

MACKENZIE INVESTMENT GRADE FLOATING RATE FUND

ANNUAL AUDITED FINANCIAL STATEMENTS | March 31, 2018

FIXED INCOME FUND

MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

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

The Board of Directors (the "Board") of 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 McNerney
President and Chief Executive Officer



Terry Rountes
Chief Financial Officer, Funds

June 7, 2018

INDEPENDENT AUDITOR'S REPORT

To the Securityholders of Mackenzie Investment Grade Floating Rate Fund (the "Fund")

We have audited the accompanying financial statements of the Fund which comprise the statements of financial position as at March 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in financial position and statements of cash flows for the periods then ended, as indicated in Note 1, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2018 and 2017, 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.



Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

June 7, 2018



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STATEMENTS OF FINANCIAL POSITION

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

	2018	2017		2018	2017
	\$	\$		\$	\$
ASSETS			Net assets attributable to securityholders		
Current assets			per security (note 3)		
Investments at fair value	53,789	55,453	Series A	9.95	9.96
Cash and cash equivalents	831	1,551	Series AR	10.05	10.06
Accrued interest receivable	225	148	Series D	10.02	10.02
Dividends receivable	1	–	Series F	10.02	10.02
Accounts receivable for investments sold	81	3	Series F6	12.37	12.99
Accounts receivable for securities issued	7	50	Series FB	10.03	9.97
Due from manager	7	1	Series FB5	13.91	14.43
Margin on futures contracts	154	297	Series O	9.63	9.53
Unrealized gains on derivative contracts	51	24	Series PW	9.95	9.97
Total assets	55,146	57,527	Series PWF	10.01	10.01
			Series PWF6	14.30	–
			Series PWFB	10.02	–
			Series PWFB5	14.45	–
			Series PWT6	14.24	–
			Series PWX	9.63	9.53
			Series SC	9.98	9.99
			Series S6	12.13	12.80
			Series T6	11.97	12.68
LIABILITIES					
Current liabilities					
Accounts payable for investments purchased	701	247			
Accounts payable for securities redeemed	291	24			
Due to manager	3	–			
Unrealized losses on derivative contracts	241	83			
Total liabilities	1,236	354			
Net assets attributable to securityholders	53,910	57,173			
Net assets attributable to securityholders					
per series (note 3)					
Series A	2,304	6,478			
Series AR	297	115			
Series D	122	173			
Series F	6,483	9,053			
Series F6	149	101			
Series FB	48	48			
Series FB5	1	1			
Series O	1,568	1,164			
Series PW	22,850	20,399			
Series PWF	9,602	6,155			
Series PWF6	8	–			
Series PWFB	1	–			
Series PWFB5	1	–			
Series PWT6	46	–			
Series PWX	485	450			
Series SC	9,481	12,528			
Series S6	124	170			
Series T6	340	338			

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



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STATEMENTS OF COMPREHENSIVE INCOME

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

	2018	2017		2018	2017
	\$	\$		\$	\$
Income			Increase (decrease) in net assets attributable to securityholders from operations per security		
Dividends	46	11	Series A	0.02	0.25
Interest income	1,252	1,305	Series AR	0.08	0.24
Other changes in fair value of investments			Series D	0.11	0.31
Net realized gain (loss)	362	1,578	Series F	0.14	0.34
Net unrealized gain (loss)	(381)	(357)	Series F6	0.17	0.53
Total income (loss)	1,279	2,537	Series FB	0.15	0.32
			Series FB5	0.23	0.51
Expenses (note 6)			Series O	0.23	0.43
Management fees	550	615	Series PW	0.12	0.31
Management fee rebates	(37)	(28)	Series PWF	0.16	0.34
Administration fees	91	97	Series PWF6	0.24	–
Commissions and other portfolio transaction costs	8	8	Series PWFB	0.15	–
Independent Review Committee fees	–	–	Series PWFB5	0.23	–
Other	4	2	Series PWT6	0.14	–
Expenses before amounts absorbed by Manager	616	694	Series PWX	0.22	0.45
Expenses absorbed by Manager	–	–	Series SC	0.09	0.28
Net expenses	616	694	Series S6	0.11	0.36
Increase (decrease) in net assets attributable to securityholders from operations before tax	663	1,843	Series T6	0.06	0.32
Foreign withholding taxes	1	–			
Foreign income taxes paid (recovered)	–	–			
Increase (decrease) in net assets attributable to securityholders from operations	662	1,843			
Increase (decrease) in net assets attributable to securityholders from operations per series					
Series A	11	205			
Series AR	1	2			
Series D	2	6			
Series F	93	352			
Series F6	1	10			
Series FB	1	1			
Series FB5	–	–			
Series O	32	78			
Series PW	260	646			
Series PWF	159	164			
Series PWF6	1	–			
Series PWFB	–	–			
Series PWFB5	–	–			
Series PWT6	1	–			
Series PWX	10	28			
Series SC	87	337			
Series S6	1	3			
Series T6	2	11			

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STATEMENTS OF CHANGES IN FINANCIAL POSITION

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

	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Series A		Series AR		Series D		Series F		Series F6	
	\$		\$		\$		\$		\$	
NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS										
Beginning of period	6,478	9,404	115	72	173	177	9,053	12,085	101	462
Increase (decrease) in net assets from operations	11	205	1	2	2	6	93	352	1	10
Distributions paid to securityholders:										
Investment income	(25)	(38)	(1)	–	(2)	(1)	(90)	(122)	(2)	(3)
Capital gains	–	–	–	–	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–	–	–	(7)	(10)
Management fee rebates	–	–	–	–	–	–	–	–	–	–
Total distributions paid to securityholders	(25)	(38)	(1)	–	(2)	(1)	(90)	(122)	(9)	(13)
Security transactions:										
Proceeds from securities issued	835	1,950	199	46	13	–	5,244	5,349	100	–
Reinvested distributions	22	33	1	–	1	1	69	98	4	4
Value of securities redeemed	(5,017)	(5,076)	(18)	(5)	(65)	(10)	(7,886)	(8,709)	(48)	(362)
Total security transactions	(4,160)	(3,093)	182	41	(51)	(9)	(2,573)	(3,262)	56	(358)
Total increase (decrease) in net assets	(4,174)	(2,926)	182	43	(51)	(4)	(2,570)	(3,032)	48	(361)
End of period	2,304	6,478	297	115	122	173	6,483	9,053	149	101

