

MACKENZIE MASTER LIMITED PARTNERSHIP

Interim Report

June 30, 2011

(Unaudited)

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 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.

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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

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INTERIM 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 between Funds, 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. 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.

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

Value of Distributed Securities

The Canadian market, represented by the S&P/TSX Composite Index, returned 0.2% for the six-month period ended June 30, 2011. Information technology, which returned -30.8%, was the worst performing sector due to investors' pessimism about the continued performance of this sector. Commodities also detracted from the index performance, with both the energy and materials sectors underperforming the broader market. Financials performed well, returning 6.2% during the period and was a key contributor to the index's returns. Global markets represented by the MSCI World Index returned 2.3% in Canadian dollar terms for the same six-month period. Information technology was also the primary detractor to performance, and along with financials and materials were the only sectors that had negative returns for the world index. Healthcare was the best performing sector and the main contributor to the index return for the period. Most major currencies appreciated against the Canadian dollar, with notable exceptions being the Japanese yen, the British pound and the U.S. dollar, which all weakened during the period.

Norman Raschkowan, Mackenzie's Chief North American Strategist, is of the view that the recent sluggishness in economic activity has been aggravated by natural disasters that hit Japan, the political turmoil in the U.S. and sovereign debt problems in Europe. However, the Purchasing Managers' Indices in the U.S., Europe and China all suggest that a growth trend remains intact. This is supported by U.S. and Canadian corporate earnings reported through the second quarter, which have generally been better than expected. For the year, earnings are forecasted to grow about 16 percent in the U.S., and 28 percent in Canada.

In this environment, most of Mackenzie's equity, balanced and fixed income funds posted positive returns for the period. Several Mackenzie equity funds outperformed their respective benchmarks, both in the Canadian and global equities categories. However, a few Mackenzie equity funds underperformed their benchmark primarily due to relatively higher exposure to Japan and the Middle East.

The total value of Distributed Securities at June 30, 2011 was \$464 million, a decrease of \$42 million or 8.2% (2010: decrease of \$72 million or 12.6%). Of this change, an increase of \$8 million or 1.7% (2010: decrease of \$14 million or 2.5%) was attributable to investment performance, offset by a decrease of \$50 million or 9.9% in redemptions (2010: decrease of \$58 million or 10.1%).

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

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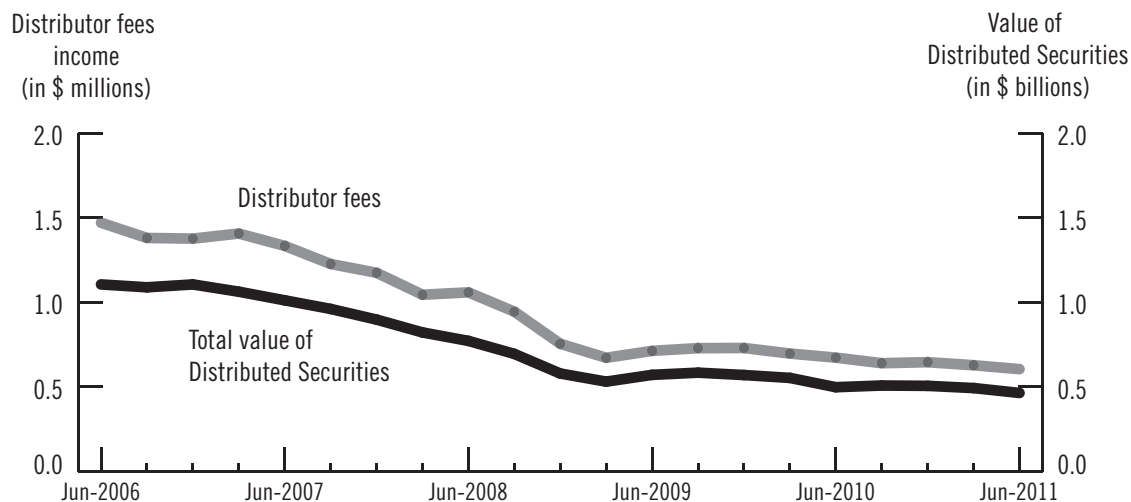
Distributor Fees Income

