



REPORT TO SHAREHOLDERS

IGM Financial and its operating companies experienced an increase in total assets under management in 2012.

Investors Group Inc. and Mackenzie Financial Corporation, the Company's principal businesses, continued to generate business growth through product innovation, pricing enhancements, additional investment management resources and overall resource management throughout the year.

The Company is well diversified through its multiple distribution channels, product types, investment management units and fund brands. Assets under management are diversified by country of investment, industry sector, security type and management style.

We believe the vast majority of Canadians are best served through the support of a financial advisor who can help them to plan for and achieve their financial goals. The importance of financial advice became clearer throughout the financial services industry in the last few years where investors needed to consider long-term needs with fluctuating short-term investment returns.

The scope of our business and our association with other members of the Power Financial Corporation group of companies have placed the Company in a

position of leadership and strength in the financial services industry. Together, these elements will enable IGM Financial to create long-term value for its clients, consultants, advisors, employees and shareholders over time.

FINANCIAL HIGHLIGHTS

Operating earnings available to common shareholders,¹ excluding other items, for the year ended December 31, 2012, were \$749.7 million or \$2.94 per share compared to operating earnings available to common shareholders, excluding other items, of \$833.0 million or \$3.22 per share in 2011.

Net earnings available to common shareholders for the year ended December 31, 2012, were \$762.1 million or \$2.99 per share compared to net earnings available to common shareholders of \$900.6 million or \$3.48 per share in 2011.

Total assets under management at December 31, 2012, totalled \$120.7 billion. This compared with total assets under management of \$118.7 billion at December 31, 2011, an increase of 1.7%.

Dividends were \$2.15 per share for the year, up from \$2.10 in the prior year.

¹ Please refer to the reconciliation of non-IFRS financial measures to measures prescribed by IFRS in Management's Discussion and Analysis (MD&A) on Page 17 of this Annual Report.

INDUSTRY PERSPECTIVE

Market fluctuations in recent years and increased volatility in the second quarter of 2012 have left investors with many questions on how best to manage their resources for the future. In this context, it is important for clients to have guidance from an advisor to keep focused on long-term goals. Positive equity markets in the last half of 2012 and an overall return (including dividends) for the S&P TSX of 7.2% for 2012 and 9.2% compounded over the last 10 years should increase confidence in investors' participation in equities for their long-term savings.

Most Canadians who invest know, and appreciate, the benefits of working with a financial advisor. In repeated surveys since 2006, the Investment Funds Institute of Canada (IFIC) has found approximately 85% of mutual fund investors prefer to invest through an advisor, highly rating their advisor's support.

Research shows that Canadians who rely on advice to guide their financial decisions are wealthier, more confident and better prepared for the financial implications of marriage, a new child, their children's education, retirement and other life events.

A groundbreaking 2012 study from Montreal-based Center for Interuniversity Research and Analysis on Organizations (CIRANO) shows that advisors positively affect the level of wealth of Canadian households. The research conducted by Professor Claude Montmarquette and Nathalie Viennot-Briot uses econometric modelling techniques on a very robust sample of Canadian households to demonstrate convincingly that financial advisors contribute significantly to the accumulation of financial wealth. After controlling for a host of socio-economic, demographic and attitudinal variables that can affect wealth, the research indicates that advised households have, on average, twice the level of financial assets when compared to their non-advised counterparts, and that this additional wealth is largely attributed to a greater savings discipline.

The CIRANO research further shows that having advice positively impacts retirement readiness and is an important contributor to levels of trust, satisfaction and confidence in financial advisors, which are strong indicators of the value of advice.

OPERATING HIGHLIGHTS

Investors Group expanded the number of its region offices by two in 2012, for a total of 108 across Canada. As at December 31, 2012, there were 4,518 Consultants working with clients to help them understand the impact of financial market volatility on their long-term financial planning.

Investors Group continued to respond to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice. In May, Investors Group announced enhanced pricing for the majority of its funds effective June 30 and the addition of alternative high net worth series for households investing \$500,000 or more with our company.

Investors Group mutual fund assets under management were \$60.6 billion at the end of 2012, compared to \$57.7 billion at December 31, 2011. Mutual fund sales were \$5.8 billion compared to mutual fund sales in 2011 of \$6.0 billion. Our redemption rate on long-term mutual funds was 10.0% at December 31, 2012, compared to 8.8% at December 31, 2011. Net redemptions of mutual funds in 2012 were \$724 million.

Mackenzie maintained its focus on delivering consistent long-term investment performance, while emphasizing product innovation and communication with advisors and investors. Mackenzie's relationship with financial advisors is strengthened by the work we do through investor and advisor education programs, and through our commitment to focusing on active investment management strategies. During 2012, Mackenzie broadened its investment choices for Canadians by adding several new funds and more options, including tax-deferred solutions.

Mackenzie's total assets under management were \$61.5 billion at the end of 2012, compared to \$61.7 billion at December 31, 2011. Total sales were \$10.0 billion, compared to the prior year level of \$10.3 billion. Total net redemptions for the year were \$4.2 billion, compared to \$2.5 billion in 2011.

IGM Financial continues to build its business through its extensive network of distribution opportunities delivering high-quality advice and innovative, flexible solutions for investors. Our investment in technology and operations continue to help us manage our resources effectively and develop long-term growth in our business. The strength of our businesses, combined with our association with the Power Financial Corporation group of companies, gives IGM Financial a strong foundation to build upon.

CORPORATE SOCIAL RESPONSIBILITY

IGM Financial has a long-standing commitment to responsible management, which we believe is fundamental to long-term profitability and value creation. We conduct our business in a way that emphasizes good governance, operational integrity, ethical practices and respect for the environment. Our aim is to act responsibly in everything we do and we believe that long-term shareholder value creation results from an emphasis on client satisfaction, the development and support of our people and constructive involvement in the communities in which we operate.

Fundamental to our activities is our belief that advancing the financial literacy and financial security of Canadians is important to society. Our core business is serving our clients by assisting them in achieving their financial goals. We actively promote the value of financial advice and encourage Canadians to save and make informed investment decisions. We have a disciplined approach to both wealth management and the management of our business, with an emphasis on planning and measured risk-taking with a long-term view.

We have a long-standing practice of corporate giving through a range of philanthropic activities at each of

IGM Financial's operating companies. Our people are encouraged to volunteer in the community, on industry committees and through professional associations.

In keeping with our commitment to good governance and ethical dealing, we have adopted an extensive written code of conduct that governs the Company's directors, officers and employees.

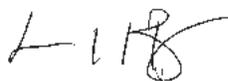
During 2012, we introduced formal responsibilities for Corporate Social Responsibility (CSR) activities as we work to enhance CSR disclosures and the coordination of activities across our companies and with our parent and sister companies. Board oversight responsibility for CSR resides with the Executive Committee of the Board. Executive management responsibility resides with the Co-Presidents and Chief Executive Officers. A CSR Steering Committee of senior executives has been established to approve IGM Financial's CSR strategy and monitor performance. Reports on CSR initiatives will be provided to the Executive Committee of the Board on a regular basis.

LOOKING AHEAD

As Canadians reflect on changing market conditions they will increasingly be focused on making informed decisions to provide for their long-term financial planning needs.

IGM Financial continues to focus on providing quality investment advice and financial products, service innovations, effective management of the Company and long-term value for our clients and shareholders.

On behalf of the Board of Directors,



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



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

February 8, 2013