

financial section

MANAGEMENT'S DISCUSSION AND ANALYSIS

IGM Financial Inc.

Summary of Consolidated Operating Results	25
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Wealth Management

Review of the Business	41
Review of Segment Operating Results	50

Asset Management

Review of the Business	55
Review of Segment Operating Results	63

Strategic Investments and Other

Review of Segment Operating Results	66
-------------------------------------	----

IGM Financial Inc.

Consolidated Financial Position	68
Consolidated Liquidity and Capital Resources	72
Risk Management	77
The Financial Services Environment	90
Critical Accounting Estimates and Policies	92
Disclosure Controls and Procedures	94
Internal Control Over Financial Reporting	94
Other Information	95

FINANCIAL REVIEW

Consolidated Financial Statements

Management's Responsibility for Financial Reporting	97
Independent Auditor's Report	98
Consolidated Financial Statements	102
Notes to Consolidated Financial Statements	107

Supplementary Information

Quarterly Review	144
Ten Year Review	146

management's discussion and analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and the financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the years ended December 31, 2020 and 2019 and should be read in conjunction with the audited Consolidated Financial Statements. Commentary in the MD&A as at and for the year ended December 31, 2020 is as of February 11, 2021.

Basis of Presentation and Summary of Accounting Policies

The Consolidated Financial Statements of IGM Financial, which are the basis of the information presented in the Company's MD&A, have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Canadian dollars (Note 2 of the Consolidated Financial Statements).

Principal Holders of Voting Shares

As at December 31, 2020, Power Corporation of Canada (PCC) and Great-West Lifeco Inc. (Lifeco), a subsidiary of PCC, held directly or indirectly 62.1% and 3.9%, respectively, of the outstanding common shares of IGM Financial.

Forward-looking Statements

Certain statements in this report, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect IGM Financial's current expectations. Forward-looking statements are provided to assist the reader in understanding the Company's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future. Readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. While the Company considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect. By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

A variety of material factors, many of which are beyond the Company's and its subsidiaries' control, affect the operations, performance and results of the Company, and

its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, outbreaks of disease or pandemics (such as COVID-19), the Company's ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

Other than as specifically required by applicable Canadian law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Company's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this Management's Discussion and Analysis and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

Non-IFRS Financial Measures and Additional IFRS Measures

Net earnings available to common shareholders, which is an additional measure in accordance with IFRS, may be subdivided into two components consisting of:

- Adjusted net earnings available to common shareholders; and
- Other items, which include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful.

"Adjusted net earnings available to common shareholders", "adjusted diluted earnings per share" (EPS) and "adjusted return on average common equity" (ROE) are non-IFRS financial measures which are used to provide management and investors with additional measures to assess earnings performance. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before interest and taxes" (EBIT), "adjusted earnings before interest and taxes" (Adjusted EBIT), "earnings before interest, taxes, depreciation and amortization before sales commissions" (EBITDA before sales commissions), and "earnings before interest, taxes, depreciation and amortization after sales commissions" (EBITDA after sales commissions) are also non-IFRS financial measures. EBIT, Adjusted EBIT, EBITDA before

sales commissions and EBITDA after sales commissions are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA before sales commissions excludes all mutual fund sales commissions and is comparable to prior periods. EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows. Other items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at EBITDA before sales commissions and EBITDA after sales commissions. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

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

Refer to the appropriate reconciliations of non-IFRS financial measures to reported results in accordance with IFRS in Tables 1, 4, 5 and 6.

Summary of Consolidated Operating Results

IGM Financial Inc. (TSX:IGM) is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. The Company operates through a number of operating subsidiaries and also holds a number of strategic investments that provide benefits to these subsidiaries while furthering the Company's growth prospects. The Company's principle operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments. The Company also operates through wealth manager Investment Planning Counsel and has strategic investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (China AMC), Northleaf Capital Group Ltd. (Northleaf) and Wealthsimple Financial Corp. (Wealthsimple) as described more fully later in this MD&A.

In the third quarter of 2020, the Company realigned its financial reporting and related disclosures to reflect its current reportable segments of Wealth Management, Asset Management and Strategic Investments and Other. These segments are described later in this MD&A.

IGM Financial's assets under management and advisement were \$240.0 billion as at December 31, 2020, the highest level in the history of the Company, compared with \$190.0 billion at December 31, 2019, as detailed in Table 8. This increase of 26.3% consists of \$12.5 billion of client investment returns, \$7.1 billion of client net flows and \$30.3 billion of net business acquisitions. Average total assets under management and advisement for the year ended December 31, 2020 were \$191.2 billion compared to \$183.5 billion in 2019. Average total assets under management and advisement for the fourth quarter of 2020 were \$202.2 billion compared to \$187.4 billion in the fourth quarter of 2019.

Total assets under management were \$214.0 billion at December 31, 2020, the highest level in the history of the Company, compared with \$166.8 billion at December 31, 2019. Average total assets under management for the year ended December 31, 2020 were \$168.5 billion compared to \$161.1 billion in 2019. Average total assets under management for the fourth quarter of 2020 were \$177.6 billion compared to \$164.5 billion in the fourth quarter of 2019.

Net earnings available to common shareholders for the year ended December 31, 2020 were \$764.4 million or \$3.21 per share compared to net earnings available to common shareholders of \$746.7 million or \$3.12 per share in 2019. Net earnings available to common shareholders for the three months ended December 31, 2020 were \$229.1 million or 96 cents per share compared to net earnings available to common shareholders of \$191.6 million or 80 cents per share for the comparative period in 2019.

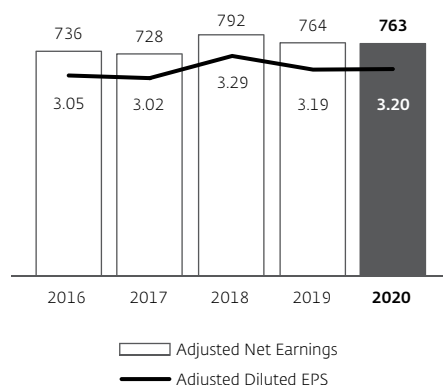
Adjusted net earnings available to common shareholders, excluding other items outlined below, for the year ended December 31, 2020 were \$762.9 million or \$3.20 per share compared to adjusted net earnings available to common shareholders of \$763.9 million or \$3.19 per share in 2019. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the three months ended December 31, 2020 were \$204.3 million or 86 cents per share compared to adjusted net earnings available to common shareholders of \$200.8 million or 84 cents per share in 2019.

Other items for the year ended December 31, 2020 consisted of:

- A gain on the sale of the Quadrus Group of Funds net of acquisition costs, of \$21.4 million after-tax (\$25.2 million pre-tax), recorded in the fourth quarter.

Adjusted Net Earnings and Adjusted Net Earnings per Share

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



Adjusted net earnings and adjusted net earnings per share excluded the following after-tax amounts:

- 2016 – a reduction in income tax estimates related to certain tax filings.
- 2017 – charges related to restructuring and other, a favourable revaluation of the Company's pension plan obligation, charges representing the Company's proportionate share in Great-West Lifeco Inc.'s one-time charges and restructuring provision.
- 2018 – charges related to restructuring and other and the premium paid on the early redemption of debentures.
- 2019 – the Company's proportionate share in Great-West Lifeco Inc.'s one-time charges.
- 2020 – the gain on sale of Personal Capital, gain on sale of Quadrus Group of Funds net of acquisition costs, the Company's proportionate share of associate's adjustments and restructuring and other.

- The Company's proportionate share in Great-West Lifeco Inc.'s after-tax adjustments related to the revaluation of a deferred tax asset less certain restructuring and transaction costs, of \$3.4 million, recorded in the fourth quarter.
- A gain on the sale of the investment in Personal Capital Corporation of \$31.4 million after-tax (\$37.2 million pre-tax), recorded in the third quarter.
- Restructuring and other charges of \$54.7 million after-tax (\$74.5 million pre-tax), recorded in the third quarter, resulting from our ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC Asset Management Group Ltd. (GLC) and other changes to our investment management teams. This included activities to improve efficiency and capabilities by leveraging the scale and expertise of scaled providers through outsourcing partnerships, as well as process automation initiatives relating to key internal processes. During the third quarter, IGM Financial announced outsourcing initiatives with Soroc for IT end-user services, with IBM for hosting of mainframe solutions, with Google for cloud-based data storage and other services, and also announced an agreement with CAPCO for process automation. As a result of these initiatives, the Company recorded costs relating to restructuring and downsizing activities as well as impairment of redundant internally generated software assets. During the third quarter, the Company also incurred severance and other charges relating to the acquisition of GLC as well as other personnel changes.

Other items for the year ended December 31, 2019 consisted of:

- A one-time charge of \$9.2 million, recorded in the fourth quarter, which represented the Company's proportionate share in Great-West Lifeco Inc.'s after-tax adjustments related to the revaluation of a deferred tax asset, restructuring costs and the net gain on the Scottish Friendly transaction.
- A one-time charge of \$8.0 million, recorded in the second quarter, which represented the Company's proportionate share in Great-West Lifeco Inc.'s after-tax loss on the sale of its United States individual life insurance and annuity business.

Shareholders' equity was \$5.0 billion at December 31, 2020, compared to \$4.5 billion at December 31, 2019. Return on average common equity based on adjusted net earnings for the year ended December 31, 2020 was 16.1%, compared with 17.2% for the comparative period in 2019. The quarterly dividend per common share was 56.25 cents in 2020, unchanged from the end of 2019.

2020 DEVELOPMENTS

ACQUISITIONS

GLC Asset Management Group Ltd. (GLC)

On December 31, 2020, the Company's subsidiary, Mackenzie, acquired all of the common shares of GLC, a wholly-owned subsidiary of Great-West Lifeco Inc. (Lifeco), for cash consideration of \$185.0 million.

GLC has \$37 billion in assets under management and a 50-year history of providing investment advisory services to a range of mutual funds, individual and group segregated funds offered by and through Canada Life.

In a separate transaction, Lifeco's subsidiary, Canada Life Assurance Company (Canada Life) acquired the fund management contracts relating to private label Quadrus Group of Funds (QGOF) from Mackenzie for total cash consideration of \$30 million. Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

Northleaf Capital Group Ltd. (Northleaf)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Great-West Lifeco Inc. (Lifeco), acquired a non-controlling interest in Northleaf through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco for cash consideration of \$241 million and up to an additional \$245 million in consideration at the end of five years subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as expense over the five year period based on the fair value of the expected payment, which is revalued at each reporting period date.

The acquisition vehicle acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years and extending into future periods.

Northleaf is a global private equity, private credit and infrastructure fund manager, headquartered in Toronto, with more than 150 employees across seven offices in Canada, the U.S., UK and Australia. Northleaf's assets under management, including invested capital and uninvested commitments, were \$14.6 billion at December 31, 2020.

The financial results of Northleaf are recorded in the Company's Strategic Investments and Other segment.

Greenchip Financial Corporation (Greenchip)

On December 22, 2020, Mackenzie acquired 100% of Greenchip, a Canadian firm focused exclusively on the environmental economy since 2007. The acquisition adds \$618 million in assets under management, of which \$435 million was sub-advisory mandates to the Mackenzie Global Environmental Equity Fund.

INVESTMENT IN WEALTHSIMPLE FINANCIAL CORP. (WEALTHSIMPLE)

On October 14, 2020, Wealthsimple announced a \$114 million equity fundraising led by TCV, one of the largest growth equity investors focused on technology, along with Greylock, Meritech, Two Sigma Ventures and existing investor Allianz X. The new investors have an ownership stake of 7.4%. The purchase price associated with this fundraising valued the common equity of Wealthsimple at \$1.5 billion (\$1.4 billion pre-money valuation).

IGM Financial is the largest shareholder in Wealthsimple and holds, directly and indirectly, a 36% interest. As a result of this valuation, the fair value of the Company's investment increased by \$298 million and is recorded at \$550 million at December 31, 2020. The change in fair value was recognized through Other Comprehensive Income.

SALE OF PERSONAL CAPITAL CORPORATION (PERSONAL CAPITAL)

In the third quarter, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of \$232.8 million (USD \$176.2 million) and up to an additional USD \$24.6 million in consideration subject to Personal Capital achieving certain target growth objectives.

As a result of the sale, the Company has derecognized its investment in Personal Capital and recorded an accounting gain of \$37.2 million (\$31.4 million net of tax) in Net investment income and other in the Consolidated Financial Statements.

The Company's economic gain, based on the cost of its investment in Personal Capital of \$189.1 million, was approximately \$43.7 million (\$37.9 million net of tax).

COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel

bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility and weakness in global equity markets and material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

Volatility in global equity markets in 2020 has been significant. In the first quarter of 2020, the S&P TSX Composite index declined by 21.6%, increased by 16.0% in the second quarter, increased by 3.9% in the third quarter, and in the fourth quarter increased by 8.1%. Year to date returns were positive 2.2%. U.S. equity markets, as measured by the S&P 500 index, for those same periods declined by 20.0%, increased by 20.0%, increased by 8.5%, and increased by 11.7% for a year to date return of positive 16.3%. Our clients experienced an average investment return of negative 11.7% in the first quarter, positive returns of 9.7% in the second quarter of 2020, positive returns of 4.2% in the third quarter, positive returns of 5.5% in the fourth quarter, and year to date positive returns of 6.5%. IGM Financial's assets under management and advisement increased from \$196.4 billion at September 30, 2020 to \$240.0 billion at December 31, 2020, which represents an increase of 6.7%, excluding \$30.3 billion in net business acquisitions in the fourth quarter of GLC and Greenchip. Excluding these acquisitions, assets under management and advisement have increased by 10.3% from \$190.0 billion at December 31, 2019, despite the volatility in global equity markets during the year. The volatility of IGM Financial's assets under management and advisement in 2020 has not been as severe as overall market changes, reflecting the diversified nature of IGM Financial's overall asset mix.

Even though progress has been made on the deployment of vaccines, the duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

In response to the impact of COVID-19, the Company continues to support our employees, advisors, clients and communities with actions as described in the following table.

COVID-19 COMPANY RESPONSE – SUPPORTING OUR EMPLOYEES, ADVISORS, CLIENTS AND COMMUNITIES

Employees & Advisors	Clients	Communities
<p>a) Safety: Rapid move to work from home model for virtually all employees and company advisors. Investments in hardware and supported people to take desktops home</p> <p>b) Financial peace of mind: Commitment to no COVID-19 job loss across IGM in 2020 Special allowance for non-executive employees to cover work from home costs Allowance for the few essential workers still travelling to the office</p> <p>c) Work-life balance: Accommodations for childcare and flexible workdays</p> <p>d) Mental and Physical Health: Enhanced employee benefits</p> <p>e) Advisor support to work with clients</p>	<p>a) Enhanced communication: Increased support on managing market volatility, the value of advice and portfolio manager commentary</p> <p>b) Taking advantage of digitization and technology to work with clients: At IG, increased utilization of digital forms, e-signatures Increased use of virtual client interactions at IG and IPC At Mackenzie, increased utilization of virtual wholesaling with advisors</p> <p>c) Financial hardship support: Ongoing delivery of financial planning, helping clients access government programs where needed, mortgage deferral program at IG</p>	<p>a) \$1 million joint contribution: along with Power Corporation of Canada and Canada Life, support crisis relief efforts in our communities – Local and national food banks – Vulnerable people – Small businesses</p> <p>b) IG Wealth Management will strengthen its support of United Way and their work with isolated seniors</p> <p>c) Mackenzie Investments Charitable Foundation will increase its support for women and children in community shelters</p> <p>d) Free financial planning advice to small and medium business owners</p>
Foundations to Support our Stakeholders		
<p>a) Executive COVID-19 Committee: Leadership decision making and direction setting, as well as coordination of divisional support</p> <p>b) Business continuity and emergency preparedness: We plan for and test our ability to securely operate in a variety of scenarios including work-at-home capabilities</p>		

COVID-19 has the current and ongoing potential to expose the Company to a number of risks inherent in our business activities. These include: liquidity risk; credit risk; business risk and risks related to assets under management; operational risk; governance, oversight and strategic risk; regulatory developments; and people risk. These risks are discussed in further detail in the Risk Management section of this MD&A.