	Securities		Securities		Securities		Securities		Securities	
Increase (decrease) in fund securities (note 7):										
Securities outstanding – beginning of period	650	964	11	7	17	18	904	1,234	8	35
Issued	84	197	21	5	1	–	523	539	8	–
Reinvested distributions	2	3	–	–	–	–	7	10	–	–
Redeemed	(505)	(514)	(2)	(1)	(6)	(1)	(787)	(879)	(4)	(27)
Securities outstanding – end of period	231	650	30	11	12	17	647	904	12	8

	Series FB		Series FB5		Series O		Series PW		Series PWF	
	\$		\$		\$		\$		\$	
NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS										
Beginning of period	48	16	1	1	1,164	2,170	20,399	24,642	6,155	5,140
Increase (decrease) in net assets from operations	1	1	–	–	32	78	260	646	159	164
Distributions paid to securityholders:										
Investment income	–	(1)	–	–	(19)	(86)	(267)	(172)	(154)	(53)
Capital gains	–	–	–	–	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–	–	–	–	–
Management fee rebates	–	–	–	–	–	–	(32)	(27)	(5)	(1)
Total distributions paid to securityholders	–	(1)	–	–	(19)	(86)	(299)	(199)	(159)	(54)
Security transactions:										
Proceeds from securities issued	–	31	–	–	433	342	6,982	577	6,520	5,973
Reinvested distributions	–	1	–	–	19	86	234	155	143	49
Value of securities redeemed	(1)	–	–	–	(61)	(1,426)	(4,726)	(5,422)	(3,216)	(5,117)
Total security transactions	(1)	32	–	–	391	(998)	2,490	(4,690)	3,447	905
Total increase (decrease) in net assets	–	32	–	–	404	(1,006)	2,451	(4,243)	3,447	1,015
End of period	48	48	1	1	1,568	1,164	22,850	20,399	9,602	6,155

	Securities		Securities		Securities		Securities		Securities	
Increase (decrease) in fund securities (note 7):										
Securities outstanding – beginning of period	5	2	–	–	122	223	2,046	2,524	615	525
Issued	–	3	–	–	45	34	700	58	651	601
Reinvested distributions	–	–	–	–	2	9	24	16	14	5
Redeemed	–	–	–	–	(6)	(144)	(474)	(552)	(321)	(516)
Securities outstanding – end of period	5	5	–	–	163	122	2,296	2,046	959	615

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STATEMENTS OF CHANGES IN FINANCIAL POSITION (cont'd)

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

	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Series PWF6		Series PWF6		Series PWF6		Series PWF6		Series PWF6	
	\$		\$		\$		\$		\$	
NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS										
Beginning of period	-	-	-	-	-	-	-	-	450	1,113
Increase (decrease) in net assets from operations	1	-	-	-	-	-	1	-	10	28
Distributions paid to securityholders:										
Investment income	-	-	-	-	-	-	-	-	(6)	(31)
Capital gains	-	-	-	-	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-	(3)	-	-	-
Management fee rebates	-	-	-	-	-	-	-	-	-	-
Total distributions paid to securityholders	-	-	-	-	-	-	(3)	-	(6)	(31)
Security transactions:										
Proceeds from securities issued	7	-	1	-	1	-	48	-	32	14
Reinvested distributions	-	-	-	-	-	-	-	-	6	31
Value of securities redeemed	-	-	-	-	-	-	-	-	(7)	(705)
Total security transactions	7	-	1	-	1	-	48	-	31	(660)
Total increase (decrease) in net assets	8	-	1	-	1	-	46	-	35	(663)
End of period	8	-	1	-	1	-	46	-	485	450

Increase (decrease) in fund securities (note 7):	Securities		Securities		Securities		Securities		Securities	
Securities outstanding – beginning of period	-	-	-	-	-	-	-	-	47	114
Issued	1	-	-	-	-	-	3	-	3	2
Reinvested distributions	-	-	-	-	-	-	-	-	1	3
Redeemed	-	-	-	-	-	-	-	-	(1)	(72)
Securities outstanding – end of period	1	-	-	-	-	-	3	-	50	47

	Series SC		Series S6		Series T6		Total	
	\$		\$		\$		\$	
NET ASSETS ATTRIBUTABLE TO SECURITYHOLDERS								
Beginning of period	12,528	13,285	170	84	338	480	57,173	69,131
Increase (decrease) in net assets from operations	87	337	1	3	2	11	662	1,843
Distributions paid to securityholders:								
Investment income	(86)	(77)	(1)	(1)	(2)	(1)	(655)	(586)
Capital gains	-	-	-	-	-	-	-	-
Return of capital	-	-	(6)	(6)	(19)	(26)	(35)	(42)
Management fee rebates	-	-	-	-	-	-	(37)	(28)
Total distributions paid to securityholders	(86)	(77)	(7)	(7)	(21)	(27)	(727)	(656)
Security transactions:								
Proceeds from securities issued	4,917	4,228	27	127	1	-	25,360	18,637
Reinvested distributions	78	71	1	2	20	19	598	550
Value of securities redeemed	(8,043)	(5,316)	(68)	(39)	-	(145)	(29,156)	(32,332)
Total security transactions	(3,048)	(1,017)	(40)	90	21	(126)	(3,198)	(13,145)
Total increase (decrease) in net assets	(3,047)	(757)	(46)	86	2	(142)	(3,263)	(11,958)
End of period	9,481	12,528	124	170	340	338	53,910	57,173

