First Quarter Report

# IGM Financial™

STRENGTH | FOCUS | GROWTH

FOR THE THREE MONTHS ENDED MARCH 31, 2015

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**Caution Regarding Forward-Looking Statements**

Certain statements in this report, 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 to assist 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. 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. While the Company considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

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 and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list 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 applicable Canadian 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 and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials filed with the securities regulatory authorities in Canada, available at www.sedar.com.

**Non-IFRS Financial Measures and Additional IFRS Measures**

This report contains non-IFRS financial measures and additional IFRS measures. Net earnings available to common shareholders, which is an additional measure in accordance with International Financial Reporting Standards (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.

Terms by which non-IFRS financial measures are identified include but are not limited to "operating earnings available to common shareholders", "operating earnings per share", "operating return on average common equity" and other similar expressions used to provide management and investors with additional measures to assess earnings performance. As well, "earnings before interest and taxes (EBIT)", "earnings before interest, taxes, depreciation and amortization (EBITDA)" and "adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)" are non-IFRS financial measures used to provide management, investors and investment analysts with additional measures to evaluate and analyze the Company's results. EBITDA is a common measure used in the asset management industry to assess profitability before the impact of different financing methods, income taxes, depreciation of capital assets and amortization of intangible assets. Other items of a nonrecurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at Adjusted EBITDA. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Please refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS.

Terms by which additional IFRS measures are identified include "earnings before income taxes" and "net earnings available to common shareholders". Additional IFRS measures are used to provide management and investors with additional measures to assess earnings performance. These measures are considered additional IFRS measures as they are in addition to the minimum line items required by IFRS and are relevant to an understanding of the entity's financial performance.

## FINANCIAL HIGHLIGHTS

As at and for the three months ended March 31
*(unaudited)*

| | 2015 | 2014 | CHANGE |
|---|---|---|---|
| **Net earnings available to common shareholders** *($ millions)* | **$ 200.3** | $ 194.4 | **3.0 %** |
| **Diluted earnings per share** | **0.80** | 0.77 | **3.9** |
| **Return on equity** | **17.1 %** | 16.9 % | |
| **Dividends per share** | **0.5625** | 0.5375 | **4.7** |
| **Total assets under management**[1] *($ millions)* | **$ 148,388** | $ 137,315 | **8.1 %** |
| **Investors Group** | | | |
| **Mutual funds** | **76,497** | 70,877 | **7.9** |
| **Mackenzie Investments** | | | |
| *Mutual funds* | *50,944* | *48,059* | |
| *Sub-advisory, institutional and other accounts* | *23,660* | *20,308* | |
| **Total** | **74,604** | 68,367 | **9.1** |
| **Counsel** | | | |
| **Mutual funds** | **4,126** | 3,587 | **15.0** |

| For the three months ended March 31, 2015 | INVESTORS GROUP | MACKENZIE | | COUNSEL | TOTAL[2] |
|---|---|---|---|---|---|
| | | *Mutual Funds* | *Total* | | |
| **Mutual funds and institutional sales** *($ millions)* | | | | | |
| **Gross sales** | **$ 2,365** | $ 1,973 | **$ 3,689** | **$ 196** | **$ 5,512** |
| **Net sales (redemptions)** | **588** | (106) | **569** | **60** | **970** |

*(1) Total assets under management excluded $6.8 billion of assets sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($5.5 billion at March 31, 2014).*

*(2) Total Gross Sales and Net Sales for the three months ended March 31, 2015 excluded $738 million and $247 million respectively in accounts sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel.*

# REPORT TO SHAREHOLDERS

## FINANCIAL RESULTS

Net earnings available to common shareholders for the three months ended March 31, 2015 were $200.3 million or 80 cents per share compared to net earnings available to common shareholders of $194.4 million or 77 cents per share for the comparative period in 2014.

Revenues for the three months ended March 31, 2015 were $760.9 million compared to $714.8 million a year ago. Expenses were $503.2 million for the first quarter of 2015 compared to $461.7 million a year ago.

Total assets under management at March 31, 2015 were $148.4 billion, the highest quarter end level in the history of the Company, compared to $137.3 billion at March 31, 2014. Mutual fund assets under management at March 31, 2015 were $131.5 billion, the highest quarter end level in the history of the Company, compared to $122.5 billion at March 31, 2014.

## INVESTORS GROUP OPERATIONS

Mutual fund sales for the first quarter of 2015 were $2.4 billion, an increase of 6.1% compared to $2.2 billion in the prior year, and mutual fund net sales for the first quarter were $588 million compared to net sales of $410 million a year ago.

The twelve month trailing redemption rate (excluding money market funds) was 8.5% at March 31, 2015, compared to 8.7% at December 31, 2014.

Mutual fund assets under management at March 31, 2015 were $76.5 billion compared to $70.9 billion at March 31, 2014.

## MACKENZIE OPERATIONS

Mutual fund sales for the first quarter of 2015 were $2.0 billion, a decrease of 16.9% compared to $2.4 billion in the prior year. Mutual fund net redemptions for the first quarter were $106 million compared to net sales of $354 million a year ago.

Total net sales for the first quarter of 2015 were $569 million compared to total net sales of $782 million a year ago.

Mackenzie's total assets under management at March 31, 2015 were $74.6 billion compared to $68.4 billion at March 31, 2014. Mutual fund assets under management at March 31, 2015 were $50.9 billion compared to $48.1 billion a year ago.

## INVESTMENT PLANNING COUNSEL OPERATIONS

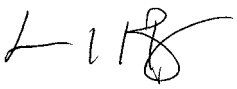
Assets under administration were $24.5 billion as at March 31, 2015 compared to $22.2 billion at March 31, 2014. Counsel Portfolio Services Inc. (Counsel) mutual fund assets under management at March 31, 2015 were $4.1 billion compared to $3.6 billion at March 31, 2014.

Counsel mutual fund sales for the first quarter of 2015 were $196 million compared to $157 million in 2014 and mutual fund net sales were $60 million compared to net sales of $40 million a year ago.

## DIVIDENDS

The Board of Directors has declared a dividend of 56.25 cents per share on the Company's common shares and has declared a dividend of $0.36875 per share on the Company's 5.90% Non-Cumulative First Preferred Shares, Series "B". The common share dividend and the preferred share dividend are payable on July 31, 2015 to shareholders of record on June 30, 2015.

On behalf of the Board of Directors,



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

Jeffrey R. Carney
*Co-President and*
*Chief Executive Officer*
*IGM Financial Inc.*

*May 8, 2015*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# 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 three months ended March 31, 2015 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (Interim Financial Statements) as well as the 2014 IGM Financial Inc. Annual Report filed on www.sedar.com. Commentary in the MD&A as at and for the three months ended March 31, 2015 is as of May 8, 2015.

## Basis of Presentation and Summary of Accounting Policies

The Interim 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 Accounting Standard 34, *Interim Financial Reporting* (IFRS) and are presented in Canadian dollars (Note 2 of the Interim Financial Statements).

### 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 to assist 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. 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. While the Company considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

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 and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list 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 applicable Canadian 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 and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this Management's Discussion and Analysis and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

### NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

Net earnings available to common shareholders, which is an additional 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), "earnings before interest, taxes, depreciation and amortization" (EBITDA) and "adjusted earnings before interest, taxes, depreciation and amortization" (Adjusted EBITDA) are also non-IFRS financial measures. EBIT, EBITDA and Adjusted EBITDA are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is a common measure used in the asset management industry to assess profitability before the impact of different financing methods, income taxes, depreciation of capital assets and amortization of intangible assets. Other items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at Adjusted EBITDA. 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 income taxes" and "net earnings available to common shareholders" are additional IFRS measures which are used to provide management and investors with additional measures to assess earnings performance. These measures are considered additional IFRS measures as they are in addition to the minimum line items required by IFRS and are relevant to an understanding of the entity's financial performance.

Refer to the appropriate reconciliations of non-IFRS financial measures to reported results in accordance with IFRS in Tables 1, 2 and 3.

# 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 primarily within the advice segment of the financial services market.

Total assets under management were $148.4 billion at March 31, 2015, the highest quarter end level in the history of the Company, and compared with $137.3 billion at March 31, 2014 and $141.9 billion at December 31, 2014. Average total assets under management for the first quarter of 2015 were $146.5 billion compared to $134.2 billion in the first quarter of 2014.

Mutual fund assets under management were $131.5 billion at March 31, 2015, the highest quarter end level in the history of the Company, and compared with $122.5 billion at March 31, 2014 and $126.0 billion at December 31, 2014. Average mutual fund assets under management for the first quarter of 2015 were $129.9 billion compared to $119.7 billion in the first quarter of 2014.

Net earnings available to common shareholders for the three months ended March 31, 2015 were $200.3 million or 80 cents per share compared with net earnings available to common shareholders of $194.4 million or 77 cents per share for the comparative period in 2014.

Shareholders' equity was $4.8 billion as at March 31, 2015, unchanged from December 31, 2014. Return on average common equity for the three months ended March 31, 2015 was 17.1% compared with 16.9% for the comparative period in 2014. The quarterly dividend per common share declared in the first quarter of 2015 was 56.25 cents, unchanged from the fourth quarter of 2014.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

| Three months ended | 2015 March 31 | | 2014 December 31 | | 2014 March 31 | |
|---|---|---|---|---|---|---|
| *($ millions)* | Earnings | EPS[1] | Earnings | EPS[1] | Earnings | EPS[1] |
| **Operating earnings available to common shareholders – Non-IFRS measure** | $ 200.3 | $ 0.80 | $ 208.1 | $ 0.83 | $ 194.4 | $ 0.77 |
| Client distributions and other costs, net of tax | – | – | (59.2) | (0.24) | – | – |
| **Net earnings available to common shareholders – IFRS** | $ 200.3 | $ 0.80 | $ 148.9 | $ 0.59 | $ 194.4 | $ 0.77 |
| **Adjusted EBITDA – Non-IFRS measure** | $ 348.9 | | $ 357.0 | | $ 345.0 | |
| Client distributions and other costs | – | | (81.0) | | – | |
| **EBITDA – Non-IFRS measure** | 348.9 | | 276.0 | | 345.0 | |
| Commission amortization | (58.7) | | (57.4) | | (60.7) | |
| Amortization of capital assets and intangible assets and other | (9.8) | | (10.3) | | (8.4) | |
| Interest expense on long-term debt | (22.8) | | (23.3) | | (22.8) | |
| **Earnings before income taxes** | 257.6 | | 185.0 | | 253.1 | |
| Income taxes | (55.1) | | (33.9) | | (56.5) | |
| Perpetual preferred share dividends | (2.2) | | (2.2) | | (2.2) | |
| **Net earnings available to common shareholders – IFRS** | $ 200.3 | | $ 148.9 | | $ 194.4 | |

*(1) Diluted earnings per share*

## REPORTABLE SEGMENTS

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

- Investors Group
- Mackenzie Investments (Mackenzie Investments or Mackenzie)
- Corporate and Other.

Management measures and evaluates the performance of these segments based on EBIT as shown in Tables 2 and 3. Segment operations are discussed in each of their respective Review of Segment Operating Results sections of the MD&A.

Certain items reflected in Tables 2 and 3 are not allocated to segments:

- *Interest expense* – represents interest expense on long-term debt.
- *2014 Client distributions and other costs* – In the third quarter of 2012, Investors Group introduced investment solutions for clients with household investments in Investors Group funds in excess of $500,000. At December 31, 2014, a before-tax charge of $81.0 million ($59.2 million after-tax) was recorded related to these lower fee investment solutions. This amount primarily reflects distributions to clients who did not transfer to these lower priced solutions when eligible. Investors Group will make these distributions in the last half of 2015.
- *Income taxes* – changes in the effective tax rates are shown in Table 4.

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. The effect of changes in management's best estimates reported in operating earnings is reflected in Other items, which also includes, but is

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q1 2015 VS. Q1 2014

| | INVESTORS GROUP | | MACKENZIE | | CORPORATE & OTHER | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| Three months ended ($ millions) | 2015 MAR. 31 | 2014 MAR. 31 | 2015 MAR. 31 | 2014 MAR. 31 | 2015 MAR. 31 | 2014 MAR. 31 | 2015 MAR. 31 | 2014 MAR. 31 |
| Revenues | | | | | | | | |
| Fee income | $ 435.5 | $ 415.2 | $ 206.7 | $ 201.0 | $ 63.7 | $ 57.2 | $ 705.9 | $ 673.4 |
| Net investment income and other | 21.5 | 13.2 | 4.2 | 1.3 | 29.3 | 26.9 | 55.0 | 41.4 |
| | 457.0 | 428.4 | 210.9 | 202.3 | 93.0 | 84.1 | 760.9 | 714.8 |
| Expenses | | | | | | | | |
| Commission | 145.0 | 130.5 | 77.8 | 73.8 | 44.1 | 38.9 | 266.9 | 243.2 |
| Non-Commission | 121.3 | 109.9 | 76.2 | 70.8 | 16.1 | 15.0 | 213.6 | 195.7 |
| | 266.3 | 240.4 | 154.0 | 144.6 | 60.2 | 53.9 | 480.5 | 438.9 |
| **Earnings before interest and taxes** | $ 190.7 | $ 188.0 | $ 56.9 | $ 57.7 | $ 32.8 | $ 30.2 | 280.4 | 275.9 |
| Interest expense | | | | | | | (22.8) | (22.8) |
| Earnings before income taxes | | | | | | | 257.6 | 253.1 |
| Income taxes | | | | | | | 55.1 | 56.5 |
| **Net earnings** | | | | | | | 202.5 | 196.6 |
| Perpetual preferred share dividends | | | | | | | 2.2 | 2.2 |
| **Net earnings available to common shareholders** | | | | | | | $ 200.3 | $ 194.4 |
| **Operating earnings available to common shareholders**[1] | | | | | | | $ 200.3 | $ 194.4 |

*(1) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.*

TABLE 3: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q1 2015 VS. Q4 2014

| Three months ended ($ millions) | INVESTORS GROUP 2015 MAR. 31 | INVESTORS GROUP 2014 DEC. 31 | MACKENZIE 2015 MAR. 31 | MACKENZIE 2014 DEC. 31 | CORPORATE & OTHER 2015 MAR. 31 | CORPORATE & OTHER 2014 DEC. 31 | TOTAL 2015 MAR. 31 | TOTAL 2014 DEC. 31 |
|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | |
| Fee income | $ 435.5 | $ 433.6 | $ 206.7 | $ 204.4 | $ 63.7 | $ 57.8 | $ 705.9 | $ 695.8 |
| Net investment income and other | 21.5 | 15.8 | 4.2 | (0.4) | 29.3 | 30.8 | 55.0 | 46.2 |
| | 457.0 | 449.4 | 210.9 | 204.0 | 93.0 | 88.6 | 760.9 | 742.0 |
| Expenses | | | | | | | | |
| Commission | 145.0 | 140.2 | 77.8 | 74.7 | 44.1 | 39.0 | 266.9 | 253.9 |
| Non-Commission | 121.3 | 112.3 | 76.2 | 76.3 | 16.1 | 10.2 | 213.6 | 198.8 |
| | 266.3 | 252.5 | 154.0 | 151.0 | 60.2 | 49.2 | 480.5 | 452.7 |
| **Earnings before interest and taxes** | $ 190.7 | $ 196.9 | $ 56.9 | $ 53.0 | $ 32.8 | $ 39.4 | 280.4 | 289.3 |
| Interest expense | | | | | | | (22.8) | (23.3) |
| Client distributions and other costs | | | | | | | – | (81.0) |
| Earnings before income taxes | | | | | | | 257.6 | 185.0 |
| Income taxes | | | | | | | 55.1 | 33.9 |
| **Net earnings** | | | | | | | 202.5 | 151.1 |
| Perpetual preferred share dividends | | | | | | | 2.2 | 2.2 |
| **Net earnings available to common shareholders** | | | | | | | $ 200.3 | $ 148.9 |
| **Operating earnings available to common shareholders**[1] | | | | | | | $ 200.3 | $ 208.1 |

*(1) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.*

TABLE 4: EFFECTIVE INCOME TAX RATE

| Three months ended | 2015 MAR. 31 | 2014 DEC. 31 | 2014 MAR. 31 |
|---|---|---|---|
| **Income taxes at Canadian federal and provincial statutory rates** | 26.61 % | 26.50 % | 26.60 % |
| Effect of: | | | |
| Proportionate share of affiliate's earnings | (2.70) | (4.08) | (2.06) |
| Loss consolidation[1] | (2.29) | (2.76) | (1.82) |
| Other items | (0.25) | (1.30) | (0.41) |
| **Effective income tax rate – net earnings** | 21.37 % | 18.36 % | 22.31 % |

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

not limited to, the effect of lower effective income tax rates on foreign operations.

