



Murray J. Taylor
President and Chief Executive Officer
Investors Group Inc.

HIGHLIGHTS

- The expansion of the region office network continued in 2012 with the addition of two new offices, bringing the total number of offices to 108. This represents growth of 61% since 2004. There were 4,518 Consultants at the end of 2012.
- Mortgage originations were up 45% year over year and sales increased 11% for insurance as our Consultants served the diverse financial planning needs of our clients.
- Driven by the strength of our client relationships, the redemption rate for Investors Group's long-term mutual funds was 10.0% for 2012, substantially below industry levels.
- Mutual fund sales in 2012 were \$5.8 billion. Net redemptions of mutual funds were \$724 million.
- Assets under management increased by 5.0% to \$60.6 billion at December 31, 2012. Our median client return for the year, net of fees, was 5.5%.

Investors Group is committed to comprehensive planning delivered through long-term client and Consultant relationships. We provide advice and services through a network of over 4,500 Consultants to nearly one million Canadians.

REPORT ON OPERATIONS

In 2012, Investors Group continued to make progress in a number of key areas. Enhanced product and pricing opportunities combined with more stable equity markets in Canada and around the world is increasing investor and Consultant confidence. To provide more concentrated focus on the investment management of each fund we offer, Investors Group recruited several additional experienced portfolio managers and analysts throughout 2012.

CONTINUED CONSULTANT NETWORK STRENGTH

Since a number of improvements were introduced to our training and support programs in mid-2004, the Consultant network has expanded by 41% from 3,207 to 4,518. In the last two years, Investors Group has taken several steps to refine its selection and recruitment practices. This has resulted in a slightly lower number of Consultant appointments which has led to a slower growth rate in our Consultant network.

The company's commitment to training and support is integral to our Consultants' abilities to deliver effective financial advice. New Consultants refine their skills through an emphasis on experience-based training delivered by experienced field leadership and mentorship from successful senior Consultants. Investors Group's annual APEX conference offers advanced financial planning and practice management training to over 1,400 Consultants each year.

Our culture provides Consultants with an entrepreneurial environment and unique support structure to deliver personalized service and knowledgeable advice to our clients. Our clients enhance their financial literacy and gain financial confidence as our Consultants assist them with the development and deployment of their financial plans.

PRODUCTS FOR AN EVOLVING MARKETPLACE

The financial planning needs of Canadians are growing as economic uncertainties are more apparent and retirement and lifestyle decisions become more complex. Investors Group provides an industry-leading range of products and services to meet these diverse needs. We offer investment funds, segregated funds, insurance, securities, mortgage and Solutions Banking[†] products, along with other financial services to our clients through integrated financial planning.

Our Symphony Strategic Investment Planning[™] supports Consultants in building optimized risk-adjusted portfolios for clients and provides enhanced reporting features.

In early 2012, we implemented the mergers of eight funds with similar investment mandates. These mergers serve to provide more effective management and, in some cases, broader, more diversified investment mandates, which in turn, will provide the potential for more stable long-term performance.

In May 2012, we announced a number of changes in the pricing of our mutual funds and product enhancements designed to expand services to our clients. The changes involved the reduction of management fees to approximately two-thirds of our

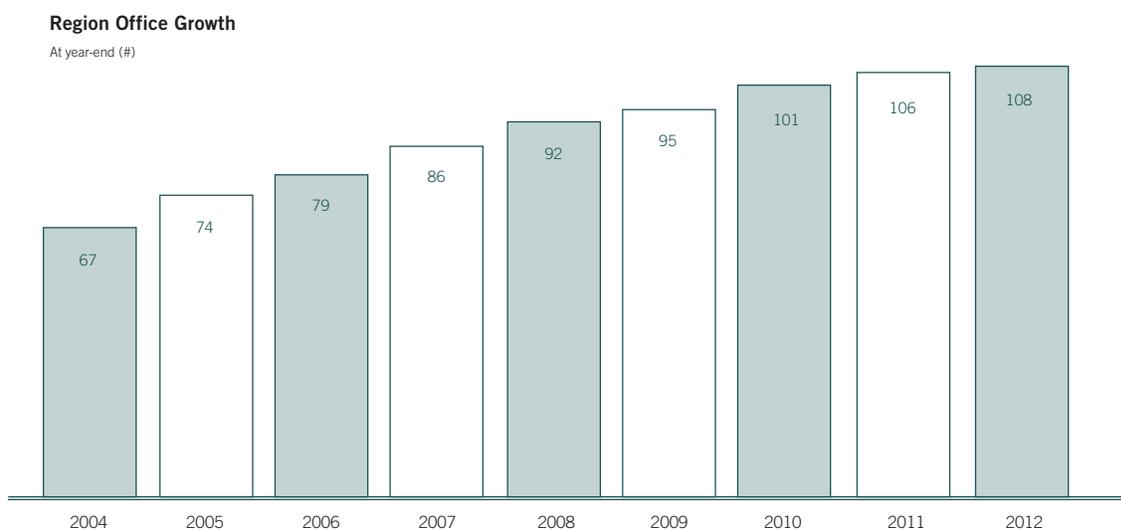
funds and represent two-thirds of our managed assets. The reduction in management fees ranged from 0.05% to 0.40%.