Increase (decrease) in fund securities (note 7):	Securities		Securities		Securities	
Securities outstanding – beginning of period	1,254	1,359	13	6	27	36
Issued	494	425	2	10	-	-
Reinvested distributions	8	7	-	-	2	1
Redeemed	(806)	(537)	(5)	(3)	(1)	(10)
Securities outstanding – end of period	950	1,254	10	13	28	27

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

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STATEMENTS OF CASH FLOWS

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

	2018	2017
	\$	\$
Cash flows from operating activities		
Net increase (decrease) in net assets attributable to securityholders from operations	662	1,843
Adjustments for:		
Net realized loss (gain) on investments	(362)	(1,578)
Change in net unrealized loss (gain) on investments	381	357
Purchase of investments	(51,113)	(62,085)
Proceeds from sale and maturity of investments	53,265	73,068
Change in accrued interest receivable	(77)	39
Change in dividends receivable	(1)	–
Change in due from manager	(6)	(1)
Change in due to manager	3	–
Change in margin on futures contracts	143	(297)
Net cash from operating activities	2,895	11,346
Cash flows from financing activities		
Proceeds from redeemable securities issued	14,068	17,664
Payments on redemption of redeemable securities	(17,554)	(31,684)
Distributions paid net of reinvestments	(129)	(106)
Net cash from financing activities	(3,615)	(14,126)
Net increase (decrease) in cash and cash equivalents	(720)	(2,780)
Cash and cash equivalents at beginning of period	1,551	4,330
Effect of exchange rate fluctuations on cash and cash equivalents	–	1
Cash and cash equivalents at end of period	831	1,551
Cash	192	58
Cash equivalents	639	1,493
Cash and cash equivalents at end of period	831	1,551
Supplementary disclosures on cash flow from operating activities:		
Dividends received	45	11
Foreign taxes paid	1	–
Interest received	1,175	1,344
Interest paid	–	–

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SCHEDULE OF INVESTMENTS

As at March 31, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
BONDS					
Amneal Pharmaceuticals LLC Term loan B 1st Lien F/R 03-23-2025	United States	Term Loans	USD 40,000	51	52
Arch Merger Sub Inc. 8.50% 09-15-2025 Callable 2020	United States	Corporate - Non Convertible	USD 80,000	102	95
Artis Real Estate Investment Trust 3.753% 03-27-2019	Canada	Corporate - Non Convertible	600,000	604	606
Artis Real Estate Investment Trust F/R 02-07-2020	Canada	Corporate - Non Convertible	500,000	500	501
ATS Consolidated Inc. Term Loan B 1st Lien F/R 02-23-2025	United States	Term Loans	USD 20,000	25	26
Aviva PLC 4.50% 05-10-2021	United Kingdom	Corporate - Non Convertible	120,000	127	125
Bank of Montreal F/R 04-11-2019	Canada	Corporate - Non Convertible	1,000,000	1,001	1,004
Bank of Montreal 2.27% 07-11-2022	Canada	Corporate - Non Convertible	70,000	69	69
Bank of Montreal 2.70% 09-11-2024 DPNT	Canada	Corporate - Non Convertible	10,000	10	10
Bank of Montreal 3.32% 06-01-2026	Canada	Corporate - Non Convertible	260,000	263	263
The Bank of Nova Scotia F/R 03-22-2019	Canada	Corporate - Non Convertible	2,000,000	2,000	2,000
The Bank of Nova Scotia 1.90% 12-02-2021 DPNT	Canada	Corporate - Non Convertible	160,000	156	156
Bell Canada 3.35% 06-18-2019	Canada	Corporate - Non Convertible	280,000	287	284
Bell Canada 3.00% 10-03-2022 Callable	Canada	Corporate - Non Convertible	1,500,000	1,514	1,506
BMW Canada Inc. F/R 06-14-2019	Germany	Corporate - Non Convertible	2,000,000	2,005	2,013
Boardriders Inc. Term Loan B 1st Lien F/R 03-21-2024	United States	Term Loans	USD 50,000	63	64
Can Am Construction Inc./Canada Term Loan B 1st Lien F/R 07-01-2024	Canada	Term Loans	USD 119,100	150	155
Canada Goose Inc. Term Loan 1st Lien F/R 12-22-2021	Canada	Term Loans	USD 110,000	138	140
Canada Housing Trust No. 1 F/R 03-15-2023	Canada	Federal Government	2,010,000	2,017	2,017
Canada Housing Trust F/R 09-15-2022	Canada	Federal Government	2,190,000	2,195	2,207
Canadian Imperial Bank of Commerce F/R 01-17-2019	Canada	Corporate - Non Convertible	2,000,000	2,000	2,004
Canadian Imperial Bank of Commerce 2.30% 07-11-2022 DPNT	Canada	Corporate - Non Convertible	130,000	130	128
Canadian Imperial Bank of Commerce 2.47% 12-05-2022	Canada	Corporate - Non Convertible	60,000	60	59
Canadian Imperial Bank of Commerce 3.00% 10-28-2024 Callable 2019	Canada	Corporate - Non Convertible	50,000	50	50
Canadian Imperial Bank of Commerce 3.42% 01-26-2026 Callable 2021	Canada	Corporate - Non Convertible	40,000	41	40
Canadian Western Bank 2.92% 12-15-2022	Canada	Corporate - Non Convertible	20,000	20	20
Cards II Trust 2.155% 10-15-2020	Canada	Corporate - Non Convertible	440,000	440	437
Careerbuilder LLC Term Loan 1st Lien F/R 07-31-2023	United States	Term Loans	USD 117,000	143	151
Central 1 Credit Union F/R 11-21-2018	Canada	Corporate - Non Convertible	2,000,000	2,010	2,007
Chassis Inc. Term Loan B 1st Lien F/R 11-10-2023	United States	Term Loans	USD 39,900	50	52
Choice Properties Real Estate Investment Trust 3.01% 03-21-2022 Callable 2022	Canada	Corporate - Non Convertible	30,000	30	30
Citigroup Inc. 3.39% 11-18-2021	United States	Corporate - Non Convertible	50,000	53	51
Comfort Holding LLC Term Loan 1st Lien F/R 02-05-2024	United States	Term Loans	USD 128,700	166	161
Communications Sales & Leasing Inc. Term Loan B 1st Lien F/R 10-24-2022	United States	Term Loans	USD 212,520	256	265
ConvergeOne Holdings Corp. Term Loan B 1st Lien F/R 06-20-2024	United States	Term Loans	USD 10,918	14	14
Coronado Australian Holdings Pty Ltd. Term Loan B 1st Lien F/R 03-21-2025	United States	Term Loans	USD 23,571	29	30
Coronado Australian Holdings Pty Ltd. Term Loan C 1st Lien F/R 03-21-2025	United States	Term Loans	USD 6,429	8	8
CSP Technologies North America LLC Term Loan B 1st Lien F/R 01-29-2022	United States	Term Loans	USD 230,417	285	298
CVS Health Corp. F/R 03-09-2020	United States	Corporate - Non Convertible	USD 30,000	39	39