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 six-month period ended June 30, 2011 was \$1.23 million (2010: \$1.37 million), a decrease of 10.2% 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 six-month period ended June 30, 2011 was \$488 million (2010: \$541 million), a decrease of 9.8% from the monthly average net asset value of the Distributed Securities for the 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 six-month period ended June 30, 2011 was \$6,273 (2010: \$5). Interest income is earned by investing excess cash generated during the year in units of Mackenzie Sentinel Cash Management Fund, a money market fund managed by Mackenzie.

Operating Expenses

Operating expenses for the six-month period ended June 30, 2011 were \$0.07 million (2010: \$0.08 million), a decrease of 12.9% for the year. This decrease was primarily due to a decrease in securityholder reporting costs.

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Summary of Financial Results

Financial results for the six-month period ended June 30, 2011 and the years ended December 31, 2010, 2009 and 2008 are as follows:

	Financial Results			
	June 30, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Value of Distributed Securities	\$464,231,328	\$505,953,891	\$569,503,460	\$579,176,499
Distributor fees income	\$1,233,085	\$2,656,440	\$2,843,927	\$3,804,199
Interest income	\$6,273	\$5,932	\$7,101	\$77,119
Expenses	\$87,203	\$164,915	\$140,566	\$170,485
Increase in net assets from operations	\$826,671	\$2,497,457	\$2,710,462	\$3,710,833
Total assets	\$1,277,592	\$2,565,298	\$2,760,793	\$3,759,790

Financial results on a per unit basis for the six-month period ended June 30, 2011 and the years ended December 31, 2010, 2009 and 2008 are as follows:

	Per Unit Financial Results			
	June 30, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Value of Distributed Securities	\$74	\$81	\$91	\$92
Distributor fees income	\$0.20	\$0.42	\$0.45	\$0.61
Interest income	\$0.00	\$0.00	\$0.00	\$0.01
Expenses	\$0.02	\$0.03	\$0.02	\$0.03
Provision for income taxes	\$0.05	—	—	—
Increase in net assets from operations	\$0.13	\$0.40	\$0.43	\$0.59

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

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 six-month period ended June 30, 2011, the average daily trading volume was approximately 8,295 units and the market price ranged from \$0.86 to \$1.20.

Market financials for the six-month period ended June 30, 2011 and the years ended December 31, 2010, 2009 and 2008 are as follows:

	Market Financials			
	June 30, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Daily average trading volume (units)	8,295	6,430	5,615	3,141
High market price	\$1.20	\$1.30	\$0.80	\$1.07
Low market price	\$0.86	\$0.75	\$0.32	\$0.51
Close market price	\$1.19	\$0.88	\$0.80	\$0.63
Return on investment	35.2% ¹	59.8% ²	95.24% ²	-30.28% ²

¹The return on investment represents the total return of the units during the six-month period and is calculated based on the opening and closing market price for the period. The past performance of the Master LP is not necessarily an indication of how it will perform in the future.

²The 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.

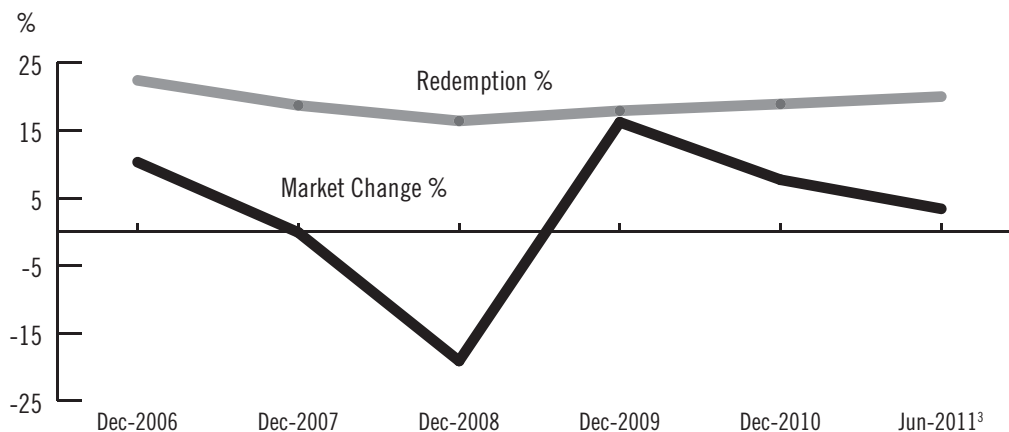
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FUTURE PROSPECTS