With the reductions to our management fees, we introduced a new series of our mutual funds. Series J is for clients with household account balances in excess of \$500,000.

In October 2012, we announced our intention to add a new balanced fund, IG Mackenzie Sentinel Strategic Income Fund. This fund will seek income with the potential for long-term capital growth by investing primarily in fixed income investments and/or securities that pay equity income.

Finally, in December 2012, we announced our intention to implement enhancements to *iProfile*[™], our managed asset program. The *iProfile* Program will be expanded to include *iProfile* Classes in addition to the existing *iProfile* Pools. The *iProfile* Classes will provide investors with the flexibility to make changes to their non-registered portfolios while deferring capital gains.

Investors Group's commitment to the ongoing evolution and expansion of its product and service offering enhances our ability to deliver comprehensive financial planning.



CORPORATE SOCIAL RESPONSIBILITY

Investors Group has a long-standing commitment to corporate social responsibility. We conduct our business in a manner that respects the long-term financial, economic, environmental and social interests of the communities in which we operate.

- Investors Group is committed to making a contribution to the many communities across Canada in which it operates by supporting local and national activities, events and organizations. Corporately, Investors Group has developed long associations with organizations like the Coaching Association of Canada and Food Banks Canada, supporting their work in communities across Canada. In 2012, Investors Group received the Award of Excellence from Food Banks Canada. This award is given to a company that has demonstrated long-term support of the organization and made a measurable positive impact on the issue of hunger or food banking in Canada. We continue to partner with Free the Children in inspiring youth leadership and volunteerism. We are also a major supporter of Imagine Canada and Volunteer Canada in encouraging charitable giving and volunteerism by Canadian companies.
- Investors Group has created a culture of “People Who Care,” with a strong focus towards supporting and encouraging the volunteer engagement of employees and advisors through a wide offering of programs supported by head office. Our spirit of volunteerism is strong and continues to be recognized throughout the country.

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- During 2012, Investors Group presented the ninth annual Herbert H. Carnegie Community Service Award to Executive Financial Consultant Jim Mignault of London, Ontario. Jim has been a tireless advocate for diabetes treatment, research and education. Herbert Carnegie, an Order of Canada recipient, came to epitomize the qualities of success and caring for others in the community through his 35 years with Investors Group.
- Also in 2012, Investors Group Regional Director Paul Demay received the Herbert H. Carnegie Community Leadership Award. Paul was honoured for his long-time support of the food bank movement in British Columbia’s Okanagan Valley together with leadership roles with organizations like United Way and YMCA/YWCA.
- The President’s Lifetime Volunteer Achievement Award went to Aaron Margolis, Vice-President, Product Utilization & Planning, for his volunteer commitment to charitable organizations like Food Banks Canada, Salvation Army, Agape Table and the Jewish Foundation of Manitoba.

- We respect the environment and through the work of a cross-organizational environmental committee we endeavour to reduce our environmental impact through continuous improvement objectives. We have also been a pioneer and industry leader in promoting socially responsible investing (SRI). Our Investors Summa SRI™ Fund was launched in 1987, and has become the largest socially responsible fund in Canada. We now offer a suite of SRI funds with investment approaches which incorporate factors related to environmental sustainability, social responsibility and various social issues combined with traditional investment analysis.
- The Investors Group Charitable Giving Program™ is one of the few of its kind in Canada which can be used by our clients to build an enduring charitable giving legacy while receiving tax benefits today.
- Our Consultants contribute to the financial well-being of our clients through the delivery of comprehensive planning. Through their work and our financial support for programs and curriculum development, we are part of an ongoing effort to advance the financial literacy and financial security of Canadians.
- Our Investors Group Institute is a pre-eminent institution for training in financial planning and practice management and also offers development programs for our employees.
- Our employees and Consultants sign and adhere to a code of conduct and a respectful workplace policy to ensure that the business of the company is carried out with the highest ethical standards, in a manner worthy of the public trust and in an environment where all individuals feel they are treated with dignity and respect.

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BUILDING ON STRENGTH

Investors Group continues to focus on its strengths as building blocks for the future. In 2012, the Consultant network growth, the active engagement of over 1,800 employees, the continual refinement of financial planning, expanded investment management resources and the expanding product and service offerings demonstrate the company's commitment to meet the evolving financial needs of Canadians.