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SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
BONDS (cont'd)					
Daimler Canada Finance Inc. F/R 07-08-2019	Canada	Corporate - Non Convertible	2,000,000	2,016	2,015
Daseke Inc. Term Loan 1st Lien F/R 02-27-2024	United States	Term Loans	USD 198,799	255	259
Digicert Holdings Inc. Term Loan 1st Lien F/R 09-20-2024	United States	Term Loans	USD 50,000	61	65
Dollarama Inc. F/R 03-16-2020	Canada	Corporate - Non Convertible	2,000,000	2,004	2,014
EagleTree-Carbide Acquisition Corp. Term Loan 1st Lien F/R 08-28-2024	United States	Term Loans	USD 139,450	173	181
Enbridge Inc. 3.19% 12-05-2022	Canada	Corporate - Non Convertible	590,000	615	592
EnerCare Solutions Inc. 3.38% 02-21-2022 Callable 2022	Canada	Corporate - Non Convertible	130,000	130	131
Envigo Holdings Inc. Term Loan B 1st Lien F/R 12-14-2023	United States	Term Loans	USD 40,000	49	51
Ford Auto Securitization Trust 1.42% 04-15-2021 17-R2	Canada	Corporate - Non Convertible	750,000	750	746
Ford Credit Canada Co. F/R 12-01-2020	United States	Corporate - Non Convertible	170,000	170	170
Fortified Trust 2.16% 10-23-2020	Canada	Corporate - Non Convertible	210,000	210	209
Fortified Trust 1.67% 07-23-2021	Canada	Corporate - Non Convertible	180,000	180	175
FXI Holdings Inc. 7.88% 11-01-2024 Callable 2020	United States	Corporate - Non Convertible	USD 30,000	38	38
Gaz Metro Inc. 1.52% 05-25-2020	Canada	Corporate - Non Convertible	60,000	60	59
Genesis Trust II 1.699% 04-15-2020	Canada	Corporate - Non Convertible	110,000	109	109
Gibson Energy Inc. 5.25% 07-15-2024 Callable 2020 REGS	Canada	Corporate - Non Convertible	80,000	80	81
Government of Canada 3.25% 06-01-2021	Canada	Federal Government	240,000	250	250
Greater Toronto Airports Authority 5.26% 04-17-2018 Callable	Canada	Corporate - Non Convertible	1,500,000	1,530	1,502
Green Plains Inc. Term Loan B 1st Lien F/R 08-29-2023	United States	Term Loans	USD 69,650	87	90
Greenhill & Co. Inc. Term Loan B 1st Lien F/R 10-12-2022	United States	Term Loans	USD 39,500	49	51
H&R Real Estate Investment Trust F/R 07-23-2019	Canada	Corporate - Non Convertible	1,800,000	1,800	1,818
HCN Canadian Holdings-1 LP 3.35% 11-25-2020	United States	Corporate - Non Convertible	160,000	160	163
Hollis Receivables Term Trust II 1.788% 02-26-2020	Canada	Corporate - Non Convertible	340,000	337	337
Hornblower Sub LLC Term Loan 1st Lien F/R 04-28-2025	United States	Term Loans	USD 30,000	39	39
HSBC Bank Canada 2.17% 06-29-2022	Canada	Corporate - Non Convertible	1,880,000	1,849	1,834
Hudson River Trading LLC Term Loan 1st Lien F/R 03-20-2025	United States	Term Loans	USD 30,000	39	39
Hydro One Inc. F/R 03-21-2019	Canada	Corporate - Non Convertible	2,000,000	2,004	2,007
Hyster-Yale Group Inc. Term Loan B 1st Lien F/R 05-30-2023	United States	Term Loans	USD 117,000	158	152
Interior Logic Group Inc. Term Loan B 1st Lien F/R 03-01-2024	United States	Term Loans	USD 104,500	135	136
iQor US Inc. Term Loan B 1st Lien F/R 04-01-2021	United States	Term Loans	USD 29,338	35	38
Itron Inc. 5.00% 01-15-2026 Callable 2021	United States	Corporate - Non Convertible	USD 20,000	26	25
Jane Street Group LLC Term Loan B 1st Lien F/R 08-25-2022	United States	Term Loans	USD 119,000	150	154
John Deere Canada Funding Inc. F/R 09-21-2020	United States	Corporate - Non Convertible	1,500,000	1,500	1,505
KEMET Corp. Term Loan B 1st Lien F/R 04-26-2024	United States	Term Loans	USD 154,000	202	202
Laurentian Bank of Canada F/R 04-24-2019	Canada	Corporate - Non Convertible	USD 750,000	1,011	968
LifeMiles Ltd. Term Loan B 1st Lien F/R 08-18-2022	Colombia	Term Loans	USD 88,500	113	117
Manulife Bank of Canada F/R 01-27-2020 Callable 2019	Canada	Corporate - Non Convertible	1,500,000	1,500	1,500
Mattamy Group Corp. 6.50% 10-01-2025 Callable 2020	Canada	Corporate - Non Convertible	20,000	20	20
McAfee LLC Term Loan B 1st Lien F/R 09-30-2024	United States	Term Loans	USD 129,350	160	169
Meredith Corp. Term Loan B 1st Lien F/R 01-18-2025	United States	Term Loans	USD 60,000	74	78
Metro Inc. 2.68% 12-05-2022 Callable 2022	Canada	Corporate - Non Convertible	30,000	30	30
National Bank of Canada F/R 06-14-2018 DPNT	Canada	Corporate - Non Convertible	2,000,000	2,000	2,002
Neenah Foundry Co. Term Loan B 1st Lien F/R 12-08-2022	United States	Term Loans	USD 30,000	38	38
Nissan Canada Financial Services Inc. F/R 04-09-2019	Canada	Corporate - Non Convertible	1,000,000	1,000	1,003
Nissan Motor Acceptance Corp. F/R 01-13-2020	Japan	Corporate - Non Convertible	USD 1,450,000	1,917	1,874
Ocean Bidco Inc. Term Loan B 1st Lien F/R 03-02-2025	United States	Term Loans	USD 20,000	26	26
OCI Beaumont LLC Term Loan B 1st Lien F/R 02-16-2025	United States	Term Loans	USD 20,000	25	26
Office Depot Inc. Term Loan B 1st Lien F/R 11-08-2022	United States	Term Loans	USD 68,250	84	90



