Financial Section

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the years ended December 31, 2011 and 2010 and should be read in conjunction with the audited Consolidated Financial Statements. Commentary in the MD&A as at and for the year ended December 31, 2011 is as of February 10, 2012.

Basis of Presentation and Summary of Accounting Policies

The Consolidated Financial Statements of IGM Financial, which are the basis of the information presented in the Company's MD&A, have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Canadian dollars (Note 2 of the Consolidated Financial Statements).

Principal Holders of Voting Shares

As at December 31, 2011, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (Lifeco), a subsidiary of PFC, held directly or indirectly 57.6% and 3.6%, respectively, of the outstanding common shares of IGM Financial.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect IGM Financial's current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. 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", "seeks", "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".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

A variety of material factors, many of which are beyond the Company's and its subsidiaries' control, affect the operations, performance and results of the Company, and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of 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, operational and reputational risks, 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, integrate acquisitions and implement other growth strategies, and the Company's success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

Other than as specifically required by law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Company's business is provided in its disclosure materials filed with the securities regulatory authorities in Canada, available at www.sedar.com.

IGM Financial Inc.
Summary of Consolidated Operating Results

IGM Financial Inc. (TSX:IGM) is one of Canada's premier financial services companies. The Company's principal businesses are Investors Group Inc. and Mackenzie Financial Corporation, each operating distinctly within the advice segment of the financial services market.

Total assets under management were $118.7 billion as at December 31, 2011 compared with $129.5 billion at December 31, 2010. Average total assets under management for the year ended December 31, 2011 were $126.7 billion compared to $121.6 billion in 2010.

Operating earnings available to common shareholders, excluding other items outlined below, for the year ended December 31, 2011 were $833.0 million or $3.22 per share compared to operating earnings available to common shareholders of $758.9 million or $2.89 per share in 2010. This represents an increase of 11.4% on a per share basis.

Net earnings available to common shareholders, including other items, for the year ended December 31, 2011 were $900.6 million or $3.48 per share compared to net earnings available to common shareholders, including other items, of $730.7 million or $2.78 per share in 2010.

Other items for the twelve months ended December 31, 2011 consisted of:

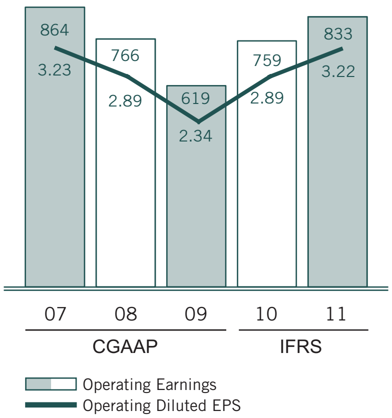
- Net earnings which have been classified as discontinued operations. On November 16, 2011, Mackenzie completed the sale of M.R.S. Trust Company and M.R.S. Inc. (MRS). Net earnings for MRS include the after-tax gain on the sale of MRS of $30.3 million recorded in the fourth quarter of 2011 and a one-time tax adjustment of $28.7 million recorded in the third quarter of 2011. Excluding the items noted above, net earnings from discontinued operations totalled $3.6 million for the twelve months ended December 31, 2011. Including the items noted above, net earnings from discontinued operations were $62.6 million for the twelve months ended December 31, 2011.
- An after-tax benefit of $5.0 million representing the Company's proportionate share of net changes in Great-West Lifeco Inc.'s litigation provisions.

Other items for the year ended December 31, 2010 consisted of:

- Net earnings of MRS of $1.8 million, which have been classified as discontinued operations.
- A non-recurring after-tax charge of $21.8 million related to the transition to IFRS.
- An after-tax charge of $8.2 million representing the Company's proportionate share of Great-West Lifeco Inc.'s incremental litigation provision.

Operating Earnings and Operating Earnings per Share

For the financial year *($ millions, except per share amounts)*



2007 excluded a non-cash income tax benefit.

2008 excluded the proportionate share of affiliate's impairment charge and affiliate's gain.

2009 excluded net earnings on discontinued operations, a non-cash charge on AFS equity securities, a non-cash income tax benefit and a premium paid on the redemption of preferred shares.

2010 excluded net earnings on discontinued operations, non-recurring items related to transition to IFRS and the proportionate share of an affiliate's incremental litigation provision.

2011 excluded net earnings on discontinued operations and the proportionate share of the benefit related to the changes in an affiliate's litigation provisions.

Shareholders' equity was $4.5 billion as at December 31, 2011 compared to $4.3 billion as at December 31, 2010. Return on average common equity based on operating earnings for the year ended December 31, 2011 was 19.7% compared with 18.2% in 2010. The quarterly dividend per common share was increased to 53.75 cents in 2011, an increase of 2.50 cents from 51.25 cents at the end of 2010.

DISCONTINUED OPERATIONS

On November 16, 2011, the Company completed the sale of 100% of the common shares of MRS. Cash consideration was $198.7 million in addition to the repayment of $20 million of subordinated debt and the assumption of the liability related to amounts held on deposit with MRS by Investors Group Securities Inc.

In accordance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, the operating results and cash flows of MRS, which were previously included in the Mackenzie reportable segment, have been classified as discontinued operations.

Net earnings from discontinued operations for all periods under review are reported as a separate line item on the following tables: Table 1 – *Reconciliation of Non-IFRS Financial Measures*; Table 2 – *Consolidated Operating Results by Segment*; Table 7 – *Selected Annual Information*; and Table 9 – *Summary of Quarterly Results*.

Refer to Note 3 of the Consolidated Financial Statements for additional information.

NON-IFRS FINANCIAL MEASURES

Net earnings available to common shareholders, which is a financial measure in accordance with IFRS, may be subdivided into two components consisting of:

- Operating earnings available to common shareholders; and
- Other items, which include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful.

"Operating earnings available to common shareholders", "operating diluted earnings per share" (EPS) and "operating return on average common equity" (ROE) are non-IFRS financial measures which are used to provide management and investors with additional measures to assess earnings performance. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before interest and taxes" (EBIT) and "earnings before interest, taxes, depreciation and amortization" (EBITDA) are also non-IFRS 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. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

Refer to the appropriate reconciliations of these non-IFRS financial measures to reported results in accordance with IFRS in Tables 1 and 2.

REPORTABLE SEGMENTS

IGM Financial's reportable segments, which reflect the current organizational structure and internal financial reporting, are:

- Investors Group
- Mackenzie
- Corporate and Other.

Management measures and evaluates the performance of these segments based on EBIT as shown in Table 2. Segment operations are discussed in each of their respective Review of Segment Operating Results sections of the MD&A.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

	2011		2010	
($ millions)	NET EARNINGS	EPS	NET EARNINGS	EPS
Operating earnings available to common shareholders – Non-IFRS measure	$ 833.0	$ 3.22	$ 758.9	$ 2.89
Net earnings – Discontinued operations	62.6	0.24	1.8	0.01
Non-recurring items related to transition to IFRS, net of tax	-	-	(21.8)	(0.09)
Proportionate share of affiliate's provision	5.0	0.02	(8.2)	(0.03)
Net earnings available to common shareholders – IFRS	$ 900.6	$ 3.48	$ 730.7	$ 2.78
EBITDA – Non-IFRS measure	$ 1,515.3		$ 1,481.8	
Commission amortization	(281.6)		(291.8)	
Amortization of capital assets and intangible assets and other	(38.6)		(33.3)	
Interest expense on long-term debt	(102.8)		(111.4)	
Non-recurring items related to transition to IFRS	-		(29.3)	
Proportionate share of affiliate's provision	5.0		(8.2)	
Earnings before income taxes and discontinued operations	1,097.3		1,007.8	
Income taxes	(250.5)		(268.8)	
Net earnings – Discontinued operations	62.6		1.8	
Perpetual preferred share dividends	(8.8)		(10.1)	
Net earnings available to common shareholders – IFRS	$ 900.6		$ 730.7	

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
($ millions)	2011	2010	2011	2010	2011	2010	2011	2010
Revenues								
Fee income	$ 1,566.5	$ 1,507.7	$ 823.8	$ 818.0	$ 180.8	$ 142.1	$ 2,571.1	$ 2,467.8
Net investment income and other	70.2	62.1	2.4	0.3	83.8	86.7	156.4	149.1
	1,636.7	1,569.8	826.2	818.3	264.6	228.8	2,727.5	2,616.9
Expenses								
Commission	489.5	472.0	285.9	290.8	119.5	92.3	894.9	855.1
Non-commission	352.0	327.9	239.7	232.3	45.8	44.9	637.5	605.1
	841.5	799.9	525.6	523.1	165.3	137.2	1,532.4	1,460.2
Earnings before interest and taxes	$ 795.2	$ 769.9	$ 300.6	$ 295.2	$ 99.3	$ 91.6	1,195.1	1,156.7
Interest expense							(102.8)	(111.4)
Non-recurring items related to transition to IFRS							-	(29.3)
Proportionate share of affiliate's provision							5.0	(8.2)
Earnings before income taxes and discontinued operations							1,097.3	1,007.8
Income taxes							250.5	268.8
Net earnings from continuing operations							846.8	739.0
Net earnings from discontinued operations							62.6	1.8
Net earnings							909.4	740.8
Perpetual preferred share dividends							8.8	10.1
Net earnings available to common shareholders							$ 900.6	$ 730.7
Operating earnings available to common shareholders(1)							$ 833.0	$ 758.9

(1) Refer to Non-IFRS Financial Measures disclosure in the Summary of Consolidated Operating Results for an explanation of the Company's use of non-IFRS financial measures.

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

- *Interest expense* – represents interest expense on long-term debt. The change in interest expense reflected the repayment of the $450 million 2001 Series 6.75% debentures on May 9, 2011. The change in interest expense for the year ended December 31, 2011 compared to 2010 also reflected the issuance of the $200 million 6.00% debentures issued on December 9, 2010.
- *2010 Non-recurring items related to transition to IFRS* – represents restructuring costs, transaction costs and certain employee benefit costs expensed in accordance with IFRS which totalled $29.3 million.
- *Proportionate share of affiliate's provision* – represents changes in litigation provisions recorded by Lifeco. In the fourth quarter of 2011, Lifeco recorded net changes in litigation provisions and the Company's after-tax proportionate share was a benefit of $5.0 million. In the third quarter of 2010, Lifeco established an incremental litigation provision and the Company's after-tax proportionate share was a charge of $8.2 million.
- *Income taxes* – changes in the effective tax rates are shown in Table 3.

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.

TABLE 3: EFFECTIVE INCOME TAX RATE

	2011	2010
Income taxes at Canadian federal and provincial statutory rates	28.15 %	30.06 %
Effect of:		
Proportionate share of affiliate's earnings	(1.92)	(2.11)
Loss consolidation[1]	(2.33)	-
Other items	(0.94)	(1.52)
Effective income tax rate – operating earnings	22.96	26.43
Proportionate share of affiliate's provision	(0.13)	0.24
Effective income tax rate – net earnings continuing operations	22.83 %	26.67 %

(1) See the Transactions with Related Parties section of this MD&A for additional information.

- *Net earnings from discontinued operations* – represents the operating results of MRS, previously reported in the Mackenzie segment, which are summarized in Table 4.

  Net earnings from discontinued operations for the year ended December 31, 2011 included the after-tax gain on the sale of MRS of $30.3 million and a one-time tax adjustment of $28.7 million. Income taxes recorded in prior periods were adjusted in the third quarter of 2011 to reflect changes in management's best estimates related to tax filing positions. Excluding the items noted above Net earnings for MRS totalled $3.6 million in 2011 compared to $1.8 million in 2010.
- *Perpetual preferred share dividends* – represents the dividends declared on the Company's 5.90% non-cumulative first preferred shares issued on December 8, 2009. The dividends declared for the year ended December 31, 2010 included the initial dividend of $0.57788 per share or $3.5 million and related to the period from December 8, 2009 to April 30, 2010.

TABLE 4: NET EARNINGS FROM DISCONTINUED OPERATIONS

($ millions)	2011	2010
Revenues		
Fees	$ 19.0	$ 22.8
Net investment income and other	13.5	13.6
	32.5	36.4
Expenses	26.8	30.8
Earnings before income taxes	5.7	5.6
Income taxes		
Operations	1.6	1.8
Change in estimate related to tax filing positions	(28.2)	2.0
	(26.6)	3.8
	32.3	1.8
Gain on sale	32.2	-
Income taxes	1.9	-
	30.3	-
Net earnings from discontinued operations	$ 62.6	$ 1.8

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT

Total assets under management were $118.7 billion at December 31, 2011 compared to $129.5 billion at December 31, 2010. Changes in assets under management are detailed in Tables 5 and 6.

Changes in assets under management for Investors Group and Mackenzie are discussed further in each of their respective Review of Business sections in the MD&A.

TABLE 5: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – Q4 2011 VS. Q4 2010

	INVESTORS GROUP		MACKENZIE		INVESTMENT PLANNING COUNSEL		CONSOLIDATED[1]	
THREE MONTHS ENDED *($ millions)*	2011 DEC. 31	2010 DEC. 31	2011 DEC. 31	2010 DEC. 31	2011 DEC. 31	2010 DEC. 31	2011 DEC. 31	2010 DEC. 31
Mutual funds								
Gross sales – money market	$ 174.6	$ 174.7	$ 109.6	$ 135.7	$ 20.9	$ 14.7	$ 305.1	$ 325.1
Gross sales – long term	1,110.3	1,211.9	978.8	1,357.6	106.8	127.3	2,194.5	2,696.8
Total mutual fund gross sales	$ 1,284.9	$ 1,386.6	$ 1,088.4	$ 1,493.3	$ 127.7	$ 142.0	$ 2,499.6	$ 3,021.9
Net sales – money market	$ (13.0)	$ (16.0)	$ (13.7)	$ (75.3)	$ 15.8	$ 9.6	$ (10.9)	$ (81.7)
Net sales – long term	(144.5)	(21.9)	(570.2)	(387.3)	39.7	52.3	(676.4)	(356.9)
Total mutual fund net sales	$ (157.5)	$ (37.9)	$ (583.9)	$ (462.6)	$ 55.5	$ 61.9	$ (687.3)	$ (438.6)
Sub-advisory, institutional and other accounts								
Gross sales	$ -	$ -	$ 999.3	$ 1,639.2	$ -	$ -	$ 936.9	$ 1,572.5
Net sales	-	-	(662.0)	195.5	-	-	(685.8)	184.6
Combined								
Gross sales	$ 1,284.9	$ 1,386.6	$ 2,087.7	$ 3,132.5	$ 127.7	$ 142.0	$ 3,436.5	$ 4,594.4
Net sales	(157.5)	(37.9)	(1,245.9)	(267.1)	55.5	61.9	(1,373.1)	(254.0)
Change in total assets under management								
Net sales	$ (157.5)	$ (37.9)	$ (1,245.9)	$ (267.1)	$ 55.5	$ 61.9	$ (1,373.1)	$ (254.0)
Assets acquired[2]	-	-	-	-	-	128.1	-	128.1
Market and income	1,390.4	2,985.5	1,981.7	4,080.4	82.0	120.7	3,343.1	6,941.9
Net change in assets	1,232.9	2,947.6	735.8	3,813.3	137.5	310.7	1,970.0	6,816.0
Beginning assets	56,502.4	58,837.7	60,916.2	64,533.0	2,674.0	2,377.4	116,742.8	122,667.5
Ending assets	$ 57,735.3	$ 61,785.3	$ 61,652.0	$ 68,346.3	$ 2,811.5	$ 2,688.1	$118,712.8	$129,483.5

(1) Total Gross Sales and Net Sales excluded $64 million and $25 million respectively in accounts sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($67 million and $11 million in 2010).

Total assets under management excluded $3.5 billion of assets sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($3.3 billion at December 31, 2010).

(2) Acquisition of Partners in Planning on November 1, 2010.

TABLE 6: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – 2011 VS. 2010

TWELVE MONTHS ENDED ($ millions)	INVESTORS GROUP 2011 DEC. 31	INVESTORS GROUP 2010 DEC. 31	MACKENZIE 2011 DEC. 31	MACKENZIE 2010 DEC. 31	INVESTMENT PLANNING COUNSEL 2011 DEC. 31	INVESTMENT PLANNING COUNSEL 2010 DEC. 31	CONSOLIDATED(1) 2011 DEC. 31	CONSOLIDATED(1) 2010 DEC. 31
Mutual funds								
Gross sales – money market	$ 717.6	$ 694.9	$ 493.6	$ 565.8	$ 70.7	$ 50.2	$ 1,281.9	$ 1,310.9
Gross sales – long term	5,303.2	5,052.7	5,151.0	5,282.2	472.7	448.5	10,924.3	10,783.4
Total mutual fund gross sales	$ 6,020.8	$ 5,747.6	$ 5,644.6	$ 5,848.0	$ 543.4	$ 498.7	$ 12,206.2	$ 12,094.3
Net sales – money market	$ (21.4)	$ (102.3)	$ (122.8)	$ (340.4)	$ 51.2	$ 28.9	$ (93.0)	$ (413.8)
Net sales – long term	60.6	355.7	(1,425.0)	(1,178.8)	173.1	175.4	(1,193.7)	(647.7)
Total mutual fund net sales	$ 39.2	$ 253.4	$ (1,547.8)	$ (1,519.2)	$ 224.3	$ 204.3	$ (1,286.7)	$ (1,061.5)
Sub-advisory, institutional and other accounts								
Gross sales	$ -	$ -	$ 4,657.9	$ 6,314.6	$ -	$ -	$ 4,197.5	$ 6,013.2
Net sales	-	-	(951.2)	65.7	-	-	(1,237.2)	(62.0)
Combined								
Gross sales	$ 6,020.8	$ 5,747.6	$ 10,302.5	$ 12,162.6	$ 543.4	$ 498.7	$ 16,403.7	$ 18,107.5
Net sales	39.2	253.4	(2,499.0)	(1,453.5)	224.3	204.3	(2,523.9)	(1,123.5)
Change in total assets under management								
Net sales	$ 39.2	$ 253.4	$ (2,499.0)	$ (1,453.5)	$ 224.3	$ 204.3	$ (2,523.9)	$ (1,123.5)
Assets acquired(2)	-	-	-	-	-	128.1	-	128.1
Market and income	(4,089.2)	3,876.9	(4,195.3)	6,220.4	(100.9)	216.2	(8,246.8)	9,933.7
Net change in assets	(4,050.0)	4,130.3	(6,694.3)	4,766.9	123.4	548.6	(10,770.7)	8,938.3
Beginning assets	61,785.3	57,655.0	68,346.3	63,579.4	2,688.1	2,139.5	129,483.5	120,545.2
Ending assets	$ 57,735.3	$ 61,785.3	$ 61,652.0	$ 68,346.3	$ 2,811.5	$ 2,688.1	$118,712.8	$129,483.5

(1) Total Gross Sales and Net Sales excluded $463 million and $289 million respectively in accounts sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($302 million and $128 million in 2010).