REPORTING CHANGES

In the third quarter of 2020, the Company realigned its reportable segments and made disclosure enhancements to its Consolidated Statements of Earnings to better characterize the Company's business lines, improve transparency into the key drivers of the business, and facilitate appropriate valuation of each segment. Prior period comparative information has been restated to reflect the disclosure enhancements and realigned segments.

These changes have no impact on the reported earnings of the Company.

REPORTABLE SEGMENTS

The new segments as described below reflect the Company's internal financial reporting and performance measurement (Tables 4, 5 and 6):

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(\$ millions)	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31
Adjusted net earnings available to common shareholders – Non-IFRS measure	\$ 204.3	\$ 214.2	\$ 200.8	\$ 762.9	\$ 763.9
Gain on sale of Personal Capital, net of tax	-	31.4	-	31.4	-
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	21.4	-	-	21.4	-
Proportionate share of associate's adjustments	3.4	-	-	3.4	-
Restructuring and other, net of tax	-	(54.7)	-	(54.7)	-
Proportionate share of associate's one-time charges	-	-	(9.2)	-	(17.2)
Net earnings available to common shareholders – IFRS	\$ 229.1	\$ 190.9	\$ 191.6	\$ 764.4	\$ 746.7
Adjusted net earnings per share⁽¹⁾ available to common shareholders – Non-IFRS measure	\$ 0.86	\$ 0.90	\$ 0.84	\$ 3.20	\$ 3.19
Gain on sale of Personal Capital, net of tax	-	0.13	(0.04)	0.13	-
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	0.09	-	-	0.09	-
Proportionate share of associate's adjustments	0.01	-	-	0.02	-
Restructuring and other, net of tax	-	(0.23)	-	(0.23)	-
Proportionate share of associate's one-time charges	-	-	-	-	(0.07)
Net earnings per share⁽¹⁾ available to common shareholders – IFRS	\$ 0.96	\$ 0.80	\$ 0.80	\$ 3.21	\$ 3.12
EBITDA before sales commissions – Non-IFRS measure	\$ 326.4	\$ 336.3	\$ 336.5	\$ 1,226.4	\$ 1,294.0
Sales-based commissions paid	(41.3)	(30.0)	(45.2)	(139.5)	(165.1)
EBITDA after sales commissions – Non-IFRS measure	285.1	306.3	291.3	1,086.9	1,128.9
Sales-based commissions paid subject to amortization	36.1	25.1	23.5	117.6	67.2
Amortization of capitalized sales commissions	(10.6)	(9.5)	(6.5)	(36.4)	(22.4)
Amortization of capital, intangible and other assets	(21.5)	(21.5)	(19.9)	(83.5)	(79.5)
Adjusted earnings before interest and income taxes – Non-IFRS measure	289.1	300.4	288.4	1,084.6	1,094.2
Interest expense ⁽²⁾	(27.9)	(27.9)	(27.8)	(110.6)	(108.4)
Adjusted earnings before income taxes – Non-IFRS measure	261.2	272.5	260.6	974.0	985.8
Gain on sale of Personal Capital	-	37.2	-	37.2	-
Gain on sale of QGOF net of acquisition costs	25.2	-	-	25.2	-
Proportionate share of associate's adjustments	3.4	-	-	3.4	-
Restructuring and other	-	(74.5)	-	(74.5)	-
Proportionate share of associate's one-time charges	-	-	(9.2)	-	(17.2)
Earnings before income taxes	289.8	235.2	251.4	965.3	968.6
Income taxes	(60.5)	(44.3)	(59.8)	(200.7)	(219.7)
Non-controlling interest	(0.2)	-	-	(0.2)	-
Perpetual preferred share dividends	-	-	-	-	(2.2)
Net earnings available to common shareholders – IFRS	\$ 229.1	\$ 190.9	\$ 191.6	\$ 764.4	\$ 746.7

(1) Diluted earnings per share.

(2) Interest expense includes interest on long-term debt and interest on leases.

- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portag3 Ventures LPs, as well as unallocated capital. Investments are classified in this segment (as opposed to the Wealth Management or Asset Management segment) when warranted due to different market segments, growth profiles or other unique characteristics.

At the consolidated IGM Financial level, the change in reportable segments has no effect on financial results. The key differences include the financial presentation changes and segment changes noted above. In addition, the Asset Management segment includes assets under management that are managed for other IGM businesses in the Wealth Management segment.

Assets under Management and Advisement (AUM&A)

represents the consolidated AUM and AUA of IGM Financial. In the Wealth Management segment, AUM is a component part of AUA. All instances where the asset management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in our reporting such that there is no double-counting of the same client savings held at IGM operating companies.

Assets under Advisement (AUA) are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of our Wealth Management segment operating companies.

Assets under Management (AUM) are the key driver of the Asset Management segment. AUM are a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where we provide investment management services, and include investment funds where we are the fund manager, investment advisory mandates to institutions, and other client accounts where we have discretionary portfolio management responsibilities.

COMPARISON OF IGM FINANCIAL REPORTABLE SEGMENTS

Segments Effective Third Quarter 2020 ⁽¹⁾	Previous Segments
Wealth Management includes: <ul style="list-style-type: none"> • IG Wealth Management • Investment Planning Counsel Inc. 	IG Wealth Management
Asset Management includes: <ul style="list-style-type: none"> • Mackenzie Investments • Results include the \$76 billion sub-advisory relationship⁽²⁾ with IG Wealth Management and Investment Planning Counsel 	Mackenzie Investments
Strategic Investments and Other includes: <ul style="list-style-type: none"> • Great-West Lifeco Inc. • China AMC • Northleaf • Wealthsimple • Portag3 Ventures • Unallocated capital 	Corporate and Other included: <ul style="list-style-type: none"> • Great-West Lifeco Inc. • China AMC • Wealthsimple • Portag3 Ventures • Personal Capital Corporation • Net investment income not allocated to the IG Wealth Management or Mackenzie segments • Investment Planning Counsel Inc.

(1) Prior period segment reporting and disclosure has been restated for comparison purposes.

(2) Previously recorded as a cost-sharing arrangement.

FINANCIAL PRESENTATION

The financial presentation changes include the reclassification of certain revenues and expenses to provide greater alignment with the key drivers of business activity and to reflect our emphasis on business growth and operational efficiency. The changes to the categories are as follows:

- **Wealth management revenue** – revenues earned by the Wealth Management segment for providing financial planning, investment advisory and related financial services. Revenues include financial advisory fees, investment management and related administration fees, distribution revenue associated with insurance and banking products and services, and net investment income and other revenue relating to mortgage lending activities.
- **Asset management revenue** – revenues earned by the Asset Management segment related to investment management advisory and administrative services.
- **Dealer compensation** – asset-based and sales-based compensation paid to dealers by the Asset Management segment.
- **Advisory and business development expenses** – expenses incurred on activities directly associated with providing financial planning services to clients of the Wealth Management segment. Expenses include compensation, recognition and other support provided to our financial advisors, field management, product & planning specialists; expenses associated with facilities, technology and training relating to our financial advisors and specialists; other business development activities including direct marketing and advertising; and wholesale distribution activities performed by the Asset Management segment. A significant component of these expenses vary directly with levels of assets under management or advisement, business development measures including sales and client acquisition, and the number of advisor and client relationships.
- **Operations and support expenses** – expenses associated with business operations, including technology and business processes; in-house investment management and product shelf management; corporate management and support functions. These expenses primarily reflect compensation and technology and other service provider expenses.
- **Sub-advisory expenses** – reflects fees relating to investment management services provided by third party or related party investment management organizations. These fees typically are variable with the level of assets under management. These fees include investment advisory services performed for the Wealth Management segment by the Asset Management segment.

The reconciliations of IGM's current presentation of its revenues and expenses to prior period presentation are included in Tables 2 and 3.

Certain items reflected in Tables 4, 5 and 6 are not allocated to segments:

- *Interest expense* – represents interest expense on long-term debt and interest expense on leases. The change in interest expense for the twelve month period resulted from the impact of the issuance of \$250 million 4.206% debentures on March 20, 2019.
- *2020 Gain on sale of the Quadrus Group of Funds net of acquisition costs* – \$25.2 million (\$21.4 million after-tax), recorded in the fourth quarter.
- *2020 Proportionate share of associate's adjustments* – \$3.4 million which represented the Company's proportionate share in Great-West Lifeco Inc.'s after-tax adjustments, recorded in the fourth quarter, related to the revaluation of a deferred tax asset less certain restructuring and transaction costs.
- *2020 Gain on sale of Personal Capital* – \$37.2 million (\$31.4 million after-tax), recorded in the third quarter, resulting from the sale of the Company's investment in Personal Capital.
- *2020 Restructuring and other* – \$74.5 million (\$54.7 million after-tax), recorded in the third quarter, resulting from our ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC and other changes to our investment management teams. This included activities to improve efficiency and capabilities by leveraging the scale and expertise of scaled providers through outsourcing partnerships, as well as process automation initiatives relating to key internal processes. During the quarter, IGM announced outsourcing initiatives with Soroc for IT end-user services, with IBM for hosting of mainframe solutions, with Google for cloud-based data storage and other services, and also announced an agreement with CAPCO for process automation. As a result of these initiatives, the Company is recording costs relating to restructuring and downsizing activities as well as impairment of redundant internally generated software assets. During the quarter, the Company also incurred severance and other charges relating to the acquisition of GLC as well as other personnel changes.
- *2019 Proportionate share of associate's one-time charges* – consisted of:
 - \$9.2 million representing the Company's proportionate share in Great-West Lifeco Inc.'s after-tax adjustments, recorded in the fourth quarter, related to the revaluation of a deferred tax asset, restructuring costs and the net gain on the Scottish Friendly transaction.
 - \$8.0 million representing the Company's proportionate share in Great-West Lifeco Inc.'s after-tax loss, recorded in the second quarter, on the sale of its United States individual life insurance and annuity business.

TABLE 2: STATEMENT OF EARNINGS RECONCILIATION

THREE MONTHS ENDED DECEMBER 31, 2020

(\$ millions)

PRIOR PRESENTATION		MANAGEMENT AND ADVISORY FEES	ADMINISTRATION FEES	DISTRIBUTION FEES	NET INVESTMENT INCOME AND OTHER	PROPORTIONATE SHARE OF ASSOCIATES' EARNINGS	COMMISSION EXPENSE	NON-COMMISSION EXPENSE	INTEREST EXPENSE	EARNINGS BEFORE INCOME TAXES
		\$ 599.8	\$ 103.3	\$ 93.8	\$ 49.8	\$ 43.5	\$ 288.8	\$ 283.7	\$ 27.9	\$ 289.8
CURRENT PRESENTATION										
Revenues										
Wealth management	\$ 594.2	408.9	76.1	92.6	16.6					
Asset management	216.3	190.9	27.2	1.2				(3.0)		
Dealer compensation	(74.3)						(74.3)			
Net asset management	142.0	190.9	27.2	1.2			(74.3)	(3.0)		
Net investment income and other ⁽¹⁾	33.2				33.2					
Proportionate share of associates' earnings ⁽²⁾	43.5					43.5				
	812.9	599.8	103.3	93.8	49.8	43.5	(74.3)	(3.0)		
Expenses										
Advisory and business development	283.1						214.5	68.6		
Operations and support ⁽³⁾	193.8							193.8		
Sub-advisory	18.3							18.3		
Interest	27.9								27.9	
	523.1						214.5	280.7	27.9	
Earnings before income taxes	\$ 289.8									

(1) Net investment income includes the gain on sale of Quadrus Group of funds of \$30.0 million.

(2) Proportionate share of associates' earnings includes one time adjustments of \$3.4 million.

(3) Operations and support includes acquisition costs of \$4.8 million.

- Income taxes – changes in the effective tax rates are shown in Table 7.

Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. The effect of changes in management's best estimates

reported in adjusted net earnings is reflected in Other items, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.

- Perpetual preferred share dividends – represents the dividends declared on the Company's 5.90% non-cumulative first preferred shares. The decrease in the preferred share dividends reflects the redemption of the \$150.0 million in preferred shares on April 30, 2019.

TABLE 3: STATEMENT OF EARNINGS RECONCILIATION

TWELVE MONTHS ENDED DECEMBER 31, 2020

(\$ millions)

PRIOR PRESENTATION		MANAGEMENT AND ADVISORY FEES	ADMINISTRATION FEES	DISTRIBUTION FEES	NET INVESTMENT INCOME AND OTHER	PROPORTIONATE SHARE OF ASSOCIATES' EARNINGS	COMMISSION EXPENSE	NON-COMMISSION EXPENSE	INTEREST EXPENSE	EARNINGS BEFORE INCOME TAXES
		\$ 2,282.9	\$ 403.4	\$ 346.3	\$ 129.4	\$ 150.4	\$ 1,088.3	\$ 1,148.2	\$ 110.6	\$ 965.3
CURRENT PRESENTATION										
Revenues										
Wealth management	\$ 2,259.6	1,564.7	301.9	341.8	51.2					
Asset management	812.9	718.2	101.5	4.5				(11.3)		
Dealer compensation	(283.1)						(283.1)			
Net Asset management	529.8	718.2	101.5	4.5			(283.1)	(11.3)		
Net investment income and other ⁽¹⁾	78.2				78.2					
Proportionate share of associates' earnings ⁽²⁾	150.4					150.4				
	<u>3,018.0</u>	2,282.9	403.4	346.3	129.4	150.4	(283.1)	(11.3)		
Expenses										
Advisory and business development	1,040.2						805.2	235.0		
Operations and support ⁽³⁾	830.7							830.7		
Sub-advisory	71.2							71.2		
Interest	110.6								110.6	
	<u>2,052.7</u>						805.2	1,136.9	110.6	
Earnings before income taxes	\$ 965.3									

(1) Net investment income includes the gain on sale of Personal Capital of \$37.2 million and gain on sale of Quadrus Group of funds of \$30.0 million.

(2) Proportionate share of associates' earnings includes one time adjustments of \$3.4 million.

(3) Operations and support includes restructuring and other charges of \$74.5 million and acquisition costs of \$4.8 million.

