MANAGEMENT'S DISCUSSION AND ANALYSIS

IGM Financial Inc.

Summary of Consolidated Operating Results 5

Investors Group

Review of the Business 10

Review of Segment Operating Results 16

Mackenzie Investments

Review of the Business 19

Review of Segment Operating Results 23

Corporate and Other

Review of Segment Operating Results 25

IGM Financial Inc.

Consolidated Financial Position 26

Consolidated Liquidity and Capital Resources 28

Risk Management 32

Outlook 44

Critical Accounting Estimates and Policies 46

Internal Control Over Financial Reporting 46

Other Information 47

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, 2016 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (Interim Financial Statements) as well as the 2015 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, 2016 is as of May 6, 2016.

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.

Mutual fund assets under management were $127.1 billion at March 31, 2016 compared with $131.5 billion at March 31, 2015 and $127.5 billion at December 31, 2015. Average mutual fund assets under management for the first quarter of 2016 were $124.4 billion compared to $129.9 billion in the first quarter of 2015.

Total assets under management were $132.9 billion at March 31, 2016 compared with $148.4 billion at March 31, 2015 and $133.6 billion at December 31, 2015. Average total assets under management for the first quarter of 2016 were $130.4 billion compared to $146.5 billion in the first quarter of 2015.

Net earnings available to common shareholders for the three months ended March 31, 2016 were $167.0 million or 69 cents per share compared with net earnings available to common shareholders of $200.3 million or 80 cents per share for the comparative period in 2015.

Shareholders' equity was $4.8 billion as at March 31, 2016, unchanged from December 31, 2015. Return on average common equity for the three months ended March 31, 2016 was 14.3% compared with 17.1% for the comparative period in 2015. The quarterly dividend per common share declared in the first quarter of 2016 was 56.25 cents, unchanged from the fourth quarter of 2015.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

THREE MONTHS ENDED	2016 MARCH 31		2015 DECEMBER 31		2015 MARCH 31	
($ millions)	EARNINGS	EPS[1]	EARNINGS	EPS[1]	EARNINGS	EPS[1]
Operating earnings available to common shareholders – Non-IFRS measure	$ 167.0	$ 0.69	$ 198.2	$ 0.81	$ 200.3	$ 0.80
Restructuring and other charges, net of tax	–	–	(24.3)	(0.10)	–	–
Net earnings available to common shareholders – IFRS	$ 167.0	$ 0.69	$ 173.9	$ 0.71	$ 200.3	$ 0.80
Adjusted EBITDA – Non-IFRS measure	$ 304.2		$ 346.4		$ 348.9	
Restructuring and other charges	–		(33.9)		–	
EBITDA – Non-IFRS measure	304.2		312.5		348.9	
Commission amortization	(59.8)		(58.6)		(58.7)	
Amortization of capital assets and intangible assets and other	(11.0)		(11.1)		(9.8)	
Interest expense on long-term debt	(22.9)		(23.2)		(22.8)	
Earnings before income taxes	210.5		219.6		257.6	
Income taxes	(41.3)		(43.5)		(55.1)	
Perpetual preferred share dividends	(2.2)		(2.2)		(2.2)	
Net earnings available to common shareholders – IFRS	$ 167.0		$ 173.9		$ 200.3	

(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.
- *2015 Restructuring and other charges* – primarily reflects severance and payments to third parties related to exiting certain investment management activities and third party back office relationships. The largest components of these activities relate to:
  - Mackenzie – closing the investment management office in Singapore as well as implementing other personnel changes in order to redeploy resources towards other corporate priorities, which management believes will provide greater benefits to Mackenzie over time.
  - Investors Group – introducing a new in-house dealer platform for nominee accounts and exiting its current relationship with its third party carrying broker. This new platform will enhance the service experience to Consultants and clients and is intended to achieve efficiencies over the long term.
- *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 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.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q1 2016 VS. Q1 2015

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
THREE MONTHS ENDED *($ millions)*	2016 MAR. 31	2015 MAR. 31	2016 MAR. 31	2015 MAR. 31	2016 MAR. 31	2015 MAR. 31	2016 MAR. 31	2015 MAR. 31
Revenues								
Fee income	$ 431.7	$ 435.5	$ 185.4	$ 206.7	$ 62.0	$ 63.7	$ 679.1	$ 705.9
Net investment income and other	13.8	21.5	0.3	4.2	29.6	29.3	43.7	55.0
	445.5	457.0	185.7	210.9	91.6	93.0	722.8	760.9
Expenses								
Commission	147.4	145.0	71.7	77.8	42.4	44.1	261.5	266.9
Non-Commission	135.0	121.3	77.6	76.2	15.3	16.1	227.9	213.6
	282.4	266.3	149.3	154.0	57.7	60.2	489.4	480.5
Earnings before interest and taxes	$ 163.1	$ 190.7	$ 36.4	$ 56.9	$ 33.9	$ 32.8	233.4	280.4
Interest expense							(22.9)	(22.8)
Earnings before income taxes							210.5	257.6
Income taxes							41.3	55.1
Net earnings							169.2	202.5
Perpetual preferred share dividends							2.2	2.2
Net earnings available to common shareholders							$ 167.0	$ 200.3
Operating earnings available to common shareholders[1]							$ 167.0	$ 200.3

(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 2016 VS. Q4 2015

THREE MONTHS ENDED ($ millions)	INVESTORS GROUP 2016 MAR. 31	INVESTORS GROUP 2015 DEC. 31	MACKENZIE 2016 MAR. 31	MACKENZIE 2015 DEC. 31	CORPORATE & OTHER 2016 MAR. 31	CORPORATE & OTHER 2015 DEC. 31	TOTAL 2016 MAR. 31	TOTAL 2015 DEC. 31
Revenues								
Fee income	$ 431.7	$ 448.1	$ 185.4	$ 196.0	$ 62.0	$ 61.7	$ 679.1	$ 705.8
Net investment income and other	13.8	17.6	0.3	1.1	29.6	31.0	43.7	49.7
	445.5	465.7	185.7	197.1	91.6	92.7	722.8	755.5
Expenses								
Commission	147.4	149.0	71.7	73.9	42.4	41.4	261.5	264.3
Non-Commission	135.0	127.2	77.6	72.3	15.3	15.0	227.9	214.5
	282.4	276.2	149.3	146.2	57.7	56.4	489.4	478.8
Earnings before interest and taxes	$ 163.1	$ 189.5	$ 36.4	$ 50.9	$ 33.9	$ 36.3	233.4	276.7
Interest expense							(22.9)	(23.2)
Restructuring and other charges							–	(33.9)
Earnings before income taxes							210.5	219.6
Income taxes							41.3	43.5
Net earnings							169.2	176.1
Perpetual preferred share dividends							2.2	2.2
Net earnings available to common shareholders							$ 167.0	$ 173.9
Operating earnings available to common shareholders[1]							$ 167.0	$ 198.2

(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	2016 MAR. 31	2015 DEC. 31	2015 MAR. 31
Income taxes at Canadian federal and provincial statutory rates	26.84 %	26.73 %	26.61 %
Effect of:			
Proportionate share of affiliate's earnings	(3.56)	(3.57)	(2.70)
Loss consolidation[1]	(2.87)	(2.79)	(2.29)
Other items	(0.76)	(0.57)	(0.25)
Effective income tax rate – net earnings	19.65 %	19.80 %	21.37 %

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

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT

Total assets under management were $132.9 billion at March 31, 2016 compared to $148.4 billion at March 31, 2015. 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.

Changes in average daily mutual fund assets under management over the eight most recent quarters, as shown in Table 6, largely reflect changes in domestic and foreign markets. These average assets generally increased over 2014 and in the first two quarters of 2015, however declined by 2.1% and 0.6% in the third and fourth quarters of 2015 and 2.7% in the first quarter of 2016.

TABLE 5: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – Q1 2016 VS. Q1 2015

	INVESTORS GROUP		MACKENZIE		INVESTMENT PLANNING COUNSEL		CONSOLIDATED[1]	
THREE MONTHS ENDED *($ millions)*	2016 MAR. 31	2015 MAR. 31	2016 MAR. 31	2015 MAR. 31	2016 MAR. 31	2015 MAR. 31	2016 MAR. 31	2015 MAR. 31
Mutual funds								
Gross sales – money market	$ 303	$ 261	$ 110	$ 102	$ 17	$ 19	$ 430	$ 382
Gross sales – long-term	1,964	2,104	1,731	1,871	245	177	3,940	4,145
Total mutual fund gross sales	$ 2,267	$ 2,365	$ 1,841	$ 1,973	$ 262	$ 196	$ 4,370	$ 4,527
Net sales – money market	$ 112	$ 91	$ 30	$ 15	$ 14	$ 14	$ 156	$ 120
Net sales – long-term	355	497	(228)	(121)	65	46	192	417
Total mutual fund net sales	$ 467	$ 588	$ (198)	$ (106)	$ 79	$ 60	$ 348	$ 537
Sub-advisory, institutional and other accounts								
Gross sales	$ –	$ –	$ 842	$ 1,716	$ –	$ –	$ 302	$ 985
Net sales	–	–	(189)	675	–	–	(282)	433
Combined								
Gross sales	$ 2,267	$ 2,365	$ 2,683	$ 3,689	$ 262	$ 196	$ 4,672	$ 5,512
Net sales	467	588	(387)	569	79	60	66	970
Change in total assets under management								
Net sales	$ 467	$ 588	$ (387)	$ 569	$ 79	$ 60	$ 66	$ 970
Market and income	(141)	2,450	(576)	3,159	(28)	216	(801)	5,499
Net change in assets	326	3,038	(963)	3,728	51	276	(735)	6,469
Beginning assets	74,897	73,459	61,653	70,876	4,178	3,850	133,648	141,919
Ending assets[2]	$ 75,223	$ 76,497	$ 60,690	$ 74,604	$ 4,229	$ 4,126	$132,913	$148,388

(1) Total Gross Sales and Net Sales excluded $540 million and $93 million, respectively, in accounts sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($738 million and $247 million in 2015).
Total assets under management excluded $7.2 billion of assets sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($6.8 billion at March 31, 2015).

(2) During the second quarter of 2015, MD Financial Management reassigned sub-advisory responsibilities on four fixed income mandates (totalling $10.3 billion) advised by Mackenzie.

