

MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report

December 31, 2018

A NOTE ON FORWARD-LOOKING STATEMENTS

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

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



MACKENZIE
Investments

MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

| | |
|--|---|
| General Partner | MMLP GP Inc. |
| Registrar and Transfer Agent | Mackenzie Financial Corporation 180 Queen Street West, Toronto, Ontario M5V 3K1 Tel: (416) 922-5322 or toll free 1-800-387-0614 |
| Year-End | December 31 |
| Toronto Stock Exchange Listing Symbol | MKZ.UN |

Table of Contents

| | |
|--|----|
| Business of the Master LP | 1 |
| Management's Discussion and Analysis | 2 |
| General Partner's Report | 6 |
| Auditor's Report | 6 |
| Financial Statements | 8 |
| Notes to the Financial Statements | 9 |
| Value of Distributed Securities | 12 |
| Movement in Value of Distributed Securities | 13 |
| Percentage Change in Value of Distributed Securities | 13 |

MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

ANNUAL REPORT

TO THE LIMITED PARTNERS OF MACKENZIE MASTER LIMITED PARTNERSHIP (THE “MASTER LP”)

BUSINESS OF THE MASTER LP

The Master LP was formed by the consolidation of eight Mackenzie Financial Corporation (“Mackenzie”) retail limited partnerships: Industrial Horizon Partnerships 1987, 1988, 1989, 1990, 1992, 1992-II, 1993 and Mackenzie Limited Partnership 1994 (collectively the “Partnerships”). The Partnerships were formed to pay selling commissions to financial advisors who sold redemption charge securities of Mackenzie mutual funds (the “Funds”) for specified periods between 1987 and 1994. “Redemption Charge Securities” are securities of a fund for which investors are, under certain circumstances, required to pay a charge on redemption. Throughout this report, the securities for which the Partnerships paid selling commissions are referred to as “Distributed Securities”.

In return for paying selling commissions, the Partnerships received Distributor fees income and Redemption fees income. As a result of the consolidation of the Partnerships into the Master LP, that income is now earned by the Master LP. The redemption charge periods for all of the Partnerships expired on December 31, 2001 and therefore, the Distributed Securities financed by these Partnerships no longer earn Redemption fees income.

Distributed Securities

Distributed Securities are the underlying assets of the Master LP. Distributed Securities include the original Redemption Charge Securities of the Funds purchased by an investor and any securities issued upon the automatic reinvestment of distributions from the Funds or transferred to another Fund or series of a Fund under the redemption charge purchase option, which are deemed to have the same purchase date as the original securities purchased.

Owners of Distributed Securities may transfer their investment among the Funds without incurring a redemption charge. If they are transferred to a series of a Fund under a redemption charge purchase option the investment continues to be included in Distributed Securities, and therefore the Master LP continues to receive the applicable Distributor fees income on these transferred Distributed Securities.

Changes in the total value of the Distributed Securities impacts the Distributor fees income. Increases in the total value of Distributed Securities caused by market appreciation of the Funds will increase Distributor fees income. Conversely, decreases in the total value of Distributed Securities due to market depreciation of or redemptions in the Funds will reduce Distributor fees income.

The market value of the Funds will change based on the performance of the underlying securities within the Funds, general market conditions and the ability of investors to transfer between Funds or redeem their Distributed Securities. Redemptions in the Funds are a function of Fund performance, expectation of investors about market conditions and the availability and competitiveness of alternative investments.

MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Value of Distributed Securities

2018 Results

The Canadian market, represented by the S&P/TSX Composite Total Return Index, returned -8.9% for the 12-month period ended December 31, 2018.

The energy and financials sectors were the largest detractors during the last twelve months followed by materials and consumer discretionary stemming from a fear of slower global growth due to trade wars and tariffs. The fourth quarter was characterized by investor worry, panic and capitulation. Energy prices declined due to temporary build up of inventory as more waivers than expected were given to countries to work around Iran sanctions imposed by the Trump administration, which triggered technical, algorithmic and short selling in the energy space. This happened against a backdrop of trade war concerns, relatively weak economic data, and an inversion in the 2- to 5-year segment of the U.S. government bonds yield curve. As a result, there was a sudden and dramatic disappearance of risk appetite in the marketplace.

Gold bullion prices turned around at the end of the year closing only -1.6% lower in USD terms. Small cap equities returned -18.2%. In comparison, mid-cap equities returned -12.9% and large-cap equities returned -13.3%.

Global equities represented by the MSCI World Total Return Index returned -0.9% and U.S. equities represented by the S&P 500 Total Return Index returned 3.8% (all in Canadian dollar terms) for the same period. Financials and industrials were the largest detractors to global markets while the U.S. markets continue to be led by the narrow selection of information technology names followed by the health care and consumer discretionary sectors.