TABLE 4: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2020 VS. Q4 2019

THREE MONTHS ENDED (\$ millions)	WEALTH MANAGEMENT		ASSET MANAGEMENT		STRATEGIC INVESTMENTS & OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31
Revenues										
Wealth management	\$ 598.5	\$ 591.1	\$ -	\$ -	\$ -	\$ -	\$ (4.3)	\$ (4.0)	\$ 594.2	\$ 587.1
Asset management	-	-	242.1	229.6	-	-	(25.8)	(26.2)	216.3	203.4
Dealer compensation expense	-	-	(78.6)	(73.9)	-	-	4.3	4.1	(74.3)	(69.8)
Net asset management	-	-	163.5	155.7	-	-	(21.5)	(22.1)	142.0	133.6
Net investment income and other	1.0	4.5	1.0	(0.3)	1.1	2.6	0.1	(0.1)	3.2	6.7
Proportionate share of associates' earnings	-	-	-	-	40.1	32.6	-	-	40.1	32.6
	599.5	595.6	164.5	155.4	41.2	35.2	(25.7)	(26.2)	779.5	760.0
Expenses										
Advisory and business development	254.8	248.6	28.3	22.5	-	-	-	(0.2)	283.1	270.9
Operations and support	113.3	104.2	74.6	77.7	0.9	0.6	0.2	0.1	189.0	182.6
Sub-advisory	42.7	41.5	1.5	2.7	-	-	(25.9)	(26.1)	18.3	18.1
	410.8	394.3	104.4	102.9	0.9	0.6	(25.7)	(26.2)	490.4	471.6
Adjusted earnings before interest and taxes	\$ 188.7	\$ 201.3	\$ 60.1	\$ 52.5	\$ 40.3	\$ 34.6	\$ -	\$ -	289.1	288.4
Interest expense ⁽¹⁾									(27.9)	(27.8)
Gain on sale of Quadrus Group of Funds net of acquisition costs									25.2	-
Proportionate share of associate's adjustments									3.4	-
Proportionate share of associate's one-time charges									-	(9.2)
Earnings before income taxes									289.8	251.4
Income taxes									60.5	59.8
Net earnings									229.3	191.6
Non-controlling interest									(0.2)	-
Net earnings available to common shareholders									\$ 229.1	\$ 191.6
Adjusted net earnings available to common shareholders⁽²⁾									\$ 204.3	\$ 200.8

(1) Interest expense includes interest on long-term debt and interest on leases.

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

TABLE 5: CONSOLIDATED OPERATING RESULTS BY SEGMENT – TWELVE MONTHS ENDED

TWELVE MONTHS ENDED (\$ millions)	WEALTH MANAGEMENT		ASSET MANAGEMENT		STRATEGIC INVESTMENTS & OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
	2020 DEC. 31	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31
Revenues										
Wealth management	\$ 2,276.0	\$ 2,315.2	\$ -	\$ -	\$ -	\$ -	\$ (16.4)	\$ (16.2)	\$ 2,259.6	\$ 2,299.0
Asset management	-	-	913.5	896.5	-	-	(100.6)	(104.2)	812.9	792.3
Dealer compensation expense	-	-	(299.5)	(292.9)	-	-	16.4	15.9	(283.1)	(277.0)
Net asset management	-	-	614.0	603.6	-	-	(84.2)	(88.3)	529.8	515.3
Net investment income and other	2.3	13.6	2.9	4.2	6.0	7.3	(0.2)	(0.3)	11.0	24.8
Proportionate share of associates' earnings	-	-	-	-	147.0	122.4	-	-	147.0	122.4
	2,278.3	2,328.8	616.9	607.8	153.0	129.7	(100.8)	(104.8)	2,947.4	2,961.5
Expenses										
Advisory and business development	960.0	986.5	80.2	79.9	-	-	-	(0.4)	1,040.2	1,066.0
Operations and support	453.7	436.0	293.7	295.2	4.1	2.2	(0.1)	(0.3)	751.4	733.1
Sub-advisory	163.2	161.5	8.7	10.8	-	-	(100.7)	(104.1)	71.2	68.2
	1,576.9	1,584.0	382.6	385.9	4.1	2.2	(100.8)	(104.8)	1,862.8	1,867.3
Adjusted earnings before interest and taxes	\$ 701.4	\$ 744.8	\$ 234.3	\$ 221.9	\$ 148.9	\$ 127.5	\$ -	\$ -	1,084.6	1,094.2
Interest expense ⁽¹⁾									(110.6)	(108.4)
Gain on sale of Personal Capital									37.2	-
Gain on sale of Quadrus Group of Funds net of acquisition costs									25.2	-
Proportionate share of associate's adjustments									3.4	-
Restructuring and other									(74.5)	-
Proportionate share of associate's one-time charges									-	(17.2)
Earnings before income taxes									965.3	968.6
Income taxes									200.7	219.7
Net earnings									764.6	748.9
Non-controlling interest									(0.2)	-
Perpetual preferred share dividends									-	(2.2)
Net earnings available to common shareholders									\$ 764.4	\$ 746.7
Adjusted net earnings available to common shareholders⁽²⁾									\$ 762.9	\$ 763.9

(1) Interest expense includes interest on long-term debt and interest on leases.

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

TABLE 6: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2020 VS. Q3 2020

THREE MONTHS ENDED (\$ millions)	WEALTH MANAGEMENT		ASSET MANAGEMENT		STRATEGIC INVESTMENTS & OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
	DEC. 31	SEP. 30	DEC. 31	SEP. 30	DEC. 31	SEP. 30	DEC. 31	SEP. 30	DEC. 31	SEP. 30
Revenues										
Wealth management	\$ 598.5	\$ 575.7	\$ –	\$ –	\$ –	\$ –	\$ (4.3)	\$ (4.1)	\$ 594.2	\$ 571.6
Asset management	–	–	242.1	233.1	–	–	(25.8)	(25.7)	216.3	207.4
Dealer compensation expense	–	–	(78.6)	(75.5)	–	–	4.3	4.2	(74.3)	(71.3)
Net asset management	–	–	163.5	157.6	–	–	(21.5)	(21.5)	142.0	136.1
Net investment income and other	1.0	0.7	1.0	1.1	1.1	0.6	0.1	(0.2)	3.2	2.2
Proportionate share of associates' earnings	–	–	–	–	40.1	43.5	–	–	40.1	43.5
	599.5	576.4	164.5	158.7	41.2	44.1	(25.7)	(25.8)	779.5	753.4
Expenses										
Advisory and business development	254.8	236.5	28.3	16.0	–	–	–	0.1	283.1	252.6
Operations and support	113.3	111.2	74.6	69.7	0.9	1.2	0.2	(0.2)	189.0	181.9
Sub-advisory	42.7	41.7	1.5	2.5	–	–	(25.9)	(25.7)	18.3	18.5
	410.8	389.4	104.4	88.2	0.9	1.2	(25.7)	(25.8)	490.4	453.0
Adjusted earnings before interest and taxes	\$ 188.7	\$ 187.0	\$ 60.1	\$ 70.5	\$ 40.3	\$ 42.9	\$ –	\$ –	289.1	300.4
Interest expense ⁽¹⁾									(27.9)	(27.9)
Gain on sale of Quadrus Group of Funds net of acquisition costs									25.2	–
Proportionate share of associate's adjustments									3.4	–
Gain on sale of Personal Capital									–	37.2
Restructuring and other									–	(74.5)
Earnings before income taxes									289.8	235.2
Income taxes									60.5	44.3
Net earnings									229.3	190.9
Non-controlling interest									(0.2)	–
Net earnings available to common shareholders									\$ 229.1	\$ 190.9
Adjusted net earnings available to common shareholders⁽²⁾									\$ 204.3	\$ 214.2

(1) Interest expense includes interest on long-term debt and interest on leases.

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

TABLE 7: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31
Income taxes at Canadian federal and provincial statutory rates	26.60 %	26.82 %	26.76 %	26.68 %	26.77 %
Effect of:					
Proportionate share of associates' earnings	(3.29)	(4.50)	(3.43)	(3.71)	(3.31)
Tax loss consolidation ⁽¹⁾	(0.96)	(1.20)	(1.36)	(1.15)	(1.41)
Other items	(0.19)	(0.12)	0.83	(0.11)	0.15
Effective income tax rate – adjusted net earnings	22.16	21.00	22.80	21.71	22.20
Disposition of assets net of acquisition costs	(0.98)	(2.14)	–	(0.82)	–
Proportionate share of associate's adjustments	(0.31)	–	0.99	(0.09)	0.48
Effective income tax rate – net earnings	20.87 %	18.86 %	23.79 %	20.80 %	22.68 %

(1) See Note 26 – Related Party Transactions of the Consolidated Financial Statements included in the 2020 IGM Financial Inc. Annual Report (Annual Financial Statements).

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under management and advisement were \$240.0 billion at December 31, 2020 compared to \$190.0 billion at December 31, 2019, an increase of 26.3%. Excluding \$30.3 billion in net business acquisitions in the fourth quarter of GLC Asset Management Group Ltd. (GLC) and Greenchip Financial Corp. (Greenchip), assets under management and advisement at December 31, 2020 were up 10.3% from December 31, 2019. Total assets under management were \$214.0 billion at December 31, 2020 compared to \$166.8 billion at December 31, 2019, an increase of 28.3%. Excluding the net business acquisitions, total assets under management were up 10.1%. Changes in assets under management and advisement are detailed in Table 8.

Changes in assets under management for the Wealth Management and Asset Management segments are discussed further in each of their respective Review of the Business sections in the MD&A.

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 9.

Net Earnings and Earnings per Share – Except as noted in the reconciliation in Table 9, variations in net earnings and total revenues result primarily from changes in average assets under management and advisement. Assets under management

and advisement were \$170.2 billion in 2018, increased to \$190.0 billion in 2019 and increased to \$240.0 billion in 2020. Increases were driven largely by changes in financial markets during the periods, and in 2020 were primarily due to net business acquisitions of \$30.3 billion. Average total assets under management and advisement for the year ended December 31, 2020 were \$191.2 billion compared to \$183.5 billion in 2019. The impact on earnings and revenues of changes in average total assets under management and advisement and other pertinent items are discussed in the Review of Segment Operating Results sections of the MD&A for both IG Wealth Management and Mackenzie.

Net earnings in future periods will largely be determined by the level of assets under management and advisement which will continue to be influenced by global market conditions.

Dividends per Common Share – Annual dividends per common share were \$2.25 in 2020, unchanged from 2019 and 2018.

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 10 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Changes in average daily investment fund assets under management over the eight most recent quarters, as shown in Table 10, largely reflect the impact of changes in domestic and foreign markets and net sales of the Company.

TABLE 8: ASSETS UNDER MANAGEMENT AND ADVISEMENT

THREE MONTHS ENDED (\$ millions)	WEALTH MANAGEMENT				ASSET MANAGEMENT		INTERCOMPANY ELIMINATIONS ⁽¹⁾		CONSOLIDATED	
	IG WEALTH MANAGEMENT		INVESTMENT PLANNING COUNSEL		MACKENZIE INVESTMENTS		2020	2019	2020	2019
	2020 DEC. 31	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31
Gross flows										
Mutual fund gross sales ⁽²⁾⁽³⁾	\$ 2,572	\$ 2,251	\$ 177	\$ 147	\$ 4,501	\$ 2,587	\$ -	\$ -	\$ 7,250	\$ 4,985
Dealer gross inflows	2,938	2,467	1,487	1,150	-	-	-	-	4,425	3,617
Net flows										
Mutual fund net sales ⁽²⁾⁽³⁾	(9)	(247)	(89)	(114)	1,376	18	-	-	1,278	(343)
ETF Net creations	-	-	-	-	372	202	-	-	372	202
Investment fund net sales	(9)	(247)	(89)	(114)	1,748	220	-	-	1,650	(141)
Institutional SMA net sales	-	-	-	-	(75)	(73)	-	-	(75)	(73)
Managed asset net sales	(9)	(247)	(89)	(114)	1,673	147	-	-	1,575	(214)
Other dealer net flows	494	138	338	91	-	-	(186)	(22)	646	207
Total net flows	485	(109)	249	(23)	1,673	147	(186)	(22)	2,221	(7)
TWELVE MONTHS ENDED										
Gross flows										
Mutual fund gross sales ⁽²⁾⁽⁵⁾	\$ 8,987	\$ 8,723	\$ 577	\$ 694	\$ 13,565	\$ 9,886	\$ -	\$ -	\$ 23,129	\$ 19,303
Dealer gross inflows	9,977	9,307	4,760	4,345	-	-	-	-	14,737	13,652
Net flows										
Mutual fund net sales ⁽²⁾⁽⁵⁾	(451)	(1,089)	(307)	(272)	2,956	512	-	-	2,198	(849)
ETF Net creations ⁽⁴⁾	-	-	-	-	1,232	707	-	-	1,232	707
Investment fund net sales	(451)	(1,089)	(307)	(272)	4,188	1,219	-	-	3,430	(142)
Institutional SMA net sales	-	-	-	-	2,062	(1,492)	-	-	2,062	(1,492)
Managed asset net sales	(451)	(1,089)	(307)	(272)	6,250	(273)	-	-	5,492	(1,634)
Other dealer net flows	1,246	309	680	(317)	-	-	(319)	(22)	1,607	(30)
Total net flows	795	(780)	373	(589)	6,250	(273)	(319)	(22)	7,099	(1,664)
Assets under Management and Advice										
Wealth Management										
AUM	\$ 97,713	\$ 93,161	\$ 5,320	\$ 5,391			\$ -	\$ -	\$ 103,033	\$ 98,552
Other AUA	5,560	3,939	23,998	22,337			(8)	(8)	29,550	26,268
AUA	103,273	97,100	29,318	27,728			(8)	(8)	132,583	124,820
Asset Management										
Mutual funds					\$ 55,462	\$ 60,839			55,462	60,839
ETFs					3,788	2,372			3,788	2,372
Investment funds					59,250	63,211			59,250	63,211
Institutional SMA					51,688	5,046			51,688	5,046
Total ex sub-advisory to Wealth Management					110,938	68,257			110,938	68,257
Sub-advisory to Wealth Management					75,821	73,575			75,821	73,575
Total AUM					186,759	141,832			186,759	141,832
ETFs										
Distributed to third parties					3,788	2,372			3,788	2,372
Held within IGM investment funds					4,663	2,376	(4,663)	(2,376)	-	-
Total ETFs					8,451	4,748	(4,663)	(2,376)	3,788	2,372
Consolidated										
AUM	97,713	93,161	5,320	5,391	186,759	141,832	(75,821)	(73,575)	213,971	166,809
Other AUA	5,560	3,939	23,998	22,337	-	-	(3,579)	(3,050)	25,979	23,226
AUM&A	103,273	97,100	29,318	27,728	186,759	141,832	(79,400)	(76,625)	239,950	190,035

(1) Consolidated results eliminate double counting where business is reflected within multiple segments.

(2) IG Wealth Management and Investment Planning Counsel AUM and net sales include separately managed accounts.

(3) During the fourth quarter of 2020, institutional clients which include Mackenzie mutual funds within their investment offerings made fund allocation changes which resulted in sales of \$625 million and net sales of \$32 million.

(4) ETFs – During the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in \$370 million of purchases in Mackenzie ETFs and \$325 million of redemptions from Mackenzie's ETFs respectively.

(5) During 2020, institutional clients which include Mackenzie mutual funds within their investment offerings made fund allocation changes which resulted in sales of \$1.4 billion and net sales of \$612 million (2019 – sales of \$129 million, net redemptions of \$36 million).