TABLE 6: SUMMARY OF QUARTERLY RESULTS

	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2
Consolidated statements of earnings *($ millions)*								
Revenues								
Management fees	$ 483.8	$ 504.1	$ 508.5	$ 517.3	$ 509.1	$ 507.4	$ 517.0	$ 503.9
Administration fees	100.3	104.7	104.6	106.0	102.3	100.7	102.0	99.3
Distribution fees	95.0	97.0	92.7	95.3	94.5	87.7	85.0	86.1
Net investment income and other	43.7	49.7	45.9	44.6	55.0	46.2	46.2	32.5
	722.8	755.5	751.7	763.2	760.9	742.0	750.2	721.8
Expenses								
Commission	261.5	264.3	263.2	267.7	266.9	253.9	249.8	245.7
Non-commission	227.9	214.5	208.4	215.9	213.6	198.8	190.8	194.5
Interest	22.9	23.2	23.2	22.9	22.8	23.3	23.2	22.9
	512.3	502.0	494.8	506.5	503.3	476.0	463.8	463.1
Earnings before undernoted	210.5	253.5	256.9	256.7	257.6	266.0	286.4	258.7
Restructuring and other charges	–	(33.9)	–	–	–	–	–	(18.3)
Client distributions and other costs	–	–	–	–	–	(81.0)	–	–
Earnings before income taxes	210.5	219.6	256.9	256.7	257.6	185.0	286.4	240.4
Income taxes	41.3	43.5	55.7	56.0	55.1	33.9	64.5	47.9
Net earnings	169.2	176.1	201.2	200.7	202.5	151.1	221.9	192.5
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	$ 167.0	$ 173.9	$ 199.0	$ 198.5	$ 200.3	$ 148.9	$ 219.7	$ 190.3
Reconciliation of Non-IFRS financial measures[1] *($ millions)*								
Operating earnings available to common shareholders – non-IFRS measure	$ 167.0	$ 198.2	$ 199.0	$ 198.5	$ 200.3	$ 208.1	$ 219.7	$ 203.9
Other items:								
Restructuring and other charges, net of tax	–	(24.3)	–	–	–	–	–	(13.6)
Client distributions and other costs, net of tax	–	–	–	–	–	(59.2)	–	–
Net earnings available to common shareholders – IFRS	$ 167.0	$ 173.9	$ 199.0	$ 198.5	$ 200.3	$ 148.9	$ 219.7	$ 190.3
Earnings per Share *(¢)*								
Operating earnings available to common shareholders[1]								
– Basic	69	81	81	80	80	83	87	81
– Diluted	69	81	81	80	80	83	87	81
Net earnings available to common shareholders								
– Basic	69	71	81	80	80	59	87	75
– Diluted	69	71	81	80	80	59	87	75
Average daily mutual fund assets *($ billions)*	$ 124.4	$ 127.8	$ 128.6	$ 131.4	$ 129.9	$ 124.6	$ 126.2	$ 123.6
Total mutual fund assets under management *($ billions)*	$ 127.1	$ 127.5	$ 124.9	$ 129.7	$ 131.5	$ 126.0	$ 125.2	$ 125.2
Total assets under management *($ billions)*	$ 132.9	$ 133.6	$ 130.9	$ 136.0	$ 148.4	$ 141.9	$ 140.6	$ 141.4

(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 directly benefit 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. This approach is consistent with studies in recent years which indicate that client households receiving advice from a financial advisor have higher assets than non-advised households, and that this advantage increases based on the length of the relationship with the financial advisor. At the centre of these relationships is a national distribution network of Consultants based in 114 region offices across Canada. Three new region offices to be opened in the Greater Toronto Area were recently announced and will expand our network to 117 region offices.

At March 31, 2016, Investors Group had a Consultant network of 5,321, up from 5,156 at March 31, 2015. This represents the highest quarter end level in the history of the company.

The individuals in the Consultant network with more than four years of Investors Group experience was 2,850 at March 31, 2016 compared to 2,819 a year earlier. As new Consultants gain more experience and tenure, there is typically an increase in sales productivity. For example, the average level of investment fund gross sales per Consultant with greater than four years experience is five times that of a Consultant with less than four years.

At March 31, 2016, 1,546 individuals in our Consultant network held the Certified Financial Planner (CFP) designation or its Quebec equivalent, the Financial Planner (F.Pl.) designation. In addition, there are 779 individuals enrolled in these programs to gain these designations. The total of 2,325 of those studying to be or qualified as CFP or F.Pl. is up 23% from 1,890 at March 31, 2015. 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 over 250 employees and operating units for most functions supporting approximately 1,100 Consultants throughout Quebec and the 21 Quebec region offices. Mutual fund assets under management in Quebec were approximately $13 billion as at March 31, 2016.

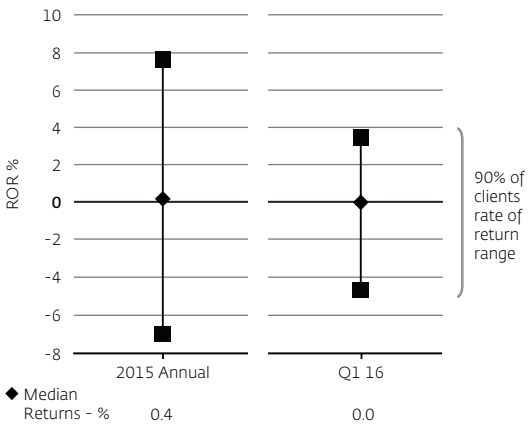
New Dealer Platform

A new dealer platform is scheduled to be introduced in August 2016 which will deliver an enhanced service experience to Consultants and clients. This new dealer platform will allow us to internalize carrying broker functionality and client statement preparation for Investment Industry Regulatory Organization of Canada (IIROC) and Mutual Fund Dealers Association of Canada (MFDA) nominee accounts which are currently performed by a third party service provider, as well as provide increased automation of transaction activity. This platform will also support the introduction of new IIROC based products designed to support the high net worth segment of our client base. The new platform is expected to result in efficiencies over the long term.

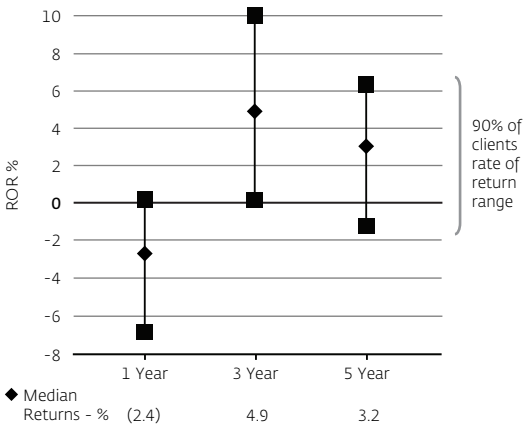
Quarterly Statements

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 charts. The first chart reflects in-quarter

CLIENT ACCOUNT RATE OF RETURN (ROR) EXPERIENCE



CLIENT ACCOUNT RATE OF RETURN (ROR) EXPERIENCE
AS AT MARCH 31, 2016



client account median rates of return for the current year. The second chart reflects the client account median rates of return based on one, three and five year timeframes as at March 31, 2016. Both charts also illustrate upper and lower ranges of rates of return around the median for 90% of Investors Group clients.

For the three months ended March 31, 2016, the client account median rate of return was approximately 0.02% and 50% of clients experienced positive returns.

CLIENT PERFORMANCE AND RATE OF RETURN REPORTING

Investors Group has long believed that providing our clients with personal account level performance and rate of return information over multiple time periods is a meaningful benefit to our clients and further demonstrates the value provided through advice over the history of our client relationships. That is why in 2009 we took initial steps to develop this information for clients and we began capturing the necessary information to calculate account level money-weighted internal rates of return.

Beginning with the June 30, 2015 client statement period, we added quarterly multiple-period account rate of return reporting to most Investors Group's client statements. This important component of the rules adopted by the Canadian Securities Administrators as Phase 2 of the Client Relationship Model (CRM2) was implemented by Investors Group two years before the required deadline. As the required data has been gathered since 2009, our clients now have a multiple-period view of their performance, including one year, three year and five year rates of return.

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.

Investors Group has 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 for the four quarters ending March 31, 2016 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.

FUND PERFORMANCE

At March 31, 2016, 53.7% of Investors Group mutual funds had a rating of three stars or better from the Morningstar† fund ranking service and 17.8% had a rating of four or five stars. This compared to the Morningstar† universe of 67.8% for three stars or better and 33.3% for four and five star funds at March 31, 2016. Morningstar Ratings† are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

TABLE 7: CLIENT EXPERIENCE SURVEY – INVESTORS GROUP

Surveys completed for the four quarters ending March 31, 2016	
New client households surveyed 90 days after account opening	
Satisfied with service	96 %
Offered a financial plan	92
Satisfied with discussion about goals and concerns	96
Willing to refer	93
Client households with 12+ months tenure	
Satisfied with service	92 %
Have a financial plan	85
Satisfied with level of contact	92
Willing to refer	88

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

				% CHANGE	
THREE MONTHS ENDED *($ millions)*	2016 MAR. 31	2015 DEC. 31	2015 MAR. 31	2015 DEC. 31	2015 MAR. 31
Sales	$ 2,267	$ 1,821	$ 2,365	24.5 %	(4.1) %
Redemptions	1,800	1,821	1,777	(1.2)	1.3
Net sales (redemptions)	467	–	588	N/M	(20.6)
Market and income	(141)	1,365	2,450	N/M	N/M
Net change in assets	326	1,365	3,038	(76.1)	(89.3)
Beginning assets	74,897	73,532	73,459	1.9	2.0
Ending assets	$ 75,223	$ 74,897	$ 76,497	0.4 %	(1.7) %
Average daily assets	$ 73,549	$ 75,250	$ 75,456	(2.3) %	(2.5) %

CHANGES 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 announced its first private pool, Investors Risk Parity Private Pool, which became available on January 25, 2016. While traditional asset allocation focuses on the allocation of capital, which results in a balanced portfolio's risk being driven by equities, risk parity utilizes a unique approach to diversification focusing on the allocation of risk. This approach aims to generate attractive risk-adjusted returns over time while diversifying risk across and within a broad array of asset classes. The private pool is sub-advised by PanAgora Asset Management, Inc., a global leader in risk parity investment management.

MANAGED ASSET AND MULTI-MANAGER INVESTMENT PROGRAMS

Investors Group offers several managed asset and multi-manager investment programs which include Investors Group Corporate Class Inc.™, as well as a complete line of portfolio funds and the *i*Profile managed asset program. Investors Group Corporate Class Inc.™ is a fund structure which features the ability to switch on a fee-free basis among 60 funds within the group of funds with no immediate tax consequences. At March 31, 2016, the Corporate Class Funds totalled $7.1 billion in assets under management compared to $6.4 billion at March 31, 2015.

The March 22, 2016, Federal Budget announced proposals that would eliminate the deferral of capital gains tax for investors switching between different classes of shares within a mutual fund corporation (the "2016 Budget Proposal"). The 2016 Budget Proposal will treat a switch between Corporate Class

funds occurring after September 2016 as a disposition at fair market value for tax purposes which will likely trigger capital gains or losses. Switches between different series of shares within the same Corporate Class fund will not be affected by the 2016 Budget Proposal. Investors Group continues to assess the implications of the 2016 Budget Proposal for Investors Group Corporate Class Inc.

HIGH NET WORTH OFFERINGS

High net worth clients represent a growing segment of our client base. Investors Group has several offerings to address the needs of high net worth clients and continues to look at ways to provide further offerings to this segment.

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

Investors Group has investment solutions with differentiated pricing for households with investments in Investors Group funds in excess of $500,000.

- Series J had assets of $23.0 billion at March 31, 2016, an increase of 32.1% from $17.4 billion at March 31, 2015.
- Series U 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, 2016, Series U assets under management had increased to $3.8 billion, compared to $2.2 billion at March 31, 2015, an increase of 73%.

In September 2015, Investors Group provided distributions to clients who had not transferred to these lower priced solutions when they were eligible, up to the earlier of when they transferred or to April 30, 2015.