- *Perpetual preferred share dividends* – represents the dividends declared on the Company's 5.90% non-cumulative first preferred shares.

## SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT

Total assets under management were $148.4 billion at March 31, 2015 compared to $137.3 billion at March 31, 2014. Changes in total assets under management are detailed in Table 5.

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

## SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 6 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Average daily mutual fund assets under management, as shown in Table 6, have increased in each of the eight most recent quarters with the exception of a decrease of 1.3% in the fourth quarter of 2014, consistent with the movement in domestic and foreign markets.

TABLE 5: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – Q1 2015 VS. Q1 2014

| | Investors Group | | Mackenzie | | Investment Planning Counsel | | Consolidated[1] | |
|---|---|---|---|---|---|---|---|---|
| Three months ended ($ millions) | 2015 Mar. 31 | 2014 Mar. 31 | 2015 Mar. 31 | 2014 Mar. 31 | 2015 Mar. 31 | 2014 Mar. 31 | 2015 Mar. 31 | 2014 Mar. 31 |
| **Mutual funds** | | | | | | | | |
| Gross sales – money market | $ 260.9 | $ 209.6 | $ 102.3 | $ 115.3 | $ 18.6 | $ 16.6 | $ 381.8 | $ 341.5 |
| Gross sales – long term | 2,104.4 | 2,019.4 | 1,871.2 | 2,258.5 | 177.2 | 140.4 | 4,145.2 | 4,415.1 |
| Total mutual fund gross sales | $ 2,365.3 | $ 2,229.0 | $ 1,973.5 | $ 2,373.8 | $ 195.8 | $ 157.0 | $ 4,527.0 | $ 4,756.6 |
| Net sales – money market | $ 91.4 | $ 47.4 | $ 15.2 | $ 27.2 | $ 13.6 | $ 11.7 | $ 120.2 | $ 86.3 |
| Net sales – long term | 496.5 | 362.9 | (120.8) | 326.5 | 46.3 | 28.2 | 416.9 | 715.9 |
| Total mutual fund net sales | $ 587.9 | $ 410.3 | $ (105.6) | $ 353.7 | $ 59.9 | $ 39.9 | $ 537.1 | $ 802.2 |
| **Sub-advisory, institutional and other accounts** | | | | | | | | |
| Gross sales | $ – | $ – | $ 1,715.5 | $ 1,492.4 | $ – | $ – | $ 984.7 | $ 961.0 |
| Net sales | – | – | 674.4 | 428.0 | – | – | 432.2 | 299.5 |
| **Combined** | | | | | | | | |
| Gross sales | $ 2,365.3 | $ 2,229.0 | $ 3,689.0 | $ 3,866.2 | $ 195.8 | $ 157.0 | $ 5,511.7 | $ 5,717.6 |
| Net sales | 587.9 | 410.3 | 568.8 | 781.7 | 59.9 | 39.9 | 969.3 | 1,101.7 |
| **Change in total assets under management** | | | | | | | | |
| Net sales | $ 587.9 | $ 410.3 | $ 568.8 | $ 781.7 | $ 59.9 | $ 39.9 | $ 969.3 | $ 1,101.7 |
| Market and income | 2,450.6 | 2,211.8 | 3,159.2 | 2,270.1 | 216.3 | 141.3 | 5,499.3 | 4,436.8 |
| Net change in assets | 3,038.5 | 2,622.1 | 3,728.0 | 3,051.8 | 276.2 | 181.2 | 6,468.6 | 5,538.5 |
| Beginning assets | 73,458.6 | 68,254.7 | 70,876.1 | 65,315.2 | 3,850.3 | 3,406.0 | 141,919.3 | 131,776.5 |
| **Ending assets** | $ 76,497.1 | $ 70,876.8 | $ 74,604.1 | $ 68,367.0 | $ 4,126.5 | $ 3,587.2 | $148,387.9 | $137,315.0 |

*(1) Total Gross Sales and Net Sales excluded $738 million and $247 million, respectively, in accounts sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($534 million and $130 million in 2014).*
*Total assets under management excluded $6.8 billion of assets sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($5.5 billion at March 31, 2014).*

TABLE 6: SUMMARY OF QUARTERLY RESULTS

| | 2015 Q1 | 2014 Q4 | 2014 Q3 | 2014 Q2 | 2014 Q1 | 2013 Q4 | 2013 Q3 | 2013 Q2 |
|---|---|---|---|---|---|---|---|---|
| **Consolidated statements of earnings** *($ millions)* | | | | | | | | |
| Revenues | | | | | | | | |
| Management fees | $ 509.1 | $ 507.4 | $ 517.0 | $ 503.9 | $ 485.8 | $ 475.6 | $ 462.2 | $ 451.9 |
| Administration fees | 102.3 | 100.7 | 102.0 | 99.3 | 95.2 | 93.7 | 90.4 | 87.9 |
| Distribution fees | 94.5 | 87.7 | 85.0 | 86.1 | 92.4 | 85.6 | 76.2 | 79.8 |
| Net investment income and other | 55.0 | 46.2 | 46.2 | 32.5 | 41.4 | 36.7 | 38.7 | 47.4 |
| | 760.9 | 742.0 | 750.2 | 721.8 | 714.8 | 691.6 | 667.5 | 667.0 |
| Expenses | | | | | | | | |
| Commission | 266.9 | 253.9 | 249.8 | 245.7 | 243.2 | 229.3 | 219.8 | 219.0 |
| Non-commission | 213.6 | 198.8 | 190.8 | 194.5 | 195.7 | 179.9 | 173.0 | 182.7 |
| Interest | 22.8 | 23.3 | 23.2 | 22.9 | 22.8 | 23.3 | 23.2 | 22.9 |
| | 503.3 | 476.0 | 463.8 | 463.1 | 461.7 | 432.5 | 416.0 | 424.6 |
| Earnings before undernoted | 257.6 | 266.0 | 286.4 | 258.7 | 253.1 | 259.1 | 251.5 | 242.4 |
| Client distributions and other costs | – | (81.0) | – | – | – | – | – | – |
| Restructuring and other charges | – | – | – | (18.3) | – | (14.6) | – | – |
| Proportionate share of affiliate's provision | – | – | – | – | – | 9.0 | – | – |
| Earnings before income taxes | 257.6 | 185.0 | 286.4 | 240.4 | 253.1 | 253.5 | 251.5 | 242.4 |
| Income taxes | 55.1 | 33.9 | 64.5 | 47.9 | 56.5 | 54.2 | 55.9 | 49.3 |
| Net earnings | 202.5 | 151.1 | 221.9 | 192.5 | 196.6 | 199.3 | 195.6 | 193.1 |
| Perpetual preferred share dividends | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Net earnings available to common shareholders | $ 200.3 | $ 148.9 | $ 219.7 | $ 190.3 | $ 194.4 | $ 197.1 | $ 193.4 | $ 190.9 |
| **Reconciliation of Non-IFRS financial measures**[1] *($ millions)* | | | | | | | | |
| Operating earnings available to common shareholders – non-IFRS measure | $ 200.3 | $ 208.1 | $ 219.7 | $ 203.9 | $ 194.4 | $ 198.7 | $ 193.4 | $ 190.9 |
| Other items: | | | | | | | | |
| Client distributions and other costs, net of tax | – | (59.2) | – | – | – | – | – | – |
| Restructuring and other charges, net of tax | – | – | – | (13.6) | – | (10.6) | – | – |
| Proportionate share of affiliate's provision | – | – | – | – | – | 9.0 | – | – |
| Net earnings available to common shareholders – IFRS | $ 200.3 | $ 148.9 | $ 219.7 | $ 190.3 | $ 194.4 | $ 197.1 | $ 193.4 | $ 190.9 |
| **Earnings per share** *(¢)* | | | | | | | | |
| Operating earnings available to common shareholders[1] | | | | | | | | |
| – Basic | 80 | 83 | 87 | 81 | 77 | 79 | 77 | 76 |
| – Diluted | 80 | 83 | 87 | 81 | 77 | 79 | 77 | 76 |
| Net earnings available to common shareholders | | | | | | | | |
| – Basic | 80 | 59 | 87 | 75 | 77 | 78 | 77 | 76 |
| – Diluted | 80 | 59 | 87 | 75 | 77 | 78 | 77 | 76 |
| **Average daily mutual fund assets** *($ billions)* | $ 129.9 | $ 124.6 | $ 126.2 | $ 123.6 | $ 119.7 | $ 114.6 | $ 110.2 | $ 108.4 |
| **Total mutual fund assets under management** *($ billions)* | $ 131.5 | $ 126.0 | $ 125.2 | $ 125.2 | $ 122.5 | $ 117.6 | $ 111.2 | $ 107.6 |
| **Total assets under management** *($ billions)* | $ 148.4 | $ 141.9 | $ 140.6 | $ 141.4 | $ 137.3 | $ 131.8 | $ 126.0 | $ 124.8 |

*(1) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in addition 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 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 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.

### CONSULTANT NETWORK

Investors Group distinguishes itself from its competition by offering comprehensive planning to its clients within the context of long-term relationships. At the centre of these relationships is a national distribution network of Consultants based in 110 region offices across Canada.

At March 31, 2015, Investors Group had a Consultant network of 5,156, up from 4,731 at March 31, 2014. This represents the highest level in the history of the company.

The individuals in the Consultant network with more than four years of Investors Group experience was at an all time quarter end high of 2,819 at March 31, 2015 compared to 2,795 a year earlier.

At March 31, 2015, 1,539 individuals in our Consultant network held the Certified Financial Planner (CFP) designation, or its Quebec equivalent, the Financial Planner (F.Pl.) designation. The CFP and F.Pl. designations are nationally accepted financial planning qualifications that require an individual to demonstrate financial planning competence through education, standardized examinations, continuing education requirements, and accountability to ethical standards.

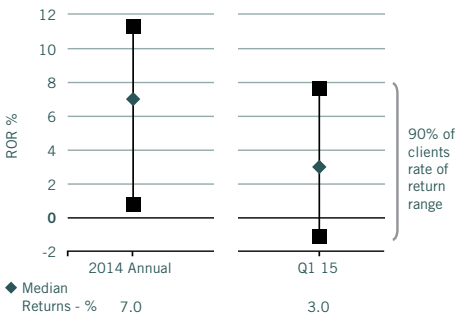
### ADMINISTRATIVE SUPPORT AND COMMUNICATION FOR CONSULTANTS AND CLIENTS

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 Investors Group's Quebec General Office located in Montreal for Consultants and clients residing in Quebec and from Investors Group's head office in Winnipeg, Manitoba for Consultants and clients in the rest of Canada. The Quebec General Office has approximately 190 employees and operating units for most functions supporting over 1,000 Consultants throughout Quebec and the 19 Quebec region offices. Mutual fund assets under management in Quebec were approximately $13 billion as at March 31, 2015.

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 account median rates of return for the current year. The chart also illustrates upper and lower ranges of rates of return around the median for 90% of Investors Group clients.

**Client Account Rate of Return (ROR) Experience**



For the three months ended March 31, 2015, the client account median rate of return was approximately 3.0% and 89% of clients experienced positive returns.

### New Client Rate of Return Reporting

In March 2013, the Canadian Securities Administrators adopted a new set of rules as Phase 2 of the Client Relationship Model, often referred to as CRM2. One of the most significant aspects of these rules will require all dealers to provide their clients with account level rates of return for various historical periods. This is an industry-wide regulatory amendment focused on ensuring that clients are well informed regarding the performance of their investments.

Investors Group fully supports this initiative and we believe investment account level rates of return reporting will provide a meaningful benefit to our clients and demonstrate the value provided through advice over the history of our client relationships.

Investors Group has established multiple-period account rate of return reporting capabilities that will be added to most Investors Group's client statements for the June 30, 2015 client statement period and will continue reporting on this basis each quarter thereafter. Required data has been gathered for several years so that clients will have one year, three year and five year calculations appearing immediately upon Investors Group's introduction of this new feature.

This new client feature will be introduced a full two years earlier than the regulatory requirements and will show at least a five year history immediately upon this introduction for our long-term clients. The regulations would have required us to provide this information by June 30, 2017 and only on a one year basis initially with longer time frames emerging over time.

### Client Experience Survey

Consultants 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 and service provided by our Consultants through varying economic cycles.

In 2014, Investors Group introduced an ongoing program of surveys to measure client experience for new and existing clients:

- All new Investors Group clients receive a survey at their three month anniversary date.
- All existing clients are surveyed annually.

The results of the surveys from inception to March 31, 2015 are detailed in Table 7.

## 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 8. Assets under management reached $76.5 billion at March 31, 2015, the highest quarter end level in the history of Investors Group.

### Fund Performance

At March 31, 2015, 38.5% of Investors Group mutual funds had a rating of three stars or better from the Morningstar† fund ranking service and 11.9% had a rating of four or five stars. This compared to the

TABLE 7: CLIENT EXPERIENCE SURVEY – INVESTORS GROUP

| Surveys completed from inception to March 31, 2015 | |
|---|---|
| **New client households surveyed 90 days after account opening** | |
| Satisfied with service | 96 % |
| Offered a financial plan | 91 |
| Satisfied with discussion about goals and concerns | 97 |
| Willing to refer | 94 |
| **Client households with 12+ months tenure** | |
| Satisfied with service | 93 % |
| Have a financial plan | 85 |
| Satisfied with level of contact | 93 |
| Willing to refer | 88 |

TABLE 8: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

| Three months ended *($ millions)* | 2015 MAR. 31 | 2014 DEC. 31 | 2014 MAR. 31 | % CHANGE 2014 DEC. 31 | % CHANGE 2014 MAR. 31 |
|---|---|---|---|---|---|
| Sales | $ 2,365.3 | $ 1,840.4 | $ 2,229.0 | 28.5 % | 6.1 % |
| Redemptions | 1,777.4 | 1,646.0 | 1,818.7 | 8.0 | (2.3) |
| **Net sales (redemptions)** | 587.9 | 194.4 | 410.3 | 202.4 | 43.3 |
| Market and income | 2,450.6 | 578.4 | 2,211.8 | 323.7 | 10.8 |
| Net change in assets | 3,038.5 | 772.8 | 2,622.1 | 293.2 | 15.9 |
| Beginning assets | 73,458.6 | 72,685.8 | 68,254.7 | 1.1 | 7.6 |
| **Ending assets** | $ 76,497.1 | $ 73,458.6 | $ 70,876.8 | 4.1 % | 7.9 % |
| **Average daily assets** | $ 75,456.4 | $ 72,533.7 | $ 69,292.6 | 4.0 % | 8.9 % |

Morningstar† universe of 65.2% for three stars or better and 28.5% for four and five star funds at March 31, 2015. 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.

Investors Group introduced two new investment options which became available for sale in January 2015:

- Investors U.S. Dividend Registered Fund which aims to provide long-term capital appreciation and income by investing primarily in a combination of U.S. dividend-paying equity securities and/or other types of income producing investments. Due to an exemption from U.S. withholding tax, no U.S. withholding tax will be charged on interest and dividends received by the Investors U.S. Dividend Registered Fund. This will result in a positive effect on performance.
- Allegro Income Balanced Portfolio Class which aims to provide fixed-income diversification and long-term capital appreciation by investing primarily in underlying funds that provide equity and/or fixed income exposure.

### Pricing for Households with Investment Assets in Excess of $500,000

During 2012 and 2013, Investors Group introduced investment solutions with differentiated pricing for households with investments in Investors Group funds in excess of $500,000.

- Series J was introduced in the third quarter of 2012 and had assets of $17.4 billion at March 31, 2015, an increase of 87% from $9.3 billion at March 31, 2014.
- Series U was introduced in the third quarter of 2013 and provides a pricing structure which separates the advisory fee, which is charged directly to a client's account, from the fees charged to the underlying investment funds. At March 31, 2015, Series U assets under management had increased to $2.2 billion, compared to $764 million at March 31, 2014, an increase of 186%.

At March 31, 2015, a significant majority of clients eligible for Series J or U had transferred to these solutions. In order to encourage and accelerate this movement, Investors Group announced that it will provide distributions to clients during their period of eligibility, up to April 30, 2015. These distributions will be made in the last half of 2015.

### Change in Mutual Fund Assets Under Management – Q1 2015 vs. Q1 2014

Investors Group's mutual fund assets under management were $76.5 billion at March 31, 2015, the highest quarter end level in the history of Investors Group, representing an increase of 7.9% from $70.9 billion at March 31, 2014. Average daily mutual fund assets were $75.5 billion in the first quarter of 2015, up 8.9% from $69.3 billion in the first quarter of 2014.