During this period, Mackenzie's broad lineup of funds generally underperformed generating returns slightly lower than their respective benchmarks.

The total value of distributed securities as at December 31, 2018 was \$201 million (2017: \$255 million), a decrease of \$54 million or 21.3% from December 2017 (2017: decrease of \$21 million or 7.7%). Of this change, a decrease of \$19 million or 7.4% (2017: increase of \$16 million or 5.7%) was attributable to investment performance, and a decrease of \$35 million or 13.9% in redemptions (2017: decrease of \$37 million or 13.4%).

For a detailed breakdown of the value of Distributed Securities and the changes during the period, see pages 12 through 13.

2019 Outlook

There is a lot of concern that the U.S. economy is losing momentum. Mackenzie believes the tax cut that induced a jolt to earnings in the U.S. will recede and the growth in earnings and GDP going forward will likely be slower than 2018. But there is no sign of a recession on the horizon. Employment numbers and wage gains are pointing to a continued healthy labour market and consumers. The parts of the yield curve that are meaningful indicators are still upward sloping and not indicative of impending recession. The U.S. Federal Reserve ("Fed") has indicated that it pays attention to signals from the equity markets. We find it difficult to see a Fed that will blindly hike rates to potentially cause a recession in the foreseeable future.

The Purchasing Managers' Index (PMI) is an indicator of economic health for the manufacturing and service sectors. Select countries, such as China, Germany and Italy, have delivered manufacturing PMIs below 50 very recently. In China's case, the government has been very intentional about shifting the economy towards being more consumer-led. China's economy has been slowing, partly due to government efforts to reduce financial leverage in the economy since early 2018. The trade war with the U.S. has hurt exports and consumer sentiment, but consumer spending in China is still growing at high single digits. The Chinese government is now considering fiscal stimulus measures such as tax cuts to counter weaknesses in the economy related to the trade war. In addition, China's central bank has been cutting the Required Reserve Ratio since mid-2018 to improve financial conditions. In the case of Germany, we believe the weakness in manufacturing in general and the auto sector specifically is mostly related to the delays in factory production caused by the Worldwide Harmonised Light Vehicle Test Procedure. This issue is temporary and once the testing procedures are caught up, vehicle production should normalize. In the case of Italy, political uncertainty and its budget battle with Brussels have no doubt impacted business investment and consumer sentiment. Most recently, the newly elected Italian government has struck a budget deal with Brussels to avoid EU sanctions.

In Japan, GDP shrank more than expected in Q3, largely due to a series of natural disasters that had an even greater impact than previously thought. However, we do not believe it marks the start of a major downturn, and expect the economy to bounce back in coming quarters. Severe flooding in western Japan during July, a powerful typhoon in September and the magnitude 6.6 earthquake in Hokkaido all struck during the third quarter, hindering exports and tourism. The impacts were short term, as manufacturing PMI remained solidly above 50 in December, which demonstrates the economy's resilience despite the natural disasters and softer demand from China and Europe.

In summary, key indicators are not yet signaling the end of the business cycle. We have reason to believe that much of the bad news has been priced in. We look forward to greater transparency on a lot of outstanding issues over the next few months such as Brexit, resolution from US-China trade talks, further economic data out of the US and China as well as more certainty on the Fed policy.

MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

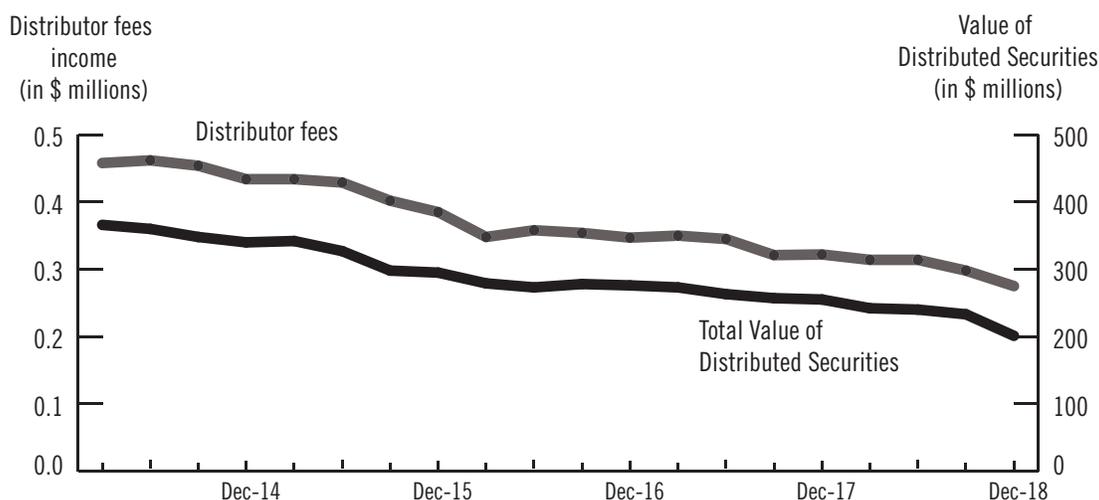
Distributor Fees Income

As the Master LP no longer earns Redemption fees income, its main source of income is Distributor fees earned on Distributed Securities.