TABLE 9: SELECTED ANNUAL INFORMATION

	2020	2019	2018
Consolidated statements of earnings (\$ millions)			
Revenues			
Wealth management	\$ 2,259.6	\$ 2,299.0	\$ 2,276.6
Net asset management	529.8	515.3	515.5
Net investment income and other	11.0	24.8	20.0
Proportionate share of associates' earnings	147.0	122.4	150.0
	2,947.4	2,961.5	2,962.1
Expenses			
	1,973.4	1,975.7	1,942.6
	974.0	985.8	1,019.5
Gain on sale of Personal Capital	37.2	-	-
Gain on sale of Quadrus Group of Funds net of acquisition costs	25.2	-	-
Proportionate share of associate's adjustments	3.4	-	-
Restructuring and other	(74.5)	-	(22.7)
Proportionate share of associate's one-time charges	-	(17.2)	-
Premium paid on early redemption of debentures	-	-	(10.7)
Earnings before income taxes	965.3	968.6	986.1
Income taxes	200.7	219.7	210.0
Net earnings	764.6	748.9	776.1
Non-controlling interest	(0.2)	-	-
Perpetual preferred share dividends	-	(2.2)	(8.8)
Net earnings available to common shareholders	\$ 764.4	\$ 746.7	\$ 767.3
Reconciliation of Non-IFRS financial measures⁽¹⁾ (\$ millions)			
Adjusted net earnings available to common shareholders – non-IFRS measure	\$ 762.9	\$ 763.9	\$ 791.8
Other items:			
Gain on sale of Personal Capital, net of tax	31.4	-	-
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	21.4	-	-
Proportionate share of associate's adjustments	3.4	-	-
Restructuring and other, net of tax	(54.7)	-	(16.7)
Proportionate share of associate's one-time charges	-	(17.2)	-
Premium paid on early redemption of debentures, net of tax	-	-	(7.8)
Net earnings available to common shareholders – IFRS	\$ 764.4	\$ 746.7	\$ 767.3
Earnings per share (\$)			
Adjusted net earnings available to common shareholders ⁽¹⁾			
– Basic	\$ 3.20	\$ 3.19	\$ 3.29
– Diluted	3.20	3.19	3.29
Net earnings available to common shareholders			
– Basic	3.21	3.12	3.19
– Diluted	3.21	3.12	3.18
Dividends per share (\$)			
Common	\$ 2.25	\$ 2.25	\$ 2.25
Preferred, Series B	-	0.37	1.48
Average assets under management and advisement (\$ billions)			
Investment fund assets under management	\$ 161.7	\$ 155.5	\$ 150.5
Total assets under management	168.5	161.1	156.9
Total assets under management and advisement	191.2	183.5	179.3
Ending assets under management and advisement (\$ billions)			
Investment fund assets under management	\$ 162.3	\$ 161.8	\$ 143.3
Total assets under management	214.0	166.8	149.1
Total assets under management and advisement	240.0	190.0	170.2
Total corporate assets (\$ millions)	\$ 16,062	\$ 15,391	\$ 15,609
Total long-term debt (\$ millions)	\$ 2,100	\$ 2,100	\$ 1,850
Outstanding common shares (thousands)	238,308	238,294	240,885

(1) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in addition to the Summary of Consolidated Operating Results section included in this MD&A for an explanation of Other items used to calculate the Company's Non-IFRS financial measures.

TABLE 10: SUMMARY OF QUARTERLY RESULTS

	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Consolidated statements of earnings (\$ millions)								
Revenues								
Wealth management	\$ 594.2	\$ 571.6	\$ 531.1	\$ 562.7	\$ 587.1	\$ 581.1	\$ 577.5	\$ 553.3
Asset management	216.3	207.4	190.7	198.5	203.4	201.2	198.5	189.2
Dealer compensation expense	(74.3)	(71.3)	(66.1)	(71.4)	(69.8)	(68.9)	(69.6)	(68.7)
Net asset management	142.0	136.1	124.6	127.1	133.6	132.3	128.9	120.5
Net investment income and other	3.2	2.2	7.6	(2.0)	6.7	2.0	4.9	11.2
Proportionate share of associates' earnings	40.1	43.5	43.3	20.1	32.6	28.9	28.2	32.7
	779.5	753.4	706.6	707.9	760.0	744.3	739.5	717.7
Expenses								
Advisory and business development	283.1	252.6	245.4	259.1	270.9	257.1	267.7	270.3
Operations and support	189.0	181.9	185.4	195.1	182.6	180.3	178.5	191.7
Sub-advisory	18.3	18.5	16.9	17.5	18.1	17.4	17.0	15.7
Interest ⁽¹⁾	27.9	27.9	27.5	27.3	27.8	27.8	27.6	25.2
	518.3	480.9	475.2	499.0	499.4	482.6	490.8	502.9
Earnings before undernoted	261.2	272.5	231.4	208.9	260.6	261.7	248.7	214.8
Gain on sale of Personal Capital	–	37.2	–	–	–	–	–	–
Gain on sale of Quadrus Group of Funds net of acquisition costs	25.2	–	–	–	–	–	–	–
Proportionate share of associate's adjustments	3.4	–	–	–	–	–	–	–
Restructuring and other	–	(74.5)	–	–	–	–	–	–
Proportionate share of associate's one-time charges	–	–	–	–	(9.2)	–	(8.0)	–
Earnings before income taxes	289.8	235.2	231.4	208.9	251.4	261.7	240.7	214.8
Income taxes	60.5	44.3	47.9	48.0	59.8	59.2	55.6	45.1
Net earnings	229.3	190.9	183.5	160.9	191.6	202.5	185.1	169.7
Non-controlling interest	(0.2)	–	–	–	–	–	–	–
Perpetual preferred share dividends	–	–	–	–	–	–	–	(2.2)
Net earnings available to common shareholders	\$ 229.1	\$ 190.9	\$ 183.5	\$ 160.9	\$ 191.6	\$ 202.5	\$ 185.1	\$ 167.5
Reconciliation of Non-IFRS financial measures⁽²⁾ (\$ millions)								
Adjusted net earnings available to common shareholders – non-IFRS measure	\$ 204.3	\$ 214.2	\$ 183.5	\$ 160.9	\$ 200.8	\$ 202.5	\$ 193.1	\$ 167.5
Other items:								
Gain on sale of Personal Capital, net of tax	–	31.4	–	–	–	–	–	–
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	21.4	–	–	–	–	–	–	–
Proportionate share of associate's adjustments	3.4	–	–	–	–	–	–	–
Restructuring and other, net of tax	–	(54.7)	–	–	–	–	–	–
Proportionate share of associate's one-time charges	–	–	–	–	(9.2)	–	(8.0)	–
Net earnings available to common shareholders – IFRS	\$ 229.1	\$ 190.9	\$ 183.5	\$ 160.9	\$ 191.6	\$ 202.5	\$ 185.1	\$ 167.5
Earnings per Share (c)								
Adjusted net earnings available to common shareholders ⁽¹⁾								
– Basic	86	90	77	68	84	85	81	70
– Diluted	86	90	77	68	84	85	81	70
Net earnings available to common shareholders								
– Basic	96	80	77	68	80	85	77	70
– Diluted	96	80	77	68	80	85	77	70
Average assets under management and advisement (\$ billions)								
Investment fund assets under management	\$ 169.8	\$ 163.7	\$ 152.6	\$ 158.5	\$ 159.5	\$ 156.8	\$ 155.7	\$ 149.9
Total assets under management	177.6	171.4	159.2	163.3	164.5	162.1	161.8	155.9
Assets under management and advisement	202.2	194.9	181.5	186.0	187.4	184.7	184.2	177.8
Ending assets under management and advisement (\$ billions)								
Investment fund assets under management	\$ 162.3	\$ 164.9	\$ 157.8	\$ 143.2	\$ 161.8	\$ 157.6	\$ 156.3	\$ 154.3
Total assets under management	214.0	172.6	165.4	147.5	166.8	162.5	162.3	160.5
Assets under management and advisement	240.0	196.4	188.3	168.4	190.0	185.1	184.9	182.8

(1) Interest expense includes interest on long-term debt and interest on leases.

(2) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A in addition to the Summary of Consolidated Operating Results section included in the MD&A of the 2020 IGM Financial Inc. Annual Report for an explanation of Other items used to calculate the Company's Non-IFRS financial measures.

Wealth Management

The Wealth Management segment consists of both IG Wealth Management and Investment Planning Counsel, Inc. (IPC). Prior to the third quarter of 2020, IG Wealth Management was disclosed as a separate segment and IPC was included as part of the Corporate and other segment.

Other key differences of the reporting changes are as follows:

- **Wealth management revenue** include Advisory fees, Product and program fees and Other financial planning revenues. Revenues were previously recorded by function (i.e. management, administration, distribution). Wealth management revenues depend largely on the level and composition of client assets under advisement. Advisory fees are fees for providing financial advice to clients including fees related to the distribution of products.
- **Product and program fees** are related to the management of investment products and include management, administration and other related fees.
- **Other financial planning revenues** are fees related to providing clients other financial products including mortgages, insurance and banking products.
- Expenses include **Advisory and business development, Operations and support** and **Sub-advisory fees**. Expenses were previously categorized as either commission or non-commission.
- **Sub-advisory fees** are fees paid between segments and to third parties for investment management services provided to our investment products. Under the new segments, Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

Review of the Business

IG Wealth Management, founded in 1926, provides comprehensive personal financial planning and wealth management services to Canadians through our exclusive network of approximately 3,300 Consultants. IG Wealth Management clients are more than one million individuals, families and business owners.

Investment Planning Counsel, founded in 1996, is an independent distributor of financial products, services and advice in Canada, with 696 financial advisors.

The Wealth Management segment provides a comprehensive planning approach, through IG Wealth Management Consultants and IPC Advisors, by offering a broad range of financial products and services.

The review of the business in the Wealth Management section primarily relates to IG Wealth Management as it represents 97% of earnings before interest and taxes of the total segment.

2020 DEVELOPMENTS

COVID-19 AND CLIENT OUTREACH

As a result of COVID-19 and the resulting impact to global financial markets, we have significantly increased communications to clients and Consultants. We have provided comprehensive information and ongoing market updates to our Consultants, so they have the tools they need to support our clients and their long-term financial planning needs. Our Consultants continue to actively reach out and communicate with our clients, continuing to reinforce the importance of long term planning and a diversified investment portfolio.

During the year, IG Wealth Management launched "Answering the Call," a new program to support Canadian small and medium-sized businesses (SMBs) and their communities as they navigate the financial challenges presented by the COVID-19 crisis.

As of March 2020, there were almost 1.1 million SMBs in Canada, which employed 70 per cent of all private sector workers. IG Wealth Management counts several thousand SMBs among its clients and has been working closely with them throughout this period. The firm has now extended its financial planning expertise to SMB owners across the country.

The Answering the Call initiative was inspired by and is an extension of the work IG Consultants have been doing in their communities since the crisis began. It includes:

- free live regional webinars with tax, financial planning and investing specialists;
- videos from experts on a variety of topics;
- insights on tax planning and how to better understand and access government programs; and
- the opportunity for SMB owners across Canada to be matched with a local IG Wealth Management advisor for a no-obligation consultation.

The firm has also set up an initiative that will see as much as \$500,000 donated by IG Wealth Management to support local businesses and their communities. This is in addition to the \$1 million donation IGM Financial made along with Canada Life and Power Corporation of Canada to support crisis relief efforts.

FEE TRANSPARENCY FOR ALL CLIENTS AND PRICING CHANGES

IG Wealth Management is delivering on its client-focused commitment by expanding fee transparency while introducing product and pricing changes to accelerate growth.

We increased fee transparency by making unbundled solutions available to all client segments in the fourth quarter of 2019. This means clients pay an advisory fee to the dealer for its services as opposed to dealer compensation being bundled within mutual fund management fees. Previously, these solutions were available only to high net worth clients.

IG Wealth Management introduced the IG Advisory Account (IGAA) in the fourth quarter of 2019. IGAA is a fee-based account that offers clients the ability to simplify and consolidate investments into a single account while providing unbundled pricing solutions and improved fee transparency.

IG WEALTH MANAGEMENT STRATEGY

IG Wealth Management's promise is to inspire financial confidence.

Our strategic mandate is to be Canada's financial partner of choice.

Canadians hold \$5.0 trillion in discretionary financial assets with financial institutions at December 31, 2019 based on the most recent report from Investor Economics, and we view these savings as IG Wealth's addressable market. 75% of these savings are held by households with over \$1 million, which are referred to as high net worth, and another 21% reside with households with between \$100,000 and \$1 million, which are referred to as mass affluent. These segments tend to have more complicated financial needs, and IG Wealth Management's focus on providing comprehensive financial planning solutions positions it well to compete and grow in these segments.

Our value proposition is to deliver better Gamma, better Beta and better Alpha.

We seek to deliver our value proposition through:

- Superior Advice – Acquiring a deep knowledge of Canadian investors and using those insights to shape everything we do.
- Segmented Client Experiences – Creating segmented experiences personalized throughout our clients' lifetimes.
- Entrepreneurial Advisors – Inspiring our entrepreneurial advisors to constantly deliver an engaging experience and a holistic plan that seeks to deliver superior outcomes.
- Powerful Financial Solutions – Providing our clients with a comprehensive suite of well-constructed, high-performing and competitively priced solutions.
- Business processes that are simple, easy and digitized – Re-designing client and advisor interactions to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.
- A high-performing and diverse culture.

DELIVERING GAMMA

THE VALUE OF ALL EFFORTS THAT SIT OUTSIDE OF INVESTMENT PORTFOLIO CONSTRUCTION. THIS INCLUDES THE VALUE THAT A FINANCIAL ADVISOR ADDS TO A CLIENT RELATIONSHIP, AND COMES FROM THE CREATION AND FOLLOW THROUGH OF A WELL-CONSTRUCTED FINANCIAL PLAN.

Entrepreneurial Advisors, Superior Advice

Our financial advisors provide value to clients by developing insight into their specific needs, creating and implementing well-constructed financial plans and offering superior advice. IG Wealth Management has a national distribution network of more than 3,000 highly qualified financial advisors (called Consultants) in communities throughout Canada. Our advisory services are most suited to individuals with complicated financial needs.

All IG Wealth Management Consultant practices hold a credentialed financial planning designation or are enrolled in a program. These designations are nationally recognized financial planning qualifications that require an individual to demonstrate financial planning competence through education, standardized examinations, continuing education requirements, and accountability to ethical standards.

The following provides a breakdown of the IG Wealth Management Consultant network into its significant components at December 31, 2020:

- 1,820 Consultant practices (1,830 at December 31, 2019), which reflect Consultants with more than four years of experience. These practices may include Associates as described below. The level and productivity of Consultant practices is a key measurement of our business as they serve clientele representing approximately 97% of AUM.
- 440 New Consultants (520 at December 31, 2019), which are those Consultants with less than four years of experience.
- 1,044 Associates and Regional Directors (1,031 at December 31, 2019). Associates are licensed team members of Consultant practices who provide financial planning services and advice to the clientele served by the team.
- IG Wealth Management had a total Consultant network of 3,304 (3,381 at December 31, 2019).

IG Wealth Management's recruiting standards increase the likelihood of success while also enhancing our culture and brand.

