

## ***Interim Unaudited Financial Statements***

*For the Six-Month Period Ended September 30, 2011*

*These Interim Unaudited Financial Statements do not contain the Interim Management Report of Fund Performance ("MRFP") of the investment fund. You may obtain a copy of the Interim MRFP, at no cost, by calling the toll-free number 1-800-387-0614, by writing to us at Mackenzie Financial Corporation, 180 Queen Street West, Toronto, Ontario M5V 3K1, by visiting our website at [www.mackenziefinancial.com](http://www.mackenziefinancial.com) or by visiting the SEDAR website at [www.sedar.com](http://www.sedar.com). Copies of the Annual Financial Statements or Annual MRFP may also be obtained, at no cost, using any of the methods outlined above.*

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

### **NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS**

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

*The Fund's independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.*

# MACKENZIE SENTINEL INCOME FUND



INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2011

CANADIAN BALANCED

## STATEMENTS OF NET ASSETS

In thousands (except per security figures)

	September 30 2011	March 31 2011 (Audited)
	\$	\$
<b>Assets</b>		
Investments at fair value	1,169,457	1,195,122
Cash and short-term investments	82,141	60,882
Accrued interest and dividends receivable	9,621	8,966
Receivables for securities sold	13,171	8,337
Subscriptions receivable	1,360	1,618
Amounts receivable - derivative transactions	126	435
	1,275,876	1,275,360
<b>Liabilities</b>		
Payables for securities purchased	12,985	4,924
Redemptions payable	1,438	922
Operating expenses payable	—	—
Amounts payable - derivative transactions	5,018	46
	19,441	5,892
<b>Net assets</b>	<b>1,256,435</b>	<b>1,269,468</b>
<b>Series net assets (note 2)</b>		
Series A	367,512	359,448
Series B	709,109	720,744
Series C	94,306	101,225
Series F	8,345	9,030
Series G	5,977	6,956
Series I	5,696	7,509
Series O	39,196	38,952
Series R	23,629	24,708
Series S	2,665	896
<b>Net assets per security (note 2)</b>		
Series A	2.38	2.51
Series B	8.10	8.47
Series C	5.85	6.58
Series F	11.23	11.62
Series G	9.08	9.46
Series I	3.96	4.23
Series O	11.58	11.90
Series R	10.66	10.98
Series S	9.87	10.18

## STATEMENTS OF OPERATIONS

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

	2011 \$	2010 \$
<b>Income</b>		
Dividends	7,163	5,698
Interest	16,759	17,473
Less withholding taxes	(187)	(192)
Revenue from securities lending	44	22
	23,779	23,001
<b>Expenses (note 4)</b>		
Management fees	9,850	8,759
Administration fees	1,642	1,571
Independent Review Committee fees	3	3
Interest charges	1	—
	11,496	10,333
Net investment income (loss) before rebated and absorbed expenses	12,283	12,668
Rebated and absorbed expenses	3	5
<b>Net investment income (loss) for the period</b>	<b>12,286</b>	<b>12,673</b>
Realized gain (loss) on sale of investments	26,164	(12,883)
Change in unrealized appreciation (depreciation)	(63,271)	27,122
Transaction costs	(300)	(409)
<b>Net gain (loss) on investments</b>	<b>(37,407)</b>	<b>13,830</b>
<b>Increase (decrease) in net assets from operations</b>	<b>(25,121)</b>	<b>26,503</b>
<b>Increase (decrease) in net assets from operations per series</b>		
Series A	(7,519)	7,141
Series B	(14,554)	15,206
Series C	(1,987)	2,146
Series F	(136)	225
Series G	(120)	178
Series I	(96)	309
Series O	(426)	446
Series R	(252)	852
Series S	(31)	—
<b>Increase (decrease) from operations per security</b>		
Series A	(0.05)	0.06
Series B	(0.17)	0.19
Series C	(0.13)	0.16
Series F	(0.18)	0.30
Series G	(0.18)	0.22
Series I	(0.06)	0.11
Series O	(0.13)	0.35
Series R	(0.11)	0.34
Series S	(0.17)	—

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

# MACKENZIE SENTINEL INCOME FUND



INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2011

CANADIAN BALANCED

## STATEMENTS OF CHANGES IN NET ASSETS

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

	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Series A		Series B		Series C		Series F		Series G	
	\$		\$		\$		\$		\$	
<b>Net assets – beginning of period</b>	<b>359,448</b>	<b>293,760</b>	<b>720,744</b>	<b>652,578</b>	<b>101,225</b>	<b>97,419</b>	<b>9,030</b>	<b>8,835</b>	<b>6,956</b>	<b>8,074</b>
Increase (decrease) in net assets from operations	(7,519)	7,141	(14,554)	15,206	(1,987)	2,146	(136)	225	(120)	178
Distributions paid to securityholders:										
Investment income	(1)	–	–	(2)	–	–	–	–	–	–
Capital gains	–	–	–	–	–	–	–	–	–	–
Return of capital	(12,129)	(10,022)	(17,176)	(15,834)	(9,332)	(8,086)	(152)	(149)	(138)	(164)
Total distributions paid to securityholders	(12,130)	(10,022)	(17,176)	(15,836)	(9,332)	(8,086)	(152)	(149)	(138)	(164)
Security transactions:										
Proceeds from securities issued	47,575	48,766	68,365	77,881	8,658	12,113	729	879	4	4
Reinvested distributions	11,045	9,066	14,997	13,866	6,454	5,263	118	111	117	146
Value of securities redeemed	(30,907)	(26,713)	(63,267)	(55,455)	(10,712)	(10,257)	(1,244)	(1,208)	(842)	(674)
Total security transactions	27,713	31,119	20,095	36,292	4,400	7,119	(397)	(218)	(721)	(524)
<b>Total increase (decrease) in net assets</b>	<b>8,064</b>	<b>28,238</b>	<b>(11,635)</b>	<b>35,662</b>	<b>(6,919)</b>	<b>1,179</b>	<b>(685)</b>	<b>(142)</b>	<b>(979)</b>	<b>(510)</b>
<b>Net assets – end of period</b>	<b>367,512</b>	<b>321,998</b>	<b>709,109</b>	<b>688,240</b>	<b>94,306</b>	<b>98,598</b>	<b>8,345</b>	<b>8,693</b>	<b>5,977</b>	<b>7,564</b>

