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## HIGHLIGHTS

- Average assets under management were \$66.8 billion, up 4.2% from the prior year.
- Total sales for the company were \$10.3 billion versus \$12.2 billion in 2010.
- As of December 31, 2011, total assets under management were \$61.7 billion, down 9.8% from the prior year-end primarily as a result of declines in the Canadian and global equity markets during the year. Institutional, sub-advised, and other assets under management were \$22.5 billion, down 9.6% from the prior year.

Mackenzie provides investment management services through multiple product offerings utilizing proprietary investment research and experienced investment professionals. We distribute our investment services through multiple distribution channels to both retail and institutional investors.

## REPORT ON OPERATIONS

In 2011, Mackenzie continued to focus on business growth, innovation and responsiveness, and professional growth. With respect to business growth, average assets under management were up 4.2%.

Our product lineup evolved again this year with changes to increase portfolio manager flexibility and simplify the lineup for advisors and investors.

Mackenzie upgraded its asset allocation clients to its Symmetry One Funds and simplified the company's strategic asset allocation product and service offering. Investors in its legacy STAR Strategic Asset Allocation Service, Keystone Strategic Asset Allocation Service and Keystone Portfolio Funds were transferred into Symmetry One Funds.

On September 2, 2011, Mackenzie entered into an agreement with B2B Trust, a subsidiary of Laurentian Bank, under which B2B Trust would acquire 100% of M.R.S. Trust Company and M.R.S. Inc. (MRS) in a share purchase transaction. The transaction closed on November 16, 2011. The sale of MRS will allow the company to focus all of its energy and resources moving forward on its core business of investment management.

Our client service call quality continued to improve during the year. We continued to invest in our target state service initiative with continued investment in technology and process refinement.

## INVESTMENT MANAGEMENT

Under the Mackenzie master brand, we deploy a sub-branding strategy in our retail product lineup that includes the Cundill, Ivy, Maxxum, Sentinel, Focus, Saxon, and Universal sub-brands, to highlight the diverse investment styles and objectives offered within our diversified product lineup. We also provide multi-manager asset allocation solutions through Symmetry and through fund of fund structures. The quality and depth of investment research, and the talent of Mackenzie's portfolio managers and sub-advisors have all contributed to our ability to provide clients with consistent long-term investment performance results. Seventy-nine percent of Mackenzie fund assets were rated 3, 4 or 5 Star by Morningstar<sup>†</sup> as of December 31, 2011.

Mackenzie received seven Lipper Fund Awards in 2011, with funds recognized across our different brands. Mackenzie Cundill Value Fund and Mackenzie Sentinel Income Fund were honoured with best 10-year risk-adjusted performance for the third year in a row. In addition, Mackenzie Ivy lead portfolio manager Paul Musson was named Best Foreign Equity Fund Manager of the Year at the 2011 Morningstar Canadian Investment Awards. Mackenzie Ivy European Class also took top honours as Best European Equity Fund for the fourth consecutive year.

## DISTRIBUTION

The strength of Mackenzie’s retail distribution network is built on our long-standing and expanding relationships with financial advisors, consultants, and representatives across the breadth of our distribution channels. These relationships allow the company’s products to be efficiently distributed through retail brokers, financial advisors, insurance agents, banks, pension consulting firms and financial institutions, giving the company one of the broadest retail distribution platforms of any investment company in Canada.

With the realignment of our sales teams to focus on the retail, strategic alliances and the institutional channels, Mackenzie is positioned to serve the needs of different types of investors across the insurance channel, group retirement platforms, sub-advisory needs, pension plans, corporations and individuals working with a financial advisor. New leadership appointments were announced in our distribution, product and marketing, and institutional areas to align with the revamped distribution model.

## SERVICE

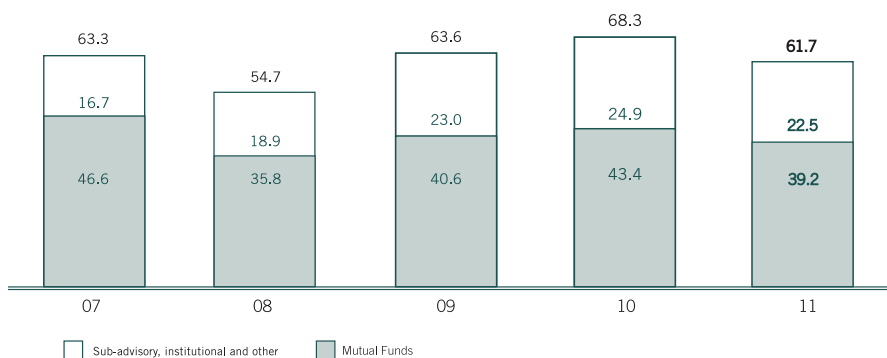
We are committed to consistently delivering a high-quality service experience for all our clients, while striving to improve cost efficiencies.

