b>

Increase (decrease) in fund securities (note 7):	Securities		Securities		Securities		Securities	
<b>Securities outstanding – beginning of period</b>	<b>1,249</b>	<b>612</b>	<b>162</b>	<b>–</b>	<b>5,259</b>	<b>4,207</b>	<b>99</b>	<b>93</b>
Issued	918	947	326	162	2,850	1616	5	6
Issued on merger	–	15	–	–	–	830	–	–
Reinvested distributions	33	20	6	1	17	12	3	3
Redeemed	(425)	(345)	(69)	(1)	(1,150)	(1,406)	(15)	(3)
<b>Securities outstanding – end of period</b>	<b>1,775</b>	<b>1,249</b>	<b>425</b>	<b>162</b>	<b>6,976</b>	<b>5,259</b>	<b>92</b>	<b>99</b>

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

CANADA LIFE MUTUAL FUNDS

# CORE BOND FUND (PORTICO)

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

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## STATEMENTS OF CASH FLOWS

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

	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Net increase (decrease) in net assets attributable to securityholders from operations	8,607	10,069
Adjustments for:		
Net realized loss (gain) on investments	(54)	718
Change in net unrealized loss (gain) on investments	(1,949)	(6,028)
Purchase of investments	(98,117)	(84,999)
Proceeds from sale and maturity of investments	27,655	44,292
Change in accrued interest receivable	(474)	(326)
Change in due from manager	—	8
Change in due to manager	5	(7)
<b>Net cash from operating activities</b>	<b>(64,327)</b>	<b>(36,273)</b>
<b>Cash flows from financing activities</b>		
Proceeds from securities issued	134,375	97,622
Payments on redemption of securities	(68,567)	(54,776)
Distributions paid net of reinvestments	(1,947)	(1,545)
<b>Net cash from financing activities</b>	<b>63,861</b>	<b>41,301</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(466)</b>	<b>5,028</b>
Cash and cash equivalents at beginning of period	7,599	2,571
Effect of exchange rate fluctuations on cash and cash equivalents	—	—
<b>Cash and cash equivalents at end of period</b>	<b>7,133</b>	<b>7,599</b>
Cash	33	99
Cash equivalents	7,100	7,500
<b>Cash and cash equivalents at end of period</b>	<b>7,133</b>	<b>7,599</b>
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received	—	—
Foreign taxes paid	—	—
Interest received	7,809	5,673
Interest paid	—	—