Total assets under management excluded $3.5 billion of assets sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($3.3 billion at December 31, 2010).

(2) Acquisition of Partners in Planning on November 1, 2010.

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 7.

Net Earnings and Earnings per Share – Except as noted in the reconciliation in Table 7, variations in net earnings and total revenues result primarily from changes in average daily mutual fund assets under management. Improving market conditions over the last three quarters of 2009 resulted in significant increases in mutual fund assets under management. During 2010, this trend continued and, in spite of increasing volatility, mutual fund assets under management continued to increase. As a result, average daily mutual fund assets under management increased in 2010 compared with 2009 as shown in Table 7. Total mutual fund assets under management declined to $99.7 billion at December 31, 2011 compared to $107.9 billion at the end of 2010. The decrease occurred primarily in the latter half of 2011 and, as a result, average mutual fund assets under management for the year ended December 31, 2011 were $105.7 billion compared to $101.4 billion in 2010. Changes in the Company's total mutual fund assets under management during 2011 and 2010 were consistent with changes in mutual fund assets experienced by the Canadian mutual fund industry. The impact on earnings and revenues of changes in average daily mutual fund

TABLE 7: SELECTED ANNUAL INFORMATION

	IFRS 2011	IFRS 2010	PREVIOUS CANADIAN GAAP 2009
Consolidated statements of earnings *($ millions)*			
Revenues			
Fee income	$ 2,571.1	$ 2,467.8	$ 2,227.0
Net investment income and other	156.4	149.1	153.8
	2,727.5	2,616.9	2,380.8
Expenses	1,635.2	1,571.6	1,517.3
	1,092.3	1,045.3	863.5
Non-recurring items related to transition to IFRS	-	(29.3)	
Proportionate share of affiliate's provision	5.0	(8.2)	-
Non-cash charge on AFS equity securities	-	-	(76.5)
Premium paid on redemption of preferred shares	-	-	(14.4)
Earnings before income taxes	1,097.3	1,007.8	772.6
Income taxes	250.5	268.8	216.6
Net earnings from continuing operations	846.8	739.0	556.0
Net earnings from discontinued operations	62.6	1.8	3.1
Net earnings	909.4	740.8	559.1
Perpetual preferred share dividends	8.8	10.1	-
Net earnings available to common shareholders	$ 900.6	$ 730.7	$ 559.1
Reconciliation of Non-IFRS financial measures(1) *($ millions)*			
Operating earnings available to common shareholders – non-IFRS measure	$ 833.0	$ 758.9	$ 618.8
Other items:			
Net earnings from discontinued operations	62.6	1.8	3.1
Non-recurring items related to transition to IFRS, net of tax	-	(21.8)	-
Proportionate share of affiliate's provision	5.0	(8.2)	-
Non-cash charge on AFS equity securities, net of tax	-	-	(66.2)
Non-cash income tax benefit	-	-	17.8
Premium paid on redemption of preferred shares	-	-	(14.4)
Net earnings available to common shareholders – IFRS or Previous Canadian GAAP	$ 900.6	$ 730.7	$ 559.1
Earnings per share *($)*			
Operating earnings available to common shareholders(1)			
– Basic	$ 3.23	$ 2.90	$ 2.35
– Diluted	3.22	2.89	2.34
Net earnings available to common shareholders			
– Basic	3.49	2.79	2.12
– Diluted	3.48	2.78	2.12
Dividends per share *($)*			
Common	$ 2.10	$ 2.05	$ 2.05
Preferred, Series A	-	-	1.44
Preferred, Series B	1.48	1.68	-
Average daily mutual fund assets *($ millions)*	$ 105,692	$ 101,350	$ 90,652
Total mutual fund assets under management *($ millions)*	$ 99,685	$ 107,925	$ 100,419
Total assets under management *($ millions)*	$ 118,713	$ 129,484	$ 120,545
Total corporate assets *($ millions)*	$ 11,132	$ 12,237	$ 8,662
Total long-term debt *($ millions)*	$ 1,325	$ 1,775	$ 1,575
Outstanding common shares *($ millions)*	256,658	259,718	262,633

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

assets under management are discussed in the Review of Segment Operating Results sections of the MD&A for both Investors Group and Mackenzie.

Total assets under management at December 31, 2011 were $118.7 billion and included mutual fund assets under management totalling $99.7 billion. Net earnings in future periods will largely be determined by the level of mutual fund assets which will continue to be influenced by global market conditions.

Dividends per Common Share – Annual dividends per common share were $2.10 in 2011, an increase of 2.4% from 2010. Annual dividends per common share did not increase in 2010 and increased 2.5% in 2009.

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 8 includes the eight most recent quarters based on IFRS and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Quarterly operating earnings available to common shareholders are primarily dependent on the level of mutual fund assets under management. Average daily mutual fund assets under management are shown in Table 8. Average daily mutual fund assets under management remained relatively constant in each of the first three quarters of 2010 and increased in the fourth quarter of 2010, consistent with improving market conditions. Average daily mutual fund assets under management increased in the first quarter of 2011 and remained relatively constant in the second quarter of 2011. Declining domestic and international markets resulted in a decrease in average daily mutual fund assets under management in both the third and fourth quarters of 2011.

TABLE 8: SUMMARY OF QUARTERLY RESULTS

	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Consolidated statements of earnings *($ millions)*								
Revenues								
Management fees	444.2	464.6	491.8	492.1	479.1	452.6	455.5	449.7
Administration fees	84.3	85.2	87.9	87.5	85.4	82.6	83.7	83.0
Distribution fees	79.8	80.8	83.5	89.4	83.4	68.7	71.6	72.5
Net investment income and other	36.4	43.2	34.4	42.4	47.0	36.8	14.4	50.9
	644.7	673.8	697.6	711.4	694.9	640.7	625.2	656.1
Expenses								
Commission	214.0	218.6	228.7	233.6	221.6	207.5	212.1	213.9
Non-commission	155.4	156.0	164.1	162.0	153.5	150.2	150.7	150.7
Interest	23.2	23.2	26.1	30.3	28.7	27.8	27.6	27.3
	392.6	397.8	418.9	425.9	403.8	385.5	390.4	391.9
Earnings before undernoted	252.1	276.0	278.7	285.5	291.1	255.2	234.8	264.2
Non-recurring items related to transition to IFRS	-	-	-	-	(29.3)	-	-	-
Proportionate share of affiliate's provision	5.0	-	-	-	-	(8.2)	-	-
Earnings before income taxes	257.1	276.0	278.7	285.5	261.8	247.0	234.8	264.2
Income taxes	53.9	60.8	63.7	72.1	71.2	71.9	56.4	69.3
Net earnings from continuing operations	203.2	215.2	215.0	213.4	190.6	175.1	178.4	194.9
Net earnings from discontinued operations	29.6	31.0	1.1	0.9	1.5	0.5	(0.4)	0.2
Net earnings	232.8	246.2	216.1	214.3	192.1	175.6	178.0	195.1
Perpetual preferred share dividends	2.2	2.2	2.2	2.2	2.2	2.2	2.2	3.5
Net earnings available to common shareholders	230.6	244.0	213.9	212.1	189.9	173.4	175.8	191.6
Reconciliation of Non-IFRS financial measures(1) *($ millions)*								
Operating earnings available to common shareholders - non-IFRS measure	196.0	213.0	212.8	211.2	210.2	181.1	176.2	191.4
Other items:								
Net earnings from discontinued operations	29.6	31.0	1.1	0.9	1.5	0.5	(0.4)	0.2
Non-recurring items related to transition to IFRS, net of tax	-	-	-	-	(21.8)	-	-	-
Proportionate share of affiliate's provision	5.0	-	-	-	-	(8.2)	-	-
Net earnings available to common shareholders – IFRS	230.6	244.0	213.9	212.1	189.9	173.4	175.8	191.6
Earnings per share *(¢)*								
Operating earnings available to common shareholders(1)								
– Basic	76	83	82	81	81	69	67	73
– Diluted	76	82	82	81	80	69	67	73
Net earnings available to common shareholders								
– Basic	90	95	83	82	73	66	67	73
– Diluted	89	94	82	81	73	66	67	73
Average daily mutual fund assets *($ billions)*	99.6	103.5	109.9	110.0	105.0	99.4	100.5	100.4
Total mutual fund assets under management *($ billions)*	99.7	97.7	108.6	111.7	107.9	102.3	96.5	102.8
Total assets under management *($ billions)*	118.7	116.7	130.2	134.1	129.5	122.7	115.7	123.4

(1) Refer to the Summary of Consolidated Operating Results section included in this MD&A for an explanation of Other items used to calculate the Company's Non-IFRS financial measures.

Investors Group
Review of the Business

Investors Group provides a broad range of financial and investment planning services to Canadians through its exclusive network of Consultants across the country.

Fee income is primarily generated from the management, administration and distribution of Investors Group mutual funds.

Fee income is also earned from the distribution of insurance, securities and other financial services.

Additional revenue is derived from net investment income and other income, based primarily from origination and management of our mortgage business.

Revenues depend largely on the level and composition of mutual fund assets under management. The comprehensive approach to financial planning, provided by our Consultants through the broad range of financial products and services offered by Investors Group, has resulted in increasing mutual fund sales in a period of market volatility. Mutual fund gross sales through our Consultant network were $6.0 billion in 2011, up 4.8% over 2010. The redemption rate on long-term funds was 8.8% for the twelve months ending December 31, 2011, well below the industry redemption rate excluding Investors Group of 15.9% at September 30, 2011 but higher than Investors Group's redemption rate of 8.3% in 2010. Net sales were $39 million, down from $253 million in 2010.

INVESTORS GROUP STRATEGY

Investors Group strives to ensure that the interests of shareholders, clients, Consultants and employees are closely aligned. Investors Group's business strategy is focused on:

- Growing our distribution network by expanding the number of region offices, attracting new Consultants to our industry and supporting existing Consultants in their growth and development.
- Emphasizing the delivery of financial planning advice, products and services through our exclusive network of Consultants.
- Providing an effective level of administrative support to our Consultants and clients, including active communication during all economic cycles.
- Extending the diversity and range of products offered by Investors Group as we continue to build and maintain enduring client relationships.
- Maximizing returns on business investment by focusing resources on initiatives that have direct benefits to clients and Consultants and result in increased efficiency and improved control over expenditures.

Fee Income – Investors Group
For the financial year *($ millions)*

CONSULTANT NETWORK

Investors Group distinguishes itself from its competition by offering personal financial planning to its clients within the context of long-term relationships. At the centre of this relationship is a national distribution network of Consultants based in region offices across Canada. Five new region offices were opened in 2011 in: Drummondville, Quebec; Terrebonne, Quebec; London, Ontario; Grande Prairie, Alberta; and South Okanagan, British Columbia. These additions have expanded the network to 106 region offices.

At the end of 2011, Investors Group had 4,608 Consultants, compared with 4,686 at the end of 2010. In early 2011, Investors Group refined its selection and recruitment practices which will be beneficial to the future growth of the Consultant network. Although this change resulted in a short-term reduction in the number of Consultant appointments in the first quarter of 2011, other quarters showed stability and modest growth.

The number of Consultants with more than four years experience totalled 2,705 at December 31, 2011 compared to 2,641 at the end of 2010.

Consultant Development

Investors Group combines a number of interview and testing techniques to identify individuals who demonstrate a blend of experience, education and aptitude that makes them well suited to becoming successful financial planners. In early 2011, we intensified the rigor used to select the most appropriate candidates as new Consultants to improve their likelihood of success in the future.

Each year our training curriculum is reviewed and refreshed to offer new Consultants important building blocks to develop client relationships. In early 2011 we updated and reinforced the importance of using core sales and training support tools including the Business Discipline and the Qualifying Presentation which are both integral to initially establish solid Consultant – client relationships. As Consultants progress, they develop their skills as financial planners and business managers by attending a selection of focused educational programs including: financial planning skills, product knowledge, client service, business development skills, compliance, technology, practice management and other related topics. This core training is supplemented by annual training conferences where education is tailored to both new and experienced Consultants.

In 2011 we continued to deliver additional phases of a multi-year initiative to enhance our Consultant technology platform, bringing together Consultants' contact management and portfolio information for greater efficiency and productivity.

Field Management Development

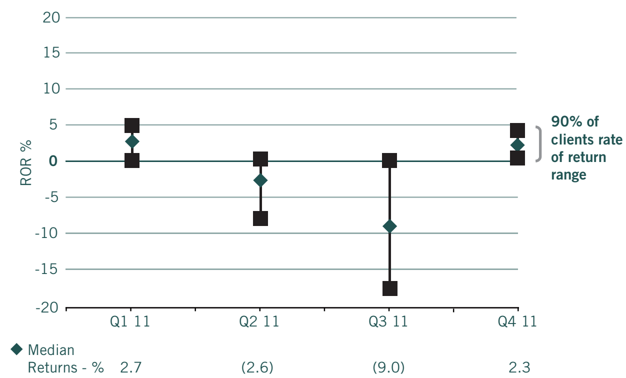
As part of Investors Group's commitment to growth, we continued to focus on developing a strong and experienced leadership team across the country. In addition to increasing the number of individuals in field management roles, we also provided additional opportunities for Consultants considering a management role, management training and peer-to-peer coaching.

ADMINISTRATIVE SUPPORT AND COMMUNICATION FOR CONSULTANTS AND CLIENTS

Administrative support for Consultants and clients includes timely and accurate client account record-keeping and reporting, effective problem resolution support, and continuous improvements to servicing systems.

This administrative support is provided from both the Company's Quebec General Office located in Montreal for Consultants and clients residing in Quebec and from the Company's head office in Winnipeg for Consultants and clients in the rest of Canada. The Quebec General Office has approximately 200 employees and operating units for most functions supporting both the approximately 800 Consultants throughout Quebec and the Quebec region office network. Two new region offices were opened in 2011 in Drummondville and Terrebonne which have expanded the network to 19 region offices. Mutual fund assets under management in Quebec were in excess of $9 billion as at December 31, 2011.

In-Quarter Client Rate of Return (ROR) Experience



Regular communication with our clients includes quarterly reporting of their Investors Group mutual fund holdings and the change in asset values of these holdings during the quarter. Individual clients experience different returns as a result of their net cash flow and fund holdings in each quarter as illustrated on the accompanying chart. This chart reflects in-quarter client median rates of return for the four most recent quarters and also illustrates upper and lower range of rates of return around the median for 90% of Investors Group clients.

For the three months ending December 31, 2011, the client median rate of return was approximately 2.3% and over 90% of clients experienced positive returns. For the twelve months ending December 31, 2011, the client median rate of return was approximately (7.5)%.

Communications to Consultants and clients have increased substantially as a result of the significant market volatility experienced in the last few years. Consultants, in turn, maintain a high degree of contact with our clients, continuing to reinforce the importance of long-term planning and a diversified investment portfolio. Ongoing surveys of our clients indicate a strong appreciation of the value of advice provided by our Consultants through varying economic cycles.

ASSETS UNDER MANAGEMENT

The level of mutual fund assets under management is influenced by three factors: sales, redemptions and net asset values of our funds. Changes in assets under management for the periods under review are reflected in Table 9.

TABLE 9: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

THREE MONTHS ENDED ($ millions)	2011 DEC. 31	2011 SEP. 30	2010 DEC. 31	% CHANGE 2011 SEP. 30	% CHANGE 2010 DEC. 31
Sales	$ 1,284.9	$ 1,285.4	$ 1,386.6	- %	(7.3)%
Redemptions	1,442.4	1,447.3	1,424.5	(0.3)	1.3
Net redemptions	(157.5)	(161.9)	(37.9)	2.7	N/M
Market and income	1,390.4	(5,493.6)	2,985.5	N/M	(53.4)
Net change in assets	1,232.9	(5,655.5)	2,947.6	N/M	(58.2)
Beginning assets	56,502.4	62,157.9	58,837.7	(9.1)	(4.0)
Ending assets	$ 57,735.3	$ 56,502.4	$ 61,785.3	2.2 %	(6.6)%
Average daily assets	$ 57,525.7	$ 59,384.3	$ 60,236.0	(3.1)%	(4.5)%

TWELVE MONTHS ENDED ($ millions)	2011 DEC. 31	2010 DEC. 31	% CHANGE
Sales	$ 6,020.8	$ 5,747.6	4.8 %
Redemptions	5,981.6	5,494.2	8.9
Net sales	39.2	253.4	(84.5)
Market and income	(4,089.2)	3,876.9	N/M
Net change in assets	(4,050.0)	4,130.3	N/M
Beginning assets	61,785.3	57,655.0	7.2
Ending assets	$ 57,735.3	$ 61,785.3	(6.6)%
Average daily assets	$ 60,672.6	$ 58,255.7	4.1 %

Change in Mutual Fund Assets Under Management – 2011 vs. 2010

Investors Group's mutual fund assets under management were $57.7 billion at December 31, 2011, a decrease of 6.6% from $61.8 billion at December 31, 2010. Average daily mutual fund assets were $57.5 billion in the fourth quarter of 2011, down 4.5% from $60.2 billion in the fourth quarter of 2010. Average daily mutual fund assets for the year ended December 31, 2011 were $60.7 billion, up 4.1% from $58.3 billion in 2010.