For the quarter ended March 31, 2015, sales of Investors Group mutual funds through its Consultant network were $2.4 billion, the highest quarter end level in the company's history, and an increase of 6.1% from the comparative period in 2014. Mutual fund redemptions totalled $1.8 billion, a decrease of 2.3% from 2014. Net sales of Investors Group mutual funds for the first quarter of 2015 were $588 million compared with net sales of $410 million in 2014, an improvement of $178 million. During the first quarter, market and income resulted in an increase of $2.5 billion in mutual fund assets compared to an increase of $2.2 billion in the first quarter of 2014.

Sales of long-term funds were $2.1 billion for the first quarter of 2015, an increase of 4.2% from the previous year. Net sales of long-term funds for the first quarter of 2015 were $497 million compared to net sales of $363 million in 2014.

Investors Group's annualized quarterly redemption rate for long-term funds of 8.8% in the first quarter of 2015 was lower than the rate of 9.9% in the first quarter of 2014. Investors Group's twelve month trailing redemption rate for long-term funds was 8.5% at March 31, 2015 which remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 15.3% at March 31, 2015.

Over the last several years, a growing component of the redemptions included in Investors Group's long-term redemption rate has related to the Cornerstone funds and transfers to Investors Group Series of Guaranteed Investment Funds (GIFs). The Cornerstone funds are income portfolio funds which invest between 30% and 50% of their assets in Investors Premium Money Market Fund. These funds are used by our clients as a substitute for money market funds which have higher redemption activity and, together with the transfers to GIFs, account for 0.3% of our long-term redemption rate at March 31, 2015. Excluding such items, the twelve month trailing redemption rate for long-term funds would have been 8.2%.

### Change in Mutual Fund Assets Under Management – Q1 2015 vs. Q4 2014

Investors Group's mutual fund assets under management were $76.5 billion at March 31, 2015, an increase of 4.1% from $73.5 billion at December 31, 2014. Average daily mutual fund assets were $75.5 billion in the first quarter of 2015 compared to $72.5 billion in the fourth quarter of 2014, an increase of 4.0%.

For the quarter ended March 31, 2015, sales of Investors Group mutual funds through its Consultant network were $2.4 billion, an increase of 28.5% from the fourth quarter of 2014. Mutual fund redemptions, which totalled $1.8 billion for the first quarter, increased 8.0% from the previous quarter and the annualized quarterly redemption rate of 8.8% in the first quarter was higher than the rate of 8.1% in the fourth quarter of 2014. Net sales of Investors Group mutual funds for the current quarter were $588 million compared with net sales of $194 million in the previous quarter. Sales of long-term funds were $2.1 billion for the current quarter, compared to $1.5 billion in the previous quarter, an increase of 36.2%. Net sales of long-term funds for the current quarter were $497 million compared to net sales of $80 million in the previous quarter.

## OTHER PRODUCTS AND SERVICES

### Segregated Funds

Investors Group has offered segregated funds since 2001 and introduced the Investors Group Series of Guaranteed Investment Funds (GIFs) in November 2009. GIFs are segregated fund policies issued by The Great-West Life Assurance Company and include 14 fund-of-fund segregated portfolios and six individual segregated funds. These segregated funds provide for long-term investment growth potential combined with risk management, full and partial maturity and death benefit guarantee features, potential creditor protection and estate planning efficiencies. Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by Investors Group. At March 31, 2015, total segregated fund assets were $1.7 billion compared to $1.5 billion at March 31, 2014.

### Insurance

Investors Group distributes insurance products through I.G. Insurance Services Inc. For the quarter ended March 31, 2015, sales of insurance products as measured by new annualized premiums were $17 million, an increase of 1.0% from $16 million in 2014.

### Securities Operations

Investors Group provides securities services to clients through Investors Group Securities Inc., an investment dealer registered in all Canadian provinces and territories.

### Mortgage Operations

Investors Group is a national mortgage lender that offers residential mortgages to Investors Group 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 permitted by the regulations to develop mortgage strategies that meet the individual needs and goals of each client.

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 Canada Mortgage and Housing Corporation (CMHC)-approved issuers of National Housing Act Mortgage-Backed Securities (NHA MBS) and are approved 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.

Mortgage fundings for the quarter ended March 31, 2015, were $389 million, compared to $324 million in 2014, an increase of 20.3%. At March 31, 2015, mortgages serviced by Investors Group related to its mortgage banking operations totalled $10.0 billion, compared to $8.6 billion at March 31, 2014, an increase of 16.4%.

### 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 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 9.

### Q1 2015 VS. Q1 2014

#### 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 $316.2 million in the first quarter of 2015, an increase of $15.5 million or 5.2% from $300.7 million in 2014.

The net increase in management fees in the three months ended March 31, 2015 was due to the increase in average daily mutual fund assets of 8.9% as shown in Table 8. The average management fee rate in the first quarter of 2015 was 169.9 basis points of daily mutual fund assets compared to 176.0 basis points in 2014. This decline in basis points resulted primarily from transfers of eligible clients into lower fee investment solutions. Investors Group's efforts to encourage and accelerate transfers of eligible clients into lower fee investment solutions resulted in the weighted average management fee rate declining by approximately 4 basis points starting in the first quarter of 2015.

Management fee income and average management fee rates also reflected the effect of Investors Group having waived a portion of the investment management fees on its money market funds. These waivers totalled $0.7 million in the first quarter of 2015 compared to $0.8 million 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 $73.0 million in the current quarter compared to $66.0 million a year ago, an increase of 10.6%. The increase resulted primarily from the change in average mutual fund assets under management.

Distribution fees are earned from:

- Redemption fees on mutual funds sold with a deferred sales charge.
- Portfolio fund distribution fees.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.

TABLE 9: OPERATING RESULTS – INVESTORS GROUP

| Three months ended ($ millions) | 2015 MAR. 31 | 2014 DEC. 31 | 2014 MAR. 31 | % CHANGE 2014 DEC. 31 | % CHANGE 2014 MAR. 31 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Management fees | $ 316.2 | $ 317.4 | $ 300.7 | (0.4)% | 5.2 % |
| Administration fees | 73.0 | 71.3 | 66.0 | 2.4 | 10.6 |
| Distribution fees | 46.3 | 44.9 | 48.5 | 3.1 | (4.5) |
| | 435.5 | 433.6 | 415.2 | 0.4 | 4.9 |
| Net investment income and other | 21.5 | 15.8 | 13.2 | 36.1 | 62.9 |
| | 457.0 | 449.4 | 428.4 | 1.7 | 6.7 |
| **Expenses** | | | | | |
| Commission | 76.7 | 76.8 | 69.8 | (0.1) | 9.9 |
| Asset retention bonus and premium | 68.3 | 63.4 | 60.7 | 7.7 | 12.5 |
| Non-commission | 121.3 | 112.3 | 109.9 | 8.0 | 10.4 |
| | 266.3 | 252.5 | 240.4 | 5.5 | 10.8 |
| **Earnings before interest and taxes** | $ 190.7 | $ 196.9 | $ 188.0 | (3.1)% | 1.4 % |

- Banking services provided through Solutions Banking†.

Distribution fee income of $46.3 million for the first quarter of 2015 decreased by $2.2 million from $48.5 million in 2014, due primarily to decreases in distribution fee income from insurance products and redemption fees. Redemption fee income varies 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 operations and net interest income related to intermediary operations.

Net investment income and other was $21.5 million in the first quarter of 2015, an increase of $8.3 million from $13.2 million in 2014.

Net investment income related to Investors Group's mortgage banking operations totalled $21.1 million for the first quarter of 2015 compared to $12.8 million in 2014, an increase of $8.3 million. A summary of mortgage banking operations for the quarter under review is presented in Table 10. The changes in mortgage banking income were due to:

- Net interest income on securitized loans – which increased by $0.9 million for the quarter ended March 31, 2015 to $11.7 million compared to 2014. The increase resulted from higher average securitized loans offset in part by lower interest income margins.
- Gains realized on the sale of residential mortgages – which increased by $4.2 million for the quarter ended March 31, 2015 to $7.1 million compared to 2014. The increase in gains in the three month period resulted from a higher level of sale activity as well as an increase in the proportion of sales made to institutional investors compared to mutual funds.
- Fair value adjustments – which increased by $3.6 million for the three month period ended March 31, 2015 to $4.0 million compared to 2014. The increase was primarily due to favourable fair value adjustments on certain securitization related financial instruments.

### 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 was $76.7 million for the first quarter of 2015, an increase of $6.9 million from $69.8 million in 2014. The increase was primarily related to a new program that provides Consultants with higher income potential in their first two years with Investors Group.

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

- Asset retention bonus, which is based on the value of assets under management, increased by $6.4 million for the quarter ended March 31, 2015 to $57.1 million compared to 2014. The increase was primarily due to the increase in assets under management.
- Asset retention premium, which is a deferred component of compensation designed to promote Consultant retention, is based on assets under management at each year end. Asset retention premium expense increased by $1.2 million in the first quarter to $11.2 million compared to 2014. The increase was related to the increase in assets under management.

Non-commission expenses incurred by Investors Group primarily relate to the support of the Consultant network, the administration, marketing and management of its mutual funds and other products, as well as sub-advisory fees related to mutual funds under management. Non-commission expenses were $121.3 million for the first quarter of 2015 compared to $109.9 million in 2014, an increase of $11.4 million or 10.4%. Pension expense increased in the quarter primarily as a result of interest rate declines which had the effect of increasing current service costs on the related pension obligation. Excluding the impact of the increased pension expense of $2.4 million in the quarter, the increase in non-commission expenses was 8.2%. These increases included additional expenses related to Consultant network expansion and other business development efforts.

TABLE 10: MORTGAGE BANKING OPERATIONS – INVESTORS GROUP

| ($ millions) | 2015 MAR. 31 | 2014 DEC. 31 | 2014 MAR. 31 | % CHANGE 2014 DEC. 31 | % CHANGE 2014 MAR. 31 |
|---|---|---|---|---|---|
| As at | | | | | |
| **Mortgages serviced** | $ 9,997 | $ 9,894 | $ 8,587 | 1.0 % | 16.4 % |
| **Mortgage warehouse**[1] | $ 375 | $ 357 | $ 200 | 5.0 % | 87.5 % |
| Three months ended | | | | | |
| **Average mortgages serviced** | | | | | |
| CMB/MBS Programs | $ 4,570 | $ 4,411 | $ 3,799 | 3.6 % | 20.3 % |
| Bank-sponsored ABCP programs | 1,956 | 1,966 | 1,666 | (0.5) | 17.4 |
| Securitizations | 6,526 | 6,377 | 5,465 | 2.3 | 19.4 |
| Other | 3,404 | 3,416 | 3,059 | (0.4) | 11.3 |
| | $ 9,930 | $ 9,793 | $ 8,524 | 1.4 % | 16.5 % |
| **Mortgage fundings**[2] | $ 389 | $ 511 | $ 324 | (23.9) % | 20.3 % |
| **Mortgage sales to:**[3] | | | | | |
| Securitizations | $ 378 | $ 754 | $ 453 | (49.9) % | (16.6) % |
| Other[4] | 332 | 310 | 215 | 7.1 | 54.4 |
| | $ 710 | $ 1,064 | $ 668 | (33.3) % | 6.3 % |
| **Total mortgage banking income** | | | | | |
| Net interest income on securitized loans | | | | | |
| Interest income | $ 47.1 | $ 47.7 | $ 41.6 | (1.3) % | 13.2 % |
| Interest expense | 35.4 | 34.8 | 30.8 | 1.7 | 14.9 |
| Net interest income | 11.7 | 12.9 | 10.8 | (9.3) | 8.3 |
| Gains on sales[5] | 7.1 | 5.8 | 2.9 | 22.4 | 144.8 |
| Fair value adjustments | 4.0 | (1.5) | 0.4 | N/M | N/M |
| Other[6] | (1.7) | (2.0) | (1.3) | 15.0 | (30.8) |
| | $ 21.1 | $ 15.2 | $ 12.8 | 38.8 % | 64.8 % |

*(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, to Investors Mortgage and Short Term Income Fund, and to Investors Canadian Corporate Bond Fund as well as gains realized on those sales.*
*(6) Represents mortgage issuance and insurance costs, interest earned on warehoused mortgages, and servicing and other.*

## Q1 2015 VS. Q4 2014

### Fee Income

Management fee income decreased by $1.2 million or 0.4% to $316.2 million in the first quarter of 2015 compared with the fourth quarter of 2014. The net decrease in management fees in the first quarter was primarily due to:

- The decrease in the average management fee rate in the first quarter of 2015 to 169.9 basis points of daily mutual fund assets from 173.6 basis points in the prior quarter. The 4 basis point decline resulted from Investors Group's efforts to encourage and accelerate the transfer of eligible clients into lower fee investment solutions.

- A decrease of $7.0 million due to two less calendar days in the first quarter compared to the fourth quarter of 2014.

The decrease was offset in part by the impact of the increase in average daily mutual fund assets of 4.0% for the quarter as shown in Table 8.

Money market fund waivers totalled $0.7 million in the first quarter of 2015 compared with $0.8 million in the fourth quarter of 2014.

Administration fees increased to $73.0 million in the first quarter of 2015 from $71.3 million in the fourth quarter of 2014. The net increase resulted from the increase in average daily mutual fund assets compared with the fourth quarter of 2014.

Distribution fee income of $46.3 million in the first quarter of 2015 increased by $1.4 million from $44.9 million in the fourth quarter primarily due to an increase in redemption fees offset in part by distribution fee income from a seasonal decrease in insurance product sales.

### Net Investment Income and Other

Net investment income and other was $21.5 million in the first quarter of 2015 compared to $15.8 million in the previous quarter, an increase of $5.7 million primarily related to Investors Group's mortgage banking operations.

Net investment income related to Investors Group's mortgage banking operations totalled $21.1 million in the first quarter of 2015, an increase of $5.9 million from $15.2 million in the previous quarter as shown in Table 10. The changes in mortgage banking income were due to:

- Net interest income on securitized loans – which decreased by $1.2 million in the first quarter of 2015 to $11.7 million, compared to $12.9 million in the previous quarter primarily due to lower margins.
- Gains realized on the sale of residential mortgages – which increased by $1.3 million in the first quarter of 2015 to $7.1 million, compared to $5.8 million in the previous quarter. The increase in gains resulted from higher margins on these sales.
- Fair value adjustments – which increased by $5.5 million in the first quarter of 2015 to $4.0 million, compared to ($1.5) million in the previous quarter. The increase was primarily due to favourable fair value adjustments on certain securitization related financial instruments.

### Expenses

Commission expense in the current quarter was $76.7 million compared with $76.8 million in the previous quarter. The asset retention bonus and premium expense increased by $4.9 million to $68.3 million in the first quarter of 2015 due to increases in average assets under management, the reset of the asset retention premium which is based on assets under management at the year end, as well as increases in asset retention bonus rates.

Non-commission expenses were $121.3 million in the current quarter, an increase of $9.0 million or 8.0% from $112.3 million in the fourth quarter of 2014. Pension expense increased in the quarter primarily as a result of interest rate declines which had the effect of increasing current service costs on the related pension obligation. Excluding the impact of the increased pension expense of $2.4 million in the quarter, the increase in non-commission expenses was 5.9%. These increases included additional expenses related to Consultant network expansion and other business development efforts.

# Mackenzie Investments
## Review of the Business

### MACKENZIE STRATEGY

Mackenzie strives to ensure that the interests of shareholders, dealers, advisors, clients and employees are closely aligned.

In the fourth quarter of 2013, Mackenzie affirmed its vision and established a number of strategic priorities to drive future business success.

Our vision: We are committed to the financial success of investors, through *their* eyes.

- Getting the basics right; every time, everywhere
- Delivering competitive and consistent risk-adjusted performance
- Transforming distribution to drive sales and market share
- Delivering high quality products to investors and advisors and actively anticipating their future needs
- Reinvigorating the brand and leading the industry on key investor and advisor issues
- Building a winning culture

Mackenzie seeks to maximize 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 and related party investment programs offered by banks, insurance companies and other investment companies. Strategic alliances with related parties include providing advisory services to Investors Group, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries, and also include a private label mutual fund arrangement with Lifeco subsidiary Quadrus. Within the strategic alliance channel, 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.

Gross sales and redemption activity in strategic alliance and institutional accounts can be more pronounced than in the retail channel given the relative size and the nature of the distribution relationships of these accounts. These accounts are also subject to ongoing reviews and rebalance activities which may result in a significant change in the level of assets under management.

Mackenzie is 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.

#### LIVE IT™ Initiative

During the fourth quarter of 2014, Mackenzie announced LIVE IT, a new framework for investment conversations based on the six concerns that matter most to investors. The message of LIVE IT reflects Canadians' aspirations to live a fulfilling life today, and through a strong investment plan, into the future. The LIVE IT framework was built after extensive conversations and research with investors and advisors to identify what issues were most on their minds. LIVE IT puts a spotlight on those areas through an acronym that takes the first letter from each major financial challenge facing investors today, and in the future: **L**ongevity, **I**ncome, **V**olatility, **E**state, **I**nflation and **T**axes.