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## SCHEDULE OF INVESTMENTS

As at March 31, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS</b>					
407 International Inc. 4.30% 05-26-2021 Callable	Canada	Corporate - Non Convertible	1,105,000	1,126	1,126
407 International Inc. 2.43% 05-04-2027 Callable MTN	Canada	Corporate - Non Convertible	900,000	890	901
407 International Inc. 5.96% 12-03-2035 Callable	Canada	Corporate - Non Convertible	605,000	821	808
407 International Inc. 4.19% 04-25-2042 Callable	Canada	Corporate - Non Convertible	1,304,000	1,384	1,463
The 55 School Board Trust 5.90% 06-02-2033	Canada	Provincial Governments	464,000	510	640
Alliance Pipeline LP 5.546% 12-31-2023 Callable	Canada	Corporate - Non Convertible	24,068	25	25
Alliance Pipeline LP 6.77% 12-31-2025 Callable	Canada	Corporate - Non Convertible	79,654	90	89
AltaLink LP 3.99% 06-30-2042 Callable	Canada	Corporate - Non Convertible	915,000	1,070	1,008
AltaLink LP 3.72% 12-03-2046 Callable MTN	Canada	Corporate - Non Convertible	965,000	968	1,028
Bank of Montreal 1.88% 03-31-2021 DPNT	Canada	Corporate - Non Convertible	1,325,000	1,327	1,323
Bank of Montreal 2.85% 03-06-2024	Canada	Corporate - Non Convertible	3,210,000	3,256	3,231
Bank of Montreal 4.61% 09-10-2025 Callable	Canada	Corporate - Non Convertible	1,800,000	1,953	2,011
Bank of Montreal 2.70% 12-09-2026	Canada	Corporate - Non Convertible	1,585,000	1,562	1,619
The Bank of Nova Scotia 2.36% 11-08-2022	Canada	Corporate - Non Convertible	1,800,000	1,793	1,813
The Bank of Nova Scotia 2.29% 06-28-2024	Canada	Corporate - Non Convertible	1,700,000	1,673	1,703
The Bank of Nova Scotia 3.10% 02-02-2028	Canada	Corporate - Non Convertible	1,615,000	1,614	1,696
BC Telecom Inc. 9.65% 04-08-2022	Canada	Corporate - Non Convertible	155,000	208	176
bcIMC Realty Corp. 2.15% 08-11-2022 Callable 2022	Canada	Corporate - Non Convertible	1,935,000	1,929	1,939
Bell Canada Inc. 3.15% 09-29-2021 Callable 2021	Canada	Corporate - Non Convertible	1,800,000	1,810	1,820
Bell Canada Inc. 2.70% 02-27-2024 Callable 2023	Canada	Corporate - Non Convertible	2,000,000	1,980	1,992
Bell Canada Inc. 3.80% 08-21-2028 Callable 2028	Canada	Corporate - Non Convertible	2,000,000	2,012	2,090
British Columbia Ferry Services Inc. 4.29% 04-28-2044 Callable 2043	Canada	Corporate - Non Convertible	2,040,000	2,364	2,362
Bruce Power LP 4.13% 06-21-2033 Callable 2033	Canada	Corporate - Non Convertible	1,250,000	1,258	1,252
Canada Housing Trust 1.50% 12-15-2021	Canada	Federal Government	6,800,000	6,648	6,904
Canada Housing Trust 2.90% 06-15-2024	Canada	Federal Government	4,355,000	4,607	4,690
Canadian Imperial Bank of Commerce 1.90% 04-26-2021 DPNT	Canada	Corporate - Non Convertible	1,550,000	1,549	1,548
Canadian Imperial Bank of Commerce 2.04% 03-21-2022	Canada	Corporate - Non Convertible	3,000,000	2,937	2,996
Canadian National Railway Co. 3.00% 02-08-2029 Callable 2028	Canada	Corporate - Non Convertible	2,500,000	2,574	2,577
Canadian Natural Resources Ltd. 2.89% 08-14-2020 Callable	Canada	Corporate - Non Convertible	1,700,000	1,702	1,697
Canadian Natural Resources Ltd. 3.55% 06-03-2024	Canada	Corporate - Non Convertible	1,725,000	1,737	1,592
Canadian Tire Corp. Ltd. 3.17% 07-06-2023 Callable 2023	Canada	Corporate - Non Convertible	2,000,000	1,996	2,014
Canadian Tire Corp. Ltd. 5.61% 09-04-2035	Canada	Corporate - Non Convertible	965,000	1,030	1,118
Capital Desjardins Inc. 5.19% 05-05-2020	Canada	Corporate - Non Convertible	1,300,000	1,387	1,304
CU Inc. 5.556% 10-30-2037 Callable	Canada	Corporate - Non Convertible	1,225,000	1,610	1,593
CU Inc. 4.54% 10-24-2041 Callable	Canada	Corporate - Non Convertible	1,230,000	1,374	1,443
Enbridge Pipelines Inc. 5.33% 04-06-2040 Callable	Canada	Corporate - Non Convertible	960,000	1,082	1,016
Fédération des Caisses Desjardins du Québec 2.39% 08-25-2022	Canada	Corporate - Non Convertible	2,445,000	2,441	2,460
Fédération des Caisses Desjardins du Québec 3.06% 09-11-2023	Canada	Corporate - Non Convertible	1,700,000	1,708	1,746
General Electric Capital Corp. 4.60% 01-26-2022	United States	Corporate - Non Convertible	275,000	310	284
Government of Canada 3.50% 06-01-2020	Canada	Federal Government	2,955,000	3,214	2,970
Government of Canada 3.25% 06-01-2021	Canada	Federal Government	3,780,000	4,074	3,903
Government of Canada 2.75% 06-01-2022	Canada	Federal Government	9,150,000	9,765	9,600
Government of Canada 2.00% 09-01-2023	Canada	Federal Government	3,320,000	3,448	3,483
Government of Canada 2.25% 03-01-2024	Canada	Federal Government	1,200,000	1,233	1,277
Government of Canada 2.50% 06-01-2024	Canada	Federal Government	4,925,000	5,134	5,312
Government of Canada 2.25% 06-01-2025	Canada	Federal Government	8,200,000	8,456	8,883
Government of Canada 2.00% 06-01-2028	Canada	Federal Government	6,325,000	6,329	7,000
Government of Canada 5.75% 06-01-2029	Canada	Federal Government	4,525,000	6,231	6,530
Government of Canada 5.75% 06-01-2033	Canada	Federal Government	2,820,000	3,866	4,492
Government of Canada 4.00% 06-01-2041	Canada	Federal Government	3,495,000	4,252	5,270