For the fourth quarter ended December 31, 2011, sales of Investors Group mutual funds through its Consultant network were $1.3 billion, a decrease of 7.3% from 2010. Mutual fund redemptions totalled $1.4 billion, an increase of 1.3% from 2010. Investors Group's twelve month trailing redemption rate for long-term funds was 8.8% at December 31, 2011 compared to 8.3% at December 31, 2010, and remains well below the most recently available corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 15.9% at September 30, 2011. Net redemptions of Investors Group mutual funds for the fourth quarter of 2011 were $158 million compared with net redemptions of $38 million in 2010. Sales of long-term funds were $1.1 billion for the fourth quarter of 2011, compared with $1.2 billion in 2010, a decrease of 8.4%. Net redemptions of long-term funds for the fourth quarter of 2011 were $145 million compared to net redemptions of $22 million in 2010. During the fourth quarter, market and income resulted in an increase of $1.4 billion in mutual fund assets compared to an increase of $3.0 billion in the fourth quarter of 2010.

For the year ended December 31, 2011, sales of Investors Group mutual funds through its Consultant network were $6.0 billion, an increase of 4.8% from 2010. Mutual fund redemptions totalled $6.0 billion compared to $5.5 billion in 2010. Net sales of Investors Group mutual funds were $39 million in 2011 compared with net sales of $253 million in 2010. Sales of long-term funds were $5.3 billion in 2011, compared with $5.1 billion in 2010, an increase of 5.0%. Net sales of long-term funds were $61 million in 2011 compared to net sales of $356 million in 2010. During 2011, market and income resulted in a decrease of $4.1 billion in mutual fund assets compared to an increase of $3.9 billion in 2010.

Change in Mutual Fund Assets Under Management – Q4 2011 vs. Q3 2011

Investors Group's mutual fund assets under management were $57.7 billion at December 31, 2011, an increase of 2.2% from $56.5 billion at September 30, 2011. Average daily mutual fund assets were $57.5 billion in the fourth quarter of 2011 compared to $59.4 billion in the third quarter of 2011, a decrease of 3.1%.

For the fourth quarter ended December 31, 2011, sales of Investors Group mutual funds through its Consultant network were $1.3 billion, unchanged from the third quarter of 2011. Mutual fund redemptions, which totalled $1.4 billion for the same period, decreased 0.3% from the previous quarter. Net redemptions of Investors Group mutual funds for the current quarter were $158 million compared with net redemptions of $162 million in the previous quarter. Sales of long-term funds were $1.1 billion for the current quarter, unchanged from the previous quarter. Net redemptions of long-term funds for the current quarter were $145 million compared to net redemptions of $148 million in the previous quarter.

PRODUCTS AND SERVICES

Investors Group is regarded as a leader in personal financial planning in Canada. Consultants recommend balanced, diversified and professionally managed portfolios that reflect the client's goals, preferences and risk tolerance. They also look beyond investments to offer clients access to insurance, mortgages and other financial services.

PFP – Personal Financial Planner

Investors Group's Personal Financial Planner (PFP) software handles a wide range of potential financial planning needs – from projections and illustrations for basic financial planning concepts to the preparation of written financial plans which integrate all disciplines of financial planning, including investment, tax, retirement, education, risk management and estate planning.

In the fourth quarter of 2010, a new financial assessment tool was introduced which allows for the rapid on-line development of basic financial plans in an enhanced format. This financial assessment tool was rolled out to all Consultants in April 2011. The new financial assessment tool is the first phase of a multi phase upgrading to our PFP toolset.

Symphony Strategic Investment Planning™ Program

Symphony is Investors Group's approach to strategic investment planning. The Symphony program is designed to provide a scientifically constructed investment portfolio, consistent with the client's investment objectives and suited to their risk profile.

Charitable Giving Program

The Investors Group Charitable Giving Program is a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

Mutual Funds

Investors Group had $57.7 billion in mutual fund assets under management at December 31, 2011 in 165 mutual funds covering a broad range of investment mandates. This compared with $61.8 billion in 2010, a decrease of 6.6%.

Clients can diversify their holdings across investment managers, asset categories, investment styles, geography, capitalization and sectors through portfolios customized to meet their objectives.

Investors Group funds are managed by I.G. Investment Management, our own multi-disciplinary team of investment professionals with offices and advisors in North America, Europe, and Asia. Our global connections, depth of research and use of information technology provide us with the investment management capabilities to offer our clients investment management expertise suitable for the widest range of investment objectives. Investors Group also offers a range of partner funds through advisory relationships with other investment management firms and oversees these external investment advisors to ensure that their activities are consistent with Investors Group's investment philosophy and with the investment objectives and strategies of the funds that they advise. These advisory relationships include investment managers such as Mackenzie Financial Corporation, Putnam Investments Inc., AGF Investments Inc., Beutel, Goodman & Company, Ltd., Bissett Investment Management, Camlin Asset Management Ltd., Fidelity Investments Canada ULC, Templeton Investments Corp., LaSalle Investment Management (Securities), L.P., RCM Capital Management LLC and Eagle Boston Investment Management, Inc.

Fund Performance

At December 31, 2011, 55% of Investors Group mutual funds (Investors, partner and portfolio funds) had a rating of three stars or better from the Morningstar† fund ranking service and 13% had a rating of four or five stars. This compared to the Morningstar† universe of 65% for three stars or better and 29% for four and five star funds at December 31, 2011. Morningstar Ratings† are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

Additions to Mutual Fund Product Offering

Investors Group continues to enhance the performance, scope and diversity of our investment offering with the introduction of new funds that are well-suited to the long-term diverse needs of Canadian investors.

- *February* – Investors Group launched the Investors Fixed Income Flex Portfolio. This mandate was designed to provide current income by investing in a diversified set of underlying funds that invest primarily in fixed income securities. This mandate also has the flexibility to adapt to a changing environment by adjusting the underlying type of investments as the interest rate and credit environment evolves.
- *May* – Investors Group added to its product offering by launching the Investors Canadian Corporate Bond Fund. This mandate was designed to provide current income by investing primarily in investment grade fixed income securities issued by Canadian corporations and complements the risk and return characteristics of Investors Group's existing fixed income funds.
- *November* – Investors Group began offering mutual funds as part of Registered Disability Savings Plans (RDSPs) to eligible clients. RDSPs are an important investment vehicle designed to help families and individuals save for the long-term financial security of Canadians with disabilities.
- *November* – Investors Group added to its product offering by launching three new equity mandates. The new mandates are Investors Core Canadian Equity Fund and Class, Investors Core U.S. Equity Fund and Class, and IG Putnam U.S. Growth Fund and Class.

  Investors Core Canadian Equity Fund and Class and Investors Core U.S. Equity Fund and Class are designed as primary holdings within a portfolio and will reflect the broad Canadian and U.S. markets respectively. IG Putnam U.S. Growth Fund and Class primarily have exposure to U.S. equities that have above average growth prospects.

Managed Asset and Multi-Manager Investment Programs

Investors Group Corporate Class Inc.™ is a broad tax advantaged fund structure which features the ability to switch on a fee-free basis among 60 funds within the group of funds with no immediate tax consequences. The funds include 33 funds advised by I.G. Investment Management, 22 funds sub-advised by external investment advisors and five Corporate Class portfolios. At the end of 2011, the Corporate Class funds totalled $3.8 billion in assets compared with $3.9 billion in 2010.

Investors Group provides clients with access to a growing selection of asset allocation opportunities which include:

- **Allegro Portfolios™:** The seven Allegro Portfolios provide a single-step investment solution offering geographic, investment style, asset class, and investment advisor diversification based on Symphony asset allocation recommendations. Fund assets were $3.1 billion as of December 31, 2011 compared with $3.3 billion in the previous year.
- **Allegro Corporate Class Portfolios™:** The five portfolio classes offer clients a single-step, tax efficient approach for their investments. The series T option further benefits investors with monthly tax-deferred distributions in the form of return of capital. These diversified portfolios have something to offer for each category of the risk/return spectrum. Fund assets were $392 million as of December 31, 2011 compared with $274 million in the previous year.
- **Alto Portfolios™:** The Alto Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification based on Symphony asset allocation recommendations. The eleven portfolios include Investors Group funds and funds sub-advised by Mackenzie. Assets in the portfolios were $3.1 billion as of December 31, 2011 compared with $2.8 billion in the previous year.
- **Investors Group Portfolios:** These funds have assets of $8.7 billion as at December 31, 2011, compared with $8.8 billion in the previous year. The program is comprised of twelve funds which invest in 25 underlying Investors Group funds to provide a high level of diversification.

- ***i*Profile™:** This is a unique portfolio management program that is available for clients with assets over $250,000. iProfile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions. The program is advised by a select group of 10 global money management firms such as I.G. Investment Management, AMI Partners, JPMorgan Asset Management (Canada) Ltd., Jarislowsky, Fraser Limited, Philadelphia International Investment Advisors, and Waddell & Reed. This program had $431 million in assets as at December 31, 2011 compared with $448 million in 2010.

Segregated Funds

The Guaranteed Investment Funds (GIFs) offering of Great-West Life segregated funds includes 14 segregated fund-of-fund portfolios and 6 segregated funds. These funds offer an enhanced selection of death benefit and maturity guarantees and also include a new Lifetime Income Benefit (LIB) protection feature on select GIFs. The investment components of these segregated funds are managed by Investors Group. At December 31, 2011, total segregated fund assets were $1.1 billion compared to $880 million in 2010.

Insurance

Investors Group continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, Investors Group offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance. I.G. Insurance Services Inc. currently has distribution agreements with:

- The Canada Life Assurance Company
- The Great-West Life Assurance Company
- Sun Life Assurance Company of Canada
- The Manufacturers Life Insurance Company

Sales of insurance products as measured by new annualized premiums were $64 million for the year ended December 31, 2011, an increase of 10.6% over $57 million in 2010. The average number of policies sold by each insurance licensed Consultant was 9.4 in 2011, unchanged from 2010. Distribution of insurance products is enhanced through Investors Group's insurance specialists, located throughout Canada, who assist Consultants with the selection of insurance solutions.

Securities Operations

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing clients with securities services to complement their financial and investment planning. Investors Group Consultants can refer clients to one of our securities specialists available through Investors Group Securities Inc.

In 2011, we continued to evolve the service we developed to accommodate individual stocks and bonds owned by our clients within their financial plan. This involved further investment in our systems and the addition of a number of securities specialists who work alongside our Consultants and are licensed to advise on individual securities. In addition, a few of our Consultants transitioned their registration to the Investment Industry Regulatory Organization of Canada (IIROC) but remain within our region offices and continue to operate in our established business model which has a managed asset focus delivered within a financial planning context.

At December 31, 2011, total assets under administration were $6.1 billion. The assets gathered during 2011 were $1.5 billion, compared to $1.3 billion in 2010.

Mortgage Operations

Investors Group is a national mortgage lender that offers a full suite of competitively positioned residential mortgage options to new and existing Investors Group clients. Short and long term, variable and fixed rate mortgages with competitive pricing and features are offered to clients as part of a comprehensive financial plan. Investors Group mortgage planning specialists are located throughout each province in Canada, and work with our clients and their Consultants as allowed by the regulations to develop mortgage strategies that meet the individual needs and goals of each client. At December 31, 2011, there were 69 mortgage planning specialists compared to 64 at December 31, 2010.

Mortgage originations were $1.4 billion for the year ended December 31, 2011 compared to $1.2 billion in 2010. At December 31, 2011, mortgages serviced by Investors Group totalled $6.3 billion compared to $5.7 billion at December 31, 2010.

Through its Mortgage Banking Operations, mortgages originated by Investors Group mortgage planning specialists are sold to the Investors Mortgage and Short Term Income Fund, Investors Canadian Corporate Bond Fund, securitization programs, and institutional investors. Certain subsidiaries of Investors Group are CMHC-approved issuers of National Housing Act Mortgage-Backed Securities (NHA MBS) and are sellers of NHA MBS into the Canada Mortgage

Bond Program (CMB Program). Securitization programs that these subsidiaries participate in also include certain bank-sponsored asset-backed commercial paper (ABCP) programs. Residential mortgages are also held by Investors Group's intermediary operations.

Solutions Banking†

Investors Group's Solutions Banking† 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. Clients have access to a network of banking machines, as well as a private labeled client website and private labeled client service centre. The Solutions Banking† offering supports Investors Group's approach to delivering total financial solutions for our clients through a broad financial planning platform.

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.

Review of Segment Operating Results

Investors Group's earnings before interest and taxes are presented in Table 10.

2011 VS. 2010

Fee Income

Fee income is generated from the management, administration and distribution of Investors Group mutual funds. The distribution of insurance and Solutions Banking† products and the provision of securities services provide additional fee income.

Investors Group earns management fees for investment management services provided to its mutual funds, which depend largely on the level and composition of mutual fund assets under management. Management fees were $273.0 million in the fourth quarter of 2011, a decrease of $17.1 million or 5.9% from $290.1 million in 2010 primarily due to the decrease of 4.5% in average daily mutual fund assets as shown in Table 9. During the year ended December 31, 2011, management fees were $1,152.3 million, an increase of $40.3 million or 3.6% from $1,112.0 million in 2010 primarily due to the increase of 4.1% in average daily mutual fund assets. Management fees were 188 basis points of average daily mutual fund assets for the fourth quarter of 2011 compared to 191 basis points in 2010. For the year ended December 31, 2011, management fees were 190 basis points of average daily mutual fund assets compared to 191 basis points in 2010. Management fee income and average management fee rates for all of the periods under review also reflected the effect of Investors Group having waived a portion of the investment management fees on its money market funds to ensure that these funds maintained a positive yield. For the three and twelve

TABLE 10: OPERATING RESULTS – INVESTORS GROUP

THREE MONTHS ENDED ($ *millions*)	2011 DEC. 31	2011 SEP. 30	2010 DEC. 31	% CHANGE 2011 SEP. 30	% CHANGE 2010 DEC. 31
Revenues					
Management fees	$ 273.0	$ 283.0	$ 290.1	(3.5)%	(5.9)%
Administration fees	54.3	55.5	56.0	(2.2)	(3.0)
Distribution fees	46.4	46.8	47.4	(0.9)	(2.1)
	373.7	385.3	393.5	(3.0)	(5.0)
Net investment income and other	16.3	20.2	25.3	(19.3)	(35.6)
	390.0	405.5	418.8	(3.8)	(6.9)
Expenses					
Commission	67.8	67.0	66.8	1.2	1.5
Asset retention bonus and premium	52.3	53.9	53.5	(3.0)	(2.2)
Non-commission	87.8	86.3	83.9	1.7	4.6
	207.9	207.2	204.2	0.3	1.8
Earnings before interest and taxes	$ 182.1	$ 198.3	$ 214.6	(8.2)%	(15.1)%

TWELVE MONTHS ENDED ($ *millions*)	2011 DEC. 31	2010 DEC. 31	% CHANGE
Revenues			
Management fees	$ 1,152.3	$ 1,112.0	3.6 %
Administration fees	226.0	218.4	3.5
Distribution fees	188.2	177.3	6.1
	1,566.5	1,507.7	3.9
Net investment income and other	70.2	62.1	13.0
	1,636.7	1,569.8	4.3
Expenses			
Commission	270.3	264.6	2.2
Asset retention bonus and premium	219.2	207.4	5.7
Non-commission	352.0	327.9	7.3
	841.5	799.9	5.2
Earnings before interest and taxes	$ 795.2	$ 769.9	3.3 %

month periods in 2011, these waivers totalled $1.2 million and $4.3 million, respectively, compared to $1.2 million and $6.5 million, respectively, in the prior year.

Investors Group receives administration fees for providing administrative services to its mutual funds and trusteeship services to its unit trust mutual funds which also depend largely on the level and composition of mutual fund assets under management. Administration fees totalled $54.3 million in the current quarter compared to $56.0 million a year ago, a decrease of 3.0%. Administration fees were $226.0 million for the year ended December 31, 2011 compared to $218.4 million in 2010, an increase of 3.5%. Fee income in both periods under review was impacted by the change in average daily mutual fund assets under management in 2011 compared with 2010. The increase for the twelve month period was offset, in part, by the impact of reductions in the fixed rate on administration fees charged on certain mutual funds, effective July 1, 2010.

Distribution fees are earned from:

- Redemption fees on mutual funds sold with a deferred sales charge.
- 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†, an arrangement with the National Bank of Canada.

Distribution fee income of $46.4 million for the fourth quarter of 2011 decreased by $1.0 million from $47.4 million in 2010. For the twelve month period, distribution fees of $188.2 million increased by $10.9 million from $177.3 million in 2010, due primarily to increases in distribution fee income from insurance and banking products and from securities services. For the twelve month period, redemption fee income increased by $1.7 million to $49.2 million. Redemption fee income may vary depending on the level of deferred sales charge attributable to fee-based redemptions.

Net Investment Income and Other

Net investment income and other includes income related to mortgage banking activities as well as interest earned on cash and cash equivalents, securities and mortgage loans related to intermediary operations. Investors Group reports net investment income as the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities and interest on bank indebtedness, if any.

Net investment income and other was $16.3 million in the fourth quarter of 2011, a decrease of $9.0 million from $25.3 million in 2010. For the twelve months ended December 31, 2011, net investment income and other totalled $70.2 million, an increase of $8.1 million from $62.1 million in 2010. The increases in net investment income related primarily to Investors Group's mortgage banking operations. A summary of mortgage banking activities for the three and twelve month periods under review are presented in Table 11.

