

## Financial Section

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **IGM Financial Inc.**

17 Summary of Consolidated Operating Results

#### **Investors Group**

22 Review of the Business

28 Review of Segment Operating Results

#### **Mackenzie**

31 Review of the Business

36 Review of Segment Operating Results

#### **IGM Financial Inc.**

38 Consolidated Financial Position

39 Consolidated Liquidity and Capital Resources

43 Outlook

46 Accounting Estimates and Policies

48 Disclosure Controls and Procedures

48 Internal Controls Over Financial Reporting

48 Other Information

### **FINANCIAL REVIEW**

#### **Consolidated Financial Statements**

50 Management's Responsibility for Financial Reporting and Auditors' Report

51 Consolidated Financial Statements

54 Notes to Consolidated Financial Statements

#### **Supplementary Information**

74 Quarterly Review

75 Ten Year Review

# Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) for the years ended December 31, 2006 and 2005. Commentary in the MD&A as at and for the year ended December 31, 2006 is as of February 14, 2007.

## **Basis of Presentation and Summary of Accounting Policies**

The Consolidated Financial Statements of IGM Financial, which are the basis of information presented in the Company's MD&A, have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars – refer to Note 1 of the Consolidated Financial Statements.

## **Principal Holders of Voting Shares**

As at December 31, 2006, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (GWL) held 55.9% and 3.5%, respectively, of the outstanding common shares of IGM Financial.

## **FORWARD-LOOKING INFORMATION**

This report may contain forward-looking statements about IGM Financial, including its business operations, strategy and expected financial performance and condition. 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”, “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”. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as 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, 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 and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

# IGM Financial Inc.

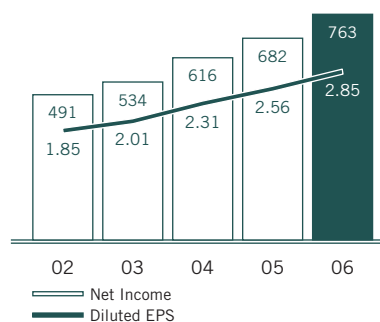
## Summary of Consolidated Operating Results

Net income for the year ended December 31, 2006 was \$776.7 million. This amount included a \$13.7 million (5 cents per share) non-cash income tax benefit recorded in the second quarter resulting from decreases in the federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001. There is no expectation that the future tax liability will become payable as the Company has no intention of disposing of these assets. Diluted earnings per share on this basis were \$2.90. Net income for the year ended December 31, 2006, excluding the non-cash income tax benefit, was \$763.0 million compared to net income of \$682.4 million in 2005, an increase of 11.8%. Diluted earnings per share on the same basis were \$2.85 compared to \$2.56 in 2005, an increase of 11.3%.

Shareholders' equity was \$3.82 billion as at December 31, 2006, up from \$3.45 billion at December 31, 2005. Return on average common equity for the year ended December 31, 2006, excluding a non-cash income tax benefit, was 20.3% compared with return on average common equity of 20.0% in 2005. The quarterly dividend per common share was increased to 39.75 cents in 2006 from 34.5 cents at the end of 2005.

### Net Income and Diluted Earnings per Share

For the financial year (\$ millions, except per share amounts)



2003 excludes dilution gain, restructuring reversal related to Mackenzie and non-cash income tax charge.

2004 excludes unitholder compensation.

2006 excludes a non-cash income tax benefit.

TABLE 1: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(\$ millions)	2006		2005		2004	
	NET INCOME	EPS	NET INCOME	EPS	NET INCOME	EPS
<b>Adjusted net income –</b>						
<b>Non-GAAP measure</b>	<b>\$ 763.0</b>	<b>\$ 2.85</b>	<b>\$ 682.4</b>	<b>\$ 2.56</b>	<b>\$ 615.6</b>	<b>\$ 2.31</b>
Non-cash income tax benefit	13.7	0.05	–	–	–	–
Unitholder compensation, net of tax	–	–	–	–	(19.2)	(0.07)
<b>Net income – GAAP</b>	<b>\$ 776.7</b>	<b>\$ 2.90</b>	<b>\$ 682.4</b>	<b>\$ 2.56</b>	<b>\$ 596.4</b>	<b>\$ 2.24</b>
<b>EBITDA – Non-GAAP measure</b>	<b>\$ 1,535.3</b>		<b>\$ 1,365.5</b>		<b>\$ 1,253.1</b>	
Commission amortization	(298.6)		(260.2)		(226.7)	
Amortization of capital and intangible assets	(21.7)		(22.4)		(22.9)	
Interest expense on long-term debt and dividends on preferred shares	(105.0)		(107.5)		(112.2)	
Unitholder compensation	–		–		(28.8)	
<b>Income before income taxes and non-controlling interest</b>	<b>1,110.0</b>		<b>975.4</b>		<b>862.5</b>	
Income taxes	(331.2)		(291.5)		(264.9)	
Non-controlling interest	(2.1)		(1.5)		(1.2)	
<b>Net income – GAAP</b>	<b>\$ 776.7</b>		<b>\$ 682.4</b>		<b>\$ 596.4</b>	

## NON-GAAP FINANCIAL MEASURES

Adjusted net income, diluted earnings per share (EPS) and return on common equity (ROE) for the year ended December 31, 2006 excluded a non-cash income tax benefit of \$13.7 million recorded in the second quarter resulting from decreases in federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets. Adjusted net income, EPS and ROE for the year ended December 31, 2004 excluded a charge to earnings of \$28.8 million (\$19.2 million after tax) which included both compensation payments to certain unitholders of Investors Group and related costs resulting from settlement agreements with regulatory agencies (unitholder compensation). While these non-GAAP financial measures are used to provide management and investors with additional measures to assess earnings performance, they do not have standard meanings and are not directly comparable to similar measures used by other companies.

Earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) are also non-GAAP financial measures.

EBIT and EBITDA are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is discussed further in the Consolidated Liquidity section later in this MD&A. These non-GAAP financial measures do not have standard meanings and are not directly comparable to any GAAP measure or to similar measures used by other companies.

The reconciliation of non-GAAP results to reported results in accordance with GAAP for net income, EPS and EBITDA is provided in Table 1. The reconciliation of non-GAAP results to reported results in accordance with GAAP related to EBIT is provided in Table 2.

## REPORTABLE SEGMENTS

IGM Financial's reportable segments, which reflect the current organizational structure, are:

- Investors Group
- Mackenzie
- Corporate and Other

Management measures and evaluates the performance of these segments based on EBIT as shown in Table 2.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

(\$ millions)	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005
Fee income	\$ 1,343.3	\$ 1,201.5	\$ 934.1	\$ 863.3	\$ 114.9	\$ 99.7	\$ 2,392.3	\$ 2,164.5
Net investment income and other	146.0	126.4	27.1	19.0	39.2	37.7	212.3	183.1
	<b>1,489.3</b>	<b>1,327.9</b>	<b>961.2</b>	<b>882.3</b>	<b>154.1</b>	<b>137.4</b>	<b>2,604.6</b>	<b>2,347.6</b>
Operating expenses								
Commissions	392.5	326.5	370.4	339.9	69.9	60.1	832.8	726.5
Non-commission	273.9	265.5	267.5	258.9	32.0	30.9	573.4	555.3
	<b>666.4</b>	<b>592.0</b>	<b>637.9</b>	<b>598.8</b>	<b>101.9</b>	<b>91.0</b>	<b>1,406.2</b>	<b>1,281.8</b>
<b>Earnings before interest and taxes</b>	<b>\$ 822.9</b>	<b>\$ 735.9</b>	<b>\$ 323.3</b>	<b>\$ 283.5</b>	<b>\$ 52.2</b>	<b>\$ 46.4</b>	<b>1,198.4</b>	<b>1,065.8</b>
Interest expense							88.4	90.4
Income before income taxes and non-controlling interest							<b>1,110.0</b>	975.4
Income taxes							<b>331.2</b>	291.5
Income before non-controlling interest							<b>778.8</b>	683.9
Non-controlling interest							<b>2.1</b>	1.5
<b>Net income</b>								
In accordance with GAAP							<b>\$ 776.7</b>	<b>\$ 682.4</b>
Excluding a non-cash income tax benefit <sup>(1)</sup>							<b>\$ 763.0</b>	<b>\$ 682.4</b>

(1) Refer to Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

Discussion of Investors Group and Mackenzie segment operating results is contained in their respective sections of this MD&A.

The Corporate and Other segment includes operating results for Investment Planning Counsel, net investment income earned on unallocated investments and other income as well as inter-segment eliminations. Earnings before interest and taxes for Corporate and Other were \$52.2 million for the year ended December 31, 2006 compared to \$46.4 million in 2005. Earnings before interest and taxes related to Investment Planning Counsel were \$2.7 million higher than 2005 levels, primarily as a result of increases in both assets under management and assets under administration during 2006. In addition, Investment Planning Counsel's 2005 results included a non-recurring gain of \$1.1 million related to the disposition of an investment. Net investment income on unallocated investments increased by \$16.6 million in 2006 compared with 2005 related to both higher balances and higher interest rates. Other income decreased by \$14.3 million in 2006 compared with 2005. Other income in 2005 included the elimination of certain provisions established as a result of previous acquisitions.

Certain items reflected in Table 2 are not allocated to segments:

- *Interest expense* – Represents the interest expense on both the remaining debt issued pursuant to the Mackenzie acquisition and a note payable to Power Financial Corporation, as well as dividends paid on the outstanding preferred shares. Interest expense on long-term debt totalled \$67.7 million in 2006 compared with \$69.7 million in 2005. The decrease in expense related to the interest on the \$25.0 mil-

lion note payable to Power Financial Corporation which matured on January 16, 2006. Dividends paid on preferred shares were \$20.7 million in both 2006 and 2005.

- *Income taxes* – The effective income tax rate for the year ended December 31, 2006 was 29.8% compared with 29.9% in 2005 as shown in Table 3. As a result of decreases in federal corporate income tax rates and the resulting reduction in the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001, the Company recorded a \$13.7 million (\$0.05 per share) non-cash income tax benefit in the second quarter. This resulted in a 1.23% reduction in the effective income tax rate for the year ended December 31, 2006. The benefit of the reduction in federal and provincial corporate income tax rates on other operating future income tax assets and liabilities is reflected in the Other items line.

Continuous tax planning may allow the Company to record lower income taxes in the current period and, as well, income taxes recorded in prior periods may be adjusted in the current period to reflect management's best estimates of the overall adequacy of its provisions at that time. Any related tax benefits or changes in management's best estimates are reflected in Other items, which also includes, but is not limited to, the effect of lower effective tax rates on income not subject to tax in Canada. Management monitors the status of its income tax filings, and regularly assesses the overall adequacy of its provision for income taxes.

TABLE 3: EFFECTIVE INCOME TAX RATE

	2006	2005
<b>Income taxes at Canadian federal and provincial statutory rates</b>	<b>35.44%</b>	<b>35.93%</b>
Effect of:		
Dividend income	<b>(0.15)</b>	(0.30)
Net capital gains and losses	<b>(0.75)</b>	(0.75)
Share of earnings of affiliate	<b>(2.55)</b>	(2.72)
Preferred dividends paid	<b>0.68</b>	0.79
Impact of rate changes on future income taxes related to indefinite life intangible assets	<b>(1.23)</b>	–
Other items	<b>(1.60)</b>	(3.06)
<b>Effective income tax rate</b>	<b>29.84%</b>	<b>29.89%</b>

## SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 4.

- *Net Income and Earnings per Share* – Table 1 of the MD&A shows the reconciliation of non-GAAP financial results to GAAP results for the three years under review. Except as noted in the reconciliation in Table 1, variations in net income and total revenues result primarily from changes in total mutual fund assets under management. Average daily

mutual fund assets under management by year are shown in Table 4. The impact on earnings and revenues of changes in mutual fund assets under management are discussed in the Review of Segment Operations sections of the MD&A for both Investors Group and Mackenzie.