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MACKENZIE INVESTMENT GRADE FLOATING RATE FUND

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SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
BONDS (cont'd)					
Osteon Merger Sub Inc. Term Loan B 1st Lien F/R 02-06-2025	United States	Term Loans	USD 20,000	25	26
Parkland Fuel Corp. 6.00% 04-01-2026 Callable 2021	Canada	Corporate - Non Convertible	USD 10,000	13	13
Pisces Midco Inc. Term Loan B 1st Lien F/R 03-29-2025	United States	Term Loans	USD 40,000	51	51
PNI Canada Acquireco Corp. Term Loan B 1st Lien F/R 08-23-2022	Canada	Term Loans	USD 49,750	59	64
Prospect Medical Holdings Inc. Term Loan B 1st Lien F/R 02-15-2024	United States	Term Loans	USD 60,000	74	77
PS HoldCo LLC Term Loan 1st Lien F/R 03-02-2025	United States	Term Loans	USD 10,000	13	13
PSC Industrial Outsourcing LP Term Loan B 1st Lien F/R 10-05-2024	United States	Term Loans	USD 69,825	87	91
Red Ventures LLC Term Loan B 1st Lien F/R 11-08-2024	United States	Term Loans	USD 89,550	110	117
Reliance Intermediate Holdings LP 6.50% 04-01-2023 Callable 2018	Canada	Corporate - Non Convertible	USD 10,000	14	13
Research Now Group Inc. Term Loan 1st Lien F/R 12-20-2024	United States	Term Loans	USD 59,850	73	77
Royal Bank of Canada F/R 02-11-2020	Canada	Corporate - Non Convertible	2,000,000	2,010	2,015
Royal Bank of Canada 2.00% 03-21-2022	Canada	Corporate - Non Convertible	250,000	250	244
Sigma Bidco BV Term Loan B 1st Lien F/R 03-07-2025	Netherlands	Term Loans	EUR 30,000	48	47
Sigma US Corp. Term Loan B 1st Lien F/R 03-06-2025	Netherlands	Term Loans	USD 30,000	39	39
SmartCentres Real Estate Investment Trust F/R 12-21-2020	Canada	Corporate - Non Convertible	270,000	270	271
SNC-Lavalin Group Inc. 2.69% 11-24-2020	Canada	Corporate - Non Convertible	20,000	20	20
SNC-Lavalin Group Inc. F/R 03-02-2021	Canada	Corporate - Non Convertible	200,000	200	200
Staples Inc. Term Loan 1st Lien F/R 08-15-2024	United States	Term Loans	USD 99,750	127	128
Stepstone Group LP Term Loan B 1st Lien F/R 03-19-2025	United States	Term Loans	USD 20,000	26	26
Sun Life Financial Inc. F/R 11-23-2027 Callable 2022	Canada	Corporate - Non Convertible	20,000	20	20
Talen Energy Supply LLC 10.50% 01-15-2026 Callable 2022	United States	Corporate - Non Convertible	USD 10,000	12	12
TerraForm Power Operating LLC 5.00% 01-31-2028 Callable 2027	United States	Corporate - Non Convertible	USD 10,000	13	12
Teva Pharmaceutical Finance Netherlands III BV 3.15% 10-01-2026 Callable	Israel	Corporate - Non Convertible	USD 15,000	16	16
Titan Acquisition Ltd. Term Loan 1st Lien F/R 03-16-2025	United Kingdom	Term Loans	USD 40,000	52	51
The Toronto-Dominion Bank F/R 02-18-2020	Canada	Corporate - Non Convertible	2,000,000	2,000	2,015
Toyota Credit Cabada Inc. F/R 10-13-2020	Canada	Corporate - Non Convertible	2,000,000	2,000	2,005
Traverse Midstream Partners LLC Term Loan B 1st Lien F/R 09-21-2024	United States	Term Loans	USD 30,000	37	39
Trico Products Corp. Term Loan 1st Lien F/R 02-02-2024	United States	Term Loans	USD 30,000	36	39
Uber Technologies Inc. Term Loan 1st Lien F/R 03-21-2025	United States	Term Loans	USD 50,000	64	65
Vistage Worldwide Inc. Term Loan 1st Lien F/R 02-01-2025	United States	Term Loans	USD 20,000	25	26
VW Credit Canada Inc. F/R 03-30-2020	Germany	Corporate - Non Convertible	1,000,000	1,000	1,001
Williams Scotsman International Inc. 7.88% 12-15-2022 Callable 2019	United States	Corporate - Non Convertible	USD 35,000	45	47
YRC Worldwide Inc. Term Loan 1st Lien F/R 07-21-2022	United States	Term Loans	USD 76,793	95	100
Zotec Partners LLC Term Loan 1st Lien F/R 02-09-2024	United States	Term Loans	USD 40,000	50	52
Total bonds				53,323	53,347