Increase (decrease) in fund securities (note 5):	Securities		Securities		Securities		Securities		Securities	
<b>Securities outstanding – beginning of period</b>	<b>143,141</b>	<b>114,600</b>	<b>85,093</b>	<b>76,760</b>	<b>15,384</b>	<b>13,016</b>	<b>777</b>	<b>767</b>	<b>735</b>	<b>852</b>
Issued	19,232	19,248	8,204	9,271	1,378	1,677	64	77	–	–
Reinvested distributions	4,590	3,614	1,810	1,656	1,046	740	10	10	13	16
Redeemed	(12,491)	(10,544)	(7,584)	(6,606)	(1,700)	(1,424)	(108)	(106)	(90)	(72)
<b>Securities outstanding – end of period</b>	<b>154,472</b>	<b>126,918</b>	<b>87,523</b>	<b>81,081</b>	<b>16,108</b>	<b>14,009</b>	<b>743</b>	<b>748</b>	<b>658</b>	<b>796</b>

	Series I		Series O		Series R		Series S		Total	
	\$		\$		\$		\$		\$	
<b>Net assets – beginning of period</b>	<b>7,509</b>	<b>11,732</b>	<b>38,952</b>	<b>15,327</b>	<b>24,708</b>	<b>27,710</b>	<b>896</b>	<b>–</b>	<b>1,269,468</b>	<b>1,115,435</b>
Increase (decrease) in net assets from operations	(96)	309	(426)	446	(252)	852	(31)	–	(25,121)	26,503
Distributions paid to securityholders:										
Investment income	(3)	(6)	–	–	–	–	–	–	(4)	(8)
Capital gains	–	–	–	–	–	–	–	–	–	–
Return of capital	(329)	(542)	(662)	(254)	(451)	(495)	(37)	–	(40,406)	(35,546)
Total distributions paid to securityholders	(332)	(548)	(662)	(254)	(451)	(495)	(37)	–	(40,410)	(35,554)
Security transactions:										
Proceeds from securities issued	–	822	1,702	231	1,746	1,025	1,984	–	130,763	141,721
Reinvested distributions	277	452	662	254	–	–	37	–	33,707	29,158
Value of securities redeemed	(1,662)	(550)	(1,032)	(1,237)	(2,122)	(1,919)	(184)	–	(111,972)	(98,013)
Total security transactions	(1,385)	724	1,332	(752)	(376)	(894)	1,837	–	52,498	72,866
<b>Total increase (decrease) in net assets</b>	<b>(1,813)</b>	<b>485</b>	<b>244</b>	<b>(560)</b>	<b>(1,079)</b>	<b>(537)</b>	<b>1,769</b>	<b>–</b>	<b>(13,033)</b>	<b>63,815</b>
<b>Net assets – end of period</b>	<b>5,696</b>	<b>12,217</b>	<b>39,196</b>	<b>14,767</b>	<b>23,629</b>	<b>27,173</b>	<b>2,665</b>	<b>–</b>	<b>1,256,435</b>	<b>1,179,250</b>

Increase (decrease) in fund securities (note 5):	Securities		Securities		Securities		Securities	
<b>Securities outstanding – beginning of period</b>	<b>1,775</b>	<b>2,638</b>	<b>3,273</b>	<b>1,300</b>	<b>2,251</b>	<b>2,533</b>	<b>88</b>	<b>–</b>
Issued	–	189	144	19	161	94	197	–
Reinvested distributions	68	104	56	22	–	–	4	–
Redeemed	(405)	(126)	(87)	(106)	(195)	(176)	(19)	–
<b>Securities outstanding – end of period</b>	<b>1,438</b>	<b>2,805</b>	<b>3,386</b>	<b>1,235</b>	<b>2,217</b>	<b>2,451</b>	<b>270</b>	<b>–</b>