Net investment income related to Investors Group's mortgage banking operations totalled $16.6 million for the fourth quarter of 2011 compared to $26.5 million in 2010, a decrease of $9.9 million. Net investment income related to Investors Group's mortgage banking operations totalled $69.6 million for the twelve month period ended December 31, 2011 compared to $64.4 million in 2010, an increase of $5.2 million. The changes in mortgage banking income were primarily due to:

- Negative fair value adjustments – related to financial instruments and interest rate swaps utilized for hedging purposes in securitization transactions and for warehouse mortgage loans, which are classified as held for trading. Negative fair value adjustments in the three month periods ended December 31, 2011 and 2010 were not significant. Negative fair value adjustments resulting primarily from changes in interest rates were $4.9 million for the twelve month period ended December 31, 2011, compared to $33.0 million in 2010. The Company's exposure to and management of interest rate risk is discussed further in the Financial Instruments section of this MD&A.
- Gains realized on the sale of residential mortgages – which totalled $4.5 million and $16.8 million for the three and twelve months ended December 31, 2011 compared to $6.6 million and $15.8 million in the comparative periods in 2010. The decline in gains for the three months ended December 31, 2011 compared to 2010 was due primarily to lower mortgage sale volumes to institutional investors, the Investors Mortgage and Short Term Income Fund and the Investors Canadian Corporate Bond Fund. The increase in gains for the twelve months ended December 31, 2011 compared to 2010 was due primarily to improvements in net interest margins.
- Net interest income on securitized loans – which decreased by $4.0 million and $19.5 million for the three and twelve month periods ended December 31, 2011 to $14.3 million and $61.8 million respectively. These declines resulted from:
  - A lower net interest income margin resulting from increases in asset-backed commercial paper (ABCP) rates;

TABLE 11: MORTGAGE BANKING ACTIVITIES – INVESTORS GROUP

				% CHANGE	
($ millions)	2011 Dec. 31	2011 Sep. 30	2010 Dec. 31	2011 Sep. 30	2010 Dec. 31
AS AT					
Mortgages serviced	$ 6,269	$ 6,135	$ 5,741	2.2 %	9.2 %
Mortgage warehouse(1)	$ 284	$ 372	$ 184	(23.7) %	54.3 %
THREE MONTHS ENDED					
Average mortgages serviced					
CMB/MBS Programs	$ 2,638	$ 2,483	$ 2,028	6.2 %	30.1 %
Bank-sponsored ABCP programs	1,011	955	1,344	5.9	(24.8)
Securitizations	3,649	3,438	3,372	6.1	8.2
Other	2,579	2,652	2,344	(2.8)	10.0
	$ 6,228	$ 6,090	$ 5,716	2.3 %	9.0 %
Mortgage originations(2)	$ 328	$ 347	$ 253	(5.5) %	29.6 %
Mortgage sales to:(3)					
Securitizations	$ 534	$ 344	$ 305	55.2 %	75.1 %
Other(4)	180	223	233	(19.3)	(22.7)
	$ 714	$ 567	$ 538	25.9 %	32.7 %
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	$ 36.4	$ 36.9	$ 38.3	(1.4) %	(5.0) %
Interest expense	(22.1)	(21.2)	(20.0)	(4.2)	(10.5)
Net interest income	14.3	15.7	18.3	(8.9)	(21.9)
Gains on sales(5)	4.5	6.8	6.6	(33.8)	(31.8)
Fair value adjustments and other income	(2.2)	(2.7)	1.6	18.5	N/M
	$ 16.6	$ 19.8	$ 26.5	(16.2) %	(37.4) %

TWELVE MONTHS ENDED *($ millions)*	2011 Dec. 31	2010 Dec. 31	% CHANGE
Average mortgages serviced			
CMB/MBS Programs	$ 2,389	$ 1,755	36.1 %
Bank-sponsored ABCP programs	1,084	1,511	(28.3)
Securitizations	3,473	3,266	6.3
Other	2,529	2,313	9.3
	$ 6,002	$ 5,579	7.6 %
Mortgage originations(2)	$ 1,409	$ 1,178	19.6 %
Mortgage sales to:(3)			
Securitizations	$ 1,405	$ 1,211	16.0 %
Other(4)	791	891	(11.2)
	$ 2,196	$ 2,102	4.5 %
Total mortgage banking income			
Net interest income on securitized loans			
Interest income	$ 146.1	$ 149.8	(2.5) %
Interest expense	(84.3)	(68.5)	(23.1)
Net interest income	61.8	81.3	(24.0)
Gains on sales(5)	16.8	15.8	6.3
Fair value adjustments and other income	(9.0)	(32.7)	72.5
	$ 69.6	$ 64.4	8.1 %

(1) Warehouse activities include mortgage fundings, mortgage renewals and mortgage refinances.
(2) Excludes renewals and refinances.
(3) Represents principal amounts sold.
(4)(5) Represents sales to institutional investors through private placements, Investors Mortgage and Short Term Income Fund, and Investors Canadian Corporate Bond Fund as well as gains realized on those sales.

- A decrease in the net interest income margin due to the increase in the proportion of securitized loans in the CMB Program to total securitized loans which increased to 72.3% at December 31, 2011 from 60.1% at December 31, 2010. Loans in the CMB Program currently have a lower net interest income margin than loans in ABCP programs.

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 fluctuate with the level of sales. The expense for deferred selling commissions consists of the amortization of the asset over its useful life and the reduction of the unamortized deferred selling commission asset associated with redemptions. Commissions paid on the sale of mutual funds are deferred and amortized over a maximum period of seven years. Commission expense for the fourth quarter of 2011 increased by $1.0 million to $67.8 million compared with $66.8 million in 2010 and for the twelve month period increased by $5.7 million to $270.3 million compared with $264.6 million in 2010. These increases were due to increases in the distribution of mutual funds and other financial services and products.

Asset retention bonus and premium expense is comprised of the following:

- Asset retention bonus which is paid monthly is based on the value of assets under management. Asset retention bonus expense decreased by $1.5 million to $44.0 million in the fourth quarter of 2011 compared to 2010 and increased by $10.2 million to $185.7 million for the twelve month period ended December 31, 2011 compared to 2010 due primarily to changes in average assets under management.
- Asset retention premium which is paid annually is a deferred component of compensation designed to promote Consultant retention and is based on assets under management at each year-end. Asset retention premium expense increased by $0.3 million and $1.6 million in the three and twelve month periods to $8.3 million and $33.5 million, respectively, compared to 2010.

Non-commission expenses incurred by Investors Group related primarily to the support of the Consultant network, the administration, marketing and management of its mutual funds and other products, as well as subadvisory fees related to mutual funds under management. Non-commission expenses were $87.8 million for the fourth quarter of 2011 compared to $83.9 million in 2010, an increase of $3.9 million or 4.6%. For the twelve month period, non-commission expenses were $352.0 million compared to $327.9 million in 2010, an increase of $24.1 million or 7.3%.

Q4 2011 VS. Q3 2011

Fee Income
Management fee income decreased by $10.0 million or 3.5% to $273.0 million in the fourth quarter of 2011 compared with the third quarter of 2011. Management fee income declined consistent with the decrease in average daily mutual fund assets of 3.1% as shown in Table 9 and the decrease in the management fee rate to 188 basis points of average daily mutual fund assets from 189 basis points in the prior quarter. Money market fund waivers totalled $1.2 million in the fourth quarter of 2011 compared to $1.1 million in the third quarter.

Administration fees decreased to $54.3 million in the fourth quarter of 2011 from $55.5 million in the third quarter of 2011 due primarily to the decrease in average daily mutual fund assets.

Distribution fee income of $46.4 million in the fourth quarter of 2011 decreased by $0.4 million from $46.8 million in the third quarter. The decrease was primarily due to a decrease in redemption fee income of $0.3 million.

Net Investment Income and Other
Net investment income and other was $16.3 million in the fourth quarter of 2011, a decrease of $3.9 million from $20.2 million in the previous quarter. The decrease in net investment income related primarily to Investors Group's mortgage banking operations.

Net investment income related to Investors Group's mortgage banking operations totalled $16.6 million in the fourth quarter, a decrease of $3.2 million from $19.8 million in the previous quarter as shown in Table 11. Gains realized on the sale of residential mortgages totalled $4.5 million for the fourth quarter compared to $6.8 million in the prior quarter as a result of lower sale volumes and lower net interest margins. Net interest income on securitized loans declined slightly during the quarter as a result of lower net interest margins.

Expenses
Commission expense in the current quarter was $67.8 million compared with $67.0 million in the previous quarter. The asset retention bonus and premium expense decreased by $1.6 million to $52.3 million in the fourth quarter of 2011.

Non-commission expenses were $87.8 million in the current quarter, an increase of $1.5 million or 1.7% from $86.3 million in the third quarter of 2011.

Mackenzie
Review of the Business

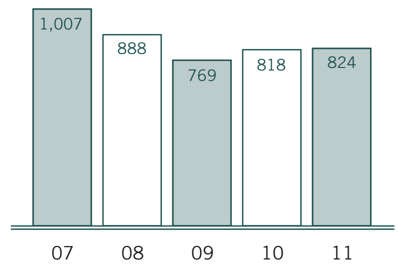
Mackenzie's core business is the provision of investment management and related services offered through diversified investment solutions, distributed through multiple distribution channels.

Mackenzie earns revenue primarily from:

- Management fees charged to its mutual funds, sub-advised accounts and institutional clients.
- Fees charged to its mutual funds for administrative services.
- Redemption fees on deferred sales charge and low load units.

Revenues depend largely on the level and composition of assets under management. Mackenzie's proprietary investment research and team of experienced investment professionals and sub-advisors across the multiple brands offered at Mackenzie contribute to delivering flexibility and diversification opportunities through our broad product offerings for our clients.

Fee Income – Mackenzie(1)
For the financial year *($ millions)*



(1) Excludes discontinued operations

MACKENZIE STRATEGY

Mackenzie strives to ensure that the interests of shareholders, dealers, advisors, investment clients and employees are closely aligned. Mackenzie's business approach embraces current trends and practices in the global financial services industry and our strategic plan is focused on:

- The delivery of consistent long-term investment performance.
- Offering a diversified suite of investment solutions for financial advisors and investors.
- Continuing to build and solidify our distribution relationships.
- Maximizing returns on business investment by focusing resources on initiatives that have direct benefits to investment management, distribution and client experience.

Founded in 1967, Mackenzie continues to build an investment advisory business through proprietary investment research and portfolio management while utilizing strategic partners in a selected sub-advisory capacity. Our sales model focuses on multiple distribution channels: Retail, Strategic Alliances and Institutional.

Mackenzie distributes its retail investment products through third party financial advisors. Mackenzie's sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. In addition to its retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace. Within the strategic alliance channel Mackenzie offers certain series of its mutual funds and provides sub-advisory services to third party investment programs offered by banks, insurance companies and other investment companies. Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company. In the institutional channel Mackenzie provides investment management services to pension plans, foundations and other institutions. Mackenzie attracts new institutional business through its relationships with pension and management consultants, through direct sales efforts and through additional mandates from its existing client relationships.

In the retail distribution channel, Mackenzie faces strong competition from other asset management companies, banks, insurance companies and other financial institutions which distribute their products and services to the same customers that Mackenzie is seeking to attract. In addition, due to the relative size of strategic alliance and institutional accounts, gross sale and redemption activity in these accounts can be more pronounced than in the retail channel. Mackenzie continues to be well positioned to continue to build and enhance its distribution relationships given its team of experienced investment professionals, broad product shelf, competitively priced products and its focus on client experience and investment excellence.

Sale of M.R.S. Trust Company and M.R.S. Inc. (MRS)

On November 16, 2011, Mackenzie completed the sale of 100% of the common shares of MRS. The sale of MRS allows Mackenzie to focus all of its resources on its core business of investment management.

The Mackenzie Review of Segment Operating Results in this MD&A excludes the results of operations of MRS, which have been classified as discontinued operations.

ASSETS UNDER MANAGEMENT

The changes in assets under management are summarized in Table 12.

The change in Mackenzie's assets under management is determined by: (1) the increase or decrease in the market value of the securities held in the portfolios of investments; (2) the level of sales as compared to the level of redemptions; and (3) acquisitions.

2011 vs. 2010

Mackenzie's total assets under management at December 31, 2011 were $61.7 billion, a decrease of 9.8% from $68.3 billion at December 31, 2010. Mackenzie's mutual fund assets under management were $39.2 billion at December 31, 2011, a decrease of 9.9% from $43.4 billion at December 31, 2010. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2011 were $22.5 billion, a decrease of 9.6% from $24.9 billion last year.

In the three months ended December 31, 2011, Mackenzie's gross sales were $2.1 billion, a decline of 33.4% from $3.1 billion in the comparative period last year. Redemptions in the current period were $3.3 billion, a decrease of 1.9% from $3.4 billion last year. Net redemptions for the three months ended December 31, 2011 were $1.2 billion, as compared to net redemptions of $0.3 billion last year. During the current quarter, market and income resulted in assets increasing by $2.0 billion as compared to an increase of $4.1 billion in 2010.

TABLE 12: CHANGE IN ASSETS UNDER MANAGEMENT – MACKENZIE

THREE MONTHS ENDED ($ millions)	2011 DEC. 31	2011 SEP. 30	2010 DEC. 31	% CHANGE 2011 SEP. 30	% CHANGE 2010 DEC. 31
Sales	$ 2,087.7	$ 2,044.7	$ 3,132.5	2.1 %	(33.4) %
Redemptions	3,333.6	3,245.9	3,399.6	2.7	(1.9)
Net redemptions	(1,245.9)	(1,201.2)	(267.1)	(3.7)	N/M
Market and income	1,981.7	(6,690.1)	4,080.4	N/M	(51.4)
Net change in assets	735.8	(7,891.3)	3,813.3	N/M	(80.7)
Beginning assets	60,916.2	68,807.5	64,533.0	(11.5)	(5.6)
Ending assets	$ 61,652.0	$ 60,916.2	$ 68,346.3	1.2 %	(9.8) %
Consists of:					
Mutual funds	$ 39,140.7	$ 38,527.2	$ 43,452.2	1.6 %	(9.9) %
Sub-advisory, institutional and other accounts	22,511.3	22,389.0	24,894.1	0.5	(9.6)
	$ 61,652.0	$ 60,916.2	$ 68,346.3	1.2 %	(9.8) %
Daily average mutual fund assets	$ 39,317.4	$ 41,326.4	$ 42,197.7	(4.9)%	(6.8) %
Monthly average total assets(1)	$ 62,160.7	$ 65,415.9	$ 66,355.3	(5.0)%	(6.3) %

TWELVE MONTHS ENDED ($ millions)	2011 DEC. 31	2010 DEC. 31	% CHANGE
Sales	$ 10,302.5	$ 12,162.6	(15.3)%
Redemptions	12,801.5	13,616.1	(6.0)
Net redemptions	(2,499.0)	(1,453.5)	(71.9)
Market and income	(4,195.3)	6,220.4	N/M
Net change in assets	(6,694.3)	4,766.9	N/M
Beginning assets	68,346.3	63,579.4	7.5
Ending assets	$ 61,652.0	$ 68,346.3	(9.8)%
Daily average mutual fund assets	$ 42,243.7	$ 40,788.1	3.6 %
Monthly average total assets(1)	$ 66,753.3	$ 64,059.9	4.2 %

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

During the year ended December 31, 2011, Mackenzie's gross sales were $10.3 billion, a decrease of 15.3% from $12.2 billion in the comparative period last year. Redemptions in the current year were $12.8 billion, a decrease of 6.0% from $13.6 billion last year. In 2010, Mackenzie's gross sales were higher by $0.5 billion and redemptions were higher by $0.4 billion as a result of rebalance transactions by two institutional investors. Net redemptions for the year ended December 31, 2011 were $2.5 billion, as compared to net redemptions of $1.4 billion last year. During the current period, market and income resulted in assets decreasing by $4.2 billion as compared to an increase of $6.2 billion in 2010.

Redemptions of long-term mutual funds in 2011 were $6.6 billion as compared to redemptions of $6.5 billion last year. As at December 31, 2011, Mackenzie's twelve-month trailing redemption rate for long-term funds was 15.8%, as compared to 16.5% last year. The most recently available corresponding average twelve-month trailing redemption rate for long-term funds for all other members of IFIC was approximately 15.0% at September 30, 2011. 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 assets with redemption fees, and deferred sales charge assets without redemption fees (matured assets). Generally, redemption rates for front-end load assets and matured assets are higher than the redemption rates for deferred sales charge and low load assets with redemption fees.

Q4 2011 vs. Q3 2011

Mackenzie's total assets under management at December 31, 2011 were $61.7 billion, an increase of 1.2% from $60.9 billion at September 30, 2011 as summarized in Table 12. Mackenzie's mutual fund assets under management increased $0.6 billion or 1.6% to $39.2 billion in the quarter and Mackenzie's sub-advisory, institutional and other accounts increased $0.1 billion or 0.5% to $22.5 billion at December 31, 2011.

Redemptions of long-term mutual fund assets in the current quarter were $1.5 billion as compared to $1.7 billion in the quarter ended September 30, 2011. Mackenzie's annualized quarterly redemption rate for long-term funds for the quarter ended December 31, 2011 was 16.0% as compared to 16.4% in the third quarter of 2011.

INVESTMENT MANAGEMENT

Mackenzie's assets under management are diversified by investment objective as set out in Table 13. The development of a broad range of investment capabilities and products has proven to be, and continues to be, a key strength of the organization in satisfying the evolving financial needs of our clients.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2011, 52% of Mackenzie's mutual funds were rated in the top two performance quartiles for the one year time frame, 42% for the three year time frame and 60% 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† fund ranking service. At December 31, 2011, 79% of Mackenzie's mutual fund assets measured by Morningstar† had a rating of three stars or better and 46% had a rating of four or five stars. This compared to the Morningstar† universe of 81% for three stars or better and 41% for four and five star funds at December 31, 2011.