Currently, the Master LP earns Distributor fees income equal to an average annual rate of 0.51% of the market value of the outstanding Distributed Securities (\$5.10 annually for every \$1,000 of Distributed Securities outstanding). The Distributor fees income is calculated each day the Toronto Stock Exchange is open for business and is paid monthly to the Master LP by Mackenzie.

Distributor fees income for the year ended December 31, 2018 was \$1.201 million (2017: \$1.338 million), a decrease of 10.3% from the previous year. Distributor fees income is dependent upon the average net asset value of the Distributed Securities during the year and is not based on the ending value of the Distributed Securities. The monthly average net asset value of the Distributed Securities for the year ended December 31, 2018 was \$234 million (2017: \$264 million), a decrease of 11.2% from the monthly average net asset value of the Distributed Securities of the prior year.

The following chart shows the decline in the value of the Distributed Securities and the impact of this decline on Distributor fees income over the last five years.



We expect the number and value of Distributed Securities to continue to decline due to ongoing redemptions (as the redemption charge period has ended) and as a result we expect Distributor fees income to continue to decline perpetually until there are no remaining Distributed Securities or until the Master LP is terminated because it is no longer economically viable (when the expenses exceed the revenue). As the Distributor fees income declines, the general partner of the Master LP will continue to review the economic viability of continuing the Master LP.

Interest Income

Interest income for the year ended December 31, 2018 was \$0.025 million (2017: \$0.011 million). Interest income is earned by investing excess cash generated during the year in units of Mackenzie Canadian Money Market Fund, a money market fund managed by Mackenzie.

Operating Expenses

Operating expenses for the year ended December 31, 2018 were \$0.109 million (2017: \$0.112 million), a decrease of 3.0% for the year. This decrease was primarily due to a decrease in administration fees.

MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

Summary of Financial Results

For the year ended December 31, 2018, taxable income is \$1.1 million and the increase in net assets from operations is \$0.8 million.

Financial results for the years ended December 31, 2018, 2017 and 2016 are as follows:

| Financial Results | | | |
|---------------------------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2016 |
| Value of Distributed Securities | \$201,018,494 | \$255,084,433 | \$276,425,249 |
| Distributor fees income | \$1,200,587 | \$1,337,802 | \$1,406,970 |
| Interest income | \$24,755 | \$11,072 | \$7,972 |
| Expenses | \$124,767 | \$128,572 | \$131,963 |
| Increase in net assets | \$808,923 | \$896,922 | \$942,990 |
| Total assets | \$1,172,924 | \$1,286,907 | \$1,337,845 |

Financial results on a per unit basis for the years ended December 31, 2018, 2017 and 2016 are as follows:

| Per Unit Financial Results | | | |
|---------------------------------|---------|---------|---------|
| | 2018 | 2017 | 2016 |
| Value of Distributed Securities | \$32.09 | \$40.72 | \$44.13 |
| Distributor fees income | \$0.19 | \$0.21 | \$0.22 |
| Interest income | \$0.00 | \$0.00 | \$0.00 |
| Expenses | \$0.02 | \$0.02 | \$0.02 |
| Increase in net assets | \$0.13 | \$0.14 | \$0.15 |

Per unit information is calculated based on the number of Master LP units outstanding at the end of the period.

Liquidity and Market Performance of Units

The units of the Master LP are listed on the Toronto Stock Exchange. Since inception, the number of units issued and outstanding is 6,264,511 units and the Master LP does not participate in any buy-back program or have any trading restrictions on its units. During the year ended December 31, 2018, the average daily trading volume was approximately 7,318 units and the market price ranged from \$0.90 to \$1.08.

