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**IGM**  
Financial

THIRD QUARTER REPORT  
FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2008

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#### **Caution Regarding Forward-Looking Statements**

This report may contain forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. 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", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the

Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

#### **Non-GAAP Financial Measures**

This report contains non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to "adjusted net income", "adjusted diluted earnings per share" and "adjusted return on average common equity" used to provide management and investors with additional measures to assess earnings performance. As well, "Earnings before interest and taxes (EBIT)" and "Earnings before interest, taxes, depreciation and amortization (EBITDA)" are non-GAAP financial measures used to provide management, investors and investment analysts with additional measures to evaluate and analyze the Company's results. However, these non-GAAP financial measures do not have a standard meaning and are not directly comparable to similar measures used by other companies and may not be directly comparable to any prescribed GAAP measure. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

## FINANCIAL HIGHLIGHTS

<i>(unaudited)</i>	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2008	2007	CHANGE	2008	2007	CHANGE
<b>Net income</b> (\$ millions)						
Adjusted <sup>(1)</sup>	\$ 198.7	\$ 218.4	(9.0)%	\$ 626.0	\$ 644.8	(2.9)%
GAAP	198.7	218.4	(9.0)	651.0	644.8	1.0
<b>Diluted earnings per share</b>						
Adjusted <sup>(1)</sup>	0.75	0.82	(8.5)	2.36	2.41	(2.1)
GAAP	0.75	0.82	(8.5)	2.45	2.41	1.7
<b>Return on equity</b>						
Adjusted <sup>(1)</sup>				19.7%	21.5%	
GAAP				20.5%	21.5%	
<b>Dividends per share</b>	<b>0.5125</b>	0.4600	<b>11.4</b>	<b>1.4875</b>	1.3150	<b>13.1</b>

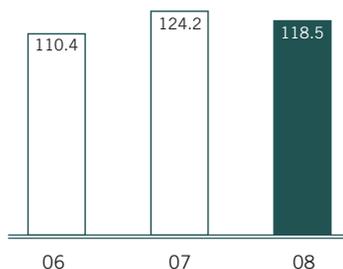
<b>Total Assets under management<sup>(2)</sup></b> (\$ millions)			<b>\$ 118,535</b>	<b>\$ 124,228</b>	<b>(4.6)%</b>
<b>Investors Group</b>					
Mutual funds			54,306	61,205	(11.3)
<b>Mackenzie</b>					
Mutual funds			41,823	47,492	
Sub-advisory, institutional and other accounts			22,953	16,003	
<b>Total</b>			<b>64,776</b>	<b>63,495</b>	<b>2.0</b>
<b>Counsel Group of Funds</b>					
Mutual funds			1,931	2,294	(15.8)

### Mutual Funds and Institutional Sales (\$ millions)

	INVESTORS GROUP	MACKENZIE	COUNSEL GROUP OF FUNDS	TOTAL <sup>(3)</sup>
For the three months ended September 30, 2008				
<b>Gross sales</b>	\$ 1,299	\$ 2,699	\$ 54	\$ 4,015
<b>Net sales (redemptions)</b>	61	(1,229)	(25)	(1,170)
For the nine months ended September 30, 2008				
<b>Gross sales</b>	\$ 4,709	\$ 9,163	\$ 201	\$ 13,900
<b>Net sales (redemptions)</b>	565	(1,132)	(47)	(623)

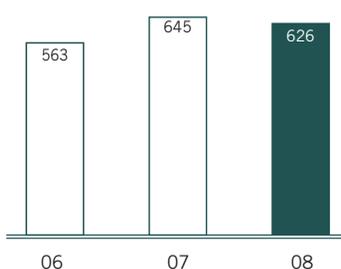
#### Total Assets under Management

As at September 30 (\$ billions)



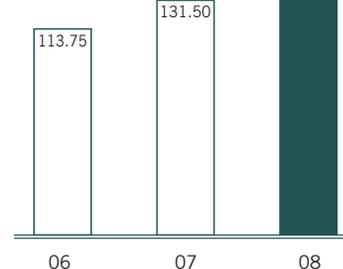
#### Net Income<sup>(1)</sup>

For the nine months ended September 30 (\$ millions)



#### Dividends per Share

For the nine months ended September 30 (cents)



(1) *Non-GAAP Financial Measures:*

Results for the nine months ended September 30, 2008 excluded \$25.0 million which represented the Company's proportionate share of Great-West Lifeco Inc.'s after-tax gain on the sale of its healthcare business, Great-West Healthcare.

2006 results excluded a non-cash income tax benefit recorded in the second quarter resulting from decreases in federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets from the acquisition of Mackenzie Financial Corporation in 2001.

(2) Total assets under management excluded \$2.5 billion of assets sub-advised by Mackenzie on behalf of Investors Group (\$2.7 billion at September 30, 2007) and was adjusted for \$25 million in inter-segment assets (\$32 million at September 30, 2007).

(3) Total Gross Sales and Net Redemptions for the three months ended September 30, 2008 excluded \$37 million and \$23 million respectively in accounts sub-advised by Mackenzie on behalf of Investors Group.

Total Gross Sales and Net Sales for the nine months ended September 30, 2008 excluded \$173 million and \$9 million respectively in accounts sub-advised by Mackenzie on behalf of Investors Group.

## REPORT TO SHAREHOLDERS

### FINANCIAL RESULTS

Net income for the three months ended September 30, 2008 was \$198.7 million compared to net income of \$218.4 million in 2007. Earnings per share were 75 cents for the period compared to 82 cents in 2007.

Adjusted net income for the nine months ended September 30, 2008 was \$626.0 million compared to net income of \$644.8 million in 2007. Adjusted earnings per share were \$2.36 in 2008 compared to earnings per share of \$2.41 in 2007. Adjusted net income and earnings per share for the nine months ended September 30, 2008 excluded \$25.0 million recorded in the second quarter which represented the Company's proportionate share of Great-West Lifeco Inc.'s after-tax gain on the sale of its healthcare business, Great-West Healthcare. Net income without adjustment for the nine months ended September 30, 2008 was \$651.0 million and earnings per share on this basis were \$2.45.

Gross revenues for the three months ended September 30, 2008 were \$685.0 million, compared to \$730.8 million in the prior year. Gross revenues for the nine months ended September 30, 2008 were \$2.12 billion, compared to \$2.17 billion in 2007. Operating expenses were \$407.6 million for the quarter and \$1.25 billion for the nine months, compared to \$415.2 million and \$1.24 billion in 2007.

Total assets under management at September 30, 2008 were \$118.5 billion. This compared with total assets under management of \$124.2 billion at September 30, 2007, a decrease of 4.6%.

### INVESTORS GROUP OPERATIONS

The number of Investors Group Consultants was 4,411 at September 30, 2008, a record high for the company, up from 4,360 at June 30, 2008 and 4,331 at December 31, 2007.

Mutual fund sales for the third quarter were \$1.3 billion compared to \$1.6 billion in the prior year and mutual fund net sales for the third quarter were \$61 million compared to net sales of \$370 million a year ago. Year-to-date mutual fund sales for 2008 were \$4.7 billion compared to \$5.6 billion in the prior year and mutual fund net sales were \$565 million compared to \$1.8 billion a year ago.

Investors Group's twelve month trailing redemption rate (excluding money market funds) was 7.7% at September 30, 2008, compared to the average redemption rate of approximately 17.2% for all other members of the Investment Funds Institute of Canada.

Investors Group's mutual fund assets under management at September 30, 2008 were \$54.3 billion compared to \$61.2 billion at September 30, 2007, a decrease of 11.3%.

## **MACKENZIE OPERATIONS**

Total sales for the third quarter of 2008 were \$2.7 billion compared to \$2.8 billion in the prior year. Total net redemptions for the third quarter were \$1.2 billion compared to net redemptions of \$473 million in the prior year. Total year-to-date sales for 2008 were \$9.2 billion compared to \$9.7 billion in the prior year. Total net redemptions were \$1.1 billion compared to net sales of \$841 million in the prior year.

Mackenzie acquired Saxon Financial Inc. on September 25, 2008. As a result, Mackenzie's total assets under management at September 30, 2008 include Saxon's mutual fund assets of \$1.7 billion and Saxon's sub-advisory, institutional and other account assets of \$10.4 billion.

Mackenzie's total assets under management at September 30, 2008 totalled \$64.8 billion. This compares with assets under management of \$63.5 billion at September 30, 2007, an increase of 2.0%. Mutual fund assets under management at September 30, 2008 were \$41.8 billion, a decrease of 11.9% from one year ago.

## **INVESTMENT PLANNING COUNSEL OPERATIONS**

Assets under administration were \$11.7 billion as at September 30, 2008, a decrease of 8.0%, compared to \$12.7 billion at September 30, 2007. Counsel Group of Funds mutual fund assets under management at September 30, 2008 were \$1.9 billion compared to \$2.3 billion at September 30, 2007.

Mutual fund sales of the Counsel Group of Funds for the third quarter of 2008 were \$54 million compared to \$80 million in 2007 and mutual fund net redemptions were \$25 million compared to net sales of \$34 million in the prior year. Year-to-date mutual fund sales for 2008 were \$201 million compared to \$298 million in the prior year and mutual fund net redemptions were \$47 million compared to net sales of \$140 million a year ago.

## **DIVIDENDS**

The Board of Directors declared a quarterly dividend of \$0.359375 per share on the Company's 5.75% Non-Cumulative First Preferred Shares, Series "A" payable on December 31, 2008 to shareholders of record on November 28, 2008 and has declared a dividend of 51.25 cents per share on the Company's common shares payable on January 30, 2009 to shareholders of record on December 29, 2008.

On behalf of the Board of Directors,



Murray J. Taylor  
*Co-President and  
Chief Executive Officer  
IGM Financial Inc.*



Charles R. Sims  
*Co-President and  
Chief Executive Officer  
IGM Financial Inc.*

October 30, 2008

# Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the three and nine months ended September 30, 2008, compared with the same periods in 2007, and should be read in conjunction with the 2007 IGM Financial Inc. Annual Report and the 2008 IGM Financial Inc. First and Second Quarter Report to Shareholders filed on [www.sedar.com](http://www.sedar.com). Commentary in the MD&A as at and for the three and nine months ended September 30, 2008 is as of October 29, 2008.

## **FORWARD-LOOKING INFORMATION**

This report may contain forward-looking statements about IGM Financial, including its business operations, strategy and expected financial performance and condition. 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", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

# IGM Financial Inc.

## Summary of Consolidated Operating Results

Net income for the three months ended September 30, 2008 was \$198.7 million compared to net income of \$218.4 million for the same period in 2007. Diluted earnings per share were 75 cents for the period compared to 82 cents in 2007.

Adjusted net income for the nine months ended September 30, 2008 was \$626.0 million compared to net income of \$644.8 million in 2007. Adjusted diluted earnings per share were \$2.36 in 2008 compared to diluted earnings per share of \$2.41 in 2007. Adjusted net income and diluted earnings per share for the nine months ended September 30, 2008 excluded \$25.0 million recorded in the second quarter which represented the Company's proportionate share of Great-West Lifeco Inc.'s after-tax gain on the sale of its healthcare business, Great-West Healthcare. Net income without adjustment for the nine months ended September 30, 2008 was \$651.0 million and diluted earnings per share on this basis were \$2.45.

Shareholders' equity increased to \$4.3 billion as at September 30, 2008 from \$4.2 billion at December 31, 2007. Adjusted return on average common equity for the nine months ended September 30, 2008 was 19.7% compared with return on average common equity of

21.5% for the same period in 2007. The quarterly dividend per common share of 51.25 cents declared in the third quarter of 2008 represented an increase of 2.50 cents or 5.1% from the 48.75 cent dividend declared in the second quarter of 2008 and 5.25 cents or 11.4% from the 46.00 cent dividend declared in the third quarter of 2007.

### NON-GAAP FINANCIAL MEASURES

Adjusted net income, diluted earnings per share (EPS) and return on common equity (ROE) for the nine months ended September 30, 2008 excluded \$25.0 million recorded in the second quarter which represented the Company's proportionate share of Great-West Lifeco Inc.'s after-tax gain on the sale of its healthcare business, Great-West Healthcare. While these non-GAAP financial measures are used to provide management and investors with additional measures to assess earnings performance, they do not have standard meanings and are not directly comparable to similar measures used by other companies.

Earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and

TABLE 1: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(\$ millions)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007	2008	2007
<b>Adjusted net income – Non-GAAP measure</b>	<b>\$ 198.7</b>	<b>\$ 218.4</b>	<b>\$ 626.0</b>	<b>\$ 644.8</b>
Proportionate share of affiliate's gain	–	–	25.0	–
<b>Net income – GAAP</b>	<b>\$ 198.7</b>	<b>\$ 218.4</b>	<b>\$ 651.0</b>	<b>\$ 644.8</b>
<b>Adjusted earnings per share – Non-GAAP measure</b>	<b>\$ 0.75</b>	<b>\$ 0.82</b>	<b>\$ 2.36</b>	<b>\$ 2.41</b>
Proportionate share of affiliate's gain	–	–	0.09	–
<b>Earnings per share – GAAP</b>	<b>\$ 0.75</b>	<b>\$ 0.82</b>	<b>\$ 2.45</b>	<b>\$ 2.41</b>
<b>EBITDA – Non-GAAP measure</b>	<b>\$ 392.0</b>	<b>\$ 432.5</b>	<b>\$ 1,212.2</b>	<b>\$ 1,278.4</b>
Commission amortization	(81.5)	(83.6)	(244.1)	(246.2)
Amortization of capital and intangible assets	(6.8)	(6.8)	(20.1)	(18.2)
Interest expense on long-term debt and dividends on preferred shares	(26.3)	(26.4)	(78.6)	(78.5)
<b>Income before income taxes, non-controlling interest and proportionate share of affiliate's gain</b>	<b>277.4</b>	<b>315.7</b>	<b>869.4</b>	<b>935.5</b>
Income taxes	(78.4)	(96.5)	(242.2)	(288.4)
Non-controlling interest	(0.3)	(0.8)	(1.2)	(2.3)
Proportionate share of affiliate's gain	–	–	25.0	–
<b>Net income – GAAP</b>	<b>\$ 198.7</b>	<b>\$ 218.4</b>	<b>\$ 651.0</b>	<b>\$ 644.8</b>

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

Three months ended September 30 (\$ millions)	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
	2008	2007	2008	2007	2008	2007	2008	2007
Fee income	\$ 367.1	\$ 387.6	\$ 231.4	\$ 262.9	\$ 37.2	\$ 36.5	\$ 635.7	\$ 687.0
Net investment income and other	36.0	25.4	5.2	6.6	8.1	11.8	49.3	43.8
	403.1	413.0	236.6	269.5	45.3	48.3	685.0	730.8
Operating expenses								
Commissions	118.6	115.9	87.1	99.0	24.3	23.1	230.0	238.0
Non-commission	74.8	70.6	70.6	74.3	10.0	10.0	155.4	154.9
	193.4	186.5	157.7	173.3	34.3	33.1	385.4	392.9
<b>Earnings before interest and taxes</b>	<b>\$ 209.7</b>	<b>\$ 226.5</b>	<b>\$ 78.9</b>	<b>\$ 96.2</b>	<b>\$ 11.0</b>	<b>\$ 15.2</b>	<b>299.6</b>	<b>337.9</b>
Interest expense							22.2	22.2
Income before income taxes and non-controlling interest							277.4	315.7
Income taxes							78.4	96.5
Income before non-controlling interest							199.0	219.2
Non-controlling interest							0.3	0.8
<b>Net income</b>							<b>\$ 198.7</b>	<b>\$ 218.4</b>
Nine months ended September 30 (\$ millions)								
Fee income	\$ 1,120.3	\$ 1,129.9	\$ 720.5	\$ 785.1	\$ 113.8	\$ 106.9	\$ 1,954.6	\$ 2,021.9
Net investment income and other	121.3	98.2	18.1	19.5	26.7	33.9	166.1	151.6
	1,241.6	1,228.1	738.6	804.6	140.5	140.8	2,120.7	2,173.5
Operating expenses								
Commissions	357.2	342.8	268.5	295.9	74.1	66.9	699.8	705.6
Non-commission	235.5	215.1	219.3	223.9	30.5	27.3	485.3	466.3
	592.7	557.9	487.8	519.8	104.6	94.2	1,185.1	1,171.9
<b>Earnings before interest and taxes</b>	<b>\$ 648.9</b>	<b>\$ 670.2</b>	<b>\$ 250.8</b>	<b>\$ 284.8</b>	<b>\$ 35.9</b>	<b>\$ 46.6</b>	<b>935.6</b>	<b>1,001.6</b>
Interest expense							66.2	66.1
Income before income taxes, non-controlling interest and proportionate share of affiliate's gain							869.4	935.5
Income taxes							242.2	288.4
Income before non-controlling interest and proportionate share of affiliate's gain							627.2	647.1
Non-controlling interest							1.2	2.3
Net income before proportionate share of affiliate's gain							626.0	644.8
Proportionate share of affiliate's gain							25.0	–
<b>Net income</b>								
In accordance with GAAP							\$ 651.0	\$ 644.8
Adjusted net income <sup>(1)</sup>							\$ 626.0	\$ 644.8

(1) Refer to Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

amortization (EBITDA) are non-GAAP financial measures. EBIT and EBITDA are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is discussed further in the Consolidated Liquidity section of this MD&A. These non-GAAP financial measures do not have standard meanings and are not directly comparable to any GAAP measure or to similar measures used by other companies.

The reconciliation of non-GAAP results to reported results in accordance with GAAP related to net income, EPS and EBITDA is provided in Table 1. The reconciliation of non-GAAP results to reported results in accordance with GAAP related to EBIT is provided in Table 2.

## REPORTABLE SEGMENTS

IGM Financial's reportable segments, which reflect the current organizational structure, are:

- Investors Group
- Mackenzie
- Corporate and Other.

Management measures and evaluates the performance of these segments based on EBIT as shown in Table 2.

Discussion of Investors Group and Mackenzie Segment Operating Results is contained in their respective sections of this MD&A.

The Corporate and Other segment includes operating results for Investment Planning Counsel, net investment income earned on unallocated investments and other income as well as inter-segment eliminations.

Earnings before interest and taxes for Corporate and Other were \$11.0 million and \$35.9 million for the three- and nine-month periods ended September 30, 2008

compared to \$15.2 million and \$46.6 million in 2007. Earnings before interest and taxes related to Investment Planning Counsel were \$0.5 million and \$3.6 million lower in the three- and nine-month periods in 2008 compared with 2007. Net investment income on unallocated investments decreased by \$3.7 million and \$7.2 million in the three- and nine-month periods in 2008 compared with 2007. The Company reduced the fair value of its holdings in non-bank-sponsored asset-backed commercial paper (ABCP) by \$2.5 million in the current quarter and by \$2.5 million in the second quarter of 2008 as discussed in Note 2 to the interim Consolidated Financial Statements.

Certain items reflected in Table 2 are not allocated to segments:

- *Interest expense* – Represents the interest expense on the remaining debt issued pursuant to the Mackenzie acquisition as well as dividends paid on the outstanding preferred shares. Interest expense on long-term debt totalled \$17.0 million and \$50.7 million for the three- and nine-month periods ended September 30, 2008 compared with \$17.0 million and \$50.6 million in 2007. Dividends paid on preferred shares were \$5.2 million and \$15.5 million for the three- and nine-month periods in 2008, unchanged from 2007.
- *Proportionate share of affiliate's gain* – In the second quarter of 2008, the Company's affiliate, Great-West Lifeco Inc. (Lifeco), recorded an after-tax gain on the sale of its healthcare business, Great-West Healthcare. Lifeco reported the gain in Net income from discontinued operations in the Summary of Consolidated Operations included in Lifeco's interim Consolidated Financial Statements. The Company's proportionate share of the after-tax gain on the sale was \$25.0 million.

TABLE 3: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007	2008	2007
<b>Income taxes at Canadian federal and provincial statutory rates</b>	<b>32.40%</b>	35.11%	<b>32.40%</b>	35.11%
Effect of:				
Dividend income	(0.48)	(0.37)	(0.47)	(0.26)
Net capital gains and losses	(0.35)	(0.40)	(0.52)	(0.64)
Share of earnings of affiliate	(2.09)	(2.64)	(2.60)	(2.54)
Preferred dividends paid	0.61	0.59	0.59	0.60
Other items	(1.84)	(1.74)	(1.54)	(1.44)
<b>Effective income tax rate</b>	<b>28.25%</b>	30.55%	<b>27.86%</b>	30.83%

- *Income taxes* – The effective income tax rate was 28.2% and 27.9% for the three- and nine-month periods ended September 30, 2008, compared with 30.5% and 30.8%, respectively, in 2007, as shown in Table 3. The 2008 effective income tax rate was positively impacted by reductions in statutory federal and provincial income tax rates. Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its

income tax filings, and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. Any changes in management's best estimates are reflected in Other items, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.

# Investors Group

## Assets Under Management

The level of assets under management is influenced by three factors: sales, redemptions and net asset values of our funds. The changes in assets under management in 2008 compared with 2007 are reflected in Table 4.

For the three months ended September 30, 2008, sales of Investors Group mutual funds through its Consultant network were \$1.3 billion, a decrease of 18.4% from 2007. Mutual fund redemptions totalled \$1.2 billion for the same period, comparable to 2007 levels. Investors Group's twelve month trailing redemption rate for long-term funds was 7.7% at September 30, 2008, up slightly from 7.3% at September 30, 2007, and remains well below the corresponding average redemption rate of approximately 17.2% for all other members of the Investment Funds Institute of Canada (IFIC) at September 30, 2008. Net sales of Investors Group mutual funds for the three-month period ended September 30, 2008 were \$61 million compared with net sales of \$370 million in 2007. Sales of long-term funds were \$1.0 billion for the three months ended September 30, 2008, compared with \$1.3 billion in 2007. Net redemptions of long-term funds for the three months ended September 30, 2008 were \$28 million compared to net sales of \$253 million in 2007.

For the nine months ended September 30, 2008, sales of Investors Group mutual funds through its Consultant network were \$4.7 billion, a decrease of 15.8% from 2007.

Mutual fund redemptions, which totalled \$4.1 billion for the same period, increased 8.5% from 2007 levels. Net sales of Investors Group mutual funds for the nine-month period ended September 30, 2008 were \$565 million compared with net sales of \$1.8 billion in 2007. Sales of long-term funds were \$3.7 billion for the nine months ended September 30, 2008, compared with \$4.7 billion in 2007. Net sales of long-term funds were \$253 million compared to net sales of \$1.4 billion in 2007.

While net sales for the three and nine months ended September 30, 2008 declined from 2007 levels, Investors Group's results were more favourable than overall industry results in the three-month period and comparable to overall industry results in the nine-month period.

Investors Group's mutual fund assets under management were \$54.3 billion at September 30, 2008 as shown in Table 4. During the twelve-month period ended September 30, 2008, assets decreased by \$6.9 billion or 11.3% comprised of an increase of \$1.0 billion in net sales and a decrease of \$7.9 billion in the net asset values of the funds.

At September 30, 2008, 26% of Investors Masterseries™ mutual funds had four or five star ratings from the Morningstar<sup>†</sup> fund ranking service and 63% had a rating of three stars or better. This compared to the Morningstar<sup>†</sup> universe of 30% for four and five star funds and 66% for three stars or better at September 30, 2008.

TABLE 4: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

(\$ millions)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2008	2007	CHANGE	2008	2007	CHANGE
Sales	\$ 1,299.1	\$ 1,592.6	(18.4)%	\$ 4,709.2	\$ 5,592.0	(15.8)%
Redemptions	1,238.0	1,221.8	1.3	4,144.3	3,819.7	8.5
<b>Net sales</b>	<b>61.1</b>	370.8	(83.5)	<b>564.9</b>	1,772.3	(68.1)
Market and income	(4,761.1)	(499.3)	N/M	(6,453.3)	1,217.1	N/M
Net change in assets	(4,700.0)	(128.5)	N/M	(5,888.4)	2,989.4	N/M
Beginning assets	59,005.5	61,333.7	(3.8)	60,193.9	58,215.8	3.4
<b>Ending assets</b>	<b>\$ 54,305.5</b>	\$ 61,205.2	(11.3)%	<b>\$ 54,305.5</b>	\$ 61,205.2	(11.3)%
<b>Consists of:</b>						
Investors Masterseries™ funds				\$ 46,744.2	\$ 52,451.6	(10.9)%
IG Mackenzie partner funds				2,456.9	2,736.7	(10.2)
Partner funds				4,619.1	5,440.2	(15.1)
iProfile™ funds				485.3	576.7	(15.8)
				<b>\$ 54,305.5</b>	\$ 61,205.2	(11.3)%
<b>Average daily assets</b>	<b>\$ 57,284.3</b>	\$ 60,699.5	(5.6)%	<b>\$ 58,474.8</b>	\$ 60,362.1	(3.1)%

Morningstar Ratings<sup>†</sup> are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

On July 28, 2008, Investors Group launched two new funds: IG Putnam U.S. High Yield Income Fund and IG Mackenzie Global Precious Metals Class.

On September 5, 2008, five fund mergers were completed involving funds with similar existing mandates. These mergers are expected to provide enhanced diversification opportunities and in some cases lower management and administration fees.

## Other Products and Services

### SEGREGATED FUNDS

At September 30, 2008, Investors Group offered its clients 22 segregated funds distributed solely by Investors Group Consultants. These segregated funds are underwritten by The Great-West Life Assurance Company and the investment components are managed by Investors Group. At September 30, 2008, total segregated fund assets were \$349.6 million compared to \$255.9 million at September 30, 2007.

### INSURANCE

Investors Group distributes insurance products through I.G. Insurance Services Inc. For the three months ended September 30, 2008, sales of insurance products as measured by new annualized premiums were \$11.8 million compared with \$10.0 million in 2007. For the nine months ended September 30, 2008, sales of insurance products were \$33.1 million compared with \$28.1 million in 2007. Total face amount of insurance in force at September 30, 2008 was \$46.9 billion, an increase of \$3.7 billion from September 30, 2007.

### SECURITIES OPERATIONS

Investors Group provides securities services to clients through Investors Group Securities Inc. At September 30, 2008, total assets under administration were \$5.1 billion.

### MORTGAGE OPERATIONS

Clients who are seeking residential mortgages are referred to Investors Group mortgage planning specialists who originate mortgages in key residential markets. For the three months ended September 30, 2008, mortgage originations were \$290 million compared with

\$282 million in 2007. For the nine months ended September 30, 2008, mortgage originations were \$892 million compared with \$915 million in 2007.

Through its mortgage banking operations, residential mortgages are funded primarily through sales to third parties, including Canadian bank or Government of Canada sponsored securitization trusts, private placements, or placed with Investors Mortgage and Short Term Income Fund or Investors Group's intermediary operations. During the second quarter of 2008, the Company expanded its funding sources for residential mortgages through the creation and sale of mortgage-backed securities (MBS). MBS are sold to a trust that issues securities to investors through the Canada Mortgage Bond Program (CMB Program), which is sponsored by the Canada Mortgage and Housing Corporation. Investors Group also provides the ongoing servicing of these mortgages.

### SOLUTIONS BANKING<sup>†</sup>

Investors Group's Solutions Banking<sup>†</sup> initiative continues to experience high rates of utilization by Consultants and clients. The offering consists of a wide range of products and services provided by the National Bank of Canada under a long-term distribution agreement and includes: investment loans, lines of credit, personal loans, creditor insurance, deposit accounts and credit cards.