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.



³The market depreciation of 1.7% and the redemption percentage of 9.9% for the six-month period ended June 30, 2011 have been annualized in the above chart.

Redemptions

The level of redemptions of the Distributed Securities were under 20% in 2008, 2009 and 2010 and slightly under 20% in 2011 on an annualized basis. 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 than there has been historically. 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 appreciated 1.7% 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.

Income Tax Legislation

On October 31, 2006, the Federal Minister of Finance announced proposals (the "Legislation") that changed the manner in which certain "specified investment flow-through entities" or "SIFTs" are taxed. These proposals were enacted on June 22, 2007. The Master LP is considered a SIFT under the Legislation and subject to these tax rules commencing January 1, 2011. As a result, the Legislation changed the manner in which the Master LP and the Limited Partners are taxed beginning January 1, 2011.

Beginning in 2011, the Master LP is subject to entity level taxation, on its taxable non-portfolio earnings. The General Partner expects that most of the income earned by the Master LP will be taxable non-portfolio earnings. The tax payable by the Master LP will approximate the combined federal-provincial tax rate applicable to income earned by Canadian public corporations. If all the income earned by the Master LP is attributable to Ontario, the General Partner expects that the applicable rate in 2011 will be 28.25%.

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

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Income Tax Legislation (cont'd)

Limited Partners who are subject to the highest marginal rate of tax will receive an after-tax return from their now reduced allocations of income that is marginally lower than the after-tax return, if the pre-tax income of the Master LP had been allocated directly to and taxed in the hands of the Limited Partners. However, reduced allocations will be an absolute cost to Limited Partners in registered plans who would not benefit from characterization of the allocations as dividends. It is estimated that the impact on taxable Limited Partners and Limited Partners in registered plans receiving a \$100 distribution in 2011, would be as follows:

	Taxable Limited Partners		Limited Partners in Registered Plans	
	Previous tax measures (b)	Tax measures effective Jan. 1, 2011 (c)	Previous tax measures	Tax measures effective Jan. 1, 2011
Pre-tax cash available for distribution	\$100.00	\$100.00	\$100.00	\$100.00
Tax payable by Master LP (a)	\$ –	\$28.25	\$ –	\$28.25
Cash available for distribution	\$100.00	\$71.75	\$100.00	\$71.75
Tax payable by the Limited Partner	\$46.41	\$20.23	\$ –	\$ –
Net cash to the Limited Partner	\$53.59	\$51.52	\$100.00	\$71.75

(a) Assumes a 28.25% combined tax rate which includes a 16.5% Federal tax rate and a 11.75% Ontario tax rate.

(b) For Ontario-Resident individuals; assumes 2011 top marginal tax rate of 46.41%.

(c) For Ontario-Resident individuals; assumes 2011 top effective tax rate of 28.19% after enhanced dividend gross-up and dividend tax credit.

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 (“IASB”), 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 Master LP will adopt IFRS for its fiscal period beginning January 1, 2013, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2013.

Mackenzie has identified the key differences between IFRS and Canadian generally accepted accounting principles (“GAAP”) that are expected to affect the Master LP and has developed an IFRS changeover plan, including a formal project governance structure, that addresses key elements of the conversion to IFRS. Elements of the plan include evaluating the impacts of the changeover on all business activities, accounting policies, information technology and data systems, internal controls over financial reporting, and disclosure controls and procedures. As the Master LP’s changeover plans are implemented, requirements for financial reporting resources and training are being modified appropriately.