### ASSETS UNDER MANAGEMENT

The changes in mutual fund assets under management are summarized in Table 11 and the changes in total assets under management are summarized in Table 12. At March 31, 2015, Mackenzie's mutual fund and total assets under management reached $50.9 billion and $74.6 billion, respectively, the highest quarter end levels in the history of Mackenzie.

The change in Mackenzie's assets under management is determined by the increase or decrease in the market value of the securities held in the

TABLE 11: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – MACKENZIE

| Three months ended ($ millions) | 2015 MAR. 31 | 2014 DEC. 31 | 2014 MAR. 31 | % CHANGE 2014 DEC. 31 | % CHANGE 2014 MAR. 31 |
|---|---|---|---|---|---|
| Sales | $ 1,973.5 | $ 1,555.5 | $ 2,373.8 | 26.9 % | (16.9) % |
| Redemptions | 2,079.1 | 2,027.0 | 2,020.1 | 2.6 | 2.9 |
| **Net sales (redemptions)**[1] | (105.6) | (471.5) | 353.7 | 77.6 | N/M |
| Market and income | 2,267.5 | 479.4 | 1,681.1 | N/M | 34.9 |
| Net change in assets | 2,161.9 | 7.9 | 2,034.8 | N/M | 6.2 |
| Beginning assets | 48,781.9 | 48,774.0 | 46,024.4 | – | 6.0 |
| **Ending assets** | $ 50,943.8 | $ 48,781.9 | $ 48,059.2 | 4.4 % | 6.0 % |
| **Daily average mutual fund assets** | $ 50,492.4 | $ 48,311.3 | $ 46,950.3 | 4.5 % | 7.5 % |

*(1) In the fourth quarter of 2014, a third party investment program which includes Mackenzie mutual funds made fund allocation changes which resulted in gross sales of $62 million, redemptions of $284 million and net redemptions of $222 million.*

TABLE 12: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – MACKENZIE

| Three months ended ($ millions) | 2015 MAR. 31 | 2014 DEC. 31 | 2014 MAR. 31 | % CHANGE 2014 DEC. 31 | % CHANGE 2014 MAR. 31 |
|---|---|---|---|---|---|
| Sales | $ 3,689.0 | $ 3,320.8 | $ 3,866.2 | 11.1 % | (4.6) % |
| Redemptions | 3,120.2 | 3,172.5 | 3,084.5 | (1.6) | 1.2 |
| **Net sales (redemptions)**[1] | 568.8 | 148.3 | 781.7 | 283.5 | (27.2) |
| Market and income | 3,159.2 | 774.0 | 2,270.1 | 308.2 | 39.2 |
| Net change in assets | 3,728.0 | 922.3 | 3,051.8 | 304.2 | 22.2 |
| Beginning assets | 70,876.1 | 69,953.8 | 65,315.2 | 1.3 | 8.5 |
| **Ending assets** | $ 74,604.1 | $ 70,876.1 | $ 68,367.0 | 5.3 % | 9.1 % |
| **Consists of:** | | | | | |
| Mutual funds | $ 50,943.8 | $ 48,781.9 | $ 48,059.2 | 4.4 % | 6.0 % |
| Sub-advisory, institutional and other accounts | 23,660.3 | 22,094.2 | 20,307.8 | 7.1 | 16.5 |
| | $ 74,604.1 | $ 70,876.1 | $ 68,367.0 | 5.3 % | 9.1 % |
| **Monthly average total assets**[2] | $ 73,591.6 | $ 69,834.2 | $ 66,748.9 | 5.4 % | 10.3 % |

*(1) In the fourth quarter of 2014, a third party investment program which includes Mackenzie mutual funds made fund allocation changes which resulted in gross sales of $62 million, redemptions of $284 million and net redemptions of $222 million. In addition, there were tactical rebalances by an institutional client that resulted in gross sales of $448 million, redemptions of $94 million and net sales of $354 million into separately managed account investment mandates advised on by Mackenzie.*
*(2) Based on daily average mutual fund assets and month-end average sub-advisory, institutional and other assets.*

portfolios of investments and by the level of sales as compared to the level of redemptions.

**Fund Performance**

Long-term investment performance is a key measure of Mackenzie's ongoing success. At March 31, 2015, 30.3% of Mackenzie mutual funds were rated in the top two performance quartiles for the one year time frame, 25.6% for the three year time frame and 42.9% 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 March 31, 2015, 62.0% of Mackenzie mutual funds measured by Morningstar† had a rating of three stars or better and 18.5% had a rating of four or five stars. This compared to the Morningstar† universe of 65.2% for three stars or better and 28.5% for four and five star funds at March 31, 2015. These ratings exclude the Quadrus Group of Funds†.

**Changes to Mutual Fund Product Offering**

Mackenzie's diversified suite of investment products is designed to meet the needs and goals of investors. Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their investment clients.

During the third quarter of 2014, Mackenzie completed a comprehensive retail pricing review and announced, on October 8, 2014, changes designed to simplify and enhance its approach to the retail pricing of its mutual funds. Mackenzie is focused on delivering clear, consistent and competitive pricing on its retail mutual fund product line-up. As part of these pricing changes, which became effective on September 29, 2014, Mackenzie aligned management fees within the income and balanced asset class categories resulting in management fee reductions to 13 mutual funds. The decreases range from 0.15% to 0.25% per annum of the asset value of the fund. Mackenzie also lowered fixed rate annual administration fees on Series A, C, SC and T of many funds to align the rates applied within each asset class. In addition, administration fees have been lowered on Mackenzie's entire Series F offering. Series F is available to retail investors who are enrolled in a dealer-sponsored fee-for-service or wrap program.

**Change in Assets under Management – Q1 2015 vs. Q1 2014**

Mackenzie's mutual fund assets under management were $50.9 billion at March 31, 2015, an increase of 6.0% from $48.1 billion at March 31, 2014. Mackenzie's sub-advisory, institutional and other accounts at March 31, 2015 were $23.7 billion, an increase of 16.5% from $20.3 billion last year. Mackenzie's total assets under management at March 31, 2015 were $74.6 billion, an increase of 9.1% from $68.4 billion at March 31, 2014. At March 31, 2015, Mackenzie's mutual fund and total assets under management were the highest quarter end levels in the history of the company.

In the three months ended March 31, 2015, Mackenzie's mutual fund gross sales were $2.0 billion, a decrease of 16.9% from $2.4 billion in the comparative period last year. Mutual fund redemptions in the current period were $2.1 billion, an increase of 2.9% from last year. Mutual fund net redemptions for the three months ended March 31, 2015 were $106 million, as compared to net sales of $354 million last year. During the current quarter, market and income resulted in assets increasing by $2.3 billion as compared to an increase of $1.7 billion last year.

In the three months ended March 31, 2015, Mackenzie's gross sales for total assets under management were $3.7 billion, a decrease of 4.6% from $3.9 billion in the comparative period last year. Redemptions in the current period were $3.1 billion, an increase of 1.2% from last year. Net sales for the three months ended March 31, 2015 were $569 million, as compared to net sales of $782 million last year. During the current quarter, market and income resulted in assets increasing by $3.2 billion as compared to an increase of $2.3 billion last year.

Redemptions of long-term mutual funds in the three month period ended March 31, 2015, were $2.0 billion as compared to $1.9 billion last year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds of 16.2% in the first quarter of 2015 was lower than the 16.9% in the first quarter of 2014. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 14.4% at March 31, 2015, as compared to 16.0% last year. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 14.8% at March 31, 2015. 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.

### Change in Assets under Management – Q1 2015 vs. Q4 2014

Mackenzie's mutual fund assets under management were $50.9 billion at March 31, 2015, an increase of 4.4% from $48.8 billion at December 31, 2014. Mackenzie's sub-advisory, institutional and other accounts increased $1.6 billion from $22.1 billion to $23.7 billion at March 31, 2015. Mackenzie's total assets under management at March 31, 2015, were $74.6 billion, an increase of 5.3% from $70.9 billion at December 31, 2014, as summarized in Table 12.

For the quarter ended March 31, 2015, Mackenzie mutual fund gross sales were $2.0 billion, an increase of 26.9% from the fourth quarter of 2014. Mutual fund redemptions, which totalled $2.1 billion for the first quarter, increased 2.6% from the previous quarter. Net redemptions of Mackenzie mutual funds for the current quarter were $106 million compared with net redemptions of $471 million in the previous quarter.

During the fourth quarter of 2014, a third party investment program, which includes Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $62 million, redemptions of $284 million and net redemptions of $222 million. Excluding this transaction, gross sales increased 32.1% in the quarter ended March 31, 2015 compared to the fourth quarter of 2014 and net redemptions were $106 million in the current quarter compared to net redemptions of $249 million in the prior quarter.

Redemptions of long-term mutual fund assets in the current quarter were $2.0 billion, compared to $1.9 billion in the fourth quarter of 2014. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the quarter ended March 31, 2015 was 16.2%, compared to 16.1% for the fourth quarter of 2014. Net redemptions of long-term funds for the current quarter were $121 million compared to net redemptions of $496 million in the previous quarter. Excluding rebalance transactions during the fourth quarter of 2014, Mackenzie's annualized quarterly redemption rate for long-term funds was 13.7%.

## Review of Segment Operating Results

Mackenzie's earnings before interest and taxes are presented in Table 13.

### Q1 2015 VS. Q1 2014

#### Revenues

The largest component of Mackenzie's revenues is management fees. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. Equity-based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts. The majority of Mackenzie's mutual fund assets are purchased on a retail basis.

Within Mackenzie's retail mutual fund offering, certain series are offered for fee-based programs of participating dealers whereby dealer compensation is charged directly by the dealer to a client (primarily Series F). As Mackenzie does not pay the dealer compensation, these series have lower management fees. At March 31, 2015, these series had $3.1 billion in assets, an increase of 35.5% from the prior year.

Management fees were $178.0 million for the three months ended March 31, 2015, an increase of $6.3 million or 3.7% from $171.7 million last year, primarily due to increases in average assets under management of 10.3%. Mackenzie's average management fee rate was 98.1 basis points for the three month period ended March 31, 2015 compared to 104.3 basis points in 2014. The decline in the average management fee rate was due to a change in the composition of assets under management and the pricing changes made to retail mutual funds which became effective on September 29, 2014. The impact of these pricing changes was a decline in management fees of $2.0 million in the current quarter.

Mackenzie earns administration fees primarily from providing services to its mutual funds. Administration fees were $25.5 million for the three months ended March 31, 2015, as compared to $26.1 million in 2014. The impact of the pricing changes, which became effective on September 29, 2014, was a decline in administration fees of $1.2 million in the current quarter.

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

TABLE 13: OPERATING RESULTS – MACKENZIE

| Three months ended *($ millions)* | 2015 MAR. 31 | 2014 DEC. 31 | 2014 MAR. 31 | % CHANGE 2014 DEC. 31 | % CHANGE 2014 MAR. 31 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Management fees | $ 178.0 | $ 175.4 | $ 171.7 | 1.5 % | 3.7 % |
| Administration fees | 25.5 | 26.2 | 26.1 | (2.7) | (2.3) |
| Distribution fees | 3.2 | 2.8 | 3.2 | 14.3 | – |
| | 206.7 | 204.4 | 201.0 | 1.1 | 2.8 |
| Net investment income and other | 4.2 | (0.4) | 1.3 | N/M | 223.1 |
| | 210.9 | 204.0 | 202.3 | 3.4 | 4.3 |
| **Expenses** | | | | | |
| Commission | 15.7 | 15.4 | 16.9 | 1.9 | (7.1) |
| Trailing commission | 62.1 | 59.3 | 56.9 | 4.7 | 9.1 |
| Non-commission | 76.2 | 76.3 | 70.8 | (0.1) | 7.6 |
| | 154.0 | 151.0 | 144.6 | 2.0 | 6.5 |
| **Earnings before interest and taxes** | $ 56.9 | $ 53.0 | $ 57.7 | 7.4 % | (1.4) % |

administration fee established for each fund. 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.

Due to the level of mutual fund assets, Mackenzie continued to receive an operating expense adjustment in the current period. The operating expense adjustment in the three months ended March 31, 2015 was $1.0 million compared to $1.9 million in 2014. As part of the retail pricing changes announced during the fourth quarter of 2014, effective April 1, 2015, this operating expense adjustment was discontinued.

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. Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option. Distribution fee income in the three months ended March 31, 2015 was $3.2 million, unchanged from 2014.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was $4.2 million for the three months ended March 31, 2015, an increase of $2.9 million from $1.3 million last year.

### Expenses

Mackenzie's expenses were $154.0 million for the three months ended March 31, 2015, an increase of $9.4 million or 6.5% from $144.6 million in 2014.

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. 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. Commission expense was $15.7 million in the three months ended March 31, 2015, as compared to $16.9 million last year. This decline is consistent with the lower amount of deferred sales commissions paid in recent years combined with lower write-offs of the unamortized balance of deferred sales commissions associated with redemptions.

Trailing commissions paid to dealers are paid on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees 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 $62.1 million in the three months ended March 31, 2015, an increase of $5.2 million or 9.1% from $56.9 million last year. The change in trailing commissions resulted both from the period over period increase in average mutual fund assets as well as a change in the composition of mutual fund assets towards series of mutual funds that pay higher trailer rates. During the period, this included both the impact of having a higher weighting of equity funds as well as having a higher weighting of no load series of funds, both of which are subject to higher trailer rates. Trailing commissions as a percentage of average mutual fund assets under management were 49.2 basis points in the three months ended March 31, 2015 as compared to 48.4 basis points in 2014.

Non-commission expenses are incurred by Mackenzie in the administration, marketing and management of its assets under management. Non-commission expenses were $76.2 million in the three months ended March 31, 2015, an increase of $5.4 million or 7.6% from $70.8 million in 2014. Mackenzie continues to attract, retain and develop employees and invest strategically in systems and technology to enhance its future operating capabilities while at the same time investing in revenue generating initiatives to further grow its business.

## Q1 2015 VS. Q4 2014

### Revenues

Mackenzie's revenues were $210.9 million for the current quarter, an increase of $6.9 million or 3.4% from $204.0 million in the fourth quarter of 2014.

Management fees were $178.0 million for the current quarter, an increase of $2.6 million or 1.5% from $175.4 million in the fourth quarter of 2014. Factors contributing to the net increase in management fees are as follows:

- Average total assets under management were $73.6 billion in the current quarter compared to $69.8 billion in the quarter ended December 31, 2014, an increase of 5.4%.
- Mackenzie's average management fee rate was 98.1 basis points in the current quarter as compared to 99.7 basis points in the fourth quarter of 2014 due to a change in the composition of assets under management.
- There were two less calendar days in the first quarter of 2015 than in the fourth quarter of 2014, which had an impact of $3.9 million.

Administration fees were $25.5 million in the current quarter, a decrease of $0.7 million or 2.7% from $26.2 million in the prior quarter. Included in administration fees for the current quarter was the fund operating expense adjustment of $1.0 million as compared to $1.7 million in the fourth quarter of 2014.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was $4.2 million for the three months ended March 31, 2015 compared to a loss of $0.4 million in the fourth quarter of 2014.

### Expenses

Mackenzie's expenses were $154.0 million for the current quarter, an increase of $3.0 million or 2.0% from $151.0 million in the fourth quarter of 2014.

Commission expense, related to the amortization of selling commissions, was $15.7 million in the quarter ended March 31, 2015, an increase of 1.9% from the fourth quarter of 2014.

Trailing commissions were $62.1 million in the current quarter, an increase of $2.8 million or 4.7% from $59.3 million in the fourth quarter of 2014. The change in trailing commissions reflects the 4.5% period over period increase in average mutual fund assets under management. The effective trailing commission rate for the first quarter was 49.2 basis points as compared to 49.1 basis points in the fourth quarter of 2014.

Non-commission expenses were $76.2 million in the current quarter compared to $76.3 million in the fourth quarter of 2014.

# 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. (Lifeco), 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 14.