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

# MACKENZIE SENTINEL INCOME FUND



INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2011

CANADIAN BALANCED

## STATEMENT OF INVESTMENTS

As at September 30, 2011

	Country	Sector	Par Value	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS</b>					
Access Justice Durham 5.015% 08-31-2039	Canada	Corporate - Non Convertible	6,743,531	6,774	7,208
Algonquin Credit Card Trust 4.562% 06-15-2012	Canada	Asset Backed	1,400,000	1,342	1,428
Algonquin Power & Utilities Corp. 5.50% 07-25-2018 Callable	Canada	Corporate - Non Convertible	8,300,000	8,286	8,654
American Express Canada Credit Corp. F/R 06-06-2014	Canada	Corporate - Non Convertible	2,850,000	2,850	2,809
American Express Canada Credit Corp. 4.853% 10-03-2014	Canada	Corporate - Non Convertible	2,285,000	2,285	2,416
Arrow Lakes Power Corp. 5.516% 04-05-2041	Canada	Corporate - Non Convertible	310,000	310	351
Bank of Montreal 3.979% 07-08-2021	Canada	Corporate - Non Convertible	5,580,000	5,579	5,788
Bank of Montreal					
6.17% 03-28-2023 (F/R @ 03-28-2018) Callable 2018	Canada	Corporate - Non Convertible	5,065,000	4,787	5,890
Bank of Montreal 5.50% 03-01-2028	Canada	Mortgage Backed	6,312,888	5,461	7,546
The Bank of Nova Scotia 3.80% 09-01-2015	Canada	Mortgage Backed	5,141,877	5,283	5,521
The Bank of Nova Scotia 6.45% 01-01-2025	Canada	Mortgage Backed	8,169,210	7,861	10,384
BC Gas Utility Ltd. 10.30% 09-30-2016	Canada	Corporate - Non Convertible	3,250,000	4,427	4,427
Bell Aliant Regional Communications LP 6.29% 02-17-2015	Canada	Corporate - Non Convertible	3,600,000	3,599	3,985
Bell Aliant Regional Communications LP					
4.88% 04-26-2018 Series MTN	Canada	Corporate - Non Convertible	3,200,000	3,200	3,361
Bell Canada 4.85% 06-30-2014 Callable	Canada	Corporate - Non Convertible	1,500,000	1,579	1,603
Bell Canada 3.60% 12-02-2015 Callable	Canada	Corporate - Non Convertible	2,700,000	2,695	2,800
Bell Canada 4.95% 05-19-2021 Callable	Canada	Corporate - Non Convertible	3,650,000	3,637	3,893
BMW Canada Inc. 3.052% 09-22-2014	Canada	Corporate - Non Convertible	2,053,177	2,053	2,060
Broadway Credit Card Trust 5.449% 06-17-2013	Canada	Corporate - Non Convertible	2,400,000	2,400	2,536
Caisse Centrale Desjardins 3.502% 10-05-2017	Canada	Corporate - Non Convertible	1,710,000	1,710	1,752
Calloway Real Estate Investment Trust 5.375% 10-12-2016 Callable	Canada	Corporate - Non Convertible	3,450,000	3,435	3,632
Cameco Corp. 5.67% 09-02-2019 Series D	Canada	Corporate - Non Convertible	3,500,000	3,515	3,867
Canada Housing Trust No. 1 F/R 09-15-2014	Canada	Federal Government	700,000	709	704
Canada Housing Trust No. 1 F/R 09-15-2016	Canada	Federal Government	2,400,000	2,400	2,387
Canada Housing Trust 2.75% 06-15-2016	Canada	Federal Government	22,490,000	22,641	23,583
Canadian Capital Auto Receivables Asset Trust 3.053% 07-17-2014	Canada	Corporate - Non Convertible	2,720,000	2,720	2,801
Canadian Credit Card Master Trust 3.444% 07-24-2015	Canada	Asset Backed	7,000,000	7,000	7,287
Canadian Imperial Bank of Commerce 3.40% 04-14-2016	Canada	Corporate - Non Convertible	1,460,000	1,458	1,518
Canadian Imperial Bank of Commerce 4.11% 04-30-2020	Canada	Corporate - Non Convertible	9,650,000	10,166	10,147
Canadian Western Bank F/R 04-26-2013	Canada	Corporate - Non Convertible	3,100,000	3,100	3,092
Canadian Western Bank 5.07% 03-22-2017	Canada	Corporate - Non Convertible	3,200,000	3,200	3,239
Capital Desjardins Inc. 3.797% 11-23-2020 Callable 2015	Canada	Corporate - Non Convertible	6,100,000	6,100	6,217
Cards II Trust 3.333% 05-15-2016	Canada	Corporate - Non Convertible	3,950,000	3,950	4,101
CHIP Mortgage Trust 4.542% 08-01-2012	Canada	Asset Backed	3,150,000	3,150	3,200
CHIP Mortgage Trust 4.637% 02-01-2013	Canada	Corporate - Non Convertible	6,000,000	6,000	6,207
CHIP Mortgage Trust 3.973% 02-01-2016	Canada	Corporate - Non Convertible	1,850,000	1,850	1,934
CI Financial Corp. 3.30% 12-17-2012	Canada	Corporate - Non Convertible	2,890,000	2,890	2,934
CI Financial Corp. 3.94% 12-14-2016 Callable	Canada	Corporate - Non Convertible	3,200,000	3,199	3,331
City of Montreal 5.45% 12-01-2019	Canada	Municipal Governments	2,570,000	2,744	2,952
City of Montreal 5.50% 12-01-2024	Canada	Municipal Governments	3,750,000	3,902	4,366
City of Toronto 5.05% 07-18-2017	Canada	Municipal Governments	2,500,000	2,670	2,852
City of Toronto 4.50% 12-02-2019	Canada	Municipal Governments	5,800,000	5,782	6,383
Column Canada Issuer Corp. 4.934% 01-15-2022	Canada	Mortgage Backed	6,800,000	6,800	7,403
Commonwealth Bank of Australia 3.625% 10-14-2014	Australia	Corporate - Non Convertible	5,060,000	5,077	5,155
Daimler Canada Finance Inc. F/R 10-15-2012	Canada	Corporate - Non Convertible	3,100,000	3,100	3,090
Dundeewealth Inc. 5.10% 09-25-2014	Canada	Corporate - Non Convertible	3,540,000	3,540	3,857
Enbridge Gas Distribution Inc. 4.95% 11-22-2050 Callable	Canada	Corporate - Non Convertible	2,100,000	2,096	2,322
Fairfax Financial Holdings Ltd. 6.40% 05-21-2021	Canada	Corporate - Non Convertible	2,650,000	2,639	2,631