- *Dividends per Common Share* – Dividends per common share increased by 15% in 2006 and 16% in each of 2005 and 2004.

TABLE 4: SELECTED ANNUAL INFORMATION

	2006	2005	2004
<b>Consolidated statements of income</b> (\$ millions)			
Fee income	\$ 2,392.3	\$ 2,164.5	\$ 1,955.8
Net investment income and other	212.3	183.1	163.3
	<b>2,604.6</b>	2,347.6	2,119.1
Operating expenses	<b>1,494.6</b>	1,372.2	1,256.6
Income before income taxes and non-controlling interest	<b>1,110.0</b>	975.4	862.5
Income taxes	<b>331.2</b>	291.5	264.9
	<b>778.8</b>	683.9	597.6
Non-controlling interest	<b>2.1</b>	1.5	1.2
<b>Net income</b>			
In accordance with GAAP	\$ 776.7	\$ 682.4	\$ 596.4
Adjusted net income <sup>(1)</sup>	\$ 763.0	\$ 682.4	\$ 615.6
<b>Earnings per share</b> (\$)			
In accordance with GAAP – Basic	\$ 2.93	\$ 2.58	\$ 2.26
– Diluted	\$ 2.90	\$ 2.56	\$ 2.24
Adjusted earnings per share <sup>(1)</sup>			
– Basic	\$ 2.88	\$ 2.58	\$ 2.33
– Diluted	\$ 2.85	\$ 2.56	\$ 2.31
<b>Dividends per share</b> (\$)			
Common	\$ 1.54	\$ 1.34	\$ 1.15
Preferred	\$ 1.44	\$ 1.44	\$ 1.44
<b>Average daily mutual fund assets</b> (\$ millions)	\$ 99,015	\$ 87,723	\$ 78,793
<b>Total mutual fund assets under management</b> (\$ millions)	\$ 106,987	\$ 94,116	\$ 83,273
<b>Total assets under management</b> <sup>(2)</sup> (\$ millions)	\$ 119,364	\$ 100,233	\$ 86,621
<b>Total corporate assets</b> (\$ millions)	\$ 7,333	\$ 6,807	\$ 6,473
<b>Total long-term debt</b> (\$ millions)	\$ 1,200	\$ 1,225	\$ 1,227
<b>Outstanding common shares</b> (thousands)	<b>264,866</b>	264,539	264,598

(1) Refer to the Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

(2) Total assets under management excludes \$2.6 billion of assets sub-advised by Mackenzie on behalf of Investors Group

(\$2.1 billion at December 31, 2005 and \$1.7 billion at December 31, 2004) and is adjusted for \$35 million in inter-segment assets (\$35 million at December 31, 2005 and \$32 million at December 31, 2004).

## SUMMARY OF QUARTERLY RESULTS

Financial information for the eight most recently completed quarters is included in Table 5. Significant variation in quarterly earnings occurred in the second quarter of 2006 due to the \$13.7 million non-cash income tax benefit recorded by IGM Financial as described earlier in the Summary of Consolidated Operating Results. Quarterly results are not generally subject to significant seasonal fluctuations because earnings are primarily

dependent on the level of mutual fund assets under management. Average daily mutual fund assets under management by quarter are shown in the Summary of Quarterly Results in Table 5. Although mutual fund sales are generally higher in the first quarter of each year as a result of the RSP season, the impact of the higher sales on that quarter's earnings is not significant.

TABLE 5: SUMMARY OF QUARTERLY RESULTS

	2006				2005			
	4	3	2	1	4	3	2	1
<b>Consolidated statements of income</b> (\$ millions)								
Fee and net investment income								
Management	493.2	456.5	455.9	452.3	427.1	420.5	406.4	390.7
Administration	79.6	77.1	76.5	80.0	78.0	74.5	75.4	79.5
Distribution	55.4	54.1	54.9	56.8	55.9	53.4	49.8	53.3
Net investment income and other	50.4	55.4	49.3	57.2	47.3	38.6	47.6	49.6
Total fee and net investment income	678.6	643.1	636.6	646.3	608.3	587.0	579.2	573.1
Operating expenses								
Commission expense	219.0	205.2	206.2	202.4	189.5	183.5	177.9	175.6
Non-commission expense	148.0	134.5	141.5	149.4	141.2	135.6	135.7	142.8
Interest expense	22.2	22.2	22.1	21.9	22.7	22.8	22.5	22.4
Total operating expenses	389.2	361.9	369.8	373.7	353.4	341.9	336.1	340.8
Income before undernoted	289.4	281.2	266.8	272.6	254.9	245.1	243.1	232.3
Income taxes	89.1	89.6	65.6	86.9	77.5	68.3	74.6	71.1
	200.3	191.6	201.2	185.7	177.4	176.8	168.5	161.2
Non-controlling interest	0.7	0.2	0.8	0.4	0.2	0.2	0.6	0.5
<b>Net income</b>								
In accordance with GAAP	199.6	191.4	200.4	185.3	177.2	176.6	167.9	160.7
<b>Reconciliation of non-GAAP financial measures<sup>(1)</sup> (\$ millions)</b>								
Adjusted net income – non-GAAP measure	199.6	191.4	186.7	185.3	177.2	176.6	167.9	160.7
Non-cash income tax benefit	–	–	13.7	–	–	–	–	–
Net income – in accordance with GAAP	199.6	191.4	200.4	185.3	177.2	176.6	167.9	160.7
<b>Earnings per share</b> (¢)								
In accordance with GAAP								
– Basic	75	72	76	70	67	67	63	61
– Diluted	75	72	75	69	66	66	63	60
Adjusted earnings per share <sup>(1)</sup>								
– Basic	75	72	71	70	67	67	63	61
– Diluted	75	72	70	69	66	66	63	60
Average daily mutual fund assets (\$ billions)	103.2	98.1	97.8	96.9	90.6	89.7	86.1	84.5

(1) Refer to the Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

# Investors Group

## Review of the Business

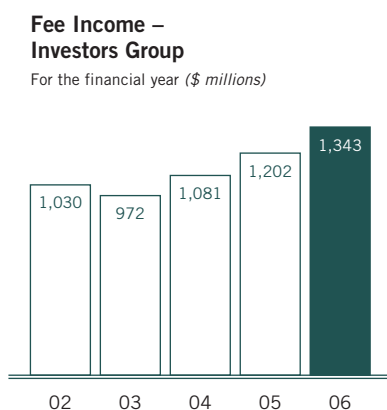
Investors Group's core business provides a broad range of financial and investment planning services to Canadians through its dedicated network of Consultants across the country.

Investors Group earns revenue primarily from:

- Management fees charged to its mutual funds.
- Fees charged to its mutual funds for administrative, trustee and other services.
- Distribution fees charged to mutual fund account holders.

Fee income is also earned from the distribution of insurance, banking and securities services. Additional revenue is derived from net investment income and other income, as discussed in the Review of Segment Operating Results.

Revenues depend largely on the value and composition of mutual fund assets under management. Our comprehensive approach to financial planning, provided by our Consultants through the broad range of financial products and services offered by Investors Group, has resulted in strong mutual fund sales and a mutual fund redemption rate lower than the industry average. Mutual fund gross sales through our Consultant network increased by 12.8% in 2006 to \$6.2 billion. The redemption rate on long-term funds declined to a record low of 7.9% for the 12 months ending December 31, 2006, down from 8.7% in 2005. Net sales were \$1.3 billion, up from \$778 million in 2005, an increase of 73%.



### INVESTORS GROUP STRATEGY

Investors Group strives to ensure that the interests of shareholders, clients, Consultants and employees are as closely aligned as possible. Investors Group's business approach embraces current trends in the Canadian financial services industry and our strategic plan is focused on:

1. Growing our distribution network through the attraction of new Consultants to our industry and the retention of existing Consultants.
2. Emphasizing the delivery of financial planning advice, products and services through our dedicated network of Consultants.
3. Extending the diversity and range of products offered by Investors Group as we continue to build and maintain enduring client relationships.
4. Maximizing returns on business investment by:
  - Focusing resources on initiatives that have direct benefits to clients and Consultants.
  - Controlling expenditures through the management of staffing, productivity and technological resources while capitalizing on economies of scale through our relationship with Mackenzie and Investment Planning Counsel, along with other members of the Power Financial group of companies.

### CORE BUSINESS

#### Consultants

Investors Group distinguishes itself from its competition by offering personal financial planning to its clients within the context of long-term relationships. At the centre of this relationship is a national distribution network of Consultants located in 79 regional offices and related financial planning centres across Canada.

Growth of the Investors Group Consultant network continued to be strong in 2006. A further five regional offices were opened in 2006 as Investors Group continued to build its Consultant network. Additional region offices were established in Vancouver, Regina, Mississauga, London and Halifax.

#### RECRUITING AND RETENTION

Investors Group combines a number of interview and testing techniques to identify individuals who demonstrate a blend of experience, education and aptitude that makes them well suited to becoming successful financial planners.

At the end of 2006, Investors Group had 3,917 Consultants, compared with 3,668 in 2005. The number of Consultants with more than four years experience was 2,205 compared to 2,100 a year earlier. Our Consultant network has grown in each of the last ten consecutive quarters increasing by 710 Consultants or 22% since June 30, 2004.

#### CONSULTANT DEVELOPMENT

Management continues to focus on Consultant development. Each year our training curriculum is reviewed and refreshed to offer new Consultants the essential building blocks they require to develop their individual businesses. In 2006, we enhanced our training program for Consultants in the early stages of their development. New advisory councils were created in 2006 to gather feedback from successful Consultants and use this knowledge to improve the productivity of new and developing Consultants. We also placed greater emphasis on insurance through a new national insurance training program.

As Consultants progress, they develop their skills as financial planners and business managers by attending a selection of focused educational programs including: financial planning skills, product knowledge, client service, business development skills, compliance, technology, practice management and other related topics. This core training is supplemented by annual training conferences where education is tailored to new and experienced Consultants alike.

#### FIELD MANAGEMENT DEVELOPMENT

As part of Investors Group's commitment to growth, we continued to focus on developing a strong and experienced leadership team across the country. In addition to increasing the number of individuals in field management roles, we also provided additional opportunities for management training and peer-to-peer coaching. We have also seen positive results from our online system for Division Directors that tracks new Consultant effectiveness and assists field management with identifying coaching and mentorship opportunities.

#### PRODUCTIVITY

Investors Group implemented a number of significant changes in 2006 designed to enhance the productivity of our Consultant network which included:

- The launch of Client Account View which allows clients to view their Investors Group accounts online.
- The redevelopment of our Consultant intranet designed to improve access to information resources and business tools.

- The expansion and development of our specialist network in support of insurance, securities and mortgages/banking products through improved support and training, including the introduction of a National Specialist conference.

Management believes that these initiatives make Investors Group more attractive and competitive to Consultants and potential Consultants, and contribute to strong recruitment, productivity, and enduring client relationships.

#### Products and services

Investors Group is regarded as a leader in personal financial planning in Canada. Consultants recommend balanced, diversified and professionally managed portfolios that reflect the client's goals, preferences and risk tolerance. They also look beyond investments to offer clients insurance products, banking services and mortgages.

#### PFP – PERSONAL FINANCIAL PLANNER

Investors Group's Personal Financial Planner (PFP) software handles a wide range of potential financial planning needs – from projections and illustrations for basic financial planning concepts to the preparation of written financial plans which integrate all disciplines of financial planning, including investment, tax, retirement, education and estate planning, as well as risk management. The PFP software continues to enhance the quality and professionalism of written financial plans prepared by Consultants.