PRODUCTS

Mackenzie's diversified suite of investment products is designed to meet the needs and goals of investors. During the year, Mackenzie continued to adjust its product shelf by providing enhanced investment solutions for financial advisors to offer their investment clients. A summary of product initiatives undertaken this year included the following:

- *February* – Mackenzie announced that the Mackenzie Focus Fund and Mackenzie Focus Class would be managed by five instead of six portfolio management teams. Each portfolio management team selects approximately 10 securities within their style specialty and geographic focus to build a globally diversified portfolio.
- *May* – Mackenzie completed the transfer of investors from its STAR Strategic Asset Allocation Service, Keystone Strategic Allocation Service and Keystone Portfolio Funds into its Symmetry program. This initiative was designed to upgrade Mackenzie's existing asset allocation clients to its Symmetry One Funds and to simplify Mackenzie's asset allocation product and service offering into one product.
- *June* – Mackenzie appointed Putnam Investments as sub-advisor to several Mackenzie high-yield corporate bond funds.

TABLE 13: ASSETS UNDER MANAGEMENT BY INVESTMENT OBJECTIVE – MACKENZIE

($ millions)	2011		2010	
Equity				
Domestic	$ 17,148.6	27.8 %	$ 19,456.4	28.5 %
Foreign	18,404.9	29.9	22,469.4	32.9
	35,553.5	57.7	41,925.8	61.4
Balanced				
Domestic	9,265.7	15.0	10,402.3	15.2
Foreign	1,518.1	2.5	1,811.2	2.7
	10,783.8	17.5	12,213.5	17.9
Fixed Income				
Domestic	12,552.7	20.4	11,737.3	17.2
Foreign	112.1	0.1	113.2	0.1
	12,664.8	20.5	11,850.5	17.3
Money Market				
Domestic	2,626.9	4.3	2,333.2	3.4
Foreign	23.0	-	23.3	-
	2,649.9	4.3	2,356.5	3.4
Total	$ 61,652.0	100.0 %	$ 68,346.3	100.0 %
Consists of:				
Mutual funds	$ 39,140.7	63.5 %	$ 43,452.2	63.6 %
Sub-advisory, institutional and other accounts	22,511.3	36.5	24,894.1	36.4
	$ 61,652.0	100.0 %	$ 68,346.3	100.0 %

- *July* – Mackenzie completed the conversion of the Canadian Shield Fund from a closed-end investment fund to an open-end mutual fund. The new fund was named Mackenzie Universal Canadian Shield Fund.
- *August* – Mackenzie announced a change of portfolio manager for the following funds: Mackenzie Universal International Stock Fund, Mackenzie Universal International Stock Class, Mackenzie Focus Far East Class, Mackenzie Focus Japan Class, Mackenzie Focus International Class and Mackenzie Focus Canada Fund.
- *September* – Mackenzie appointed the Mackenzie Sentinel investment team to manage the fixed income portion of Mackenzie Universal Canadian Balanced Fund.
- *November* – Mackenzie began offering Registered Disability Savings Plans (RDSPs) to eligible clients. RDSPs are an important investment vehicle designed to help families and individuals save for the long-term financial security of Canadians with disabilities.

Mackenzie's earnings before interest and taxes are presented in Table 14.

2011 VS. 2010

Revenues

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 basis. Mackenzie also offers certain 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. Mackenzie does not pay commissions on these non-retail series of its mutual funds. At December 31, 2011, there were $9.9 billion or 25.3% of mutual fund assets in these series of funds, as compared to $9.5 billion or 24.7% at September 30, 2011 and $10.0 billion or 23.0% at December 31, 2010.

TABLE 14: OPERATING RESULTS – MACKENZIE[(1)]

THREE MONTHS ENDED ($ millions)	2011 DEC. 31	2011 SEP. 30	2010 DEC. 31	% CHANGE 2011 SEP. 30	% CHANGE 2010 DEC. 31
Revenues					
Management fees	$ 159.9	$ 170.4	$ 178.3	(6.2)%	(10.3) %
Administration fees	27.4	26.9	27.3	1.9	0.4
Distribution fees	4.9	4.6	6.2	6.5	(21.0)
	192.2	201.9	211.8	(4.8)	(9.3)
Net investment income and other	0.2	1.2	0.4	(83.3)	(50.0)
	192.4	203.1	212.2	(5.3)	(9.3)
Expenses					
Commission	22.5	22.8	25.6	(1.3)	(12.1)
Trailing commission	43.9	46.6	47.4	(5.8)	(7.4)
Non-commission	57.1	58.6	56.3	(2.6)	1.4
	123.5	128.0	129.3	(3.5)	(4.5)
Earnings before interest and taxes	$ 68.9	$ 75.1	$ 82.9	(8.3)%	(16.9) %

TWELVE MONTHS ENDED ($ millions)	2011 DEC. 31	2010 DEC. 31	% CHANGE
Revenues			
Management fees	$ 695.3	$ 687.2	1.2 %
Administration fees	108.3	107.9	0.4
Distribution fees	20.2	22.9	(11.8)
	823.8	818.0	0.7
Net investment income and other	2.4	0.3	N/M
	826.2	818.3	1.0
Expenses			
Commission	94.6	107.4	(11.9)
Trailing commission	191.3	183.4	4.3
Non-commission	239.7	232.3	3.2
	525.6	523.1	0.5
Earnings before interest and taxes	$ 300.6	$ 295.2	1.8 %

(1) Excludes the operating results of Discontinued Operations

Management fees were $159.9 million for the three months ended December 31, 2011, a decrease of $18.4 million or 10.3% from $178.3 million last year. For the twelve months ended December 31, 2011, management fees were $695.3 million, an increase of $8.1 million or 1.2% from $687.2 million in 2010. The change in management fees in both periods was consistent with the movement in Mackenzie's monthly average total assets under management combined with the change in the mix of assets under management.

Monthly average total assets under management were $62.2 billion in the three month period ended December 31, 2011 compared to $66.4 billion in 2010, a decrease of 6.3%. Monthly average total assets under management for the twelve month period ended December 31, 2011 were $66.8 billion as compared to $64.1 billion in 2010, an increase of 4.2%.

Mackenzie's average management fee rate was 102.1 basis points in the three month period ended December 31, 2011, and 104.2 basis points in the twelve month period ended December 31, 2011, compared to 106.6 basis points and 107.3 basis points respectively in 2010. Factors contributing to the net decrease in the average management fee rate as compared to 2010 are as follows:

- Institutional assets and non-retail mutual funds have lower management fees than retail mutual funds. The proportion of Mackenzie's institutional accounts and non-retail mutual funds increased as a percentage of Mackenzie's total assets under management resulting in a decrease to the average management fee rate.
- Changes in the relative proportion of equity and fixed income assets under management, due to market and income as well as net cash flows, as accounts with fixed income mandates have lower management fees.
- Partially offsetting these changes were the lower level of waivers of management fees on Mackenzie's money market funds relative to last year which resulted in an increase to the average management fee rate. Due to the continuing low interest rate environment in the current year, Mackenzie waived a portion of its management fees on these funds in order to maintain positive net returns for investors. In the three and twelve month periods ended December 31, 2011, Mackenzie waived management fees of $0.1 million and $0.3 million respectively on its money market funds as compared to $0.3 million and $5.3 million in 2010.

Administration fees are earned primarily from providing services to the Mackenzie mutual funds.

Administration fees were $27.4 million for the three months ended December 31, 2011, as compared to $27.3 million in 2010. Administration fees were $108.3 million for the twelve months ended December 31, 2011, as compared to $107.9 million in 2010.

Effective August 1, 2007, Mackenzie assumed responsibility for the operating expenses of the Mackenzie funds, other than GST/HST and certain specified fund costs, in return for a fixed rate administration fee established for each fund based on the following criteria:

- From August 1, 2007 until December 31, 2009, and thereafter as may be applicable, the funds that existed as at August 1, 2007 may be required to pay a monthly operating expense adjustment to Mackenzie if the combined average monthly net assets for all Mackenzie funds and series that were subject to the administration fee proposal that was approved by investors on August 7, 2007 fall to a level that is 95% of the amount of their total net assets on August 1, 2007. If it becomes payable, Mackenzie will be entitled to receive an operating expense adjustment for that month from each of those funds and series in such amount that will result in all of those series, collectively, paying an administration fee for the month equal to the administration fee that would have been payable had the monthly net assets equaled 95% of the net assets on August 1, 2007 throughout the month.
- As the applicable mutual fund asset levels as at December 31, 2009 were below 95% of the net asset levels on August 1, 2007, the monthly operating expense adjustment continues until the first month where average asset levels exceed 95% of the net asset levels on August 1, 2007. If, in a subsequent month, the monthly net assets increase to an amount equal to or greater than 95% of the net assets on August 1, 2007, the operating expense adjustment will no longer be payable.

Due to the level of mutual fund assets, Mackenzie continued to receive an operating expense adjustment in the current period. Included in administration fees were operating expense adjustments of $4.7 million in the three months ended December 31, 2011 and $12.1 million in the twelve months ended December 31, 2011, compared to $2.7 million and $12.9 million respectively in 2010.

Mackenzie earns distribution fee income on redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option. 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 December 31, 2011 was $4.9 million, a decrease of $1.3 million from $6.2 million last year.

Distribution fee income in the twelve months ended December 31, 2011, was $20.2 million, a decrease of $2.7 million from $22.9 million in 2010.

Expenses

Mackenzie's expenses were $123.5 million for the three months ended December 31, 2011, a decrease of $5.8 million or 4.5% from $129.3 million last year. Expenses for the twelve months ended December 31, 2011 were $525.6 million, an increase of $2.5 million or 0.5% from $523.1 million in 2010.

Mackenzie pays selling commissions to the dealers that sell its mutual funds on a deferred sales charge and low load purchase option. The expense for deferred selling commissions consists of the amortization of the asset over its useful life and the reduction of the unamortized deferred selling commission asset associated with redemptions. Commission expense, which represents the amortization of selling commissions, was $22.5 million in the three months ended December 31, 2011, as compared to $25.6 million last year. Commission expense in the twelve months ended December 31, 2011 was $94.6 million as compared to $107.4 million in 2010. Mackenzie amortizes selling commissions over a maximum period of three years from the date of original purchase of the applicable low load assets and over a maximum period of seven years from the date of original purchase of the applicable deferred sales charge assets.

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 purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Trailing commissions were $43.9 million in the three months ended December 31, 2011, a decrease of $3.5 million or 7.4% from $47.4 million last year. Trailing commissions in the twelve months ended December 31, 2011 were $191.3 million, an increase of $7.9 million or 4.3% from $183.4 million in the comparative period last year. The change in trailing commissions in both the three and twelve month periods ended December 31, 2011 is consistent with the period over period movement 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 44.3 basis points in the three months ended December 31, 2011 and 45.3 basis points in the twelve months ended December 31, 2011 as compared to 44.6 basis points and 44.9 basis points respectively last year.

Non-commission expenses are incurred by Mackenzie in the administration, marketing and management of its assets under management. Non-commission expenses were $57.1 million in the three months ended December 31, 2011, an increase of $0.8 million or 1.4% from $56.3 million last year. Non-commission expenses in the twelve months ended December 31, 2011 were $239.7 million, an increase of $7.4 million or 3.2% from $232.3 million in the comparative period last year. Mackenzie actively manages its non-commission expenses to enhance its future operating capabilities while at the same time investing in revenue generating initiatives to further grow its business.

Q4 2011 VS. Q3 2011

Revenues

Management fees were $159.9 million for the current quarter, a decrease of $10.5 million or 6.2% from $170.4 million in the third quarter of 2011. Factors contributing to this decrease are as follows:

- Monthly average total assets under management were $62.2 billion in the current quarter compared to $65.4 billion in the quarter ended September 30, 2011, a decrease of 5.0%.
- Mackenzie's average management fee rate was 102.1 basis points in the current quarter as compared to 103.3 basis points in the third quarter of 2011. Contributing to the decline is the relative change in Mackenzie's institutional accounts and in its non-retail mutual funds relative to the change in its retail mutual funds and the increased proportion of assets under management with fixed income mandates relative to accounts with equity mandates.

Administration fees were $27.4 million in the current quarter compared to $26.9 million in the quarter ended September 30, 2011. Included in administration fees for the current quarter were fund operating expense adjustments of $4.7 million as compared to $3.7 million in the third quarter of 2011.

Expenses

Mackenzie's expenses were $123.5 million for the current quarter, a decrease of $4.5 million or 3.5% from $128.0 million in the third quarter of 2011.

Commission expense, which represents the amortization of selling commissions, was $22.5 million in the quarter ended December 31, 2011, as compared to $22.8 million in the third quarter of 2011. Trailing commissions were $43.9 million in the current quarter, a decrease of $2.7 million or 5.8% from $46.6 million in the third quarter of 2011.

Non-commission expenses were $57.1 million in the current quarter, a decrease of $1.5 million or 2.6% from $58.6 million in the third quarter of 2011.

Corporate and Other
Review of Segment Operating Results

The Corporate and Other segment includes net investment income not allocated to the Investors Group or Mackenzie segments, the Company's proportionate share of earnings of its affiliate, Great-West Lifeco Inc., operating results for Investment Planning Counsel Inc., other income, as well as consolidation elimination entries.

Corporate and other earnings before interest and taxes are presented in Table 15.

2011 VS. 2010

Net investment income and other totalled $19.9 million in the fourth quarter of 2011, a decrease of $1.4 million compared with 2010. Net investment income and other totalled $83.8 million for the twelve months ended December 31, 2011, a decrease of $2.9 million compared with 2010.

Earnings before interest and taxes related to Investment Planning Counsel were $3.5 million higher in the fourth quarter of 2011 compared to the same period in 2010 and $11.1 million higher in the twelve months ended December 31, 2011 compared with 2010.

Q4 2011 VS. Q3 2011

Net investment income and other totalled $19.9 million in the fourth quarter of 2011, a decrease of $1.9 million from the previous quarter.

Earnings before interest and taxes related to Investment Planning Counsel were $0.4 million higher in the fourth quarter of 2011 compared with the previous quarter.

TABLE 15: OPERATING RESULTS – CORPORATE AND OTHER

THREE MONTHS ENDED *($ millions)*	2011 Dec. 31	2011 Sep. 30	2010 Dec. 31	% CHANGE 2011 Sep. 30	% CHANGE 2010 Dec. 31
Revenues					
Fee income	$ 42.4	$ 43.3	$ 42.6	(2.1)%	(0.5) %
Net investment income and other	19.9	21.8	21.3	(8.7)	(6.6)
	62.3	65.1	63.9	(4.3)	(2.5)
Expenses					
Commission	27.5	28.2	28.3	(2.5)	(2.8)
Non-commission	10.5	11.1	13.3	(5.4)	(21.1)
	38.0	39.3	41.6	(3.3)	(8.7)
Earnings before interest and taxes	$ 24.3	$ 25.8	$ 22.3	(5.8)%	9.0 %

TWELVE MONTHS ENDED *($ millions)*	2011 Dec. 31	2010 Dec. 31	% CHANGE
Revenues			
Fee income	$ 180.8	$ 142.1	27.2 %
Net investment income and other	83.8	86.7	(3.3)
	264.6	228.8	15.6
Expenses			
Commission	119.5	92.3	29.5
Non-commission	45.8	44.9	2.0
	165.3	137.2	20.5
Earnings before interest and taxes	$ 99.3	$ 91.6	8.4 %

IGM Financial Inc.
Consolidated Financial Position

IGM Financial's total assets were $11.1 billion at December 31, 2011, compared to $12.2 billion at December 31, 2010.

SECURITIES

The composition of the Company's securities holdings is detailed in Table 16.

Available for Sale (AFS) Securities

Securities classified as available for sale include equity securities and investments in proprietary investment funds. Unrealized gains and losses on available for sale securities are recorded in Other comprehensive income until they are realized or until management determines that there is objective evidence of impairment, at which time they are recorded in the Consolidated Statements of Earnings and subsequent losses are recorded to net earnings. For the year ended December 31, 2011, the Company has recorded impairment losses of $1.1 million on certain available for sale securities, compared to $4.0 million in 2010.

Fair Value Through Profit or Loss Securities

Securities classified as fair value through profit or loss include Canada Mortgage Bonds, which are discussed below, and fixed income securities comprised of the restructured notes of the master asset vehicle (MAV) conduits. Unrealized gains and losses are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Canada Mortgage Bonds were initially purchased in 2009 as part of the Company's ongoing interest rate risk management activities related to its participation in the CMB Program. The Canada Mortgage Bonds are financed through repurchase agreements, which represent short-term funding transactions where the Company sells securities that it owns and commits to repurchase these securities at a specified price on a specified date in the future.

During the second quarter, the Company sold $425.6 million of the Canada Mortgage Bonds and settled $427.6 million of the related repurchase agreements as the Company achieved its risk and investment management objectives related to these bonds.

The remaining securities had a fair value of $227.2 million at December 31, 2011. The obligation to repurchase the securities is recorded at amortized cost and had a carrying value of $227.3 million. The interest expense related to these obligations is recorded on an accrual basis in Net investment income and other in the Consolidated Statements of Earnings.

LOANS

Loans totalled $4.09 billion at December 31, 2011 and represented 36.7% of total assets, compared to 33.5% at December 31, 2010. Loans related to continuing operations consisted of residential mortgages:

- Sold to securitization programs which are classified as loans and receivables and totalled $3.76 billion compared to $3.47 billion at December 31, 2010. In applying the derecognition criteria under IAS 39 Financial Instruments, the Company has recorded these loans on its balance sheet following securitization. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $3.83 billion at December 31, 2011, compared to $3.51 billion at December 31, 2010.