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

# MACKENZIE SENTINEL INCOME FUND



INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2011

CANADIAN BALANCED

## STATEMENT OF INVESTMENTS (cont'd)

As at September 30, 2011

	Country	Sector	Par Value	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS (cont'd)</b>					
Falcon Trust 5.06% 01-15-2014	Canada	Mortgage Backed	2,800,000	2,570	2,721
Financement-Quebec F/R 06-02-2016	Canada	Provincial Governments	9,800,000	9,712	9,722
First Capital Realty Inc. 5.60% 04-30-2020 Callable	Canada	Corporate - Non Convertible	3,820,000	3,893	3,989
Ford Auto Securitization Trust 6.341% 01-15-2014	Canada	Asset Backed	8,000,000	8,102	8,293
Ford Floorplan Auto Securitization Trust 4.701% 11-15-2011	Canada	Asset Backed	6,100,000	6,100	6,117
Gloucester Credit Card Trust 4.909% 11-15-2013	Canada	Asset Backed	4,059,000	3,964	4,168
Gloucester Credit Card Trust 5.376% 05-15-2014	Canada	Asset Backed	1,000,000	1,006	1,083
Gloucester Credit Card Trust 6.486% 05-15-2014	Canada	Asset Backed	5,000,000	5,000	5,150
Golden Credit Card Trust 3.824% 05-15-2015	Canada	Corporate - Non Convertible	4,850,000	4,957	5,123
Golden Credit Card Trust 3.51% 05-15-2016	Canada	Corporate - Non Convertible	4,200,000	4,200	4,390
Government of Canada 2.50% 06-01-2015	Canada	Federal Government	1,940,000	2,021	2,032
Government of Canada 3.00% 12-01-2015	Canada	Federal Government	4,130,000	4,416	4,419
Government of Canada 2.00% 06-01-2016	Canada	Federal Government	910,000	935	937
Government of Canada 4.00% 06-01-2017	Canada	Federal Government	4,735,000	5,166	5,369
Government of Canada 3.50% 06-01-2020	Canada	Federal Government	930,000	1,031	1,038
Government of Canada 4.25% 12-01-2021 Real Return	Canada	Federal Government	2,000,000	4,059	4,052
Government of Canada 8.00% 06-01-2027	Canada	Federal Government	6,800,000	10,005	11,601
Government of Canada 5.75% 06-01-2033	Canada	Federal Government	420,000	517	623
Government of Canada 3.00% 12-01-2036 Real Return	Canada	Federal Government	5,690,000	9,097	9,948
Government of Canada 4.00% 06-01-2041	Canada	Federal Government	27,550,000	33,631	34,356
Government of Canada 2.00% 12-01-2041 Real Return	Canada	Federal Government	6,270,000	7,498	8,891
Health Montreal Collective LP 6.721% 09-30-2049	Canada	Corporate - Non Convertible	2,550,000	2,550	2,884
HomeEquity Bank 9.713% 10-31-2014	Canada	Corporate - Non Convertible	2,240,000	2,240	2,419
Honda Canada Finance Inc. 5.675% 09-26-2012	Canada	Corporate - Non Convertible	5,000,000	5,000	5,195
HSBC Bank Canada 3.558% 10-04-2017	Canada	Corporate - Non Convertible	5,300,000	5,282	5,432
Kommunalbanken AS 3.74% 05-27-2021 Callable 2016	Norway	Foreign Government	3,000,000	2,999	3,150
Korea Gas Corp. 4.58% 05-12-2016	South Korea	Corporate - Non Convertible	1,740,000	1,740	1,834
Manulife Financial Corp. 4.896% 06-02-2014	Canada	Corporate - Non Convertible	5,800,000	5,800	6,108
Manulife Financial Corp. 4.079% 08-20-2015	Canada	Corporate - Non Convertible	7,600,000	7,600	7,852
Master Credit Card Trust 3.502% 05-21-2016	Canada	Corporate - Non Convertible	4,000,000	4,000	4,178
Merrill Lynch Financial Assets Inc. 4.596% 05-12-2014	Canada	Mortgage Backed	431,949	434	448
Merrill Lynch Financial Assets Inc. 4.743% 03-12-2036	Canada	Mortgage Backed	1,220,371	1,220	1,265
Merrill Lynch Financial Assets Inc. 5.441% 03-12-2036	Canada	Mortgage Backed	5,300,000	5,009	5,660
Merrill Lynch Financial Assets Inc. 4.919% 03-12-2039	Canada	Mortgage Backed	4,300,000	4,313	4,365
Merrill Lynch Financial Assets Inc. 4.90% 10-12-2039	Canada	Mortgage Backed	7,800,000	7,800	7,926
MI Developments Inc. 6.05% 12-22-2016	Canada	Corporate - Non Convertible	7,500,000	7,468	8,156
Municipal Finance Authority of British Columbia 3.00% 06-01-2016	Canada	Municipal Governments	2,500,000	2,502	2,617
N-45° First CMBS Issuer Corp. 5.641% 12-15-2019	Canada	Mortgage Backed	700,000	736	720
National Australia Bank Ltd. 4.19% 07-20-2015	Australia	Corporate - Non Convertible	4,500,000	4,500	4,705
National Bank of Canada 4.03% 05-26-2015	Canada	Corporate - Non Convertible	7,860,000	7,860	8,351
National Bank of Canada 3.58% 04-26-2016	Canada	Corporate - Non Convertible	3,100,000	3,100	3,247
NAV CANADA F/R 04-29-2013	Canada	Corporate - Non Convertible	6,400,000	6,400	6,406
NBC Asset Trust 7.235% Perpetual (F/R @ 06-30-2019) Callable 2018	Canada	Corporate - Non Convertible	5,260,000	5,260	6,204
NBC Asset Trust 7.447% Perpetual (F/R @ 06-30-2020) Callable 2020	Canada	Corporate - Non Convertible	3,000,000	3,000	3,597
OMERS Realty CTT Holdings Inc. 4.75% 05-05-2016	Canada	Municipal Governments	1,900,000	2,013	2,104
Paragon Gaming EC Co. Series B Senior 12.50% 04-15-2012	Canada	Corporate - Non Convertible	3,949,018	3,949	3,949
Peoples Trust 4.25% 12-01-2014	Canada	Mortgage Backed	2,967,838	2,895	3,188
Plenary Properties LTAP LP 6.288% 01-31-2044	Canada	Corporate - Non Convertible	1,400,000	1,482	1,681
Province of Ontario 4.20% 06-02-2020	Canada	Provincial Governments	32,090,000	33,822	35,122
Province of Ontario 6.50% 03-08-2029	Canada	Provincial Governments	3,535,000	4,381	4,844

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

# MACKENZIE SENTINEL INCOME FUND



INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2011

CANADIAN BALANCED

## STATEMENT OF INVESTMENTS (cont'd)

As at September 30, 2011

	Country	Sector	Par Value	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>BONDS (cont'd)</b>					
Province of Ontario 4.65% 06-02-2041	Canada	Provincial Governments	12,740,000	14,432	14,784
Province of Quebec 4.50% 12-01-2020	Canada	Provincial Governments	28,490,000	30,532	31,653
Province of Quebec 4.50% 12-01-2021 Real Return	Canada	Provincial Governments	950,000	1,533	1,644
Province of Quebec 4.25% 12-01-2031 Real Return	Canada	Provincial Governments	2,890,000	3,925	5,715
Province of Quebec 5.00% 12-01-2041	Canada	Provincial Governments	9,170,000	10,109	10,998
PSP Capital Inc. 2.94% 12-03-2015 Callable	Canada	Federal Government	4,000,000	3,998	4,156
Real Estate Asset Liquidity Trust 4.872% 03-12-2038	Canada	Mortgage Backed	10,000,000	9,999	10,898
Real Estate Asset Liquidity Trust 4.445% 10-12-2036	Canada	Mortgage Backed	681,509	681	700
Real Estate Asset Liquidity Trust 4.976% 03-12-2038	Canada	Mortgage Backed	4,000,000	3,997	4,253
Real Estate Asset Liquidity Trust 4.437% 09-12-2038	Canada	Mortgage Backed	5,169,925	5,081	5,509
Regional Municipality of York 5.00% 04-29-2019	Canada	Municipal Governments	5,680,000	6,035	6,456
Reliance LP 7.30% 04-03-2013 Callable	Canada	Corporate - Non Convertible	6,475,000	6,482	6,754
RioCan Real Estate Investment Trust 4.499% 01-21-2016 Callable	Canada	Corporate - Non Convertible	600,000	618	617
Rogers Communications Inc. 4.70% 09-29-2020 Callable	Canada	Corporate - Non Convertible	2,540,000	2,539	2,570
Rogers Communications Inc. 6.68% 11-04-2039	Canada	Corporate - Non Convertible	4,000,000	3,996	4,407
Rogers Communications Inc. 6.56% 03-22-2041	Canada	Corporate - Non Convertible	3,000,000	3,000	3,263
Royal Bank of Canada F/R 04-15-2014	Canada	Corporate - Non Convertible	4,300,000	4,300	4,257
Royal Bank of Canada 5.00% 06-06-2018 (F/R @ 06-06-2013) Callable 2013	Canada	Corporate - Non Convertible	5,250,000	5,248	5,509
Royal Bank of Canada 3.35% 10-01-2020	Canada	Mortgage Backed	7,227,108	7,102	7,481
Royal Office Finance LP 5.209% 11-12-2032	Canada	Corporate - Non Convertible	8,605,111	8,605	9,907
Schooner Trust 5.192% 03-12-2017	Canada	Mortgage Backed	4,948,014	4,923	5,437
Shaw Communications Inc. 7.50% 11-20-2013 Callable	Canada	Corporate - Non Convertible	7,375,000	7,375	8,175
Shaw Communications Inc. 5.65% 10-01-2019	Canada	Corporate - Non Convertible	3,400,000	3,389	3,629
Shaw Communications Inc. 5.50% 12-07-2020	Canada	Corporate - Non Convertible	1,440,000	1,435	1,502
Sherritt International Corp. 7.875% 11-26-2012 Callable	Canada	Corporate - Non Convertible	7,550,000	7,550	7,795
Solar Trust 5.83% 09-12-2015	Canada	Mortgage Backed	6,000,000	6,018	6,121
Solar Trust 5.33% 05-12-2016	Canada	Mortgage Backed	6,680,000	6,730	6,896
Sun Life Capital Trust II 5.863% 12-31-2019 Callable 2019	Canada	Corporate - Non Convertible	2,100,000	2,100	2,240
Sun Life Financial Inc. 5.59% 01-30-2023 (F/R @ 01-30-2018) Callable 2018	Canada	Corporate - Non Convertible	1,750,000	1,860	1,892
Teranet Holdings LP 3.531% 12-16-2015	Canada	Corporate - Non Convertible	8,200,000	8,200	8,485
Teranet Holdings LP 5.754% 12-17-2040	Canada	Corporate - Non Convertible	10,200,000	10,200	10,155
Toronto Hydro Corp. 4.49% 11-12-2019	Canada	Corporate - Non Convertible	2,200,000	2,199	2,422
The Toronto-Dominion Bank 3.25% 12-01-2020	Canada	Mortgage Backed	4,719,057	4,562	4,849
The Toronto-Dominion Bank 6.125% 12-01-2024	Canada	Mortgage Backed	4,246,683	4,805	5,286
The Toronto-Dominion Bank 5.375% 07-01-2028	Canada	Mortgage Backed	2,424,105	2,563	2,878
Videotron Ltee 7.125% 01-15-2020 Callable 2015	Canada	Corporate - Non Convertible	2,140,000	2,140	2,183
Videotron Ltee 6.875% 07-15-2021 Callable 2016	Canada	Corporate - Non Convertible	4,500,000	4,500	4,444
Westpac Banking Corp. 3.75% 12-01-2014	Canada	Corporate - Non Convertible	4,730,000	4,716	4,907
<b>Total bonds</b>				<b>692,663</b>	<b>734,060</b>