#### SYMPHONY STRATEGIC INVESTMENT PLANNING™ PROGRAM

Symphony is Investors Group's strategic investment planning approach. Symphony is designed to provide a sophisticated investment discipline, backed by a process that provides a consistent methodology for measuring a client's risk tolerance. Consultants are then able to provide risk-adjusted recommendations using Investors Group's broad offering of funds.

Symphony's Portfolio Tuner helps Consultants rebalance clients' investment portfolios over time and automatically calculates and recommends transactions to implement or rebalance these portfolios. In 2006, Portfolio Tuner was enhanced to support our Consultants' ability to manage tax more efficiently when converting portfolios to Symphony. Portfolio Tuner usage was up by over 70% in 2006.

#### CHARITABLE GIVING PROGRAM™

On September 5, 2006, Investors Group Charitable Giving Program™ was introduced. This donor-advised giving program enables Canadians to make donations that support charities of their choice. One of only a few programs of its kind in Canada, the Investors Group Charitable Giving Program provides the opportunity for many Canadians to build an enduring charitable giving legacy that can be designated in memoriam to an individual or to a special cause. By making a tax deductible donation through this program, money will be granted to the charities of the donor's choice for years to come with considerably less expense and complexity than setting up and administering their own private foundation.

#### MUTUAL FUNDS

Investors Group is committed to enhancing the performance, scope and diversity of our investment offering with the introduction of new funds that are well-suited to both the market and the evolving needs of Canadian investors. To that end, fund launches this year focused on the growing capital and cash flow requirements of an aging population, areas of investment management strength and innovation.

#### FUND ENHANCEMENTS

A focus on income yield and capital growth for those Canadians nearing retirement led to the launch of Investors Global Dividend Fund in January of 2006, a fund which has attracted over \$462 million in assets over the course of the year. This fund was also added to the underlying mix of two Alto™ Monthly Income Portfolios.

In July, Investors Group launched two new growth mandates in both unit trust and Corporate Class versions: the Investors Canadian Growth Fund and the IG Mackenzie Maxxum Canadian Equity Growth Fund. Additionally, the new unit trust versions were incorporated into a select number of Investors Group's Alto™ and Allegro™ portfolio funds.

Investors Group changed the name of Investors Mortgage Fund to Investors Mortgage and Short Term Income Fund and modified the investment policy to include a broader set of fixed-term and liquid debt securities.

Investors Group merged the IG AGF International Bond Fund and the IG Templeton World Bond Fund into Investors Global Bond Fund, combining three small funds with similar investment objectives and strategies.

In August, Investors Group launched the Investors Greater China Fund in both unit trust and Corporate Class versions. These funds invest in equity securities of companies located in China, Hong Kong, Taiwan, and Singapore, and in companies that derive a significant portion of their revenues from the Greater China area.

#### INVESTMENT MANAGEMENT

Investors Group has over \$58 billion in mutual fund assets under management in 142 mutual funds covering a broad range of investment mandates.

Through our own international team of investment professionals and relationships with external investment advisors, we provide clients with access to a wide range of investment advisory services. Clients can take advantage of the opportunity to diversify their holdings across fund managers, asset categories, investment styles, geography, capitalization and sectors through portfolios customized to meet their objectives.

#### INVESTORS MASTERSERIES™ FUNDS

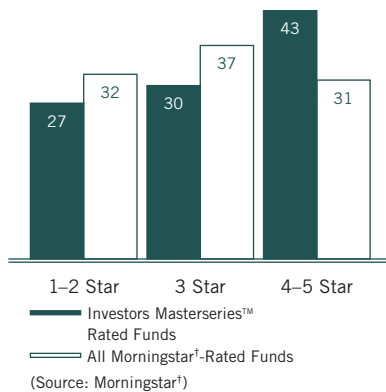
Investors Masterseries funds are managed by I.G. Investment Management, our own multi-disciplinary team of investment professionals with offices and advisors in North America, Europe, and Asia. Our global connections, depth of research and use of information technology provide us with investment management capabilities that enable us to offer our clients investment management expertise suitable for the widest range of investment objectives. I.G. Investment Management, Ltd. assumed the day-to-day portfolio management for Investors Tactical Asset Allocation Fund and the fund's annual management fee was reduced by 5 basis points.

The Investors Masterseries family of funds includes 45 unit trust funds and 29 Corporate Class funds available in multiple series. The 45 unit trust funds include money market, fixed income, balanced, domestic and international equity, global and sector mandates. As at December 31, 2006, total assets related to these unit trust funds and Corporate Class funds were \$49.9 billion compared with \$43.7 billion in 2005, an increase of 14.3%. Masterseries unit trust funds and Corporate Class funds represented approximately 86% of the total Investors Group mutual fund assets under management, relatively unchanged from a year ago.

At December 31, 2006, 43% of Investors Masterseries mutual funds had four or five star ratings from the Morningstar<sup>+</sup> fund ranking service and 73% had a rating of three stars or better, compared to 34% and 64% respectively at December 31, 2005. This compared

### Morningstar<sup>®</sup> Ratings – Masterseries<sup>™</sup>

As at December 31, 2006  
(% of funds)



to the Morningstar<sup>®</sup> universe of 31% for four and five star funds and 68% for three stars or better at December 31, 2006. Morningstar<sup>®</sup> Ratings are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

#### PARTNER FUNDS

Partner funds provide a range of investment disciplines through advisory relationships with other investment management firms. Partner funds are comprised of 25 unit trust funds and 20 Corporate Class funds. Advisory relationships include investment managers such as AGF Funds Inc., Beutel, Goodman & Company, Ltd., Bissett Investment Management (an operating division of Franklin Templeton Investments Corp.), Camlin Asset Management Ltd., Fidelity Investments Canada Limited, Franklin Templeton Investments Corp., Goldman Sachs Asset Management, L.P. and Mackenzie.

Investors Group oversees external investment advisors who are responsible for ensuring that their activities are consistent with Investors Group's investment philosophy and with the stated investment objectives and strategies of the funds that they advise.

At December 31, 2006, partner unit trust funds and Corporate Class funds totalled \$7.7 billion or approximately 13% of Investors Group's mutual fund assets under management, compared with \$6.5 billion and similar proportion last year. Mackenzie currently provides investment advisory services for fourteen of the partner funds with total assets of \$2.6 billion.

#### MANAGED ASSET AND MULTI-MANAGER INVESTMENT PROGRAMS

Investors Group introduced Investors Group Corporate Class Inc., a broad tax advantaged fund structure, in 2002. This group of funds features the ability to switch on a fee-free basis among 49 funds within the group with no immediate tax consequences. The funds include 29 of Investors Group's own Masterseries funds advised by I.G. Investment Management as well as funds advised by external investment advisors. By the end of 2006, the Corporate Class funds had attracted \$1.7 billion in assets compared with \$1.1 billion in 2005.

Investors Group provides clients with access to a growing selection of asset allocation opportunities directed by a number of investment firms. These programs include:

- **Allegro<sup>™</sup> Portfolios:** The Allegro Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification. The seven portfolios include Investors Masterseries funds, Mackenzie partner funds as well as a wide variety of other partner funds. The asset mix of the Allegro portfolios was updated using the same strategic investment planning approach that was developed for the Symphony individual fund recommendations. Since their introduction in 2001, fund assets have grown to \$2.2 billion as of December 31, 2006 compared with \$1.6 billion in the previous year.
- **Alto<sup>™</sup> Portfolios:** The Alto Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification. The ten portfolios include Investors Masterseries funds and Mackenzie partner funds. Assets in the portfolios grew to \$1.3 billion as of December 31, 2006 compared with \$666 million in 2005.
- **Masterseries<sup>™</sup> Portfolios:** These funds have assets of \$7.9 billion as at December 31, 2006, compared with \$7.2 billion in the previous year. The program is comprised of eight funds which invest in 21 underlying Masterseries funds to provide a high level of diversification.
- **iProfile<sup>™</sup>:** This is a unique portfolio management program introduced in 2001 for clients with assets over \$250,000. iProfile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions. The program is advised by a

select group of 11 global money management firms such as Goldman Sachs Asset Management, Jarislowsky Fraser Limited, Waddell & Reed, J.P. Morgan and I.G. Investment Management, Ltd. By the end of 2006, this program had \$573 million in assets, compared with \$514 million in the previous year.

#### SEGREGATED FUNDS

Investors Group offers 22 segregated funds that are distributed solely by Investors Group Consultants. Our segregated funds provide death benefit guarantees and potential creditor protection. These funds also provide protection from long-term market volatility by providing two levels of guarantees – 75% or 100% of the principal invested. These products are underwritten by The Great-West Life Assurance Company (Great-West Life) and the investment components are managed by Investors Group.

In October 2006, Investors Group introduced fourteen new segregated funds to the Alto™ and Allegro™ portfolio lineup. Each new fund mirrors an already existing Alto or Allegro portfolio fund. With the new portfolios, clients can now choose from 22 Investors Group/Great-West Life segregated fund options.

Additionally, loan proceeds from a Solutions Banking Investment Loan or RSP Made Easier Application can now be invested into a client's Investors Group/Great-West Life segregated fund policy.

#### INSURANCE

Investors Group continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, Investors Group offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance. I.G. Insurance Services Inc. currently has distribution agreements with:

- The Great-West Life Assurance Company
- The Canada Life Assurance Company
- Sun Life Assurance Company of Canada
- The Manufacturers Life Insurance Company (Manulife)

The expertise and support available to our Consultants through these companies continues to add value in terms of integrating insurance into a client's overall financial plan.

During 2006, Investors Group strengthened its focus on insurance, introducing an enhanced insurance training program for both new and experienced Consultants. Investors Group continued to see increases in the licensing rates of new Consultants.

Sales of insurance products as measured by new annualized premiums were \$35 million. Total face amount of insurance in force in 2006 was \$41 billion. The average number of policies sold per licensed Consultant was 8.2 in 2006 compared with 8.6 in 2005. Distribution of insurance products is enhanced through insurance specialists throughout Canada who assist Consultants with the selection of insurance solutions.

#### SECURITIES OPERATIONS

Investors Group Securities Inc. is an investment dealer registered in all provinces and territories providing securities services to clients seeking a broader product offering in combination with financial and investment planning. Investors Group Consultants can refer clients to one of our securities specialists available through Investors Group Securities Inc.

During 2006, Investors Group Securities Inc. continued to strengthen its relationship with its carrying broker, MRS Securities Services Inc., a subsidiary of Mackenzie which began to provide intermediary services to Investors Group Securities Inc. in 2005. Similarly, Investors Group Financial Services Inc. strengthened its relationship with its carrying mutual fund dealer, M.R.S. Inc. These relationships are consistent with our strategy of capitalizing on economies of scale and using similar systems and processes where opportunities exist, while at the same time, preserving the integrity and privacy of each company's client base.

Working together with the MRS group of companies, several service enhancements were implemented in 2006, including an improved account statement package for clients, a redesigned Advisor Access account information system for Consultants and the availability of electronic asset transfers through the ATON (Account Transfer Online Notification) system which eliminates the exchange of paper between participating institutions and reduces transfer time.

Also during the year, four new securities specialist positions were added to support our continued growth in the greater Vancouver, Edmonton, Toronto and Montreal areas.

At December 31, 2006, assets under administration in Investors Group Securities Inc. were \$1.3 billion, while assets under administration at IG-MRS were \$4.0 billion. The assets gathered by Investors Group Securities Inc. during 2006 were \$1.0 billion, compared to \$914 million in 2005.

Management believes that securities and third-party mutual fund accommodation will continue to be important to assist Consultants to attract clients and maintain relationships with investors who wish to include individual securities and third-party funds as a part of their overall financial plan. We are making preparations to enable some Consultants to be IDA licensed under Investors Group Securities Inc. beginning in 2007. Our focus on financial planning and managed assets will continue in both the MFDA and IDA environments.

#### MORTGAGE OPERATIONS

Investors Group Consultants refer clients who are seeking residential mortgages to Investors Group mortgage planning specialists who originate mortgages in key residential markets.