Our training curriculum is reviewed and refreshed each year to offer new Consultants important building blocks to develop client relationships. As Consultants progress, they develop their skills as financial planners and business managers through a selection of focused educational programs.

We also support Consultants and clients through our network of product and planning specialists, who assist in the areas of advanced financial planning, mortgages and banking, insurance, and securities. These specialists help to ensure that we are

providing comprehensive financial planning across all elements of a client's financial life. Clients are served by our Mutual Fund Dealers Association of Canada (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) licensed Consultants or specialists.

Segmented Client Experiences

IG Wealth Management distinguishes itself from our competition by offering comprehensive planning to our clients within the context of long-term relationships. A primary focus is on advising and attracting high net worth and mass affluent clients.

For the distinct needs of the high net worth market, we offer IG Private Wealth Management which includes investment management, retirement, tax and estate planning services.

IG Living Plan™ is our holistic, client-centric approach to financial planning that reflects the evolving needs, goals and aspirations of Canadian families and individuals. The IG Living Plan provides a single, integrated view of all aspects of a client's finances. It incorporates investments, tax and risk management strategies, for a truly personalized plan.

The IG Living Plan leverages the expertise of IG Wealth Management's Consultants who serve approximately one million clients located in communities throughout Canada.

IG Wealth Management has a full range of products that allow us to provide a tailored IG Living Plan that evolves over time. These products include:

- Powerful financial solutions that include investment vehicles that match risk and investment performance to each client's needs and requirements.
- Insurance products that include a variety of different policy types from the leading insurers in Canada.
- Mortgage and banking solutions that are offered as part of a comprehensive financial plan.
- Charitable Giving Program, a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

We have established a National Service Centre focused on clients with small account values, while our Consultant practices focus on those clients who have more complicated needs.

Business Processes

IG Wealth Management continually seeks to enhance our systems and business processes so our Consultants can serve clients more effectively. We look to enhance client and advisor interactions on an ongoing basis to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.

During 2020, we launched the IG Wealth Management Advisor Portal which is a customer relationship management platform based on Salesforce. It enables our Consultants to manage client relationships, improve their efficiency through digitized workflows, and access data-driven reporting to help better run their practices.

IG Wealth Management's dealer platform provides increased automation and supports both MFDA and IIROC licensed advisors as well as new products on our investment dealer platform designed to support the high net worth segment of our client base.

A High-Performing and Diverse Culture

It is essential that we offer competitive compensation and benefits to attract and retain outstanding people. Our training and development approach, along with our use of feedback from periodic employee and advisor surveys, positions our employees and advisors to better serve our clients.

DELIVERING BETA AND ALPHA

BETA – THE VALUE CREATED BY WELL-CONSTRUCTED INVESTMENT PORTFOLIOS – ACHIEVING EXPECTED INVESTMENT RETURNS FOR THE LOWEST POSSIBLE RISK.

ALPHA – THE VALUE OF ACTIVE MANAGEMENT – ACHIEVING RETURNS SUPERIOR TO PASSIVE BENCHMARKS WITH A SIMILAR COMPOSITION AND RISK PROFILE.

IG Wealth Management strives to achieve expected investment returns for the lowest possible risk through well-constructed investment portfolios (Beta), and to create value for clients through active management (Alpha). To do this, we select and engage high-quality global sub-advisors so our clients have access to a diverse range of investment products and solutions. Each asset manager is selected through a proven and rigorous process. We oversee all sub-advisors to ensure that their activities are consistent with their investment philosophies and with the investment objectives and strategies of the products they advise.

IG Wealth Management's relationships include Mackenzie Investments and other world class investment firms such as BlackRock, T. Rowe Price, PIMCO, China AMC, Putnam and JP Morgan Asset Management.

Powerful Financial Solutions

We provide clients with an extensive suite of well-constructed and competitively priced financial solutions. We regularly enhance the scope and diversity of our investment offering with new funds and product changes that enable clients to achieve their goals.

Our solutions include:

- A deep and broad selection of mutual funds, diversified by manager, asset category, investment style, geography, market capitalization and sector.
- Managed portfolios that rebalance investments to ensure that a chosen mix of risk and return is maintained. These solutions include IG Core Portfolios, IG Managed Payout Portfolios, Investors Portfolios, and IG Managed Risk Portfolios.
- *IG Advisory Account (IGAA) and unbundled fee structures* – The IGAA was introduced in the fourth quarter of 2019 and is a fee-based account that improves client experience by offering the ability to simplify and consolidate selected investments into a single account while providing all of our clients with unbundled pricing solutions. IGAA accounts increase fee transparency and can hold most securities and investment products available in the marketplace to individual investors.
- *iProfile™ Private Portfolios* – iProfile Private portfolios are unique portfolio management programs that are available for households with investments held at IG Wealth Management in excess of \$250,000. iProfile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions.

During the third quarter, the iProfile Fixed Income Private Pool revised its investment strategies by adding a Private Credit Mandate that provides diversified exposure to private credit investments in privately held companies from around the world. The Pool subsequently made commitments to three of Northleaf Capital Partners' private credit investments that focus on loans to middle market companies in North America and Europe.

- *iProfile™ Portfolios* – iProfile Portfolios are a suite of four managed solutions that provide comprehensive diversification and are designed to suit personal preferences for risk tolerance and investment goals. These portfolios are available to households with investments held at IG Wealth Management in excess of \$100,000.
- Segregated funds that provide for long-term investment growth potential combined with risk management, benefit guarantee features and estate planning efficiencies.
- Separately managed accounts (discretionary dealer-managed accounts) and fee-based brokerage accounts.

A growing portion of IG Wealth Management's client assets are in unbundled fee structures. We are in the process of migrating our clients to unbundled fee products, a significant change for IG Wealth Management and the Canadian mutual fund industry overall. Unbundled fee products separate the advisory fee that is charged directly to a client's account from the fees charged to the underlying investment funds. This separation provides clients with greater transparency into the fees they pay, and allows IG Wealth Management to offer competitive pricing, particularly for high net worth clients. This allows IG Wealth Management

to differentiate pricing by client segment, ensuring that it is competitive and rewards client loyalty while encouraging consolidation of client wealth at IG and attracting new clients.

We have discontinued offering bundled purchase options for substantially all investment products.

IG Wealth Management monitors its investment performance by comparing to certain benchmarks. Morningstar[†] fund ranking service is one of the rankings monitored when determining fund performance.

At December 31, 2020, 90.8% of IG Wealth Management mutual fund unbundled series had a rating of three stars or better from Morningstar[†] fund ranking service and 37.4% had a rating of four or five stars. This compared to the Morningstar[†] universe of 71.2% for three stars or better and 36.3% for four and five star funds at December 31, 2020. These are available within the IG Advisory Account to which we are in the process of migrating IG client accounts. Morningstar Ratings[†] are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under management and advisement are key performance indicators for the Wealth Management segment.

Wealth Management's assets under advisement were \$132.6 billion at December 31, 2020, an increase of 6.2% from December 31, 2019. The level of assets under advisement are influenced by three factors: client inflows, client outflows and investment returns.

Wealth Management's assets under management were \$103.0 billion, an increase of 4.5% from December 31, 2019. The level of assets under management are influenced by sales, redemptions and investment returns.

Changes in Wealth Management assets under advisement and assets under management for the periods under review are reflected in Tables 11 and 12.

IG WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT AND ADVISEMENT

The introduction of the IG Advisory Account means that fees are charged on eligible external assets under advisement. Assets under advisement are therefore a key performance indicator for IG Wealth Management. Revenues from the IG Advisory Account are earned on eligible external assets under advisement. Our Consultants' compensation is also based on assets contributed into the IG Advisory Account and other fee-based programs.

IG Wealth Management's assets under advisement were \$103.3 billion at December 31, 2020, an increase of 6.4% from

TABLE 11: CHANGE IN ASSETS UNDER ADVISEMENT – WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)				% CHANGE	
	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	2020 SEP. 30	2019 DEC. 31
Gross client inflows	\$ 4,425	\$ 3,024	\$ 3,617	46.3 %	22.3 %
Gross client outflows	3,688	3,179	3,748	16.0	(1.6)
Net flows	737	(155)	(131)	N/M	N/M
Investment returns	6,831	4,703	3,254	45.2	109.9
Net change in assets	7,568	4,548	3,123	66.4	142.3
Beginning assets	125,015	120,467	121,697	3.8	2.7
Ending assets under advisement	\$ 132,583	\$ 125,015	\$ 124,820	6.1 %	6.2 %
IG Wealth Management	103,273	97,538	97,100	5.9	6.4
Investment Planning Counsel	29,318	27,484	27,728	6.7	5.7
Average assets under advisement	\$ 128,342	\$ 124,327	\$ 123,180	3.2 %	4.2 %
IG Wealth Management	100,295	97,045	95,780	3.3	4.7
Investment Planning Counsel	28,054	27,288	27,407	2.8	2.4

TWELVE MONTHS ENDED (\$ millions)			% CHANGE
	2020 DEC. 31	2019 DEC. 31	
Gross client inflows	\$ 14,737	\$ 13,652	7.9 %
Gross client outflows	13,564	15,016	(9.7)
Net flows	1,173	(1,364)	N/M
Investment returns	6,590	14,064	(53.1)
Net change in assets	7,763	12,700	(38.9)
Beginning assets	124,820	112,120	11.3
Ending assets under advisement	\$ 132,583	\$ 124,820	6.2 %
IG Wealth Management	103,273	97,100	6.4
Investment Planning Counsel	29,318	27,728	5.7
Average assets under advisement	\$ 122,919	\$ 120,622	1.9 %
IG Wealth Management	95,870	93,546	2.5
Investment Planning Counsel	27,056	27,084	(0.1)

December 31, 2019, and mutual fund assets under management were \$97.7 billion, an increase of 4.9%.

Changes in IG Wealth Management assets under advisement and management for the periods under review are reflected in Tables 13 and 14.

For the quarter ended December 31, 2020, gross client inflows of IG Wealth Management assets under advisement were \$2.9 billion, an increase of 19.1% from \$2.5 billion in the comparable period in 2019. Net client inflows were \$485 million in the fourth quarter, an improvement of \$594 million from net client outflows of \$109 million in the comparable period in 2019. During the fourth quarter, investment returns resulted in an increase of \$5.3 billion in assets under advisement compared to an increase of \$2.7 billion in the fourth quarter of 2019.

For the year ended December 31, 2020, gross client inflows of IG Wealth Management assets under advisement were \$10.0 billion, an increase of 7.2% from \$9.3 billion in the comparable period in 2019. Net client inflows were \$795 million in 2020, an increase of \$1.6 billion from net client outflows

of \$780 million in the comparable period in 2019. During the twelve month period, investment returns resulted in an increase of \$5.4 billion in assets under advisement compared to an increase of \$11.5 billion in 2019.

Changes in mutual fund assets under management for the periods under review are reflected in Table 14.

At December 31, 2020, \$51.7 billion, or 53% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 43.3% from \$36.0 billion at December 31, 2019 which represented 39% of assets under management.

HIGH NET WORTH OFFERINGS

IG Wealth Management has several offerings to address the needs of high net worth clients, who represent a growing segment of our client base, and continues to look at improving our offerings to this segment. Assets under management for clients in this category totalled \$58.9 billion at December 31, 2020, an increase of 18.5% from one year ago, and represented

TABLE 12: CHANGE IN ASSETS UNDER MANAGEMENT – WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2020		2019		% CHANGE	
	DEC. 31	SEP. 30	DEC. 31	SEP. 30	DEC. 31	DEC. 31
Sales	\$ 2,749	\$ 2,046	\$ 2,398		34.4 %	14.6 %
Redemptions	2,847	2,382	2,759		19.5	3.2
Net sales (redemptions)	(98)	(336)	(361)		70.8	72.9
Investment returns	5,118	3,775	2,769		35.6	84.8
Net change in assets	5,020	3,439	2,408		46.0	108.5
Beginning assets	98,013	94,574	96,144		3.6	1.9
Ending assets under management	\$ 103,033	\$ 98,013	\$ 98,552		5.1 %	4.5 %
IG Wealth Management	97,713	92,874	93,161		5.2	4.9
Investment Planning Counsel	5,320	5,139	5,391		3.5	(1.3)
Daily average mutual fund assets	\$ 100,419	\$ 97,687	\$ 97,316		2.8 %	3.2 %
IG Wealth Management	95,194	92,543	91,931		2.9	3.5
Investment Planning Counsel	5,225	5,144	5,385		1.6	(3.0)

TWELVE MONTHS ENDED (\$ millions)	2020		2019		% CHANGE	
	DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31
Sales		\$ 9,564		\$ 9,417		1.6 %
Redemptions		10,322		10,778		(4.2)
Net sales (redemptions)		(758)		(1,361)		44.3
Investment returns		5,239		11,651		(55.0)
Net change in assets		4,481		10,290		(56.4)
Beginning assets		98,552		88,262		11.7
Ending assets under management		\$ 103,033		\$ 98,552		4.5 %
IG Wealth Management		97,713		93,161		4.9
Investment Planning Counsel		5,320		5,391		(1.3)
Daily average mutual fund assets		\$ 97,062		\$ 95,252		1.9 %
IG Wealth Management		91,929		89,875		2.3
Investment Planning Counsel		5,133		5,377		(4.5)

60% of total assets under management. Sales of high net worth solutions totalled \$1.6 billion for the fourth quarter of 2020, an increase of 28.8% from a year ago, and represented 62% of total sales up from 55% in 2019. For the twelve month period, sales of high net worth solutions totalled \$4.8 billion, an increase of 7.9% from a year ago, and represented 54% of total sales up from 52% in 2019. High net worth solutions include Series U and for family groups in excess of \$500,000, Series J and iProfile™ Private Portfolios.

- Series U is available to all clients and provides an unbundled pricing structure that separates the advisory fee, which is charged directly to a client's account, from the fees charged to the underlying investment funds. At December 31, 2020, Series U assets under management related to households with investments held at IG Wealth Management in excess of \$500,000 had increased to \$28.5 billion, compared to \$20.6 billion at December 31, 2019, an increase of 38.1%.

- iProfile™ Private Portfolios – are unique portfolio management programs that are available for households with investments held at IG Wealth Management in excess of \$250,000. The iProfile program also has an unbundled pricing structure. At December 31, 2020, the iProfile program assets under management were \$19.7 billion, an increase of 30.0% from \$15.1 billion at December 31, 2019.
- Series J is available for households with investments in IG Wealth Management funds in excess of \$500,000 and had assets of \$10.7 billion at December 31, 2020, a decrease of 23.1% from \$14.0 billion at December 31, 2019, largely as a result of transfer activity from Series J to Series U. Series J pricing structure bundles the cost of asset management and advice into one fee. We continue to migrate clients from Series J to Series U.

NATIONAL SERVICE CENTRE

Our National Service Centre supports more than 200,000 clients and \$1.8 billion assets under management.