*i*Profile™

This is a unique portfolio management program, launched in 2001, that is available for households with assets held at Investors Group in excess of $250,000. *i*Profile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions. The *i*Profile program has 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.

The program is advised by a select group of global money management firms: I.G. Investment Management, Toron Capital Markets Inc., JPMorgan Asset Management (Canada) Inc., Jarislowsky, Fraser Limited, Baring International Investment Limited, Laketon Investment Management, Putnam Investments Canada ULC, Aristotle Capital Investment Management, Inc., PanAgora Asset Management, Inc., Aristotle Capital Boston, LLC, and Lazard Asset Management LLC.

At March 31, 2016, the *i*Profile program assets under management were $1.6 billion, an increase of 36% from $1.2 billion at March 31, 2015.

Unbundled Fee Structures

A growing portion of Investors Group's client assets are in Series U and *i*Profile, which are products with unbundled fee structures where a separate advisory fee is charged to the client account by the dealer. At March 31, 2016, $5.4 billion, or 7.2% of Investors Group's mutual fund assets under management, were in products with unbundled fee structures, up 60% from $3.4 billion at March 31, 2015.

CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – Q1 2016 VS. Q1 2015

Investors Group's mutual fund assets under management were $75.2 billion at March 31, 2016, representing a decrease of 1.7% from $76.5 billion at March 31, 2015. Average daily mutual fund assets were $73.5 billion in the first quarter of 2016, down 2.5% from $75.5 billion in the first quarter of 2015.

For the quarter ended March 31, 2016, sales of Investors Group mutual funds through its Consultant network were $2.3 billion, a decrease of 4.1% from the comparative period in 2015. Mutual fund redemptions totalled $1.8 billion, an increase of 1.3% from 2015. Investors Group mutual fund net sales for the first quarter of 2016 were $467 million compared with net sales of $588 million in 2015. During the first quarter, market and income resulted in a decrease of $141 million in mutual fund assets compared to an increase of $2.5 billion in the first quarter of 2015.

Sales of long-term funds were $2.0 billion for the first quarter of 2016, a decrease of 6.7% from the previous year. Net sales of long-term funds for the first quarter of 2016 were $355 million compared to net sales of $497 million in 2015.

Investors Group's annualized quarterly redemption rate for long-term funds was 8.9% in the first quarter of 2016 compared to 8.8% in the first quarter of 2015. Investors Group's twelve month trailing redemption rate for long-term funds was 8.7% at March 31, 2016 compared to 8.5% at March 31, 2015, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 15.8% at March 31, 2016.

Over the last several years, a 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 Canadian 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 0.2% of our long-term redemption rate at March 31, 2016. Excluding such items, the twelve month trailing redemption rate for long-term funds would have been 8.5%.

CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – Q1 2016 VS. Q4 2015

Investors Group's mutual fund assets under management were $75.2 billion at March 31, 2016, an increase of 0.4% from $74.9 billion at December 31, 2015. Average daily mutual fund assets were $73.5 billion in the first quarter of 2016 compared to $75.3 billion in the fourth quarter of 2015, a decrease of 2.3%.

For the quarter ended March 31, 2016, sales of Investors Group mutual funds through its Consultant network were $2.3 billion, an increase of 24.5% from the fourth quarter of 2015. Mutual fund redemptions, which totalled $1.8 billion for the first quarter, decreased 1.2% from the previous quarter and the annualized quarterly redemption rate was 8.9% in the first quarter compared to 8.8% in the fourth quarter of 2015. Investors Group mutual fund net sales were $467 million for the current quarter and compared to zero net sales in the previous quarter. Sales of long-term funds were $2.0 billion for the current quarter compared to $1.5 billion in the previous quarter. Net sales of long-term funds for the current quarter were $355 million compared to net redemptions of $93 million in the previous quarter.

OTHER PRODUCTS AND SERVICES

SEGREGATED FUNDS

Investors Group offers segregated funds which include the Investors Group Series of Guaranteed Investment Funds (GIFs). 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, 2016, total segregated fund assets were $1.7 billion, unchanged from March 31, 2015.

INSURANCE

Investors Group distributes insurance products through I.G. Insurance Services Inc. For the quarter ended March 31, 2016, sales of insurance products as measured by new annualized premiums were $18 million, an increase of 8.6% from $17 million in 2015.

SECURITIES OPERATIONS

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

In 2015, we continued to enhance our services to accommodate individual securities owned by our clients within their financial plan. This involved further development of our systems and additional Securities Planning Specialists who work alongside our Consultants and are licensed to advise on individual securities. In addition, more of our Consultants became eligible and completed the transition of their registration to the Investment Industry Regulatory Organization of Canada (IIROC). These Consultants continue to operate in our established business model which has a managed asset focus delivered within a financial planning context.

More Consultants are expected to transition to the IIROC platform in 2016 and new products available under the IIROC platform are also scheduled to be introduced and include separately managed accounts and fee-based accounts which will enhance high net worth investment planning capabilities.

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 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, 2016, were $457 million compared to $389 million in 2015, an increase of 17.2%. At March 31, 2016, mortgages serviced by Investors Group related to its mortgage banking operations totalled $10.6 billion, compared to $10.0 billion at March 31, 2015, an increase of 5.7%.

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. In April 2015, a new All-in-One product was introduced. This product is a comprehensive cash management solution that integrates the features of a mortgage, term loan, revolving line of credit and deposit account to meet the needs of our clients while minimizing overall interest costs. 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. Total lending products of Investors Group clients in the Solutions Banking† offering totalled $3.1 billion at March 31, 2016.

Available credit associated with Solutions Banking† All-in-One accounts originated for the quarter ended March 31, 2016 was $170 million, compared to $60 million in 2015. At March 31, 2016, the balance outstanding of Solutions Banking All-in-One products was $1.5 billion, which represented approximately 39% of total available credit associated with these accounts.

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 2016 VS. Q1 2015

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 $308.2 million in the first quarter of 2016, a decrease of $8.0 million or 2.5% from $316.2 million in 2015.

The net decrease in management fees in the three months ended March 31, 2016 was due to the decrease in average daily mutual fund assets of 2.5%, as shown in Table 8, as well as a decline in the average management fee rate. The average management fee rate for the three month period ended March 31, 2016 was 168.5 basis points compared to 169.9 basis points in 2015. This decline in basis points resulted primarily from transfers of eligible clients into lower fee investment solutions. The decrease in management fees was offset in part by an increase of $2.6 million in fee income in the current period due to one more calendar day in 2016 compared to 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. For the first quarter of 2016, these waivers totalled $1.3 million compared to $0.7 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 $73.6 million in the current quarter compared to $73.0 million a year ago, an increase of 0.8%.

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.
- Banking services provided through Solutions Banking†.

Distribution fee income of $49.9 million for the first quarter of 2016 increased by $3.6 million from $46.3 million in 2015, due primarily to increases 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.

TABLE 9: OPERATING RESULTS – INVESTORS GROUP

THREE MONTHS ENDED *($ millions)*	2016 MAR. 31	2015 DEC. 31	2015 MAR. 31	% CHANGE 2015 DEC. 31	% CHANGE 2015 MAR. 31
Revenues					
Management fees	$ 308.2	$ 318.9	$ 316.2	(3.4) %	(2.5) %
Administration fees	73.6	76.4	73.0	(3.7)	0.8
Distribution fees	49.9	52.8	46.3	(5.5)	7.8
	431.7	448.1	435.5	(3.7)	(0.9)
Net investment income and other	13.8	17.6	21.5	(21.6)	(35.8)
	445.5	465.7	457.0	(4.3)	(2.5)
Expenses					
Commission	79.0	80.2	76.7	(1.5)	3.0
Asset retention bonus and premium	68.4	68.8	68.3	(0.6)	0.1
Non-commission	135.0	127.2	121.3	6.1	11.3
	282.4	276.2	266.3	2.2	6.0
Earnings before interest and taxes	$ 163.1	$ 189.5	$ 190.7	(13.9) %	(14.5) %

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 $13.8 million in the first quarter of 2016, a decrease of $7.7 million from $21.5 million in 2015.

Net investment income related to Investors Group's mortgage banking operations totalled $14.1 million for the first quarter of 2016 compared to $21.1 million in 2015, a decrease of $7.0 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 – increased by $3.2 million for the quarter ended March 31, 2016 to $14.9 million compared to 2015. The increase resulted from higher margins on securitized loans.
- Gains realized on the sale of residential mortgages – decreased by $4.4 million for the quarter ended March 31, 2016 to $2.7 million compared to 2015. The decrease in gains in the three month period resulted from a lower level of sale activity.
- Fair value adjustments – decreased by $5.8 million for the quarter ended March 31, 2016 to ($1.8) million compared to 2015. The decrease was primarily due to favourable fair value adjustments in 2015 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 $79.0 million for the first quarter of 2016, an increase of $2.3 million from $76.7 million in 2015. The increase resulted primarily from higher mutual fund commission amortization, higher write-offs of the unamortized balance of deferred selling commissions associated with redemptions, and compensation related to the distribution of other financial services and products.

TABLE 10: MORTGAGE BANKING OPERATIONS – INVESTORS GROUP

THREE MONTHS ENDED *($ millions)*	2016 MAR. 31	2015 DEC. 31	2015 MAR. 31	% CHANGE 2015 DEC. 31	% CHANGE 2015 MAR. 31
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	$ 46.4	$ 47.1	$ 47.1	(1.5) %	(1.5) %
Interest expense	31.5	30.6	35.4	2.9	(11.0)
Net interest income	14.9	16.5	11.7	(9.7)	27.4
Gains on sales[1]	2.7	3.8	7.1	(28.9)	(62.0)
Fair value adjustments	(1.8)	(2.3)	4.0	21.7	N/M
Other[2]	(1.7)	(1.4)	(1.7)	(21.4)	–
	$ 14.1	$ 16.6	$ 21.1	(15.1) %	(33.2) %
Average mortgages serviced					
Securitizations	$ 6,872	$ 6,813	$ 6,526	0.9 %	5.3 %
Other	3,615	3,554	3,404	1.7	6.2
	$ 10,487	$ 10,367	$ 9,930	1.2 %	5.6 %
Mortgage sales to:[3]					
Securitizations	$ 610	$ 653	$ 378	(6.6) %	61.4 %
Other[1]	217	275	332	(21.1)	(34.6)
	$ 827	$ 928	$ 710	(10.9) %	16.5 %

(1) 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.

(2) Represents mortgage issuance and insurance costs, interest earned on warehoused mortgages, and servicing and other.

(3) Represents principal amounts sold.

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

- Asset retention bonus, which is based on the value of assets under management, decreased by $0.3 million for the quarter ended March 31, 2016 to $56.8 million compared to 2015. The decrease was primarily due to the decrease 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 $0.4 million for the quarter ended March 31, 2016 to $11.6 million compared to 2015. The increase was related to the increase in year-end 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. In 2015, several initiatives were undertaken to improve support in several areas, including: Consultant network expansion, advertising and media efforts, investment management, and other business development efforts. Non-commission expenses were $135.0 million for the first quarter of 2016 compared to $121.3 million in 2015, an increase of $13.7 million or 11.3%. The increase resulted largely from these 2015 initiatives as well as the effect of continuing investments in system related projects.