Market financials for the years ended December 31, 2018, 2017 and 2016 are as follows:

| Market Financials | | | |
|--------------------------------------|--------|--------|--------|
| | 2018 | 2017 | 2016 |
| Daily average trading volume (units) | 7,318 | 10,347 | 8,281 |
| High market price | \$1.08 | \$1.11 | \$1.13 |
| Low market price | \$0.90 | \$0.91 | \$0.78 |
| Close market price | \$0.94 | \$1.02 | \$1.05 |
| Return on investment ¹ | 4.8% | 10.8% | 37.9% |

¹ *The return on investment represents the total return of the units during the year and is calculated based on the opening and closing market price for the year, assuming the annual distribution paid by the Master LP was instead retained by the Master LP. The past performance of the Master LP is not necessarily an indication of how it will perform in the future.*

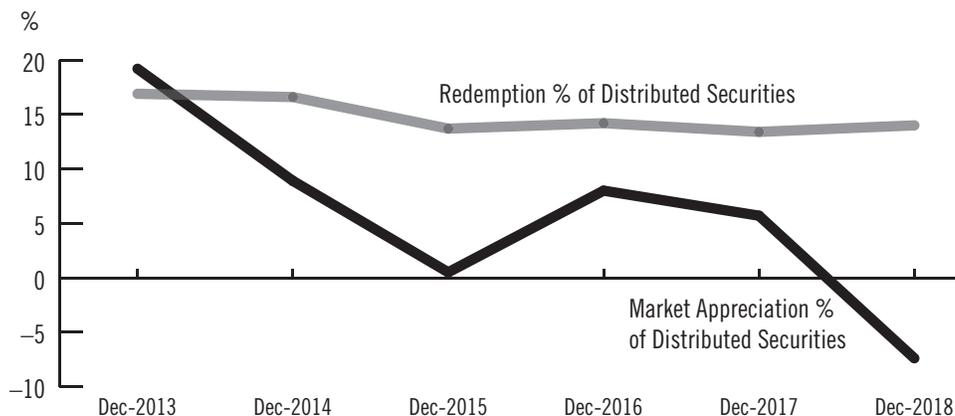
MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

FUTURE PROSPECTS

The Master LP's income is dependent upon the level of redemptions and market value of the Distributed Securities. The level of redemptions in the Distributed Securities is a function of Fund performance, expectations of investors and the availability and competitiveness of alternative investments. Total market value of the Distributed Securities will change based on various factors including the mix of the Distributed Securities, the performance of the Funds and general market conditions.

The following chart shows the trend in redemptions and market performance of Distributed Securities over the last five years.



Redemptions

The level of redemptions of the Distributed Securities were 14%, 13% and 14% in 2016, 2017 and 2018, respectively. Since January 2002, all Distributed Securities have been eligible for redemption without incurring a redemption charge. Because there is no longer a redemption fee associated with the Distributed Securities, there is less disincentive for an investor to redeem Distributed Securities. Historically, as redemption charge schedules expire, fund companies have experienced an increase in redemptions of securities previously subject to those schedules. Accordingly, we would expect redemption rates for the Distributed Securities to remain at or above current levels. A significant and prolonged market correction and/or underperformance of the Distributed Securities may also increase the redemption rate from its current level.

Market Change

The value of Distributed Securities depreciated 7.4% (2017: appreciated 5.7%) over the past year. Market change of the Distributed Securities is affected by many factors including the various strategies utilized by the Funds, the geographic allocation of the Funds, specific investment selection by the fund managers and general market conditions. Although future market movements cannot be predicted, the fund managers are committed to adding value over the long term.

Distributor Fees Income

Redemption rates (even when Distributed Securities were subject to redemption charges) have historically exceeded market appreciation of the Distributed Securities and we would expect the value of Distributed Securities and, therefore, Distributor fees income to continue to decline. While Mackenzie anticipates that the Master LP will continue to make its regular distributions, it does expect the amount of those distributions to continue to decline.

Provision for Income Taxes

The Master LP is considered a specified investment flow-through entity ("SIFT") and is subject to entity level taxation on its taxable non-portfolio earnings. Most of the income earned by the Master LP is taxable non-portfolio earnings. The tax payable by the Master LP is the combined provincial and federal tax rate applicable to income earned by Canadian public corporations. As all the income earned by the Master LP is attributable to Ontario, the applicable rate for 2018 is 26.5% (2017 – 26.5%).

The amount of the Master LP's income that is subject to tax, less the amount of such tax, is treated as taxable dividends when allocated to Limited Partners. These dividends are eligible dividends and taxable Limited Partners are entitled to the enhanced gross-up and dividend tax credit if they are individuals resident in Canada.

The provision for income taxes for the Master LP for the year ended December 31, 2018 was \$0.29 million (2017: \$0.32 million).

MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

GENERAL PARTNER'S REPORT TO THE LIMITED PARTNERS

The accompanying financial statements and information in the Annual Report have been prepared by MMLP GP Inc., the General Partner of Mackenzie Master Limited Partnership (the "Master LP"). The General Partner 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 General Partner 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 of the General Partner is responsible for reviewing and approving the financial statements, overseeing the General Partner's performance of its financial reporting responsibilities, reviewing the adequacy of internal controls over the financial reporting process and reviewing the audit process and financial reporting issues with the General Partner and external auditors.