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SCHEDULE OF INVESTMENTS (cont'd)

As at March 31, 2018

	Country	Sector	Par Value/ No. of Shares/Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
EQUITIES					
AltaGas Ltd. Pfd. Series K	Canada	Energy	2,215	55	56
Brookfield Asset Management Inc. Pfd. Series 46	Canada	Real Estate	2,206	55	57
Brookfield Asset Management Inc. Pfd. Series 48	Canada	Real Estate	1,679	42	43
Brookfield Renewable Partners LP Pfd. Series 11	Canada	Utilities	4,007	100	101
TransAlta Corp. Pfd. Series A	Canada	Utilities	4,290	57	64
TransCanada Corp. Pfd. Series 15	Canada	Energy	4,568	114	119
Total equities				423	440
OPTIONS					
Options purchased (see schedule of options purchased)				3	2
Total Options				3	2
Transaction costs				(1)	–
Total investments				53,748	53,789
Derivative instruments (see schedule of derivative instruments)					(190)
Cash and cash equivalents					831
Other assets less liabilities					(520)
Total net assets					53,910



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SUMMARY OF INVESTMENT PORTFOLIO

March 31, 2018	
Portfolio Allocation	% of NAV
Bonds	98.9
<i>Bonds</i>	99.0
<i>Purchased options</i>	0.0
<i>Short futures</i>	(0.1)
Cash and short-term investments	1.5
Equities	0.8
Other assets (liabilities)	(1.2)

Regional Allocation	
	% of NAV
Canada	78.7
United States	11.2
Germany	5.6
Japan	3.5
Cash and short-term investments	1.5
United Kingdom	0.3
Colombia	0.2
Netherlands	0.2
Other assets (liabilities)	(1.2)

Sector Allocation	
	% of NAV
Corporate bonds	82.3
Term loans	8.4
Federal bonds	8.3
Cash and short-term investments	1.5
Energy	0.3
Utilities	0.3
Financials	0.2
Other	(0.1)
Other assets (liabilities)	(1.2)

March 31, 2017	
Portfolio Allocation	% of NAV
Bonds	95.2
<i>Bonds</i>	95.2
<i>Purchased options</i>	0.0
<i>Short futures</i>	0.0
Cash and short-term investments	2.8
Equities	1.8
Other assets (liabilities)	0.2

Regional Allocation	
	% of NAV
Canada	73.2
United States	8.3
Germany	7.0
Japan	6.7
Cash and short-term investments	2.8
Other	1.8
Other assets (liabilities)	0.2

Sector Allocation	
	% of NAV
Corporate bonds	69.8
Term loans	8.2
Provincial bonds	7.4
Federal bonds	6.7
Other	4.9
Cash and short-term investments	2.8
Other assets (liabilities)	0.2



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MACKENZIE INVESTMENT GRADE FLOATING RATE FUND

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SCHEDULE OF OPTIONS PURCHASED

As at March 31, 2018

Underlying Interest	Number of Contracts	Option Type	Expiration Date	Strike Price \$	Premium Paid (\$ 000s)	Fair Value (\$ 000s)
iShares iBoxx \$ High Yield Corporate Bond ETF	6	Put	Sep. 21, 2018	USD 83.00	2	1
iShares iBoxx \$ High Yield Corporate Bond ETF	3	Put	Sep. 21, 2018	USD 85.00	1	1
Total options					3	2



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SCHEDULE OF DERIVATIVE INSTRUMENTS

As at March 31, 2018

Schedule of Futures Contracts

Number of Contracts	Type of Contract	Expiration Date	Average Rate of Contracts (\$)	Notional Value* (\$ 000s)	Unrealized (Losses) (\$ 000s)
(61)	5 Year United States Treasury Note Futures	June 2018	113.79 USD	(8,995)	(53)
Unrealized (Losses)				(8,995)	(53)
Total futures contracts				(8,995)	(53)

*Notional value represents the exposure to the underlying instruments as at March 31, 2018

Schedule of Forward Currency Contracts

Counterparty Credit Rating	Bought (\$ 000s)	Sold (\$ 000s)	Settlement Date	Contract Cost (\$ 000s)	Current Fair Value (\$ 000s)	Unrealized Gains (Losses) (\$ 000s)
A	9,100 Mexican peso	(602) Canadian dollar	Apr. 6, 2018	602	645	43
AA	157 Canadian dollar	(120) U.S. dollar	Apr. 13, 2018	(157)	(155)	2
AA	380 U.S. dollar	(489) Canadian dollar	Apr. 20, 2018	489	489	–
AA	157 Canadian dollar	(120) U.S. dollar	May 11, 2018	(157)	(155)	2
AA	157 Canadian dollar	(120) U.S. dollar	May 18, 2018	(157)	(155)	2
AA	316 Canadian dollar	(245) U.S. dollar	Jun. 22, 2018	(316)	(316)	–
AA	157 Canadian dollar	(120) U.S. dollar	Jun. 29, 2018	(157)	(155)	2
Unrealized Gains						51
A	597 Canadian dollar	(9,100) Mexican peso	Apr. 6, 2018	(597)	(644)	(47)
AA	2,366 Canadian dollar	(1,890) U.S. dollar	Apr. 13, 2018	(2,366)	(2,434)	(68)
AA	363 Canadian dollar	(290) U.S. dollar	May 11, 2018	(363)	(374)	(11)
AA	218 Canadian dollar	(170) U.S. dollar	May 18, 2018	(218)	(218)	–
AA	981 Canadian dollar	(800) U.S. dollar	May 18, 2018	(981)	(1,030)	(49)
AA	352 Canadian dollar	(280) U.S. dollar	Jun. 8, 2018	(352)	(360)	(8)
AA	218 Canadian dollar	(170) U.S. dollar	Jun. 15, 2018	(218)	(218)	–
AA	1,103 Canadian dollar	(860) U.S. dollar	Jun. 15, 2018	(1,103)	(1,106)	(3)
AA	218 Canadian dollar	(170) U.S. dollar	Jun. 22, 2018	(218)	(218)	–
A	218 Canadian dollar	(170) U.S. dollar	Jul. 13, 2018	(218)	(219)	(1)
AA	218 Canadian dollar	(170) U.S. dollar	Jul. 13, 2018	(218)	(218)	–
AA	218 Canadian dollar	(170) U.S. dollar	Jul. 20, 2018	(218)	(218)	–
AA	218 Canadian dollar	(170) U.S. dollar	Jul. 27, 2018	(218)	(219)	(1)
Unrealized (Losses)						(188)
Total forward currency contracts						(137)
Total derivative instruments at fair value						(190)