In 2006, Investors Group continued to offer a competitively priced mortgage offering, which was well-received by Consultants and clients. The dollar value of mortgage originations increased by 3.6% to \$993 million from \$958 million in 2005.

Through its mortgage banking operations, mortgages are sold to third parties, including securitization trusts, or placed with Investors Mortgage and Short Term Income Fund or Investors Group's intermediary operations. Investors Group also provides the ongoing servicing of these mortgages.

#### SOLUTIONS BANKING<sup>†</sup>

Investors Group's Solutions Banking<sup>†</sup> initiative continues to experience increased rates of utilization with Consultants and clients. As at December 31, 2006, 92.1% of Investors Group Consultants have incorporated Solutions Banking<sup>†</sup> into their financial planning practices with one or more products sold.

The offering consists of a wide range of products and services provided by National Bank of Canada under a long-term distribution agreement, and includes: investment loans, lines of credit, personal loans, creditor insurance, deposit accounts and credit cards. Clients have access to over 2,000 banking machines, as well as a private labeled client website and private labeled client service centre.

The Solutions Banking<sup>†</sup> offering supports Investors Group's approach to delivering total financial solutions for our clients via a broad financial planning platform.

#### ADDITIONAL PRODUCTS AND SERVICES

Investors Group also provides its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd., as well as a number of other financial institutions.

## Review of Segment Operating Results

Investors Group's earnings from operations before interest and taxes for the year ended December 31, 2006 compared with 2005 are presented in Table 6.

TABLE 6: OPERATING RESULTS – INVESTORS GROUP

<i>(\$ millions)</i>	2006	2005	CHANGE
<b>Fee and net investment income</b>			
Management	<b>\$ 1,046.2</b>	\$ 921.0	13.6%
Administration	<b>181.4</b>	166.7	8.8
Distribution	<b>115.7</b>	113.8	1.7
Net investment income and other	<b>146.0</b>	126.4	15.5
	<b>1,489.3</b>	1,327.9	12.2
<b>Operating expenses</b>			
Commissions	<b>186.9</b>	148.0	26.3
Asset retention bonus and premium	<b>205.6</b>	178.5	15.2
Non-commission	<b>273.9</b>	265.5	3.2
	<b>666.4</b>	592.0	12.6
<b>Earnings before interest and taxes</b>	<b>\$ 822.9</b>	\$ 735.9	11.8%

### FEE INCOME

Fee income is generated from the management, administration and distribution of 142 Investors Masterseries™, partner and managed asset investment funds. The distribution of insurance and banking products and the provision of securities services provide additional fee income.

Total fee income increased by \$141.8 million to \$1.3 billion, an increase of 11.8% from 2005. Fee income is driven primarily by the level and composition of mutual fund assets under management which are influenced by several factors including: sales, redemptions, transfers and investment returns. Fee income represented 90.2% of gross revenue in 2006, compared with 90.5% in 2005. The changes in mutual fund assets under management in 2006 compared with 2005 are reflected in Table 7.

Investors Group's mutual fund assets under management were \$58.2 billion at December 31, 2006, an increase of \$7.5 billion or 14.8% from December 31, 2005. The increase in assets from December 31, 2005 reflects net market appreciation of \$6.2 billion and net sales of mutual funds totalling \$1.3 billion as discussed above.

For the year ended December 31, 2006, sales of Investors Group mutual funds through its Consultant network were \$6.2 billion, an increase of 12.8% from 2005. Mutual fund redemptions totalled \$4.8 billion for the same period, an increase of 2.9% from \$4.7 billion in 2005. Investors Group's twelve month trailing redemption rate for long-term funds decreased to a record low of 7.9% at December 31, 2006 from 8.7% at December 31, 2005, and remains below the corresponding average redemption rate of approximately 15.6% for all other members of the Investment Funds Institute of Canada (IFIC). Net sales of Investors Group mutual funds were \$1.3 billion in 2006 compared with net sales of \$778 million in 2005, an increase of 73.0%. Sales of long-term funds were \$5.2 billion in 2006, compared with \$4.6 billion in 2005, an increase of 13.8%. Net sales of long-term funds were \$1.0 billion compared to net sales of \$529 million in 2005, an increase of 90.1%.

Investors Group earns management fees for investment management services provided to its mutual funds. In 2006, management fee income increased by \$125.2 million to \$1,046.2 million reflecting the increase of 13.7% in average daily mutual fund assets in 2006 compared with 2005. Management fee income represents 195 basis points of average daily mutual fund assets in 2006, unchanged from 2005.

TABLE 7: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

<i>(\$ millions)</i>	2006	2005	CHANGE
Sales	<b>\$ 6,190.1</b>	\$ 5,487.6	12.8%
Redemptions	<b>4,844.7</b>	4,709.8	2.9
<b>Net sales</b>	<b>1,345.4</b>	777.8	73.0
Market and income	<b>6,169.4</b>	5,413.4	14.0
Net change in assets	<b>7,514.8</b>	6,191.2	21.4
Beginning assets	<b>50,701.0</b>	44,509.8	13.9
<b>Ending assets</b>	<b>\$ 58,215.8</b>	\$ 50,701.0	14.8%
<b>Consists of:</b>			
Investors Masterseries™ funds	<b>\$ 49,910.3</b>	\$ 43,657.6	14.3%
IG Mackenzie partner funds	<b>2,564.9</b>	2,144.2	19.6
Partner funds	<b>5,167.3</b>	4,385.1	17.8
iProfile™ funds	<b>573.3</b>	514.1	11.5
	<b>\$ 58,215.8</b>	\$ 50,701.0	14.8%
<b>Average daily assets</b>	<b>\$ 53,575.5</b>	\$ 47,137.9	13.7%

Investors Group receives administration fees for providing administrative services to its mutual funds through certain of its subsidiaries and trusteeship services to its unit trust mutual funds through Investors Group Trust Co. Ltd. Administration fees totalled \$181.4 million in 2006, up 8.8% from \$166.7 million in 2005 primarily due to increases in trustee fees and other service fees resulting from the growth in average mutual fund assets. Administrative fee income related to the provision of administrative services to its mutual funds declined marginally in 2006.

Distribution fees are earned from:

- Redemption fees on mutual funds sold with a back-end load feature.
- 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<sup>†</sup>, an arrangement with the National Bank of Canada.

Distribution fee income of \$115.7 million in 2006 increased by 1.7% from \$113.8 million in 2005. Distribution fee income for securities and banking services and insurance products increased in 2006. In 2005 there was additional revenue related to the restructuring of Investors Group's insurance distribution agreements. Redemption fee income of \$33.4 million increased by \$2.1 million due to both higher redemptions subject to deferred sales charges in 2006 compared to 2005 and a higher amount of assets subject to the industry standard deferred sales charge schedule which Investors Group introduced in 2003.

## NET INVESTMENT INCOME AND OTHER

Net investment income and other includes interest and dividends earned on cash and cash equivalents, securities and mortgage loans. It also includes gains and losses on the sale of securities, Investors Group's share of earnings of Great-West Lifeco Inc. (GWL), as well as income related to mortgage banking activities. Investors Group measures net investment income as the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, certificates and debt incurred to finance Investors Group's investment in GWL.

Net investment income and other totalled \$146.0 million in 2006, an increase of \$19.6 million or 15.5% from \$126.4 million in 2005. Increases in revenues related to mortgage banking activities, gains on the sale of securities and Investors Group's share of GWL's earnings were offset in part by decreases in other income. Other income in 2005 included the recovery of prior years' commodity taxes paid and a reduction in provisions established for the exit of certain activities.

## OPERATING EXPENSES

Investors Group incurs commission expense in connection with the distribution of its financial services and products, particularly its mutual funds. Commissions are paid on the sale of these products and will fluctuate with the level of sales. Commission expense was \$186.9 million in 2006, an increase of \$38.9 million from \$148.0 million in 2005. The increase in commission expense was due to:

- Increase in amortization of commissions totalling \$29.7 million in 2006 related to prior year sales. This increase reflects the impact from the change in estimate, effective April 1, 2001, which increased the term of amortization on mutual fund sales commissions to 72 months.
- Increase in amortization of commissions of \$2.5 million related to higher commission payments in 2006 compared with 2005. The increase in commission payments results from higher mutual fund sales.
- Increases of \$6.7 million in other compensation related to mutual fund operations, insurance, mortgage and banking products due to higher sales.

The asset retention bonus (ARB) and premium (ARP) expenses, which are based on the level of mutual fund assets under management, are comprised of the following:

- ARB which is paid monthly and is based on the value of assets under management. ARB expense increased by \$21.2 million in 2006 as a result of the increase in assets under management.
- Asset retention premium (ARP) which is a deferred component of compensation designed to promote Consultant retention. ARP expense, which is related to assets under management at each year-end, increased by \$5.9 million to \$28.3 million.

Non-commission expenses increased \$8.4 million or 3.2% to \$273.9 million in 2006 compared with \$265.5 million in 2005. Non-commission expenses include costs incurred by Investors Group related to the administration of its mutual funds. Non-commission expenses also include Consultant network support costs and expenses related to the marketing and management of its mutual funds and other products as well as other operating expenses.

Non-commission expenses in 2006 also included a reduction in expenses of \$4.6 million arising from a change in estimate related to credit losses on the Company's mortgage banking operations recorded in the third quarter of 2006.

Non-commission expenses in 2005 included a reduction in expenses of \$1.7 million in the first quarter arising from a change in estimate related to credit losses on Consultant financing programs, as well as a reduction in expense of \$3.5 million in the fourth quarter arising from a change in estimate related to client claims settlements.

# Mackenzie

## Review of the Business

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 subadvisory capacity. Its diversified retail distribution network continues to expand with independent financial advisors, and more recently its distribution has grown dramatically in the subadvisory, investment advisory and high net worth markets in North America.

The company is dedicated to providing its clients with high quality, innovative investment solutions and strives to maintain strong long-term investment performance across its multiple product offerings. Under the Mackenzie banner, it deploys a sub-branding strategy

that includes Cundill, Focus, Ivy, Maxxum, Sentinel and Universal. Each sub-brand reflects a distinct investment style or asset category focus. Mackenzie also provides asset allocation and managed-product investment solutions through the Keystone, Star and Symmetry brands.

Mackenzie sells its investment products and expertise through a growing and sophisticated sales network. Today Mackenzie's wholesale teams work with many of the more than 30,000 independent financial advisors across Canada. To support sales into institutional and specialty markets Mackenzie also deploys specialty teams in high net worth, group plans, lending products, structured products and institutional sales.

### ASSETS UNDER MANAGEMENT

Mackenzie's total assets under management at December 31, 2006 were \$61.5 billion, an increase of \$11.6 billion or 23.4% from \$49.9 billion at December 31, 2005. Mackenzie's mutual fund assets under management were \$46.6 billion at December 31, 2006, an increase of \$5.0 billion or 12.0% from \$41.6 billion at December 31, 2005. Mackenzie's institutional account assets at December 31, 2006 were \$14.8 billion, an 83.7% increase from \$8.1 billion last year. As well, Mackenzie's structured

products totalled \$140 million at December 31, 2006, a decrease of \$62.5 million as compared to December 31, 2005. Monthly average total assets under management, which are generally more indicative of trends in revenue for providing investment management services than the year over year change in ending assets under management, increased 18.4% during 2006 as compared to last year. The changes in assets under management are summarized in Table 9.