KPMG LLP is the external auditor of the Master LP. They are appointed by the General Partner. The external auditor has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the partners their opinion on the financial statements. Their report is set out below.

On behalf of MMLP GP Inc.,

General Partner



Barry McInerney
President and Chief Executive Officer
Mackenzie Financial Corporation
March 11, 2019



Terry Rountes
Chief Financial Officer, Funds
Mackenzie Financial Corporation

INDEPENDENT AUDITORS' REPORT

To the Partners of Mackenzie Master Limited Partnership

Opinion

We have audited the financial statements of Mackenzie Master Limited Partnership (the "Master LP"), which comprise:

- the statements of financial position as at December 31, 2018 and 2017
- the statements of comprehensive income for the years then ended
- the statements of changes in net assets for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Master LP as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Master LP in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- Management Report of Management's Discussion and Analysis of Financial Condition and Results of Operations filed with the relevant Canadian Securities Commissions.
- Unaudited schedules titled Value of Distributed Securities as at December 31, 2018, Movement in Value of Distributed Securities For the Period from January 1, 2016 to December 31, 2018, and Percentage of Change in Value of Distributed Securities For the Year Ended December 31, 2018.

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.



MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

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 audits, or otherwise appears to be materially misstated.

We obtained the Management Report of Management's Discussion and Analysis of Financial Condition and Results of Operations filed with the relevant Canadian Securities Commissions. 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 the auditors' 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.

In preparing the financial statements, management is responsible for assessing the Master LP'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 Master LP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Master LP's financial reporting process.

Auditors' 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 auditors' report that includes our opinion.

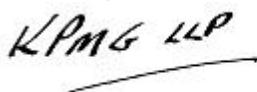
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Master LP'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 Master LP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Master LP 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Steven Sharma

Toronto, Canada

March 11, 2019



MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

STATEMENTS OF FINANCIAL POSITION

As at December 31

| | 2018 \$ | 2017 \$ |
|--|------------------|------------------|
| ASSETS | | |
| Current | | |
| Cash and investments (note 4) | 897,995 | 1,188,250 |
| Distributor fees receivable | 274,929 | 98,657 |
| Total assets | 1,172,924 | 1,286,907 |
| LIABILITIES | | |
| Current | | |
| Accrued expenses (note 5) | 72,349 | 66,605 |
| Provision for income taxes (note 6) | 291,652 | 323,380 |
| Total liabilities (excluding net assets attributable to holders of limited partnership units) | 364,001 | 389,985 |
| Net assets attributable to holders of limited partnership units | 808,923 | 896,922 |

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31

| | 2018 \$ | 2017 \$ |
|--|------------------|------------------|
| Net assets – beginning of year | 896,922 | 942,990 |
| Increase in net assets for the period | 808,923 | 896,922 |
| Distributions of income to partners | (896,922) | (942,990) |
| Net assets – end of year | 808,923 | 896,922 |
| Limited partnership units issued and outstanding (note 8) | 6,264,511 | 6,264,511 |
| Net assets per unit | 0.13 | 0.14 |

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

| | 2018 \$ | 2017 \$ |
|---|------------------|------------------|
| Income | | |
| Distributor fees | 1,200,587 | 1,337,802 |
| Interest | 24,755 | 11,072 |
| Total income | 1,225,342 | 1,348,874 |
| Expenses | | |
| Management fees (note 5) | 16,082 | 16,555 |
| Operating expenses | | |
| Administration | 27,325 | 30,657 |
| Audit fees | 21,360 | 21,360 |
| Securityholder reporting costs | 60,000 | 60,000 |
| | 108,685 | 112,017 |
| Total expenses | 124,767 | 128,572 |
| Increase in net assets before income taxes | 1,100,575 | 1,220,302 |
| Provision for income taxes (note 6) | 291,652 | 323,380 |
| Increase in net assets for the period | 808,923 | 896,922 |
| Increase in net assets per unit | 0.13 | 0.14 |

STATEMENTS OF CASH FLOWS

For the years ended December 31

| | 2018 \$ | 2017 \$ |
|--|------------------|------------------|
| Operating Activities | | |
| Increase in net assets for the period | 808,923 | 896,922 |
| Net change in non-cash items: | | |
| Distributor fees receivable | (176,272) | 14,146 |
| Accrued expenses | 5,744 | 11,739 |
| Provision for income taxes | (31,728) | (16,609) |
| Net cash provided by operating activities | 606,667 | 906,198 |
| Financing Activities | | |
| Distributions of income to partners | (896,922) | (942,990) |
| Cash used in financing activities | (896,922) | (942,990) |
| Net decrease in cash during the period | (290,255) | (36,792) |
| Cash – beginning of year | 1,188,250 | 1,225,042 |
| Cash – end of period | 897,995 | 1,188,250 |

Note: Cash is defined to include cash and investments.



MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

NOTES TO FINANCIAL STATEMENTS

1. Organization of the Partnership

Mackenzie Master Limited Partnership (the “Master LP”) was formed under the laws of Ontario by registration under the *Limited Partnership Act* (Ontario) of a declaration of partnership on February 15, 1995 and is governed by a partnership agreement (the “Partnership Agreement”) also dated February 15, 1995. The general partner of the Master LP is MMLP GP Inc. (the “General Partner”), a wholly owned subsidiary of Mackenzie Financial Corporation (“Mackenzie”). The Master LP was formed to pay selling commissions to financial advisors who sold redemption charge securities of Mackenzie mutual funds for specified periods between 1987 and 1994. In return for paying selling commissions, the Master LP receives Distributor fees income from Mackenzie.

2. Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These financial statements were authorized for issue by the General Partner’s Board of Directors on March 11, 2019.

These financial statements are presented in Canadian dollars, which is the Master LP’s functional currency. These financial statements are prepared on a going concern basis using the historical cost basis, except for the financial assets and financial liabilities that have been measured at fair value. The Master LP’s accounting policies used in preparing the financial statements are explained in Note 3 and have been applied consistently to all periods presented in the financial statements.

3. Significant Accounting Policies

a) *Financial Instruments*

Financial Instruments include financial assets and liabilities such as open-ended investment funds. The Master LP 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 Statements of Financial Position when the Master LP becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Master LP has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date.

b) *Fair Value Measurement*

All financial instruments measured at fair value are classified into one of three levels that distinguish fair value measurements by the inputs used for valuation. 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. These classifications have been disclosed in Note 7.

c) *Use of estimates*

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from such estimates.

d) *Income recognition*

Effective January 1, 2018, the Master LP retrospectively adopted IFRS 15: Revenue from contracts with customers. The adoption of this standard did not change the timing of revenue recognition of Distributor fees income or the amount of Distributor fees income recognized in prior years. Distributor fees income continues to be calculated and recognized daily and paid to the Master LP monthly by Mackenzie.

Interest income is recognized on an accrual basis.

e) *Taxation*

Master LP follows the liability method of tax allocation in accounting for income taxes. Current income tax liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

f) *Increase in net assets per unit*

Increase in net assets per unit in the Statements of Comprehensive Income represents the increase in net assets for the period, divided by the weighted average number of units outstanding during the period.

g) *Net assets per unit*

Net assets per unit is computed by dividing the net assets attributable to holders of limited partnership units by the total number of units outstanding, as at the end of the period.

MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

NOTES TO FINANCIAL STATEMENTS

4. Investments

At December 31, 2018, the Master LP had invested \$810,313 (December 31, 2017 – \$805,562) of cash in units of Mackenzie Canadian Money Market Fund (the “Money Market Fund”), a fund managed by Mackenzie.

5. Related Party Transactions

Pursuant to the Partnership Agreement, the General Partner is responsible for the management of the Master LP.

The General Partner will be reimbursed by the Master LP for expenses incurred on behalf of the Master LP. In addition, the General Partner receives a management fee equal to 15% of such amounts reimbursed. The General Partner has arranged with Mackenzie to provide transfer agent and administration services. During the period, the Master LP reimbursed the General Partner \$117,554 (December 31, 2017 – \$115,183). The balance payable to the General Partner as at December 31, 2018 is \$72,349 (December 31, 2017 – \$66,605).

6. Taxation

These financial statements include only the assets and liabilities of the Master LP and do not include other assets and liabilities, including income taxes, of the partners.

The Master LP is considered a specified investment flow-through entity (“SIFT”) and is subject to entity level taxation on its taxable non-portfolio earnings. Most of the income earned by the Master LP is taxable non-portfolio earnings. The tax payable by the Master LP is the combined provincial and federal tax rate applicable to income earned by Canadian public corporations. As all the income earned by the Master LP is attributable to Ontario, the applicable rate for 2018 is 26.5% (2017 – 26.5%).

The amount of the Master LP’s income that is subject to tax, less the amount of such tax, is treated as taxable dividends when allocated to Limited Partners. These dividends are eligible dividends and taxable Limited Partners are entitled to the enhanced gross-up and dividend tax credit if they are individuals resident in Canada.