TABLE 13: CHANGE IN ASSETS UNDER ADVISEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)				% CHANGE	
	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	2020 SEP. 30	2019 DEC. 31
Gross client inflows	\$ 2,938	\$ 2,132	\$ 2,467	37.8 %	19.1 %
Gross client outflows	2,453	2,141	2,576	14.6	(4.8)
Net flows	485	(9)	(109)	N/M	N/M
Investment returns	5,250	3,711	2,680	41.5	95.9
Net change in assets	5,735	3,702	2,571	54.9	123.1
Beginning assets	97,538	93,836	94,529	3.9	3.2
Ending assets	\$ 103,273	\$ 97,538	\$ 97,100	5.9 %	6.4 %
Average assets under advisement	\$ 100,295	\$ 97,045	\$ 95,780	3.3 %	4.7 %

TWELVE MONTHS ENDED (\$ millions)				% CHANGE	
	2020 DEC. 31	2019 DEC. 31	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31
Gross client inflows	\$ 9,977	\$ 9,307		7.2 %	
Gross client outflows	9,182	10,087		(9.0)	
Net flows	795	(780)		N/M	
Investment returns	5,378	11,458		(53.1)	
Net change in assets	6,173	10,678		(42.2)	
Beginning assets	97,100	86,422		12.4	
Ending assets	\$ 103,273	\$ 97,100		6.4 %	
Average assets under advisement	\$ 95,870	\$ 93,546		2.5 %	

TABLE 14: CHANGE IN ASSETS UNDER MANAGEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)				% CHANGE	
	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	2020 SEP. 30	2019 DEC. 31
Sales	\$ 2,572	\$ 1,949	\$ 2,251	32.0 %	14.3 %
Redemptions	2,581	2,208	2,498	16.9	3.3
Net sales (redemptions)	(9)	(259)	(247)	96.5	96.4
Investment returns	4,848	3,600	2,629	34.7	84.4
Net change in assets	4,839	3,341	2,382	44.8	103.1
Beginning assets	92,874	89,533	90,779	3.7	2.3
Ending assets	\$ 97,713	\$ 92,874	\$ 93,161	5.2 %	4.9 %
Daily average assets under management	\$ 95,194	\$ 92,543	\$ 91,931	2.9 %	3.5 %

TWELVE MONTHS ENDED (\$ millions)				% CHANGE	
	2020 DEC. 31	2019 DEC. 31	2019 DEC. 31	2020 DEC. 31	2019 DEC. 31
Sales	\$ 8,987	\$ 8,723		3.0 %	
Redemptions	9,438	9,812		(3.8)	
Net sales (redemptions)	(451)	(1,089)		58.6	
Investment returns	5,003	11,113		(55.0)	
Net change in assets	4,552	10,024		(54.6)	
Beginning assets	93,161	83,137		12.1	
Ending assets	\$ 97,713	\$ 93,161		4.9 %	
Daily average assets under management	\$ 91,929	\$ 89,875		2.3 %	

CHANGE IN ASSETS UNDER MANAGEMENT AND ADVISEMENT – 2020 VS. 2019

IG Wealth Management's assets under advisement were \$103.3 billion at December 31, 2020, up 6.4% from \$97.1 billion at December 31, 2019. IG Wealth Management's mutual fund assets under management were \$97.7 billion at December 31, 2020, representing an increase of 4.9% from \$93.2 billion at December 31, 2019. Average daily mutual fund assets were \$95.2 billion in the fourth quarter of 2020, up 3.5% from \$91.9 billion in the fourth quarter of 2019. Average daily mutual fund assets were \$91.9 billion for the twelve months ended December 31, 2020, up 2.3% from \$89.9 billion in 2019.

For the quarter ended December 31, 2020, sales of IG Wealth Management mutual funds through its Consultant network were \$2.6 billion, an increase of 14.3% from the comparable period in 2019. Mutual fund redemptions totalled \$2.6 billion, an increase of 3.3% from 2019. IG Wealth Management mutual fund net redemptions for the fourth quarter of 2020 were \$9 million compared with net redemptions of \$247 million in 2019. During the fourth quarter, investment returns resulted in an increase of \$4.8 billion in mutual fund assets compared to an increase of \$2.6 billion in the fourth quarter of 2019.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 10.3% in the fourth quarter of 2020, compared to 10.2% in the fourth quarter of 2019. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 9.8% at December 31, 2020, compared to 10.3% at December 31, 2019, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 15.8% at December 31, 2020. IG Wealth Management's redemption rate has been very stable compared to the overall mutual fund industry, reflecting our focus on financial planning.

For the twelve months ended December 31, 2020, sales of IG Wealth Management mutual funds through its Consultant network were \$9.0 billion, an increase of 3.0% from 2019. Mutual fund redemptions totalled \$9.4 billion, a decrease of 3.8% from 2019. Net redemptions of IG Wealth Management mutual funds were \$451 million compared with net redemptions of \$1.1 billion in 2019. During 2020, investment returns resulted in an increase of \$5.0 billion in mutual fund assets compared to an increase of \$11.1 billion in 2019.

CHANGE IN ASSETS UNDER MANAGEMENT AND ADVISEMENT – Q4 2020 VS. Q3 2020

IG Wealth Management's assets under advisement were \$103.3 billion at December 31, 2020, an increase of 5.9% from \$97.5 billion at September 30, 2020. IG Wealth Management's mutual fund assets under management were \$97.7 billion at December 31, 2020, an increase of 5.2% from \$92.9 billion at September 30, 2020. Average daily mutual fund assets

were \$95.2 billion in the fourth quarter of 2020 compared to \$92.5 billion in the third quarter of 2020, an increase of 2.9%.

For the quarter ended December 31, 2020, sales of IG Wealth Management mutual funds through its Consultant network were \$2.6 billion, an increase of 32.0% from the third quarter of 2020. Mutual fund redemptions, which totalled \$2.6 billion for the fourth quarter, increased 16.9% from the previous quarter and the annualized quarterly redemption rate was 10.3% in the fourth quarter compared to 9.0% in the third quarter of 2020. IG Wealth Management mutual fund net redemptions were \$9 million for the current quarter compared to net redemptions of \$259 million in the previous quarter.

IG WEALTH MANAGEMENT OTHER PRODUCTS AND SERVICES

SEGREGATED FUNDS

IG Wealth Management offers segregated funds which include the IG Series of Guaranteed Investment Funds (GIFs). Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by IG Wealth Management. At December 31, 2020, total segregated fund assets were \$1.6 billion, unchanged from December 31, 2019.

INSURANCE

IG Wealth Management continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, IG Wealth Management offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance. The Canada Life Assurance Company is a leading provider of the Company's insurance products. Effective as of January 1, 2020, The Great-West Life Assurance Company (Great-West), London Life Insurance Company (London Life) and Canada Life, amalgamated into a single company, The Canada Life Assurance Company.

The average number of policies sold by each insurance-licensed Consultant was 2.6 for the quarter ended December 31, 2020, compared to 2.5 in 2019. For the twelve months ended December 31, 2020, the average number of policies sold by each insurance-licensed Consultant was 9.0 compared to 10.0 in 2019. Distribution of insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist Consultants with advanced estate planning solutions for high net worth clients.

SECURITIES OPERATIONS

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing clients with securities services to complement their financial and investment

planning. IG Wealth Management Consultants can refer clients to one of our Wealth Planning Specialists available through Investors Group Securities Inc.

MORTGAGE AND BANKING OPERATIONS

IG Wealth Management Mortgage Planning Specialists are located throughout each province in Canada, and work with our clients and their Consultants to develop mortgage and other lending strategies that meet the individual needs and goals of each client as part of their comprehensive financial plan.

Mortgages are offered to clients by IG Wealth Management, a national mortgage lender, and through IG Wealth Management's Solutions Banking[†], provided by National Bank of Canada under a long-term distribution agreement. An All-in-One product, a comprehensive cash management solution that integrates the features of a mortgage, term loan, revolving line of credit and deposit account, is also offered through Solutions Banking[†].

In 2020, the Company supported and participated in the deferral of mortgage payments enacted to support homeowners as a result of the economic disruption caused by COVID-19. The assessment was made on a case by case basis, subject to client needs and in the context of their overall financial plan. At December 31, 2020, there were no mortgages in the deferral program. This compared to \$94.5 million at September 30, 2020 and \$306.0 million at June 30, 2020 which represented 1.1% and 3.3%, respectively, of the Company's total mortgages.

Mortgage fundings offered through IG Wealth Management and through Solutions Banking[†] for the three and twelve months ended December 31, 2020 were \$297 million and \$1.1 billion compared to \$293 million and \$1.2 billion in 2019, an increase of 1.4% and a decrease of 6.1%, respectively. At December 31, 2020, mortgages offered through both sources totalled \$9.5 billion, compared to \$10.3 billion at December 31, 2019, a decrease of 8.4%.

Available credit associated with Solutions Banking[†] All-in-One accounts originated for the three and twelve month periods ended December 31, 2020 were \$411 million and \$1.2 billion, respectively, compared to \$240 million and \$770 million in 2019. At December 31, 2020, the balance outstanding of Solutions Banking[†] All-in-One products was \$3.4 billion, compared to \$2.9 billion one year ago, and represented approximately 51% of total available credit associated with these accounts.

Other products and services offered through IG Wealth Management's Solutions Banking[†] include investment loans, lines of credit, personal loans, creditor insurance, deposit accounts, and credit cards. Through Solutions Banking[†], clients have access to a network of banking machines, as well as a private labeled client website and client service centre. The Solutions Banking[†] offering supports IG Wealth Management's approach to delivering total financial solutions for our clients through a broad financial planning platform. Total outstanding lending products of IG Wealth Management clients in the Solutions Banking[†] offering, including Solutions Banking[†] mortgages totalled \$5.1 billion at December 31, 2020, compared to \$4.5 billion at December 31, 2019.

Review of Segment Operating Results

The Wealth Management segment's earnings before interest and taxes are presented in Table 15 and include the operations of IG Wealth Management and Investment Planning Counsel.

IG WEALTH MANAGEMENT

IG Wealth Management earnings before interest and taxes are presented in Table 16.

2020 VS. 2019

FEE INCOME

Advisory fees include fees for providing financial advice to clients including fees related to the distribution of products, and depend largely on the level and composition of assets under advisement. Advisory fees were \$265.5 million in the fourth quarter of 2020, an increase of \$1.8 million or 0.7% from \$263.7 million in 2019. For the twelve months ended December 31, 2020, advisory fees were \$1,019.1 million, a decrease of \$14.6 million or 1.4% from \$1,033.7 million in 2019.

The increase in advisory fees in the three months ending December 31, 2020 was primarily due to the increase in average assets under advisement of 4.7%, as shown in Table 13, offset by a decrease in the advisory fee rate. The decrease in advisory fees for the twelve months ending December 31, 2020 was due to lower rates offset in part by an increase in assets under advisement of 2.5%. The average advisory fee rate for the fourth quarter was 105.3 basis points of average assets under advisement compared to 109.2 basis points in 2019, reflecting changes in product and client mix. The average advisory fee rate for the twelve months ended December 31, 2020, was 106.3 basis points of average assets under advisement compared to 110.5 basis points in 2019, primarily reflecting changes in product and client mix. We also have more high net worth clients who are eligible for lower rates.

Product and program fees depend largely on the level and composition of mutual fund assets under management. Product and program fees totalled \$205.8 million in the current quarter, up 2.3% from \$201.2 million a year ago. Product and program fees were \$790.6 million for the twelve month period ended December 31, 2020 compared to \$784.8 million in 2019, increase of 0.7%.

The increase in product and program fees in the fourth quarter of 2020 was primarily due to the increase in average assets under management of 3.5%, as shown in Table 14. The average product and program fee rate for the fourth quarter was 85.9 basis points of average assets under management compared to 87.1 basis points in 2019, reflecting changes in product mix.

The increase in product and program fees in the twelve month period ended December 31, 2020 was primarily due to the increase in average assets under management of 2.3%, as shown in Table 14. The average product and program fee rate for the year was 86.3 basis points of average assets under management compared to 87.6 basis points in 2019, reflecting changes in product mix.

Other financial planning revenues are primarily earned from:

- Mortgage banking operations
- 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[†]

Other financial planning revenues of \$45.3 million for the fourth quarter of 2020 increased by \$0.9 million from \$44.4 million in 2019. For the twelve month period, other financial planning revenues of \$149.5 million decreased by \$14.6 million from \$164.1 million in 2019. The increase in the three month period was primarily due to higher earnings from the mortgage banking operations offset in part by lower distribution fee income from insurance products. The decrease in the twelve month period was primarily due to lower distribution income from insurance products.

A summary of mortgage banking operations for the three and twelve month periods under review is presented in Table 17.

NET INVESTMENT INCOME AND OTHER

Net investment income and other is primarily related to investment income earned on our cash and cash equivalents and securities and other income not related to our core business. It also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital.

EXPENSES

IG Wealth Management incurs advisory and business development expenses that include compensation paid to our Consultants. The majority of these costs vary directly with asset or sales levels. Also included are other distribution and business development activities which do not vary directly with asset or sales levels, such as direct marketing and advertising, financial planning specialist support and other costs incurred to support our adviser networks. These expenses tend to be discretionary or vary based upon the number of consultants or clients.

Asset-based compensation fluctuates with the value of assets under advisement. Asset-based compensation, increased by

TABLE 15: OPERATING RESULTS – WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)				% CHANGE	
	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	2020 SEP. 30	2019 DEC. 31
Revenues					
Wealth Management					
Advisory fees	\$ 325.5	\$ 315.3	\$ 319.4	3.2 %	1.9 %
Product and program fees	219.8	214.9	216.3	2.3	1.6
	545.3	530.2	535.7	2.8	1.8
Redemption fees	3.2	3.7	5.8	(13.5)	(44.8)
Other financial planning revenues	50.0	41.8	49.6	19.6	0.8
Total Wealth Management	598.5	575.7	591.1	4.0	1.3
Net investment income and other	1.0	0.7	4.5	42.9	(77.8)
	599.5	576.4	595.6	4.0	0.7
Expenses					
Advisory and business development					
Asset-based compensation	164.3	158.9	147.0	3.4	11.8
Sales-based compensation	10.6	9.5	22.5	11.6	(52.9)
Other					
Other product commissions	20.1	15.7	20.4	28.0	(1.5)
Business development	59.8	52.4	58.7	14.1	1.9
	79.9	68.1	79.1	17.3	1.0
Total advisory and business development	254.8	236.5	248.6	7.7	2.5
Operations and support	113.3	111.2	104.2	1.9	8.7
Sub-advisory	42.7	41.7	41.5	2.4	2.9
	410.8	389.4	394.3	5.5	4.2
Earnings before interest and taxes	\$ 188.7	\$ 187.0	\$ 201.3	0.9 %	(6.3) %
TWELVE MONTHS ENDED					
(\$ millions)				% CHANGE	
	2020 DEC. 31	2019 DEC. 31			
Revenues					
Wealth Management					
Advisory fees	\$ 1,245.7	\$ 1,259.0			(1.1) %
Product and program fees	846.3	844.7			0.2
	2,092.0	2,103.7			(0.6)
Redemption fees	16.0	26.5			(39.6)
Other financial planning revenues	168.0	185.0			(9.2)
Total Wealth Management	2,276.0	2,315.2			(1.7)
Net investment income and other	2.3	13.6			(83.1)
	2,278.3	2,328.8			(2.2)
Expenses					
Advisory and business development					
Asset-based compensation	625.9	576.2			8.6
Sales-based compensation	36.4	95.5			(61.9)
Other					
Other product commissions	69.8	80.2			(13.0)
Business development	227.9	234.6			(2.9)
	297.7	314.8			(5.4)
Total advisory and business development	960.0	986.5			(2.7)
Operations and support	453.7	436.0			4.1
Sub-advisory	163.2	161.5			1.1
	1,576.9	1,584.0			(0.4)
Earnings before interest and taxes	\$ 701.4	\$ 744.8			(5.8) %