Q1 2016 VS. Q4 2015

FEE INCOME

Management fee income decreased by $10.7 million or 3.4% to $308.2 million in the first quarter of 2016 compared with the fourth quarter of 2015. The net decrease in management fees in the first quarter was primarily due to:

- The decrease in average daily mutual fund assets of 2.3% for the quarter as shown in Table 8.
- A decrease of $3.3 million due to one less calendar day in the first quarter compared to the fourth quarter of 2015.

Money market fund waivers totalled $1.3 million in the first quarter of 2016, unchanged from the fourth quarter of 2015.

Administration fees decreased to $73.6 million in the first quarter of 2016 from $76.4 million in the fourth quarter of 2015. The decrease was primarily due to the change in average mutual fund assets under management.

Distribution fee income of $49.9 million in the first quarter of 2016 decreased by $2.9 million from $52.8 million in the fourth quarter primarily due to decreases in distribution fee income from insurance product sales, largely due to seasonality, as well as lower redemption fees.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was $13.8 million in the first quarter of 2016 compared to $17.6 million in the previous quarter, a decrease of $3.8 million primarily related to Investors Group's mortgage banking operations.

Net investment income related to Investors Group's mortgage banking operations totalled $14.1 million in the first quarter of 2016, a decrease of $2.5 million from $16.6 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 – decreased by $1.6 million in the first quarter of 2016 to $14.9 million, compared to $16.5 million in the previous quarter primarily due to lower margins.
- Gains realized on the sale of residential mortgages – decreased by $1.1 million in the first quarter of 2016 to $2.7 million, compared to $3.8 million in the previous quarter primarily due to lower volumes.
- Fair value adjustments – increased by $0.5 million in the first quarter of 2016 to ($1.8) million, compared to ($2.3) million in the previous quarter primarily due to unfavourable fair value adjustments on certain securitization related financial instruments in the previous quarter.

EXPENSES

Commission expense in the current quarter was $79.0 million compared with $80.2 million in the previous quarter. The decrease primarily related to lower compensation related to the distribution of other financial services and products. The asset retention bonus and premium expense decreased by $0.4 million to $68.4 million in the first quarter of 2016.

Non-commission expenses were $135.0 million in the current quarter, an increase of $7.8 million or 6.1% from $127.2 million in the fourth quarter of 2015. The increase was largely due to the continuing investments in system related projects and other costs in addition to the effect of annualizing initiatives undertaken in 2015.

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.

Mackenzie's vision: We are committed to the financial success of investors, through *their* eyes. This impacts the strategic priorities we select to fulfil that commitment and drive future business growth. Our strategic mandate is two-fold: win in the Canadian retail space, and build meaningful strategic relationships, both in support of our goal to be the company of choice for institutional investors, financial advisors and individual investors. We aim to achieve this mandate by gathering the best minds in the investment industry, responding to changing needs of financial advisors and investors with distinctive and innovative solutions, and continuing to deliver institutional quality in everything we do.

Supporting this vision and strategic mandate are six key foundational capabilities that our employees strive to achieve:

- Delivering competitive and consistent risk-adjusted performance
- Launching high quality and innovative products and services
- Strengthening distribution and servicing capabilities
- Building brand leadership
- Focusing on operational excellence and process discipline
- Fostering a winning and innovative culture

Mackenzie seeks to maximize returns on business investment by focusing resources in areas that directly impact the success of our strategic mandate: 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 business 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, strength of its distribution network, broad product shelf, competitively priced products and its focus on client experience and investment excellence.

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, 2016, Mackenzie's mutual fund and total assets under management were $47.6 billion and $60.7 billion, respectively.

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 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, 2016, 32.4% of Mackenzie mutual funds were rated in the top two performance quartiles for the one year time frame, 27.1% for the three year time frame and 37.3% 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, 2016, 54.4% of Mackenzie mutual funds measured by Morningstar† had a rating of three stars or better and 19.1% had a rating of four or five stars. This compared to the Morningstar† universe of 67.8% for three stars or better and 33.3% for four and five star funds at March 31, 2016. These ratings exclude the Quadrus Group of Funds†.

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

THREE MONTHS ENDED ($ millions)	2016 MAR. 31	2015 DEC. 31	2015 MAR. 31	% CHANGE 2015 DEC. 31	% CHANGE 2015 MAR. 31
Sales	$ 1,841	$ 1,652	$ 1,973	11.4 %	(6.7) %
Redemptions	2,039	2,079	2,079	(1.9)	(1.9)
Net sales (redemptions)[1]	(198)	(427)	(106)	53.6	(86.8)
Market and income	(620)	1,452	2,268	N/M	N/M
Net change in assets	(818)	1,025	2,162	N/M	N/M
Beginning assets	48,445	47,420	48,782	2.2	(0.7)
Ending assets	$ 47,627	$ 48,445	$ 50,944	(1.7) %	(6.5) %
Daily average mutual fund assets	$ 46,742	$ 48,493	$ 50,492	(3.6) %	(7.4) %

(1) During the fourth quarter of 2015, certain third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in gross sales of $58 million, redemptions of $297 million and net redemptions of $239 million.

TABLE 12: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – MACKENZIE

THREE MONTHS ENDED ($ millions)	2016 MAR. 31	2015 DEC. 31	2015 MAR. 31	% CHANGE 2015 DEC. 31	% CHANGE 2015 MAR. 31
Sales	$ 2,683	$ 2,593	$ 3,689	3.5 %	(27.3) %
Redemptions	3,070	2,959	3,120	3.8	(1.6)
Net sales (redemptions)[1]	(387)	(366)	569	(5.7)	N/M
Market and income	(576)	1,728	3,159	N/M	N/M
Net change in assets	(963)	1,362	3,728	N/M	N/M
Beginning assets	61,653	60,291	70,876	2.3	(13.0)
Ending assets[2]	$ 60,690	$ 61,653	$ 74,604	(1.6) %	(18.7) %
Consists of:					
Mutual funds	$ 47,627	$ 48,445	$ 50,944	(1.7) %	(6.5) %
Sub-advisory, institutional and other accounts	13,063	13,208	23,660	(1.1)	(44.8)
	$ 60,690	$ 61,653	$ 74,604	(1.6) %	(18.7) %
Average total assets[3]	$ 59,778	$ 61,682	$ 73,592	(3.1) %	(18.8) %

(1) During the fourth quarter of 2015, certain third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in gross sales of $58 million, redemptions of $297 million and net redemptions of $239 million.

(2) During the second quarter of 2015, MD Financial Management reassigned sub-advisory responsibilities on four fixed income mandates (totalling $10.3 billion) advised by Mackenzie.

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

CHANGES TO PRODUCT OFFERINGS

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.

On April 19, 2016, Mackenzie launched four unique fixed income Exchange Traded Funds (ETFs). The addition of these active ETFs complements Mackenzie's broad and innovative fund line-up and reflects its investor-focus vision to provide advisors and investors with new solutions to drive investor outcomes and achieve their personal goals. These four fixed income ETFs, which will trade on the Toronto Stock Exchange, offer investors another investment option to utilize in building long-term diversified portfolios. The suite of ETFs will be managed by Mackenzie's Fixed Income Team and are as follows:

- **Mackenzie Core Plus Global Fixed Income ETF (TSX:MGB)** seeks to generate income, with an emphasis on capital preservation, by investing primarily in investment-grade fixed income securities denominated in Canadian or foreign currencies that are issued by companies or governments.
- **Mackenzie Unconstrained Bond ETF (TSX:MUB)** seeks to provide a positive total return over a market cycle, regardless of market conditions, by investing primarily in fixed income securities of issuers anywhere in the world and in derivative instruments.
- **Mackenzie Floating Rate Income ETF (TSX:MFT)** seeks to generate current income by investing primarily in floating rate debt instruments and/or high yield debt securities of issuers located anywhere in the world.
- **Mackenzie Core Plus Canadian Fixed Income ETF (TSX:MKB)** seeks to provide a steady flow of income by investing primarily in investment-grade Canadian government and corporate fixed income instruments and asset-backed securities with maturities of more than one year.

CHANGE IN ASSETS UNDER MANAGEMENT – Q1 2016 VS. Q1 2015

Mackenzie's mutual fund assets under management were $47.6 billion at March 31, 2016, a decrease of 6.5% from $50.9 billion at March 31, 2015. Mackenzie's sub-advisory, institutional and other accounts at March 31, 2016 were $13.1 billion, a decrease of 44.8% from $23.7 billion last year. Mackenzie's total assets under management at March 31, 2016 were $60.7 billion, a decrease of 18.7% from $74.6 billion at March 31, 2015.

On June 5, 2015, MD Financial Management Inc. ("MD") reassigned sub-advisory responsibilities on four fixed income mandates advised by Mackenzie. The impact on Mackenzie's pre-tax earnings from these mandate changes is not meaningful. The mandates had $10.3 billion in assets on June 5, 2015 and were included in Mackenzie's ending assets for sub-advisory, institutional and other accounts at March 31, 2015 in Table 12. Following the change, Mackenzie continues to advise MD on a number of fixed income, balanced and equity mandates.

In the three months ended March 31, 2016, Mackenzie's mutual fund gross sales were $1.8 billion, a decrease of 6.7% from $2.0 billion in the comparative period last year. Mutual fund redemptions in the current period were $2.0 billion, a decrease of 1.9% from last year. Mutual fund net redemptions for the three months ended March 31, 2016 were $198 million, as compared to net redemptions of $106 million last year. During the current quarter, market and income resulted in assets decreasing by $620 million as compared to an increase of $2.3 billion last year.

In the three months ended March 31, 2016, Mackenzie's gross sales for total assets under management were $2.7 billion, a decrease of 27.3% from $3.7 billion in the comparative period last year. Redemptions in the current period were $3.1 billion, 1.6% lower than the first quarter of 2015. Net redemptions for the three months ended March 31, 2016 were $387 million, as compared to net sales of $569 million last year. During the current quarter, market and income resulted in assets decreasing by $576 million as compared to an increase of $3.2 billion last year.

Redemptions of long-term mutual funds in the three month period ended March 31, 2016, were $2.0 billion, unchanged from the first quarter of 2015. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 16.9% in the first quarter of 2016, compared to 16.2% in the first quarter of 2015. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 16.4% at March 31, 2016, as compared to 14.4% last year. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 15.2% at March 31, 2016. 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 2016 VS. Q4 2015

Mackenzie's mutual fund assets under management were $47.6 billion at March 31, 2016, a decrease of 1.7% from

$48.4 billion at December 31, 2015. Mackenzie's sub-advisory, institutional and other accounts decreased by 1.1% from $13.2 billion to $13.1 billion at March 31, 2016. Mackenzie's total assets under management at March 31, 2016, were $60.7 billion, a decrease of 1.6% from $61.7 billion at December 31, 2015, as summarized in Table 12.