CANADA LIFE MUTUAL FUNDS

# CORE BOND FUND (PORTICO)

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

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

CANADIAN INCOME FUND

## SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS (cont'd)</b>					
Government of Canada 2.75% 12-01-2048	Canada	Federal Government	2,795,000	3,277	3,748
Government of Canada 2.00% 12-01-2051	Canada	Federal Government	5,030,000	5,495	5,921
Greater Toronto Airports Authority 3.04% 09-21-2022	Canada	Corporate - Non Convertible	900,000	909	918
Greater Toronto Airports Authority 6.98% 10-15-2032 Callable	Canada	Corporate - Non Convertible	1,000,000	1,345	1,404
Greater Toronto Airports Authority 6.47% 02-02-2034 Callable	Canada	Corporate - Non Convertible	715,000	949	982
Greater Toronto Airports Authority 2.75% 10-17-2039	Canada	Corporate - Non Convertible	1,200,000	1,197	1,072
Greater Toronto Airports Authority 5.30% 02-25-2041 Callable	Canada	Corporate - Non Convertible	1,000,000	1,288	1,260
Honda Canada Finance Inc. 2.27% 07-15-2022	Canada	Corporate - Non Convertible	2,450,000	2,437	2,418
Hydro One Inc. 3.20% 01-13-2022	Canada	Corporate - Non Convertible	2,070,000	2,121	2,112
Hydro One Inc. 6.93% 06-01-2032	Canada	Corporate - Non Convertible	1,470,000	2,033	2,059
Hydro One Inc. 5.36% 05-20-2036	Canada	Corporate - Non Convertible	750,000	830	945
Hydro One Inc. 4.39% 09-26-2041	Canada	Corporate - Non Convertible	850,000	899	973
Inter-American Development Bank 4.40% 01-26-2026	Supra - National	n/a	265,000	253	310
Interprovincial Pipe Line Ltd. 8.20% 02-15-2024	Canada	Corporate - Non Convertible	231,000	297	272
Loblaw Companies Ltd. 6.85% 03-01-2032 Callable	Canada	Corporate - Non Convertible	603,000	676	763
National Bank of Canada 1.96% 06-30-2022	Canada	Corporate - Non Convertible	3,500,000	3,444	3,486
National Bank of Canada 2.58% 02-03-2025	Canada	Corporate - Non Convertible	1,535,000	1,533	1,522
NAV CANADA 4.397% 02-18-2021 Callable	Canada	Corporate - Non Convertible	1,000,000	1,059	1,022
North West Redwater Partnership/NWR Financing Co. Ltd. 3.70% 02-23-2043 Callable 2042	Canada	Corporate - Non Convertible	1,850,000	1,772	1,631
North West Redwater Partnership 3.20% 04-24-2026 Callable 2026	Canada	Corporate - Non Convertible	1,800,000	1,810	1,823
Ontario School Boards Financing Corp. 5.483% 11-26-2029	Canada	Provincial Governments	137,392	138	161
Ottawa Macdonald-Cartier International Airport Authority 6.973% 05-25-2032 Callable	Canada	Corporate - Non Convertible	110,971	131	144
Province of Alberta 2.35% 06-01-2025	Canada	Provincial Governments	3,100,000	3,116	3,195
Province of Alberta 2.55% 06-01-2027	Canada	Provincial Governments	2,680,000	2,681	2,778
Province of Alberta 2.05% 06-01-2030	Canada	Provincial Governments	1,350,000	1,319	1,315
Province of Alberta 3.45% 12-01-2043	Canada	Provincial Governments	1,900,000	2,026	2,043
Province of Alberta 3.05% 12-01-2048	Canada	Provincial Governments	3,025,000	3,121	3,049
Province of British Columbia 2.85% 06-18-2025	Canada	Provincial Governments	3,000,000	3,128	3,204
Province of British Columbia 2.30% 06-18-2026	Canada	Provincial Governments	2,650,000	2,702	2,759
Province of British Columbia 5.70% 06-18-2029	Canada	Provincial Governments	2,100,000	2,561	2,776
Province of British Columbia 4.95% 06-18-2040	Canada	Provincial Governments	540,000	626	750
Province of British Columbia 4.30% 06-18-2042	Canada	Provincial Governments	1,650,000	1,966	2,141
Province of British Columbia 2.95% 06-18-2050	Canada	Provincial Governments	2,390,000	2,613	2,612
Province of Manitoba 5.70% 03-05-2037	Canada	Provincial Governments	525,000	645	738
Province of New Brunswick 1.80% 08-14-2025	Canada	Provincial Governments	1,835,000	1,849	1,849
Province of New Brunswick 2.35% 08-14-2027	Canada	Provincial Governments	1,275,000	1,250	1,314
Province of New Brunswick 5.50% 01-27-2034	Canada	Provincial Governments	285,000	322	384
Province of New Brunswick 4.55% 03-26-2037	Canada	Provincial Governments	215,000	202	267
Province of New Brunswick 3.80% 08-14-2045	Canada	Provincial Governments	1,450,000	1,548	1,674
Province of Nova Scotia 4.50% 06-01-2037	Canada	Provincial Governments	850,000	947	1,076
Province of Ontario 3.50% 06-02-2024	Canada	Provincial Governments	3,685,000	3,943	4,000
Province of Ontario 2.60% 06-02-2025	Canada	Provincial Governments	3,000,000	3,086	3,163
Province of Ontario 1.75% 09-08-2025	Canada	Provincial Governments	2,600,000	2,621	2,630
Province of Ontario 2.60% 06-02-2027	Canada	Provincial Governments	1,600,000	1,592	1,697
Province of Ontario 2.05% 06-02-2030	Canada	Provincial Governments	1,750,000	1,759	1,768
Province of Ontario 5.85% 03-08-2033	Canada	Provincial Governments	1,505,000	1,951	2,127
Province of Ontario 4.70% 06-02-2037	Canada	Provincial Governments	2,845,000	3,222	3,748
Province of Ontario 4.60% 06-02-2039	Canada	Provincial Governments	2,800,000	3,164	3,698