### ADDITIONAL PRODUCTS AND SERVICES

Investors Group also provides its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd., as well as a number of other financial institutions.

## Consultant Network

Investors Group is focused on growing its distribution network by attracting and training new Consultants as well as retaining existing Consultants. This is discussed more fully in the Investors Group Review of the Business contained in the 2007 IGM Financial Inc. Annual Report. As at September 30, 2008, the number of Consultants totalled 4,411 compared to 4,331 at December 31, 2007 and 4,225 one year ago. The Consultant network has

grown in each of the last seventeen consecutive quarters and now stands at its highest level on record. The number of Consultants with more than four years experience was 2,430 compared to 2,327 at December 31, 2007 and 2,296 one year ago.

In 2008, Investors Group announced the addition of seven new regional offices located in Edmonton, Winnipeg, Brampton, Toronto, Newmarket, Barrie and Ottawa.

## Segment Operating Results

Investors Group's earnings from operations before interest and taxes for the three- and nine-month periods ended September 30, 2008 compared with 2007 are presented in Table 5.

### FEE AND NET INVESTMENT INCOME

Investors Group earns management fees for investment management services provided to its mutual funds. Revenues depend largely on the level and composition of mutual fund assets under management. Management fee income decreased by \$20.4 million or 6.8% to \$277.9 million for the three months ended September 30, 2008 and decreased by \$34.0 million or 3.9% to \$847.3 million for the nine-month period ended September 30, 2008. The decline in both periods was due to the decrease in average daily mutual fund assets

from 2007 combined with the change in mix of its mutual fund assets under management.

For the three months ended September 30, 2008, management fee income was 193.0 basis points of average daily mutual fund assets compared to 194.9 basis points in 2007. Average daily mutual fund assets were \$57.3 billion in the quarter compared to \$60.7 billion in 2007, a decrease of 5.6%.

For the nine months ended September 30, 2008, management fee income was 193.6 basis points compared to 195.1 basis points in 2007. Average daily mutual fund assets were \$58.5 billion for the nine-month period compared to \$60.4 billion in 2007, a decrease of 3.1%.

Investors Group receives administration fees for providing administrative services to its mutual funds and trusteeship services to its unit trust mutual funds. Administration fees totalled \$53.4 million for the three

TABLE 5: OPERATING RESULTS – INVESTORS GROUP

(\$ millions)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2008	2007	CHANGE	2008	2007	CHANGE
<b>Fee and net investment income</b>						
Management	\$ 277.9	\$ 298.3	(6.8)%	\$ 847.3	\$ 881.3	(3.9)%
Administration	53.4	56.2	(5.0)	160.9	153.4	4.9
Distribution	35.8	33.1	8.2	112.1	95.2	17.8
	<b>367.1</b>	387.6	(5.3)	<b>1,120.3</b>	1,129.9	(0.8)
Net investment income and other	36.0	25.4	41.7	121.3	98.2	23.5
	<b>403.1</b>	413.0	(2.4)	<b>1,241.6</b>	1,228.1	1.1
<b>Operating expenses</b>						
Commissions	61.0	56.4	8.2	181.6	166.0	9.4
Asset retention bonus and premium	57.6	59.5	(3.2)	175.6	176.8	(0.7)
Non-commission	74.8	70.6	5.9	235.5	215.1	9.5
	<b>193.4</b>	186.5	3.7	<b>592.7</b>	557.9	6.2
<b>Earnings before interest and taxes</b>	<b>\$ 209.7</b>	\$ 226.5	(7.4)%	<b>\$ 648.9</b>	\$ 670.2	(3.2)%

months ended September 30, 2008, a decrease of 5.0% from \$56.2 million in 2007. Fees for the nine months ended September 30, 2008 were \$160.9 million compared to \$153.4 million. Effective October 1, 2007, Investors Group assumed responsibility for the applicable operating expenses of the funds, other than GST and certain specified fund costs, in return for a fixed rate administration fee established for each fund. The results for both the three- and nine-month periods ended September 30, 2008 reflect the new fixed rate administration fee and the applicable operating expenses that, prior to October 1, 2007, were borne by the funds.

Distribution fees are earned from:

- Redemption fees on mutual funds sold on a deferred sales charge basis.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking<sup>†</sup>, an arrangement with the National Bank of Canada.

Distribution fee income of \$35.8 million for the three months ended September 30, 2008 increased by 8.2% from \$33.1 million in 2007. For the nine-month period, distribution fee income of \$112.1 million increased by 17.8% from \$95.2 million in 2007. Distribution fee income from insurance and banking products increased in the three- and nine-month periods by \$1.5 million and \$7.6 million, respectively. Redemption fee income of \$9.8 million and \$35.3 million for the three- and nine-month periods increased by \$1.7 million and \$9.9 million, respectively, from the same periods in 2007 due to higher redemptions subject to deferred sales charges in 2008 compared to 2007.

Net investment income represents the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, bank indebtedness and debt incurred to finance Investors Group's investment in Great-West Lifeco Inc. (GWL).

Net investment income and other increased to \$36.0 million for the three months ended September 30, 2008 compared to \$25.4 million in 2007. Increases in net revenues related primarily to the Company's mortgage banking operations offset by a decrease in Investors Group's share of GWL earnings.

For the nine months ended September 30, 2008, net investment income and other increased to \$121.3 million compared to \$98.2 million in 2007. Increases in net revenues related to the Company's mortgage banking operations and increases in Investors Group's share of GWL earnings which were offset in part by a decrease in gains on the sale of securities and other income.

## OPERATING EXPENSES

Investors Group incurs commission expense in connection with the distribution of its mutual funds and other financial services and products. Commissions are paid on the sale of these products and will fluctuate with the level of sales. Commissions paid on the sale of mutual funds are deferred and amortized over a period of six years. Commission expense for the three months ended September 30, 2008 increased by \$4.6 million to \$61.0 million compared with \$56.4 million in 2007. For the nine-month period ended September 30, 2008, commission expense increased by \$15.6 million to \$181.6 million from \$166.0 million in 2007.

The increase in commission expense was due primarily to:

- Increase in amortization of mutual fund commissions totalling \$2.2 million for the three months and \$8.0 million for the nine months.
- Increase of \$2.4 million for the three months and \$7.6 million for the nine months in other compensation related to mutual fund operations and commissions on non-mutual fund products including insurance and banking products.

The asset retention bonus (ARB) and premium (ARP) expenses, which are based on the level of assets under management, are comprised of the following:

- ARB which is paid monthly and is based on the value of assets under management. ARB expense decreased by \$2.6 million for the three-month period to \$47.9 million and decreased by \$3.5 million for the nine-month period to \$146.3 million as a result of the decrease in assets under management.
- ARP which is a deferred component of compensation designed to promote Consultant retention and is based on assets under management at each year-end. ARP expense increased by \$0.7 million and \$2.3 million in the three- and nine-month periods ended September 30, 2008 compared to 2007.

Non-commission expenses increased \$4.2 million to \$74.8 million for the three months ended September 30, 2008. For the nine-month period, non-commission expense increased by \$20.4 million to \$235.5 million. Non-commission expenses include costs incurred by Investors Group related to the administration, marketing and management of its mutual funds and other products, Consultant network support, as well as other operating expenses. As a result of the implementation of the fixed rate administration fee on October 1, 2007, non-commission expenses for the three- and nine-month periods ended September 30, 2008 also include additional costs that were previously borne by the mutual funds.

# Mackenzie

## Assets Under Management

Mackenzie's total assets under management at September 30, 2008 were \$64.8 billion, an increase of \$1.3 billion or 2.0% from \$63.5 billion at September 30, 2007. Mackenzie's mutual fund assets under management were \$41.8 billion at September 30, 2008, a decrease of \$5.7 billion or 11.9% from \$47.5 billion at September 30, 2007. Mackenzie's sub-advisory, institutional and other account assets at September 30, 2008 were \$23.0 billion, an increase of \$7.0 billion or 43.4% from \$16.0 billion at September 30, 2007.

Mackenzie acquired Saxon Financial Inc. (Saxon) at the close of business on September 25, 2008. As a result, Saxon's assets under management as well as Saxon's sales and redemptions from September 26, 2008 are included in Mackenzie's results for the period ended September 30, 2008. At September 30, 2008, Saxon's mutual fund assets were \$1.7 billion and Saxon's sub-advisory, institutional and other account assets were \$10.4 billion. The changes in assets under management are summarized in Table 6.

In the three months ended September 30, 2008, Mackenzie's gross sales were \$2.7 billion, a decrease of 3.0% from \$2.8 billion in the comparative period last year. Redemptions in the current period were \$3.9 billion as compared to redemptions of \$3.3 billion in 2007. Net redemptions for the three months ended September 30, 2008 were \$1.2 billion, as compared to net redemptions

of \$0.5 billion last year. During the current quarter, net market depreciation resulted in assets decreasing by \$7.4 billion as compared to a decrease of \$1.0 billion in 2007.

In the three-month period ended September 30, 2008, gross sales were higher by \$529 million and redemptions were higher by \$731 million as a result of rebalance transactions by institutional investors.

In the nine months ended September 30, 2008, Mackenzie's gross sales were \$9.2 billion, a decrease of 5.9% from \$9.7 billion in the comparative period last year. Redemptions in the nine months ended September 30, 2008 were \$10.3 billion as compared to redemptions of \$8.9 billion in 2007. Net redemptions for the nine months ended September 30, 2008 were \$1.1 billion, as compared to net sales of \$0.8 billion last year. Net market depreciation in the nine-month period ended September 30, 2008 resulted in assets decreasing by \$9.8 billion as compared to market appreciation of \$1.1 billion in 2007.

In the nine-month period ended September 30, 2008, gross sales were higher by \$1.1 billion and redemptions were higher by \$1.0 billion as a result of rebalance transactions by institutional investors.

On January 1, 2008, Mackenzie acquired the management contracts for the mutual fund assets of Putnam Investments Inc., which are distributed in Canada,

TABLE 6: CHANGE IN ASSETS UNDER MANAGEMENT – MACKENZIE

(\$ millions)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2008	2007	CHANGE	2008	2007	CHANGE
Sales	\$ 2,698.9	\$ 2,783.7	(3.0)%	\$ 9,162.8	\$ 9,735.9	(5.9)%
Redemptions	3,928.0	3,256.4	20.6	10,294.6	8,894.8	15.7
<b>Net sales (redemptions)</b>	<b>(1,229.1)</b>	<b>(472.7)</b>	<b>(160.0)</b>	<b>(1,131.8)</b>	<b>841.1</b>	<b>N/M</b>
Assets acquired	12,210.3	–	N/M	12,431.8	–	N/M
Net new money	10,981.2	(472.7)	N/M	11,300.0	841.1	N/M
Market and income	(7,405.0)	(1,015.6)	N/M	(9,800.7)	1,112.1	N/M
Net change in assets	3,576.2	(1,488.3)	N/M	1,499.3	1,953.2	(23.2)
Beginning assets	61,199.8	64,983.7	(5.8)	63,276.7	61,542.2	2.8
<b>Ending assets</b>	<b>\$ 64,776.0</b>	<b>\$ 63,495.4</b>	<b>2.0%</b>	<b>\$ 64,776.0</b>	<b>\$ 63,495.4</b>	<b>2.0%</b>
<b>Consists of:</b>						
Mutual funds				\$ 41,823.3	\$ 47,491.8	(11.9)%
Sub-advisory, institutional and other accounts				22,952.7	16,003.6	43.4
				<b>\$ 64,776.0</b>	<b>\$ 63,495.4</b>	<b>2.0%</b>
<b>Daily average mutual fund assets</b>	<b>\$ 42,655.0</b>	<b>\$ 47,774.6</b>	<b>(10.7)%</b>	<b>\$ 44,107.3</b>	<b>\$ 47,844.8</b>	<b>(7.8)%</b>
<b>Monthly average total assets<sup>(1)</sup></b>	<b>\$ 58,278.4</b>	<b>\$ 64,101.9</b>	<b>(9.1)%</b>	<b>\$ 60,531.4</b>	<b>\$ 63,672.9</b>	<b>(4.9)%</b>

(1) Based on daily average mutual fund assets and month-end average sub-advisory, institutional and other assets.

resulting in the addition of \$222 million to its assets under management. At the close of business on September 25, 2008, Mackenzie acquired Saxon resulting in the addition of \$12.2 billion of assets under management.

As at September 30, 2008, Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 16.9%, as compared to 14.0% last year. Excluding the above-noted institutional investor rebalance transactions, Mackenzie's twelve-month trailing redemption rate for long-term mutual funds would have been 15.7% as at September 30, 2008. The average twelve-month trailing redemption rate for long-term funds for all other members of IFIC increased to approximately 16.3% at September 30, 2008 from 13.8% last year. Mackenzie's twelve month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load units with redemption fees, and matured deferred sales charge units without redemption fees (matured units). Generally, redemption rates for front-end load units and matured units are higher than the redemption rates for deferred sales charge and low load units with redemption fees.

At September 30, 2008, 67% of Mackenzie's mutual funds were rated in the top two performance quartiles for

the one year time frame, 58% for the three year time frame and 42% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar<sup>†</sup> fund ranking service. At September 30, 2008, 46% of Mackenzie's mutual fund assets measured by Morningstar<sup>†</sup> had four or five stars and 69% had a rating of three stars or better.

Product line changes introduced by Mackenzie during the current quarter included the following:

- On September 19, 2008, at special meetings of investors, resolutions were approved to change the investment objectives of the following funds: Symmetry Managed Return Class, Symmetry Equity Class and Mackenzie Sentinel Canadian Managed Yield Class.
- On September 26, 2008, Mackenzie merged six of its Putnam funds into Mackenzie funds with similar mandates.
- On September 26, 2008, Mackenzie merged Mackenzie Focus America Class into Mackenzie Universal U.S. Blue Chip Class.