TABLE 16: SECURITIES

	December 31, 2011		December 31, 2010	
($ thousands)	COST	FAIR VALUE	COST	FAIR VALUE
Available for sale				
Common shares	$ 4,876	$ 4,876	$ 5,843	$ 7,698
Proprietary investment funds	30,725	31,173	32,214	37,794
Fixed income securities(1)	-	-	243,939	243,748
	35,601	36,049	281,996	289,240
Fair value through profit or loss				
Canada Mortgage Bonds	220,432	227,206	647,318	637,850
Fixed income securities	30,817	29,177	31,301	27,601
	251,249	256,383	678,619	665,451
	$ 286,850	$ 292,432	$ 960,615	$ 954,691

(1) Fixed income securities at December 31, 2010 related to MRS discontinued operations as discussed in the Summary of Consolidated Operating Results in this MD&A.

- Related to the Company's mortgage banking operations which are classified as held for trading and totalled $292.1 million compared to $187.3 million at December 31, 2010. These loans are held by the Company pending sale or securitization.
- Related to the Company's intermediary operations which are classified as loans and receivables and totalled $31.3 million, compared to $39.5 million at December 31, 2010.

The collective allowance for credit losses related to continuing operations was $0.8 million at December 31, 2011, compared to $0.6 million at December 31, 2010.

Residential mortgages originated by Investors Group are funded primarily through sales to third parties on a fully serviced basis, including CMHC or Canadian bank sponsored securitization programs. Investors Group services residential mortgages of $8.2 billion, including $1.9 billion originated by subsidiaries of Great-West Lifeco Inc.

As at December 31, 2010, loans related to the discontinued intermediary operations of M.R.S. Trust Company totalled $394.7 million and were classified as Loans on the Consolidated Balance Sheets in accordance with IFRS. These loans were disposed of in 2011 through the sale of MRS.

The Company's exposure to and management of credit risk and interest rate risk related to its loan portfolios and its mortgage banking operations is discussed in the Financial Instruments section of this MD&A.

INVESTMENT IN AFFILIATE

The Company currently has a 4% equity interest in Great-West Lifeco Inc. (Lifeco), an affiliated company. Both IGM Financial and Lifeco are controlled by Power Financial Corporation.

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence over Lifeco. The Company's proportionate share of Lifeco's earnings is recorded in Net investment income and other in the Corporate and other reportable segment. Changes in the carrying value for the three and twelve month periods ended December 31, 2011 compared with the same periods in 2010 are shown in Table 17.

SECURITIZATION ARRANGEMENTS

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC)-sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) and the Canada Mortgage Bond Program (CMB Program) and through Canadian bank-sponsored ABCP programs. These securitizations were classified as off-balance sheet arrangements in accordance with previous Canadian GAAP. In accordance with IFRS, these securitization arrangements are now reflected on the Consolidated Balance Sheets as discussed in the Change in Accounting Policies – Derecognition of Financial Assets section of this MD&A.

TABLE 17: INVESTMENT IN AFFILIATE

	three months ended December 31		twelve months ended December 31	
($ millions)	2011	2010	2011	2010
Carrying value, beginning of period	$ 579.0	$ 570.4	$ 580.5	$ 574.8
Proportionate share of earnings	18.6	18.6	74.5	70.8
Proportionate share of affiliate's provision(1)	5.0	-	5.0	(8.2)
Dividends received	(11.6)	(11.6)	(46.5)	(46.5)
Proportionate share of other comprehensive income (loss) and other adjustments	21.5	3.1	(1.0)	(10.4)
Carrying value, end of period	$ 612.5	$ 580.5	$ 612.5	$ 580.5
Fair value, end of period	$ 769.0	$ 996.1	$ 769.0	$ 996.1

(1) Refer to the Summary of Consolidated Operating Results in this MD&A.

Through the Company's mortgage banking operations, residential mortgages originated by Investors Group mortgage planning specialists are sold to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company retains servicing responsibilities and certain elements of credit risk associated with the transferred assets. The Company's credit risk on its securitization activities is limited through the use of insurance as substantially all securitized mortgages are insured. The Company retains prepayment risk associated with the securitized loans. Accordingly, the Company has recorded these loans on its balance sheet following securitization. During 2011, the Company securitized loans through its mortgage operations with cash proceeds of $1.4 billion compared to $1.2 billion in 2010. The fair value of the Company's retained interest was $24.3 million at December 31, 2011 compared to $107.0 million at December 31, 2010. The retained interest includes cash reserve accounts of $10.7 million, which are reflected on the balance sheet, and rights to future excess spread of $90.5 million, which are not reflected on the balance sheet. The retained interest also includes the component of a swap entered into under the Canada Mortgage Bond Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. This component of the swap is recorded on the balance sheet and had a negative fair value of $76.9 million at December 31, 2011. Additional information related to the Company's securitization activities can be found in the Financial Instruments section of this MD&A and in Notes 2 and 7 of the Consolidated Financial Statements.

Consolidated Liquidity and Capital Resources

LIQUIDITY

Cash and cash equivalents totalled $1.05 billion at December 31, 2011 compared with $1.57 billion at December 31, 2010. Cash and cash equivalents related to the Company's deposit operations were $18.1 million at December 31, 2011 compared with $326.2 million at December 31, 2010, as shown in Table 18.

Net working capital totalled $969.4 million at December 31, 2011 compared with $612.9 million at December 31, 2010. Net working capital excludes the Company's deposit operations as shown in Table 18.

Net working capital is utilized to:

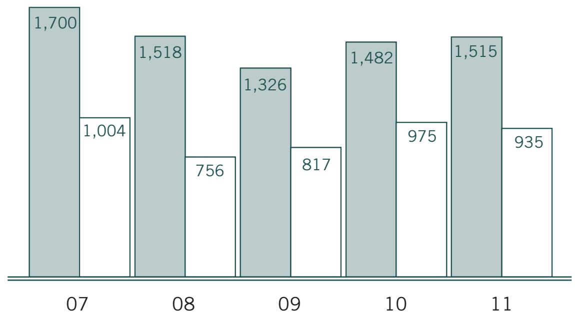
- Finance ongoing operations, including the funding of selling commissions.
- Temporarily finance mortgages in its mortgage banking operations.
- Pay interest and dividends related to long-term debt and preferred shares.
- Maintain liquidity requirements for regulated entities.
- Pay quarterly dividends on its outstanding common shares.
- Finance common share purchases 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 $1.52 billion in 2011 compared to $1.48 billion in 2010. EBITDA for each period under review excludes the impact of amortization of deferred selling commissions which totalled $281.6 million in 2011 compared to $291.7 million in 2010. As well as being an important alternative measure of performance, EBITDA as reported by the Company is one of the primary measures utilized by investment analysts and credit rating agencies in reviewing asset management companies.

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

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

For the financial year *($ millions)*



EBITDA

2008 excluded proportionate share of affiliate's impairment charge and affiliate's gain.

2009 excluded a non-cash charge on AFS equity securities, a premium paid on the redemption of preferred shares and earnings on discontinued operations.

2010 excluded non-recurring items related to transition to IFRS, the proportionate share of an affiliate's incremental litigation provision and earnings on discontinued operations.

2011 excluded earnings on discontinued operations and the proportionate share of the benefit related to the changes in an affiliate's litigation provisions.

TABLE 18: DEPOSIT OPERATIONS – FINANCIAL POSITION(1)

As at December 31 *($ millions)*		2011		2010(1)
Assets				
Cash and cash equivalents	$	18.1	$	326.2
Securities		-		243.7
Accounts and other receivables		121.3		-
Loans		23.9		422.5
Total assets	$	163.3	$	992.4
Liabilities and shareholders' equity				
Deposit liabilities	$	150.7	$	834.8
Other liabilities – net		-		39.6
Subordinated debt		-		20.0
Shareholders' equity		12.6		98.0
Total liabilities and shareholders' equity	$	163.3	$	992.4

(1) 2010 includes assets, liabilities and shareholder's equity of MRS Trust which was sold in November 2011.

Cash Flows

Table 19 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Consolidated Financial Statements for the year ended December 31, 2011. Cash and cash equivalents from continuing operations decreased by $233.4 million in 2011 compared to an increase of $609.5 million in 2010.

Operating activities from continuing operations, before payment of commissions, generated $1.01 billion during the year ended December 31, 2011, as compared to $1.06 billion in 2010. Cash commissions paid were $237.7 million in 2011 compared to $238.9 million in 2010. Net cash flows from operating activities, net of commissions paid, were $776.6 million in 2011 as compared to $823.7 million in 2010.

Financing activities from continuing operations during the year ended December 31, 2011 compared to 2010 related primarily to:

- A net decrease of $3.6 million in deposits and certificates in 2011 compared to a net decrease of $3.5 million in 2010.
- A net payment of $408.0 million in 2011 arising from obligations related to assets sold under repurchase agreements compared to net proceeds of $5.5 million in 2010. The net payment in 2011 included the settlement of $427.6 million in obligations related to the sale of $425.6 million in Canada Mortgage Bonds which are reported in Investing activities.
- A net increase of $318.6 million in 2011 arising from obligations to securitization entities compared to a net increase of $192.9 million in 2010.
- The repayment on maturity of the $450.0 million 2001 Series 6.75% debentures in 2011.
- Proceeds received on the issuance of common shares of $35.1 million in 2011 compared with $33.2 million in 2010.
- The purchase of 4,185,000 common shares in 2011 under IGM Financial's normal course issuer bid at a cost of $185.8 million compared with the purchase of 3,956,700 common shares at a cost of $156.9 million in 2010.
- The payment of perpetual preferred share dividends which totalled $8.9 million in 2011 compared to $7.9 million in 2010.
- The payment of regular common share dividends which totalled $536.2 million in 2011 compared to $537.6 million in 2010.

Financing activities during 2010 also included net proceeds received on the issuance of debentures of $200.0 million in the fourth quarter.

Investing activities from continuing operations during the year ended December 31, 2011 compared to 2010 related primarily to:

- The purchases of securities totalling $17.1 million and sales of securities with proceeds of $446.9 million in 2011 compared to $6.8 million and $287.3 million, respectively, in 2010. Proceeds in 2011 included sales of $425.6 million of Canada Mortgage Bonds.
- A net increase in loans of $370.4 million in 2011 compared to a net increase of $161.2 million in 2010 related primarily to residential mortgages in the Company's mortgage banking operations.
- The proceeds from the sale of MRS of $198.7 million in 2011.

TABLE 19: CASH FLOWS

($ millions)	2011	2010	% CHANGE
Operating activities – continuing operations			
Before payment of commissions	$ 1,014.3	$ 1,062.6	(4.5) %
Commissions paid	(237.7)	(238.9)	0.5
Net of commissions paid	776.6	823.7	(5.7)
Financing activities – continuing operations	(1,238.7)	(274.3)	N/M
Investing activities – continuing operations	228.7	60.1	N/M
(Decrease) increase in cash and cash equivalents from continuing operations	(233.4)	609.5	(138.3)
Decrease (increase) in cash and cash equivalents from discontinued operations	(287.8)	19.0	N/M
Cash and cash equivalents from continuing and discontinued operations, beginning of year	1,573.6	945.1	66.5
Cash and cash equivalents, end of year	1,052.4	1,573.6	(33.1)
Less: Cash and cash equivalents from discontinued operations, end of year	-	(287.8)	100.0
Cash and cash equivalents, end of year – continuing operations	$ 1,052.4	$ 1,285.8	(18.2) %

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, perpetual preferred shares and common shareholders' equity which totalled $5.8 billion at December 31, 2011, compared to $6.1 billion at December 31, 2010. The Company regularly assesses its capital management practices in response to changing economic conditions.

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 advisors, securities dealers and mutual fund dealers. In addition, during the third quarter of 2010, certain subsidiaries of the Company applied to be registered as Investment Fund Managers with the applicable securities commissions as required under National Instrument 31-103. These subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. The Company's subsidiaries have complied with all regulatory capital requirements.

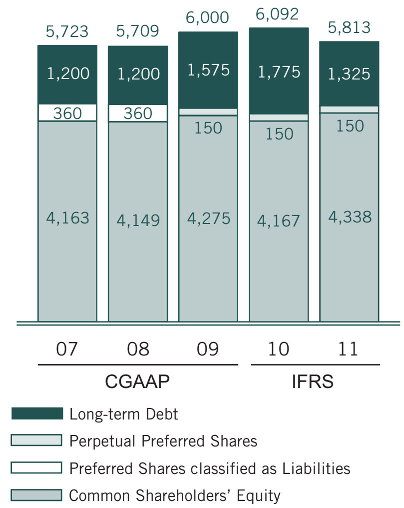
The total outstanding long-term debt was $1,325.0 million at December 31, 2011, compared to $1,775.0 million at December 31, 2010. The decrease of $450.0 million is related to the maturity of the 2001 Series, 6.75% debentures on May 9, 2011. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

Perpetual preferred shares of $150 million remain unchanged.

The Company purchased 4,185,000 common shares during the year ended December 31, 2011 at a cost of $185.8 million under its normal course issuer bid (refer to Note 17 to the Consolidated Financial Statements). The Company commenced a normal course issuer bid on April 12, 2011 to purchase up to 5% of its common shares in order to provide flexibility to purchase common shares as conditions warrant. Other activities in 2011 included the declaration of perpetual preferred share dividends of $8.9 million or $1.475 per share and common share dividends of $541.0 million or $2.10 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

Capital

As at December 31 *($ millions)*



Standard & Poor's (S&P) current rating on the Company's senior debt and liabilities is "A+" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Company's senior unsecured debentures is "A (High)" with a stable outlook.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

These ratings are not a recommendation to buy, sell or hold the securities of the Company and do not address market price, nor other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The "A+" rating assigned to the Company's senior unsecured debentures by S&P is the third highest of the ten major rating categories for long-term debt and indicates S&P's view that the Company's capacity to meet its financial commitment on the obligation is strong, but the Company is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than companies in higher rated categories. S&P uses "+" or "-" designations to indicate the relative standing within the major rating categories.

According to S&P, the "Stable" rating outlook means that S&P considers that the rating is unlikely to change over the intermediate term. A stable outlook is not necessarily a precursor to an upgrade.

The A (High) rating assigned to IGM Financial's senior unsecured debentures by DBRS is the third highest of the ten rating categories for long-term debt. Under the DBRS system, debt securities rated A (High) are of good credit quality and protection of interest and principal is considered substantial. While this is a favourable rating, entities in the A (High) category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated companies. A reference to "high" or "low" reflects the relative strength within the rating category, while the absence of either a "high" or "low" designation indicates the rating is placed in the middle of the category.

According to DBRS, the "Stable" rating trend helps give investors an understanding of DBRS's opinion regarding the outlook for the rating.

FINANCIAL INSTRUMENTS

Table 20 presents the carrying value and the fair value of financial instruments.

Fair value is determined using the following methods and assumptions:

- The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, repurchase agreements, certain other financial assets, and other financial liabilities.
- Securities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk and maturity.
- Obligations to securitization entities are valued by discounting the expected future cash flows by prevailing market yields for securities issued by these securitization entities having like maturities and characteristics.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

TABLE 20: FINANCIAL INSTRUMENTS

	December 31, 2011		December 31, 2010[1]	
($ millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	$ 1,052.4	$ 1,052.4	$ 1,573.6	$ 1,573.6
Securities	292.5	292.5	954.7	954.7
Accounts and other receivables	282.0	282.0	203.4	203.4
Loans	4,085.9	4,144.3	4,094.7	4,176.6
Derivative instruments	88.1	88.1	40.9	40.9
Other financial assets	6.3	6.3	5.0	5.0
Total financial assets	$ 5,807.2	$ 5,865.6	$ 6,872.3	$ 6,954.2
Liabilities				
Accounts payable and accrued liabilities	$ 300.1	$ 300.1	$ 306.1	$ 306.1
Repurchase agreements	227.3	227.3	635.3	635.3
Derivative instruments	111.4	111.4	78.7	78.7
Deposits and certificates	150.7	152.0	834.8	840.1
Other financial liabilities	221.3	221.3	223.7	223.7
Obligations to securitization entities	3,827.4	3,930.4	3,505.5	3,564.4
Long-term debt	1,325.0	1,586.7	1,775.0	1,966.5
Total financial liabilities	$ 6,163.2	$ 6,529.2	$ 7,359.1	$ 7,614.8

(1) December 31, 2010 includes balances related to MRS discontinued operations as discussed in the Summary of Consolidated Operating Results in this MD&A.

- Long-term debt is valued using quoted prices for each respective debenture available in the market.
- Derivative financial instruments fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

Details of each component of the financial instruments are contained in various notes to the Consolidated Financial Statements, including Note 23 which provides additional discussion on the determination of fair value of financial instruments.

Although there were 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 year ended December 31, 2011. The Company actively manages risks that arise as a result of holding financial instruments which 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. The Company's liquidity management practices include:

- Controls over liquidity management processes.
- Stress testing of various operating scenarios.
- Oversight over liquidity management by Committees of the Board of Directors.

As part of ongoing liquidity management during 2011 and 2010, the Company:

- Repaid the $450.0 million 2001 Series 6.75% debentures on maturity.
- Completed a public offering of $200 million 6.00% debentures on December 9, 2010 maturing in December 2040.
- Filed a short form base shelf prospectus in December 2010 to give the Company more timely access to the capital markets.
- Continued to assess additional funding sources for the Company's mortgage banking operations.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. Commissions on the sale of mutual funds continue to be paid from operating cash flows.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, residential mortgages are sold or securitized to:

- Investors Mortgage and Short Term Income Fund and Investors Canadian Corporate Bond Fund;
- Third parties, including CMHC or Canadian bank sponsored securitization trusts; or
- Institutional investors through private placements.

Certain subsidiaries of Investors Group are approved issuers of NHA MBS and are approved sellers into the CMB Program. This issuer and seller status provides Investors Group with additional funding sources for residential mortgages. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions that are subject to change. A condition of the NHA MBS and CMB Programs is that securitized loans be insured by an Approved Insurer. The availability of mortgage insurance is similarly dependent upon market conditions that are subject to change.