TABLE 8: ASSETS UNDER MANAGEMENT – MACKENZIE

<i>(\$ millions)</i>	2006	2005	CHANGE
<b>Mutual Funds</b>	<b>\$ 46,600.1</b>	<b>\$ 41,592.0</b>	<b>12.0%</b>
<b>Institutional Accounts</b>			
Subadvisory	12,507.4	7,552.9	65.6
Investment advisory	1,600.2	505.5	216.6
High net worth	692.8	–	N/M
	<b>14,800.4</b>	<b>8,058.4</b>	<b>83.7</b>
<b>Structured Products</b>	<b>140.0</b>	<b>202.5</b>	<b>(30.9)</b>
<b>Total</b>	<b>\$ 61,540.5</b>	<b>\$ 49,852.9</b>	<b>23.4%</b>
<b>Daily average mutual fund assets</b>	<b>\$ 43,473.9</b>	<b>\$ 38,940.6</b>	<b>11.6%</b>
<b>Monthly average total assets</b>	<b>\$ 54,456.5</b>	<b>\$ 46,011.1</b>	<b>18.4%</b>

TABLE 9: CHANGES IN ASSETS UNDER MANAGEMENT – MACKENZIE

<i>(\$ millions)</i>	2006	2005	CHANGE
Sales	<b>\$ 11,712.6</b>	\$ 11,095.5	5.6%
Redemptions	<b>9,479.3</b>	7,635.8	24.1
<b>Net sales</b>	<b>2,233.3</b>	3,459.7	(35.4)
Assets acquired	<b>3,291.7</b>	–	N/M
Net new money	<b>5,525.0</b>	3,459.7	59.7
Market and income	<b>6,162.6</b>	4,055.1	52.0
Net change in assets	<b>11,687.6</b>	7,514.8	55.5
Beginning assets	<b>49,852.9</b>	42,338.1	17.7
<b>Ending assets</b>	<b>\$ 61,540.5</b>	\$ 49,852.9	23.4%

In 2006, Mackenzie's gross sales were \$11.7 billion, an increase of 5.6% from \$11.1 billion in 2005. Redemptions in the current year were \$9.5 billion as compared to redemptions of \$7.6 billion in 2005.

Redemptions of long-term mutual funds in 2006 were \$6.4 billion as compared to redemptions of \$5.6 billion in 2005. As at December 31, 2006, Mackenzie's twelve-month trailing redemption rate for long-term funds was 15.2%, as compared to 14.8% last year. The average twelve-month trailing redemption rate for long-term funds for all other members of IFIC declined to approximately 14.8% at December 31, 2006 from 15.7% last year. 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 units with redemption fees, and matured deferred sales charge units without redemption fees (matured units). Generally, redemption rates are higher than the average for front-end load units and matured units. Mackenzie's twelve-month trailing redemption rate for long-term funds increased primarily due to an increased absolute dollar value of matured unit assets under management in 2006 as compared to last year.

Net sales for the year ended December 31, 2006 were \$2.2 billion, as compared to net sales of \$3.5 billion last year.

On September 22, 2006, Mackenzie acquired the assets of the Cundill Group, resulting in the addition of \$3.3 billion to its assets under management as of the acquisition date. That \$3.3 billion has grown to \$3.6 billion as of year-end and is reflected in Mackenzie's total assets under management.

During 2006, net market appreciation resulted in assets increasing by \$6.2 billion as compared to an increase of \$4.1 billion last year.

#### **INSTITUTIONAL AND SUBADVISORY BUSINESS**

Mackenzie's investment management expertise has attracted investment mandates from a broad institutional distribution network. Mackenzie has increased its participation in the product platforms of major chartered banks, insurance companies and in the product offerings of Investors Group, Investment Planning Counsel and other members of the Power Financial group of companies.

In partnership with Waddell & Reed, Mackenzie is now investment advisor on the largest actively managed diversified natural resource equity fund in the United States and along with the Cundill team, provide subadvisory services on \$6.5 billion of assets in Waddell & Reed mutual funds.

In the third quarter of 2006, Mackenzie acquired the assets of the Cundill Group, which added \$3.3 billion in assets under management. The addition of the Cundill Group is an important component of Mackenzie's longer-term institutional account strategy to provide investment management through multiple distribution channels that include subadvisory, investment advisory, and high net worth accounts.

## INVESTMENT MANAGEMENT

Mackenzie's mutual fund assets under management are diversified by investment objective as set out in Table 10. This has proven to be and continues to be a core focus of the organization to develop broad investment capabilities to respond to the ever-changing economic environment within Canada. Consistent with a marketing focus of the organization over the last 12 months, foreign assets under management have increased substantially year over year in the equity, balanced and money market sectors as investors continue to look for global exposure in their portfolios.

Long-term investment performance is a key measure of the company's ongoing success. At December 31, 2006, 82% of Mackenzie's mutual fund assets measured by the Morningstar<sup>†</sup> fund ranking service had three, four or five star ratings as compared to 91% for three, four and five star funds at December 31, 2005.

Over the past year the natural resources sector was one of the main drivers of the S&P/TSX index return of 17.3%. Many of Mackenzie's Canadian equity and balanced mutual funds were underweight this sector. As a result, the relative ranking of the Mackenzie mutual

funds compared to industry competitor investment returns decreased year over year, resulting in a lesser percentage of Mackenzie's assets under management being rated three, four or five stars in the current year versus the prior year.

### Morningstar<sup>†</sup> Ratings – Mackenzie

As at December 31, 2006  
(% of assets)

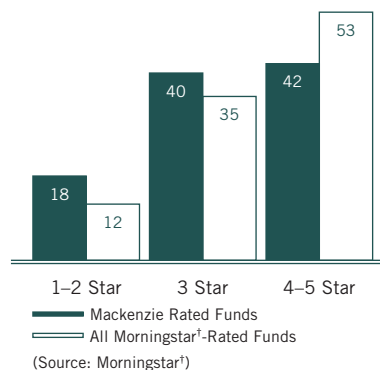


TABLE 10: ASSETS UNDER MANAGEMENT BY INVESTMENT OBJECTIVE – MACKENZIE

(\$ millions)	2006		2005	
<b>Equity</b>				
Domestic	\$ 19,829.5	32.2%	\$ 19,169.9	38.4%
Foreign	25,327.2	41.2	15,343.1	30.8
	<b>45,156.7</b>	<b>73.4</b>	<b>34,513.0</b>	<b>69.2</b>
<b>Balanced</b>				
Domestic	10,838.4	17.6	10,570.3	21.2
Foreign	1,048.8	1.7	731.7	1.5
	<b>11,887.2</b>	<b>19.3</b>	<b>11,302.0</b>	<b>22.7</b>
<b>Fixed Income</b>				
Domestic	2,647.3	4.3	2,461.3	5.0
Foreign	88.0	0.1	112.3	0.2
	<b>2,735.3</b>	<b>4.4</b>	<b>2,573.6</b>	<b>5.2</b>
<b>Money Market</b>				
Domestic	1,565.4	2.6	1,408.2	2.8
Foreign	195.9	0.3	56.1	0.1
	<b>1,761.3</b>	<b>2.9</b>	<b>1,464.3</b>	<b>2.9</b>
<b>Total</b>	<b>\$ 61,540.5</b>	<b>100.0%</b>	<b>\$ 49,852.9</b>	<b>100.0%</b>

Mackenzie's investment performance in the global equity and global balanced categories was strong, with 83% of its assets in these categories being rated three, four or five stars for the year by Morningstar. Mackenzie's Cundill funds maintained their long-term track records in 2006 with all funds in the group posting positive returns, and all ending the year with a three-star or better rating from Morningstar. Mackenzie Cundill Value Fund was the top selling global equity fund in Canada during 2006, and was recognized as best Global Equity Fund at the 2006 Canadian Investments Awards. This fund ended the year with \$6.6 billion in assets, up from \$4.3 billion a year earlier. In addition, Mackenzie Cundill Recovery Fund, recognized as best Global Equity Fund at the 2005 Canadian Investment Awards, was closed to new investments on April 7, 2006 after the investment management team concluded that finding incremental investment opportunities consistent with the fund's mandate had become increasingly difficult. This negatively impacted sales of long-term funds in the second half of 2006.

Under the Universal brand, the Mackenzie Universal Sustainable Opportunities Class, a global fund that invests in firms deemed to have ethical business practices, was one of Mackenzie's top performing global equity funds, finishing the year up 23.6%. A number of other Universal funds were also among performance leaders, finishing the year in the first quartile based on one year investment performance in their respective categories in 2006, including: Mackenzie Universal Global Future Fund, Mackenzie Universal World Growth RRSP Fund, Mackenzie Universal World Real Estate Class, Mackenzie Universal U.S. Blue Chip Class, Mackenzie Universal American Growth Class. Gross sales in the Universal funds improved 49% over the prior year to \$751 million.

Mackenzie is recognized as a leader in natural resource and precious metals investing, both in Canada and in the U.S. and the Mackenzie Universal Canadian Resource Fund, the largest natural resource fund in Canada, had \$1.2 billion in assets at December 31, 2006 compared to \$1.0 billion a year earlier. Investment per-

formance within the precious metals and natural resources funds remained strong with the Mackenzie Universal Precious Metals Fund and the Mackenzie Universal Canadian Resource Fund delivering 49.2% and 18.3% respectively in 2006.

The Ivy funds continued to experience net outflows, however all delivered positive returns to investors over the course of 2006, relatively consistent with their historical investment returns since inception. Nonetheless, in comparison to other competing funds, the performance of Ivy's Canadian portfolios was affected by the continuing rally in resource and cyclical stocks that started in 2003, sectors in which the Ivy funds continue to be underweight. The more globally oriented Ivy portfolios improved during the year, with returns of 16.0% on the Mackenzie Ivy Foreign Equity Fund, 26.3% on the Mackenzie Ivy European Class and 14.9% on the Mackenzie Ivy Global Balanced Fund.

## PRODUCTS

Mackenzie continued its tradition of innovation in 2006, providing investors with a broadening group of funds and services to meet growing client demand for income oriented product and increased international exposure. New products launched this year included the Mackenzie Charitable Giving Fund, Mackenzie Founders Fund, Mackenzie Sentinel Diversified Income Fund and Mackenzie Universal U.S. Dividend Income Fund.

The Mackenzie Charitable Giving Fund allows investors to work with their financial advisor to create a donor-advised account to make donations that support charities of their choice. One of only a few programs of its kind in Canada, the Mackenzie Charitable Giving Fund provides the opportunity for many Canadians to build an enduring charitable giving legacy. By making a tax deductible donation through this program, money will be granted to the charities of their choice for years to come with considerably less expense and complexity than setting up and administering their own private foundation.

Mackenzie Founders Fund brings together four funds representing the legacy of the organization: Mackenzie Growth Fund, Mackenzie Cundill Value Fund, Mackenzie Ivy Foreign Equity Fund and Mackenzie Maxxum Dividend Fund into one fund. Each was selected on the basis of its successful long-term track record as a founding fund within its respective brand and by how its investment style complements the other funds.

To further diversify and expand the Sentinel brand's position as a source of income solutions for investors, the Mackenzie Sentinel Diversified Income Fund was launched to provide clients with diversified portfolio exposure to Canadian and U.S. dividend paying stocks, Canadian income trusts, high yield corporate bonds and Canadian government bonds through a fund of funds structure.

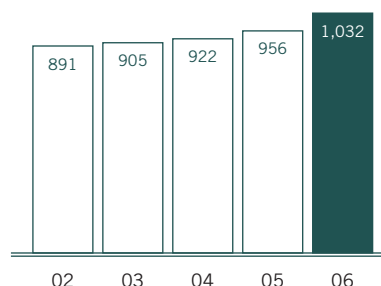
As well, Mackenzie also responded to the growing demand for diversified income products with the launch of Mackenzie Universal U.S. Dividend Income Fund with U.S. based Waddell & Reed acting as sub-advisor. This fund is modeled after a dividend fund offered by Waddell & Reed in the U.S.