## Segment Operating Results

Mackenzie's earnings from operations before interest and taxes for the three and nine months ended September 30, 2008 compared with 2007 are presented in Table 7.

### FEE AND NET INVESTMENT INCOME

Mackenzie's management fee revenues are earned from services it provides as fund manager to the Mackenzie mutual funds and as investment advisor to sub-advisory and institutional accounts. The majority of Mackenzie's mutual fund assets are purchased on a retail priced basis. Mackenzie also offers various series of its mutual funds with management fees that are designed for fee-based programs, institutional investors and third party investment programs offered by banks, insurance companies and investment dealers. In these series of its mutual funds, Mackenzie does not pay trailing commissions or selling commissions. At September 30, 2008, there were \$8.0 billion of mutual fund assets in these series of funds, as compared to \$7.7 billion at September 30, 2007.

Management fees were \$189.1 million for the three months ended September 30, 2008, a decrease of \$32.8 million or 14.8% from \$221.9 million last year. For the nine-month period ended September 30, 2008, management fees were \$592.4 million, a decrease of \$66.1 million or 10.0% from \$658.5 million in 2007. The decrease in management fees in both the three- and nine-month periods was due to the decline in Mackenzie's monthly average total assets under management combined with the change in mix of its assets under management.

Monthly average total assets under management were \$58.3 billion in the three-month period ended September 30, 2008 compared to \$64.1 billion in 2007, a decrease of 9.1%. Monthly average total assets under management for the nine-month period ended September 30, 2008 were \$60.5 billion compared to \$63.7 billion in 2007, a decrease of 4.9%.

Mackenzie's average management fee rate was 128.7 basis points in the three-month period and 130.8 basis points in the nine-month period ended September 30, 2008, compared to 137.3 basis points and 138.3 basis

TABLE 7: OPERATING RESULTS – MACKENZIE

(\$ millions)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2008	2007	CHANGE	2008	2007	CHANGE
<b>Fee and net investment income</b>						
Management	\$ 189.1	\$ 221.9	(14.8)%	\$ 592.4	\$ 658.5	(10.0)%
Administration	34.1	34.1	–	102.3	104.2	(1.8)
Distribution	8.2	6.9	18.8	25.8	22.4	15.2
	231.4	262.9	(12.0)	720.5	785.1	(8.2)
Net investment income and other	5.2	6.6	(21.2)	18.1	19.5	(7.2)
	236.6	269.5	(12.2)	738.6	804.6	(8.2)
<b>Operating expenses</b>						
Commissions	37.1	41.2	(10.0)	112.1	121.8	(8.0)
Trailing commissions	50.0	57.8	(13.5)	156.4	174.1	(10.2)
Non-commission	70.6	74.3	(5.0)	219.3	223.9	(2.1)
	157.7	173.3	(9.0)	487.8	519.8	(6.2)
<b>Earnings before interest and taxes</b>	\$ 78.9	\$ 96.2	(18.0)%	\$ 250.8	\$ 284.8	(11.9)%

points respectively in 2007. The decrease in the average management fee rate as compared to 2007 was due to the higher growth in Mackenzie's institutional accounts and non-retail priced mutual funds relative to the growth in its retail priced mutual funds as institutional assets and non-retail priced mutual funds have lower management fees. In addition, changes in asset mix within Mackenzie's retail priced mutual funds affect average management fee rates.

Administration fees include the following main components:

- Administration fees for providing services to the Mackenzie mutual funds and structured products.
- Asset allocation fees.
- Trustee and other administration fees generated from the MRS account administration business.

Administration fees were \$34.1 million for the three months ended September 30, 2008, unchanged from the comparative period in 2007. Administration fees were \$102.3 million for the nine months ended September 30, 2008, as compared to \$104.2 million in 2007.

Effective August 1, 2007, Mackenzie assumed responsibility for the applicable operating expenses of the Mackenzie funds, other than GST and certain specified fund costs, in return for a fixed rate administration fee established for each fund. The results for the three and

nine months ended September 30, 2008 reflect the new fixed rate administration fee and the applicable operating expenses that, prior to August 1, 2007, were borne by the funds.

Mackenzie earns distribution fee income on redemptions of mutual fund units sold on a deferred sales charge basis and on a low load basis. Distribution fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Distribution fees for low load assets range from 3.0% in the first year and decrease to zero after three years. Distribution fee income in the three months ended September 30, 2008 was \$8.2 million, an increase of \$1.3 million from \$6.9 million last year. Distribution fee income for the nine months ended September 30, 2008 was \$25.8 million, an increase of \$3.4 million from \$22.4 million in 2007.

The primary component of net investment income and other is the net interest margin from M.R.S. Trust Company's lending and deposit-taking operations. Net investment income in the three months ended September 30, 2008 was \$5.2 million, a decrease of \$1.4 million from \$6.6 million in 2007. Net investment income in the nine months ended September 30, 2008 was \$18.1 million, a decrease of \$1.4 million from \$19.5 million in 2007.

## OPERATING EXPENSES

Mackenzie's operating expenses were \$157.7 million for the three months ended September 30, 2008, a decrease of \$15.6 million or 9.0% from \$173.3 million last year. Operating expenses for the nine months ended September 30, 2008 were \$487.8 million, a decrease of \$32.0 million or 6.2% from 2007.

Mackenzie pays selling commissions to the dealers that sell its mutual funds on a deferred sales charge and low load basis. Commission expense, which represents the amortization of selling commissions, was \$37.1 million in the three months ended September 30, 2008, as compared to \$41.2 million last year. Commission expense in the nine-month period ended September 30, 2008 was \$112.1 million as compared to \$121.8 million in 2007. Mackenzie amortizes selling commissions over three years from the date of original purchase of the applicable low load units and over a maximum period of seven years from the date of original purchase of the applicable deferred sales charge units.

Trailing commissions paid to dealers are calculated as a percentage of mutual fund assets under management and vary depending on the fund type and the basis upon which the fund was purchased: front-end, deferred sales charge or low load basis. Trailing commissions are generally not paid on non-retail series of mutual funds and institutional assets. Trailing commissions paid to dealers were \$50.0 million in the three months ended September 30, 2008, a decrease of \$7.8 million or 13.5%

from \$57.8 million last year. Trailing commissions in the nine-month period ended September 30, 2008 were \$156.4 million, a decrease of \$17.7 million or 10.2% from \$174.1 million in the comparative period last year. The decrease in trailing commissions in both the three- and nine-month periods ended September 30, 2008 is consistent with the period over period decline in average mutual fund assets under management and the change in asset mix within Mackenzie's mutual funds. Trailing commissions as a percentage of average mutual fund assets under management were 47.4 basis points in the nine-month period ended September 30, 2008, as compared to 48.7 basis points last year.

Non-commission expenses were \$70.6 million in the three months ended September 30, 2008, a decrease of \$3.7 million or 5.0% from \$74.3 million last year. Non-commission expenses in the nine months ended September 30, 2008 were \$219.3 million, a decrease of \$4.6 million or 2.1% from \$223.9 million in 2007. Non-commission expenses include costs incurred by Mackenzie related to the administration, marketing and management of its assets under management, as well as costs incurred in its account administration and trust company businesses. As a result of the implementation of the fixed rate administration fee on August 1, 2007, non-commission expenses for the three- and nine-month periods ended September 30, 2008 also include additional costs that were previously borne by the mutual funds.

# IGM Financial Inc.

## Consolidated Financial Position

IGM Financial's total assets were \$8.3 billion as at September 30, 2008, compared to \$7.9 billion as at December 31, 2007.

The fair value of the Company's securities holdings, net of derivatives classified as fair value hedges, was \$538.2 million as at September 30, 2008 compared to \$706.6 million at December 31, 2007, a decrease of \$168.4 million. The fair value of derivatives classified as fair value hedges represented an increase of \$21.0 million at September 30, 2008 and \$10.3 million at December 31, 2007 and are classified as Other Assets or Other Liabilities on the interim Consolidated Balance Sheets. Unrealized losses on the securities portfolio net of derivatives were \$51.6 million at September 30, 2008 compared to unrealized gains of \$23.2 million at December 31, 2007. The Company's securities holdings are classified as available for sale, therefore unrealized gains and losses on securities not designated as part of a hedging relationship are recorded in Other comprehensive income until realized.

Fixed income securities are comprised of non-bank-sponsored asset-backed commercial paper (ABCP). The

Company's original investment in ABCP totalled \$50.2 million. The Company reduced the fair value of the ABCP to \$35.3 million by recording charges totalling \$9.9 million in 2007, \$2.5 million in the second quarter of 2008 and a further \$2.5 million in the current quarter. Refer to Note 2 of the interim Consolidated Financial Statements for additional information.

Loans, including mortgages and personal loans, increased by \$280.1 million to \$834.0 million at September 30, 2008 and represented 10.0% of total assets, compared to 7.0% at December 31, 2007. Residential mortgage loans related to the Company's mortgage banking operations increased \$305.6 million. These residential mortgage loans are funded primarily through sales to third parties, including Canadian bank-sponsored securitization trusts and MBS through the CMB Program, on a fully serviced basis. In the Company's deposit operations, personal loans increased by \$14.3 million while residential mortgage loans decreased by \$37.9 million in the nine-month period to September 30, 2008.

## Consolidated Liquidity and Capital Resources

### LIQUIDITY

Cash and cash equivalents totalled \$1.13 billion at September 30, 2008 compared with \$1.18 billion at December 31, 2007. A significant portion of cash and cash equivalents and loans relates to the Company's deposit operations as shown in Table 8.

Excluding the Company's cash and cash equivalents related to its deposit operations, operating liquidity is required for:

- Financing ongoing operations, including the funding of selling commissions.

TABLE 8: ASSETS RELATED TO DEPOSIT OPERATIONS

<i>(\$ millions)</i>	SEPTEMBER 30 2008	DECEMBER 31 2007	CHANGE
<b>Assets</b>			
Cash and cash equivalents	\$ 620.2	\$ 519.6	19.4%
Loans	458.8	488.4	(6.1)
<b>Total assets</b>	<b>\$ 1,079.0</b>	<b>\$ 1,008.0</b>	<b>7.0%</b>
<b>Liabilities and Shareholders' Equity</b>			
Deposit liabilities	\$ 903.7	\$ 856.9	5.5%
Other liabilities – net	50.8	35.2	44.3
Shareholders' equity	124.5	115.9	7.4
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,079.0</b>	<b>\$ 1,008.0</b>	<b>7.0%</b>

- Temporarily financing mortgages in its mortgage banking facility.
- Meeting regular interest and dividend obligations related to long-term debt and preferred shares.
- Payment of quarterly dividends on its outstanding common shares.
- Maintaining liquidity requirements for regulated entities.
- Financing common share repurchases related to the Company's normal course issuer bid.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled \$392.0 million for the three months and \$1,212.2 million for the nine months ended September 30, 2008 compared to \$432.5 million and \$1,278.4 million in 2007, respectively.

Refer to the Financial Instruments section of this MD&A for information related to other sources of liquidity and to the Company's management of liquidity risk.

#### Cash Flows

Table 9 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the interim Consolidated Financial Statements for the three- and nine-month periods ended September 30, 2008. Cash and cash equivalents decreased \$30.5 million in the third quarter compared with an increase of \$52.3 million in 2007. For the nine-month period, cash and cash equivalents decreased \$54.5 million compared with a decrease of \$234.6 million in 2007.

Operating activities, before payment of commissions, generated \$313.0 million and \$746.5 million during the

three- and nine-month periods ended September 30, 2008, as compared to \$302.7 million and \$818.4 million in 2007. Cash commissions paid were \$54.5 million and \$219.7 million in the three- and nine-month periods compared to \$74.7 million and \$274.3 million in 2007. While mutual fund sales decreased approximately 7% in the three-month period and 11% in the nine-month period over the comparative periods in 2007, commissions paid decreased by 27% and 20%, respectively, reflecting an increase in the relative proportion in mutual fund assets purchased on a front-end basis compared to a deferred sales charge basis. Net cash flows from operating activities, net of commissions paid, was \$258.5 million and \$526.8 million for the three- and nine-month periods ended September 30, 2008, as compared to \$228.0 million and \$544.1 million in 2007.

Financing activities during the quarter ended September 30, 2008 compared to the same period in 2007 related primarily to:

- A net increase of \$7.7 million in deposits and certificates in 2008 compared to \$28.3 million in 2007. The net increase in 2008 related to increases in term deposit levels offset in part by decreases in demand deposit levels.
- Net proceeds on bankers' acceptances of \$273.3 million in 2008 which related to the acquisition of Saxon Financial Inc. compared to nil in 2007.
- Proceeds received on the issuance of common shares under the Company's stock option program of \$12.4 million in 2008 compared with \$0.9 million in 2007.

TABLE 9: CASH FLOWS

(\$ millions)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2008	2007	CHANGE	2008	2007	CHANGE
Operating activities						
Before payment of commissions	\$ 313.0	\$ 302.7	3.4%	\$ 746.5	\$ 818.4	(8.8)%
Commissions paid	(54.5)	(74.7)	27.0	(219.7)	(274.3)	19.9
Net of commissions paid	258.5	228.0	13.4	526.8	544.1	(3.2)
Financing activities	98.7	0.9	N/M	(151.7)	(252.9)	40.0
Investing activities	(387.7)	(176.6)	(119.5)	(429.6)	(525.8)	18.3
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(30.5)</b>	<b>52.3</b>	<b>N/M</b>	<b>(54.5)</b>	<b>(234.6)</b>	<b>76.8</b>
Cash and cash equivalents, beginning of period	1,156.3	1,038.6	11.3	1,180.3	1,325.5	(11.0)
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,125.8</b>	<b>\$ 1,090.9</b>	<b>3.2%</b>	<b>\$ 1,125.8</b>	<b>\$ 1,090.9</b>	<b>3.2%</b>

- The payment of regular common share dividends which increased to \$128.4 million in 2008 from \$113.2 million in 2007 as a result of increases in the Company's common share dividends.
- The purchase of 1,587,500 common shares in 2008 under IGM Financial's normal course issuer bid at a cost of \$66.2 million compared with the purchase of 290,000 common shares at a cost of \$14.9 million in 2007.