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

# MACKENZIE SENTINEL INCOME FUND



INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2011

CANADIAN BALANCED

## STATEMENT OF INVESTMENTS (cont'd)

As at September 30, 2011

	Country	Sector	No. of Shares	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>EQUITIES</b>					
AGF Management Ltd. Class B non-voting	Canada	Financials	185,500	3,099	2,797
Air Products and Chemicals Inc.	United States	Materials	75,600	6,381	6,045
AltaGas Ltd.	Canada	Energy	288,500	5,817	7,807
American Express Co.	United States	Financials	107,200	5,140	5,039
ARC Resources Ltd.	Canada	Energy	384,500	8,730	8,644
Astral Media Inc. Class A non-voting	Canada	Consumer Discretionary	175,000	4,238	5,679
Bank of Montreal	Canada	Financials	222,900	13,225	13,040
The Bank of Nova Scotia	Canada	Financials	481,500	18,841	25,317
Barrick Gold Corp.	Canada	Materials	422,300	20,425	20,663
Baytex Energy Corp.	Canada	Energy	116,700	5,477	5,079
BCE Inc.	Canada	Telecommunication Services	448,400	14,940	17,591
The Blackstone Group LP	United States	Financials	184,700	3,224	2,315
Bonavista Energy Corp.	Canada	Energy	146,700	3,728	3,430
Canadian Imperial Bank of Commerce	Canada	Financials	230,300	11,582	16,840
Canadian National Railway Co.	Canada	Industrials	75,000	4,001	5,231
Canadian Natural Resources Ltd.	Canada	Energy	453,400	14,863	13,901
Cenovus Energy Inc.	Canada	Energy	403,500	11,942	13,001
Chevron Corp.	United States	Energy	33,800	3,179	3,274
CI Financial Corp.	Canada	Financials	140,600	3,200	2,905
Corus Entertainment Inc. Class B non-voting	Canada	Consumer Discretionary	312,600	6,341	6,146
Diageo PLC	United Kingdom	Consumer Staples	370,800	5,859	7,389
E.I. du Pont de Nemours and Co.	United States	Materials	72,100	3,138	3,016
Freeport-McMoRan Copper & Gold Inc.	United States	Materials	74,600	3,150	2,378
General Electric Co.	United States	Industrials	333,100	5,679	5,309
GlaxoSmithKline PLC	United Kingdom	Health Care	147,300	3,057	3,185
Goldcorp Inc.	Canada	Materials	126,200	5,480	6,034
Great-West Lifeco Inc.*	Canada	Financials	231,100	5,756	4,761
Israel Chemicals Ltd.	Israel	Materials	225,600	3,122	2,715
Merck & Co. Inc.	United States	Health Care	191,600	6,827	6,560
Microsoft Corp.	United States	Information Technology	400,000	11,335	10,425
Mullen Group Ltd.	Canada	Energy	157,900	3,135	2,964
Novartis AG Reg.	Switzerland	Health Care	111,400	6,254	6,510
Occidental Petroleum Corp.	United States	Energy	87,600	8,220	6,558
Pfizer Inc.	United States	Health Care	268,200	4,298	4,965
Potash Corp. of Saskatchewan Inc.	Canada	Materials	278,000	11,092	12,588
Power Corp. of Canada Sub. Voting*	Canada	Financials	650,000	17,336	14,898
Rio Tinto PLC	United Kingdom	Materials	92,000	6,211	4,255
Rogers Communications Inc. Class B non-voting	Canada	Telecommunication Services	305,900	9,398	10,970
Royal Bank of Canada	Canada	Financials	378,900	16,011	18,134
Shaw Communications Inc. Class B non-voting	Canada	Consumer Discretionary	251,700	5,045	5,331
Siemens AG	Germany	Industrials	42,200	5,154	3,993
Sun Life Financial Inc.	Canada	Financials	279,800	9,492	6,973
Suncor Energy Inc.	Canada	Energy	258,600	7,278	6,897
Talisman Energy Inc.	Canada	Energy	190,800	2,212	2,450
Teck Resources Ltd. Class B	Canada	Materials	168,500	8,167	5,156
Thomson Reuters Corp.	Canada	Consumer Discretionary	143,700	4,298	4,075
The Toronto-Dominion Bank	Canada	Financials	326,100	15,494	24,216
TransCanada Corp.	Canada	Energy	322,000	12,270	13,662
United Parcel Service Inc. (UPS) Class B	United States	Industrials	100,000	6,391	6,609
Verizon Communications Inc.	United States	Telecommunication Services	212,700	6,707	8,196