TABLE 16: OPERATING RESULTS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)				% CHANGE	
	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	2020 SEP. 30	2019 DEC. 31
Revenues					
Wealth Management					
Advisory fees	\$ 265.5	\$ 259.1	\$ 263.7	2.5 %	0.7 %
Product and program fees	205.8	201.0	201.2	2.4	2.3
	471.3	460.1	464.9	2.4	1.4
Redemption fees	3.0	3.7	5.7	(18.9)	(47.4)
Other financial planning revenues	45.3	37.2	44.4	21.8	2.0
Total Wealth Management	519.6	501.0	515.0	3.7	0.9
Net investment income and other	0.8	0.6	4.0	33.3	(80.0)
	520.4	501.6	519.0	3.7	0.3
Expenses					
Advisory and business development					
Asset-based compensation	116.8	113.1	101.8	3.3	14.7
Sales-based compensation	10.6	9.5	22.6	11.6	(53.1)
Other					
Other product commissions	17.3	12.9	17.4	34.1	(0.6)
Business development	52.3	46.0	51.8	13.7	1.0
	69.6	58.9	69.2	18.2	0.6
Total advisory and business development	197.0	181.5	193.6	8.5	1.8
Operations and support	101.8	100.0	92.3	1.8	10.3
Sub-advisory	39.2	38.4	37.6	2.1	4.3
	338.0	319.9	323.5	5.7	4.5
Earnings before interest and taxes	\$ 182.4	\$ 181.7	\$ 195.5	0.4 %	(6.7) %
TWELVE MONTHS ENDED					
(\$ millions)			2020 DEC. 31	2019 DEC. 31	% CHANGE
Revenues					
Wealth Management					
Advisory fees			\$ 1,019.1	\$ 1,033.7	(1.4) %
Product and program fees			790.6	784.8	0.7
			1,809.7	1,818.5	(0.5)
Redemption fees			15.7	26.1	(39.8)
Other financial planning revenues			149.5	164.1	(8.9)
Total Wealth Management			1,974.9	2,008.7	(1.7)
Net investment income and other			1.3	10.1	(87.1)
			1,976.2	2,018.8	(2.1)
Expenses					
Advisory and business development					
Asset-based compensation			445.5	397.0	12.2
Sales-based compensation			36.4	95.2	(61.8)
Other					
Other product commissions			58.6	67.6	(13.3)
Business development			199.1	207.3	(4.0)
			257.7	274.9	(6.3)
Total advisory and business development			739.6	767.1	(3.6)
Operations and support			407.1	385.7	5.5
Sub-advisory			149.7	145.4	3.0
			1,296.4	1,298.2	(0.1)
Earnings before interest and taxes			\$ 679.8	\$ 720.6	(5.7) %

TABLE 17: MORTGAGE BANKING OPERATIONS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2020		2019	% CHANGE	
	DEC. 31	SEP. 30	DEC. 31	2020 SEP. 30	2019 DEC. 31
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	\$ 44.1	\$ 44.7	\$ 50.5	(1.3) %	(12.7) %
Interest expense	33.5	35.5	41.3	(5.6)	(18.9)
Net interest income	10.6	9.2	9.2	15.2	15.2
Gains on sales ⁽¹⁾	3.7	3.2	0.6	15.6	N/M
Fair value adjustments	(1.0)	–	0.2	–	N/M
Other	1.8	1.8	2.8	–	(35.7)
	\$ 15.1	\$ 14.2	\$ 12.8	6.3 %	18.0 %
Average mortgages serviced					
Securitized	\$ 6,126	\$ 6,444	\$ 6,996	(4.9) %	(12.4) %
Other	2,670	2,736	2,744	(2.4)	(2.7)
	\$ 8,796	\$ 9,180	\$ 9,740	(4.2) %	(9.7) %
Mortgage sales to:⁽²⁾					
Securitized	\$ 434	\$ 606	\$ 284	(28.4) %	52.8 %
Other ⁽¹⁾	246	167	256	47.3	(3.9)
	\$ 680	\$ 773	\$ 540	(12.0) %	25.9 %
TWELVE MONTHS ENDED					
(\$ millions)			2020	2019	% CHANGE
			DEC. 31	DEC. 31	
Total mortgage banking income					
Net interest income on securitized loans					
Interest income			\$ 181.1	\$ 208.0	(12.9) %
Interest expense			148.5	171.9	(13.6)
Net interest income			32.6	36.1	(9.7)
Gains on sales ⁽¹⁾			9.8	3.2	206.3
Fair value adjustments			(5.1)	(4.3)	(18.6)
Other			8.5	10.4	(18.3)
			\$ 45.8	\$ 45.4	0.9 %
Average mortgages serviced					
Securitized			\$ 6,465	\$ 7,232	(10.6) %
Other			2,748	2,782	(1.2)
			\$ 9,213	\$ 10,014	(8.0) %
Mortgage sales to:⁽²⁾					
Securitized			\$ 1,605	\$ 1,517	5.8 %
Other ⁽¹⁾			760	558	36.2
			\$ 2,365	\$ 2,075	14.0 %

(1) Represents sales to institutional investors through private placements, to Investors Mortgage and Short Term Income Fund, and to Investors Canadian Corporate Bond Fund as well as gains realized on those sales.

(2) Represents principal amounts sold.

\$15.0 million and \$48.5 million for the three and twelve month periods ended December 31, 2020 to \$116.8 million and \$445.5 million, compared to 2019. The increase was primarily due to increased average assets under advisement and compensation changes implemented in 2020.

Effective January 1, 2020, IG Wealth Management Consultant sales-based compensation is based upon the level of new assets contributed to client accounts at IG Wealth Management (subject to eligibility requirements), where previously they were based upon gross sales of IG Wealth Management mutual funds.

All sales-based compensation payments are now capitalized and amortized as they reflect incremental costs to obtain a client contract. Previously, sales-based compensation associated with sales of IG Wealth Management mutual funds with bundled pricing were expensed as incurred as these commissions were deemed to be fulfillment of an existing contract with a mutual fund.

Sales-based compensation paid fluctuates with the level of new assets contributed to IG Wealth Management accounts. Sales-based compensation paid on the sale of investment products are capitalized and amortized over their estimated useful lives where the Company receives a fee directly from the client. All other sales-based compensation paid on investment product sales are expensed as incurred.

Sales-based compensation was \$10.6 million for the fourth quarter of 2020, a decrease of \$12.0 million from \$22.6 million in 2019 and for the twelve month period, sales-based compensation expense was \$36.4 million, a decrease of \$58.8 million from \$95.2 million in 2019. There was lower sales-based compensation expense in 2020 primarily due to sales-based compensation paid on the sales of investment products being capitalized in 2020.

Other advisory and business development expenses were \$52.3 million in the fourth quarter of 2020, compared to \$51.8 million in 2019. Other advisory and business development expenses were \$199.1 million in the twelve months ended December 31, 2020 compared to \$207.3 million in 2019 due to the reduction of certain costs due to COVID-19 as communicated in the first quarter of 2020.

Operations and support includes costs that support our wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses. Operations and support expenses were \$101.8 million for the fourth quarter of 2020 compared to \$92.3 million in 2019, an increase of \$9.5 million or 10.3%. For the twelve month period, operations and support expenses were \$407.1 million in 2020 compared to \$385.7 million in 2019, an increase of \$21.4 million or 5.5%. The changes are due to expenses related to information technology, including Advisor Portal as well as expenses related to our operations transformation program.

Sub-advisory expenses were \$39.2 million for the fourth quarter of 2020 compared to \$37.6 million in 2019, an increase of \$1.6 million or 4.3%. For the twelve month period, sub-advisory expenses were \$149.7 million in 2020 compared to \$145.4 million in 2019, an increase of \$4.3 million or 3.0%.

Q4 2020 VS. Q3 2020

FEE INCOME

Advisory fee income increased by \$6.4 million or 2.5% to \$265.5 million in the fourth quarter of 2020 compared with the third quarter of 2020. The increase in advisory fees in the fourth quarter was primarily due to the increase in average assets under advisement of 3.3% for the quarter, as shown in Table 13. The average advisory fee rate for the fourth quarter was 105.3 basis points of average assets under management compared to 106.2 basis points in the third quarter of 2020.

Product and program fees were \$205.8 million in the fourth quarter of 2020, an increase of \$4.8 million from \$201.0 in the third quarter of 2020. The increase in product and program fees was due to higher assets under management. The average product and program fee rate in the fourth quarter was 85.9 basis points compared to 86.2 basis points in the third quarter of 2020.

Other financial planning revenues of \$45.3 million in the fourth quarter of 2020 increased by \$8.1 million from \$37.2 million in the third quarter primarily due to increased distribution revenue from insurance products.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was \$0.8 million in the fourth quarter of 2020 compared to \$0.6 million in the previous quarter, an increase of \$0.2 million.

EXPENSES

Advisory and business development expenses in the current quarter were \$197.0 million compared with \$181.5 million in the previous quarter due to higher asset based compensation and higher commissions on the distribution of insurance products.

INVESTMENT PLANNING COUNSEL

2020 VS. 2019

Earnings before interest and taxes related to Investment Planning Counsel were \$0.4 million higher in the fourth quarter of 2020 compared to the fourth quarter of 2019 and were \$2.7 million lower in the year ended December 31, 2020 compared to 2019.

Q4 2020 VS. Q3 2020

Earnings before interest and taxes related to Investment Planning Counsel were \$1.0 million higher in the fourth quarter of 2020 compared to the prior quarter.

Asset Management

The Asset Management segment includes Mackenzie Investments.

The key differences of the disclosure enhancements made to the Asset Management segment during 2020 are as follows:

- **Assets managed for IG Wealth Management** are included in the Asset Management segment's assets under management. Revenue earned on these sub-advised assets are included in Asset Management's revenue. Previously, the costs of the investment management teams were allocated based on a cost sharing agreement.
- **Asset management fees** include fees received from our mutual funds, Wealth Management segment, and third

parties for investment management services. Under the new segments, Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

- Introduction of **net asset management fees** which offsets management fees with dealer compensation expenses.
- Expenses include **Advisory and business development, Operations and support, and Sub-advisory fees** as previously discussed in this MD&A. Expenses were previously categorized as either commission or non-commission.

Review of the Business

Mackenzie Investments is a diversified asset management solutions provider founded in 1967. We provide investment management and related services with a wide range of investment mandates through a boutique structure and using multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on more than 50 years of investment management experience.

Mackenzie earns asset management fees primarily from:

- Management fees earned from its investment funds, sub-advised accounts and institutional clients.
- Fees earned from its mutual funds for administrative services.
- Redemption fees on deferred sales charge and low load units.

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

2020 DEVELOPMENTS

COVID-19 AND COMMUNICATION

As a result of COVID-19 and the resulting impact to global financial markets, we significantly increased communications to support the independent financial advisors and our institutional clients. Our focus has been to provide capital market and economic updates, ongoing commentary, and access to investment management to ensure they have the tools and resources they need to support their clients. Our multi-boutique approach ensures that investors can find the right solution in any market condition.

ACQUISITIONS

GLC Asset Management Group Ltd. (GLC)

On December 31, 2020, Mackenzie acquired GLC, a Canadian investment management firm with \$37 billion in assets under management, from Great-West Lifeco Inc. (Lifeco) for total consideration of \$185.0 million.

Separately, Lifeco's subsidiary, The Canada Life Assurance Company (Canada Life) acquired the fund management contracts relating to private label Quadrus Group of Funds (QGOF) from Mackenzie for cash consideration of \$30 million. Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

Benefits of the deal to Mackenzie include the following:

- The net addition of \$30.1 billion in assets under management resulting in Mackenzie becoming one of Canada's largest asset managers.
- Expands Mackenzie's distribution reach to the fast-growing group retirement business channel and establishes Mackenzie as one of the top three providers in Canada of investment solutions to defined contribution plans and other group retirement offerings.
- Enhances Mackenzie's investment capabilities with the addition of a new Canadian Equity boutique.

The acquisition also includes a distribution agreement with Canada Life, positioning Mackenzie as the core investment advisor to its individual and group product offerings and enhancing Canada Life's capabilities and competitiveness.

Greenchip Financial Corporation (Greenchip)

On December 22, 2020, Mackenzie acquired Greenchip, a leading Canadian firm focused exclusively on the environmental

economy since 2007. The acquisition adds \$618 million in assets under management, of which \$435 million was sub-advisory mandates to the Mackenzie Global Environmental Equity Fund. Mackenzie has been a leader in bringing sustainable investing to Canadians, with an evolving suite of funds focused on environmental leadership, gender diversity and sustainability. The acquisition of Greenchip is a natural evolution reflecting the success of Greenchip's sub-advisory relationship to the Mackenzie Global Environmental Equity Fund.

Northleaf Capital Group Ltd. (Northleaf)

The Northleaf investment, which closed on October 28, 2020, expands Mackenzie's capabilities to offer global private equity, private credit and infrastructure investment solutions through our retail advisory channels and financial institution distribution partners.

Northleaf is a global private equity, private credit and infrastructure fund manager, headquartered in Toronto, with more than 150 employees across seven offices in Canada, the U.S., UK and Australia. Northleaf's assets under management at December 31, 2020 was \$14.6 billion.

ASSET MANAGEMENT STRATEGY

Mackenzie seeks to be Canada's preferred global asset management solutions provider and business partner.

Mackenzie's vision: We are committed to the financial success of investors, through *their* eyes. This vision impacts our strategic priorities and drives future business growth. Our strategic mandate is two-fold: win in the Canadian retail space and build meaningful strategic relationships. We aim to achieve this mandate by attracting and fostering the best minds in the investment industry, responding to changing needs of financial advisors and investors with distinctive and innovative solutions, and continuing to deliver institutional quality in everything we do.

To support this vision and strategic mandate our employees strive to:

- Deliver competitive and consistent risk-adjusted performance
- Offer innovative and high quality investment solutions
- Accelerate distribution
- Advance brand leadership
- Drive operational excellence and discipline
- Enable a high-performing and diverse culture

Mackenzie seeks to maximize returns on business investment by focusing our resources in areas that directly impact the success of our strategic mandate: investment management, distribution and client experience.

Our investment management capabilities are delivered through a boutique structure, with separate in-house teams having distinct focuses and diverse styles. Our research and

portfolio management teams are located in Toronto, Montreal, Winnipeg, Boston, Dublin and Hong Kong. In addition to our own investment teams, we supplement our investment capabilities with strategic partners (third party sub-advisors) in selected areas. The development of a broad range of investment capabilities and products is a key strength in supporting the evolving financial needs of investors.

Our business focuses on three key distribution channels: retail, strategic alliances and institutional.

Mackenzie primarily distributes its retail investment products through third-party financial advisors. Our sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. Our innovative, comprehensive lineup of investment solutions covers all asset classes and parts of the globe. We offer a range of relevant products and investment solutions designed to help advisors meet the evolving needs of their clients. We regularly introduce new funds and we may merge or streamline our fund offerings to provide enhanced investment solutions.

In addition to our retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace.