Financing activities during the nine months ended September 30, 2008 compared to the same period in 2007 related primarily to:

- A net increase of \$46.8 million in deposits and certificates in 2008 compared to \$28.5 million in 2007. The net increase in 2008 related primarily to increases in term deposit levels.
- Net proceeds on bankers' acceptances of \$273.3 million in 2008 which related to the acquisition of Saxon Financial Inc. compared to nil in 2007.
- Proceeds received on the issuance of common shares under the Company's stock option program of \$20.4 million in 2008 compared with \$14.3 million in 2007.
- The payment of regular common share dividends which increased to \$378.6 million in 2008 from \$331.8 million in 2007 as a result of increases in the Company's common share dividends.
- The purchase of 2,679,800 common shares in 2008 under IGM Financial's normal course issuer bid at a cost of \$113.5 million compared with the purchase of 1,235,900 common shares at a cost of \$63.7 million in 2007.

Financing activities in both the three- and nine-month periods ended September 30, 2007 included increases of \$99.8 million in short-term borrowings.

Investing activities during the quarter ended September 30, 2008 compared to the same period in 2007 related primarily to:

- The acquisition of Saxon Financial Inc., net of cash and cash equivalents assumed, which totalled \$250.3 million.
- Purchases of securities totalling \$3.8 million and sales of securities with proceeds of \$91.1 million in 2008 compared with \$241.2 million and \$62.9 million, respectively, in 2007.
- Net increases in loans of \$415.4 million compared to \$420.4 million in 2007 related primarily to residential mortgages in the Company's mortgage banking operations.

- Net cash proceeds resulting from the securitization of residential mortgage loans through Canadian bank-sponsored securitization trusts and MBS of \$198.6 million in 2008 compared to \$427.2 million in 2007.

Investing activities during the nine months ended September 30, 2008 compared to the same period in 2007 related primarily to:

- The acquisition of Saxon Financial Inc., net of cash and cash equivalents assumed, which totalled \$250.3 million.
- Purchases of securities totalling \$100.3 million and sales of securities with proceeds of \$225.4 million in 2008 compared with \$518.7 million and \$112.2 million, respectively, in 2007.
- Net increases in loans of \$1,197.0 million compared to \$1,191.5 million in 2007 related primarily to residential mortgages in the Company's mortgage banking operations.
- Net cash proceeds resulting from the securitization of residential mortgage loans through Canadian bank-sponsored securitization trusts and MBS of \$917.6 million in 2008 compared to \$1,085.1 million in 2007.

## CAPITAL RESOURCES

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt, preferred shares and shareholders' equity.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include trust companies, securities dealers and mutual fund dealers. The Company's subsidiaries have complied with all regulatory capital requirements.

Capital management activities for the nine months ended September 30, 2008 included: the repurchase of 2,679,800 common shares at a cost of \$113.5 million under the normal course issuer bid (Note 6 to the interim Consolidated Financial Statements); and the declaration of preferred share dividends of \$15.5 million and common share dividends of \$391.7 million. Changes

in common share capital are reflected in the interim Consolidated Statements of Changes in Shareholders' Equity. Long-term debt of \$1.2 billion and preferred shares of \$360 million remain unchanged.

In the first quarter of 2008, Standard & Poor's (S&P) reviewed their ratings of IGM Financial's senior debt and liabilities. The rating on the Company's senior debt and liabilities were maintained at "A+" with a stable outlook by S&P, reflecting the continuing quality of the Company's balance sheet and the strength of its operations. On July 17, 2008, the Dominion Bond Rating Service (DBRS) confirmed its rating at "A (high)" with a stable outlook.

## FINANCIAL INSTRUMENTS

Although the volatility experienced in capital markets throughout the third quarter of 2008 resulted in changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the quarter ended September 30, 2008. The Company actively manages risks that arise as a result of holding financial instruments. These risks include liquidity, credit and market risk.

### Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. Commissions paid continue to be fully funded through ongoing cash flow from operations.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage operations, these mortgages are sold to third parties, including Canadian bank or Government of Canada sponsored securitization trusts, private placements, and a mutual fund managed by Investors Group, on a

fully serviced basis. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and MBS is dependent on securitization market conditions that are subject to change.

Liquidity requirements for trust subsidiaries which engage in financial intermediary activities are based on policies approved by the investment and conduct review committees of their respective Boards of Directors. As at September 30, 2008, liquidity for the trust subsidiaries was in compliance with these policies.

The Company's contractual maturities are reflected in Table 10.

In addition to IGM Financial's current balance of cash and cash equivalents, other potential sources of liquidity include the Company's lines of credit and portfolio of securities. The Company maintains uncommitted operating lines of credit totalling \$260 million and committed operating lines of credit totalling \$150 million with various Schedule I Canadian chartered banks. As at September 30, 2008, the Company had utilized \$100.0 million of its operating lines of credit.

In connection with the acquisition of Saxon Financial Inc. on September 25, 2008, the Company established a committed non-revolving bridge credit facility with a Schedule I bank totalling \$300 million. At September 30, 2008, the Company had utilized \$273.3 million. The balance of the credit facility is due October 27, 2009 but may, at the Company's option, be extended to April 2010.

The Company can access the domestic debt and equity markets to raise capital. However, its ability to access capital markets to raise funds is dependent on market conditions.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above will be sufficient to fund the Company's liquidity needs. The Company's liquidity position and its management of liquidity risk have not changed materially since December 31, 2007.

TABLE 10: CONTRACTUAL OBLIGATIONS

As at September 30, 2008 (\$ millions)	DEMAND	LESS THAN 1 YEAR	1 - 5 YEARS	AFTER 5 YEARS	TOTAL
Deposits and certificates	\$ 679.8	\$ 93.8	\$ 124.8	\$ 5.3	\$ 903.7
Long-term debt	—	—	450.0	750.0	1,200.0
Bankers acceptances	—	—	273.3	—	273.3
Other liabilities	—	105.5	47.7	—	153.2
Operating leases <sup>(1)</sup>	—	36.9	109.6	97.4	243.9
<b>Total contractual obligations</b>	<b>\$ 679.8</b>	<b>\$ 236.2</b>	<b>\$ 1,005.4</b>	<b>\$ 852.7</b>	<b>\$ 2,774.1</b>

(1) Includes office space and equipment used in the normal course of business. Lease payments are charged to earnings in the period of use.

### **Credit Risk**

Credit risk is the potential for financial loss to the Company if a counterparty in a transaction fails to meet its obligations. The Company's cash and cash equivalents, securities holdings, mortgage and personal loan portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management policies continuously to evaluate their effectiveness.

Cash and cash equivalents consist primarily of highly liquid temporary deposits with Canadian chartered banks, debt securities issued by the Canadian and provincial governments, bankers' acceptances and commercial paper. All non-bank-sponsored ABCP, which totalled \$35.3 million net of impairment charges and represents the maximum exposure to credit risk at September 30, 2008, is included in Securities. Refer to Note 2 to the interim Consolidated Financial Statements for information related to the valuation of ABCP. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

The Company regularly reviews the credit quality of the mortgage and personal loan portfolios and the adequacy of the general allowance. As at September 30, 2008 mortgages and personal loans totalled \$519.8 million and \$322.2 million, respectively. The allowance for credit losses of \$8.0 million at September 30, 2008 exceeded impaired mortgages and personal loans by \$7.7 million. As at September 30, 2008, the mortgage portfolios were geographically diverse, 100% residential and 52% insured. The credit risk on the personal loan portfolio is mitigated through the use of collateral, primarily in the form of mutual fund investments. Non-performing loans in both the mortgages and personal loan portfolios have not increased from December 31, 2007 levels. The characteristics of the mortgage and personal loan portfolios have not changed materially since December 31, 2007.

The Company regularly reviews the credit quality of the mortgage loans securitized through bank-sponsored (Schedule I Chartered banks) or Government of Canada sponsored securitization trusts. The maximum exposure to credit risk attributable to securitized mortgage loans is equal to the value of the retained interests in the securitized loans, which was \$106.9 million at September 30, 2008.

The Company also regularly reviews the credit ratings of derivative financial instrument counterparties. Derivative contracts are either exchange traded or

negotiated in the over-the-counter market on a diversified basis with Schedule I and Schedule II Chartered banks or Canadian bank-sponsored securitization trusts that are also counterparties to the Company's securitization transactions. The outstanding notional amount of derivative contracts was \$5.3 billion, unchanged from the second quarter. The exposure to credit risk, which is limited to the fair value of those instruments which were in a gain position, increased to \$74.3 million at September 30, 2008 from \$41.5 million at June 30, 2008. This does not give effect to any netting agreements or collateral arrangements. Additional information related to the Company's utilization of derivative contracts can be found in Notes 1 and 17 to the Consolidated Financial Statements in the 2007 IGM Financial Inc. Annual Report.

The Company's exposure to and management of credit risk have not changed materially since December 31, 2007.

### **Market Risk**

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in interest rates, foreign exchange rates or equity prices. The Company's financial instruments are generally denominated in Canadian dollars, and do not have significant exposure to foreign exchange rates.

The Company is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in the Company's mortgage banking and intermediary operations. The objective of the Company's asset liability management is to control interest rate risk by actively managing its interest rate exposure. As at September 30, 2008, the total gap between one-year deposit assets and liabilities was within the Company's stated guidelines. The Company utilizes interest rate swaps in order to reduce the impact of fluctuating interest rates on its mortgage banking and intermediary operations, including exposures arising from interest rate swaps related to securitization arrangements. As at September 30, 2008, the impact of a 100-basis point change in interest rates to Net income would have been \$1.4 million.

The Company is exposed to equity price risk on its securities holdings and on certain of its derivative financial instruments. The Company adheres to an Investment Policy that outlines the objectives, constraints and parameters relating to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Company. The Company manages its exposure to equity price risk on its corporate securities portfolio by using a variety of derivative instruments including options and forward contracts. Management regularly reviews the Company's investments to ensure

all activities are in adherence to the Investment Policy. In addition, common shares are measured periodically, or more frequently when conditions warrant, to determine whether there is objective evidence of an other-than-temporary impairment in value. Changes in fair value were mainly caused by market price fluctuations. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for any recovery of their fair value. As at September 30, 2008, the Company concluded that the gross unrealized losses were temporary.

The Company's securities holdings are classified as available for sale, therefore unrealized gains and losses on securities not designated as part of a hedging relationship are recorded in Other comprehensive income until realized. As at September 30, 2008, the impact of a 10% decrease in the value of the Company's securities portfolio would have been a \$33.6 million unrealized loss recorded in Other comprehensive income.

The Company's exposure to and management of interest rate and other price risk have not changed materially since December 31, 2007.

Details of each component of financial instruments are contained in the various related notes to the Consolidated Financial Statements in the 2007 IGM Financial Inc. Annual Report.

## MARKET RISK RELATED TO ASSETS UNDER MANAGEMENT

At September 30, 2008, mutual fund industry assets in Canada were \$633.6 billion, a decrease of 9.5% relative to June 30, 2008 and a decrease of 9.1% relative to December 31, 2007 reflecting the volatility experienced in both credit and capital markets. This \$66.6 billion decrease in industry assets since June 30, 2008 reflected net cash outflows of \$2.9 billion and an estimated \$63.7 billion in market depreciation for the three months. The \$63.7 billion decrease in industry assets since December 31, 2007 reflected net cash flow of \$10.1 billion, an estimated \$77.9 billion in market depreciation for the nine months and \$4.1 billion in

mutual fund assets not previously reported through the Investment Funds Institute of Canada (IFIC).

Risks related to performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management and sales. Changes in assets under management directly impact earnings as discussed in the Investors Group and Mackenzie Segment Operating Results sections of this MD&A.

In addition, these factors can result in increased redemptions of mutual funds. IGM Financial provides Consultants and independent financial advisors with a high level of service and support and a broad range of investment products based on asset classes, countries or regions, and investment management styles. These are key advantages in maintaining strong client relationships.

The mutual fund industry and financial advisors are committed to educating Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility our Consultants and independent financial advisors play a key role in assisting investors to maintain perspective and focus on their long-term objectives.

Redemption rates for long-term funds are summarized in Table 11.

## OTHER RISK FACTORS

### The Regulatory Environment

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The principal regulators of the Company and its subsidiaries are the Canadian Securities Administrators, the Mutual Fund Dealers Association of Canada, the Investment Industry Regulatory Organization of Canada and the Office of the Superintendent of Financial Institutions. These and other regulatory bodies regularly adopt new laws, rules,

TABLE 11: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

As at September 30	2008	2007
<b>IGM Financial Inc.</b>		
Investors Group	7.7%	7.3%
Mackenzie	16.9%	14.0%
Counsel Group of Funds	13.7%	8.8%

regulations and policies that apply to the Company. Regulatory standards affecting the Company and the financial services industry are increasing. The Company and its subsidiaries are subject to regular regulatory reviews as part of the normal ongoing process of oversight by the various regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages regulatory risk through its efforts to promote a strong culture of compliance. It monitors regulatory developments and their impact on the Company. It also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Company receives regular reporting on compliance initiatives and issues.

The Company supports regulatory efforts that will protect the interests of its clients and preserve the integrity and reputation of the industry and its members.

#### **Contingencies**

The Company is subject to legal actions, including class actions, arising in the normal course of its business. Two class actions related to alleged market timing trading activity in mutual funds of the companies are continuing. Investors Group entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

#### **Distribution Risk**

*Investors Group Consultant Network* – Investors Group derives all of its mutual fund sales through its Consultant network. Investors Group Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for

financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on Investors Group's results of operations and business prospects. Investors Group is focused on growing its distribution network of Consultants as discussed in the Investors Group Review of the Business section of the MD&A in the 2007 IGM Financial Inc. Annual Report.