Liquidity requirements for the trust subsidiary which engages in financial intermediary activities are based on policies approved by a committee of its Board of Directors. As at December 31, 2011, the trust subsidiary's liquidity was in compliance with these policies.

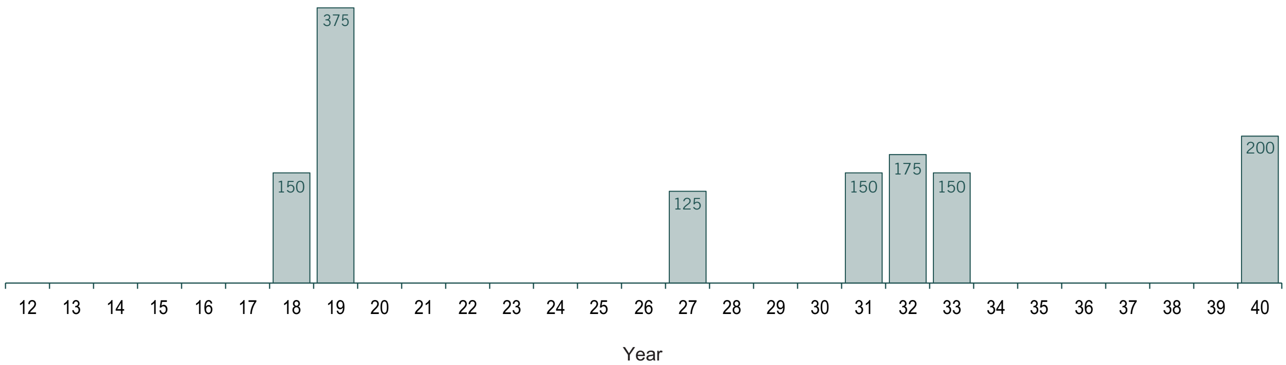
The Company's contractual maturities are reflected in Table 21.

TABLE 21: CONTRACTUAL OBLIGATIONS

As at December 31, 2011 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1 – 5 YEARS	AFTER 5 YEARS	TOTAL
Deposits and certificates	$ 121.7	$ 9.6	$ 14.8	$ 4.6	$ 150.7
Derivative instruments	-	34.2	73.1	4.1	111.4
Obligations to securitization entities	-	547.0	3,261.0	19.3	3,827.3
Long-term debt	-	-	-	1,325.0	1,325.0
Operating leases(1)	-	46.9	135.4	80.3	262.6
Total contractual obligations	$ 121.7	$ 637.7	$ 3,484.3	$ 1,433.3	$ 5,677.0

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

Long-Term Debt Maturity Schedule
($ millions)



The maturity schedule for long-term debt of $1,325 million, with no debt repayment due until 2018, is reflected in the accompanying chart (Long-Term Debt Maturity Schedule).

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's operating lines of credit. The Company's operating lines of credit with various Schedule I Canadian chartered banks totalled $325 million as at December 31, 2011, unchanged from December 31, 2010. The operating lines of credit as at December 31, 2011 consisted of committed lines of $150 million and uncommitted lines of $175 million. The Company has accessed its uncommitted operating lines of credit in the past; however, any advances made by the banks under the uncommitted operating lines are at the banks' sole discretion. As at December 31, 2011 and 2010, the Company was not utilizing its committed lines of credit or its uncommitted operating lines of credit.

The Company accessed the capital markets most recently in December 2010, however, its ability to access capital markets to raise funds in future 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 continues to have the ability to meet its operational cash flow requirements, its contractual obligations, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the performance of debt and equity markets. The Company's liquidity position and its management of liquidity risk have not changed materially since December 31, 2010.

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 portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At December 31, 2011, cash and cash equivalents of $1,052.4 million consisted of cash balances of $97.0 million on deposit with Canadian chartered banks and cash equivalents of $955.4 million. Cash equivalents are comprised primarily of Government of Canada treasury bills totalling $521.0 million, provincial government and government guaranteed commercial paper of $340.4 million and bankers' acceptances issued by Canadian chartered banks of $93.7 million. 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 manages credit risk related to cash and cash equivalents by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

Fair value through profit or loss securities include Canada Mortgage Bonds with a fair value of $227.2 million and fixed income securities which are comprised of the restructured notes of the MAV conduits with a fair value of $29.2 million. These fair values represent the maximum exposure to credit risk at December 31, 2011. Refer to Note 5 to the Consolidated Financial Statements for information related to the valuation of the MAV conduits.

The Company regularly reviews the credit quality of the mortgage portfolios, related to the Company's mortgage banking operations and its intermediary operations, as well as the adequacy of the collective allowance. As at December 31, 2011, mortgages related to continuing operations totalled $4.09 billion and consisted of residential mortgages:

- Sold to securitization programs which are classified as loans and receivables and totalled $3.76 billion compared to $3.47 billion at December 31, 2010. In applying the derecognition criteria under IAS 39 Financial Instruments, the Company has recorded these loans on its balance sheet following securitization. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $3.83 billion at December 31, 2011, compared to $3.51 billion at December 31, 2010.
- Related to the Company's mortgage banking operations which are classified as held for trading and totalled $292.1 million compared to $187.3 million at December 31, 2010. These loans are held by the Company pending sale or securitization.
- Related to the Company's intermediary operations which are classified as loans and receivables and totalled $31.3 million at December 31, 2011, compared to $39.5 million at December 31, 2010.

As at December 31, 2011, the mortgage portfolios related to the Company's intermediary operations were geographically diverse, 100% residential (2010 – 100%) and 99.4% insured (2010 – 99.0%). As at December 31, 2011, impaired and uninsured non-performing mortgages over 90 days were nil, unchanged from December 31, 2010. The characteristics of the mortgage portfolio have not changed significantly during 2011.

The Company purchases portfolio insurance from CMHC on newly funded qualifying conventional mortgages. Under the NHA MBS and CMB Program, it is a requirement that securitized mortgages be insured against default by an approved insurer, and the Company has also insured substantially all loans securitized through ABCP programs. At December 31, 2011, 93.0% of the securitized portfolio and the residential mortgages classified as held for trading were insured compared to 94.1% at December 31, 2010. As at December 31, 2011, impaired loans on these portfolios were $1.1 million, compared to $1.0 million at December 31, 2010. At December 31, 2011, there were no uninsured non-performing mortgages over 90 days on these portfolios, compared to $0.3 million at December 31, 2010.

The collective allowance for credit losses related to continuing operations was $0.8 million at December 31, 2011, compared to $0.6 million at December 31, 2010, and is considered adequate by management to absorb all credit related losses in the mortgage portfolios.

The Company retains certain elements of credit risk on securitized loans. At December 31, 2011, 96.2% of securitized loans were insured against credit losses. The Company's credit risk on its securitization activities is limited to its retained interest. The fair value of the Company's retained interests in securitized mortgages was $24.3 million at December 31, 2011 compared to $107.0 million at December 31, 2010. Retained interests include:

- *Cash reserve accounts and rights to future net interest income* – which were $10.7 million and $90.5 million, respectively, at December 31, 2011. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages.

  The portion of this amount pertaining to Canadian bank-sponsored securitization trusts of $44.9 million is subordinated to the interests of the trust and represents the maximum exposure to credit risk for any failure of the borrowers to pay when due. Credit risk on these mortgages is mitigated by any insurance on these mortgages, as previously discussed, and the Company's credit risk on insured loans is to the insurer. At December 31, 2011, 86.5% of the $1.1 billion in outstanding mortgages securitized under these programs were insured.

  Rights to future net interest income under the NHA MBS and CMB Program totalled $56.3 million. Under the NHA MBS and CMB Program, the Company has an obligation to make timely payments to security holders regardless of whether amounts are received from mortgagors. All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. Outstanding mortgages securitized under these programs are $2.7 billion.
- *Fair value of principal reinvestment account swaps* – had a negative fair value of $76.9 million at December 31, 2011 which is reflected on the Company's balance sheet. These swaps represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. The notional amount of these swaps was $556.3 million at December 31, 2011.

The Company's exposure to credit risk related to cash and cash equivalents, fixed income securities and mortgage and investment loan portfolios has been significantly reduced since December 31, 2010 as a result of the sale of MRS. However, the Company's management of credit risk on its continuing operations has not changed materially since December 31, 2010.

The Company utilizes derivatives to hedge interest rate risk and reinvestment risk associated with its mortgage banking and securitization activities, as well as market risk related to certain stock-based compensation arrangements.

The Company participates in the CMB Program by entering into back-to-back swaps whereby Canadian Schedule I chartered banks designated by the Company are between the Company and the Canadian Housing Trust. The Company receives coupons on NHA MBS and eligible principal reinvestments and pays coupons on the Canada Mortgage Bonds. The Company also enters into interest rate swaps to hedge interest rate and reinvestment risk associated with the CMB Program. The negative fair value of these swaps totalled $25.9 million at December 31, 2011 and the outstanding notional amount was $4.4 billion. Certain of these swaps relate to securitized mortgages that have been recorded in the Company's balance sheet with an associated obligation. Accordingly, these swaps, with an outstanding notional amount of $2.7 billion and having a negative fair value of $33.3 million, are not reflected on the balance sheet. Principal reinvestment account swaps and hedges of reinvestment and interest rate risk, with an outstanding notional amount of $1.7 billion and having fair value of $7.4 million, are reflected on the balance sheet. The exposure to credit risk, which is limited to the fair value of swaps in a gain position, totalled $87.1 million at December 31, 2011 compared to $21.7 million at December 31, 2010.

The Company utilizes interest rate swaps to hedge interest rate risk associated with mortgages securitized through Canadian bank-sponsored ABCP programs. The negative fair value of these interest rate swaps totalled $23.4 million on an outstanding notional amount of $1.0 billion at December 31, 2011. The exposure to credit risk, which is limited to the fair value of swaps in a gain position, totalled $0.6 million at December 31, 2011 compared to $1.3 million at December 31, 2010.

The Company also utilizes interest rate swaps to hedge interest rate risk associated with its investments in Canada Mortgage Bonds. The negative fair value of these interest rate swaps totalled $7.4 million on an outstanding notional amount of $200.0 million at December 31, 2011. The exposure to credit risk, which is limited to the fair value of the interest rate swaps which are in a gain position, was nil at December 31, 2011 compared to $15.1 million at December 31, 2010.

The Company enters into other derivative contracts which consist primarily of interest rate swaps utilized to hedge interest rate risk related to mortgages held pending sale, or committed to, by the Company as well as total return swaps and forward agreements on IGM Financial common shares utilized to hedge deferred compensation arrangements. The fair value of interest rate swaps, total return swaps and forward agreements was nil on an outstanding notional amount of $76.4 million at December 31, 2011 compared to a fair value of $0.8 million on an outstanding notional amount of $118.1 million at December 31, 2010. The exposure to credit risk, which is limited to the fair value of those instruments which are in a gain position, was $0.8 million at December 31, 2011, unchanged from December 31, 2010.

The aggregate credit risk exposure related to derivatives that are in a gain position of $88.5 million does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements, was $0.3 million at December 31, 2011. Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2011. Management of credit risk related to derivatives has not changed materially since December 31, 2010.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Notes 2, 7 and 22 to the Consolidated Financial Statements.

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 foreign exchange rates, interest 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.

Interest Rate Risk

The Company is exposed to interest rate risk on its loan portfolio, fixed income securities, Canada Mortgage Bonds 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 and liability management is to control interest rate risk related to its intermediary operations by actively managing its interest rate exposure. As at December 31, 2011, the total gap between deposit assets and liabilities was within the Company's trust subsidiary's stated guidelines.

The Company utilizes interest rate swaps with Canadian Schedule I chartered bank counterparties in order to reduce the impact of fluctuating interest rates on its mortgage banking operations, as follows:

- The Company has funded fixed rate mortgages with ABCP as part of the securitization transactions with bank-sponsored securitization trusts. The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that ABCP rates rise. However, the Company remains exposed to the basis risk that ABCP rates are greater than the bankers' acceptances rates that it receives on its hedges.
- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages declines. As previously discussed, as part of the CMB Program, the Company also is entitled to investment returns on reinvestment of principal repayments of securitized mortgages and is obligated to pay Canada Mortgage Bond coupons that are generally fixed rate. The Company hedges the risk that reinvestment returns decline by entering into interest rate swaps with Canadian Schedule I chartered bank counterparties.
- The Company is exposed to the impact that changes in interest rates may have on the value of its investments in Canada Mortgage Bonds. The Company enters into interest rate swaps with Canadian Schedule I chartered bank counterparties to hedge interest rate risk on these bonds.
- The Company is also exposed to the impact that changes in interest rates may have on the value of mortgages held, or committed to, by the Company. The Company may enter into interest rate swaps to hedge this risk.

As at December 31, 2011, the impact to annual net earnings of a 100 basis point change in interest rates would have been approximately $4.3 million. The Company's exposure to and management of interest rate risk has not changed materially since December 31, 2010.

Equity Price Risk

The Company is exposed to equity price risk on its proprietary investment funds which are classified as available for sale securities as shown in Table 16. Unrealized gains and losses on these securities are recorded in Other comprehensive income until they are realized or until management determines there is objective evidence of impairment in value, at which time they are recorded in the Consolidated Statements of Earnings.

The Company sponsors a number of deferred compensation arrangements where payments to participants are linked to the performance of the common shares of IGM Financial. The Company hedges this risk through the use of forward agreements and total return swaps.

RISKS RELATED TO ASSETS UNDER MANAGEMENT

At December 31, 2011, IGM Financial's total assets under management were $118.7 billion compared to $129.5 billion at December 31, 2010.

The Company is subject to the risk of asset volatility from changes in the Canadian and global financial and equity markets. Changes in these markets have caused in the past, and will cause in the future, changes in the Company's assets under management, revenues and earnings. Global economic conditions, exacerbated by financial crises, changes in the equity marketplace, currency exchange rates, interest rates, inflation rates, the yield curve, defaults by derivative counterparties and other factors including political and government instability that are difficult to predict affect the mix, market values and levels of assets under management.

The Company's assets under management may be subject to unanticipated redemptions as a result of such events. Changing market conditions may also cause a shift in asset mix between equity and fixed income assets due to market and income as well as net cash flows, potentially resulting in a decline in the Company's revenue and earnings depending upon the nature of the assets under management and the level of management fees earned.

Interest rates at unprecedented low levels have significantly decreased the yields of the Company's money market and managed yield mutual funds. Since 2009, Investors Group and Mackenzie have waived a portion of investment management fees or absorbed some expenses to ensure that these funds maintained positive yields. The Company will review its practices in this regard in response to changing market conditions.

TABLE 22: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

As at December 31	2011	2010
IGM Financial Inc.		
Investors Group	8.8 %	8.3 %
Mackenzie	15.8 %	16.5 %
Counsel	10.9 %	12.0 %

Redemption rates for long-term funds are summarized in Table 22 and are discussed in the Investors Group and Mackenzie Segment Operating Results sections of this MD&A.

IGM Financial provides Consultants, independent financial advisors, and strategic alliance and institutional clients 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 which, in turn, should result in maintaining strong client relationships and lower rates of redemptions. The Company's subsidiaries also continually review product pricing to ensure competitiveness in the marketplace in relation to the nature and quality of services provided.

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

OTHER RISK FACTORS

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 and on responding to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice, as discussed in the Investors Group Review of the Business section of this MD&A.

Mackenzie – Mackenzie derives the majority of its mutual fund sales through an independent retail financial advisor network. Financial advisors generally offer their clients investment products in addition to, and in competition with Mackenzie. Mackenzie also derives sales of its investment products and services from its strategic alliance and institutional clients. Due to the nature of the distribution relationship in these relationships and the relative size of these accounts, gross sale and redemption activity can be more pronounced in these accounts than in a retail relationship. Mackenzie's ability to market its investment products is highly dependent on continued access to these distribution networks. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. Mackenzie is well positioned to manage this risk and to continue to build and enhance its distribution relationships. 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 investment management companies. These factors are discussed further in the Mackenzie Review of the Business section of this MD&A.

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 Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. The principal regulators of the Company and its subsidiaries are the Canadian Securities Administrators, the Ontario Securities Commission, the Toronto Stock Exchange, the Mutual Fund Dealers Association of Canada, the Investment Industry Regulatory Organization of Canada and the Office of the Superintendent of Financial Institutions Canada. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. 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.

Particular regulatory initiatives may have the effect of making the products of the Company's subsidiaries appear to be less competitive than the products of other financial service providers, to third party distribution channels and to clients. Regulatory differences that may impact the competitiveness of the Company's products include regulatory costs, tax treatment, disclosure requirements, transaction processes or other differences that may be as a result of differing regulation or application of regulation. While the Company and its subsidiaries actively monitor such initiatives, and where feasible comment upon or discuss them with regulators, the ability of the Company and its subsidiaries to mitigate the imposition of differential regulatory treatment of financial products or services is limited.

Contingencies

The Company is subject to legal actions arising in the normal course of its business. Although it is difficult to predict the outcome of any 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.

Acquisition Risk

The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition is dependent on retaining assets under management, clients, and key employees of an acquired company.

Model Risk

The Company uses a variety of models to assist in: the valuation of financial instruments; operational scenario testing; management of cash flows; capital management; and assessment of potential acquisitions. These models incorporate internal assumptions, observable market inputs and available market prices. Effective controls exist over the development, implementation and application of these models. However, changes in the internal assumptions or other factors affecting the models could have an adverse effect on the Company's consolidated financial position.

Outlook

THE FINANCIAL SERVICES ENVIRONMENT

According to Investor Economics, Canadians held $2.9 trillion in discretionary financial assets with financial institutions at December 31, 2010. The nature of holdings was diverse, ranging from demand deposits held for short term cash management purposes to longer-term investments held for retirement purposes. Over 60% ($1.8 trillion) of these financial assets are held within the context of a relationship with a financial advisor, and this is the primary channel serving the longer-term savings needs of Canadians. Of the $1.1 trillion held outside of a financial advisory relationship, nearly 70% consisted of bank deposits.