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

# MACKENZIE SENTINEL INCOME FUND



INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2011

CANADIAN BALANCED

## STATEMENT OF INVESTMENTS (cont'd)

As at September 30, 2011

	Country	Sector	No. of Shares/ Units	Average Cost (\$ 000s)	Fair Value (\$ 000s)
<b>EQUITIES (cont'd)</b>					
Vermilion Energy Inc.	Canada	Energy	158,100	6,986	6,914
Walgreen Co.	United States	Consumer Staples	147,200	5,751	5,066
<b>Total equities</b>				<b>398,976</b>	<b>417,896</b>
<b>INCOME TRUSTS</b>					
Annaly Capital Management Inc.	United States	Financials	192,200	3,171	3,347
Artis Real Estate Investment Trust	Canada	Financials	443,700	6,125	5,458
Labrador Iron Ore Royalty Corp. Stapled Units	Canada	Materials	110,600	2,443	3,656
RioCan Real Estate Investment Trust	Canada	Financials	194,153	730	5,040
<b>Total income trusts</b>				<b>12,469</b>	<b>17,501</b>
Transaction costs				(510)	—
<b>Total investments</b>				<b>1,103,598</b>	<b>1,169,457</b>
Derivative instruments (see schedule of derivative instruments)					(4,892)
Cash and short-term investments					82,141
Other assets less liabilities					9,729
<b>Total net assets</b>					<b>1,256,435</b>

\* Related to Mackenzie. See Note 1.

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

# MACKENZIE SENTINEL INCOME FUND



INTERIM UNAUDITED FINANCIAL STATEMENTS | September 30, 2011

CANADIAN BALANCED

## SCHEDULE OF DERIVATIVE INSTRUMENTS

As at September 30, 2011

### Unrealized Gains/Losses on Forward Currency Contracts

	Bought (\$ 000s)		Sold (\$ 000s)		Number of Contracts	Settlement Date	Contract Cost (\$ 000s)	Current Fair Value (\$ 000s)	Unrealized Gains (Losses) (\$ 000s)
	435	British pound	(691)	Canadian dollar	1	Oct. 21, 2011	691	711	20
	3,323	Canadian dollar	(2,800)	Swiss franc	1	Oct. 28, 2011	(3,323)	(3,242)	81
	3,673	Canadian dollar	(2,600)	Euro	3	Nov. 4, 2011	(3,673)	(3,652)	21
	345	British pound	(560)	Canadian dollar	1	Dec. 9, 2011	560	564	4
<b>Unrealized Gains</b>									<b>126</b>
	5,423	Canadian dollar	(5,575)	U.S. dollar	1	Oct. 7, 2011	(5,423)	(5,840)	(417)
	3,382	Canadian dollar	(2,200)	British pound	2	Oct. 21, 2011	(3,382)	(3,596)	(214)
	5,424	Canadian dollar	(5,575)	U.S. dollar	1	Oct. 21, 2011	(5,424)	(5,845)	(421)
	25	Swiss franc	(58)	Canadian dollar	2	Oct. 28, 2011	58	29	(29)
	5,426	Canadian dollar	(5,575)	U.S. dollar	1	Nov. 4, 2011	(5,426)	(5,849)	(423)
	30	Euro	(54)	Canadian dollar	2	Nov. 4, 2011	54	42	(12)
	1,154	Canadian dollar	(710)	British pound	1	Nov. 18, 2011	(1,154)	(1,162)	(8)
	26,495	Canadian dollar	(27,100)	U.S. dollar	1	Nov. 18, 2011	(26,495)	(28,439)	(1,944)
	371	Canadian dollar	(266)	Euro	1	Dec. 9, 2011	(371)	(374)	(3)
	17,809	Canadian dollar	(17,845)	U.S. dollar	4	Dec. 9, 2011	(17,809)	(18,734)	(925)
	9,659	Canadian dollar	(6,190)	British pound	1	Dec. 9, 2011	(9,659)	(10,127)	(468)
	7,010	Canadian dollar	(6,800)	U.S. dollar	1	Jan. 13, 2012	(7,010)	(7,142)	(132)
	1,066	Canadian dollar	(665)	British pound	1	Jan. 27, 2012	(1,066)	(1,088)	(22)
<b>Unrealized (Losses)</b>									<b>(5,018)</b>
<b>Total forward currency contracts</b>									<b>(4,892)</b>
<b>Total derivative instruments at fair value</b>									<b>(4,892)</b>

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

## NOTES TO FINANCIAL STATEMENTS

1. The information provided in these financial statements and notes thereto is for the six-month periods ended or as at September 30, 2011 and 2010, except for the comparative information presented in the Statements of Net Assets and notes thereto, which is as at March 31, 2011, as applicable. In the year a Fund or series is established or reinstated, 'period' represents the period from inception or reinstatement to the period end of that fiscal year. Refer to Note 8 for the formation date of the Fund and the inception date of each series.

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 Statement of Investments.

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.

### 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods as those used in preparing the annual financial statements. GAAP requires management to make estimates and assumptions that affect the amounts, primarily valuation of investments, reported in the financial statements. Actual results may differ from such estimates.

#### (a) Valuation

In accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862") all financial instruments measured and reported at fair value are classified into one of three levels that distinguish fair value measurements by the inputs used for valuation. These classifications have been disclosed in Note 8.

The fair value of investments as at the financial reporting period end is determined as follows:

Investments listed on a public securities exchange or traded on an over-the-counter market are valued at the closing bid price. Where no closing bid price is available, the last sale or close price is used. 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 bid, 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.

Short-term notes are valued at the closing bid price. If the closing bid price is not available, such short-term notes are valued at cost plus accrued interest, which approximates fair value. Short-term notes held by the Fund are included in the Statements of Net Assets – Cash and short-term investments.

Other assets and liabilities are recorded at cost as they are short-term in nature and cost approximates fair value.

#### (b) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Income from investments is recognized on an accrual basis. Interest income is accrued based on the number of days the investment is held during the period. Dividends are accrued as of the ex-dividend date. 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 or realized gains (losses) on sale of investments, as appropriate.

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

Transaction costs related to purchases and sales of investments are expensed and included in the Statements of Operations – Transaction costs.

#### (c) Derivative transactions

Certain funds may use derivatives (such as options, futures, forward contracts, swaps or customized derivatives) to hedge against losses caused by changes in securities prices, interest rates or exchange rates. Certain funds 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 each Fund's portfolio manager(s), provided that the use of the derivative is consistent with each Fund's investment objectives. Any use of derivatives will comply with Canadian mutual fund laws, subject to the regulatory exemptions granted to the funds, as applicable. Refer to "Exemptions from National Instrument 81-102" in the Annual Information Form of each Fund for further details, including the complete conditions of these exemptions.