For the quarter ended March 31, 2016, Mackenzie mutual fund gross sales were $1.8 billion, an increase of 11.4% from the fourth quarter of 2015. Mutual fund redemptions, which totalled $2.0 billion for the first quarter, decreased by 1.9% from the previous quarter. Net redemptions of Mackenzie mutual funds for the current quarter were $198 million compared with net redemptions of $427 million in the previous quarter. During the fourth quarter of 2015, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $58 million, redemptions of $297 million and net redemptions of $239 million. Excluding this transaction in the fourth quarter, gross sales increased 15.5% and redemptions increased 14.4% in the first quarter of 2016 compared to the fourth quarter of 2015, and net redemptions were $198 million compared to net redemptions of $188 million in the fourth quarter.

Redemptions of long-term mutual fund assets in the current quarter were $2.0 billion, unchanged from the fourth quarter of 2015. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 16.9%, compared to 16.7% for the fourth quarter. Mackenzie's annualized quarterly redemption rate for long-term funds for the fourth quarter, excluding rebalance transactions, was 14.3%. Net redemptions of long-term funds for the current quarter were $228 million compared to net redemptions of $454 million in the previous quarter. Excluding rebalance transactions during the fourth quarter of 2015, net redemptions of long-term funds were $215 million.

REVIEW OF SEGMENT OPERATING RESULTS

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

Q1 2016 VS. Q1 2015

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. For example, 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, 2016, these series had $3.6 billion in assets, an increase of 16.3% from the prior year.

Management fees were $160.5 million for the three months ended March 31, 2016, a decrease of $17.5 million or 9.8% from $178.0 million last year. The net decrease in management fees was due to the decline in average assets under management of 18.8% in the three months ended March 31, 2016, offset by an increase in average management fee rate. Mackenzie's average management fee rate in the first quarter of 2016 was 108.0 basis points compared to 98.1 basis points in 2015. The increase in average management fee rate was due to a change in the composition of assets under management, including the impact of having a greater share in retail-priced products, following the loss of certain sub-advisory mandates from MD Financial Management Inc. as previously discussed. In addition, there was one more calendar day in the first quarter of 2016 than in the first quarter of 2015 which resulted in an increase in management fees in the current quarter.

Mackenzie earns administration fees primarily from providing services to its mutual funds. Administration fees were $22.4 million for the three months ended March 31, 2016, as compared to $25.5 million in 2015. Effective April 1, 2015, as part of the retail pricing changes previously announced, the fund operating expense adjustment that had been in place since August 1, 2007 was discontinued. Under this adjustment, Mackenzie was entitled to a payment from certain funds should such funds not exceed a pre-established level of net assets. The impact of eliminating the fund operating expense adjustment was a decline in administration fees of $1.0 million for the three months ended March 31, 2016.

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

TABLE 13: OPERATING RESULTS – MACKENZIE

THREE MONTHS ENDED *($ millions)*	2016 MAR. 31	2015 DEC. 31	2015 MAR. 31	% CHANGE 2015 DEC. 31	% CHANGE 2015 MAR. 31
Revenues					
Management fees	$ 160.5	$ 169.8	$ 178.0	(5.5) %	(9.8) %
Administration fees	22.4	23.8	25.5	(5.9)	(12.2)
Distribution fees	2.5	2.4	3.2	4.2	(21.9)
	185.4	196.0	206.7	(5.4)	(10.3)
Net investment income and other	0.3	1.1	4.2	(72.7)	(92.9)
	185.7	197.1	210.9	(5.8)	(11.9)
Expenses					
Commission	14.3	13.8	15.7	3.6	(8.9)
Trailing commission	57.4	60.1	62.1	(4.5)	(7.6)
Non-commission	77.6	72.3	76.2	7.3	1.8
	149.3	146.2	154.0	2.1	(3.1)
Earnings before interest and taxes	$ 36.4	$ 50.9	$ 56.9	(28.5) %	(36.0) %

months ended March 31, 2016 was $2.5 million, a decrease of $0.7 million from $3.2 million last year.

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 $0.3 million for the three months ended March 31, 2016 compared to $4.2 million last year.

EXPENSES

Mackenzie's expenses were $149.3 million for the three months ended March 31, 2016, a decrease of $4.7 million or 3.1% from $154.0 million in 2015.

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 $14.3 million in the three months ended March 31, 2016, as compared to $15.7 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 $57.4 million in the three months ended March 31, 2016, a decrease of $4.7 million or 7.6% from $62.1 million last year. The change in trailing commissions resulted from the decline of 7.4% in average mutual fund assets for the three months ended March 31, 2016. Trailing commissions as a percentage of average mutual fund assets under management were 49.1 basis points in the three months ended March 31, 2016, compared to 49.2 basis points in 2015.

Non-commission expenses are incurred by Mackenzie in the administration, marketing and management of its assets under management. Non-commission expenses were $77.6 million in the three months ended March 31, 2016, an increase of $1.4 million or 1.8% from $76.2 million in 2015.

Q1 2016 VS. Q4 2015

REVENUES

Mackenzie's revenues were $185.7 million for the current quarter, a decrease of $11.4 million or 5.8% from $197.1 million in the fourth quarter of 2015.

Management fees were $160.5 million for the current quarter, a decrease of $9.3 million or 5.5% from $169.8 million in the fourth quarter of 2015. Factors contributing to the net decrease in management fees are as follows:

- Average total assets under management were $59.8 billion in the current quarter compared to $61.7 billion in the prior quarter, a decrease of 3.1%.
- Mackenzie's average management fee rate was 108.0 basis points in the current quarter as compared to 109.5 basis points in the fourth quarter of 2015 due to a change in the composition of assets under management.
- There was one less calendar day in the first quarter of 2016 than in the fourth quarter of 2015, which resulted in a decrease of $1.8 million.

Administration fees were $22.4 million in the current quarter, a decrease of $1.4 million or 5.9% from $23.8 million in the prior quarter. The decrease in the quarter was due to a decline in average assets under management.

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 $0.3 million for the current quarter compared to $1.1 million in the fourth quarter of 2015.

EXPENSES

Mackenzie's expenses were $149.3 million for the current quarter, an increase of $3.1 million or 2.1% from $146.2 million in the fourth quarter of 2015.

Commission expense related to the amortization of selling commissions was $14.3 million in the quarter ended March 31, 2016, an increase of 3.6% from the fourth quarter of 2015.

Trailing commissions were $57.4 million in the current quarter, a decrease of $2.7 million or 4.5% from $60.1 million in the fourth quarter of 2015. The change in trailing commissions reflects the 3.6% period over period decrease in average mutual fund assets under management. The effective trailing commission rate for the first quarter was 49.1 basis points compared to 49.6 basis points in the fourth quarter of 2015.

Non-commission expenses were $77.6 million in the current quarter compared to $72.3 million in the fourth quarter of 2015. The increase related primarily to the seasonal nature of certain expenses normally incurred in the first quarter.

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.

Q1 2016 VS. Q1 2015

Net investment income and other increased to $29.6 million in the first quarter of 2016 compared to $29.3 million in 2015. 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, offset in part by lower interest income on cash and cash equivalents.

Earnings before interest and taxes related to Investment Planning Counsel were $0.6 million higher in the first quarter of 2016 compared to the same period in 2015.

Q1 2016 VS. Q4 2015

Net investment income and other totalled $29.6 million in the first quarter of 2016 compared to $31.0 million in the fourth quarter of 2015 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 $1.1 million lower in the first quarter of 2016 compared with the previous quarter.

TABLE 14: OPERATING RESULTS – CORPORATE AND OTHER

THREE MONTHS ENDED *($ millions)*	2016 MAR. 31	2015 DEC. 31	2015 MAR. 31	% CHANGE 2015 DEC. 31	% CHANGE 2015 MAR. 31
Revenues					
Fee income	$ 62.0	$ 61.7	$ 63.7	0.5 %	(2.7) %
Net investment income and other	29.6	31.0	29.3	(4.5)	1.0
	91.6	92.7	93.0	(1.2)	(1.5)
Expenses					
Commission	42.4	41.4	44.1	2.4	(3.9)
Non-commission	15.3	15.0	16.1	2.0	(5.0)
	57.7	56.4	60.2	2.3	(4.2)
Earnings before interest and taxes	$ 33.9	$ 36.3	$ 32.8	(6.6) %	3.4 %

IGM FINANCIAL INC.

CONSOLIDATED FINANCIAL POSITION

IGM Financial's total assets were $14.8 billion at March 31, 2016, unchanged from December 31, 2015.

SECURITIES

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

AVAILABLE FOR SALE 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 reclassified to 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 2015 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 51.2% of total assets at March 31, 2016, compared to 49.8% at December 31, 2015.

Loans classified as loans and receivables are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $7.2 billion at March 31, 2016, compared to $7.1 billion at December 31, 2015.

Loans classified as held for trading are residential mortgages 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 $12.9 billion of residential mortgages, including $2.3 billion originated by subsidiaries of Lifeco.

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

TABLE 15: SECURITIES

	MARCH 31, 2016		DECEMBER 31, 2015	
($ millions)	COST	FAIR VALUE	COST	FAIR VALUE
Available for sale				
Proprietary investment funds	$ 8.5	$ 8.6	$ 6.0	$ 6.1
Fair value through profit or loss				
Equity securities	12.1	11.3	12.2	10.5
Proprietary investment funds	44.7	45.0	33.7	34.2
	56.8	56.3	45.9	44.7
	$ 65.3	$ 64.9	$ 51.9	$ 50.8

TABLE 16: LOANS

($ millions)	2016 MARCH 31	2015 DECEMBER 31
Loans and receivables	$ 6,999.6	$ 7,008.9
Less: Collective allowance	0.7	0.7
	6,998.9	7,008.2
Held for trading	577.9	384.2
	$ 7,576.8	$ 7,392.4

(NHA MBS) and the Canada Mortgage Bond Program (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, with interest income and interest expense, utilizing the effective interest rate method, recorded over the term of the mortgages, (ii) the component of swaps 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, are recorded at fair value, and (iii) cash reserves held under the ABCP program are carried at amortized cost.

In the first quarter of 2016, the Company securitized loans through its mortgage banking operations with cash proceeds of $596.9 million compared to $374.2 million in 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 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, 2016 compared with 2015 are shown in Table 17.

TABLE 17: INVESTMENT IN AFFILIATE

THREE MONTHS ENDED ($ millions)	2016 MAR. 31	2015 MAR. 31
Carrying value, beginning of period	$ 904.3	$ 794.4
Proportionate share of earnings	27.8	25.9
Dividends received	(13.7)	(12.9)
Proportionate share of other comprehensive income (loss) and other adjustments	12.1	(4.5)
Carrying value, end of period	$ 930.5	$ 802.9
Fair value, end of period	$ 1,417.0	$ 1,451.6

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Cash and cash equivalents totalled $607.2 million at March 31, 2016 compared with $983.0 million at December 31, 2015. Cash and cash equivalents related to the Company's deposit operations were $3.2 million at March 31, 2016, compared to $2.8 million at December 31, 2015 and $4.7 million at March 31, 2015, as shown in Table 18.

Working capital totalled $841.8 million at March 31, 2016 compared with $980.3 million at December 31, 2015 and $1,277.1 million at March 31, 2015. 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 $304.2 million in the first quarter of 2016 compared to $348.9 million in the first quarter of 2015 and $346.4 million in the fourth quarter of 2015. Adjusted EBITDA for each period under review excludes the impact of amortization of deferred selling commissions which totalled $59.8 million in the first quarter of 2016 compared to $58.7 million in the first quarter of 2015 and $58.6 million in the fourth quarter of 2015. 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, 2016. Cash and cash equivalents decreased by $375.8 million in the quarter compared to a decrease of $93.1 million in 2015.