Based on Mackenzie’s current evaluation of the differences between GAAP and IFRS, the adoption of IFRS is not expected to have a significant impact on the Master LP. IFRS is expected to affect the overall presentation of financial statements and result in additional disclosure in the accompanying notes. Mackenzie continues to monitor changes to IFRS proposed by the IASB and relevant amendments by the AcSB, and the current assessment and IFRS changeover plans may change if new standards are issued or interpretations of existing standards are revised.

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INTERIM FINANCIAL STATEMENTS

Notice of No Auditor Review of the Interim Financial Statements

MMLP GP Inc., the General Partner of the Fund, appoints independent auditors to audit the Master LP'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 Master LP's independent auditors have not performed a review of these Interim Financial Statements.

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STATEMENTS OF NET ASSETS

	June 30, 2011 (Unaudited) \$	Dec. 31, 2010 (Audited) \$
Assets		
Cash and investments (note 3)	1,072,336	2,350,342
Distributor fees receivable	205,256	214,956
Total assets	1,277,592	2,565,298
Liabilities		
Accrued expenses	125,437	67,841
Provision for income taxes	325,484	–
Total liabilities	450,921	67,841
Net assets	826,671	2,497,457
Partners' Equity		
General Partner	8,100	8,100
Limited partners	289,427,500	289,427,500
	289,435,600	289,435,600
Less: Issue expenses	(24,276,802)	(24,276,802)
Return of capital to partners	(265,158,798)	(265,158,798)
	–	–
Retained earnings	826,671	2,497,457
Total partners' equity	826,671	2,497,457
Number of units issued and outstanding	6,264,511	6,264,511
Net assets per unit	0.13	0.40

STATEMENTS OF RETAINED EARNINGS

For the six-month periods ended June 30
(Unaudited)

	2011 \$	2010 \$
Balance – beginning of period	2,497,457	2,710,462
Increase in net assets from operations	826,671	1,280,055
Distributions to partners	(2,497,457)	(2,710,462)
Balance – end of period	826,671	1,280,055

STATEMENTS OF OPERATIONS

For the six-month periods ended June 30
(Unaudited)

	2011 \$	2010 \$
Income		
Distributor fees	1,233,085	1,370,557
Interest	6,273	5
Total income	1,239,358	1,370,562
Expenses		
Management fees (note 4)	17,515	10,511
Operating expenses		
Administration	26,718	29,622
Audit fees	10,680	9,250
Legal fees	3,040	3,898
Securityholder reporting costs	29,250	37,226
Independent review committee fees	–	–
	69,688	79,996
Total expenses	87,203	90,507
Increase in net assets from operations before income taxes	1,152,155	1,280,055
Provision for income taxes (note 5)	325,484	–
Increase in net assets from operations	826,671	280,055
Increase in net assets from operations per unit	0.13	0.20

STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30
(Unaudited)

	2011 \$	2010 \$
Operating Activities		
Increase in net assets from operations	826,671	1,280,055
Net change in non-cash items:		
Distributor fees receivable	9,700	15,318
Accrued expenses	57,596	20,033
Provision for income taxes	325,484	–
Net cash provided by operating activities	1,219,451	1,315,406
Financing Activities		
Distribution of income to partners	(2,497,457)	(2,710,462)
Net cash used in financing activities	(2,497,457)	(2,710,462)
Net decrease in cash during the period	(1,278,006)	(1,395,056)
Cash – beginning of period	2,350,342	2,519,010
Cash – end of period	1,072,336	1,123,954

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

Note: Cash is defined to include cash and investments.