Investors continued to look to mutual funds and other investment products to enhance income yields, particularly after the changes to the income trust tax rules announced in October. Mackenzie continues to adjust its offerings to respond to the evolving investor needs related to income with new products specifically designed to provide steady cash flow and address the retirement needs of an aging population. In June, the Mackenzie Cundill Value Fund, Mackenzie Maxxum Dividend Fund and the U.S. dollar versions of the Mackenzie Cundill Value Fund, Mackenzie Cundill Global Balanced Fund and Mackenzie Ivy Global Balanced Fund had T-Series units added to their offering. T-Series units have a fixed annual rate of distribution from income earned and return of capital that is paid monthly.

Symmetry, Mackenzie's multi-manager pooled wrap program, experienced a 17% increase in assets to total \$581 million at December 31, 2006. Symmetry combines strategic asset allocation with input from a client's financial advisor to provide investment portfolio customization, tailored for the risk profile of the investor.

### MRS Group Investor Accounts Under Administration

As at December 31 (thousands)



### DEALER, TRUST AND ADMINISTRATION SERVICES

Mackenzie continues to provide products and services to dealers, financial advisors and their respective clients through its subsidiaries. M.R.S. Trust Company, a federally regulated trust company, provides loan and deposit products to financial advisors for their clients. M.R.S. Inc. is the largest mutual fund carrying dealer in Canada and is a member of the Mutual Fund Dealers Association (MFDA) of Canada. M.R.S. Securities Services Inc. is a carrier for investment dealers and a discount broker for referred investors and an Investment Dealers Association member firm. M.R.S. Correspondent Corporation is an Autorité des marchés financiers regulated dealer operating in Quebec. Winfund Software Corp. is one of the largest providers of dealer and advisor software for distributors of mutual funds and insurance in Canada.

## Review of Segment Operating Results

Mackenzie's earnings from operations before interest and taxes for the year ended December 31, 2006 compared with 2005 are presented in Table 11.

TABLE 11: OPERATING RESULTS – MACKENZIE

<i>(\$ millions)</i>	2006	2005	CHANGE
<b>Fee and net investment income</b>			
Management	\$ 771.7	\$ 691.3	11.6%
Administration	130.6	138.0	(5.4)
Distribution	31.8	34.0	(6.5)
Net investment income and other	27.1	19.0	42.6
	<b>961.2</b>	882.3	8.9
<b>Operating expenses</b>			
Commissions	159.8	154.3	3.6
Trailer fees	210.6	185.6	13.5
Non-commission	267.5	258.9	3.3
	<b>637.9</b>	598.8	6.5
<b>Earnings before interest and taxes</b>	<b>\$ 323.3</b>	\$ 283.5	14.0%

### FEE AND NET INVESTMENT INCOME

Mackenzie's management fee revenues are earned from services it provides as fund manager to the Mackenzie mutual funds and as investment advisor to institutional accounts.

The majority of Mackenzie's mutual funds are distributed on a retail priced basis, however, it also offers various series of these funds with management fees that are designed for fee-based programs, large accounts and third party investment programs offered by banks, insurance companies and investment dealers. In these programs, Mackenzie does not pay trailing commissions or selling commissions. At December 31, 2006, there were \$6.7 billion of mutual fund assets in these series of the funds, as compared to \$4.9 billion at December 31, 2005.

Management fees were \$771.7 million for the year ended December 31, 2006, an increase of \$80.4 million or 11.6% from \$691.3 million last year. Management fee income represents 141.7 basis points of average monthly assets in 2006, a decrease of 8.5 basis points from 150.2 basis points in 2005. The increase in management fees was consistent with the 18.4% growth in Mackenzie's average monthly assets under management from \$46.0 billion in 2005 to \$54.5 billion in the current year and the decline in its average management fee rate. The decrease in the average management fee rate is due to the

higher growth in Mackenzie's institutional accounts and non-retail priced mutual funds relative to the growth in its retail priced mutual funds as institutional and non-retail priced funds have lower management fees. In addition, changes in asset mix within Mackenzie's sub-brands also impacts average management fee rates.

Administration fees include the following main components:

- Operating expenses recovered from Mackenzie mutual funds and structured products.
- Asset allocation fees.
- Trustee and other administration fees generated from the MRS account administration business.

Administration fees were \$130.6 million for the year ended December 31, 2006, a decrease of \$7.4 million from \$138.0 million in 2005.

The decrease in administration fees was due to:

- Decline in fees for administering the VenGrowth labour sponsored funds. VenGrowth terminated their administration agreement with Mackenzie effective November 2005.
- Decline in counterparty revenue as a result of the elimination of the foreign property rules applicable to registered plans in July 2005 and Mackenzie's decision to discontinue this product offering.

Mackenzie earns distribution fee income on redemptions of mutual fund units sold on a deferred sales charge basis and on a low load basis. Distribution fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Distribution fees for low load assets range from 3.0% in the first year and decrease to zero after three years. Distribution fee income in 2006 was \$31.8 million, a decrease of \$2.2 million from \$34.0 million last year. Although the total level of redemptions increased during the current year relative to last year, the decline in distribution fee income was due to a year over year decline in the absolute level of redemption of units that are subject to a redemption fee.

The most significant component of net investment income and other is the net interest margin from M.R.S. Trust Company's lending and deposit-taking operations. Net investment income in 2006 was \$27.1 million, an increase of \$8.1 million as compared to \$19.0 million in 2005. Increases in M.R.S. Trust Company's loan portfolio, rising interest rates and gains realized at Mackenzie in the current year on the disposition of investments in proprietary mutual funds accounted for this increase. The gains realized on the disposition of investments in proprietary mutual funds in the prior year were not significant.

## OPERATING EXPENSES

Mackenzie's operating expenses were \$637.9 million for the year ended December 31, 2006, an increase of \$39.1 million or 6.5% from \$598.8 million last year.

Mackenzie pays selling commissions to the dealers that sell its mutual funds on a low load and deferred sales charge basis. Commission expense, which represents the amortization of selling commissions, was \$159.8 million in the year ended December 31, 2006 as compared to \$154.3 million last year. Mackenzie amortizes selling commissions over three years from the date of original purchase of the applicable low load units and over a maximum period of seven years from the date of original purchase of the applicable deferred sales charge units.

Trailing commissions paid to dealers are calculated as a percentage of assets under management and vary depending on the fund type and whether the fund was purchased on a front-end basis, a deferred sales charge basis or on a low load basis. Trailing commissions are generally not paid on non-retail series of mutual funds and institutional assets.

Trailing commissions paid to dealers were \$210.6 million in 2006, an increase of \$25.0 million or 13.5% from \$185.6 million last year. The increase in trailing commissions is due to the year over year growth in average mutual fund assets under management and the increase in the average trail commission rate. Trailing commissions as a percentage of average mutual fund assets under management increased to 0.484% in the current year as compared to 0.477% last year. The increase in the average trail commission rate is attributed to an increase in the relative proportion of Mackenzie's mutual fund assets that were purchased on a front-end basis as opposed to a deferred sales charge basis.

Non-commission expenses increased \$8.6 million or 3.3% to \$267.5 million in the current year from \$258.9 million last year. A component of the non-commission expenses incurred by Mackenzie is related to the administration of its mutual funds. The remaining non-commission expenses relate to costs incurred by Mackenzie in the marketing and management of its mutual funds and in its account administration and trust company businesses. The increase in non-commission expenses is due, in part, to Mackenzie's acquisition of the Cundill Group in the third quarter of 2006.

# IGM Financial Inc.

## Consolidated Financial Position

IGM Financial's on-balance sheet assets totalled \$7.33 billion at December 31, 2006, compared to \$6.81 billion at December 31, 2005.

### SECURITIES

The Company's securities holdings were \$142.3 million at December 31, 2006, a decrease of \$35.7 million or 20.0% from 2005. The fair value of the Company's portfolio at December 31, 2006 exceeded cost by \$96.0 million compared with \$123.7 million at December 31, 2005. Derivative financial instruments designated as cash flow hedges and utilized by the Company to manage market risk on its securities portfolio reduced unrealized gains in the securities portfolio by \$42.6 million at December 31, 2006 compared with \$28.2 million at December 31, 2005. The fair value of the Company's securities holdings, net of cash flow hedges, exceeded cost by \$53.4 million at December 31, 2006 compared with \$95.5 million at December 31, 2005.

#### Market Risk Management

IGM Financial adheres to an Investment Policy that outlines the objectives, constraints and parameters relating to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Company. Management regularly reviews the Company's investments to ensure all activities are in adherence to the Investment Policy, and regularly reviews the portfolio to identify holdings where there has been an other than temporary decline in value. In these circumstances, the carrying amount of the security is written down to recognize the loss. In addition, from time to time the Company manages risk relating to its securities investments by using a variety of derivative financial instruments. Additional information on the Company's utilization of derivative contracts can be found in the Off-Balance Sheet Arrangements section of this MD&A and in Notes 1 and 15 of the Consolidated Financial Statements.

### LOANS

Loans, including mortgages and personal loans, decreased by \$24.2 million to \$488.8 million at December 31, 2006 and represent 6.7% of total assets compared to 7.5% in 2005. Residential mortgage loans related to the Company's mortgage banking operations decreased by \$26.7 million. In the Company's intermediary operations, personal loans increased by \$35.6 million while residential mortgage loans decreased by \$33.6 million.

Residential mortgage loans originated by Investors Group are funded through sales to third parties, including securitization trusts, on a fully serviced basis and through placements to the Investors Mortgage and Short Term Income Fund and the Company's intermediary operations.

M.R.S. Trust Company sources mortgage loans through mortgage brokers and personal loans through financial advisors. These loans are funded primarily through the Company's intermediary activities, and in certain instances are sold to third parties (including securitization trusts) on a fully-serviced basis.

#### Credit Risk Management

At December 31, 2006, impaired loans totalled \$0.4 million compared to \$1.0 million at December 31, 2005, and represented 0.09% of the total loan portfolio, compared with 0.19% at December 31, 2005. The general allowance for credit losses was \$7.7 million at December 31, 2006 compared to \$8.2 million in 2005. The Company monitors its credit risk management policies continuously to evaluate their effectiveness. The Company also periodically reviews the credit quality of the loan portfolios and the adequacy of the related general allowance. In 2005, the Company reduced its general allowance by \$10.0 million due to the elimination of a provision established as a result of a previous acquisition and reported the reversal in Net Investment Income and Other in the Corporate and Other segment. This reduction reflected changes in the size and composition of the portfolios, improving default trends, and continued improvement in underwriting and default management policies and procedures. These policies and practices have resulted in the effective risk management of impaired loans.

During 2006, management continued its policy of maintaining adequate allowances to absorb all known and foreseeable credit-related losses in the mortgage, loan, and real estate portfolios. The allowance for credit losses of \$7.7 million at December 31, 2006 exceeded impaired mortgages and loans by \$7.3 million.

As at December 31, 2006:

- The mortgage portfolios were 99% residential and 74% insured.
- The mortgage portfolios were in excess of 80% owner occupied.
- Mortgages in the portfolios were geographically diverse.
- Strict credit risk management policies continue to be applied.

The characteristics of the mortgage portfolios at December 31, 2006 described above are consistent with prior years.

# Consolidated Liquidity and Capital Resources

## LIQUIDITY

IGM Financial's operating liquidity is required for:

- Financing ongoing operations, including the funding of selling commissions.
- Temporarily financing mortgages in its mortgage banking facility.
- Meeting regular interest and dividend obligations related to long-term debt and preferred shares.
- Payment of quarterly dividends on its outstanding common shares.
- Maintaining liquidity requirements for regulated entities.
- Financing common share repurchases related to the Company's normal course issuer bid.