Operating activities, before payment of commissions, generated $113.5 million during the quarter ended March 31, 2016, as compared to $216.5 million in 2015. Cash commissions paid were $73.8 million in 2016 compared to $84.8 million in 2015. Cash flows from operating activities, net of commissions paid, were $39.7 million in 2016 as compared to $131.7 million in 2015.

Financing activities during the three months ended March 31, 2016 compared to 2015 related to:

- A net decrease of $9.2 million in deposits and certificates in 2016 compared to a net increase of $29.2 million in 2015.

TABLE 18: DEPOSIT OPERATIONS – FINANCIAL POSITION

($ millions)	2016 MAR. 31	2015 DEC. 31	2015 MAR. 31
Assets			
Cash and cash equivalents	$ 3.2	$ 2.8	$ 4.7
Accounts and other receivables	283.0	292.3	234.3
Loans	25.5	25.4	24.4
Total assets	$ 311.7	$ 320.5	$ 263.4
Liabilities and shareholders' equity			
Deposit liabilities	$ 300.9	$ 310.1	$ 252.5
Other liabilities	0.5	0.5	0.6
Shareholders' equity	10.3	9.9	10.3
Total liabilities and shareholders' equity	$ 311.7	$ 320.5	$ 263.4

TABLE 19: CASH FLOWS

THREE MONTHS ENDED *($ millions)*	2016 MAR. 31	2015 MAR. 31	% CHANGE
Operating activities			
Before payment of commissions	$ 113.5	$ 216.5	(47.6) %
Commissions paid	(73.8)	(84.8)	13.0
Net of commissions paid	39.7	131.7	(69.9)
Financing activities	(187.8)	(226.0)	16.9
Investing activities	(227.7)	1.2	N/M
Decrease in cash and cash equivalents	(375.8)	(93.1)	N/M
Cash and cash equivalents, beginning of period	983.0	1,216.0	(19.2)
Cash and cash equivalents, end of period	$ 607.2	$ 1,122.9	(45.9) %

- A net increase of $65.2 million in 2016 arising from obligations to securitization entities compared to a net decrease of $61.7 million in 2015.
- Proceeds received on the issuance of common shares of $0.4 million in 2016 compared with $12.2 million in 2015.
- The purchase of 2,991,900 common shares in 2016 under IGM Financial's normal course issuer bid at a cost of $104.3 million compared with the purchase of 1,385,000 common shares at a cost of $62.1 million in 2015.
- The payment of perpetual preferred share dividends which totalled $2.2 million in 2016, unchanged from 2015.
- The payment of regular common share dividends which totalled $137.8 million in 2016 compared to $141.4 million in 2015.

Investing activities during the three months ended March 31, 2016 compared to 2015 primarily related to:

- The purchases of securities totalling $24.9 million and sales of securities with proceeds of $10.8 million in 2016 compared to $10.0 million and $21.8 million, respectively, in 2015.
- A net increase in loans of $183.5 million in 2016 compared to a net decrease of $7.9 million in 2015 primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions were $17.0 million in 2016 compared to $13.9 million in 2015.

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 $6.1 billion at March 31, 2016, compared to $6.2 billion at December 31, 2015. 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, 2016, unchanged from December 31, 2015. 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, 2016 remain unchanged from December 31, 2015.

The Company purchased 2,991,900 common shares during the three months ended March 31, 2016 at a cost of $104.3 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, 2016 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 2016 included the declaration of perpetual preferred share dividends of $2.2 million or $0.36875 per share and common share dividends of $136.1 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 unsecured debentures 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.

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.

TABLE 20: FINANCIAL INSTRUMENTS

	MARCH 31, 2016		DECEMBER 31, 2015	
($ millions)	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Securities				
– Available for sale	$ 8.6	$ 8.6	$ 6.1	$ 6.1
– Held for trading	56.3	56.3	44.7	44.7
Loans				
– Held for trading	577.9	577.9	384.2	384.2
Derivative financial instruments	66.4	66.4	58.4	58.4
Other financial assets	9.3	9.3	9.3	9.3
Financial assets recorded at amortized cost				
Loans				
– Loans and receivables	6,998.9	7,249.8	7,008.2	7,265.9
Financial liabilities recorded at fair value				
Derivative financial instruments	58.4	58.4	57.8	57.8
Other financial liabilities	5.7	5.7	4.1	4.1
Financial liabilities recorded at amortized cost				
Deposits and certificates	300.9	302.3	310.1	311.8
Obligations to securitization entities	7,154.9	7,264.2	7,092.4	7,272.4
Long-term debt	1,325.0	1,657.3	1,325.0	1,661.2

- 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, 2016.

RISK MANAGEMENT

The Company is exposed to a variety of risks that are inherent in its business activities. Its ability to manage these risks is key to its ongoing success. The Company emphasizes a strong risk management culture and the implementation of an effective risk management approach. The 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. Fundamental to our enterprise risk management program is protecting and enhancing our reputation.

RISK MANAGEMENT FRAMEWORK

The Company's risk management approach is undertaken through its Enterprise Risk Management (ERM) Framework which includes five core elements: risk governance, risk appetite, risk principles, a defined risk management process, and risk management culture. The ERM Framework is established under the Company's ERM Policy, which is approved by the Risk Management Committee.

RISK GOVERNANCE

The Company's risk governance structure emphasizes a comprehensive and consistent framework throughout the Company and its subsidiaries, with 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 the Enterprise Risk Management (ERM) Department, corporate and distribution 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 in relation to 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 as well as the administration of the Code of Business Conduct and Ethics for Directors, Officers and Employees (Code of Conduct).

Management oversight for risk management resides with the executive Risk Management Committee which 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 management 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 operating companies have overall responsibility for overseeing risk management of their respective companies.

The Company has assigned responsibility for risk management using the Three Lines of Defence model, with the First Line reflecting the business units having primary responsibility for risk management, supported by Second Line risk management functions and a Third Line Internal Audit function providing assurance and validation of the design and effectiveness of the ERM Framework.

First Line of Defence

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.

Second Line of Defence

The Enterprise Risk Management (ERM) Department provides oversight, analysis and reporting to the Risk Management Committee on the level of risks relative to the established risk appetite for all activities of the Company. 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.

The Company has a number of committees of senior business leaders which provide oversight of specific business risks, including the Financial Risk Management and Information Services Risk Oversight committees. These committees perform critical reviews of risk assessments, risk management practices and risk response plans developed by business units and support functions.

Other oversight accountabilities reside with the Company's corporate and sales compliance groups which are responsible for ensuring compliance with policies, laws and regulations.

Third Line of Defence

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

RISK APPETITE AND RISK PRINCIPLES

The Risk Management Committee establishes the Company's appetite for different types of risk through the Risk Appetite Framework. Under the Risk Appetite Framework, one of four appetite levels is established for each risk type and business activity of the Company. These appetite levels range from those where the Company has no appetite for risk and seeks to minimize any losses, to those where the Company readily accepts exposure while seeking to ensure that risks are well understood and managed. These appetite levels guide our business units as they engage in business activities, and inform them in establishing policies, limits, controls and risk transfer activities.

A Risk Appetite Statement and Risk Principles provide further guidance to business leaders and employees as they conduct risk management activities. The Risk Appetite Statement's emphasis is to maintain the Company's reputation and brand, ensure financial flexibility, and focus on mitigating operational risk.

RISK MANAGEMENT PROCESS

The Company's risk management process is designed to foster:

- Ongoing assessment of risks and tolerance in a changing operating environment.
- Appropriate identification and understanding of existing and emerging risks and risk response.
- Timely monitoring and escalation of risks based upon changing circumstances.

Significant risks that may adversely affect the Company's ability to achieve its strategic and business objectives are identified through the Company's ongoing risk management process.

We use a consistent methodology across our organizations and business units for identification and assessment of risks. Risks are assessed by evaluating the impact and likelihood of the potential risk event after consideration of controls and any risk transfer activities. The results of these assessments are considered relative to risk appetite and tolerances and may result in action plans to adjust the risk profile.

Risk assessments are monitored and reviewed on an ongoing basis by business units and by oversight areas including the ERM Department. The ERM Department promotes and coordinates communication and consultation to support effective risk management and escalation. The ERM Department regularly reports on the results of risk assessments and on the assessment process to the Risk Management Committee and to the Executive Committee of the Board.

RISK MANAGEMENT CULTURE

Risk management is intended to be everyone's responsibility within the organization. The ERM Department engages all business units in workshops to foster awareness and incorporation of our risk framework into our business activities.

We have an established business planning process which reinforces our risk management culture. Our compensation programs are typically objectives-based, and do not encourage or reward excessive or inappropriate risk taking, and often are aligned specifically with risk management objectives.

Our risk management program emphasizes integrity, ethical practices, responsible management and measured risk-taking with a long-term view. Our standards of integrity and ethics are reflected within our Code of Conduct which applies to directors, officers and employees.

KEY RISKS OF THE BUSINESS

The Company identifies risks to which its businesses and operations could be exposed considering factors both internal and external to the organization. These risks are broadly grouped into six categories.

1) FINANCIAL 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:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and the Company's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity management by the Financial Risk Management Committee, a committee of finance business leaders, and by the Investment Committee of the Board of Directors.

A key funding 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 pending sale or securitization to long-term funding sources. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage-Backed Securities (NHA MBS) securities including sales to Canada Housing Trust under the CMB Program. The Company maintains committed capacity within certain Canadian bank-sponsored securitization trusts. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in the Principal Reinvestment Accounts. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions and government regulations 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 and is subject to change.

As part of ongoing liquidity management during 2016 and 2015, the Company:

- Continued to expand our funding channels by issuing NHA MBS to multiple purchasers.
- Continued to assess additional funding sources for the Company's mortgage banking operations.

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, 2016, unchanged from December 31, 2015. The lines of credit as at March 31, 2016 consisted of committed lines of $350 million (December 31, 2015 – $350 million) and

TABLE 21: CONTRACTUAL OBLIGATIONS

AS AT MARCH 31, 2016 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 18.3	$ 38.8	$ 1.3	$ 58.4
Deposits and certificates	282.6	8.0	7.7	2.6	300.9
Obligations to securitization entities	–	1,062.2	6,061.2	31.5	7,154.9
Long-term debt	–	–	525.0	800.0	1,325.0
Operating leases[1]	–	26.6	80.8	43.1	150.5
Pension funding[2]	–	16.1	–	–	16.1
Total contractual obligations	$ 282.6	$ 1,131.2	$ 6,713.5	$ 878.5	$ 9,005.8

(1) Includes future minimum lease payments related to 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.

uncommitted lines of $175 million (December 31, 2015 – $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, 2016 and December 31, 2015, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2013, was completed in May 2014. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $23.4 million compared to $106.3 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2012. The reduction in solvency deficit resulted primarily from higher interest rates and market returns on the plan assets, and is required to be funded over five years. The Company has made contributions of $3.2 million in 2016 (2015 – $3.2 million). The Company expects to make contributions of approximately $19.3 million in 2016. 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 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, 2015.