CANADA LIFE MUTUAL FUNDS

# CORE BOND FUND (PORTICO)

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

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CANADIAN INCOME FUND

## SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2020

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS (cont'd)</b>					
Province of Ontario 4.65% 06-02-2041	Canada	Provincial Governments	2,710,000	3,366	3,640
Province of Ontario 3.50% 06-02-2043	Canada	Provincial Governments	2,715,000	2,824	3,156
Province of Ontario 2.90% 06-02-2049	Canada	Provincial Governments	3,750,000	4,054	4,012
Province of Ontario 2.65% 12-02-2050	Canada	Provincial Governments	2,100,000	2,247	2,153
Province of Quebec 3.75% 09-01-2024	Canada	Provincial Governments	2,545,000	2,725	2,800
Province of Quebec 2.75% 09-01-2027	Canada	Provincial Governments	2,550,000	2,621	2,738
Province of Quebec 2.75% 09-01-2028	Canada	Provincial Governments	3,050,000	3,033	3,286
Province of Quebec 2.30% 09-01-2029	Canada	Provincial Governments	1,850,000	1,904	1,925
Province of Quebec 6.00% 10-01-2029	Canada	Provincial Governments	1,600,000	1,945	2,170
Province of Quebec 5.75% 12-01-2036	Canada	Provincial Governments	1,967,000	2,424	2,876
Province of Quebec 5.00% 12-01-2041	Canada	Provincial Governments	1,150,000	1,420	1,622
Province of Quebec 4.25% 12-01-2043	Canada	Provincial Governments	2,515,000	2,883	3,276
Province of Quebec 3.50% 12-01-2045	Canada	Provincial Governments	3,450,000	3,625	4,061
Province of Quebec 3.50% 12-01-2048	Canada	Provincial Governments	2,725,000	3,167	3,254
Province of Saskatchewan 5.80% 09-05-2033	Canada	Provincial Governments	500,000	613	693
Royal Bank of Canada 2.03% 03-15-2021 DPNT	Canada	Corporate - Non Convertible	2,300,000	2,296	2,300
Royal Bank of Canada 3.30% 09-26-2023	Canada	Corporate - Non Convertible	3,130,000	3,202	3,200
Royal Bank of Canada 2.33% 12-05-2023 DPNT	Canada	Corporate - Non Convertible	2,550,000	2,556	2,563
Royal Bank of Canada 4.93% 07-16-2025	Canada	Corporate - Non Convertible	2,000,000	2,254	2,264
Saputo Inc. 2.88% 11-19-2024 Callable 2024	Canada	Corporate - Non Convertible	1,700,000	1,718	1,673
Scotiabank Capital Trust 5.65% 12-31-2056 (F/R @ 12-31-2036) Callable 2036	Canada	Corporate - Non Convertible	365,000	421	359
Sobeys Inc. 4.70% 08-08-2023	Canada	Corporate - Non Convertible	790,000	808	800
Sun Life Financial Inc. F/R 09-19-2028 Callable 2023	Canada	Corporate - Non Convertible	1,500,000	1,492	1,498
Suncor Energy Inc. 3.10% 11-26-2021 Callable 2021	Canada	Corporate - Non Convertible	2,015,000	2,056	2,001
Suncor Energy Inc. 3.10% 05-24-2029 Callable 2029	Canada	Corporate - Non Convertible	2,000,000	2,057	1,739
TELUS Corp. 3.75% 01-17-2025 Callable	Canada	Corporate - Non Convertible	1,600,000	1,630	1,648
TELUS Corp. 4.40% 04-01-2043 Callable	Canada	Corporate - Non Convertible	1,800,000	1,856	1,782
The Toronto-Dominion Bank 1.68% 06-08-2021 Covered	Canada	Corporate - Non Convertible	2,350,000	2,350	2,345
The Toronto-Dominion Bank 2.621% 12-22-2021	Canada	Corporate - Non Convertible	2,400,000	2,436	2,424
The Toronto-Dominion Bank 2.85% 03-08-2024	Canada	Corporate - Non Convertible	2,500,000	2,559	2,519
The Toronto-Dominion Bank 3.226% 07-24-2024	Canada	Corporate - Non Convertible	1,705,000	1,767	1,775
The Toronto-Dominion Bank F/R 01-26-2032 Callable 2027	Canada	Corporate - Non Convertible	1,550,000	1,557	1,482
Toyota Credit Canada Inc. 2.02% 02-28-2022	Canada	Corporate - Non Convertible	1,015,000	1,010	1,006
Toyota Credit Canada Inc. 2.11% 02-26-2025	Canada	Corporate - Non Convertible	1,515,000	1,524	1,452
TransCanada PipeLines Ltd. 6.50% 12-09-2030	Canada	Corporate - Non Convertible	160,000	169	199
Union Gas Ltd. 2.88% 11-22-2027 Callable 2027	Canada	Corporate - Non Convertible	1,100,000	1,092	1,137
University of Toronto 6.78% 07-18-2031	Canada	Provincial Governments	155,000	180	213
Vancouver Airport Authority 2.87% 10-18-2049	Canada	Corporate - Non Convertible	1,750,000	1,825	1,550
Westcoast Energy Inc. 3.88% 10-28-2021	Canada	Corporate - Non Convertible	300,000	323	307
Westcoast Energy Inc. 3.12% 12-05-2022	Canada	Corporate - Non Convertible	650,000	654	660
<b>Total bonds</b>				<b>288,813</b>	<b>298,076</b>
Transaction costs				—	—
<b>Total investments</b>				<b>288,813</b>	<b>298,076</b>
Cash and cash equivalents					7,133
Other assets less liabilities					639
<b>Total net assets</b>					<b>305,848</b>