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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, 2018 and 2017, 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 Financial Corporation, which itself is a subsidiary of Power Corporation of Canada. The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company (collectively, the "Related Insurance Companies") are wholly owned by Great-West Lifeco Inc., which is also a subsidiary of Power Financial Corporation. 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 June 7, 2018.

Standards issued but not yet effective for the current accounting year, as applicable, are described in Note 3.

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 and 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 – 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 year-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.

MACKENZIE INVESTMENT GRADE FLOATING RATE FUND

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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 fair value through profit and loss. Mackenzie has concluded that any unlisted open-ended investment fund 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 – 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 futures contracts or swaps. 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, 2018.

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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 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 – 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2018 and 2017 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, 2018, 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 accordance with securities regulations, the Fund must maintain at least 90% of its assets in liquid investments (i.e., investments that can be readily sold). In addition, the Fund retains sufficient cash and short-term investment positions to maintain adequate liquidity. The Fund also has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions.

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.

NOTES TO FINANCIAL STATEMENTS

8. Financial Instruments Risk (cont'd)

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.

MACKENZIE INVESTMENT GRADE FLOATING RATE FUND

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

(a) Fund Formation and Series Information

Date of Formation April 8, 2014

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 and Series T6 securities are offered to retail investors investing a minimum of \$500 (\$5,000 for Series T6) under the redemption charge and low-load purchase options. Investors in Series T6 securities also want to receive a regular monthly cash flow of 6% per year.

Series AR securities are offered to retail investors in a Registered Disability Savings Plan offered by Mackenzie.

Series D securities are offered to retail investors investing a minimum of \$500 through a discount brokerage or other account approved by Mackenzie.

Series F and Series F6 securities are offered to investors who are enrolled in a dealer-sponsored fee-for-service or wrap program, who are subject to an asset-based fee rather than commissions on each transaction and who invest at least \$500 (\$5,000 for Series F6); they are also available to employees of Mackenzie and its subsidiaries, and directors of Mackenzie. Investors in Series F6 securities also want to receive a regular monthly cash flow of 6% per year.

Series FB and Series FB5 securities are offered to retail investors investing a minimum of \$500. Investors are required to negotiate their advisor service fee, which cannot exceed 1.50%, with their financial advisor. Investors in Series FB5 securities also want to receive a monthly cash flow of 5% per year.

Series O securities are offered only to investors investing a minimum of \$500,000 who have an account with Mackenzie Private Wealth Counsel; certain institutional investors; and certain qualifying employees of Mackenzie and its subsidiaries.

Series PW and Series PWT6 securities are offered through our Private Wealth Solutions to certain high net worth investors who invest a minimum of \$100,000. Investors in Series PWT6 securities also want to receive a monthly cash flow of 6% per year.

Series PWF and Series PWF6 securities are offered through our Private Wealth Solutions to certain high net worth investors who are enrolled in a dealer-sponsored fee-for-service or wrap program, who are subject to an asset-based fee rather than commissions on each transaction and who invest at least \$100,000. Investors in Series PWF6 securities also want to receive a monthly cash flow of 6% per year. Effective June 1, 2018, Series PWF and Series PWF6 securities were consolidated into Series F and Series F6 securities, respectively.

Series PWFB and Series PWFB5 securities are offered through our Private Wealth Solutions to certain high net worth investors who invest a minimum of \$100,000. Investors are required to negotiate their advisor service fee, which cannot exceed 1.50%, with their financial advisor. Investors in Series PWFB5 securities also want to receive a monthly cash flow of 5% per year.

Series PWX securities are offered through our Private Wealth Solutions to certain high net worth investors who invest a minimum of \$100,000. Investors are required to negotiate their advisor service fee, which cannot exceed 1.50%, with their financial advisor.

Series SC and Series S6 securities are offered to retail investors investing a minimum of \$500 (\$5,000 for Series S6) under the sales charge purchase option. Investors in Series S6 securities also want to receive a regular monthly cash flow of 6% per year.

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 and various low-load purchase options. 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.



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

(a) Fund Formation and Series Information (cont'd)

Series	Inception/ Reinstatement Date	Management Fees	Administration Fees	Net Asset Value per Security (\$)	
				Mar. 31, 2018	Mar. 31, 2017
Series A	April 23, 2014	1.40%	0.17%	9.95	9.96
Series AR	November 13, 2014	1.40%	0.20%	10.05	10.06
Series D	April 23, 2014	0.85%	0.15%	10.02	10.02
Series F	April 23, 2014	0.55% ⁽⁴⁾	0.15%	10.02	10.02
Series F6	May 22, 2014	0.55% ⁽⁴⁾	0.15%	12.37	12.99
Series FB	October 26, 2015	0.60%	0.17%	10.02	9.97
Series FB5	October 26, 2015	0.60%	0.17%	13.90	14.43
Series O	April 28, 2014	— ⁽¹⁾	— *	9.62	9.53
Series PW	April 25, 2014	1.05%	0.15%	9.95	9.97
Series PWF	April 23, 2014	0.55%	0.15%	10.01	10.01
Series PWF6	April 3, 2017	0.55%	0.15%	14.30	—
Series PWFB	April 3, 2017	0.55%	0.15%	10.01	—
Series PWFB5	April 3, 2017	0.55%	0.15%	14.45	—
Series PWT6	April 3, 2017	1.05%	0.15%	14.23	—
Series PWX	June 4, 2014	— ⁽²⁾	— ⁽²⁾	9.63	9.53
Series SC	April 23, 2014	1.10% ⁽³⁾	0.17%	9.98	9.99
Series S6	May 13, 2014	1.10% ⁽³⁾	0.17%	12.12	12.80
Series T6	April 25, 2014	1.40%	0.17%	11.97	12.68

* Not applicable.