As well, a portion of cash and cash equivalents and loans relate to the Company's deposit operations. At December 31, 2006, deposits and certificates totalled \$777.5 million compared to \$692.8 million at December 31, 2005.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. Commissions paid continue to be fully funded through ongoing cash flow from operations.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, most of the mortgages are sold to third parties, including securitization trusts, or placed with Investors Mortgage and Short Term Income Fund on a fully serviced basis. In order to effectively manage its overall liquidity, the Company is active in both the whole loan sale and securitization markets. During 2006, whole loan sales to third parties totalled \$467.0 million and proceeds from securitizations were

\$1,301.5 million, compared with \$372.4 million and \$251.0 million respectively in 2005.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled \$1,535.3 million for 2006 compared to \$1,365.5 million in 2005, and represents an increase of 12.4%.

In addition to IGM Financial's current balance of cash and cash equivalents in excess of the operating liquidity requirements described above, other potential sources of liquidity include the Company's portfolio of securities and lines of credit. The Company maintains operating lines of credit totalling \$210 million with various Schedule A Canadian chartered banks, of which \$50 million represented committed lines of credit. IGM Financial's demonstrated ability to raise funds in domestic debt and equity markets is also a source of liquidity.

## Cash Flows

Table 12 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which form part of the Consolidated Financial Statements for the year ended December 31, 2006.

Operating activities, before payment of commissions, generated \$1,032.4 million during the year ended December 31, 2006, as compared to \$941.5 million in 2005. Cash commissions paid were \$344.7 million in 2006 compared with \$337.4 million in 2005. While mutual fund sales increased approximately 7% in 2006 compared with 2005, the overall increase in commissions paid was 2.2% reflecting an increase in the relative proportion in mutual funds assets purchased on a front-end basis as opposed to a deferred sales charge basis.

Financing activities during the year ended December 31, 2006 compared to the same period in 2005 related primarily to:

- A net increase of \$84.7 million in deposits and certificates in 2006 compared to a net decrease of \$18.2 million in 2005. The net increase in 2006 related primarily to changes in demand deposit levels and the net decrease in 2005 resulted from decreases in term deposit levels offset in part by increases in demand deposits.
- The repayment on maturity of the \$25.0 million note payable to Power Financial Corporation.
- Proceeds received on the issuance of common shares under the Company's stock option program of \$13.2 million in 2006 compared with \$9.2 million in 2005.
- The payment of regular common share dividends which increased to \$392.5 million in 2006 from

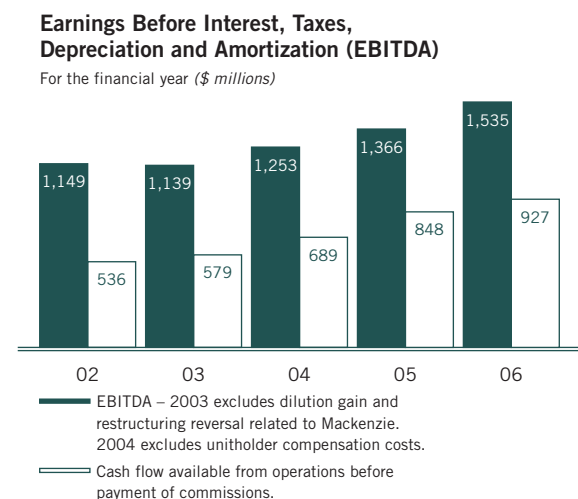


TABLE 12: CASH FLOWS

<i>(\$ millions)</i>	2006	2005	CHANGE
Operating activities			
Before payment of commissions	\$ 1,032.4	\$ 941.5	9.7%
Commissions paid	(344.7)	(337.4)	(2.2)
Net of commissions paid	687.7	604.1	13.8
Financing activities	(332.8)	(375.4)	11.3
Investing activities	(97.5)	(25.6)	(280.9)
<b>Increase in cash and cash equivalents</b>	<b>257.4</b>	<b>203.1</b>	<b>26.7</b>
Cash and cash equivalents, beginning of year	1,068.1	865.0	23.5
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,325.5</b>	<b>\$ 1,068.1</b>	<b>24.1%</b>

\$341.3 million in 2005 as a result of increases in the Company's common share dividends.

- The purchase of 271,700 common shares in 2006 under IGM Financial's normal course issuer bid at a cost of \$13.2 million. In 2005, 584,700 shares were purchased at a cost of \$23.3 million.
- Investing activities during the year ended December 31, 2006 compared to the same period in 2005 related primarily to:
- Securities purchases of \$68.0 million and securities sales with proceeds of \$158.0 million in 2006 compared with \$102.2 million and \$95.9 million, respectively, in 2005.
  - Net increases in loans of \$1,270.1 million compared to \$258.0 million related primarily to residential mortgages in the Company's mortgage banking operations. The net increase in loans was offset by securitizations of \$1,301.5 million in 2006 and \$251.0 million in 2005.
  - The acquisition of intangible assets in 2006 which totalled \$140.1 million and \$54.1 million of funds held in escrow related to the Cundill Group.

#### Contractual Obligations

TABLE 13: CONTRACTUAL OBLIGATIONS

As at December 31, 2006 <i>(\$ millions)</i>	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Long-term debt <sup>(1)</sup>	\$ 1,200.0	\$ -	\$ -	\$ 450.0	\$ 750.0
Operating leases <sup>(2)</sup>	249.6	39.5	66.6	46.0	97.5
<b>Total contractual obligations</b>	<b>\$ 1,449.6</b>	<b>\$ 39.5</b>	<b>\$ 66.6</b>	<b>\$ 496.0</b>	<b>\$ 847.5</b>

(1) Refer to Note 12 of the Consolidated Financial Statements.

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

#### INTEREST RATE RISK

The objective of the Company's asset liability management is to control interest rate risk by actively managing its interest rate exposure within limits established by the Investment Committee of the Board of Directors.

The Company manages the re-pricing characteristics of its consolidated assets and liabilities, and as required by regulation, manages interest rate risk on the assets and liabilities of the deposit operations of M.R.S. Trust Company and Investors Group Trust Co. Ltd. As at December 31, 2006, the total gap between one-year deposit assets and liabilities was well within the Company's stated guidelines.

#### LIQUIDITY REQUIREMENTS

Liquidity requirements for M.R.S. Trust Company and Investors Group Trust Co. Ltd., which engage in financial intermediary activities, are based on investment policies approved by the investment committees of their respective Boards of Directors. As at December 31, 2006, liquidity for both companies was in compliance with these policies.

## CAPITAL RESOURCES

Shareholders' equity increased to \$3.82 billion as at December 31, 2006 from \$3.45 billion at December 31, 2005. Long-term debt was \$1.20 billion at December 31, 2006, compared to \$1.23 billion at December 31, 2005 and is detailed in Note 12 to the Consolidated Financial Statements.

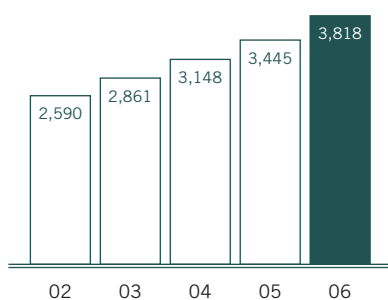
To achieve its strategic objectives, the Company requires a strong capital base. The Company's capital management objective is to preserve the quality of its financial position by establishing and maintaining a solid capital base and a strong balance sheet.

Independent reviews confirm the continuing quality of IGM Financial's balance sheet and the strength of its operations. During 2006, both Standard & Poors (S&P) and the Dominion Bond Rating Service (DBRS) reviewed their ratings of the Company's senior debt and liabilities. The rating was upgraded to "A (high)" with a stable outlook by DBRS and the S&P rating is currently "A" with a stable outlook.

Management is confident that the Company's current capital resources are adequate and can support its activities during 2007.

### Shareholders' Equity

As at December 31 (\$ millions)



## OFF-BALANCE SHEET ARRANGEMENTS

- Securitizations** – The Company's liquidity management practices include the periodic transfers of mortgages and personal loans to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. During 2006, the Company entered into securitization transactions through its mortgage banking operation with proceeds of \$1,301.5 million compared with \$251.0 million in 2005. Securitized loans serviced at December 31, 2006 totalled \$1,547.0 million compared with \$558.8 million at December 31, 2005. The fair-value of the Company's retained interest was \$42.7 million at December 31, 2006 and \$15.5 million at December 31, 2005. Additional information related to the Company's securitization activities can be found in Notes 1 and 4 of the Consolidated Financial Statements.
- Derivative Contracts** – The Company utilizes derivative financial instruments in the management of interest rate and equity market exposures. The Company does not utilize derivative instruments for speculative purposes. The Company enters into interest rate swap arrangements in order to reduce the impact of fluctuating interest rates on its mortgage banking operations and asset liability management. The Company manages its exposure to market risk on its corporate securities portfolio by using a variety of derivative instruments including options and forward contracts. The Company also manages its exposure to fluctuations in the total return of its common shares related to deferred compensation arrangements by entering into total return swaps. All derivative contracts are either exchange-traded or negotiated in the over-the-counter market with Schedule I and Schedule II bank counterparties on a diversified basis. Additional information related to the Company's utilization of derivative contracts can be found in Notes 1 and 15 of the Consolidated Financial Statements.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Table 14 presents the carrying value and the fair value of on and off-balance sheet financial instruments.

Fair value is determined using the following methods and assumptions:

- The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, accounts and other receivables, and other financial liabilities.
- Securities are valued at quoted market prices, when available. When a quoted market price is not readily available, alternative valuation methods may be used.
- Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk.
- Deposits and certificates are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

- Long-term debt is determined by reference to current market prices for debentures and notes payable with similar terms and risks.
- Derivative financial instruments' fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

Details of each component of the financial instruments are contained in the various related notes to the Consolidated Financial Statements.

A description of the material risks and management of the risks associated with the various financial instruments are contained in the Consolidated Financial Position, Consolidated Liquidity and Capital Resources, and Off-balance Sheet Arrangements sections in the MD&A.

TABLE 14: FINANCIAL INSTRUMENTS

As at December 31 (\$ millions)	2006		2005	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
<b>Assets</b>				
Cash and cash equivalents	\$ 1,325.5	\$ 1,325.5	\$ 1,068.1	\$ 1,068.1
Securities	142.3	238.3	178.0	301.7
Loans	488.8	488.8	513.0	512.6
Account and other receivables	219.2	219.2	161.2	161.2
	<b>\$ 2,175.8</b>	<b>\$ 2,271.8</b>	<b>\$ 1,920.3</b>	<b>\$ 2,043.6</b>
<b>Liabilities</b>				
Deposits and certificates	\$ 777.5	\$ 778.7	\$ 692.8	\$ 694.3
Other financial liabilities	532.5	532.5	480.9	480.9
Long-term debt	1,200.0	1,410.2	1,225.0	1,450.0
	<b>\$ 2,510.0</b>	<b>\$ 2,721.4</b>	<b>\$ 2,398.7</b>	<b>\$ 2,625.2</b>
<b>Off-balance sheet derivatives</b>	<b>\$ -</b>	<b>\$ (42.6)</b>	<b>\$ -</b>	<b>\$ (28.2)</b>

# Outlook

## THE FINANCIAL SERVICES ENVIRONMENT

The financial services industry continues to experience growth and change influenced by:

- Continuing growth of the Canadian economy.
- Shifting demographics as the number of Canadians in their prime savings years continue to increase.
- Changes in investor attitudes and strong preferences to deal through an advisor.
- Changes in the regulatory environment.
- An evolving competitive landscape.
- Advancing and changing technology.

Deregulation, competition and technology have fostered a trend towards financial service providers offering a comprehensive range of products and services in-house. Traditional distinctions between bank branches, full service brokerages, financial planning firms and insurance agent forces are obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf.

The preferred method of retirement planning by Canadians continues to be in the context of a relationship with a financial advisor. Increased investor awareness and sophistication, driven by these advisory relationships, continues to drive a reconfiguration of household balance sheets from short-term financial assets towards longer term financial assets.

Investment funds, which include mutual funds, remain the most popular financial asset class relied upon by Canadians for their retirement savings, and they represent over one-third of Canadian long-term discretionary financial assets. 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.