CANADA LIFE MUTUAL FUNDS



# CORE BOND FUND (PORTICO)

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

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

CANADIAN INCOME FUND

## SUMMARY OF INVESTMENT PORTFOLIO

March 31, 2020		March 31, 2019	
<b>Portfolio Allocation</b>	<b>% of NAV</b>	<b>Portfolio Allocation</b>	<b>% of NAV</b>
Bonds	97.5	Bonds	96.5
Cash and short-term investments	2.3	Cash and short-term investments	3.3
Other assets (liabilities)	0.2	Other assets (liabilities)	0.2
<b>Regional Allocation</b>	<b>% of NAV</b>	<b>Regional Allocation</b>	<b>% of NAV</b>
Canada	97.4	Canada	96.2
Cash and short-term investments	2.3	Cash and short-term investments	3.3
Other assets (liabilities)	0.2	United States	0.3
United States	0.1	Other assets (liabilities)	0.2
<b>Sector Allocation</b>	<b>% of NAV</b>	<b>Sector Allocation</b>	<b>% of NAV</b>
Corporate bonds	38.7	Corporate bonds	39.3
Provincial bonds	32.5	Provincial bonds	30.7
Federal bonds	26.2	Federal bonds	26.4
Cash and short-term investments	2.3	Cash and short-term investments	3.3
Other assets (liabilities)	0.2	Other assets (liabilities)	0.2
Supra-national bonds	0.1	Supra-national bonds	0.1

# CORE BOND FUND (PORTICO)

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

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

CANADIAN INCOME FUND

## NOTES TO FINANCIAL STATEMENTS

### 1. Fiscal Periods and General Information

The information provided in these financial statements and notes thereto is for the periods ended or as at March 31, 2020 and 2019, as applicable. In the year a Fund or series is established or reinstated, 'period' represents the period from inception or reinstatement. Refer to Note 9 for the formation date of the Fund and the inception date of each series.

The Fund is organized as an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust as amended and restated from time to time. The address of the Fund's registered office is 180 Queen Street West, Toronto, Ontario, Canada. The Fund is authorized to issue an unlimited number of units (referred to as "security" or "securities") of multiple series. Series of the Fund are available for sale under Simplified Prospectus or exempt distribution options.

Mackenzie Financial Corporation ("Mackenzie") is the manager of the Fund and is wholly owned by IGM Financial Inc., a subsidiary of Power Corporation of Canada. The Canada Life Assurance Company is also a subsidiary of Power Corporation of Canada. Investments in companies within the Power Group of companies held by the Fund are identified in the Schedule of Investments.

### 2. Basis of Preparation and Presentation

These audited annual financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). A summary of the Fund's significant accounting policies under IFRS is presented in Note 3.

These financial statements are presented in Canadian dollars, which is the Fund's functional and presentation currency, and rounded to the nearest thousand unless otherwise indicated. These financial statements are prepared on a going concern basis using the historical cost basis, except for financial assets and liabilities that have been measured at fair value.

These financial statements were authorized for issue by the Board of Directors of Mackenzie Financial Corporation on July 13, 2020.

### 3. Significant Accounting Policies

#### (a) Financial instruments

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives. The Fund classifies and measures financial instruments in accordance with IFRS 9, *Financial Instruments* ("IFRS 9"). Upon initial recognition, financial instruments are classified as fair value through profit or loss ("FVTPL"). All financial instruments are recognized in the Statement of Financial Position when the Fund becomes a party to the contractual requirements of the instrument. Financial assets are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expires. As such, investment purchase and sale transactions are recorded as of the trade date.

Financial instruments are subsequently measured at FVTPL with changes in fair value recognized in the Statement of Comprehensive Income – Other changes in fair value of investments and other net assets – Net unrealized gain (loss).

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

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

Realized and unrealized gains and losses on investments are calculated based on the weighted average cost of investments and exclude commissions and other portfolio transaction costs, which are separately reported in the Statement of Comprehensive Income – Commissions and other portfolio transaction costs.

Gains and losses arising from changes in the fair value of the investments are included in the Statement of Comprehensive Income for the period in which they arise.

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

# CORE BOND FUND (PORTICO)

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

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

CANADIAN INCOME FUND

## NOTES TO FINANCIAL STATEMENTS

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

#### (b) Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments listed on a public securities exchange or traded on an over-the-counter market are valued on the basis of the last traded market price or close price recorded by the security exchange on which the security is principally traded, where this price falls within the quoted bid-ask spread for the investment. In circumstances where this price is not within the bid-ask spread, Mackenzie determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Mutual fund securities of an underlying fund are valued on a business day at the price calculated by the manager of such underlying fund in accordance with the constating documents of such underlying fund. Unlisted or non-exchange traded investments, or investments where a last sale or close price is unavailable or investments for which market quotations are, in Mackenzie's opinion, inaccurate, unreliable, or not reflective of all available material information, are valued at their fair value as determined by Mackenzie using appropriate and accepted industry valuation techniques including valuation models. The fair value determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the fair value may be determined using valuation techniques that are not supported by observable market data.

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

Cash and cash equivalents which includes cash on deposit with financial institutions and short-term investments that are readily convertible to cash, are subject to an insignificant risk of changes in value, and are used by the Fund in the management of short-term commitments. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to their nature of being highly liquid and having short terms to maturity. Bank overdraft positions are presented under current liabilities as bank indebtedness in the Statement of Financial Position.

The Fund may use derivatives (such as written options, futures, forward contracts, swaps or customized derivatives) to hedge against losses caused by changes in securities prices, interest rates or exchange rates. The Fund may also use derivatives for non-hedging purposes in order to invest indirectly in securities or financial markets, to gain exposure to other currencies, to seek to generate additional income, and/or for any other purpose considered appropriate by the Fund's portfolio manager(s), provided that the use of the derivative is consistent with the Fund's investment objectives. Any use of derivatives will comply with Canadian mutual fund laws, subject to the regulatory exemptions granted to the Fund, as applicable. Refer to "Exemptions from National Instrument 81-102" in the Annual Information Form of the Fund for further details, including the complete conditions of these exemptions, as applicable.