TABLE 14: OPERATING RESULTS – CORPORATE AND OTHER

| Three months ended ($ millions) | 2015 MAR. 31 | 2014 DEC. 31 | 2014 MAR. 31 | % CHANGE 2014 DEC. 31 | % CHANGE 2014 MAR. 31 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Fee income | $ 63.7 | $ 57.8 | $ 57.2 | 10.2 % | 11.4 % |
| Net investment income and other | 29.3 | 30.8 | 26.9 | (4.9) | 8.9 |
| | 93.0 | 88.6 | 84.1 | 5.0 | 10.6 |
| **Expenses** | | | | | |
| Commission | 44.1 | 39.0 | 38.9 | 13.1 | 13.4 |
| Non-commission | 16.1 | 10.2 | 15.0 | 57.8 | 7.3 |
| | 60.2 | 49.2 | 53.9 | 22.4 | 11.7 |
| **Earnings before interest and taxes** | $ 32.8 | $ 39.4 | $ 30.2 | (16.8) % | 8.6 % |

### Q1 2015 VS. Q1 2014

Net investment income and other increased to $29.3 million in the first quarter of 2015 compared to $26.9 million in 2014. The increase in the three month period was largely due to an increase in the Company's proportionate share of Lifeco's earnings as discussed in the Consolidated Financial Position section of this MD&A.

Earnings before interest and taxes related to Investment Planning Counsel were $0.3 million higher in the first quarter of 2015 compared to the same period in 2014.

### Q1 2015 VS. Q4 2014

Net investment income and other totalled $29.3 million in the first quarter of 2015 compared to $30.8 million in the fourth quarter of 2014. The decrease was primarily due to a decrease in the Company's proportionate share of Lifeco's earnings as discussed in the Consolidated Financial Position section of this MD&A.

Earnings before interest and taxes related to Investment Planning Counsel were $5.5 million lower in the first quarter of 2015 compared with the previous quarter.

# IGM Financial Inc.
## Consolidated Financial Position

IGM Financial's total assets were $14.4 billion at March 31, 2015 unchanged from December 31, 2014.

### SECURITIES

The composition of the Company's securities holdings is detailed in Table 15.

**Available for Sale (AFS) Securities**
Securities classified as available for sale include 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 any subsequent losses are also recorded in net earnings.

**Fair Value Through Profit or Loss Securities**
Securities classified as fair value through profit or loss include equity securities and proprietary investment funds. Unrealized gains and losses are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Certain proprietary investment funds are consolidated where the Company has made the assessment that it controls the investment fund as discussed in Note 2 of the Consolidated Financial Statements included in the 2014 IGM Financial Inc. Annual Report (Annual Financial Statements). The underlying securities of these funds are classified as held for trading and recognized at fair value through profit or loss.

### LOANS

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

Loans consisted of residential mortgages and represented 48.7% of total assets at March 31, 2015, unchanged from December 31, 2014. Loans are comprised of:

- Sold to securitization programs – these loans are sold to securitization trusts sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $6.7 billion at March 31, 2015, compared to $6.8 billion at December 31, 2014.
- Intermediary operations – these loans are held by the Company to earn interest in the Company's deposit operations.
- Mortgage banking operations – these loans are held temporarily by the Company pending sale or securitization.

Residential mortgages originated by Investors Group are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs. Investors Group services $12.3 billion of residential mortgages, including $2.3 billion originated by subsidiaries of Lifeco.

TABLE 15: SECURITIES

| | March 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| *($ millions)* | Cost | Fair value | Cost | Fair value |
| **Available for sale** | | | | |
| Proprietary investment funds | $ 4.4 | $ 4.7 | $ 9.6 | $ 10.2 |
| **Fair value through profit or loss** | | | | |
| Equity securities | 10.3 | 11.1 | 11.0 | 10.2 |
| Proprietary investment funds | 60.5 | 66.8 | 66.4 | 69.1 |
| | 70.8 | 77.9 | 77.4 | 79.3 |
| | $ 75.2 | $ 82.6 | $ 87.0 | $ 89.5 |

TABLE 16: LOANS

| *($ millions)* | 2015 MARCH 31 | 2014 DECEMBER 31 |
|---|---|---|
| **Loans and receivables** | | |
| Sold to securitization programs | $ 6,582.8 | $ 6,624.0 |
| Intermediary operations | 28.4 | 29.5 |
| | 6,611.2 | 6,653.5 |
| Less: Collective allowance | 0.7 | 0.8 |
| | 6,610.5 | 6,652.7 |
| **Held for trading** | | |
| Mortgage banking operations | 406.6 | 366.2 |
| | $ 7,017.1 | $ 7,018.9 |

## SECURITIZATION ARRANGEMENTS

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 securitizes residential mortgages through the CMHC sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) and the CMB Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. The Company retains servicing responsibilities and certain elements of credit risk and prepayment risk associated with the transferred assets. The Company's credit risk on its securitized mortgages is mitigated through the use of insurance. Derecognition of financial assets in accordance with IFRS is based on the transfer of risks and rewards of ownership. As the Company has retained prepayment risk and certain elements of credit risk associated with the Company's securitization transactions through the CMB and ABCP programs, they are accounted for as secured borrowings. The Company records the transactions under these programs as follows: (i) the mortgages and related obligations 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.

In the first quarter of 2015, the Company securitized loans through its mortgage banking operations with cash proceeds of $374.2 million compared to $445.0 million in 2014. The fair value of the Company's retained interest was $108.0 million at March 31, 2015 compared to $136.2 million at December 31, 2014. The retained interest includes cash reserve accounts of $34.6 million, which are reflected on the balance sheet, and rights to future excess spread of $124.1 million, which are not reflected on the balance sheet. The retained interest also includes 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. This component of the swap is recorded on the balance sheet and had a negative fair value of $50.7 million at March 31, 2015. Additional information related to the Company's securitization activities, including the Company's hedges of related reinvestment and interest rate risk, can be found in the Financial Instruments Risk section of this MD&A and in Note 4 of the Interim Financial Statements.

## INVESTMENT IN AFFILIATE

Investment in affiliate represents the Company's 4% equity interest in Great-West Lifeco Inc. (Lifeco). 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. 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 months ended March 31, 2015 compared with 2014 are shown in Table 17.

TABLE 17: INVESTMENT IN AFFILIATE

| Three months ended<br>*($ millions)* | 2015<br>MAR. 31 | 2014<br>MAR. 31 |
|---|---|---|
| **Carrying value, beginning of period** | $ 794.4 | $ 717.8 |
| Proportionate share of earnings | 25.9 | 19.4 |
| Dividends received | (12.9) | (12.2) |
| Proportionate share of other comprehensive income (loss) and other adjustments | (4.5) | 20.2 |
| **Carrying value, end of period** | $ 802.9 | $ 745.2 |
| **Fair value, end of period** | $ 1,451.6 | $ 1,210.4 |

## Consolidated Liquidity and Capital Resources

### LIQUIDITY

Cash and cash equivalents totalled $1.12 billion at March 31, 2015 compared with $1.22 billion at December 31, 2014. Cash and cash equivalents related to the Company's deposit operations were $4.7 million at March 31, 2015 compared with $4.5 million at December 31, 2014 and $3.5 million at March 31, 2014, as shown in Table 18.

Working capital totalled $1,277.1 million at March 31, 2015 compared with $1,196.4 million at December 31, 2014 and $1,151.4 million at March 31, 2014. Working capital excludes the Company's deposit operations.

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 repurchases related to the Company's normal course issuer bid.

IGM Financial continues to generate significant cash flows from its operations. Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) totalled $348.9 million in the first quarter of 2015 compared to $345.0 million in the first quarter of 2014 and $357.0 million in the fourth quarter of 2014. Adjusted EBITDA for each period under review excludes the impact of amortization of deferred selling commissions which totalled $58.7 million in the first quarter of 2015 compared to $60.7 million in the first quarter of 2014 and $57.4 million in the fourth quarter of 2014. As well as being an important alternative measure of performance, EBITDA is a common measure utilized by investment analysts and credit rating agencies in reviewing asset management companies.

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

#### Cash Flows

Table 19 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Interim Financial Statements for the quarter ended March 31, 2015. Cash and cash equivalents decreased by $93.1 million in 2015 compared to an increase of $45.8 million in 2014.

Operating activities, before payment of commissions, generated $216.5 million during the quarter ended March 31, 2015, as compared to $183.4 million in 2014. Cash commissions paid were $84.8 million in 2015 compared to $82.2 million in 2014. Cash flows from operating activities, net of commissions paid, were

TABLE 18: DEPOSIT OPERATIONS – FINANCIAL POSITION

| *($ millions)* | 2015 MAR. 31 | 2014 DEC. 31 | 2014 MAR. 31 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 4.7 | $ 4.5 | $ 3.5 |
| Accounts and other receivables | 234.3 | 204.4 | 168.2 |
| Loans | 24.4 | 25.0 | 30.7 |
| **Total assets** | $ 263.4 | $ 233.9 | $ 202.4 |
| **Liabilities and shareholders' equity** | | | |
| Deposit liabilities | $ 252.5 | $ 223.3 | $ 189.8 |
| Other liabilities | 0.6 | 0.7 | 0.8 |
| Shareholders' equity | 10.3 | 9.9 | 11.8 |
| **Total liabilities and shareholders' equity** | $ 263.4 | $ 233.9 | $ 202.4 |

TABLE 19: CASH FLOWS

| Three months ended<br>*($ millions)* | 2015<br>MAR. 31 | 2014<br>MAR. 31 | % CHANGE |
|---|---|---|---|
| Operating activities | | | |
| Before payment of commissions | $ 216.5 | $ 183.4 | 18.0 % |
| Commissions paid | (84.8) | (82.2) | (3.2) |
| Net of commissions paid | 131.7 | 101.2 | 30.1 |
| Financing activities | (226.0) | 18.9 | N/M |
| Investing activities | 1.2 | (74.3) | N/M |
| **(Decrease) increase in cash and cash equivalents** | (93.1) | 45.8 | N/M |
| Cash and cash equivalents, beginning of period | 1,216.0 | 1,082.4 | 12.3 |
| **Cash and cash equivalents, end of period** | $ 1,122.9 | $ 1,128.2 | (0.5) % |

$131.7 million in 2015 as compared to $101.2 million in 2014.

Financing activities during the three months ended March 31, 2015 compared to 2014 related to:

- A net increase of $29.2 million in deposits and certificates in 2015 compared to a net increase of $3.3 million in 2014.
- A net decrease of $61.7 million in 2015 arising from obligations to securitization entities compared to a net increase of $155.5 million in 2014.
- Proceeds received on the issuance of common shares of $12.2 million in 2015 compared with $14.7 million in 2014.
- The purchase of 1,385,000 common shares in 2015 under IGM Financial's normal course issuer bid at a cost of $62.1 million compared with the purchase of 310,000 common shares at a cost of $16.8 million in 2014.
- The payment of perpetual preferred share dividends which totalled $2.2 million in 2015, unchanged from 2014.
- The payment of regular common share dividends which totalled $141.4 million in 2015 compared to $135.6 million in 2014.

Investing activities during the three months ended March 31, 2015 compared to 2014 primarily related to:

- The purchases of securities totalling $10.0 million and sales of securities with proceeds of $21.8 million in 2015 compared to $6.9 million and $10.7 million, respectively, in 2014.
- A net decrease in loans of $7.9 million in 2015 compared to a net increase of $68.4 million in 2014 primarily related to residential mortgages in the Company's mortgage banking operations.

## 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 $6.2 billion at March 31, 2015, unchanged from December 31, 2014. 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 investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. 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 March 31, 2015, unchanged from December 31, 2014. 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 at March 31, 2015 remain unchanged from December 31, 2014.

The Company purchased 1,385,000 common shares during the three months ended March 31, 2015 at a cost of $62.1 million under its normal course issuer bid (refer to Note 5 to the Interim Financial Statements). The Company commenced a normal course issuer bid on March 20, 2015 to purchase up to 5% of its common shares in order to mitigate the dilutive effect of stock options issued under the Company's stock option plan and for other capital management purposes. Other activities in 2015 included the declaration of perpetual preferred share dividends of $2.2 million or $0.36875 per share and common share dividends of $140.9 million or $0.5625 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

In connection with its normal course issuer bid, the Company has established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how IGM Financial's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

The current rating by Standard & Poor's (S&P) of 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 rating trend.

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 or 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 IGM Financial's senior unsecured debentures by S&P is the sixth highest of the 22 ratings used for long-term debt. This rating indicates S&P's view that the Company's capacity to meet its financial commitment on the obligation is strong, but the obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated 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.

The A (High) rating assigned to IGM Financial's senior unsecured debentures by DBRS is the fifth highest of the 26 ratings used for long-term debt. Under the DBRS long-term rating scale, debt securities rated A (High) are of good credit quality and the capacity for the payment of financial obligations is substantial. While this is a favourable rating, entities in the A (High) category may be vulnerable to future events, but qualifying negative factors are considered manageable.

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 amounts and fair values of financial assets and financial liabilities. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities, and certain other financial liabilities.

TABLE 20: FINANCIAL INSTRUMENTS

| ($ millions) | March 31, 2015 Carrying value | March 31, 2015 Fair value | December 31, 2014 Carrying value | December 31, 2014 Fair value |
|---|---|---|---|---|
| **Financial assets recorded at fair value** | | | | |
| Securities | | | | |
| – Available for sale | $ 4.7 | $ 4.7 | $ 10.2 | $ 10.2 |
| – Held for trading | 77.9 | 77.9 | 79.3 | 79.3 |
| Loans | | | | |
| – Held for trading | 406.6 | 406.6 | 366.2 | 366.2 |
| Derivative financial instruments | 70.9 | 70.9 | 39.4 | 39.4 |
| Other financial assets | 9.3 | 9.3 | – | – |
| **Financial assets recorded at amortized cost** | | | | |
| Loans | | | | |
| – Loans and receivables | 6,610.5 | 6,853.6 | 6,652.7 | 6,849.3 |
| **Financial liabilities recorded at fair value** | | | | |
| Derivative financial instruments | 58.1 | 58.1 | 29.8 | 29.8 |
| Other financial liabilities | 6.1 | 6.1 | 6.6 | 6.6 |
| **Financial liabilities recorded at amortized cost** | | | | |
| Deposits and certificates | 252.5 | 254.2 | 223.3 | 225.3 |
| Obligations to securitization entities | 6,695.0 | 6,847.2 | 6,754.0 | 6,858.9 |
| Long-term debt | 1,325.0 | 1,730.0 | 1,325.0 | 1,682.0 |

Fair value is determined using the following methods and assumptions:

- Securities and other financial assets and liabilities 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 classified as held for trading are valued using market interest rates for loans with similar credit risk and maturity.
- Loans classified as loans and receivables are valued by discounting the expected future cash flows at prevailing market yields.
- Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms 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.
- Long-term debt is valued using quoted prices for each debenture available in the market.
- Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

See Note 10 of the Interim Financial Statements 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 three months ended March 31, 2015.

## Risk Management

The Company is exposed to a variety of risks that are inherent in its business activities. The Company's ability to manage these risks is key to its ongoing success and includes emphasizing a strong risk management culture and effective risk management approach. The Company's risk management approach coordinates risk management across the organization and its business units and seeks to ensure prudent and measured risk-taking in order to achieve an appropriate balance between risk and return.

The Company's risk governance structure emphasizes a comprehensive and consistent framework throughout the Company and its subsidiaries, with clearly identified ownership of risk management in each business unit and oversight by an executive Risk Management Committee accountable to the Executive Committee of the Board. Additional oversight is provided by a Risk Management Department, corporate and sales compliance groups, and the Company's Internal Audit Department.

The Board of Directors provides oversight and carries out its risk management mandate primarily through the following committees:

- The Executive Committee is responsible for the oversight of enterprise risk management by: i) ensuring that appropriate procedures are in place to identify and manage risks and establish risk tolerances, ii) ensuring that appropriate policies, procedures and controls are implemented to manage risks, and iii) reviewing the risk management process on a regular basis to ensure that it is functioning effectively.
- The Investment Committee oversees management of the Company's financial risks, being market risk, credit risk, and liquidity and funding risk by: i) ensuring that appropriate procedures are in place to identify and manage financial risks in accordance with tolerances, ii) monitoring the implementation and maintenance of appropriate policies, procedures and controls to manage financial risks, and iii) reviewing the financial risk management process on a regular basis to ensure that it is functioning effectively.
- The Audit Committee has specific risk oversight responsibilities as it oversees financial disclosure, internal controls and the control environment as well as the Company's compliance activities.
- Other committees having specific risk oversight responsibilities include: i) the Compensation Committee which oversees compensation policies and practices, ii) the Governance and Nominating Committee which oversees corporate governance practices, and iii) the Related Party and Conduct Review Committee which oversees conflicts of interest and recommends to the Board a code of business conduct and ethics.

The executive Risk Management Committee is comprised of the Co-Presidents and Chief Executive Officers, the Chief Financial Officer, and the General Counsel and Chief Compliance Officer. The committee is responsible for providing oversight of the Company's risk management process by: i) establishing and maintaining the risk framework and policy, ii) defining the Company's risk appetite, iii) ensuring the Company's risk profile and processes are aligned with corporate strategy and risk appetite, and iv) establishing "tone at the top" and reinforcing a strong culture of risk management.