**NOTES TO FINANCIAL STATEMENTS****2. Significant Accounting Policies (cont'd)****(c) Derivative transactions (cont'd)**

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 Statements of Operations – Change in unrealized appreciation (depreciation).

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 Statements of Net Assets – 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 Statements of Net Assets 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.

Realized gains and losses from derivative instruments that are specific economic hedges are accounted for in the same manner as the underlying investments being hedged. Realized gains and losses from derivative instruments that are not specific economic hedges, but rather are used to gain exposure to a particular market, are included in the Statements of Operations – Income (loss) from derivative contracts.

Refer to the Schedule of Derivative Instruments and Schedule of Options on Equities, as applicable, included in the Statement of Investments for a listing of derivative and options positions as at September 30, 2011.

**(d) Securities lending, repurchase and reverse repurchase transactions**

Certain funds are permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in each 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. 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 recognized on an accrual basis and included in the Statements of Operations – Revenue from securities lending.

**(e) Foreign exchange**

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 Statements of Operations – Realized gain (loss) on sale of investments.

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.

**(f) Net assets per security**

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

**(g) Net asset value per security**

The Canadian Securities Administrators (“CSA”) amended its regulations effective September 8, 2008 such that the daily Net Asset Value (“NAV”) of an investment fund may be calculated without reference to GAAP. The difference between NAV and Net Assets (as reported in the financial statements) is mainly due to valuing securities at bid for financial statement purposes while NAV typically utilizes closing price to determine fair value. Refer to Note 8 for the Fund's NAV per security.

**(h) Increase (decrease) from operations per security**

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

## NOTES TO FINANCIAL STATEMENTS

### 3. 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 incurred in 2006 and later may be carried forward up to 20 years, and non-capital losses incurred prior to 2006 may be carried forward up to 10 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 8 for the Fund's loss carryforwards.

### 4. Management Fees and Operating Expenses

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

Each series of the Fund is charged a fixed rate annual administration fee, including any implementation period adjustments, ("Administration Fee"), as applicable, 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, fees and expenses of the Mackenzie Funds' Independent Review Committee (IRC), any new fees related to external services that were not commonly charged in the Canadian mutual fund industry as of June 15, 2007 and the costs of complying with any new regulatory requirements after June 15, 2007.

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 8 for the management fee and Administration Fee rates charged to each series of securities.

### 5. Fund's Capital

The capital of the Fund is divided into different series with each series having an unlimited number of securities. The securities outstanding for the Fund as at September 30, 2011 and 2010 and securities issued, reinvested and redeemed for the period are presented in the Statements of Changes in Net Assets. Mackenzie manages the capital of the Fund in accordance with the investment objectives as discussed in Note 8.

### 6. Financial Instruments Risk

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

The Fund's investment activities expose it to a variety of financial risks, as defined in Section 3862. The Fund's exposure to financial risks is concentrated in its investments, which are presented in the Statement of Investments, as at September 30, 2011, 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 8 summarizes the Fund's exposure, if applicable and significant, to currency risk.

**NOTES TO FINANCIAL STATEMENTS****6. 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 short-term investments do not expose the Fund to significant amounts of interest rate risk. Note 8 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 strategy. Except for options written and futures contracts, the maximum risk resulting from financial instruments is equivalent to their fair value. The maximum risk of loss on options written and futures contracts is equal to their notional values. However, options written are 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. In addition, in the case of short futures contracts, the loss to the Fund continues to increase, without limit, as the fair value of the underlying interest increases. Note 8 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 8 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 September 30 and March 31, 2011.

Certain funds may enter into securities lending transactions with counterparties and certain funds may be exposed to credit risk from the counterparties to the derivative instruments used by the funds. Credit risk associated with these transactions is considered minimal as all counterparties have an approved credit rating equivalent to a Standard & Poor's credit rating of not less than A-1 (low) on their short-term debt and of A on their long-term debt.

*vii. Underlying funds*

Certain funds that invest in underlying funds 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 8 summarizes the Fund's exposure, if applicable and significant, to these risks from underlying funds.

**7. Future Accounting Standards**

As previously confirmed by the Canadian Accounting Standards Board ("AcSB"), most Canadian publicly accountable entities adopted International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, on January 1, 2011. However, the AcSB has allowed most investment funds to defer adoption of IFRS until fiscal years beginning on or after January 1, 2013. Accordingly, the Fund will adopt IFRS for its fiscal period beginning April 1, 2013, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending September 30, 2013.

## NOTES TO FINANCIAL STATEMENTS

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

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

Date of Formation July 12, 1974

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 Net Assets.

Series A, B and C securities are offered to retail investors investing a minimum of \$500.

Series E 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 a minimum of \$250,000.

Series F 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; they are also available to employees of Mackenzie and its subsidiaries, and directors of Mackenzie.

Series G securities are offered to retail investors investing a minimum of \$500 who are members of a group RRSP, DPSP, TFSA or pension plan.

Series I securities are no longer available for sale.

Series J securities are offered to investors investing a minimum of \$250,000.

Series O securities are offered to investors investing a minimum of \$500,000 who have entered into a Series O account agreement with Mackenzie, and also available to certain qualifying employees of Mackenzie and its subsidiaries.

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

Series S securities are offered to the Related Insurance Companies and certain other mutual funds, but may be sold to other investors as determined by Mackenzie.

Series Z securities are offered to other Mackenzie funds.

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 a low-load purchase option. The charges under the sales charge purchase option are negotiated by investors with their dealers. The charges under the redemption charge and low-load purchase options are paid to Mackenzie if an investor redeems securities of the Fund during specific periods. Not all purchase options are available under each series of the Fund, and the charges for each purchase option may vary among the different series. For further details on these purchase options, please refer to the Fund's Simplified Prospectus.

## NOTES TO FINANCIAL STATEMENTS

### 8. 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 (\$)	
				Sep. 30, 2011	Mar. 31, 2011
Series A	July 12, 1974	1.50%	0.22%	2.38	2.51
Series B	January 30, 1998	1.50%	0.22%	8.12	8.48
Series C	July 20, 2004	1.50%	0.22%	5.86	6.59
Series E	None issued	0.65%	0.20%	–	–
Series F	October 22, 2001	0.75%	0.22%	11.25	11.63
Series G	April 1, 2005	1.25%	0.22%	9.10	9.47
Series I	October 25, 1999	0.95%	0.24%	3.97	4.24
Series J	None issued	1.15%	0.20%	–	–
Series O	October 30, 2002	– <sup>(1)</sup>	– <sup>(1)</sup>	11.60	11.92
Series R	December 8, 2008	– <sup>(2)</sup>	– <sup>(2)</sup>	10.68	10.99
Series S	January 7, 2011	– <sup>(3)</sup>	0.025%	9.89	10.19
Series Z	None issued	– <sup>(2)</sup>	– <sup>(2)</sup>	–	–

\* Does not include any operating expense adjustment, as applicable.