Valuations of derivative instruments are carried out daily, using normal exchange reporting sources for exchange-traded derivatives and specific broker enquiry for over-the-counter derivatives.

The value of forward contracts is the gain or loss that would be realized if, on the valuation date, the positions were to be closed out. The change in value of forward contracts is included in the Statement of Comprehensive Income – Other changes in fair value of investments and other net assets – Net unrealized gain (loss).

The value of futures contracts or swaps fluctuates daily, and cash settlements made daily, where applicable, by the Fund are equal to the unrealized gains or losses on a "mark to market" basis. These unrealized gains or losses are recorded and reported as such until the Fund closes out the contract or the contract expires. Margin paid or deposited in respect of futures contracts or swaps is reflected as a receivable in the Statement of Financial Position – Margin on derivatives. Any change in the variation margin requirement is settled daily.

Premiums received from writing options are included in the Statement of Financial Position as a liability and subsequently adjusted daily to fair value. If a written option expires unexercised, the premium received is recognized as a realized gain. If a written call option is exercised, the difference between the proceeds of the sale plus the value of the premium, and the cost of the security is recognized as a realized gain or loss. If a written put option is exercised, the cost of the security acquired is the exercise price of the option less the premium received.

Refer to the Schedule of Derivative Instruments and Schedule of Options Purchased/Written, as applicable, included in the Schedule of Investments for a listing of derivative and options positions as at March 31, 2020.

#### (c) Income recognition

Interest income from interest bearing investments is recognized using the effective interest method. Dividends are accrued as of the ex-dividend date. Realized gains or losses on the sale of investments, including foreign exchange gains or losses on such investments, are calculated on an average cost basis. Distributions received from an underlying fund are included in interest income, dividend income, realized gains (losses) on sale of investments or fee rebate income, as appropriate.

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

# CORE BOND FUND (PORTICO)

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

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2020

CANADIAN INCOME FUND

## NOTES TO FINANCIAL STATEMENTS

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

#### (d) Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are costs incurred to acquire, issue or dispose of financial assets or liabilities. They include fees and commissions paid to agents, advisers, brokers and dealers. Commissions may be paid to brokerage firms which provide (or pay for) certain services, other than order execution, which may include investment research, analysis and reports, and databases or software in support of these services. Where applicable and ascertainable, the value of third-party services that were paid for by brokers during the periods is disclosed in Note 9. The value of certain proprietary services provided by brokers cannot be reasonably estimated.

#### (e) Securities lending, repurchase and reverse repurchase transactions

The Fund is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the Fund's Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date.

Securities lending transactions are administered by Canadian Imperial Bank of Commerce (the "Securities Lending Agent"). The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in the Statement of Comprehensive Income – Securities lending income and recognized when earned.

Note 9 summarizes the details of securities loaned and collateral received, as well as a reconciliation of securities lending income, if applicable.

#### (f) Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. Note 9 summarizes the details of such offsetting, if applicable.

Income and expenses are not offset in the Statement of Comprehensive Income unless required or permitted to by an accounting standard, as specifically disclosed in the IFRS policies of the Fund.

#### (g) Foreign currency

The functional and presentation currency of the Fund is Canadian dollars. Foreign currency purchases and sales of investments and foreign currency dividend and interest income and expenses are translated to Canadian dollars at the rate of exchange prevailing at the time of the transactions.

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included in the Statement of Comprehensive Income – Other changes in fair value of investments and other net assets – Net realized gain (loss).

The fair value of investments and other assets and liabilities, denominated in foreign currencies, are translated to Canadian dollars at the rate of exchange prevailing on each business day.

#### (h) Net assets attributable to securityholders per security

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

#### (i) Net asset value per security

The daily Net Asset Value ("NAV") of an investment fund may be calculated without reference to IFRS as per the Canadian Securities Administrators' ("CSA") regulations. The difference between NAV and Net assets attributable to securityholders (as reported in the financial statements), if any, is mainly due to differences in fair value of investments and other financial assets and liabilities. Refer to Note 9 for the Fund's NAV per security.

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

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

# CORE BOND FUND (PORTICO)

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

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CANADIAN INCOME FUND

## NOTES TO FINANCIAL STATEMENTS

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

#### (k) Mergers

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

### 4. Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make estimates and assumptions that primarily affect the valuation of investments. Estimates and assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

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

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

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

#### Use of Estimates

##### *Fair value of securities not quoted in an active market*

The Fund may hold financial instruments that are not quoted in active markets and are valued using valuation techniques that make use of observable data, to the extent practicable. Various valuation techniques are utilized, depending on a number of factors, including comparison with similar instruments for which observable market prices exist and recent arm's length market transactions. Key inputs and assumptions used are company specific and may include estimated discount rates and expected price volatilities. Changes in key inputs, could affect the reported fair value of these financial instruments held by the Fund.

#### Use of Judgments

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

In classifying and measuring financial instruments held by the Fund, Mackenzie is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. Mackenzie has assessed the Fund's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's financial instruments.

##### *Functional currency*

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

##### *Structured entities and associates*

In determining whether an unlisted open-ended investment fund or an exchange-traded fund in which the Fund invests, but that it does not consolidate, meets the definitions of either a structured entity or of an associate, Mackenzie is required to make significant judgments about whether these underlying funds have the typical characteristics of a structured entity or of an associate. Mackenzie has assessed the characteristics of these underlying funds and has concluded that they do not meet the definition of either a structured entity or of an associate because the Fund does not have contracts or financing arrangements with these underlying funds and the Fund does not have an ability to influence the activities of these underlying funds or the returns it receives from investing in these underlying funds.