*Mackenzie* – Mackenzie derives substantially all of its mutual fund sales through independent financial advisors. Mackenzie's ability to market its products is highly dependent on access to various distribution channels. These intermediaries generally offer their clients investment products in addition to, and in competition with Mackenzie. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. However, Mackenzie's diverse portfolio of financial products and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading companies serving independent financial advisors. The factors are discussed further in the Mackenzie Review of the Business section of the MD&A in the 2007 IGM Financial Inc. Annual Report.

#### **OFF-BALANCE SHEET SECURITIZATION ARRANGEMENTS**

There were no changes to the Company's liquidity management practices related to securitizations during the three-month period ended September 30, 2008. During the three months ended September 30, 2008, the Company entered into securitization transactions with Canadian bank-sponsored securitization trusts and MBS through its mortgage banking operation with proceeds of \$198.6 million compared with \$427.2 million in 2007 as discussed in Note 4 to the interim Consolidated Financial Statements. Securitized loans serviced at September 30, 2008 totalled \$2,573.5 million compared with \$2,181.0 million in 2007. The fair value of the Company's retained interest was \$106.9 million at September 30, 2008 and \$32.4 million at September 30, 2007.

## Accounting Estimates and Policies

### **SUMMARY OF CRITICAL ACCOUNTING ESTIMATES**

There were no changes to the Company's critical accounting estimates from those reported at December 31, 2007.

### **CHANGES IN ACCOUNTING POLICIES**

On January 1, 2008, the Company adopted CICA 1535, Capital Disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital. See the Capital Resources section of this MD&A and Note 7 to the September 30, 2008 interim Consolidated Financial Statements for the disclosures required under CICA 1535.

On January 1, 2008, the Company adopted CICA 3862, Financial Instruments – Disclosure, and CICA 3863, Financial Instruments – Presentation, replacing CICA 3861. CICA 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Company manages those risks. CICA 3863 carries forward unchanged the presentation requirements of CICA 3861 with respect to financial

instruments. See the Financial Instruments section of this MD&A and Note 8 to the September 30, 2008 interim Consolidated Financial Statements for the disclosures required under CICA 3862.

### **FUTURE ACCOUNTING CHANGES**

On January 1, 2009, the Company will adopt CICA 3064, Goodwill and Intangible Assets. This standard contains revised guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operations.

The Canadian Accounting Standards Board (AcSB) has confirmed its plan to adopt all International Financial Reporting Standards, as published by the International Accounting Standards Board, on or by January 1, 2011. The Company will adopt all of the International Financial Reporting Standards in accordance with the AcSB's plan. The impact of the adoption of these standards is not known at this time.

## Internal Control Over Financial Reporting

During the third quarter of 2008, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Other Information

### **RELATED PARTY TRANSACTIONS**

There were no changes to the types of related party transactions from those reported at December 31, 2007. For further information on transactions involving related parties, see Notes 5 and 21 to the Consolidated Financial Statements in the 2007 IGM Financial Inc. Annual Report.

### **OUTSTANDING SHARE DATA**

Outstanding shares of the Company as at September 30, 2008 of 262,433,055 are disclosed in Note 6 to the interim Consolidated Financial Statements. Outstanding shares of the Company as at October 29, 2008 totalled 262,433,055.

### **SEDAR**

Additional information relating to IGM Financial Inc., including the Company's most recent financial statements and Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

# Interim Consolidated Financial Statements

## Consolidated Statements of Income

<i>(unaudited)</i> <i>(in thousands of dollars, except shares and per share amounts)</i>	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007	2008	2007
<b>Fee and net investment income</b>				
Management	\$ 476,929	\$ 531,636	\$ 1,470,898	\$ 1,573,938
Administration	88,098	90,740	265,001	259,173
Distribution	70,598	64,620	218,680	188,732
Net investment income and other	49,335	43,833	166,118	151,647
<b>Total fee and net investment income</b>	<b>684,960</b>	<b>730,829</b>	<b>2,120,697</b>	<b>2,173,490</b>
<b>Operating expenses</b>				
Commission expense	230,053	237,970	699,850	705,625
Non-commission expense	155,377	154,994	485,288	466,303
Interest expense	22,176	22,221	66,156	66,108
<b>Total operating expenses</b>	<b>407,606</b>	<b>415,185</b>	<b>1,251,294</b>	<b>1,238,036</b>
Income before income taxes, non-controlling interest and proportionate share of affiliate's gain	277,354	315,644	869,403	935,454
Income taxes	78,352	96,424	242,184	288,365
Income before non-controlling interest and proportionate share of affiliate's gain	199,002	219,220	627,219	647,089
Non-controlling interest	308	823	1,224	2,289
<b>Net income before proportionate share of affiliate's gain</b>	<b>198,694</b>	<b>218,397</b>	<b>625,995</b>	<b>644,800</b>
Proportionate share of affiliate's gain <i>(Note 3)</i>	–	–	25,003	–
<b>Net income</b>	<b>\$ 198,694</b>	<b>\$ 218,397</b>	<b>\$ 650,998</b>	<b>\$ 644,800</b>
Average number of common shares <i>(in thousands)</i> <i>(Note 13)</i>				
– Basic	263,185	264,399	263,635	264,725
– Diluted	264,768	267,217	265,357	267,468
Earnings per share <i>(in dollars)</i> <i>(Note 13)</i>				
Excluding proportionate share of affiliate's gain				
– Basic	\$ 0.75	\$ 0.83	\$ 2.37	\$ 2.44
– Diluted	\$ 0.75	\$ 0.82	\$ 2.36	\$ 2.41
Including proportionate share of affiliate's gain				
– Basic	\$ 0.75	\$ 0.83	\$ 2.47	\$ 2.44
– Diluted	\$ 0.75	\$ 0.82	\$ 2.45	\$ 2.41

*(See accompanying notes to interim consolidated financial statements.)*

# Consolidated Balance Sheets

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	SEPTEMBER 30 2008	DECEMBER 31 2007
<b>Assets</b>		
Cash and cash equivalents	\$ 1,125,821	\$ 1,180,284
Securities <i>(Note 2)</i>	517,216	696,279
Loans	834,017	553,947
Investment in affiliate	617,292	560,683
Deferred selling commissions	965,393	989,784
Other assets	554,382	465,089
Intangible assets	1,025,828	1,028,731
Goodwill	2,659,419	2,383,798
	<b>\$ 8,299,368</b>	<b>\$ 7,858,595</b>
<b>Liabilities</b>		
Deposits and certificates	\$ 903,664	\$ 856,895
Bankers' acceptances <i>(Note 5)</i>	273,251	-
Other liabilities	910,185	863,961
Future income taxes	392,976	414,756
Long-term debt	1,200,000	1,200,000
Preferred shares <i>(Note 6)</i>	360,000	360,000
	<b>4,040,076</b>	<b>3,695,612</b>
<b>Shareholders' Equity</b>		
Common shares	1,510,350	1,504,290
Contributed surplus	27,148	22,175
Retained earnings	2,840,279	2,678,618
Accumulated other comprehensive loss	(118,485)	(42,100)
	<b>4,259,292</b>	<b>4,162,983</b>
	<b>\$ 8,299,368</b>	<b>\$ 7,858,595</b>

*(See accompanying notes to interim consolidated financial statements.)*

## Consolidated Statements of Changes in Shareholders' Equity

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007	2008	2007
<b>Common shares</b> <i>(Note 6)</i>				
Balance, beginning of period	\$ 1,506,538	\$ 1,503,128	\$ 1,504,290	\$ 1,493,954
Issued under stock option plan	12,916	959	21,401	15,497
Purchased for cancellation	(9,104)	(1,648)	(15,341)	(7,012)
Balance, end of period	1,510,350	1,502,439	1,510,350	1,502,439
<b>Contributed surplus</b>				
Balance, beginning of period	25,631	18,194	22,175	15,339
Stock options				
Current period expense	2,053	2,135	6,009	6,125
Exercised	(536)	(85)	(1,036)	(1,220)
Balance, end of period	27,148	20,244	27,148	20,244
<b>Retained earnings</b>				
Balance, beginning of period				
As previously reported	2,832,972	2,488,815	2,678,618	2,308,380
Reclassification to accumulated other comprehensive income	-	-	-	39,777
As restated	2,832,972	2,488,815	2,678,618	2,348,157
Net income	198,694	218,397	650,998	644,800
Common dividends	(134,581)	(121,548)	(391,677)	(348,016)
Common share cancellation excess and other <i>(Note 6)</i>	(56,806)	(12,938)	(97,660)	(72,215)
Balance, end of period	2,840,279	2,572,726	2,840,279	2,572,726
<b>Accumulated other comprehensive income (loss)</b> <i>(Note 9)</i>				
Balance, beginning of period	(71,139)	26,879	(42,100)	(39,777)
Change in accounting policy	-	-	-	46,339
Other comprehensive income (loss)	(47,346)	(35,839)	(76,385)	(15,522)
Balance, end of period	(118,485)	(8,960)	(118,485)	(8,960)
<b>Total Shareholders' Equity</b>	<b>\$ 4,259,292</b>	<b>\$ 4,086,449</b>	<b>\$ 4,259,292</b>	<b>\$ 4,086,449</b>

*(See accompanying notes to interim consolidated financial statements.)*

# Consolidated Statements of Comprehensive Income

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007	2008	2007
<b>Net income</b>	<b>\$ 198,694</b>	<b>\$ 218,397</b>	<b>\$ 650,998</b>	<b>\$ 644,800</b>
<b>Other comprehensive income (loss), net of tax</b> <i>(Note 9)</i>				
<b>Net unrealized gains (losses) on available   for sale securities:</b>				
Unrealized gains (losses)	(28,497)	(5,135)	(48,707)	13,296
Reclassification adjustment for (gains) losses included in net income	(4,604)	(6,096)	(22,928)	(62,230)
	(33,101)	(11,231)	(71,635)	(48,934)
<b>Net unrealized gains (losses) on cash flow hedges</b>				
Unrealized gains (losses)	-	-	-	1,952
Reclassification adjustment for (gain) loss included in net income	-	-	-	33,083
	-	-	-	35,035
<b>Other comprehensive income (loss) (OCI)   related to investment in affiliate</b>	(14,245)	(24,608)	(4,750)	(1,623)
<b>Other comprehensive income (loss)</b>	(47,346)	(35,839)	(76,385)	(15,522)
<b>Comprehensive income</b>	<b>\$ 151,348</b>	<b>\$ 182,558</b>	<b>\$ 574,613</b>	<b>\$ 629,278</b>

*(See accompanying notes to interim consolidated financial statements.)*

# Consolidated Statements of Cash Flows

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007	2008	2007
<b>Operating activities</b>				
Net income	\$ 198,694	\$ 218,397	\$ 650,998	\$ 644,800
Adjustments to determine net cash from operating activities				
Future income taxes	(11,606)	(8,299)	(9,954)	3,815
Commission amortization	81,544	83,627	244,134	246,232
Amortization of capital and intangible assets	6,802	6,889	20,084	18,256
Proportionate share of affiliate's gain <i>(Note 3)</i>	–	–	(25,003)	–
Changes in operating assets and liabilities and other	37,593	2,011	(133,673)	(94,691)
	313,027	302,625	746,586	818,412
Commissions paid	(54,538)	(74,704)	(219,743)	(274,335)
	258,489	227,921	526,843	544,077
<b>Financing activities</b>				
Net increase in deposits and certificates	7,717	28,266	46,769	28,498
Increase in short-term borrowings	–	99,836	–	99,836
Net proceeds on bankers' acceptances <i>(Note 5)</i>	273,251	–	273,251	–
Issue of common shares	12,381	874	20,366	14,277
Common dividends paid	(128,436)	(113,155)	(378,625)	(331,752)
Common shares purchased for cancellation	(66,164)	(14,884)	(113,509)	(63,737)
	98,749	937	(151,748)	(252,878)
<b>Investing activities</b>				
Acquisition of Saxon Financial Inc., less cash and cash equivalents acquired	(250,290)	–	(250,290)	–
Purchase of securities	(3,791)	(241,237)	(100,255)	(518,731)
Proceeds from the sale of securities	91,085	62,881	225,444	112,162
Net increase in loans	(415,434)	(420,394)	(1,196,997)	(1,191,465)
Proceeds from securitizations <i>(Note 4)</i>	198,564	427,239	917,600	1,085,117
Net additions to capital assets	(7,816)	(4,786)	(24,917)	(12,406)
Other	–	(338)	(143)	(473)
	(387,682)	(176,635)	(429,558)	(525,796)
(Decrease) increase in cash and cash equivalents	(30,444)	52,223	(54,463)	(234,597)
Cash and cash equivalents, beginning of period	1,156,265	1,038,648	1,180,284	1,325,468
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,125,821</b>	<b>\$ 1,090,871</b>	<b>\$ 1,125,821</b>	<b>\$ 1,090,871</b>
Cash	\$ 92,296	\$ 102,804	\$ 92,296	\$ 102,804
Cash equivalents	1,033,525	988,067	1,033,525	988,067
	\$ 1,125,821	\$ 1,090,871	\$ 1,125,821	\$ 1,090,871
<b>Supplemental disclosure of cash flow information</b>				
Amount of interest paid during the period	\$ 22,068	\$ 21,957	\$ 86,791	\$ 87,534
Amount of income taxes paid during the period	\$ 48,946	\$ 77,539	\$ 334,988	\$ 308,135

*(See accompanying notes to interim consolidated financial statements.)*

# Notes to the Interim Consolidated Financial Statements

SEPTEMBER 30, 2008 (unaudited) (in thousands of dollars, except shares and per share amounts)

## 1. SIGNIFICANT ACCOUNTING POLICIES

The interim unaudited Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as set out in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2007, except as noted below. These interim unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto in the Company's Annual Report dated December 31, 2007.