Mackenzie ranked first in the 2011 IFIC Mutual Fund Dealer Benchmarking Study in the areas of *Quality of Service & Support Satisfaction*, and *Change in Ease of Doing Business*. We ranked above industry average in the IFIC Mutual Fund Advisor Benchmarking Study in *Satisfaction of Service and Support*.

Keeping advisors and investors informed remained

### Total Assets under Management

As at December 31 (\$ billions)



a top priority during what proved to be a challenging year in global markets. The Japanese earthquake and tsunami, U.S. credit rating downgrade and European debt crisis all created economic uncertainty and affected investor confidence.

Mackenzie provided ongoing communications and support, as company representatives met regularly with advisors to assist them in delivering investment products to help clients reach their financial goals. As well, Mackenzie University and other advisor education programs provided perspectives on capital markets and delivered strategies to help advisors and their clients deal with investment challenges.

In July, Mackenzie introduced Fund Facts, a new disclosure document designed to make it easier for investors to find and use key information about a fund. Highlights include top holdings, asset mix, risks, and the costs of buying and owning a fund. Fund Facts are produced for each class or series of Mackenzie mutual funds offered by prospectus and are available to investors on our website and upon request.

## PRODUCT FOCUS

Our product lineup continued to evolve with a number of product launches during the year. Mackenzie introduced Mackenzie Saxon Dividend Income Class, a tax-efficient version of Mackenzie Saxon Dividend Income Fund, and the Canadian Shield Fund was converted from a closed-end investment fund to Mackenzie Universal Canadian Shield Fund, an open-end mutual fund.

Additional pricing flexibility was added with the launch of a variety of new series E, J and O options on a number of new funds.

Mackenzie is dedicated to providing clients with high-quality, innovative investment solutions and strives to maintain strong long-term investment performance across its multiple product offerings.

In November, Mackenzie became one of the few mutual fund distributors to offer the Registered Disability Savings Plan (RDSP). A Federal Government program, the RDSP is designed to help families and individuals save for the long-term financial security of Canadians with disabilities. Contributions can be invested and grow tax deferred, and the Federal Government offers grants and bonds to help beneficiaries accumulate long-term savings.

## CORPORATE SOCIAL RESPONSIBILITY

In 2011, Mackenzie undertook activities and created several programs that support our continuing commitment to economic development while improving quality of life for our employees, industry and communities.

### *Employee initiatives*

- From a diversity perspective, Mackenzie partnered with the Toronto Regional Immigrant Employment Council (TRIEC). Our employees mentored new immigrants, and helped them integrate into the labour market, by building professional networks, enhancing job search skills as well as developing cultural competencies.

*Operations*

- Mackenzie's long-standing commitment to education and financial literacy is exhibited through Mackenzie University, a day of learning that builds the knowledge and skill set of advisors across Canada and which completed its 17<sup>th</sup> semester in 2011, and, through the many investor education resources online and in print, for example: *'til you're blue in the face: Raising Financially Literate Teens*.

*Industry involvement*

- Mackenzie has taken on a leadership role in investment funds and financial services industry affairs through participation in key industry associations. Mackenzie leadership currently chairs the Board of Directors of the Investment Funds Institute of Canada (IFIC).
- Mackenzie also sits on the Board of Directors of the Toronto Financial Services Alliance, a public/private initiative of individuals seeking to enhance and promote the competitiveness of Toronto as a premier North American financial services centre.

*Community activities*

- We support charities across the country through the Mackenzie Financial Charitable Foundation, our corporate giving and our employee volunteer programs. Our focus is on charities that benefit underprivileged, challenged and sick children, youth and young adults, especially children and youth at risk. We also focus on financial literacy.

- Each Mackenzie employee receives one paid day off each year to volunteer in the community. Those who commit to 40 or more hours in the community receive a grant of \$500 to a registered charity of their choice.
- The Mackenzie Charitable Giving Fund offers Canadians a donor-advised giving program designed to manage their ongoing charitable giving and leave their own community legacy. Developed with the Strategic Charitable Giving Foundation, this program builds the capacity of hundreds of charities across Canada.
- In each of the last four years, Mackenzie named Canada's Top Teen Philanthropist in a coast-to-coast competition. Entrants submit an essay on their volunteering and fundraising activities. By engaging youth, this contest reflects Mackenzie's broader commitment to philanthropy in communities.

Mackenzie is dedicated to providing clients with high-quality, innovative investment solutions and strives to maintain strong long-term investment performance across its multiple product offerings. We are proud of our track record, our people and our business.