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

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

(3) Prior to April 3, 2017, the management fee for this series was charged to the Fund at a rate of 1.15%.

(4) Prior to June 1, 2018, the management fee for this series was charged to the Fund at a rate of 0.60%.

(b) Investments by Mackenzie and Affiliates

As at March 31, 2018, Mackenzie had an investment of \$13 (2017 — \$Nil) in the Fund.

(c) Loss Carryforwards

As at the last taxation year-end, the Fund has capital losses of \$1,338 which may be carried forward indefinitely to reduce future realized capital gains. There were no non-capital losses available to carry forward for tax purposes.

(d) Securities Lending

As at March 31, 2018 and 2017, the Fund did not have any open securities lending, repurchase or reverse repurchase transactions.

MACKENZIE INVESTMENT GRADE FLOATING RATE FUND

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

(e) Offsetting of Financial Assets and Liabilities

The table below presents financial assets and financial liabilities that are subject to master netting arrangements or other similar agreements and the net impact on the Fund's Statements of Financial Position if all set-off rights were exercised as part of future events such as bankruptcy or termination of contracts. No amounts were offset in the financial statements.

	March 31, 2018			
	Gross amount of assets/liabilities (\$)	Amount available for offset (\$)	Margin (\$)	Net amount (\$)
Unrealized gains on derivative contracts	4	(4)	–	–
Unrealized losses on derivative contracts	(173)	4	154	(15)
Liability for options written	–	–	–	–
Total	(169)	–	154	(15)

	March 31, 2017			
	Gross amount of assets/liabilities (\$)	Amount available for offset (\$)	Margin (\$)	Net amount (\$)
Unrealized gains on derivative contracts	–	–	–	–
Unrealized losses on derivative contracts	(42)	–	–	(42)
Liability for options written	–	–	–	–
Total	(42)	–	–	(42)

(f) Risks Associated with Financial Instruments

i. Risk exposure and management

The Fund seeks current income by investing primarily in investment grade floating-rate debt obligations of issuers anywhere in the world, as well as investment grade debt obligations and other debt instruments. The Fund may hold up to 30% of its assets in foreign investments.

ii. Currency risk

The table below indicates currencies to which the Fund had significant exposure as at period end in Canadian dollar terms, including the underlying principal amount of any derivative instruments. Other financial assets and liabilities (including accrued interest and dividends receivable, and receivables/payables for investments sold/purchased) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

Currency	March 31, 2018			
	Investments (\$)	Cash and Short-Term Investments (\$)	Derivative Instruments (\$)	Net Exposure* (\$)
Euro	47	–	–	47
Mexican peso	–	–	1	1
U.S. dollar	7,652	345	(16,274)	(8,277)
Total	7,699	345	(16,273)	(8,229)
% of Net Assets	14.3	0.6	(30.2)	(15.3)



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MACKENZIE INVESTMENT GRADE FLOATING RATE FUND

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

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

ii. Currency risk (cont'd)

Currency	March 31, 2017			
	Investments (\$)	Cash and Short-Term Investments (\$)	Derivative Instruments (\$)	Net Exposure* (\$)
Mexican peso	863	23	(848)	38
U.S. dollar	6,241	1,541	(8,640)	(858)
Total	7,104	1,564	(9,488)	(820)
% of Net Assets	12.4	2.7	(16.6)	(1.5)

* Includes both monetary and non-monetary financial instruments

As at March 31, 2018, had the Canadian dollar increased or decreased by 5% relative to all foreign currencies, with all other variables held constant, net assets would have increased or decreased, by approximately \$411 or 0.8% of total net assets (2017 – \$41 or 0.1%). In practice, the actual trading results may differ and the difference could be material.

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.

Term to Maturity	March 31, 2018 (\$)		March 31, 2017 (\$)	
	Bonds	Derivative Instruments	Bonds	Derivative Instruments
Less than 1 year	12,128	(8,995)	6,093	(2,506)
1-5 years	37,321	–	43,884	–
5-10 years	3,898	–	4,433	–
Greater than 10 years	–	–	–	–
Total	53,347	(8,995)	54,410	(2,506)

As at March 31, 2018, 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 \$13 or 0.0% (2017 – \$405 or 0.7%) 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 \$13 or 0.0% (2017 – \$405 or 0.7%) of total net assets. In practice, the actual trading results may differ and the difference could be material.

iv. Other price risk

As at March 31, 2018 and 2017, the Fund did not have a significant exposure to price risk.



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MACKENZIE INVESTMENT GRADE FLOATING RATE FUND

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

(f) 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. 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, 2018, was 8.3% of the net assets of the Fund (2017 – 6.7%).

As at March 31, 2018 and 2017, debt securities by credit rating are as follows:

Bond Rating*	March 31, 2018	March 31, 2017
	% of Net Assets	% of Net Assets
AAA	15.7	11.0
AA	21.4	28.6
A	35.2	34.3
BBB	17.6	13.5
Less than BBB	8.4	6.4
Unrated	0.7	1.4
Total	99.0	95.2

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

(g) 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, 2018				March 31, 2017			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds	–	53,347	–	53,347	–	54,410	–	54,410
Equities	440	–	–	440	1,037	–	–	1,037
Options	–	2	–	2	6	–	–	6
Derivative assets	–	51	–	51	2	22	–	24
Derivative liabilities	(53)	(188)	–	(241)	–	(83)	–	(83)
Short-term investments	–	639	–	639	–	1,493	–	1,493
Total	387	53,851	–	54,238	1,045	55,842	–	56,887

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 significant 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.