### Changes in accounting policies

On January 1, 2008, the Company adopted CICA 1535, Capital Disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital.

On January 1, 2008, the Company adopted CICA 3862, Financial Instruments – Disclosures and CICA 3863, Financial Instruments – Presentation, replacing CICA 3861. CICA 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Company manages those risks. CICA 3863 carries forward unchanged the presentation requirements of CICA 3861 with respect to financial instruments.

### Future accounting changes

On January 1, 2009, the Company will adopt CICA 3064, Goodwill and Intangible Assets. This standard contains revised guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operations.

The Canadian Accounting Standards Board (AcSB) has confirmed its plan to adopt all International Financial Reporting Standards, as published by the International Accounting Standards Board, on or by January 1, 2011. The Company will adopt all of the International Financial Reporting Standards in accordance with the AcSB's plan. The impact of the adoption of these standards is not known at this time.

### Comparative figures

Certain comparative figures have been reclassified to conform with the current period's financial statement presentation.

## 2. SECURITIES

	SEPTEMBER 30, 2008		DECEMBER 31, 2007	
	COST	FAIR VALUE	COST	FAIR VALUE
Common shares	\$ 519,065	\$ 449,332	\$ 614,102	\$ 626,719
Investments in proprietary mutual funds	33,918	32,593	26,981	29,269
Fixed income securities	35,291	35,291	40,291	40,291
	\$ 588,274	\$ 517,216	\$ 681,374	\$ 696,279

Common shares are classified as available for sale and therefore unrealized gains and losses not designated as part of a hedging relationship are recorded in Other comprehensive income until realized. As at September 30, 2008, net unrealized losses on common shares were \$69.7 million which was comprised of unrealized gains of \$18.1 million and unrealized losses of \$87.8 million. Unrealized gains and losses on common shares net of effective hedges were \$28.5 million and \$79.4 million respectively and are reported in Accumulated other comprehensive income. Common shares are measured periodically, or more frequently when conditions warrant, to determine whether there is objective evidence of an other-than-temporary impairment in value. Changes in fair value were mainly caused by market price fluctuations. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for any recovery of their fair value. As at September 30, 2008, the Company concluded that the gross unrealized losses were temporary.

Fixed income securities are comprised of non-bank-sponsored asset-backed commercial paper (ABCP). The Company's original investment in ABCP totalled \$50.2 million. The Company reduced the fair value of the ABCP to \$35.3 million by recording charges totalling \$9.9 million in 2007 and \$2.5 million in the second quarter of 2008 and a further \$2.5 million in the current quarter.

On December 23, 2007, the Pan-Canadian Investors Committee (the Committee), consisting of major investors, announced a proposed restructuring of the ABCP. Investors received an Information Statement on March 20, 2008 which provided details on the proposed restructuring and the types and quantities of notes that will be issued to investors.

## 2. SECURITIES *(continued)*

A vote of the holders of the ABCP approving the restructuring occurred on April 25, 2008, and on June 25, 2008 a court order sanctioning the restructuring of the ABCP was made pursuant to the Companies' Creditors Arrangement Act (CCAA). The sanction order was appealed by certain holders of the ABCP, however on September 19, 2008, the Supreme Court of Canada denied the appeal. The Committee expects that the replacement notes will be issued by the end of November 2008.

The proposed restructuring plan extends the maturity of the ABCP to provide for a maturity similar to that of the underlying assets. Trusts with ABCP supported in whole or in part by synthetic assets will pool their assets and note holders will receive senior Class A-1 and Class A-2 and subordinated Class B and Class C long-term floating rate notes. Trusts with ABCP supported by assets that have an exposure to US mortgages and sub-prime mortgages for which the credit quality is uncertain, will be restructured on a series-by-series basis, with each series maintaining its separate exposure to its own assets. Note holders with exposure to this asset class will receive IA Tracking long-term floating rate notes.

Based on the details provided in the Information Statement, a significant portion of the Company's investment in ABCP is represented by a combination of leveraged collateralized debt, synthetic assets and traditional securitized assets. On restructuring, the Company's allocation of senior Class A-1 and Class A-2 long-term floating rate notes will represent in excess of 75% of the Company's original investment in ABCP. The senior notes were assigned a provisional rating of AA by the Dominion Bond Rating Service and have a maturity date of December 2016.

The Company's valuation of the ABCP was based on its assessment of the prevailing conditions at September 30, 2008. The estimated fair value reflects the allocation of the floating rate notes the Company expects to receive having a duration of approximately 7 years. The Company estimated the fair value of the senior and subordinated notes by discounting the expected cash flows at yields comparable to prevailing market yields and credit spreads available for securities with similar characteristics to the restructured notes and other market inputs reflecting the Company's best available information. The fair value of the IA Tracking long-term floating rate notes was estimated using observable market inputs from independent pricing sources or by discounted expected cash flows reflecting the Company's best available information, including reference to prevailing market yields on debt instruments in the Canadian market.

The Canadian market for non-bank-sponsored ABCP has not had a significant impact on the Company's operations or financial condition. As at September 30, 2008, an increase in the estimated discount rates of 100 basis points would reduce net income by \$2.5 million.

## 3. PROPORTIONATE SHARE OF AFFILIATE'S GAIN

In the second quarter of 2008, the Company's affiliate, Great-West Lifeco Inc. (Lifeco), recorded an after-tax gain on the sale of its healthcare business, Great-West Healthcare. Lifeco reported the gain in Net income from discontinued operations in the Summary of Consolidated Operations included in Lifeco's interim Consolidated Financial Statements. The Company's proportionate share of the after-tax gain on the sale was \$25.0 million.

## 4. SECURITIZATIONS

The Company securitizes residential mortgages through Canadian bank or Government of Canada sponsored securitization trusts. During the second quarter, the Company began issuing mortgage-backed securities (MBS). MBS are sold to a trust that issues securities to investors through the Canada Mortgage Bond Program (CMB Program), which is sponsored by the Canada Mortgage and Housing Corporation. Pre-tax gains (losses) on the sale of mortgages are reported in Net investment income and other in the Consolidated Statements of Income.

Securitization activities for the three- and nine-month periods ended September 30, 2008 and 2007 were as follows:

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007	2008	2007
Residential mortgages securitized	\$ 199,811	\$ 431,227	\$ 922,641	\$ 1,095,641
Net cash proceeds	198,564	427,239	917,600	1,085,117
Fair value of retained interests	7,429	7,602	31,342	21,300
Pre-tax gain on sales	4,260	274	18,412	2,397

## 5. BANKERS' ACCEPTANCES

A Schedule I Canadian chartered bank has provided the Company with a committed non-revolving bridge credit facility related to the acquisition of Saxon Financial Inc. The balance of the credit facility is due on October 27, 2009. The company has the option to extend the maturity date to April 2010. Interest rates on the credit facility fluctuate with Canadian bankers' acceptances.

## 6. SHARE CAPITAL

### Issued and outstanding

	SEPTEMBER 30, 2008		SEPTEMBER 30, 2007	
	SHARES	STATED VALUE	SHARES	STATED VALUE
First preferred shares, Series A	14,400,000	\$ 360,000	14,400,000	\$ 360,000
Common shares				
Balance, beginning of period	264,192,998	\$ 1,504,290	264,865,938	\$ 1,493,954
Issued under Stock Option Plan	919,857	21,401	610,468	15,497
Purchased for cancellation	(2,679,800)	(15,341)	(1,235,900)	(7,012)
Balance, end of period	262,433,055	\$ 1,510,350	264,240,506	\$ 1,502,439

### Normal course issuer bid

The Company commenced a normal course issuer bid, effective for one year, on March 22, 2008. Under this bid, the Company may purchase up to 13.2 million or 5% of its common shares outstanding as at March 14, 2008. In the third quarter of 2008, 1,587,500 shares were purchased at a cost of \$66.2 million, and during the nine months ended September 30, 2008, 2,679,800 shares were purchased at a cost of \$113.5 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

On March 22, 2007, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 13.3 million or 5% of its common shares outstanding as at March 14, 2007. In the third quarter of 2007, 290,000 shares were purchased at a cost of \$14.9 million, and during the nine months ended September 30, 2007, 1,235,900 shares were purchased at a cost of \$63.7 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

## 7. CAPITAL MANAGEMENT

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt, preferred shares and shareholders' equity.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include trust companies, securities dealers and mutual fund dealers. The Company's subsidiaries have complied with all regulatory capital requirements.

Capital management activities for the nine months ended September 30, 2008 included: the repurchase of 2,679,800 common shares at a cost of \$113.5 million under the normal course issuer bid (Note 6); and the declaration of preferred share dividends of \$15.5 million and common share dividends of \$391.7 million. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity. Long-term debt of \$1.2 billion and preferred shares of \$360 million remain unchanged.

## 8. RISK MANAGEMENT

The Company actively manages its liquidity, credit and market risks.

### Liquidity risk related to financial instruments

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. Commissions paid continue to be fully funded through ongoing cash flow from operations.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage operations, these mortgages are sold to third parties, including Canadian bank or Government of Canada sponsored securitization trusts, private placements, and a mutual fund managed by Investors Group. During the second quarter of 2008, the Company expanded its funding sources for residential mortgages through the creation and sale of mortgage-backed securities (MBS) sold through the CMB Program (Note 4). All mortgages are sold on a fully-serviced basis. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and MBS is dependent on securitization market conditions that are subject to change.

Liquidity requirements for trust subsidiaries which engage in financial intermediary activities are based on policies approved by the investment and conduct review committees of their respective Boards of Directors. As at September 30, 2008, liquidity for the trust subsidiaries was in compliance with these policies.

The Company's contractual maturities were as follows:

As at September 30, 2008 (\$ millions)	DEMAND	LESS THAN 1 YEAR	1 - 5 YEARS	AFTER 5 YEARS	TOTAL
Deposits and certificates	\$ 679.8	\$ 93.8	\$ 124.8	\$ 5.3	\$ 903.7
Long-term debt	–	–	450.0	750.0	1,200.0
Bankers' acceptances	–	–	273.3	–	273.3
Other liabilities	–	105.5	47.7	–	153.2
Operating leases <sup>(1)</sup>	–	36.9	109.6	97.4	243.9
<b>Total contractual obligations</b>	<b>\$ 679.8</b>	<b>\$ 236.2</b>	<b>\$ 1,005.4</b>	<b>\$ 852.7</b>	<b>\$ 2,774.1</b>

*(1) Includes office space and equipment used in the normal course of business.  
Lease payments are charged to earnings in the period of use.*

In addition to IGM Financial's current balance of cash and cash equivalents, other potential sources of liquidity include the Company's lines of credit and portfolio of securities. The Company maintains uncommitted operating lines of credit totalling \$260 million and committed operating lines of credit totalling \$150 million with various Schedule I Canadian chartered banks. As at September 30, 2008, the Company had utilized \$100.0 million of its operating lines of credit.

In connection with the acquisition of Saxon Financial Inc. (Note 5) on September 25, 2008, the Company established a committed non-revolving bridge credit facility with a Schedule I bank totalling \$300 million. At September 30, 2008, the Company had utilized \$273.3 million. The balance of the credit facility is due October 27, 2009 but may, at the Company's option, be extended to April 2010.

The Company can access the domestic debt and equity markets to raise capital. However, its ability to access capital markets to raise funds is dependent on market conditions.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above will be sufficient to fund the Company's liquidity needs. The Company's liquidity position and its management of liquidity risk have not changed materially since December 31, 2007.

### Credit risk related to financial instruments

Credit risk is the potential for financial loss to the Company if a counterparty in a transaction fails to meet its obligations. The Company's cash and cash equivalents, securities holdings, mortgage and personal loan portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management policies continuously to evaluate their effectiveness.

Cash and cash equivalents consist primarily of highly liquid temporary deposits with Canadian chartered banks, debt securities issued by the Canadian and provincial governments, bankers' acceptances and commercial paper. All non-bank-sponsored ABCP, which totalled \$35.3 million net of impairment charges and represents the maximum exposure to credit

## 8. RISK MANAGEMENT *(continued)*

risk at September 30, 2008, is included in Securities. Refer to Note 2 for information related to the valuation of ABCP. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

The Company regularly reviews the credit quality of the mortgage and personal loan portfolios and the adequacy of the general allowance. As at September 30, 2008 mortgages and personal loans totalled \$519.8 million and \$322.2 million, respectively. The allowance for credit losses of \$8.0 million at September 30, 2008 exceeded impaired mortgages and personal loans by \$7.7 million. As at September 30, 2008, the mortgage portfolios were geographically diverse, 100% residential and 52% insured. The credit risk on the personal loan portfolio is mitigated through the use of collateral, primarily in the form of mutual fund investments. Non-performing loans in both the mortgage and personal loan portfolios have not increased from December 31, 2007 levels. The characteristics of the mortgage and personal loan portfolios have not changed materially since December 31, 2007.

The Company regularly reviews the credit quality of the mortgage loans securitized through bank-sponsored (Schedule I Chartered banks) or Government of Canada sponsored securitization trusts. The maximum exposure to credit risk attributable to securitized mortgage loans is equal to the value of the retained interests in the securitized loans, which was \$106.9 million at September 30, 2008.

The Company also regularly reviews the credit ratings of derivative financial instrument counterparties. Derivative contracts are either exchange traded or negotiated in the over-the-counter market on a diversified basis with Schedule I and Schedule II Chartered banks or Canadian bank-sponsored securitization trusts that are also counterparties to the Company's securitization transactions. The exposure to credit risk, which is limited to the fair value of those instruments which were in a gain position, was \$74.3 million at September 30, 2008. This does not give effect to any netting agreements or collateral arrangements.

The Company's exposure to and management of credit risk have not changed materially since December 31, 2007.

### **Market risk related to financial instruments**

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in interest rates, foreign exchange rates or equity prices. The Company's financial instruments are generally denominated in Canadian dollars, and do not have significant exposure to changes in foreign exchange rates.