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.

Cash and Cash Equivalents

At March 31, 2016, cash and cash equivalents of $607.2 million (December 31, 2015 – $983.0 million) consisted of cash balances of $44.7 million (December 31, 2015 – $105.4 million) on deposit with Canadian chartered banks and cash equivalents of $562.5 million (December 31, 2015 – $877.6 million). Cash equivalents are comprised primarily of Government of Canada treasury bills totalling $64.0 million (December 31, 2015 – $132.2 million), provincial government and government guaranteed commercial paper of $226.9 million (December 31, 2015 – $446.6 million) and bankers' acceptances issued by Canadian chartered banks of $251.6 million (December 31, 2015 – $298.8 million).

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 ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

The Company's exposure to and management of credit risk related to cash and cash equivalents and fixed income securities have not changed materially since December 31, 2015.

Mortgage Portfolio

As at March 31, 2016, residential mortgages, recorded on the Company's balance sheet, of $7.6 billion (December 31, 2015 – $7.4 billion) consisted of $7.0 billion sold to securitization programs (December 31, 2015 – $7.0 billion), $577.9 million held pending sale or securitization (December 31, 2015 – $384.2 million) and $29.0 million related to the Company's intermediary operations (December 31, 2015 – $27.7 million).

The Company manages credit risk related to residential mortgages through:

- Adhering to its lending policy and underwriting standards;
- Its loan servicing capabilities;
- Use of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company; and
- Its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and Investors Group Consultants as part of a client's comprehensive financial plan.

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling $4.6 billion (December 31, 2015 – $4.6 billion), the Company is obligated to make timely payment of principal and coupons irrespective

of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.

- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling $2.4 billion (December 31, 2015 – $2.4 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $49.7 million (December 31, 2015 – $47.7 million) and $40.0 million (December 31, 2015 – $38.9 million), respectively, at March 31, 2016. 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. This risk is further mitigated by insurance with 35.2% of mortgages held in ABCP Trusts insured at March 31, 2016 (December 31, 2015 – 36.6%).

At March 31, 2016, residential mortgages recorded on balance sheet were 76.3% insured (December 31, 2015 – 76.8%). As at March 31, 2016, impaired mortgages on these portfolios were $2.4 million, compared to $2.9 million at December 31, 2015. Uninsured non-performing mortgages over 90 days on these portfolios were $1.5 million at March 31, 2016, compared to $1.4 million at December 31, 2015.

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 regularly reviews the credit quality of the mortgages and the adequacy of the collective allowance for credit losses.

The Company's collective allowance for credit losses was $0.7 million at March 31, 2016, unchanged from December 31, 2015, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios 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 Company's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2015.

Derivatives

The Company is exposed to credit risk through derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions, and to hedge market risk related to certain stock-based compensation arrangements. These derivatives are discussed more fully under the Market Risk section of this MD&A.

To the extent that the fair value of the derivatives is in a gain position, the Company is exposed to credit risk that its counterparties fail to fulfil their obligations under these arrangements.

The Company's derivative activities are managed in accordance with its Investment Policy which includes counterparty limits and other parameters to manage counterparty risk. The aggregate credit risk exposure related to derivatives that are in a gain position of $66.4 million (December 31, 2015 – $58.4 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 $4.5 million at March 31, 2016 (December 31, 2015 – $1.0 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, 2016. Management of credit risk related to derivatives has not changed materially since December 31, 2015.

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 mortgage portfolio and on certain of the derivative financial instruments used in the Company's mortgage banking operations.

The Company manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- 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. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is

obligated to pay Canada Mortgage Bond coupons. This swap had a negative fair value of $52.5 million (December 31, 2015 – negative $47.4 million) and an outstanding notional amount of $923 million at March 31, 2016 (December 31, 2015 – $740 million). 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 and reinvestment returns decline. The fair value of these swaps totalled $58.8 million (December 31, 2015 – $54.5 million), on an outstanding notional amount of $2.1 billion at March 31, 2016 (December 31, 2015 – $1.8 billion). The net fair value of these swaps of $6.3 million at March 31, 2016 (December 31, 2015 – $7.1 million) are recorded on balance sheet and have an outstanding notional amount of $3.0 billion (December 31, 2015 – $2.6 billion).

- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. The negative fair value of these swaps totalled $0.1 million (December 31, 2015 – negative $0.1 million) on an outstanding notional amount of $138 million at March 31, 2016 (December 31, 2015 – $88 million).

As at March 31, 2016, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $0.1 million (2015 – a decrease of $2.4 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2015.

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. The fair value of the proprietary investment funds and equity security investments was $64.9 million at March 31, 2016 (December 31, 2015 – $50.8 million), as shown in Table 15.

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

RISKS RELATED TO ASSETS UNDER MANAGEMENT

At March 31, 2016, IGM Financial's total assets under management were $132.9 billion compared to $133.6 billion at December 31, 2015.

The Company's primary sources of revenues are management, administration and other fees which are applied as an annual percentage of the level of assets under management. As a result, the level of the Company's revenues and earnings are indirectly exposed to a number of financial risks that affect the value of assets under management on an ongoing basis. These include market risks, like changes in equity prices, interest rates and foreign exchange rates, as well as credit risk on debt securities, loans and credit exposures from other counterparties within our client portfolios.

TABLE 22: ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

		CONSOLIDATED
AS AT MARCH 31, 2016	MUTUAL FUNDS	TOTAL
Cash	1.5 %	1.7 %
Short-term fixed income and mortgages	8.4	8.5
Other fixed income	23.2	24.0
Domestic equity	29.4	29.0
Foreign equity	34.2	33.7
Real Property	3.3	3.1
	100.0 %	100.0 %
CAD	63.1 %	63.8 %
USD	24.1	23.7
Other	12.8	12.5
	100.0 %	100.0 %

Changing financial market conditions may also lead to a change in the composition of the Company's assets under management between equity and fixed income instruments, which could result in lower revenues depending upon the management fee rates associated with different asset classes and mandates.

The Company's exposure to the value of assets under management aligns it with the experience of its clients. Assets under management are broadly diversified by asset class, geographic region, industry sector, investment team and style. The Company regularly reviews the sensitivity of its assets under management, revenues, earnings and cash flow to changes in financial markets. The Company believes that over the long term, exposure to investment returns on its client portfolios is beneficial to the Company's results and consistent with stakeholder expectations, and generally it does not engage in risk transfer activities such as hedging in relation to these exposures.

2) OPERATIONAL RISK

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, human interaction or external events, but excludes business risk.

Operational risk affects all business activities, including the processes in place to manage other risks. As a result, operational risk can be difficult to measure, given that it forms part of other risks of the Company and may not always be separately identified. Our Company is exposed to a broad range of operational risks, including information technology security and system failures, errors relating to transaction processing, financial models and valuations, fraud and misappropriation of assets, and inadequate application of internal control processes. The impact can result in significant financial loss, reputational harm or regulatory actions.

The Company's risk management framework emphasizes operational risk management and internal control. The Company has a very low appetite for risk in this area.

The business unit leaders are responsible for management of the day to day operational risks of their respective business units. Specific programs, policies, training, standards and governance processes have been developed to support the management of operational risk.

Operational risks relating to people and processes are mitigated through policies and process controls. Oversight of risks and ongoing evaluation of the effectiveness of controls is provided by the Company's compliance departments, ERM Department and Internal Audit Department.

Operational risks driven by systems are managed through controls over technology development and change management. Information security is a significant risk to our industry and our Company's operations. The Company uses systems and technology to support its business operations and the client and financial advisor experience. As a result, we are exposed to risks relating to cyber security and the increasing sophistication of cyber attacks in the marketplace. Such an attack could compromise confidential information and that of clients or other stakeholders, and could result in negative consequences including lost revenue, litigation, regulatory scrutiny or reputational damage. The Company continues to monitor and enhance its defences and procedures to prevent, detect, respond to and manage cyber security threats.

The Company has a business continuity management program to support the sustainment, management and recovery of critical operations and processes in the event of a business disruption.

The Company has an insurance review process where it assesses and determines the nature and extent of insurance that is appropriate to provide adequate protection against unexpected losses, and where it is required by law, regulators or contractual agreements.

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.

LEGAL AND REGULATORY COMPLIANCE

Legal and Regulatory Compliance Risk is the risk of not complying with laws, contractual agreements or regulatory requirements. This includes distribution compliance, investment management compliance, accounting and internal controls, and reporting and communications.

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 significant and are being continually changed. 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 legal and regulatory compliance risk through its efforts to promote a strong culture of compliance. The monitoring of regulatory developments and their impact on the Company is overseen by the Regulatory Initiatives Committee chaired by the Vice-President, Regulatory Affairs. 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.

IGM Financial promotes a strong culture of ethics and integrity through its Code of Conduct approved by the Board of Directors, which outlines standards of conduct that apply to all IGM Financial directors, officers and employees. The Code of Conduct incorporates many policies relating to the conduct of directors, officers and employees, and covers a variety of relevant topics, such as anti-money laundering and privacy. Individuals subject to the Code of Conduct attest annually that they understand the requirements and have complied with its provisions.

Business units are responsible for management of legal and regulatory compliance risk, and implementing appropriate policies, procedures and controls. The Company has a number of different compliance departments responsible for providing oversight of investment management and distribution-related compliance activities. The Internal Audit Department also provides oversight and investigations concerning regulatory compliance matters.

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.

3) GOVERNANCE, OVERSIGHT AND STRATEGIC RISK

Governance, oversight and strategic risk is the risk of potential adverse impacts resulting from inadequate or inappropriate governance, oversight, management of incentives and conflicts, and strategic planning.

IGM Financial believes in the importance of good corporate governance and the central role played by directors in the governance process. We believe that sound corporate governance is essential to the well being of the Company and its shareholders.

Oversight of IGM Financial is performed by the Board of Directors directly and through its seven committees. The Company previously had two Co-Presidents and Chief Executive Officers responsible for the management of the Company. Effective May 6, 2016, a sole President and Chief Executive Officer of IGM Financial has been named. The Company's activities are carried out principally by three operating companies – Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. – each of which are managed by a President and Chief Executive Officer.

The Company has a business planning process that supports development of an annual business plan, approved by the Board of Directors, which incorporates objectives and targets for the Company. Components of management compensation are associated with the achievement of earnings targets and other objectives associated with the plan. Strategic plans and direction are part of this planning process and are integrated into the Company's risk management program.

ACQUISITION RISK

The Company is also exposed to risks related to its acquisitions. 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.

4) REGULATORY DEVELOPMENTS

Regulatory development risk is the potential for changes to the regulatory, legal, or tax requirements that may have an adverse impact upon the Company's business activities or financial results.

The Company is exposed to the risk of changes in laws, taxation and regulation that could have an adverse impact on the Company. 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, and 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.

CLIENT RELATIONSHIP MODEL AND POINT OF SALE

In March 2013, the Canadian Securities Administrators (CSA) adopted a new set of rules as Phase 2 of the Client Relationship Model (CRM2) 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 adopted 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 required existing disclosure including information already provided through Fund Facts and the Management Report of Fund Performance (MRFP) related to distribution and fund management costs.