At December 31, 2006, mutual fund industry assets in Canada were \$660.2 billion, an increase of 15.8% relative to December 31, 2005. This \$90.2 billion increase in industry assets from December 31, 2005 reflected net sales of \$20.8 billion, with the remaining \$69.4 billion primarily reflecting investment returns generated during the year.

## 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 also compete with other asset classes, including stocks, bonds and other passive investment vehicles, for share of the investment assets of Canadians.

Canadian banks remain a dominant force in Canadian retail financial services. The banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. In recent years, bank branches have increased their emphasis on both financial planning and mutual funds. In addition, each of the big six banks has a mutual fund management subsidiary. Collectively, mutual fund assets of the big six bank-owned mutual fund managers represented 36% of total industry mutual fund assets at December 31, 2006 and accounted for approximately 61% of the industry's long-term mutual fund net sales during 2006 down marginally from 62% in 2005.

Mutual fund dealers and other financial planning firms represent a significant distribution channel for mutual funds in Canada. The last five years have been characterized by significant consolidation in this sector of the industry, with many of the larger firms being purchased by mutual fund managers and insurers. Despite this level of consolidation activity, the sector remains fragmented. Management anticipates continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

As a result of this consolidation activity, the Canadian mutual fund management industry is characterized by large, often vertically-integrated, firms. The industry is very concentrated, with the ten largest firms and their subsidiaries representing 78.2% of industry assets at December 31, 2006. Smaller firms primarily represent niche players.

Management believes scale, access to distribution, and a broad product shelf are key competitive success factors in the financial services industry.

## MEETING COMPETITIVE CHALLENGES

Management feels that IGM Financial is well-positioned to meet competitive challenges and capitalize on future opportunities. The Company enjoys several competitive strengths, including:

- Significant economies of scale.
- Significant and diversified distribution with an emphasis on financial advisors.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Part of the Power Financial group of companies, which includes Great-West Life, London Life and Canada Life.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.

### Significant Economies of Scale

At December 31, 2006 IGM Financial's total assets under management were \$119.4 billion compared with \$100.2 billion in 2005, an increase of 19.1%. Included in the Company's total assets under management were mutual fund assets of \$107.0 billion at year end 2006 compared to \$94.1 billion one year ago. IGM Financial enjoys a 16.1% share of industry mutual fund assets under management and has almost 75% more long-term mutual fund assets than its nearest competitor. This scale provides the Company and its subsidiaries with numerous benefits, including lower unit costs and greater access to capital.

### 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 institutional and sub-advisory business, partners with Canadian and U.S. manufacturing and distribution complexes to provide investment management to a number of individual mandates.

### Broad Product Capabilities

During 2006, as discussed earlier within the segmented results, IGM Financial's subsidiaries continued to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

### Part of Power Financial Group of Companies

As part of the Power Financial group of companies, IGM Financial benefits through cost savings from shared service arrangements, as well as through access to distribution, products and capital.

## 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.

## THE REGULATORY ENVIRONMENT

IGM 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. The Company's principal regulators are the Canadian Securities Administrators, the Mutual Fund Dealers Association, the Investment Dealers Association and the Office of the Superintendent of Financial Institutions. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company. Regulatory standards affecting the Company and the financial services industry are increasing. The Company's subsidiaries are subject to regular regulatory reviews as part of the normal ongoing process of oversight by the Company's regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages regulatory risk through its efforts to promote a strong culture of compliance. It monitors regulatory developments and their impact on the Company. It also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Company receives regular reporting on compliance initiatives and issues.

The Company supports regulatory efforts that will protect the interests of its clients and preserve the integrity and reputation of the industry and its members.

## OTHER RISK FACTORS

### Contingencies

The Company is subject to legal actions, including class actions, arising in the normal course of its business. Three class actions related to alleged market timing trading activity in mutual funds of the companies have been commenced. Investors Group entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of

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.

#### Market Risk

Risks related to performance of the equity markets and changes in interest rates can have a significant impact on the level and mix of mutual fund assets under management and sales. In addition, these factors can result in increased redemptions of mutual funds.

#### REDEMPTION RATES

Redemption rates for long-term funds are summarized in Table 15.

IGM Financial provides Consultants and independent financial advisors with a high level of service and support and a broad range of investment products – based on asset classes, countries or regions, and investment management styles. These are key advantages in maintaining strong client relationships and, as a result, the Company has been able to maintain redemption rates that are among the lowest in the industry. One of the contributing factors in the increase in Mackenzie's redemption rate at December 31, 2006 compared with 2005 is the increase in the proportion of Mackenzie's mutual fund units no longer subject to a redemption fee. At December 31, 2006, the twelve month trailing redemption rate for long-term funds for the industry, excluding IGM Financial, was 15.6% compared to 16.5% at December 31, 2005.

The mutual fund industry and financial advisors are committed to educating Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility our Consultants and independent financial advisors play a key role assisting investors to maintain perspective and focus on their long-term objectives.

#### Distribution Risk

- *Investors Group Consultant Network* – Investors Group derives all of its mutual fund sales through its Consultant network. Investors Group Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on Investors Group's results of operations and business prospects. Investors Group is focused on growing its distribution network of Consultants as discussed in the Investors Group Review of the Business section of the MD&A. As at December 31, 2006, the number of Consultants totalled 3,917 compared with 3,668 at December 31, 2005. This represents an increase of 6.8% in the Consultant network in 2006. Investors Group experienced ten consecutive quarters of growth resulting in an increase of 22.1% in the Consultant network since June 30, 2004.
- *Mackenzie* – Mackenzie derives substantially all of its mutual fund sales through independent financial advisors. Mackenzie's ability to market its products is highly dependent on access to various distribution channels. These intermediaries generally offer their clients investment products in addition to, and in competition with Mackenzie. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. However, Mackenzie's diverse portfolio of financial products and its long-term investment performance, marketing, educational and service support, has made Mackenzie one of Canada's leading companies serving independent financial advisors. These factors are discussed further in the Mackenzie Review of the Business section of the MD&A.

TABLE 15: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

As at December 31	2006	2005
<b>IGM Financial Inc.</b>		
Investors Group	7.9%	8.7%
Mackenzie	15.2%	14.8%
Counsel Group of Funds	9.4%	9.7%

# Accounting Estimates and Policies

## SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the mutual fund and other financial services industries; others are specific to IGM Financial's businesses and operations. IGM Financial's significant accounting policies are described in detail in Note 1 of the Consolidated Financial Statements.

The major critical accounting estimates and related judgments underlying the Company's financial statements are summarized below. Critical accounting estimates relating to goodwill and intangibles, income taxes and deferred selling commissions relate to both the Investors Group and Mackenzie reportable segments while Employee future benefits applies to the Investors Group reportable segment.

- *Goodwill and intangible assets* – Goodwill and indefinite life intangible assets are reflected in Note 7 of the Consolidated Financial Statements. Under the Canadian Institute of Chartered Accountants (CICA) Section 3062 – Goodwill and Other Intangible Assets, the Company is required to test the fair value of goodwill and indefinite life intangible assets for impairment at least once a year. The Company performs that evaluation during the second quarter each year. These tests involve the use of estimates and assumptions appropriate in the circumstances. The annual impairment testing was completed for 2006 and management determined that no impairment charge was necessary.
- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Income. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and, as well, income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the future tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results and in Note 11 of the Consolidated Financial Statements.
- *Employee future benefits* – Accounting for pension and other post-retirement benefits requires estimates of future returns on plan assets, expected increases in compensation levels, trends in health care costs, as well as the appropriate discount rate for the determination of accrued benefit obligations. These estimates are discussed in Note 10 of the Consolidated Financial Statements.
- *Deferred selling commissions* – Commissions paid on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. Prior to April 1, 2001, the maximum period for amortization for Investors Group was three years. On April 1, 2001 Investors Group revised the period of amortization of these expenditures to reflect a more accurate estimate of their useful life. This estimate is also consistent with that used by Mackenzie. The Company regularly reviews the carrying value of the deferred selling commissions with respect to any events or circumstances that indicate impairment or that an adjustment to the amortization period is necessary.

## CHANGES IN ACCOUNTING POLICIES

As disclosed in Note 1 of the Consolidated Financial Statements, IGM Financial did not adopt any changes in accounting policies in 2006.

## FUTURE ACCOUNTING CHANGES

In January 2005, the CICA issued four new accounting standards: CICA 3855, Financial Instruments – Recognition and Measurement, CICA 3865, Hedges, CICA 1530, Comprehensive Income and CICA 3251, Equity. These standards become effective for fiscal years beginning on or after October 1, 2006 and are applicable to the Company as of January 1, 2007.

These standards require that all financial assets be classified as available for sale, held to maturity, trading or loans and receivables. The standards require that all financial assets be carried at fair value in the Consolidated Balance Sheets, except loans and receivables including mortgages and securities classified as held to maturity, which would be carried at amortized cost using the effective interest method. Financial liabilities must be classified as either trading, which would be carried at fair value, or other, which would be carried at amortized cost using the effective interest method.

Changes in the fair value of trading securities are required to be reported in earnings and unrealized gains and losses on financial assets that are available for sale are required to be recorded in Other comprehensive income until realized or impaired, at which time they are required to be recorded in the Consolidated Statements of Income. All derivatives including embedded derivatives that must be separately accounted for, except those described in the next paragraph, must be recorded at fair value in the Consolidated Balance Sheets and the changes in fair value must be recorded in the Consolidated Statements of Income.

Derivative instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness may offset changes in fair values or cash flows of hedged items. A hedge must be designated as a cash flow hedge, fair value hedge, or a hedge of net investments in self-sustaining foreign operations. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the Consolidated Statements of Income. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in Other comprehensive income, which will be reclassified to Net income when the hedged transaction impacts earnings. The change in fair value of the ineffective portion of the derivative in a cash flow hedge must be recorded in the Consolidated Statements of Income.

The Consolidated Statements of Comprehensive Income will be included in the Company's financial statements. Unrealized gains and losses on financial assets that will be held as available for sale, the effective portion of changes in the fair value of cash flow hedging instruments and unrealized foreign currency translation gains and losses will be recorded in the Consolidated Statements of Comprehensive Income until recognized in the Consolidated Statements of Income. Accumulated other comprehensive income will form part of shareholders' equity.

Transitional adjustments arising due to remeasuring financial assets classified as available for sale and hedging instruments designated as cash flow hedges will be recognized in the opening balance of Accumulated other comprehensive income. Other transition adjustments are not expected to be significant.

## Disclosure Controls and Procedures

Based on their evaluations as of December 31, 2006, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance in ensuring that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities

legislation (a) is recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) is accumulated and communicated to the Company's senior management, including the Co-Presidents and Chief Executive Officers and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

## Internal Controls Over Financial Reporting

Based on their evaluations as of December 31, 2006, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements for external purposes in accordance with Canadian GAAP.

During the fourth quarter of 2006, 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

IGM Financial enters into transactions with Great-West Life, London Life and Canada Life, subsidiaries of its affiliate, GWL. These transactions are in the normal course of business and have been recorded at the agreed upon exchange amounts as described below.

- The Company provided to and received from Great-West Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributed insurance products under a distribution agreement with Great-West Life and Canada Life and received \$29.0 million in distribution fees (2005 – \$37.2 million). The Company paid \$21.0 million (2005 – \$17.2 million) to London Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential

mortgage loans to third parties, on a fully serviced basis. During 2006, the Company sold residential mortgage loans to Great-West Life and London Life for \$291.4 million compared to \$122.8 million in 2005.

For further information on transactions involving related parties, see Notes 5 and 19 of the Consolidated Financial Statements.

### OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2006 totalled 264,865,938. As at February 14, 2007, outstanding common shares totalled 264,949,429.

### 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](http://www.sedar.com).