The Chief Executive Officers of the respective operating companies, being Investors Group, Mackenzie and Investment Planning Counsel, have overall responsibility for overseeing risk management of their respective companies.

The leaders of the various business units and support functions have primary ownership and accountability for the ongoing risk management associated with their respective activities. Responsibilities of business unit and support function leaders include: i) establishing and maintaining procedures for the identification, assessment, documentation and escalation of risks, ii) implementing control activities to mitigate risks, iii) identifying opportunities for risk reduction or transfer, and iv) aligning business and operational strategies with the risk culture and risk appetite of the organization as established by the Risk Management Committee.

The Risk Management Department provides oversight, analysis and reporting on the level of risks relative to the established risk appetite to the Risk Management Committee. Other responsibilities include: i) developing and maintaining the enterprise risk management program and framework, ii) managing the enterprise risk management process, and iii) providing guidance and training to business unit and support function leaders. A Technical Review Committee of senior business leaders supports the Risk Management Department by performing critical reviews of risk assessments developed by business units

and support functions. Other oversight accountabilities reside with the Company's: a) corporate and sales compliance groups – which are responsible for ensuring compliance with policies, laws and regulations, and b) financial risk management function – which is independent from the Treasury Department and is responsible for assessing financial risk management processes and exposures and monitoring compliance with the Investment Policy and other relevant policies.

The Internal Audit Department provides independent assurance to senior management and the Board of Directors on the effectiveness of risk management policies, processes and practices.

## FINANCIAL INSTRUMENTS RISK

The Company actively manages risks that arise as a result of holding financial instruments which include liquidity and funding risk, credit risk and market risk.

### Liquidity and Funding Risk

Liquidity and funding risk is the risk of the inability to generate or obtain sufficient cash in a timely and cost-effective manner to meet contractual or anticipated commitments as they come due or arise. The Company's liquidity management practices include:

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

As part of ongoing liquidity management during 2015 and 2014, the Company:

- Continued to expand our funding channels by issuing National Housing Act Mortgage Backed Securities to multiple purchasers.
- 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 the Company are approved issuers of NHA MBS and are approved sellers into the CMB Program. This issuer and seller status provides the Company 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 Program is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions that are subject to change.

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

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled $525 million as at March 31, 2015, unchanged from December 31, 2014. The lines of credit as at March 31, 2015 consisted of committed lines of $350 million (2014 – $350 million) and uncommitted lines of $175 million (2014 – $175 million). The Company has accessed its uncommitted lines of credit in the past; however, any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at March 31, 2015 and December 31, 2014, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The last actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan was based on a measurement date of December 31, 2013. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $23.4 million which is required to be funded over five years. The annual contributions are $19.7 million and include annual current service costs of $13.4 million. The Company has made contributions of $3.2 million in 2015 (2014 – $12.5 million). Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy. The next required actuarial valuation will be based on a measurement date of December 31, 2016.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above are sufficient to meet the Company's

TABLE 21: CONTRACTUAL OBLIGATIONS

| As at March 31, 2015 *($ millions)* | DEMAND | LESS THAN 1 YEAR | 1 – 5 YEARS | AFTER 5 YEARS | TOTAL |
|---|---|---|---|---|---|
| Derivative financial instruments | $ – | $ 14.0 | $ 44.1 | $ – | $ 58.1 |
| Deposits and certificates | 234.0 | 6.3 | 8.8 | 3.4 | 252.5 |
| Obligations to securitization entities | – | 1,275.7 | 5,406.9 | 12.4 | 6,695.0 |
| Long-term debt | – | – | 525.0 | 800.0 | 1,325.0 |
| Operating leases[1] | – | 55.1 | 147.1 | 47.7 | 249.9 |
| Pension funding[2] | – | 16.5 | 19.7 | – | 36.2 |
| **Total contractual obligations** | $ 234.0 | $ 1,367.6 | $ 6,151.6 | $ 863.5 | $ 8,616.7 |

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

*(2) The next required actuarial valuation will be completed based on a measurement date of December 31, 2016. Pension funding requirements beyond 2016 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.*

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 impact that debt and equity market performance has on the Company's fee income and commission and certain other expenses. The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2014.

### Credit Risk

Credit risk is the potential for financial loss to the Company if a counterparty to 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 on an ongoing basis to evaluate their effectiveness.

At March 31, 2015, cash and cash equivalents of $1,122.9 million (December 31, 2014 – $1,216.0 million) consisted of cash balances of $56.9 million (December 31, 2014 – $106.8 million) on deposit with Canadian chartered banks and cash equivalents of $1,066.0 million (December 31, 2014 – $1,109.2 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $12.5 million (December 31, 2014 – $190.8 million), provincial government and government guaranteed commercial paper of $702.1 million (December 31, 2014 – $665.8 million) and bankers' acceptances issued by Canadian chartered banks of $351.4 million (December 31, 2014 – $252.6 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.

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 March 31, 2015, mortgages totalled $7.0 billion (December 31, 2014 – $7.0 billion) and consisted of residential mortgages:

- Sold to securitization programs which are classified as loans and receivables and totalled $6.6 billion, unchanged from December 31, 2014. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $6.7 billion at March 31, 2015, compared to $6.8 billion at December 31, 2014.
- Related to the Company's mortgage banking operations which are classified as held for trading and totalled $406.6 million compared to $366.2 million at December 31, 2014. 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 $28.4 million at March 31, 2015, compared to $29.5 million at December 31, 2014.

As at March 31, 2015, the mortgage portfolios related to the Company's intermediary operations were geographically diverse, 100% residential (December 31, 2014 – 100%) and 93.9% insured (December 31, 2014 – 92.6%). As at March 31, 2015, impaired mortgages were nil, unchanged from December 31, 2014. Uninsured non-performing mortgages over 90 days were nil, unchanged from December 31, 2014. The characteristics of the mortgage portfolio have not changed significantly during 2015.

The NHA MBS and CMB Program require that all securitized mortgages be insured against default by an approved insurer. The ABCP programs do not require mortgages to be insured; however, at March 31, 2015, 51.6% of these mortgages were insured compared to 51.0% at December 31, 2014. At March 31, 2015, 82.8% of the securitized portfolio and the residential mortgages classified as held for trading were insured compared to 83.6% at December 31, 2014. As at March 31, 2015, impaired mortgages on these portfolios were $2.4 million, compared to $2.1 million at December 31, 2014. Uninsured non-performing mortgages over 90 days on these portfolios were $0.2 million at March 31, 2015, compared to $0.3 million at December 31, 2014.

The Company retains certain elements of credit risk on securitized loans. At March 31, 2015, 85.6% of securitized loans were insured against credit losses compared to 85.1% at December 31, 2014. 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 $108.0 million at March 31, 2015 compared to $136.2 million at December 31, 2014. Retained interests include:

- *Cash reserve accounts and rights to future net interest income* – which were $34.6 million (December 31, 2014 – $35.1 million) and $124.1 million (December 31, 2014 – $127.4 million), respectively, at March 31, 2015. 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 $63.9 million (December 31, 2014 – $65.1 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.

  Rights to future net interest income under the NHA MBS and CMB Program totalled $94.8 million (December 31, 2014 – $97.4 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 $4.6 billion, unchanged from December 31, 2014.
- *Fair value of principal reinvestment account swaps* – which had a negative fair value of $50.7 million at March 31, 2015 (December 31, 2014 – negative $26.3 million) and 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 $499.5 million at March 31, 2015 (December 31, 2014 – $436.9 million).

The Company also retains certain elements of credit risk on mortgage loans sold to the Investors Mortgage and Short Term Income Fund and to the Investors Canadian Corporate Bond Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the Company's balance sheet as the Company has transferred substantially all of the risks and rewards of ownership associated with these loans.

The Company's collective allowance for credit losses was $0.7 million at March 31, 2015, compared to $0.8 million at December 31, 2014, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based upon the following considerations:

- The Company's lending policy, underwriting standards and loan servicing capabilities.

- The Company's practice of originating its mortgages exclusively through its own network of Investors Group consultants and mortgage planning specialists as part of a client's comprehensive financial plan.
- The quality of the Company's mortgage portfolio based on: i) historical credit performance experience and recent trends, ii) current portfolio credit metrics and other relevant characteristics, and iii) regular stress testing of losses under adverse real estate market conditions.
- The existence of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company.

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2014.

The Company utilizes over-the-counter 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. To the extent that the fair value of the derivatives are in a gain position, the Company is exposed to credit risk that its counterparties fail to fulfill their obligations under these 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 intermediate between the Company and the Canada 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 offsetting interest rate swaps with the same bank counterparties to hedge interest rate and reinvestment risk associated with the CMB Program. The negative fair value of these swaps totalled $11.1 million at March 31, 2015 (December 31, 2014 – negative $9.0 million) and the outstanding notional amount was $6.6 billion (December 31, 2014 – $6.7 billion). Certain of these swaps relate to securitized mortgages that have been recorded on the Company's balance sheet with an associated obligation. Accordingly, these swaps, with an outstanding notional amount of $4.1 billion (December 31, 2014 – $4.2 billion) and having a negative fair value of $23.4 million (December 31, 2014 – negative $17.9 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 $2.5 billion (December 31, 2014 – $2.4 billion) and having a fair value of $12.3 million (December 31, 2014 – $8.9 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 $69.2 million at March 31, 2015 compared to $40.6 million at December 31, 2014.

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 $0.2 million (December 31, 2014 – negative $0.3 million) on an outstanding notional amount of $14.0 million at March 31, 2015 (December 31, 2014 – $24.0 million). The exposure to credit risk, which is limited to the fair value of swaps in a gain position, was nil at March 31, 2015, unchanged from December 31, 2014.

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 $0.7 million on an outstanding notional amount of $107.9 million at March 31, 2015 compared to a fair value of $1.1 million on an outstanding notional amount of $156.0 million at December 31, 2014. The exposure to credit risk, which is limited to the fair value of those instruments which are in a gain position, was $2.2 million at March 31, 2015, compared to $2.7 million at December 31, 2014.

The aggregate credit risk exposure related to derivatives that are in a gain position of $71.3 million (December 31, 2014 – $43.3 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was $3.3 million at March 31, 2015 (December 31, 2014 – $2.5 million). 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 March 31, 2015. Management of credit risk related to derivatives has not changed materially since December 31, 2014.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Note 4 of the Interim Financial Statements and Notes 2, 6 and 21 to the Annual 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 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 March 31, 2015, 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 floating rate ABCP as part of certain 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 decline. As previously discussed, as part of the CMB Program, the Company is also 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 mortgages held, or committed to, by the Company. The Company enters into interest rate swaps to hedge the interest rate risk related to mortgages held by the Company.

TABLE 22: ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

| | CONSOLIDATED | |
|---|---|---|
| As at March 31, 2015 | MUTUAL FUNDS | TOTAL |
| Cash | 0.9 % | 1.1 % |
| Short-term fixed income and mortgages | 7.7 | 7.6 |
| Other fixed income | 23.2 | 29.0 |
| Domestic equity | 31.3 | 28.6 |
| Foreign equity | 33.8 | 31.0 |
| Real Property | 3.1 | 2.7 |
| | 100.0 % | 100.0 % |
| CAD | 65.0 | 67.9 |
| USD | 23.1 | 21.2 |
| Other | 11.9 | 10.9 |
| | 100.0 % | 100.0 % |

As at March 31, 2015, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $2.4 million (2014 – $1.5 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2014.

***Equity Price Risk***

The Company is exposed to equity price risk on its proprietary investment funds which are classified as available for sale securities and on its equity securities and proprietary investment funds which are classified as fair value through profit or loss, as shown in Table 15. Unrealized gains and losses on available for sale 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 Inc. The Company hedges this risk through the use of forward agreements and total return swaps.

## RISKS RELATED TO ASSETS UNDER MANAGEMENT

At March 31, 2015, IGM Financial's total assets under management were $148.4 billion compared to $141.9 billion at December 31, 2014.

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 continuously reviews its practices in this regard in response to changing market conditions.

Redemption rates for long-term funds are summarized in Table 23 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.

TABLE 23: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

| | 2015 MAR. 31 | 2014 MAR. 31 |
|---|---|---|
| **IGM Financial Inc.** | | |
| Investors Group | 8.5 % | 9.3 % |
| Mackenzie | 14.4 % | 16.0 % |
| Counsel | 12.6 % | 12.7 % |

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 third party financial advisors. 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. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. These requirements include those that apply to IGM Financial as a publicly traded company and those that apply to the Company's subsidiaries based on the nature of their activities. They include regulations related to securities markets, the provision of financial products and services, including fund management, distribution, insurance and mortgages, and other activities carried on by the Company in the markets in which it operates. Regulatory standards affecting the Company and the financial services industry are increasing. The Company and its subsidiaries are subject to 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. Regulatory developments may also impact product structures, pricing, dealer and advisor compensation. 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.

In March 2013, the Canadian Securities Administrators (CSA) adopted a new set of rules as Phase 2 of the Client Relationship Model that will require dealers, among other things, to provide their clients with enhanced information on the performance of their investments and the costs associated with them, including the compensation paid to the dealer (the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada have published rules that are to the same effect). These new requirements are effective for annual periods commencing no later than July 15, 2016 and comprise the following:

- Performance and Rate of Return Reporting – Dealers must provide clients with annual multiple-period performance information, including percentage rate of return results, on each of a client's accounts. The rule mandates use of a dollar-weighted methodology which takes into consideration all cashflows into and out of the account and all underlying funds and investments. This prescribed calculation methodology is one that the Company supports. This approach ensures that client cashflows to, from, and within their accounts are properly reflected in the rate of return calculations. This provides a helpful view of the results of clients' many decisions to save, invest, transfer between different investments and withdraw funds.
- Cost and Compensation Disclosure – Dealers must also provide clients with an annual report on all charges associated with their accounts, including direct and indirect compensation that the dealer receives related to a client's account. These new requirements will provide important information to our clients and will build on already existing disclosure including information already provided through Fund Facts and the Management Report of Fund Performance (MRFP) related to distribution and fund management costs.

The CSA have been reviewing and conducting research related to Canada's mutual fund fee structures. As part of this effort, the CSA awarded a contract to a professor from York University to further this research. The CSA requested mutual fund asset managers to provide extensive, historical mutual fund data from 2003 onwards, including sales, redemptions, performance, and fund fee related information on a fund by fund basis, with a response deadline of January 16, 2015. The Company provided the requested information by the deadline and it supports the CSA's efforts to further its understanding of the importance mutual funds have in the investment needs of Canadians. The Company will continue to monitor developments and engage with the industry and regulators on any relevant findings or proposals that result from this research.

In 2013, the Government of Canada, as part of its Economic Action Plan, indicated an intention to establish a common securities regulator for Canada's capital markets working cooperatively with the provinces and territories. In September 2014, the Government of Canada published two proposed pieces of legislation to implement the cooperative capital markets regulatory system, namely the Provincial Capital Markets Act and the Capital Markets Stability Act. Comments on the proposed legislation closed in December 2014 and supporting regulations are expected to be issued for comment by the Government of Canada in the latter half of 2015. The Company is continuing to monitor this initiative and the potential effect it will have on its activities and those of its subsidiaries, particularly in the area of the regulation of mutual funds.

### 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

Canadians held $3.4 trillion in discretionary financial assets with financial institutions at December 31, 2013 based on the most recent report from Investor Economics. 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 63% ($2.2 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 $1.2 trillion held outside of a financial advisory relationship, approximately 67% 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.

Approximately 39% of Canadian discretionary financial assets or $1.3 trillion resided in investment funds at December 31, 2013, 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 $132 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.

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 Financial, 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 subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 47% of total industry long-term mutual fund assets at March 31, 2015.

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 72% of industry long-term mutual fund assets and total mutual fund assets under management at March 31, 2015. 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 and retirement 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.

Competition from other financial service providers, alternative product types or delivery channels, and changes in regulations or public preferences could impact the characteristics of product and service offerings of the Company, including pricing, product structures, dealer and advisor compensation and disclosure. The Company monitors developments on an ongoing basis, and engages in policy discussions and develops product and service responses as appropriate.

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

IGM Financial's subsidiaries continue 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 the 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

There were no changes to the Company's assumptions related to critical accounting estimates from those reported at December 31, 2014.

### CHANGES IN ACCOUNTING POLICIES

There were no changes to the Company's accounting policies from those reported at December 31, 2014.

### FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Company's operations.

#### IFRS 9 Financial Instruments

The IASB issued IFRS 9 which replaces IAS 39, the current standard for accounting for financial instruments. The standard was completed in three separate phases:

- Classification and measurement: This phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
- Impairment methodology: This phase replaces the current incurred loss model for impairment of financial assets with an expected loss model.
- Hedge accounting: This phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities.