Financial advisors represent the primary distribution channel for the Company's products and services, and the core emphasis of the Company's business model is to support these financial advisors as they work with clients to plan for and achieve their financial goals. Multiple sources of emerging research show significantly better financial outcomes for Canadians who use financial advisors compared to those who do not. The Company actively promotes the value of financial advice and the importance of a relationship with an advisor to develop and remain focused on long-term financial plans and goals.

Over 35% of Canadian discretionary financial assets or $1.0 trillion resided in investment funds at December 31, 2010, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 75% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With approximately $100 billion in mutual fund assets under management, the Company is among the country's largest investment fund managers. Management believes that investment funds are likely to remain the preferred savings vehicle of Canadians. Investment funds provide investors with the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

Deregulation, competition and technology have fostered a trend towards financial service providers offering a comprehensive range of proprietary products and services. Traditional distinctions between bank branches, full service brokerages, financial planning firms and insurance agent sales forces have become obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf. Accordingly, the Canadian financial services industry is characterized by a number of large, diversified, vertically-integrated participants, similar to IGM, who offer both financial planning and investment management services.

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiary. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 52% of total industry long-term mutual fund assets at September 30, 2011.

As a result of consolidation activity in the last several years, the Canadian mutual fund management industry is characterized by large, often vertically-integrated, firms. The industry continues to be very concentrated, with the ten largest firms and their subsidiaries representing almost 84% of both industry long-term mutual fund assets and total mutual fund assets under management at September 30, 2011. Management anticipates continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

Management believes that the financial services industry will continue to be influenced by the following trends:

- Shifting demographics as the number of Canadians in their prime savings years continue to increase.
- Changes in investor attitudes based on economic conditions.
- Continued importance of the role of the financial advisor.
- Public policy related to retirement savings.
- Changes in the regulatory environment.
- An evolving competitive landscape.
- Advancing and changing technology.

THE COMPETITIVE LANDSCAPE

IGM Financial and its subsidiaries operate in a highly competitive environment. Investors Group and Investment Planning Counsel compete directly with other retail financial service providers, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Investors Group, Mackenzie and Investment Planning Counsel compete directly with other investment managers for assets under management, and their products compete with stocks, bonds and other asset classes for a share of the investment assets of Canadians.

IGM Financial continues to focus on its commitment to provide quality investment advice and financial products, service innovations, effective management of the Company and long-term value for its clients and shareholders. Management believes that the Company is well-positioned to meet competitive challenges and capitalize on future opportunities.

The Company enjoys several competitive strengths, including:

- Broad and diversified distribution with an emphasis on those channels emphasizing comprehensive financial planning through a relationship with a financial advisor.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Financial group of companies.

Broad and Diversified Distribution

IGM Financial's distribution strength is a competitive advantage. In addition to owning two of Canada's largest financial planning organizations, Investors Group and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with Canadian and U.S. manufacturing and distribution complexes to provide investment management to a number of retail investment fund mandates.

Broad Product Capabilities

During 2011, as discussed earlier within the segmented results, IGM Financial's subsidiaries continued to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

Enduring Relationships

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors enjoy with clients. In addition, the Company's subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

Benefits of Being Part of Power Financial Group of Companies

As part of the Power Financial group of companies, IGM Financial benefits through expense savings from shared service arrangements, as well as through access to distribution, products, and capital.

Critical Accounting Estimates and Policies

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to exercise judgment in the process of applying accounting policies and requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying notes. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the financial services industry; others are specific to IGM Financial's businesses and operations. IGM Financial's significant accounting policies are described in detail in Note 2 of the Consolidated Financial Statements.

Critical accounting estimates relate to the fair value of financial instruments, goodwill and intangibles, income taxes, deferred selling commissions, provisions and employee future benefits.

The major critical accounting estimates are summarized below.

- *Fair value of financial instruments* – The Company's financial instruments are carried at fair value, except for loans and receivables, deposits and certificates, and long-term debt which are all carried at amortized cost. The fair value of publicly traded financial instruments is determined using published market prices. The Company also holds financial instruments, including derivatives related to the Company's securitized loans, where published market prices are not available. In these instances the values are determined using various valuation models which maximize the use of observable market inputs where available. Valuation methodologies and assumptions used in valuation models are reviewed on an ongoing basis. Changes in these assumptions or valuation methodologies could result in significant changes in net earnings.

  The Company's investment securities which are classified as available for sale are comprised of equity securities held for long-term investment, debt securities and investments in proprietary mutual funds. Unrealized gains and losses on securities that are not part of a designated hedging relationship are recorded in Other comprehensive income until realized or until there is objective evidence of impairment, at which time they are recorded in the Consolidated Statements of Earnings. Management regularly reviews the investment securities classified as available for sale to assess whether there is objective evidence of impairment. The Company considers such factors as the nature of the investment and the length of time and the extent to which the fair value has been below cost. A significant change in this assessment may result in unrealized losses being recognized in net earnings. During 2011, the Company reassessed the measurement of available for sale securities and recorded an impairment loss in 2010. Refer to the Consolidated Financial Position, Financial Instruments, and Changes in Accounting Policy sections of this MD&A, and Notes 5 and 23 to the Consolidated Financial Statements for additional information.
- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 11 of the Consolidated Financial Statements. The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

  These tests involve the use of estimates and assumptions appropriate in the circumstances. In assessing the recoverable amounts, valuation models are used that include discounted cash flows, comparable acquisitions and industry trading multiples. The models use assumptions that include levels of growth in assets under management from net sales and market, pricing and margin changes, synergies achieved on acquisition, discount rates, and observable data for comparable transactions.

  The Company completed its annual impairment tests of goodwill and indefinite life intangible assets based on March 31, 2011 financial information and determined there was no impairment in the value of those assets. As part of its transition to IFRS, the Company also tested goodwill and indefinite life intangible assets for impairment at January 1, 2010 and determined there was no impairment in the value of those assets.
- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated

Statements of Earnings. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and, as well, income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of deferred tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the deferred tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results in this MD&A and in Note 15 to the Consolidated Financial Statements.

- *Deferred selling commissions* – Commissions paid on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value. At December 31, 2011, there were no indications of impairment to deferred selling commissions.
- *Provisions* – A provision is recognized when there is a present obligation as a result of a past transaction or event, it is "probable" that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. In determining the best estimate for a provision, a single estimate, a weighted average of all possible outcomes, or the midpoint where there is a range of equally possible outcomes are all considered. A significant change in assessment of the likelihood or the best estimate may result in additional adjustments to net earnings.
- *Employee benefits* – The Company maintains a number of employee benefit plans. These plans include a funded registered defined benefit pension plan for all eligible employees, unfunded supplementary executive retirement plans for certain executive officers (SERPs) and an unfunded post-retirement health care and life insurance plan for eligible retirees. The funded registered defined benefit pension plan provides pensions based on length of service and final average earnings. The measurement date for the Company's defined benefit pension plan assets and for the accrued benefit obligations on all defined benefit plans is December 31.

  Due to the long-term nature of these plans, the calculation of benefit expenses and obligations depends on various assumptions including discount rates, expected rates of return on assets, the level and types of benefits provided, healthcare cost trend rates, projected salary increases, retirement age, and mortality and termination rates. The discount rate assumption is determined using a yield curve of AA corporate debt securities. The expected rate of return on assets assumption relates to the benefit expense on the Company's funded defined benefit pension plan. In determining the expected long-term rate of return, the Company considers the historical returns and the future expectations for returns for each asset class as well as the investment policy of the plan. All other assumptions are determined by management and reviewed by independent actuaries who calculate the pension and other future benefits expenses and accrued benefit obligations. Actual experience that differs from the actuarial assumptions will result in actuarial gains or losses as well as changes in benefits expense. The Company elected to record actuarial gains and losses on all of its defined benefit plans in Other comprehensive income on transition to IFRS.

  During 2011, the performance of the defined benefit pension plan assets was negatively impacted by uncertain economic conditions. Pension plan assets declined to $207.1 million at December 31, 2011 from $226.6 million at December 31, 2010. The decrease in plan assets due to adverse market performance was $15.8 million compared to an estimated rate of return of $15.7 million based on the Company's expected long-term rate of return assumption. The resulting actuarial loss of $31.5 million was recorded in Other comprehensive income in 2011. Bond yields decreased in 2011 thereby impacting the discount rate used to measure the Company's various defined benefit plan obligations. The discount rate utilized to value the defined benefit plan obligation at December 31, 2011 was 5.35% compared to 5.60% at December 31, 2010 and resulted in actuarial losses of $10.2 million which were recorded in Other comprehensive income in 2011. The total pension obligation was $240.9 million at December 31, 2011 compared to $213.8 million at December 31, 2010. As a result of these changes, the defined benefit pension plan had a funding deficit of $33.8 million at December 31, 2011 compared to a funding excess of $12.8 million at the end of 2010. The unfunded SERPs and other post-retirement benefits plans had accrued benefit obligations of $42.0 million and $34.6 million, respectively, at December 31, 2011 compared to $36.2 million and $32.8 million in 2010.

A change of 0.25% in the discount rate utilized in 2011 would result in a change of $10.5 million in the accrued benefit obligation, $10.5 million in other comprehensive income, and $1.5 million in pension expense. A change of 0.25% in the long-term rate of return on assets assumed for 2011 would result in a change of $0.6 million in other comprehensive income. Additional information regarding the Company's accounting for pensions and other post-retirement benefits is included in Notes 2 and 14 of the Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards (IFRS)

The Company adopted IFRS effective January 1, 2011 and has prepared its Consolidated Financial Statements for the year ended December 31, 2011 using IFRS accounting policies.

Note 28 of the Consolidated Financial Statements for the year ended December 31, 2011 provides a description of the Company's initial elections upon adoption of IFRS and contains an explanation of the accounting policy differences and reconciliations from previous Canadian GAAP to IFRS.

The Company developed an IFRS changeover project which addressed key elements of the conversion to IFRS and included a formal project governance structure. The project is now substantially complete with the issuance of the Consolidated Financial Statements in accordance with IFRS.

Changes in Accounting Policies

The following outlines the accounting policies that were selected under IFRS that differ from those previously utilized by the Company.

DERECOGNITION OF FINANCIAL ASSETS

The IFRS determination of whether a financial asset should be derecognized is based on the transfer of risks and rewards of ownership. As a result, the Company's securitization transactions through the CMB and ABCP programs are accounted for as secured borrowings rather than sales. Gains are no longer recognized on these programs when the transactions occur. The Company records the transactions under these programs as follows: (i) the mortgages and related obligation are carried at amortized cost, and (ii) interest income and interest expense, utilizing the effective interest rate method, are recorded over the term of the mortgages.

DEFERRED SELLING COMMISSIONS

Commissions paid on the sale of certain mutual fund units are considered finite life intangible assets and are amortized over their useful life. The IFRS standard for intangible assets specifically addresses the disposal of intangible assets. When a mutual fund client redeems units in certain mutual funds, a redemption fee is paid by the client that is recorded as revenue by the Company. The unamortized deferred selling commission asset associated with the units being redeemed is recorded as a disposal.

SHARE-BASED PAYMENTS

Under IFRS, the graded vesting method is used to recognize compensation expense related to awards that vest in installments over the vesting period as opposed to a straight line amortization method which was previously used by the Company. This results in compensation expense being recognized on an accelerated basis; therefore, higher compensation expense is recorded earlier in the amortization period of the share-based payment award.

EMPLOYEE BENEFITS

The Company elected to recognize actuarial gains and losses related to its defined benefit plans in other comprehensive income rather than amortize them through net earnings. Vested past service costs or past service credits are recognized immediately in benefits expense.

DEFERRED INCOME TAXES

IFRS requires that the cost of assets acquired outside of a business combination is not adjusted for the tax effect of differences between the accounting cost and tax cost at the time of acquisition.

AVAILABLE FOR SALE SECURITIES

IFRS requires impairment losses to be recorded on available for sale securities when the losses are significant or prolonged. IFRS also indicates that after an initial impairment is recorded, any future impairment on the security is immediately recognized in net earnings.

PROVISIONS

IFRS requires a provision to be recognized when there is a present obligation as a result of a past transaction or event, it is "probable" that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the obligation. In determining the best estimate for a provision, IFRS provides for the use of the weighted average of all possible outcomes or the midpoint where there is a range of equally possible outcomes.

Internal Controls

The Company developed and implemented changes to its financial reporting systems and processes to prepare the Company to effectively transition to IFRS. In addition, the Company's internal controls and accounting procedures were modified, as appropriate, based on the adoption of IFRS accounting policies. The impact of these changes on the Company's internal control over financial reporting was not significant.

FUTURE ACCOUNTING CHANGES

The Company continues to monitor the potential changes proposed by the International Accounting Standards Board (IASB) and to analyze the effect that changes in the standards may have on the Company's operations.

IFRS 7 Financial Instruments Disclosures

The IASB amended IFRS 7 which requires additional disclosures related to transfers of financial assets (securitization transactions). There will be no impact to the operating results or the financial position of the Company as this standard only affects disclosures. The standard is effective for annual periods beginning on or after July 1, 2011.

IFRS 9 Financial Instruments

The IASB issued IFRS 9 that amends the classification and measurement criteria for financial instruments included within the scope of IAS 39. The standard is currently effective for annual periods beginning on or after January 1, 2015.

IFRS 10 Consolidated Financial Statements

The IASB issued IFRS 10 which introduces a single consolidation model for all entities which focuses on control, including the rights an investor has to variable returns resulting from its involvement with the investee and the investor's ability to affect those returns through its power over the investee. The standard is applied retroactively and is effective for periods beginning on or after January 1, 2013.

IFRS 12 Disclosures of Interests in Other Entities

The IASB issued IFRS 12 which integrates all of the disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities into a single standard. The required disclosures provide information to evaluate the nature of, and risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial statements. The standard is effective for periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

The IASB issued IFRS 13 to consolidate all the fair value measurement and disclosure guidance into one standard. Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. The standard requires more extensive financial statement disclosure. The standard is effective on a prospective basis for periods beginning on or after January 1, 2013.

IAS 1 Presentation of Financial Statements

The IASB amended IAS 1 with respect to the presentation of other comprehensive income (OCI). The most significant change resulting from the amendments was a requirement for entities to group items presented in OCI on the basis of whether or not they will be reclassified subsequently to net earnings. The amendments are applied retroactively and are effective for periods beginning on or after July 1, 2012.

IAS 19 Employee Benefits

The IASB issued IAS 19 that amends the measurement and presentation of defined benefit plans. Amendments include:

- The elimination of the deferral and amortization approach (corridor approach) for recognizing actuarial gains and losses in Net earnings. Actuarial gains and losses may be recognized immediately in net earnings or in OCI. Actuarial gains and losses recognized in OCI are not reclassified to net earnings in subsequent periods.

- Changes in the recognition of past service costs. Past service costs resulting from plan amendments or curtailments are recognized in the period in which the plan amendments or curtailment occurs, without regard to vesting.
- The elimination of the concept of an expected return on assets (EROA). Amended IAS 19 requires the use of the discount rate in the place of EROA in the determination of the net interest component of the pension expense.

The amended standard requires additional disclosures in the financial statements. The standard is applied retroactively and is effective for periods beginning on or after January 1, 2013.

Other

The IASB is currently undertaking several projects which will result in changes to existing IFRS standards that may affect the Company:

IFRS Standard	Expected date of issuance
Impairment	Q2 2012 – Exposure Draft
Leases	Q2 2012 – Exposure Draft
Hedge Accounting – General Hedge Accounting	Q2 2012 – Final Standard
Hedge Accounting – Macro Hedge Accounting	Q3 2012 – Exposure Draft
Revenue Recognition	Q4 2012 – Final Standard

Source: IASB website at www.iasb.org

Disclosure Controls and Procedures

Based on their evaluations as of December 31, 2011, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that (a) material information relating to the Company is made known to the Co-Presidents and Chief Executive Officers and the Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared, and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control Over Financial Reporting

Based on their evaluations as of December 31, 2011, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the fourth quarter of 2011, 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

TRANSACTIONS WITH RELATED PARTIES

IGM Financial enters into transactions with Great-West Life, London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco. These transactions are in the normal course of operations and have been recorded at the agreed upon exchange amounts as described below.

- The Company provided to and received from Great-West Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributed insurance products under a distribution agreement with Great-West Life and Canada Life and received $62.8 million in distribution fees (2010 – $55.6 million). The Company received $15.9 million (2010 – $14.5 million) related to the provision of sub-advisory services for certain Great-West Life, London Life and Canada Life segregated mutual funds. The Company paid $52.2 million (2010 – $44.7 million) to London Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2011, the Company sold residential mortgage loans to Great-West Life and London Life for $201.7 million compared to $225.9 million in 2010.

The Company agreed to a tax loss consolidation transaction with its parent company, Power Financial Corporation, in February 2011 after obtaining advance tax rulings:

- On February 23, 2011, the Company acquired $1.0 billion of 6.01% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $1.0 billion of 6.00% secured demand debentures to Power Financial Corporation.
  The Company has legally enforceable rights to settle these financial instruments on a net basis and the Company intends to exercise these rights. Accordingly, the preferred shares and debentures and related dividend income and interest expense are offset in the Consolidated Financial Statements of the Company. Tax savings arise due to the tax deductibility of the interest expense.
- On December 30, 2011, the Company acquired the shares of a wholly-owned subsidiary of Power Financial Corporation which had entered into a transaction similar to that described above that generated tax losses. This transaction was unwound immediately prior to the Company's acquisition of the shares. The Company has recognized the benefit of the tax losses realized to December 31, 2011.
- On January 10, 2012, the Company acquired an additional $250 million of 6.01% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $250 million of 6.00% secured demand debentures to Power Financial Corporation.

For further information on transactions involving related parties, see Notes 9 and 26 to the Consolidated Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2011 totalled 256,658,488. As at February 8, 2012, outstanding common shares totalled 256,697,281.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.