On December 18, 2015, the Mutual Fund Dealers Association of Canada (MFDA) published a consultation bulletin seeking feedback in respect of expanding the cost and compensation disclosure introduced by CRM2 to include other costs of owning investment funds that are not paid to the dealer, such as management fees, operating costs, redemption fees and short term trading fees. This consultation is preliminary in nature and intended to promote further dialogue on the issues raised. The MFDA has not formulated a position in respect of expanding the requirements. The comment period closed on March 10, 2016. The Company will closely monitor this initiative.

Effective May 30, 2016, Fund Facts will be required to be delivered by dealers to clients before accepting an instruction for the purchase of a mutual fund. This concludes the CSA's staged approach to implementation of the point of sale (POS) project for mutual funds.

MUTUAL FUND FEES AND BEST INTEREST STANDARDS

The CSA has been reviewing and conducting research related to Canada's mutual fund fee structures and commissioned two research projects. The Brondesbury Group was retained to evaluate existing literature and determine if the use of fee-based versus commission-based compensation changes the nature of advice and investment outcomes over the long term. Commission-based compensation in this context means arrangements where a mutual fund sales commission is paid on a transaction and where dealer compensation is embedded within the mutual fund management expense ratio and trailer fees based on assets are paid to the dealer by the product manager on an ongoing basis. Fee-based compensation in this context means dealer compensation is paid directly by the client, which often occurs as an advisory fee charged to the client account and expressed as an annual percentage of client assets. On June 11, 2015, the results of this comprehensive research were made public. One of the key conclusions from the research was: "Evidence on the impact of compensation is conclusive enough to justify the development of new compensation policies. All forms of compensation affect advice and outcomes. There is conclusive evidence that commission-based compensation creates

problems that must be addressed. Fee-based compensation is likely a better alternative, but there is not enough evidence to state with certainty that it will lead to better long-term outcomes for investors." The report also identifies gaps in the research and suggests that filling these gaps would improve policy formulation regarding compensation practices. One of the report's observations states: "In our view, no empirical studies have been done to document whether investors have greater after-fee investment returns with fee-based compensation instead of commission-based compensation." The cautions in this report will temper any research-based policy changes considered by the CSA. The Company believes this research, one of the most comprehensive and substantive reviews performed globally on the topic, is a valuable contribution to the discussion surrounding appropriate forms of compensation in the mutual fund and financial services industry.

On October 22, 2015, the CSA published the report of the second research project which is an analysis of historical mutual fund data to assess whether fee structures influence mutual fund sales. There are no recommendations contained in the report which, along with the Brondesbury report, will be among the various inputs to be considered by the CSA as part of its review. The CSA has stated that it aims to communicate a policy direction sometime in 2016.

The CSA also continues to review and consider whether the introduction of a best interest standard when advice is provided to retail clients is required and feasible, and if so, the most efficient way to implement such a standard. On April 28, 2016, the CSA published Consultation Paper 33-404 Proposals to Enhance the Obligations of Advisers, Dealers and Representatives Toward Their Clients (the Consultation Paper), with the comment period closing on August 26, 2016. The Consultation Paper is the result of continuing CSA consultations and research on the relationship between clients and registrants. The Consultation Paper proposes a set of targeted reforms which all CSA jurisdictions are consulting on and also describes a potential regulatory best interest standard. The Consultation Paper indicates that only the Ontario Securities Commission and the Financial and Consumer Services Commission of New Brunswick are supportive of the introduction of a best interest standard. In addition, the B.C. Securities Commission is of the view that implementing only the proposed targeted reforms in the Consultation Paper will advance the best interests of investors, and that imposing an over-arching best interest standard may not be workable, and will create uncertainty for registrants. The securities commissions in Quebec, Alberta, Manitoba, and Nova Scotia have expressed strong reservations but will review the comments that are received. This paper follows the publication of the CSA's initial consultation paper on the appropriateness of introducing a statutory best interest standard in October, 2012. The Company will continue its active dialogue and engagement with regulators on this subject.

COOPERATIVE CAPITAL MARKETS REGULATORY SYSTEM

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 and participating provincial jurisdictions 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.

On August 25, 2015, a revised consultation draft of the Provincial Capital Markets Act (CMA) along with accompanying commentary was published, along with certain proposed initial draft regulations (Regulations). The CMA and Regulations would together constitute the single set of provincial/territorial laws replacing provincial and territorial securities legislation under the proposed cooperative capital markets regulatory system in the six jurisdictions (Ontario, British Columbia, Saskatchewan, New Brunswick, Prince Edward Island and Yukon) which have currently agreed to participate. Of note, opposition from Quebec, Alberta and Manitoba remains strong and the Quebec government has now challenged the validity of the cooperative capital markets regulatory system directing a reference to the Quebec Court of Appeal. The remaining provinces and territories have also not chosen to join the cooperative system to date. Consistent with earlier announcements, the Regulations substantially maintain the harmonization achieved so far under the current system of securities laws by adopting the national and multilateral instruments, largely, in their current form. The comment period for the revised CMA and Regulations closed on December 23, 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.

5) BUSINESS RISK

GENERAL BUSINESS CONDITIONS

General Business Conditions Risk refers to the potential for an unfavourable impact on IGM Financial resulting from competitive or other external factors relating to the marketplace.

Global economic conditions, changes in equity markets, demographics and other factors including political and government instability, can affect investor confidence, income levels and savings decisions. This could result in reduced sales of IGM Financial's products and services and/or result in investors

redeeming their investments. These factors may also affect the level of financial markets and the value of the Company's assets under management, as described more fully under the Risks Related to Assets Under Management section of this MD&A.

The Company, across its operating subsidiaries, is focused on communicating with clients and emphasizing the importance of financial planning across economic cycles. The Company and the industry 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 in maintaining perspective and focus on their long-term objectives.

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.

PRODUCT/SERVICE OFFERING

There is potential for unfavourable impacts on IGM Financial resulting from inadequate product or service performance, quality or breadth.

IGM Financial and its subsidiaries operate in a highly competitive environment, competing with other financial service providers, investment managers and product and service types. Client development and retention can be influenced by a number of factors, including products and services offered by competitors, relative service levels, relative pricing, product attributes, reputation and actions taken by competitors. This competition could have an adverse impact upon the Company's financial position and operating results. Please refer to The Competitive Landscape section of this MD&A for a further discussion.

The Company provides Consultants, independent financial advisors, as well as retail and institutional clients with a high level of service and support and a broad range of investment products, with a focus on building enduring relationships. The Company's subsidiaries also continually review their respective product and service offering, and pricing, to ensure competitiveness in the marketplace.

The Company strives to deliver strong investment performance on its products relative to benchmarks and peers. Poor investment performance relative to benchmarks or peers could reduce the level of assets under management and sales and asset retention, as well as adversely impact our brands. Meaningful and/or sustained underperformance could affect the Company's results. The Company's objective is to cultivate investment processes and disciplines that provide it with a competitive advantage, and does so by diversifying its assets under management and product shelf by investment team, brand, asset class, mandate, style and geographic region.

BUSINESS/CLIENT RELATIONSHIPS

Business/Client relationships risk refers to the risk potential for unfavourable impacts on IGM Financial resulting from changes to other key relationships. These relationships primarily include Investors Group clients and consultants, Mackenzie retail distribution, strategic and significant business partners, clients of Mackenzie funds, and sub-advisors and other product suppliers.

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

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

	2016 MAR. 31	2015 MAR. 31
IGM Financial Inc.		
Investors Group	8.7 %	8.5 %
Mackenzie	16.4 %	14.4 %
Counsel	14.7 %	12.6 %

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.

PEOPLE RISK

People risk refers to the potential inability to attract or retain key employees or Consultants, develop to an appropriate level of proficiency, or manage personnel succession or transition.

Management, investment and distribution personnel play an important role in developing, implementing, managing and distributing products and services offered by IGM Financial. The loss of these individuals or an inability to attract, retain and motivate sufficient numbers of qualified personnel could affect IGM Financial's business and financial performance.

6) ENVIRONMENTAL RISK

Environmental risk is the risk of loss resulting from environmental issues involving our business activities and our operations.

Environmental risk covers a broad spectrum of issues, such as climate change, biodiversity and ecosystem health, pollution, waste and the unsustainable use of water and other resources. Key environmental risks to IGM Financial include:

- Direct risks associated with the ownership and operation of our businesses, which includes management and operation of company-owned or managed assets and business operations;
- Indirect risks as a result of the products and services we offer and our procurement practices;
- Identification and management of emerging environmental regulatory issues; and
- Failure to understand and appropriately leverage environment related trends to meet client demands for products and services.

IGM Financial has a long-standing commitment to responsible management, as articulated in the Company's Corporate Responsibility Statement as approved by the Board of Directors which commits us to responsibly manage our environmental footprint.

Failure to adequately manage environmental risks could adversely impact our results or our reputation.

IGM Financial manages environmental risks across the Company, with business unit management having responsibility for identifying, assessing, controlling and monitoring environmental risks pertaining to their operations. IGM Financial's Executive Management Corporate Responsibility Committee oversees its commitment to environmental responsibility and risk management.

Investors Group and Mackenzie are signatories to the Principles for Responsible Investment (PRI). Under the PRI, investors formally commit to incorporate environmental, social and governance (ESG) issues into their investment processes. In addition, Investors Group, Mackenzie and Investment Planning Counsel have implemented investing policies which provide information on how these ESG issues are implemented at each company.

IGM Financial reports on its environmental management and performance in its Corporate Responsibility Report. In addition, the Company participates in the Carbon Disclosure Project (CDP) survey, which promotes corporate disclosures on greenhouse gas emissions and climate change management.

OUTLOOK

THE FINANCIAL SERVICES ENVIRONMENT

Canadians held $3.6 trillion in discretionary financial assets with financial institutions at December 31, 2014 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 65% ($2.4 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 61% 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 40% of Canadian discretionary financial assets or $1.4 trillion resided in investment funds at December 31, 2014, 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 77% 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 $127 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 43% of total industry long-term mutual fund assets at March 31, 2016.

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 69% of industry long-term mutual fund assets and 69% of total mutual fund assets under management at March 31, 2016. 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, 2015.

CHANGES IN ACCOUNTING POLICIES

There were no changes to the Company's accounting policies from those reported at December 31, 2015.

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

IFRS 16 LEASES

The IASB issued IFRS 16 which requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. A lessee recognizes the related expense as depreciation on the right-of-use asset and interest on the lease liability. Short-term (less than 12 months) and low-value asset leases are exempt from these requirements. The standard is effective for annual reporting periods beginning on or after January 1, 2019. The impact of this standard is currently being assessed.

OTHER

The IASB is currently undertaking a number of projects which will result in changes to existing IFRS standards that may affect the Company. Updates will be provided as the projects develop.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the first quarter of 2016, 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, 2016 totalled 241,810,764. Outstanding stock options as at March 31, 2016 totalled 8,691,076, of which 3,996,381 were exercisable. As at May 3, 2016, outstanding common shares totalled 241,193,050 and outstanding stock options totalled 8,287,095, of which 3,981,598 were exercisable.

Perpetual preferred shares of $150 million were outstanding as at March 31, 2016, unchanged at May 3, 2016.

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.