This standard is effective for annual periods beginning on or after January 1, 2018 and the impact of the standard is currently being assessed.

#### IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The model requires an entity to recognize revenue as the goods or services are transferred to the customer in an amount that reflects the expected consideration. Subsequent to quarter end, the IASB has tentatively approved to defer the current effective date of January 1, 2017 to annual periods beginning on or after January 1, 2018.

#### 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 |
|---|---|
| Leases | Q3/Q4 2015 – Final Standard |
| Macro Hedge Accounting | Q2 2015 – Redeliberations |

*Source: IFRS website at www.ifrs.org*

## Internal Control Over Financial Reporting

During the first quarter of 2015, 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

The Company entered into tax loss consolidation transactions with its parent company, Power Financial Corporation, after obtaining advance tax rulings:

- On January 7, 2014, the Company acquired $1.67 billion of 4.51% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $1.67 billion of 4.50% 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.
- On January 6, 2015, the Company acquired $0.33 billion of 4.51% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $0.33 billion of 4.50% 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.

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.

For further information on transactions involving related parties, see Notes 8 and 25 to the Company's Annual Financial Statements.

### OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at March 31, 2015 totalled 250,411,395. Outstanding stock options as at March 31, 2015 totalled 7,826,084, of which 3,495,954 were exercisable. As at May 5, 2015, outstanding common shares totalled 249,359,726 and outstanding stock options totalled 7,644,978 of which 3,495,423 were exercisable.

Perpetual preferred shares of $150 million were outstanding as at March 31, 2015, unchanged at May 5, 2015.

### 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.

## Consolidated Statements of Earnings

| *(unaudited)*<br>*(in thousands of Canadian dollars, except shares and per share amounts)* | THREE MONTHS ENDED MARCH 31<br>**2015** | <br>2014 |
|---|---|---|
| **Revenues** | | |
| Management fees | **$ 509,111** | $ 485,766 |
| Administration fees | **102,236** | 95,223 |
| Distribution fees | **94,533** | 92,411 |
| Net investment income and other | **29,081** | 22,002 |
| Proportionate share of affiliate's earnings | **25,902** | 19,444 |
| | **760,863** | 714,846 |
| **Expenses** | | |
| Commission | **266,867** | 243,169 |
| Non-commission | **213,622** | 195,777 |
| Interest | **22,750** | 22,749 |
| | **503,239** | 461,695 |
| Earnings before income taxes | **257,624** | 253,151 |
| Income taxes | **55,065** | 56,490 |
| **Net earnings** | **202,559** | 196,661 |
| Perpetual preferred share dividends | **2,213** | 2,213 |
| **Net earnings available to common shareholders** | **$ 200,346** | $ 194,448 |
| Average number of common shares *(in thousands) (Note 11)* | | |
| – Basic | **251,211** | 252,368 |
| – Diluted | **251,421** | 253,413 |
| Earnings per share *(in dollars) (Note 11)* | | |
| – Basic | **$ 0.80** | $ 0.77 |
| – Diluted | **$ 0.80** | $ 0.77 |

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

# Consolidated Statements of Comprehensive Income

| *(unaudited)*<br>*(in thousands of Canadian dollars)* | THREE MONTHS ENDED MARCH 31<br>**2015** | <br>2014 |
|---|---|---|
| **Net earnings** | **$ 202,559** | $ 196,661 |
| **Other comprehensive income (loss), net of tax** | | |
| **Items that will not be reclassified to Net earnings** | | |
| Employee benefits | | |
| Net actuarial gains (losses), *net of tax of $4,788 and $5,552* | **(12,950)** | (15,016) |
| Investment in affiliate – employee benefits and other | | |
| Other comprehensive income (loss), *net of tax of nil* | **(5,736)** | 5,756 |
| **Items that may be reclassified subsequently to Net earnings** | | |
| Available for sale securities | | |
| Net unrealized gains (losses), *net of tax of $(1,185) and $(44)* | **3,208** | 122 |
| Reclassification of realized (gains) losses to net earnings, *net of tax of $233 and $40* | **(637)** | (111) |
| | **2,571** | 11 |
| Investment in affiliate and other | | |
| Other comprehensive income (loss), *net of tax of $(51) and $404* | **9,599** | 15,041 |
| | **(6,516)** | 5,792 |
| **Comprehensive income** | **$ 196,043** | $ 202,453 |

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

# Consolidated Balance Sheets

| *(unaudited)*<br>*(in thousands of Canadian dollars)* | MARCH 31<br>2015 | DECEMBER 31<br>2014 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **$ 1,122,939** | $ 1,215,980 |
| Securities | **82,588** | 89,545 |
| Accounts and other receivables | **473,137** | 470,708 |
| Income taxes recoverable | **30,081** | 22,710 |
| Loans *(Note 3)* | **7,017,081** | 7,018,893 |
| Derivative financial instruments | **70,889** | 39,449 |
| Other assets | **53,334** | 45,757 |
| Investment in affiliate | **802,860** | 794,381 |
| Capital assets | **122,071** | 121,854 |
| Deferred selling commissions | **736,506** | 710,447 |
| Deferred income taxes | **73,659** | 69,405 |
| Intangible assets | **1,169,233** | 1,161,513 |
| Goodwill | **2,659,856** | 2,656,539 |
| | **$ 14,414,234** | $ 14,417,181 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | **$ 340,109** | $ 374,369 |
| Income taxes payable | **14,530** | 30,916 |
| Derivative financial instruments | **58,083** | 29,788 |
| Deposits and certificates | **252,499** | 223,328 |
| Other liabilities | **564,647** | 528,289 |
| Obligations to securitization entities *(Note 4)* | **6,695,025** | 6,754,048 |
| Deferred income taxes | **327,446** | 310,564 |
| Long-term debt | **1,325,000** | 1,325,000 |
| | **9,577,339** | 9,576,302 |
| **Shareholders' Equity** | | |
| Share capital | | |
| Perpetual preferred shares | **150,000** | 150,000 |
| Common shares | **1,661,017** | 1,655,581 |
| Contributed surplus | **32,268** | 33,504 |
| Retained earnings | **3,110,844** | 3,112,512 |
| Accumulated other comprehensive income (loss) | **(117,234)** | (110,718) |
| | **4,836,895** | 4,840,879 |
| | **$ 14,414,234** | $ 14,417,181 |

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 8, 2015.

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

# Consolidated Statements of Changes in Shareholders' Equity

| (unaudited) (in thousands of Canadian dollars) | Share capital: Perpetual preferred shares (Note 5) | Share capital: Common shares (Note 5) | Contributed surplus | Retained earnings | Accumulated other comprehensive income (loss) (Note 8) | Total shareholders' equity |
|---|---|---|---|---|---|---|
| | Three months ended March 31 | | | | | |
| **2015** | | | | | | |
| **Balance, beginning of period** | **$ 150,000** | **$ 1,655,581** | **$ 33,504** | **$ 3,112,512** | **$ (110,718)** | **$ 4,840,879** |
| Net earnings | **–** | **–** | **–** | **202,559** | **–** | **202,559** |
| Other comprehensive income (loss), net of tax | **–** | **–** | **–** | **–** | **(6,516)** | **(6,516)** |
| Total comprehensive income (loss) | **–** | **–** | **–** | **202,559** | **(6,516)** | **196,043** |
| Common shares | | | | | | |
| Issued under stock option plan | **–** | **14,608** | **–** | **–** | **–** | **14,608** |
| Purchased for cancellation | **–** | **(9,172)** | **–** | **–** | **–** | **(9,172)** |
| Stock options | | | | | | |
| Current period expense | **–** | **–** | **1,134** | **–** | **–** | **1,134** |
| Exercised | **–** | **–** | **(2,370)** | **–** | **–** | **(2,370)** |
| Perpetual preferred share dividends | **–** | **–** | **–** | **(2,213)** | **–** | **(2,213)** |
| Common share dividends | **–** | **–** | **–** | **(140,941)** | **–** | **(140,941)** |
| Common share cancellation excess and other *(Note 5)* | **–** | **–** | **–** | **(61,073)** | **–** | **(61,073)** |
| **Balance, end of period** | **$ 150,000** | **$ 1,661,017** | **$ 32,268** | **$ 3,110,844** | **$ (117,234)** | **$ 4,836,895** |
| 2014 | | | | | | |
| Balance, beginning of period | $ 150,000 | $ 1,630,844 | $ 32,627 | $ 2,977,083 | $ (82,959) | $ 4,707,595 |
| Net earnings | – | – | – | 196,661 | – | 196,661 |
| Other comprehensive income (loss), net of tax | – | – | – | – | 5,792 | 5,792 |
| Total comprehensive income (loss) | – | – | – | 196,661 | 5,792 | 202,453 |
| Common shares | | | | | | |
| Issued under stock option plan | – | 17,117 | – | – | – | 17,117 |
| Purchased for cancellation | – | (2,014) | – | – | – | (2,014) |
| Stock options | | | | | | |
| Current period expense | – | – | 1,342 | – | – | 1,342 |
| Exercised | – | – | (2,419) | – | – | (2,419) |
| Perpetual preferred share dividends | – | – | – | (2,213) | – | (2,213) |
| Common share dividends | – | – | – | (135,657) | – | (135,657) |
| Common share cancellation excess and other *(Note 5)* | – | – | – | (16,297) | – | (16,297) |
| Balance, end of period | $ 150,000 | $ 1,645,947 | $ 31,550 | $ 3,019,577 | $ (77,167) | $ 4,769,907 |

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

# Consolidated Statements of Cash Flows

| *(unaudited)*<br>*(in thousands of Canadian dollars)* | THREE MONTHS ENDED MARCH 31<br>**2015** | 2014 |
|---|---|---|
| **Operating activities** | | |
| Earnings before income taxes | **$ 257,624** | $ 253,151 |
| Income taxes paid | **(62,203)** | (65,252) |
| Adjustments to determine net cash from operating activities | | |
| Deferred selling commission amortization | **58,703** | 60,684 |
| Amortization of capital and intangible assets | **9,409** | 8,105 |
| Changes in operating assets and liabilities and other | **(47,047)** | (73,240) |
| | **216,486** | 183,448 |
| Deferred selling commissions paid | **(84,762)** | (82,243) |
| | **131,724** | 101,205 |
| **Financing activities** | | |
| Net increase in deposits and certificates | **29,171** | 3,346 |
| Net (decrease) increase in obligations to securitization entities | **(61,671)** | 155,451 |
| Issue of common shares | **12,238** | 14,698 |
| Common shares purchased for cancellation | **(62,086)** | (16,763) |
| Perpetual preferred share dividends paid | **(2,213)** | (2,213) |
| Common share dividends paid | **(141,449)** | (135,612) |
| | **(226,010)** | 18,907 |
| **Investing activities** | | |
| Purchase of securities | **(9,964)** | (6,937) |
| Proceeds from the sale of securities | **21,774** | 10,696 |
| Net decrease (increase) in loans | **7,882** | (68,390) |
| Net additions to capital assets | **(4,514)** | (638) |
| Net cash used in acquisitions and additions to intangible assets | **(13,933)** | (9,127) |
| | **1,245** | (74,396) |
| (Decrease) increase in cash and cash equivalents | **(93,041)** | 45,716 |
| Cash and cash equivalents, beginning of period | **1,215,980** | 1,082,437 |
| **Cash and cash equivalents, end of period** | **$ 1,122,939** | $ 1,128,153 |
| Cash | **$ 56,935** | $ 55,867 |
| Cash equivalents | **1,066,004** | 1,072,286 |
| | **$ 1,122,939** | $ 1,128,153 |
| Supplemental disclosure of cash flow information related to operating activities | | |
| Interest and dividends received | **$ 63,751** | $ 55,893 |
| Interest paid | **$ 44,977** | $ 40,287 |

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

## 1. CORPORATE INFORMATION

IGM Financial Inc. (the Company) is a publicly listed company (TSX: IGM), incorporated and domiciled in Canada. The registered address of the Company is 447 Portage Avenue, Winnipeg, Manitoba, Canada. The Company is controlled by Power Financial Corporation.

IGM Financial Inc. is a financial services company which serves the financial needs of Canadians through its principal subsidiaries, each operating distinctly within the advice segment of the financial services market. The Company's wholly-owned principal subsidiaries are Investors Group Inc. and Mackenzie Financial Corporation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited Interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the accounting policies as set out in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2014. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2014 IGM Financial Inc. Annual Report.

### Future accounting changes

The Company continuously monitors the potential changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Company's operations.

***IFRS 9 Financial Instruments***

The IASB issued IFRS 9 which replaces IAS 39, the current standard for accounting for financial instruments. The standard was completed in three separate phases:

- Classification and measurement: This phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
- Impairment methodology: This phase replaces the current incurred loss model for impairment of financial assets with an expected loss model.
- Hedge accounting: This phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities.

This standard is effective for annual periods beginning on or after January 1, 2018 and the impact of the standard is currently being assessed.

***IFRS 15 Revenue from Contracts with Customers***

The IASB issued IFRS 15 which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The model requires an entity to recognize revenue as the goods or services are transferred to the customer in an amount that reflects the expected consideration. Subsequent to quarter end, the IASB has tentatively approved to defer the current effective date of January 1, 2017 to annual periods beginning on or after January 1, 2018.

## 3. LOANS

| | Contractual maturity | | | | |
|---|---|---|---|---|---|
| | 1 year or less | 1 – 5 years | over 5 years | March 31 2015 total | December 31 2014 total |
| **Loans and receivables** | | | | | |
| Residential mortgages | **$ 1,310,393** | **$ 5,298,276** | **$ 2,511** | **$ 6,611,180** | $ 6,653,428 |
| Less: Collective allowance | | | | **673** | 762 |
| | | | | **6,610,507** | 6,652,666 |
| **Held for trading** | | | | **406,574** | 366,227 |
| | | | | **$ 7,017,081** | $ 7,018,893 |

| | | |
|---|---|---|
| The change in the collective allowance for credit losses is as follows: | | |
| Balance, beginning of period | **$ 762** | $ 728 |
| Losses (recoveries) | **42** | (236) |
| Provision for credit losses | **(131)** | 270 |
| Balance, end of period | **$ 673** | $ 762 |

Total impaired loans as at March 31, 2015 were $2,393 (December 31, 2014 – $2,056).

Total interest income on loans classified as loans and receivables was $47.4 million (2014 – $42.0 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $35.4 million (2014 – $30.8 million). Gains realized on the sale of residential mortgages totalled $7.1 million (2014 – $2.9 million). Fair value adjustments related to mortgage banking operations totalled $4.0 million (2014 – $0.4 million). These amounts were included in Net investment income and other. Net investment income and other also includes other mortgage banking related items including interest income on mortgages held for trading, portfolio insurance, issue costs, and other items.

## 4. SECURITIZATIONS

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as the Company retains prepayment risk and certain elements of credit risk. Accordingly, the Company has retained these mortgages on its balance sheets and has recorded an offsetting liability for the net proceeds received as Obligations to securitization entities which is carried at amortized cost.

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, is recorded as a derivative and had a negative fair value of $50.7 million at March 31, 2015 (December 31, 2014 – negative $26.3 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. As part of the ABCP transactions, the Company has provided cash reserves for credit enhancement which are carried at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP Trusts have no recourse to the Company's other assets for failure to make payments when due. Credit risk is further limited to the extent these mortgages are insured.

## 4. SECURITIZATIONS *(continued)*

| MARCH 31, 2015 | SECURITIZED MORTGAGES | OBLIGATIONS TO SECURITIZATION ENTITIES | NET |
|---|---|---|---|
| Carrying value | | | |
| NHA MBS and CMB Program | **$ 4,624,931** | **$ 4,685,386** | **$ (60,455)** |
| Bank sponsored ABCP | **1,957,812** | **2,009,639** | **(51,827)** |
| Total | **$ 6,582,743** | **$ 6,695,025** | **$ (112,282)** |
| Fair value | **$ 6,824,883** | **$ 6,847,195** | **$ (22,312)** |
| DECEMBER 31, 2014 | | | |
| Carrying value | | | |
| NHA MBS and CMB Program | $ 4,611,253 | $ 4,691,792 | $ (80,539) |
| Bank sponsored ABCP | 2,012,702 | 2,062,256 | (49,554) |
| Total | $ 6,623,955 | $ 6,754,048 | $ (130,093) |
| Fair value | $ 6,819,531 | $ 6,858,924 | $ (39,393) |

The carrying value of Obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation on an effective interest rate basis.