- (1) The management and administration fees for Series O securities are negotiable and are payable directly to Mackenzie by Series O investors, not by the Fund. Prior to November 3, 2010, the administration fee rate for Series O securities was 0.15%, which was paid directly to Mackenzie by the Fund.
- (2) No management fees or administration fees are charged to the investor or the Fund in respect of the Series R and Series Z securities.
- (3) The management fee for Series S securities is negotiable by the investor and is payable directly to Mackenzie by Series S investors, not by the Fund.

#### (b) Investments by Other Funds and Related Insurance Companies

As at September 30, 2011, other funds managed by Mackenzie and Related Insurance Companies had an investment of \$23,629 and \$2,665 (March 31, 2011 – \$24,708 and \$896), respectively, in the Fund.

#### (c) Loss Carryforwards

As at the last taxation year-end, the fund has capital losses of \$7,034 which may be carried forward indefinitely to reduce future realized capital gains. There were no non-capital losses available to carry forward for tax purposes.

#### (d) Securities Lending

The value of securities loaned and collateral received from securities lending at September 30, 2011 and March 31, 2011 were as follows:

	September 30, 2011	March 31, 2011
	(\$)	(\$)
Value of securities loaned	68,618	103,994
Value of collateral received	72,636	109,701

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

#### (e) Commissions

The brokerage commissions paid to certain dealers included an amount of \$36 (2010 – \$16) that was available for payment to third party vendors for the provision of investment decision making services. This amount represented 12.2% (2010 – 3.8%) of the total commissions and other transaction costs paid during the period.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

The Fund seeks income while trying to preserve capital by investing primarily in Canadian fixed income securities. The Fund will also generally invest 10% to 40% of its assets in dividend-paying equities. It uses a value style of investing. 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 forward currency contracts. Other financial assets and liabilities (including accrued interest and dividends receivable, and receivables/payables for securities sold/purchased) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

September 30, 2011					March 31, 2011				
Currency	Investments (\$)	Cash and Short-Term Investments (\$)	Forward Currency Contracts (\$)	Net Exposure* (\$)	Currency	Investments (\$)	Cash and Short-Term Investments (\$)	Forward Currency Contracts (\$)	Net Exposure* (\$)
U.S. dollar	79,102	14,843	(71,849)	22,096	U.S. dollar	87,350	13,484	(30,206)	70,628
Swiss franc	6,510	–	(3,213)	3,297	Swiss franc	5,857	–	–	5,857
Israeli shekel	2,715	49	–	2,764	British pound	16,077	56	(15,490)	643
British pound	14,829	–	(14,698)	131	Total	109,284	13,540	(45,696)	77,128
Euro	3,993	–	(3,984)	9	As Percent of Net Assets (%)	8.6	1.1	(3.6)	6.1
Total	107,149	14,892	(93,744)	28,297					
As Percent of Net Assets (%)	8.5	1.2	(7.5)	2.2					

\* Includes both monetary and non-monetary financial instruments

As of September 30, 2011, had the Canadian dollar increased or decreased by 5% relative to all foreign currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$1,415 or 0.1% of total net assets (March 31, 2011 – \$3,856 or 0.3%). 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.

Bonds	September 30, 2011	March 31, 2011
	(\$)	(\$)
Less than 1 year	19,889	25,591
1-5 years	262,936	238,025
5-10 years	224,038	226,619
Greater than 10 years	227,197	228,753
Total	734,060	718,988

As at September 30, 2011, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$54,507 or 4.3% of total net assets (March 31, 2011 – \$50,907 or 4.0%). In practice, the actual trading results may differ and the difference could be material.

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

The Fund's most significant exposure to price risk arises from its investment in equity securities and income trusts. As at September 30, 2011, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased by approximately \$43,540 or 3.5% (March 31, 2011 – \$47,613 or 3.8%) of total net assets. In practice, the actual trading results may differ and the difference could be material.

**NOTES TO FINANCIAL STATEMENTS**

**8. 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 of September 30, 2011, was 9.0% of the net assets of the Fund (March 31, 2011 – 9.9%).

As of September 30, 2011 and March 31, 2011, debt securities by credit rating are as follows:

Rating*	September 30, 2011	March 31, 2011
	Percent of Total Bonds (%)	Percent of Total Bonds (%)
AAA	40.3	44.6
AA	22.3	23.1
A	19.1	17.4
BBB	15.4	12.6
Less than BBB	2.0	1.4
Unrated	0.9	0.9
Total	100.0	100.0

\* Credit ratings and rating categories are based on DBRS (or equivalent ratings issued by other approved credit rating organizations)

(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.

	September 30, 2011				March 31, 2011			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds	–	730,111	3,949	734,060	–	714,944	4,044	718,988
Equities	389,849	28,047	–	417,896	465,414	–	–	465,414
Income trusts	17,501	–	–	17,501	10,720	–	–	10,720
Total investments	407,350	758,158	3,949	1,169,457	476,134	714,944	4,044	1,195,122
Derivative assets	–	126	–	126	–	435	–	435
Derivatives liabilities	–	(5,018)	–	(5,018)	–	(46)	–	(46)
Short-term investments	–	82,049	–	82,049	–	60,754	–	60,754
Total	407,350	835,315	3,949	1,246,614	476,134	776,087	4,044	1,256,265

In accordance with the Fund's valuation policy, the Fund applies fair value adjustment factors to the quoted market prices for non-North-American equities when North American intraday stock market movements exceed pre-determined tolerances. The adjustment factors are applied in order to estimate the impact on fair values of events occurring between the close of the non-North American stock markets and the close of business for the Fund. If fair value adjustment factors are applied, non-North American equities are classified as Level 2. Consequently, during the period ended September 30, 2011, non-North American equities frequently transferred between Level 1 (unadjusted quoted market prices) and Level 2 (adjusted market prices). As of September 30, 2011, these securities were classified as Level 2 (March 31, 2011 – Level 1).

## NOTES TO FINANCIAL STATEMENTS

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

#### (g) Fair Value Classification (cont'd)

The table below presents a reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) for the period ended September 30, 2011 and March 31, 2011:

	September 30, 2011	March 31, 2011
	Bonds (\$)	Bonds (\$)
Balance – beginning of period	4,044	4,403
Purchases	–	–
Sales	(95)	(359)
Net transfers in (out)	–	–
Gains (losses) during the period:		
Realized	–	–
Unrealized	–	–
Balance – end of period	3,949	4,044
Unrealized gains (losses) during the period attributable to securities held at end of period	–	–