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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"). Prior to September 1, 2010, Mackenzie Financial Services Inc., a wholly owned subsidiary of Mackenzie, was the general partner of the Master LP.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). GAAP requires management to make estimates and assumptions that affect the amounts 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 6.

b) Income recognition

Distributor fees income is calculated and recognized daily and paid to the Master LP monthly. Interest income is recognized on an accrual basis.

c) Selling commissions

Selling commissions paid by the Partnerships have been fully amortized.

d) Issue expenses

Issue expenses related to the initial offering of partnership units and expenses related to the consolidation of the Industrial Horizon Partnerships 1987, 1988, 1989, 1990, 1992, 1992-II, 1993 and Mackenzie Limited Partnership 1994 with the Master LP are recognized as a reduction of partners' equity.

e) Net assets per unit

Net assets per unit is computed by dividing the net assets of the Master LP by the total number of units outstanding, as at the end of the period.

f) Increase in net assets from operations per unit

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

3. Investments

At June 30, 2011, the Master LP has invested \$825,243 (December 31, 2010 – \$2,313,806) of excess cash in units of Mackenzie Sentinel Cash Management Fund (the "Money Market Fund"), a fund managed by Mackenzie.

4. Expenses of the Master LP

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.

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NOTES TO FINANCIAL STATEMENTS

5. Taxation

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

On October 31, 2006, the Federal Minister of Finance announced proposals (the "Legislation") that changed the manner in which certain "specified investment flow-through entities" or "SIFTs" are taxed. These proposals were enacted on June 22, 2007. The Master LP is considered a SIFT under the Legislation and subject to these tax rules commencing January 1, 2011. As a result, the Legislation changed the manner in which the Master LP and the Limited Partners are taxed beginning January 1, 2011.

Beginning in 2011, the Master LP is subject to entity level taxation, on its taxable non-portfolio earnings. The General Partner expects that most of the income earned by the Master LP will be taxable non-portfolio earnings. The tax payable by the Master LP will approximate the combined federal-provincial tax rate applicable to income earned by Canadian public corporations. If all the income earned by the Master LP is attributable to Ontario, the General Partner expects that the applicable rate in 2011 will be 28.25%. Accordingly, a provision for income taxes has been made in these financial statements.

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

Limited Partners who are subject to the highest marginal rate of tax will receive an after-tax return from their now reduced allocations of income that is marginally lower than the after-tax return, if the pre-tax income of the Master LP had been allocated directly to and taxed in the hands of the Limited Partners. However, reduced allocations will be an absolute cost to Limited Partners in registered plans who would not benefit from characterization of the allocations as dividends.

6. 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 while preserving investors' capital. It achieves these objectives by investing mainly in very liquid 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 maintains a portfolio with a high credit quality and a weighted average term to maturity not exceeding 90 days.

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.

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NOTES TO FINANCIAL STATEMENTS

6. 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 8.5% (December 31, 2010 – 16.1%) of its net assets, representing 2.6% (December 31, 2010 – 14.9%) of the Master LP's net assets.

As of June 30, 2011 and December 31, 2010, debt securities by credit rating of the Money Market Fund are as follows:

Rating*	June 30, 2011	December 31, 2010
	Percent of Total Bonds (%)	Percent of Total Bonds (%)
AAA	21.8	47.8
AA	58.2	27.1
A	20.0	25.1
Total	100.0	100.0

Rating*	June 30, 2011	December 31, 2010
	Percent of Total Short-Term Notes (%)	Percent of Total Short-Term Notes (%)
R-1 (High)	100.0	100.0
Total	100.0	100.0

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

v. Fair Value Classification

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 under the fair value hierarchy.

7. Partner's Equity

The capital of the Master LP is divided into limited partnership units and as at June 30, 2011, 6,264,511 units are issued and outstanding (December 31, 2010 – 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.

8. Future Accounting Standard

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 ("IASB"), 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 Master LP will adopt IFRS for its fiscal period beginning January 1, 2013, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2013.