The Company is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in the Company's mortgage banking and intermediary operations. The objective of the Company's asset liability management is to control interest rate risk by actively managing its interest rate exposure. As at September 30, 2008, the total gap between one-year deposit assets and liabilities was within the Company's stated guidelines. The Company utilizes interest rate swaps in order to reduce the impact of fluctuating interest rates on its mortgage banking and intermediary operations, including exposures arising from interest rate swaps related to securitization arrangements. As at September 30, 2008, the impact of a 100-basis point change in interest rates to Net income would have been \$1.4 million.

The Company is exposed to equity price risk on its securities holdings and on certain of its derivative financial instruments. The Company adheres to an Investment Policy that outlines the objectives, constraints and parameters relating to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Company. The Company manages its exposure to equity price risk on its corporate securities portfolio by using a variety of derivative instruments including options and forward contracts. Management regularly reviews the Company's investments to ensure all activities are in adherence to the Investment Policy. In addition, common shares are measured periodically, or more frequently when conditions warrant, to determine whether there is objective evidence of an other-than-temporary impairment in value. Changes in fair value were mainly caused by market price fluctuations. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for any recovery of their fair value. As at September 30, 2008, the Company concluded that the gross unrealized losses were temporary.

The Company's securities holdings are classified as available for sale, therefore unrealized gains and losses on securities not designated as part of a hedging relationship are recorded in Other comprehensive income until realized. As at September 30, 2008, the impact of a 10% decrease in the value of the Company's securities portfolio would have been a \$33.6 million unrealized loss recorded in Other comprehensive income.

The Company's exposure to and management of interest rate and other price risk have not changed materially since December 31, 2007.

## 8. RISK MANAGEMENT *(continued)*

### Market risk related to assets under management

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management.

Changes in assets under management directly impact earnings as discussed more fully in the Investors Group and Mackenzie Segment Operating Results in the Company's Management Discussion and Analysis contained in the Third Quarter 2008 Report to Shareholders.

## 9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Three months ended September 30	NET UNREALIZED GAINS (LOSSES), NET OF TAX				TOTAL
	AVAILABLE FOR SALE SECURITIES	CASH FLOW HEDGES	OCI RELATED TO INVESTMENT IN AFFILIATE AND OTHER		
<b>2008</b>					
Balance, beginning of period	\$ (20,200)	\$ –	\$ (50,939)	\$ (71,139)	
Other comprehensive income (loss)	(33,101)	–	(14,245)	(47,346)	
Balance, end of period	\$ (53,301)	\$ –	\$ (65,184)	\$ (118,485)	
<b>2007</b>					
Balance, beginning of period	\$ 43,671	\$ –	\$ (16,792)	\$ 26,879	
Other comprehensive income (loss)	(11,231)	–	(24,608)	(35,839)	
Balance, end of period	\$ 32,440	\$ –	\$ (41,400)	\$ (8,960)	
<b>2008</b>					
<b>2007</b>					
<b>2008</b>					
Balance, beginning of period	\$ 18,334	\$ –	\$ (60,434)	\$ (42,100)	
Other comprehensive income (loss)	(71,635)	–	(4,750)	(76,385)	
Balance, end of period	\$ (53,301)	\$ –	\$ (65,184)	\$ (118,485)	
<b>2007</b>					
Balance, beginning of period	\$ –	\$ –	\$ (39,777)	\$ (39,777)	
Change in accounting policy	81,374	(35,035)	–	46,339	
Other comprehensive income (loss)	(48,934)	35,035	(1,623)	(15,522)	
Balance, end of period	\$ 32,440	\$ –	\$ (41,400)	\$ (8,960)	

## 10. INCOME TAXES ON COMPONENTS OF OTHER COMPREHENSIVE INCOME (LOSS)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007	2008	2007
Net unrealized gains (losses) on available for sale securities	\$ 5,437	\$ 2,317	\$ 11,946	\$ 11,186
Net unrealized gains (losses) on cash flow hedges	–	–	–	(7,519)
Total income tax recovery (expense)	\$ 5,437	\$ 2,317	\$ 11,946	\$ 3,667

## 11. STOCK-BASED COMPENSATION

	SEPTEMBER 30 2008	DECEMBER 31 2007
Common share options		
– Outstanding	9,091,120	9,085,730
– Exercisable	4,734,115	4,768,705

In the third quarter of 2008, the Company granted 96,596 options to employees (2007 – nil). In the nine months ended September 30, 2008, the company granted 1,164,866 options to employees (2007 – 1,565,820). A portion of the options granted to employees are subject to performance targets. The weighted-average fair value of time vesting options granted during the nine months ended September 30, 2008 has been estimated at \$5.30 per option (2007 – \$8.64) using the Black-Scholes option pricing model. The weighted-average fair value of performance based options granted during the nine months ended September 30, 2008 has been estimated at \$1.62 per option (2007 – \$4.63) using a barrier option pricing model. The assumptions used in these valuation models include: (i) risk-free interest rate of 3.27% (2007 – 3.97%), (ii) expected option life of six years (2007 – six years), (iii) expected volatility of 20.00% (2007 – 20.00%) and (iv) expected dividend yield of 4.53% (2007 – 3.36%).

The Company recorded compensation expense related to its stock option program of \$1.8 million (2007 – \$2.0 million) in the third quarter and \$5.5 million (2007 – \$5.6 million) for the nine months ended September 30, 2008.

## 12. EMPLOYEE FUTURE BENEFITS

The Company recorded pension and other post-retirement benefits expense as follows:

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007	2008	2007
Pension expense	\$ (645)	\$ (342)	\$ (1,937)	\$ (716)
Other post-retirement benefits expense	1,297	1,216	3,893	3,655
Total	\$ 652	\$ 874	\$ 1,956	\$ 2,939

## 13. EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007	2008	2007
<b>Earnings</b>				
Net income before proportionate share of affiliate's gain	\$ 198,694	\$ 218,397	\$ 625,995	\$ 644,800
Proportionate share of affiliate's gain	–	–	25,003	–
Net income	\$ 198,694	\$ 218,397	\$ 650,998	\$ 644,800
<b>Number of common shares (in thousands)</b>				
Average number of common shares outstanding	263,185	264,399	263,635	264,725
Add: Potential exercise of outstanding stock options	1,583	2,818	1,722	2,743
Average number of common shares outstanding				
– Diluted basis	264,768	267,217	265,357	267,468
<b>Earnings per common share (in dollars)</b>				
Excluding proportionate share of affiliate's gain				
– Basic	\$ 0.75	\$ 0.83	\$ 2.37	\$ 2.44
– Diluted	\$ 0.75	\$ 0.82	\$ 2.36	\$ 2.41
Including proportionate share of affiliate's gain				
– Basic	\$ 0.75	\$ 0.83	\$ 2.47	\$ 2.44
– Diluted	\$ 0.75	\$ 0.82	\$ 2.45	\$ 2.41

In certain circumstances, the preferred shares are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as the Company has the option to settle in cash instead of shares.

## 14. SEGMENTED INFORMATION

	2008			
Three months ended September 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	\$ 277,855	\$ 189,100	\$ 9,974	\$ 476,929
Administration	53,413	34,065	620	88,098
Distribution	35,835	8,221	26,542	70,598
Net investment income and other	36,044	5,210	8,081	49,335
	403,147	236,596	45,217	684,960
Operating expenses				
Commissions	118,619	87,148	24,286	230,053
Non-commission	74,837	70,536	10,004	155,377
	193,456	157,684	34,290	385,430
Earnings before undernoted	\$ 209,691	\$ 78,912	\$ 10,927	299,530
Interest expense				22,176
Income before income taxes and non-controlling interest				277,354
Income taxes				78,352
Income before non-controlling interest				199,002
Non-controlling interest				308
Net income				\$ 198,694
				2007
Three months ended September 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	\$ 298,241	\$ 221,900	\$ 11,495	\$ 531,636
Administration	56,257	34,126	357	90,740
Distribution	33,154	6,868	24,598	64,620
Net investment income and other	25,371	6,640	11,822	43,833
	413,023	269,534	48,272	730,829
Operating expenses				
Commissions	115,891	98,975	23,104	237,970
Non-commission	70,629	74,365	10,000	154,994
	186,520	173,340	33,104	392,964
Earnings before undernoted	\$ 226,503	\$ 96,194	\$ 15,168	337,865
Interest expense				22,221
Income before income taxes and non-controlling interest				315,644
Income taxes				96,424
Income before non-controlling interest				219,220
Non-controlling interest				823
Net income				\$ 218,397

**14. SEGMENTED INFORMATION** *(continued)*
**2008**

Nine months ended September 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	\$ 847,300	\$ 592,371	\$ 31,227	\$ 1,470,898
Administration	160,907	102,320	1,774	265,001
Distribution	112,127	25,781	80,772	218,680
Net investment income and other	121,313	18,146	26,659	166,118
	<b>1,241,647</b>	<b>738,618</b>	<b>140,432</b>	<b>2,120,697</b>
Operating expenses				
Commissions	357,244	268,521	74,085	699,850
Non-commission	235,521	219,304	30,463	485,288
	<b>592,765</b>	<b>487,825</b>	<b>104,548</b>	<b>1,185,138</b>
Earnings before undernoted	<b>\$ 648,882</b>	<b>\$ 250,793</b>	<b>\$ 35,884</b>	<b>935,559</b>
Interest expense				66,156
Income before income taxes, non-controlling interest and proportionate share of affiliate's gain				869,403
Income taxes				242,184
Income before non-controlling interest and proportionate share of affiliate's gain				627,219
Non-controlling interest				1,224
Net income before proportionate share of affiliate's gain				625,995
Proportionate share of affiliate's gain				25,003
Net income				<b>\$ 650,998</b>
Identifiable assets	<b>\$ 1,951,549</b>	<b>\$ 2,572,731</b>	<b>\$ 1,115,669</b>	<b>\$ 5,639,949</b>
Goodwill	1,347,781	1,233,583	78,055	2,659,419
Total assets	<b>\$ 3,299,330</b>	<b>\$ 3,806,314</b>	<b>\$ 1,193,724</b>	<b>\$ 8,299,368</b>

#### 14. SEGMENTED INFORMATION *(continued)*

2007

Nine months ended September 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	\$ 881,260	\$ 658,445	\$ 34,233	\$ 1,573,938
Administration	153,447	104,270	1,456	259,173
Distribution	95,243	22,393	71,096	188,732
Net investment income and other	98,186	19,500	33,961	151,647
	1,228,136	804,608	140,746	2,173,490
Operating expenses				
Commissions	342,815	295,895	66,915	705,625
Non-commission	215,044	223,935	27,324	466,303
	557,859	519,830	94,239	1,171,928
Earnings before undernoted	\$ 670,277	\$ 284,778	\$ 46,507	1,001,562
Interest expense				66,108
Income before income taxes and non-controlling interest				935,454
Income taxes				288,365
Income before non-controlling interest				647,089
Non-controlling interest				2,289
Net income				\$ 644,800
Identifiable assets	\$ 1,622,214	\$ 2,438,542	\$ 1,305,167	\$ 5,365,923
Goodwill	1,347,781	957,446	78,849	2,384,076
Total assets	\$ 2,969,995	\$ 3,395,988	\$ 1,384,016	\$ 7,749,999

#### 15. ACQUISITION OF SAXON FINANCIAL INC.

On September 25, 2008, Mackenzie Financial Corporation (Mackenzie), a subsidiary of the Company, acquired 95.3% of the issued and outstanding shares of Saxon Financial Inc. (Saxon), a Canadian investment management company. The acquisition was by way of a take over bid for total cash consideration of \$275.2 million including transaction and other related costs. Mackenzie announced that it will acquire the remaining Saxon common shares not already tendered under the compulsory acquisition provisions of the Business Corporations Act (Ontario).

The acquisition has been accounted for by the purchase method and the results of Saxon's operations have been included in the Consolidated Financial Statements from the date of acquisition.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The purchase price allocation is preliminary and will be completed as soon as Mackenzie has gathered all the significant information considered necessary in order to finalize this allocation.

Fair value of assets acquired	
Cash and cash equivalents	\$ 24,946
Securities	11,438
Other assets	7,164
	43,548
Less fair value of liabilities assumed	
Other liabilities	36,703
Fair value of net assets acquired	6,845
Goodwill	268,391
Total purchase consideration	\$ 275,236

# Shareholder Information

## Head Office

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R3C 3B6  
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## Transfer Agent and Registrar

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service@computershare.com  
Fax: 888 453 0330

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V6C 3B9

830-201 Portage Avenue  
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R3B 3K6

## Stock Exchange Listing

### Toronto Stock Exchange

Shares of IGM Financial Inc. are listed on the Toronto Stock Exchange under the following listings:

Common Shares: IGM  
First Preferred Shares, Series A:  
IGM.PR.A

## Analyst Contact

For additional financial information about the Company, please contact:

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## Shareholder Information

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Si vous préférez recevoir ce rapport en français, veuillez vous adresser au Secrétaire de Société financière IGM Inc.,  
447 Portage Avenue,  
Winnipeg (Manitoba) R3C 3B6

## Normal Course Issuer Bid

The Company has renewed its Normal Course Issuer Bid through the facilities of the Toronto Stock Exchange from March 22, 2008 to March 21, 2009. During the course of the Bid, the Company intends to purchase for cancellation up to but not more than 13,199,884 common shares, being approximately 5% of its outstanding capital. Shareholders may obtain a copy of the Bid, without charge, by contacting the Corporate Secretary's Department at the Company's Head Office.

## Websites

Visit our websites at  
[www.igmfinancial.com](http://www.igmfinancial.com)  
[www.investorsgroup.com](http://www.investorsgroup.com)  
[www.mackenziefinancial.com](http://www.mackenziefinancial.com)  
[www.ipcc.ca](http://www.ipcc.ca)

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