The provision for income taxes for the Master LP for the year ended December 31, 2018 is \$291,652 (2017 – \$323,380).

7. Risk Associated with Financial Instruments

i. Risk exposure and management

The investment portfolio is comprised of the Money Market Fund, which pursues a steady flow of income with reasonable safety of capital and liquidity. It achieves these objectives by investing mainly in money market securities and bonds that are issued by Canadian governments and corporations with maturities of up to one year. It also invests in floating rate notes and asset-backed securities. The Money Market Fund intends to maintain a portfolio with a high credit quality.

Mackenzie, as manager of the Money Market fund, seeks to minimize potential adverse effects of risks on the Money Market Fund’s performance by employing professional, experienced portfolio advisors, by daily monitoring of the Money Market Fund’s positions and market events, and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risks, Mackenzie also maintains a governance structure that oversees the Money Market Fund’s investment activities and monitors compliance with the Money Market Fund’s stated investment strategy, internal guidelines, and securities regulations.

ii. Liquidity risk

Liquidity risk is the risk the Master LP will encounter difficulty in paying annual distributions and meeting its financial obligations as they come due. The Master LP invests all excess cash in redeemable units of the Money Market Fund, which must maintain at least 95% of its assets in liquid investments (i.e., cash and cash equivalents). The Money Market Fund also has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions.

iii. Interest rate risk

The Master LP is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the Money Market Fund will fluctuate due to changes in the prevailing levels of market interest rates. The Money Market Fund had minimal sensitivity to changes in interest rates due to the short-term nature of instruments held.

MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

NOTES TO FINANCIAL STATEMENTS

7. Risk Associated with Financial Instruments (cont'd)

iv. 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 Master LP. The Master LP has credit risk exposure through its investment in the Money Market Fund. The maximum exposure of the Money Market Fund to any one debt issuer was 13.3% (December 31, 2017 – 12.0%) of its net assets, representing 13.3% (December 31, 2017 – 10.8%) of the Master LP's net assets.

As of December 31, 2018 and 2017, debt securities by credit rating of the Money Market Fund are as follows:

| Bond Rating* | December 31, 2018 | December 31, 2017 |
|--------------|-------------------|-------------------|
| | % of Total Bonds | % of Total Bonds |
| AAA | 4.7 | – |
| AA | 56.8 | 35.1 |
| A | 28.9 | 64.9 |
| Unrated | 9.6 | – |
| Total | 100.0 | 100.0 |

| Short-Term Note Rating* | December 31, 2018 | December 31, 2017 |
|-------------------------|-----------------------------|-----------------------------|
| | % of Total Short-Term Notes | % of Total Short-Term Notes |
| R1 (High) | 45.1 | 77.9 |
| R1 (Mid) | 26.3 | 20.8 |
| R1 (Low) | 28.6 | 1.3 |
| Total | 100.0 | 100.0 |

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

v. Fair Value Measurement

The following fair value hierarchy is used to classify the Master LP's financial instruments:

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 assets or liability either directly or indirectly; and

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

The Money Market Fund is classified as Level 1 (December 31, 2017 – Level 1) under the fair value hierarchy. All other financial instruments on the Statements of Financial Position are classified as Level 2 (December 31, 2017 – Level 2).

8. Limited Partnership Units

The capital of the Master LP is divided into limited partnership units and as at December 31, 2018, 6,264,511 units are issued and outstanding (December 31, 2017 – 6,264,511). All units are of the same class with equal rights and privileges, including equal participation in any distribution made by the Master LP, and the right to one vote at any meeting of the limited partners. No additional units of the Master LP can be issued and the units are non-redeemable. The General Partner manages the capital of the Master LP in accordance with the Partnership Agreement.

The Limited Partnership Units are classified as financial liabilities as there is a requirement to distribute the income earned by the partnership in cash.

MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

VALUE OF DISTRIBUTED SECURITIES

As at December 31, 2018
(Unaudited)