MACKENZIE MASTER LIMITED PARTNERSHIP

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VALUE OF DISTRIBUTED SECURITIES

As at June 30, 2011

	Net Asset Value	
	\$000's	%
Canadian Equity Funds		
Mackenzie Universal Canadian Value Class	97,447	20.9
Mackenzie Ivy Canadian Fund	49,153	10.6
Mackenzie Maxxum Dividend Growth Fund	25,490	5.5
Mackenzie Universal Canadian Growth Fund	18,272	3.9
Other Canadian Equity Funds	39,392	8.5
	229,754	49.4
Foreign Equity Funds		
Mackenzie Ivy Foreign Equity Fund	22,367	4.8
Mackenzie Universal North American Growth Class	13,917	3.0
Mackenzie Cundill Value Fund	13,181	2.8
Mackenzie Focus Fund	7,295	1.6
Other Foreign Equity Funds	32,626	7.0
	89,386	19.2
Balanced Funds		
Mackenzie Sentinel Income Fund	37,960	8.2
Mackenzie Ivy Growth & Income Fund	25,997	5.6
Mackenzie Saxon Balanced Fund	22,483	4.8
Mackenzie Universal Canadian Balanced Fund	5,460	1.2
Other Balanced Funds	20,730	4.5
	112,630	24.3
Income Funds		
Mackenzie Sentinel Bond Fund	14,384	3.1
Mackenzie Sentinel Corporate Bond Fund	10,517	2.3
Mackenzie Sentinel Registered Strategic Income Fund	1,297	0.3
Mackenzie Sentinel Short-Term Income Fund	918	0.2
Other Income Funds	1,855	0.4
	28,971	6.3
Money Market Funds		
Mackenzie Sentinel Money Market Fund	3,482	0.8
Quadrus Money Market Fund	7	0.0
Mackenzie Sentinel Money Market GIF	1	0.0
	3,490	0.8
Total	464,231	100.0

MACKENZIE MASTER LIMITED PARTNERSHIP

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MOVEMENT IN VALUE OF DISTRIBUTED SECURITIES

For the period from January 1, 2008 to June 30, 2011

Period ending	Transfers \$000's	Redemptions \$000's	Appreciation/ (Depreciation) \$000's	Total \$000's	Per Unit \$
Canadian Equity Funds					
Dec/08				294,098	47
Dec/09	(23,463)	(44,144)	52,487	278,978	44
Dec/10	(1,841)	(45,776)	19,899	251,260	40
Jun/11	(1,950)	(21,760)	2,204	229,754	37
Foreign Equity Funds					
Dec/08				110,508	18
Dec/09	20,694	(22,738)	15,551	124,015	20
Dec/10	(7,906)	(22,456)	6,645	100,298	16
Jun/11	(1,992)	(10,544)	1,624	89,386	14
Balanced Funds					
Dec/08				131,474	21
Dec/09	(51)	(28,858)	21,569	124,134	20
Dec/10	8,287	(29,357)	14,864	117,928	19
Jun/11	4,364	(14,558)	4,896	112,630	18
Income Funds					
Dec/08				35,059	6
Dec/09	1,742	(4,819)	4,280	36,262	6
Dec/10	874	(7,412)	2,505	32,229	5
Jun/11	(510)	(2,503)	(245)	28,971	4
Money Market Funds					
Dec/08				8,037	1
Dec/09	1,078	(3,012)	11	6,114	1
Dec/10	586	(2,461)	–	4,239	1
Jun/11	88	(838)	1	3,490	1
Total					
Dec/08				579,176	93
Dec/09	–	(103,571)	93,898	569,503	91
Dec/10	–	(107,462)	43,913	505,954	81
Jun/11	–	(50,203)	8,480	464,231	74

PERCENTAGE CHANGE IN VALUE OF DISTRIBUTED SECURITIES

For the six-month period ended June 30, 2011

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	(0.8)	(8.7)	0.9	(8.6)
Foreign Equity Funds	(2.0)	(10.5)	1.6	(10.9)
Balanced Funds	3.7	(12.3)	4.2	(4.4)
Income Funds	(1.6)	(7.8)	(0.8)	(10.2)
Money Market Funds	2.1	(19.8)	–	(17.7)
Total Movement	–	(9.9)	1.7	(8.2)