## 5. SHARE CAPITAL

### Authorized

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares, no par value

### Issued and outstanding

| | MARCH 31, 2015 | | MARCH 31, 2014 | |
|---|---|---|---|---|
| | SHARES | STATED VALUE | SHARES | STATED VALUE |
| Perpetual preferred shares – classified as equity: | | | | |
| First preferred shares, Series B | **6,000,000** | **$ 150,000** | 6,000,000 | $ 150,000 |
| Common shares: | | | | |
| Balance, beginning of period | **251,469,346** | **$ 1,655,581** | 252,309,767 | $ 1,630,844 |
| Issued under Stock Option Plan *(Note 7)* | **327,049** | **14,608** | 361,124 | 17,117 |
| Purchased for cancellation | **(1,385,000)** | **(9,172)** | (310,000) | (2,014) |
| Balance, end of period | **250,411,395** | **$ 1,661,017** | 252,360,891 | $ 1,645,947 |

## 5. SHARE CAPITAL *(continued)*

### Normal course issuer bid

In the first quarter of 2015, 1,385,000 shares (2014 – 310,000 shares) were purchased at a cost of $62.1 million (2014 – $16.8 million). The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

The Company commenced a normal course issuer bid on March 20, 2015 which is effective until March 19, 2016. Pursuant to this bid, the Company may purchase up to 12.5 million or 5% of its common shares outstanding as at March 13, 2015. On April 14, 2014, the Company commenced a normal course issuer bid, effective until March 19, 2015, which authorized it to purchase up to 12.6 million or 5% of its common shares outstanding as at March 31, 2014.

In connection with its normal course issuer bid, the Company has established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how the Company's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

## 6. CAPITAL MANAGEMENT

The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the First Quarter 2015 Report to Shareholders and in Note 17 to the Consolidated Financial Statements in the 2014 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2014.

## 7. SHARE-BASED PAYMENTS

### Stock option plan

| | MARCH 31 2015 | DECEMBER 31 2014 |
|---|---|---|
| Common share options | | |
| – Outstanding | **7,826,084** | 6,940,248 |
| – Exercisable | **3,495,954** | 3,124,226 |

In the first quarter of 2015, the Company granted 1,293,075 options to employees (2014 – 1,024,685). The fair value of options granted during the three months ended March 31, 2015 has been estimated at $3.49 per option (2014 – $6.59) using the Black-Scholes option pricing model. The closing share price at the grant date was $44.09. The assumptions used in the valuation model include:

| | THREE MONTHS ENDED MARCH 31 | |
|---|---|---|
| | **2015** | 2014 |
| Exercise price | **$ 43.97** | $ 53.81 |
| Risk-free interest rate | **1.04%** | 1.90% |
| Expected option life | **6 years** | 6 years |
| Expected volatility | **20.00%** | 21.00% |
| Expected dividend yield | **5.12%** | 4.00% |

Expected volatility has been estimated based on the historic volatility of the Company's share price over six years which is reflective of the expected option life. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date. A portion of the outstanding options can only be exercised once certain performance targets are met.

## 8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

| MARCH 31, 2015 | EMPLOYEE BENEFITS | AVAILABLE FOR SALE SECURITIES | INVESTMENT IN AFFILIATE AND OTHER | TOTAL |
|---|---|---|---|---|
| Balance, beginning of period | **$ (123,510)** | **$ 194** | **$ 12,598** | **$ (110,718)** |
| Other comprehensive income (loss) | **(12,950)** | **2,571** | **3,863** | **(6,516)** |
| Balance, end of period | **$ (136,460)** | **$ 2,765** | **$ 16,461** | **$ (117,234)** |
| MARCH 31, 2014 | | | | |
| Balance, beginning of period | $ (68,593) | $ 420 | $ (14,786) | $ (82,959) |
| Other comprehensive income (loss) | (15,016) | 11 | 20,797 | 5,792 |
| Balance, end of period | $ (83,609) | $ 431 | $ 6,011 | $ (77,167) |

Amounts are recorded net of tax.

## 9. RISK MANAGEMENT

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the First Quarter 2015 Report to Shareholders and in Note 20 to the Consolidated Financial Statements in the 2014 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2014.

## 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and are matters of significant judgment.

All financial instruments measured at fair value and those for which fair value is disclosed are classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation.

Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques, based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

Markets are considered inactive when transactions are not occurring with sufficient regularity. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In those instances where traded markets are not considered sufficiently active, fair value is measured using valuation models which may utilize predominantly observable market inputs (Level 2) or may utilize predominantly non-observable market inputs (Level 3). Management considers all reasonably available information including indicative broker quotations, any available pricing for similar instruments, recent arms length market transactions, any relevant observable market inputs, and internal model-based estimates. Management exercises judgment in determining the most appropriate inputs and the weighting ascribed to each input as well as in the selection of valuation methodologies.

## 10. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Fair value is determined using the following methods and assumptions:

Securities and other financial assets and financial liabilities 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 classified as Level 2 are valued using market interest rates for loans with similar credit risk and maturity.

Loans classified as Level 3 are valued by discounting the expected future cash flows at prevailing market yields.

Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms 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.

Long-term debt is valued using quoted prices for each debenture available in the market.

Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

Level 1 financial instruments include exchange-traded equity securities and open-end investment fund units and other financial liabilities in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include fixed income securities, loans, derivative financial instruments, deposits and certificates and long-term debt. The fair value of fixed income securities is determined using quoted market prices or independent dealer price quotes. The fair value of derivative financial instruments and deposits and certificates are determined using valuation models, discounted cash flow methodologies, or similar techniques using primarily observable market inputs. The fair value of long-term debt is determined using indicative broker quotes.

Level 3 assets and liabilities include securities with little or no trading activity valued using broker-dealer quotes, loans, other financial assets, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which 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. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities, and certain other financial liabilities.

## 10. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

| | | FAIR VALUE | | | |
|---|---|---|---|---|---|
| | CARRYING VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
| MARCH 31, 2015 | | | | | |
| **Financial assets recorded at fair value** | | | | | |
| Securities | | | | | |
| – Available for sale | **$ 4,675** | **$ 4,675** | **$ –** | **$ –** | **$ 4,675** |
| – Held for trading | **77,913** | **74,940** | **1,351** | **1,622** | **77,913** |
| Loans | | | | | |
| – Held for trading | **406,574** | **–** | **406,574** | **–** | **406,574** |
| Derivative financial instruments | **70,889** | **–** | **70,593** | **296** | **70,889** |
| Other financial assets | **9,273** | **–** | **–** | **9,273** | **9,273** |
| **Financial assets recorded at amortized cost** | | | | | |
| Loans | | | | | |
| – Loans and receivables | **6,610,507** | **–** | **28,723** | **6,824,883** | **6,853,606** |
| **Financial liabilities recorded at fair value** | | | | | |
| Derivative financial instruments | **58,083** | **–** | **7,048** | **51,035** | **58,083** |
| Other financial liabilities | **6,108** | **6,108** | **–** | **–** | **6,108** |
| **Financial liabilities recorded at amortized cost** | | | | | |
| Deposits and certificates | **252,499** | **–** | **254,198** | **–** | **254,198** |
| Obligations to securitization entities | **6,695,025** | **–** | **–** | **6,847,195** | **6,847,195** |
| Long-term debt | **1,325,000** | **–** | **1,729,693** | **–** | **1,729,693** |
| DECEMBER 31, 2014 | | | | | |
| **Financial assets recorded at fair value** | | | | | |
| Securities | | | | | |
| – Available for sale | $ 10,220 | $ 10,220 | $ – | $ – | $ 10,220 |
| – Held for trading | 79,325 | 76,953 | 769 | 1,603 | 79,325 |
| Loans | | | | | |
| – Held for trading | 366,227 | – | 366,227 | – | 366,227 |
| Derivative financial instruments | 39,449 | – | 39,449 | – | 39,449 |
| **Financial assets recorded at amortized cost** | | | | | |
| Loans | | | | | |
| – Loans and receivables | 6,652,666 | – | 29,749 | 6,819,531 | 6,849,280 |
| **Financial liabilities recorded at fair value** | | | | | |
| Derivative financial instruments | 29,788 | – | 3,461 | 26,327 | 29,788 |
| Other financial liabilities | 6,585 | 6,585 | – | – | 6,585 |
| **Financial liabilities recorded at amortized cost** | | | | | |
| Deposits and certificates | 223,328 | – | 225,266 | – | 225,266 |
| Obligations to securitization entities | 6,754,048 | – | – | 6,858,924 | 6,858,924 |
| Long-term debt | 1,325,000 | – | 1,681,954 | – | 1,681,954 |

There were no significant transfers between Level 1 and Level 2 in 2015 and 2014.

## 10. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

The following table provides a summary of changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

| | Balance January 1 | Gains/(losses) included in net earnings[1] | Gains/(losses) included in other comprehensive income[2] | Purchases and issuances | Settlements | Transfers in/out | Balance March 31 |
|---|---|---|---|---|---|---|---|
| **March 31, 2015** | | | | | | | |
| **Assets** | | | | | | | |
| Securities | | | | | | | |
| – Held for trading | **$ 1,603** | **$ 19** | **$ –** | **$ –** | **$ –** | **$ –** | **$ 1,622** |
| Other financial assets[3] | **–** | **–** | **3,562** | **–** | **–** | **5,711** | **9,273** |
| **Liabilities** | | | | | | | |
| Derivative financial instruments, net | **26,327** | **(27,506)** | **–** | **(793)** | **2,301** | **–** | **50,739** |
| March 31, 2014 | | | | | | | |
| **Assets** | | | | | | | |
| Securities | | | | | | | |
| – Held for trading | $ 1,446 | $ – | $ – | $ 51 | $ – | $ – | $ 1,497 |
| **Liabilities** | | | | | | | |
| Derivative financial instruments, net | 16,163 | (12,642) | – | (626) | 4,583 | – | 23,596 |

*(1) Included in Net investment income in the Consolidated Statements of Earnings.*
*(2) Included in Available for sale securities – Net unrealized gains (losses) in the Consolidated Statements of Comprehensive Income.*
*(3) Other financial assets previously recorded at cost were re-measured at fair value using recent market transactions.*

## 11. EARNINGS PER COMMON SHARE

| | Three months ended March 31 2015 | 2014 |
|---|---|---|
| **Earnings** | | |
| Net earnings | **$ 202,559** | $ 196,661 |
| Perpetual preferred share dividends | **2,213** | 2,213 |
| Net earnings available to common shareholders | **$ 200,346** | $ 194,448 |
| **Number of common shares** *(in thousands)* | | |
| Average number of common shares outstanding | **251,211** | 252,368 |
| Add: Potential exercise of outstanding stock options | **210** | 1,045 |
| Average number of common shares outstanding – diluted basis | **251,421** | 253,413 |
| **Earnings per common share** *(in dollars)* | | |
| Basic | **$ 0.80** | $ 0.77 |
| Diluted | **$ 0.80** | $ 0.77 |

## 12. RELATED PARTY TRANSACTIONS

The Company entered into tax loss consolidation transactions with its parent company, Power Financial Corporation, after obtaining advance tax rulings:

- On January 7, 2014, the Company acquired $1.67 billion of 4.51% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $1.67 billion of 4.50% 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.
- On January 6, 2015, the Company acquired $0.33 billion of 4.51% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $0.33 billion of 4.50% 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.

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.

## 13. SEGMENTED INFORMATION

The Company's reportable segments are:

- Investors Group
- Mackenzie
- Corporate and Other

These segments reflect the current organizational structure and internal financial reporting. Management measures and evaluates the performance of these segments based on earnings before interest and taxes.

Investors Group earns fee-based revenues in the conduct of its core business activities which are primarily related to the distribution, management and administration of its investment funds. It also earns fee revenues from the provision of brokerage services and the distribution of insurance and banking products. In addition, Investors Group earns intermediary revenues primarily from mortgage banking and servicing activities and from the assets funded by deposit and certificate products.

Mackenzie earns fee-based revenues from services it provides as fund manager to its investment funds and as investment advisor to sub-advisory and institutional accounts.

Corporate and Other includes Investment Planning Counsel, equity income from its investment in Lifeco, net investment income on unallocated investments, other income, and also includes consolidation elimination entries.

## 13. SEGMENTED INFORMATION *(continued)*

| Three months ended March 31 | INVESTORS GROUP | MACKENZIE | CORPORATE AND OTHER | TOTAL |
|---|---|---|---|---|
| | | | | 2015 |
| Revenues | | | | |
| Management fees | $ 316,181 | $ 177,962 | $ 14,968 | $ 509,111 |
| Administration fees | 73,029 | 25,540 | 3,667 | 102,236 |
| Distribution fees | 46,270 | 3,246 | 45,017 | 94,533 |
| Net investment income and other | 21,518 | 4,218 | 29,247 | 54,983 |
| | 456,998 | 210,966 | 92,899 | 760,863 |
| Expenses | | | | |
| Commission | 144,979 | 77,858 | 44,030 | 266,867 |
| Non-commission | 121,331 | 76,186 | 16,105 | 213,622 |
| | 266,310 | 154,044 | 60,135 | 480,489 |
| Earnings before undernoted | $ 190,688 | $ 56,922 | $ 32,764 | 280,374 |
| Interest expense | | | | 22,750 |
| Earnings before income taxes | | | | 257,624 |
| Income taxes | | | | 55,065 |
| Net earnings | | | | 202,559 |
| Perpetual preferred share dividends | | | | 2,213 |
| Net earnings available to common shareholders | | | | $ 200,346 |
| Identifiable assets | $ 8,272,283 | $ 1,342,012 | $ 2,140,083 | $11,754,378 |
| Goodwill | 1,347,781 | 1,168,580 | 143,495 | 2,659,856 |
| Total assets | $ 9,620,064 | $ 2,510,592 | $ 2,283,578 | $14,414,234 |

## 13. SEGMENTED INFORMATION *(continued)*

2014

| Three months ended March 31 | INVESTORS GROUP | MACKENZIE | CORPORATE AND OTHER | TOTAL |
|---|---|---|---|---|
| Revenues | | | | |
| Management fees | $ 300,682 | $ 171,720 | $ 13,364 | $ 485,766 |
| Administration fees | 66,009 | 26,045 | 3,169 | 95,223 |
| Distribution fees | 48,495 | 3,214 | 40,702 | 92,411 |
| Net investment income and other | 13,243 | 1,359 | 26,844 | 41,446 |
| | 428,429 | 202,338 | 84,079 | 714,846 |
| Expenses | | | | |
| Commission | 130,457 | 73,780 | 38,932 | 243,169 |
| Non-commission | 109,943 | 70,800 | 15,034 | 195,777 |
| | 240,400 | 144,580 | 53,966 | 438,946 |
| Earnings before undernoted | $ 188,029 | $ 57,758 | $ 30,113 | 275,900 |
| Interest expense | | | | 22,749 |
| Earnings before income taxes | | | | 253,151 |
| Income taxes | | | | 56,490 |
| Net earnings | | | | 196,661 |
| Perpetual preferred share dividends | | | | 2,213 |
| Net earnings available to common shareholders | | | | $ 194,448 |
| Identifiable assets | $ 7,048,431 | $ 1,343,281 | $ 2,030,019 | $ 10,421,731 |
| Goodwill | 1,347,781 | 1,168,580 | 140,178 | 2,656,539 |
| Total assets | $ 8,396,212 | $ 2,511,861 | $ 2,170,197 | $ 13,078,270 |

# Shareholder Information

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**Auditor**
**Deloitte LLP**

**Transfer Agent and Registrar**
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Company of Canada

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Vancouver, British Columbia V6C 3B9

**Stock Exchange Listing**
**Toronto Stock Exchange**
Shares of IGM Financial Inc. are listed on the Toronto Stock Exchange under the following listings:
Common Shares: IGM
First Preferred Shares, Series B: IGM.PR.B

**Shareholder Information**
For additional financial information about the Company, please contact:
**Investor Relations**
investor.relations@igmfinancial.com

For copies of the annual or quarterly reports, please contact the Corporate Secretary's office at 204 956 8383 or visit our website at www.igmfinancial.com

Si vous préférez recevoir ce rapport en français, veuillez vous adresser au Secrétaire de Société financière IGM Inc.,
447 Portage Avenue,
Winnipeg (Manitoba) R3B 3H5

**Normal Course Issuer Bid**
The Company has renewed its Normal Course Issuer Bid through the facilities of the Toronto Stock Exchange from March 20, 2015 to March 19, 2016. During the course of the Bid, the Company intends to purchase for cancellation up to but not more than 12,548,895 of its common shares, representing approximately 5% of its outstanding common shares. Shareholders may obtain a copy of the Bid, without charge, by contacting the Corporate Secretary's Department at the Company's Head Office.

**Websites**
Visit our websites at
**www.igmfinancial.com**
**www.investorsgroup.com**
**www.mackenzieinvestments.com**
**www.ipcc.ca**

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Mackenzie
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