| | Net Asset Value | |
|---|-----------------|--------------|
| | \$000's | % |
| Canadian Equity Funds | | |
| Mackenzie Cundill Canadian Security Class | 48,190 | 24.0 |
| Mackenzie Ivy Canadian Fund | 24,081 | 12.0 |
| Mackenzie Canadian Growth Fund | 19,423 | 9.7 |
| Mackenzie Growth Fund | 5,072 | 2.5 |
| Other Canadian Equity Funds | 4,921 | 2.4 |
| | 101,687 | 50.6 |
| Foreign Equity Funds | | |
| Mackenzie Ivy Foreign Equity Fund | 13,777 | 6.9 |
| Mackenzie US Growth Class | 12,294 | 6.1 |
| Mackenzie Cundill Value Fund | 3,500 | 1.7 |
| Mackenzie Global Equity Fund | 3,231 | 1.6 |
| Other Foreign Equity Funds | 12,744 | 6.4 |
| | 45,546 | 22.7 |
| Balanced Funds | | |
| Mackenzie Income Fund | 12,971 | 6.5 |
| Mackenzie Canadian Growth Balanced Fund | 11,721 | 5.8 |
| Mackenzie Ivy Canadian Balanced Fund | 10,767 | 5.4 |
| Mackenzie Ivy Global Balanced Fund | 3,105 | 1.5 |
| Other Balanced Funds | 4,668 | 2.3 |
| | 43,232 | 21.5 |
| Income Funds | | |
| Mackenzie Canadian Bond Fund | 5,187 | 2.6 |
| Mackenzie Corporate Bond Fund | 2,999 | 1.5 |
| Mackenzie Strategic Income Fund | 850 | 0.4 |
| Mackenzie Global Tactical Bond Fund | 213 | 0.1 |
| Other Income Funds | 479 | 0.2 |
| | 9,728 | 4.8 |
| Money Market Funds | | |
| Mackenzie Canadian Money Market Fund | 825 | 0.4 |
| | 825 | 0.4 |
| Total | 201,018 | 100.0 |

MACKENZIE MASTER LIMITED PARTNERSHIP

Annual Report | December 31, 2018

MOVEMENT IN VALUE OF DISTRIBUTED SECURITIES

For the period from January 1, 2016 to December 31, 2018
(Unaudited)

| Period ending | Transfers \$000's | Redemptions \$000's | Market Change \$000's | Total \$000's | Per Unit \$ |
|------------------------------|----------------------|------------------------|--------------------------|------------------|----------------|
| Canadian Equity Funds | | | | | |
| Dec/15 | | | | 144,766 | 23 |
| Dec/16 | (642) | (18,651) | 16,549 | 142,022 | 23 |
| Dec/17 | (254) | (16,078) | 7,762 | 133,452 | 21 |
| Dec/18 | (417) | (17,026) | (14,322) | 101,687 | 16 |
| Foreign Equity Funds | | | | | |
| Dec/15 | | | | 68,144 | 11 |
| Dec/16 | 2 | (9,819) | 130 | 58,457 | 9 |
| Dec/17 | (52) | (8,726) | 5,115 | 54,794 | 9 |
| Dec/18 | (10) | (7,448) | (1,790) | 45,546 | 7 |
| Balanced Funds | | | | | |
| Dec/15 | | | | 64,764 | 10 |
| Dec/16 | 616 | (10,705) | 5,994 | 60,669 | 10 |
| Dec/17 | 85 | (9,771) | 2,544 | 53,527 | 9 |
| Dec/18 | 478 | (8,078) | (2,695) | 43,232 | 7 |
| Income Funds | | | | | |
| Dec/15 | | | | 15,637 | 2 |
| Dec/16 | (225) | (2,429) | 804 | 13,787 | 2 |
| Dec/17 | 137 | (2,066) | 327 | 12,185 | 2 |
| Dec/18 | (88) | (2,234) | (135) | 9,728 | 2 |
| Money Market Funds | | | | | |
| Dec/15 | | | | 1,503 | – |
| Dec/16 | 249 | (262) | – | 1,490 | – |
| Dec/17 | 84 | (448) | – | 1,126 | – |
| Dec/18 | 37 | (342) | 4 | 825 | – |
| Total | | | | | |
| Dec/15 | | | | 294,814 | 47 |
| Dec/16 | – | (41,866) | 23,477 | 276,425 | 44 |
| Dec/17 | – | (37,089) | 15,748 | 255,084 | 41 |
| Dec/18 | – | (35,128) | (18,938) | 201,018 | 32 |

PERCENTAGE CHANGE IN VALUE OF DISTRIBUTED SECURITIES

For the year ended December 31, 2018
(Unaudited)

The percentage change in the value of the Distributed Securities is calculated based on the movement in the year as a percentage of the opening balance for each category.

| Category | Transfers (%) | Redemptions (%) | Market Change (%) | Total Change (%) |
|-----------------------|------------------|--------------------|----------------------|---------------------|
| Canadian Equity Funds | (0.3) | (12.8) | (10.7) | (23.8) |
| Foreign Equity Funds | (0.0) | (13.6) | (3.3) | (16.9) |
| Balanced Funds | 0.9 | (15.1) | (5.0) | (19.2) |
| Income Funds | (0.7) | (18.4) | (1.1) | (20.2) |
| Money Market Funds | 3.3 | (30.4) | 0.4 | (26.7) |
| Total Movement | – | (13.9) | (7.4) | (21.3) |