# CORE BOND FUND (PORTICO)

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

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## NOTES TO FINANCIAL STATEMENTS

### 5. Income Taxes

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to tax on its income including net realized capital gains in the taxation year, which is not paid or payable to its securityholders as at the end of the taxation year. It is the intention of the Fund to distribute all of its net income and sufficient net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable.

Losses of the Fund cannot be allocated to investors and are retained in the Fund for use in future years. Non-capital losses may be carried forward up to 20 years to reduce taxable income and realized capital gains of future years. Capital losses may be carried forward indefinitely to reduce future realized capital gains. Refer to Note 9 for the Fund's loss carryforwards.

### 6. Management Fees and Operating Expenses

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

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

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

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

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

### 7. Fund's Capital

The capital of the Fund, which is comprised of the net assets attributable to securityholders, is divided into different series with each series having an unlimited number of securities. The securities outstanding for the Fund as at March 31, 2020 and 2019 and securities issued, reinvested and redeemed for the periods are presented in the Statement of Changes in Financial Position. Mackenzie manages the capital of the Fund in accordance with the investment objectives as discussed in Note 9.

### 8. Financial Instruments Risk

#### i. Risk exposure and management

The Fund's investment activities expose it to a variety of financial risks, as defined in IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7"). The Fund's exposure to financial risks is concentrated in its investments, which are presented in the Schedule of Investments, as at March 31, 2020, grouped by asset type, with geographic and sector information.

Mackenzie seeks to minimize potential adverse effects of financial risks on the Fund's performance by employing professional, experienced portfolio advisors, by monitoring the Fund's positions and market events daily, by diversifying the investment portfolio within the constraints of the Fund's investment objectives, and where applicable, by using derivatives to hedge certain risk exposures. To assist in managing risks, Mackenzie also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines, and securities regulations.

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## NOTES TO FINANCIAL STATEMENTS

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

#### ii. Liquidity risk

Liquidity risk arises when the Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable securities. In order to monitor the liquidity of its assets, the Fund utilizes a liquidity risk management program that calculates the number of days to convert the investments held by the Fund into cash using a multi-day liquidation approach. This liquidity risk analysis assesses the Fund's liquidity against predetermined minimum liquidity percentages established for different time periods and is monitored quarterly. In addition, the Fund has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions.

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

#### iii. Currency risk

Currency risk arises when the fair value of financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, fluctuates due to changes in exchange rates. Note 9 summarizes the Fund's exposure, if applicable and significant, to currency risk.

#### iv. Interest rate risk

Interest rate risk arises when the fair value of interest-bearing financial instruments fluctuates due to changes in the prevailing levels of market interest rates. Cash and cash equivalents do not expose the Fund to significant amounts of interest rate risk. Note 9 summarizes the Fund's exposure, if applicable and significant, to interest rate risk.

#### v. Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. This risk is managed through a careful selection of investments and other financial instruments within the parameters of the investment strategies. Except for certain derivative contracts, the maximum risk resulting from financial instruments is equivalent to their fair value. The maximum risk of loss on certain derivative contracts such as forwards, swaps, and futures contracts is equal to their notional values. In the case of written call (put) options and short futures contracts, the loss to the Fund continues to increase, without limit, as the fair value of the underlying interest increases (decreases). However, these instruments are generally used within the overall investment management process to manage the risk from the underlying investments and do not typically increase the overall risk of loss to the Fund. This risk is mitigated by ensuring that the Fund holds a combination of the underlying interest, cash cover and/or margin that is equal to or greater than the value of the derivative contract. Note 9 summarizes the Fund's exposure, if applicable and significant, to other price risk.

#### vi. Credit risk

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

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

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

The Fund may enter into securities lending transactions with counterparties and it may also be exposed to credit risk from the counterparties to the derivative instruments it may use. Credit risk associated with these transactions is considered minimal as all counterparties have a rating equivalent to a designated rating organization's credit rating of not less than A-1 (low) on their short-term debt and of A on their long-term debt, as applicable.

#### vii. Underlying funds

The Fund may invest in underlying funds and may be indirectly exposed to currency risk, interest rate risk, other price risk and credit risk from fluctuations in the value of financial instruments held by the underlying funds. Note 9 summarizes the Fund's exposure, if applicable and significant, to these risks from underlying funds.

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## NOTES TO FINANCIAL STATEMENTS

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

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

Date of Formation August 17, 1999

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

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

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

Quadrus Series securities are offered to investors investing a minimum of \$500.

H Series securities are offered to investors investing a minimum of \$500, who are enrolled in a Quadrus-sponsored fee-for-service or wrap program and who are subject to an asset-based fee.

HW Series securities are offered to high net worth investors investing a minimum of \$100,000 and who have eligible minimum total holdings of \$500,000, who are enrolled in a Quadrus-sponsored fee-for-service or wrap program and who are subject to an asset-based fee.

L Series securities are offered to investors investing a minimum of \$100,000 and who have eligible minimum total holdings of \$500,000.

N Series securities are offered to investors investing a minimum of \$100,000, who have eligible minimum total holdings of \$500,000, and who have entered into an N type series account agreement with Mackenzie and Quadrus.

QF Series securities are offered to retail investors investing a minimum of \$500. Investors are required to negotiate their advisor service fee, which cannot exceed 1.25%, with their financial advisor.

QFW Series securities are offered to high net worth investors investing a minimum of \$100,000 and who have eligible minimum total holdings of \$500,000. Investors are required to negotiate their advisor service fee, which cannot exceed 1.25%, with their financial advisor.

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

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.

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 Mackenzie 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	Net Asset Value per Security (\$)	
				Mar. 31, 2020	Mar. 31, 2019
Quadrus Series <sup>(2)</sup>	September 7, 1999	1.30%	0.17%	11.88	11.76
H Series	January 15, 2001	0.65%	0.15%	11.86	11.75
HW Series	August 7, 2018	0.45%	0.15%	10.48	10.37
L Series	October 4, 2011	1.00%	0.15%	10.32	10.21
N Series	October 24, 2011	— <sup>(1)</sup>	— <sup>(1)</sup>	10.58	10.46
QF Series	July 12, 2016	0.65%	0.17%	9.79	9.69
QFW Series	August 7, 2018	0.45%	0.15%	10.48	10.37
Series R	July 3, 2007	—*	—*	11.37	11.25
Series S	October 24, 2008	— <sup>(1)</sup>	0.02%	11.50	11.37

\* Not applicable.

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

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



# CORE BOND FUND (PORTICO)

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## NOTES TO FINANCIAL STATEMENTS

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

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

As at March 31, 2020, The Canada Life Assurance Company, an affiliate of Mackenzie, and other funds managed by Mackenzie had an investment of \$1,062 and \$79,332 (2019 – \$1,136 and \$59,143), respectively, in the Fund.

#### (c) Loss Carryforwards

As at the last taxation year-end, the Fund has capital losses of \$1,033 which may be carried forward indefinitely to reduce future realized capital gains. There were no non-capital losses available to carry forward for tax purposes.

#### (d) Securities Lending

The value of securities loaned and collateral received from securities lending at March 31, 2020 and 2019, were as follows:

	March 31, 2020	March 31, 2019
	(\$)	(\$)
Value of securities loaned	64,652	47,568
Value of collateral received	68,024	49,997

Collateral received is comprised of debt obligations of the Government of Canada and other countries, Canadian provincial and municipal governments and financial institutions.

A reconciliation of the gross amount generated from the securities lending transactions to the security lending income to the Fund for the periods ended March 31, 2020 and 2019 is as follows:

	2020		2019	
	(\$)	(%)	(\$)	(%)
Gross securities lending income	53	100.0	45	100.0
Tax withheld	(1)	(1.9)	–	–
	52	98.1	45	100.0
Payments to Securities Lending Agent	(12)	(22.6)	(11)	(24.4)
Securities lending income	40	75.5	34	75.6

#### (e) Fund Merger

At a meeting held on January 22, 2019, investors in Real Return Bond Fund (Portico) (the "Terminating Fund") approved the merger of the Terminating Fund into the Fund. The merger was effective after the close of business on February 8, 2019. 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. Quadrus Series, H Series, HW Series, L Series, N Series, QF Series, QFW Series and Series R of the Terminating Fund were issued 121 Quadrus Series securities, 0.43 H Series securities, 0.10 HW Series securities, 39 L Series securities, 86 N Series securities, 15 QF Series securities, 0.10 QFW Series securities and 830 Series R securities of the Fund in exchange for net assets of \$11,983, which was the fair value on February 8, 2019. 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 the effect the merger.

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

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

#### (g) Subsequent Event

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

# CORE BOND FUND (PORTICO)

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## NOTES TO FINANCIAL STATEMENTS

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

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

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

The Fund seeks income and moderate capital growth by investing primarily in Canadian government fixed income securities and high-quality, or investment grade, corporate fixed income securities. It may hold up to 30% of its assets in foreign investments.

##### *ii. Currency risk*

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

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

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

	March 31, 2020	March 31, 2019
Bonds	(\$)	(\$)
Less than 1 year	9,293	2,405
1-5 years	104,858	76,855
5-10 years	77,812	64,166
Greater than 10 years	106,113	82,273
Total	298,076	225,699

As at March 31, 2020, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased by approximately \$23,668 or 7.7% of total net assets (2019 – \$17,076 or 7.3%). In practice, the actual trading results may differ and the difference could be material.

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

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

##### *v. Credit risk*

The Fund's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt securities includes consideration of the creditworthiness of the debt issuer. The maximum exposure to any one debt issuer as at March 31, 2020, was 26.2% of the net assets of the Fund (2019 – 26.4%).

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

	March 31, 2020	March 31, 2019
Bond Rating*	% of Net Assets	% of Net Assets
AAA	30.9	32.0
AA	15.9	21.0
A	32.8	33.9
BBB	9.8	9.2
Less than BBB	0.3	0.4
Unrated	7.8	–
Total	97.5	96.5

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

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## NOTES TO FINANCIAL STATEMENTS

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

#### (i) Fair Value Classification

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

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

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

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

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

	March 31, 2020				March 31, 2019			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds	–	298,076	–	298,076	–	225,699	–	225,699
Short-term investments	–	7,100	–	7,100	–	7,500	–	7,500
Total	–	305,176	–	305,176	–	233,199	–	233,199

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.

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.