Within the strategic alliance channel, Mackenzie offers certain series of our mutual funds and provides sub-advisory services to third-party and related party investment programs offered by banks, insurance companies and other investment companies. Strategic alliances with related parties include providing advisory services to IG Wealth Management, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries. During the second quarter of 2020, Mackenzie partnered with Wealthsimple and launched two Socially Responsible ETFs. Within the strategic alliance channel, Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company.

In the institutional channel, Mackenzie provides investment management services to pension plans, foundations and other institutions. We attract new institutional business through our relationships with pension and management consultants.

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

Mackenzie continues to be positioned to continue to build and enhance our distribution relationships given our team of experienced investment professionals, strength of our distribution network, broad product shelf, competitively priced products and our focus on client experience and investment excellence.

ASSETS UNDER MANAGEMENT

Beginning in the third quarter of 2020, assets managed for the Wealth Management segment are included in total assets under management. Assets managed by Mackenzie for IG Wealth Management were previously excluded from the Mackenzie reportable segment.

The changes in investment fund assets under management are summarized in Table 18 and the changes in total assets under management are summarized in Table 19.

At December 31, 2020, Mackenzie's total assets under management were \$186.8 billion, an all-time high, and an increase of 31.7% from \$141.8 billion last year. Mackenzie's total assets under management excluding the \$30.3 billion related to the net business acquisitions of GLC and Greenchip were \$156.5 billion, an increase of 10.3% from last year. Mackenzie's total assets under management (excluding sub-advisory to Wealth Management) were \$110.9 billion, also an all-time high, and an increase of 62.5% from \$68.3 billion last year. Mackenzie's total assets under management excluding sub-advisory to Wealth Management and net business acquisitions were \$80.6 billion, an increase of 18.1% from last year. The change in Mackenzie's assets under management is determined by investment returns generated for our clients and net contributions from our clients.

CHANGE IN ASSETS UNDER MANAGEMENT – 2020 VS. 2019

Mackenzie's total assets under management at December 31, 2020 were \$186.8 billion, inclusive of \$30.3 billion related to the net business acquisitions noted previously. Mackenzie's total assets under management exclusive of these net acquisitions were \$156.5 billion, an increase of 10.3% from \$141.8 billion at December 31, 2019. Assets under management excluding sub-advisory to the Wealth Management segment and acquisitions were \$80.6 billion, an increase of 18.1% from \$68.3 billion at December 31, 2019.

Investment fund assets under management were \$59.3 billion at December 31, 2020, reflecting the decrease of \$13.2 billion of net assets under management related to the sale of mutual fund contracts in the divestiture of QGOF and the Greenchip acquisition, noted previously. Mackenzie's total investment fund assets excluding the impact of these transactions was \$72.5 billion, an increase of 14.6% from December 30, 2019. Mackenzie's mutual fund assets under management excluding the impact of the transactions noted above were \$68.7 billion at December 31, 2020, an increase of 12.9% from \$60.8 billion at December 31, 2019. Mackenzie's ETF assets excluding ETFs held within IGM investment funds were \$3.8 billion at December 31, 2020, an increase of 59.7% from \$2.4 billion at December 31, 2019. ETF assets inclusive of IGM investment funds were \$8.5 billion at December 31, 2020 compared to \$4.7 billion at December 31, 2019.

In the three months ended December 31, 2020, Mackenzie's mutual fund gross sales were \$4.5 billion, a record high, an increase of 74.0% from \$2.6 billion in 2019. Mutual fund redemptions in the current quarter were \$3.1 billion, an increase of 21.6% from last year. Mutual fund net sales for the three months ended December 31, 2020 were \$1.4 billion, as compared to net sales of \$18 million last year. In the three months ended December 31, 2020, ETF net creations were \$372 million compared to \$202 million last year. Investment fund net sales in the current quarter were \$1.7 billion compared to net sales of \$220 million last year. During the current quarter, investment returns resulted in investment fund assets increasing by \$3.8 billion compared to an increase of \$1.6 billion last year.

During the fourth quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of \$625 million, redemptions of \$593 million and net sales of \$32 million. During the fourth quarter of 2019, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of \$129 million, redemptions of \$165 million and net redemptions of \$36 million. Excluding these transactions in 2020 and 2019, mutual fund gross sales increased by 57.7% in the three months ended December 31, 2020 compared to last year, mutual fund redemptions increased by 5.3% and mutual fund net sales of \$1.3 billion in 2020 compared to mutual fund net sales of \$54 million last year.

Total net sales excluding sub-advisory to the Wealth Management segment for the three months ended December 31, 2020 were \$1.7 billion compared to net sales of \$147 million last year. Excluding the transactions noted above, net sales were \$1.6 billion for the three months ended December 31, 2020 compared to net sales of \$183 million last year. During the current quarter, investment returns resulted in assets increasing by \$4.4 billion compared to an increase of \$1.7 billion last year.

In the twelve months ended December 31, 2020, Mackenzie's mutual fund gross sales were \$13.6 billion, a record high, and an increase of 37.2% from \$9.9 billion in the comparative period last year. Mutual fund redemptions in the current period were \$10.6 billion, an increase of 13.2% from last year. Mutual fund net sales for the twelve months ended December 31, 2020 were \$3.0 billion, as compared to net sales of \$512 million last year. In the twelve months ended December 31, 2020, ETF net creations were \$1.2 billion compared to ETF net creations of \$707 million last year. Investment fund net sales in the current period were \$4.2 billion, compared to \$1.2 billion last year. During the current period, investment returns resulted in investment fund assets increasing by \$5.1 billion as compared to an increase of \$7.0 billion last year.

During the twelve months ended December 31, 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales

TABLE 18: CHANGE IN INVESTMENT FUND ASSETS UNDER MANAGEMENT – ASSET MANAGEMENT⁽¹⁾

THREE MONTHS ENDED (\$ millions)	2020		2019		% CHANGE	
	DEC. 31	SEP. 30	DEC. 31	SEP. 30	SEP. 30	DEC. 31
Sales	\$ 4,501	\$ 2,903	\$ 2,587		55.0 %	74.0 %
Redemptions	3,125	2,054	2,569		52.1	21.6
Mutual fund net sales (redemptions) ⁽²⁾	1,376	849	18		62.1	N/M
ETF net creations ⁽³⁾	372	97	202		N/M	84.2
Investment fund net sales (redemptions)⁽⁴⁾	1,748	946	220		84.8	N/M
Change due to divestiture of Quadrus Group of Funds and Greenchip acquisition ⁽⁵⁾	(13,216)	–	–		N/M	N/M
Investment returns	3,789	2,719	1,557		39.4	143.4
Net change in assets	(7,679)	3,665	1,777		N/M	N/M
Beginning assets	66,929	63,264	61,434		5.8	8.9
Ending assets	\$ 59,250	\$ 66,929	\$ 63,211		(11.5) %	(6.3) %
Consists of:						
Mutual funds	\$ 55,462	\$ 63,599	\$ 60,839		(12.8) %	(8.8) %
ETFs	3,788	3,330	2,372		13.8	59.7
Investment funds	\$ 59,250	\$ 66,929	\$ 63,211		(11.5) %	(6.3) %
Daily average investment fund assets	\$ 69,343	\$ 66,026	\$ 62,216		5.0 %	11.5 %
TWELVE MONTHS ENDED						
(\$ millions)	2020		2019		% CHANGE	
	DEC. 31	DEC. 31	DEC. 31	DEC. 31		
Sales	\$ 13,565	\$ 9,886				37.2 %
Redemptions	10,609	9,374				13.2
Mutual fund net sales (redemptions) ⁽²⁾	2,956	512				N/M
ETF net creations ⁽³⁾	1,232	707				74.3
Investment fund net sales (redemptions)⁽⁴⁾	4,188	1,219				N/M
Change due to divestiture of Quadrus Group of Funds and Greenchip acquisition ⁽⁵⁾	(13,216)	–				N/M
Investment returns	5,067	6,972				(27.3)
Net change in assets	(3,961)	8,191				N/M
Beginning assets	63,211	55,020				14.9
Ending assets	\$ 59,250	\$ 63,211				(6.3) %
Daily average investment fund assets	\$ 64,617	\$ 60,280				7.2 %

(1) Investment Fund assets under management and net sales excludes investments into Mackenzie mutual funds and ETFs by IGM investment funds.

(2) Mutual funds – During 2020 and 2019, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

– Third quarter 2020 – resulted in sales and net sales of \$290 million.

– Fourth quarter 2020 – resulted in sales of \$625 million, redemptions of \$593 million and net sales of \$32 million.

– Year to date 2020 – resulted in sales of \$1.4 billion, redemptions of \$785 million and net sales of \$612 million.

– Fourth quarter and year to date 2019 – resulted in sales of \$129 million, redemptions of \$165 million and net redemptions of \$36 million.

(3) ETFs – during the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in \$370 million of purchases in Mackenzie ETFs and \$325 million of redemptions from Mackenzie's ETFs respectively.

(4) Total investment fund net sales and assets under management exclude Mackenzie mutual fund investments in ETFs.

(5) Sold \$13.4 billion of fund management contracts relating to private label Quadrus Group of Funds (QGOF) to Great-West Lifeco, Inc. Acquired \$183 million in mutual fund assets under management related to acquisition of Greenchip Financial Corporation.

TABLE 19: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – ASSET MANAGEMENT⁽¹⁾

THREE MONTHS ENDED (\$ millions)	2020		2019		% CHANGE	
	DEC. 31	SEP. 30	DEC. 31	SEP. 30	2020 SEP. 30	2019 DEC. 31
Assets under management excluding sub-advisory to Wealth Management						
Net sales (redemptions)						
Mutual funds ⁽¹⁾	\$ 1,376	\$ 849	\$ 18		62.1 %	N/M %
ETF net creations ⁽²⁾	372	97	202		N/M	84.2
Investment funds ⁽³⁾	1,748	946	220		84.8	N/M
Sub-advisory, institutional and other accounts ⁽⁴⁾	(75)	(319)	(73)		76.5	(2.7)
Total net sales (redemptions)	1,673	627	147		166.8	N/M
Change due to GLC ⁽⁵⁾	30,300	–	–		N/M	N/M
Investment returns	4,365	3,152	1,718		38.5	154.1
Net change in assets	36,338	3,779	1,865		N/M	N/M
Beginning assets	74,600	70,821	66,392		5.3	12.4
Ending assets	\$ 110,938	\$ 74,600	\$ 68,257		48.7 %	62.5 %
Consolidated Assets under management						
Mutual funds	\$ 55,462	\$ 63,599	\$ 60,839		(12.8) %	(8.8) %
ETFs	3,788	3,330	2,372		13.8	59.7
Investment funds ⁽³⁾	59,250	66,929	63,211		(11.5)	(6.3)
Sub-advisory, institutional and other accounts	51,688	7,671	5,046		N/M	N/M
	110,938	74,600	68,257		48.7	62.5
Sub-advisory to Wealth Management	75,821	72,660	73,575		4.4	3.1
Consolidated assets under management	\$ 186,759	\$ 147,260	\$ 141,832		26.8 %	31.7 %
Average total assets⁽⁶⁾						
Excluding sub-advisory to Wealth Management	\$ 77,186	\$ 73,698	\$ 67,217		4.7 %	14.8 %
Consolidated	150,868	145,750	140,236		3.5	7.6
TWELVE MONTHS ENDED (\$ millions)						
			2020 DEC. 31	2019 DEC. 31	% CHANGE	
Net sales (redemptions)						
Mutual funds ⁽¹⁾			\$ 2,956	\$ 512		N/M %
ETF net creations ⁽²⁾			1,232	707		74.3
Investment funds ⁽³⁾			4,188	1,219		N/M
Sub-advisory, institutional and other accounts ⁽⁴⁾			2,062	(1,492)		N/M
Total net sales (redemptions)			6,250	(273)		N/M
Change due to GLC ⁽⁵⁾			30,300	–		N/M
Investment returns			6,131	7,726		(20.6)
Net change in assets			42,681	7,453		N/M
Beginning assets			68,257	60,804		12.3
Ending assets			\$ 110,938	\$ 68,257		62.5 %
Average total assets⁽⁶⁾						
Excluding sub-advisory to Wealth Management			\$ 71,402	\$ 65,807		8.5 %
Consolidated			143,193	138,675		3.3

(1) Mutual funds – During 2020, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

- Third quarter of 2020 – resulted in sales and net sales of \$290 million.
- Fourth quarter of 2020 – Resulted in sales of \$625 million, redemptions of \$593 million and net sales of \$32 million.
- Year to date 2020 – Resulted in sales of \$1.4 billion, redemptions of \$785 million and net sales of \$612 million.
- Fourth quarter and year to date 2019 – Resulted in sales of \$129 million, redemptions of \$165 million and net redemptions of \$36 million.

(2) ETFs – During the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in \$370 million of purchases in Mackenzie ETFs and \$325 million of redemptions from Mackenzie's ETFs respectively.

(3) Investment Fund assets under management and net sales exclude investments into Mackenzie mutual funds and ETFs by IGM investment funds.

(4) Sub-advisory, institutional and other accounts – During the second quarter of 2020, Mackenzie onboarded \$2.6 billion of sub-advisory and institutional wins from various clients. During the third quarter of 2019, MD Management reassigned sub-advisory responsibilities totalling \$1.2 billion on mandates advised by Mackenzie.

(5) Sold \$13.4 billion of fund management contracts relating to private label Quadrus Group of Funds (QGOF) to Great-West Lifeco. Inc. Acquired \$183 million in mutual fund assets under management related to acquisition of Greenchip Financial Corporation. Acquired \$4.3.5 billion in institutional accounts as part of transaction with Great-West Lifeco Inc.

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

of \$1.4 billion, redemptions of \$785 million and net sales of \$612 million. During the twelve month ended December 31, 2019, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of \$129 million, redemptions of \$165 million and net redemptions of \$36 million. Excluding these transactions in 2020 and 2019, mutual fund gross sales increased by 24.7% and mutual fund redemptions increased by 6.7% in the twelve months ended December 31, 2020 compared to last year and mutual fund net sales were \$2.3 billion in the current year compared to \$548 million last year.

Redemptions of long-term mutual funds in the three and twelve months ended December 31, 2020, were \$3.0 billion and \$10.1 billion, respectively, as compared to \$2.5 billion and \$9.0 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by third party programs were \$2.4 billion in the three months ended December 31, 2020 and \$9.3 billion in the twelve months ended December 31, 2020. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 18.2% in the fourth quarter of 2020, compared to 16.4% in the fourth quarter of 2019. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 14.5% in the fourth quarter of 2020, compared to 15.0% in the fourth quarter of 2019. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 16.6% at December 31, 2020, as compared to 15.6% last year. Mackenzie's twelve month trailing redemption rate for long-term funds, excluding rebalance transactions, was 15.3% at December 31, 2020, compared to 15.1% at December 31, 2019. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFC was approximately 15.3% at December 31, 2020. Mackenzie and the mutual fund industry saw increased redemptions in the month of March 2020 as a result of COVID-19 and these redemption rates have stabilized and declined during the second and third quarters. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load assets with redemption fees, and deferred sales charge assets without redemption fees (matured assets). Generally, redemption rates for front-end load assets and matured assets are higher than the redemption rates for deferred sales charge and low load assets with redemption fees.

Total net sales excluding sub-advisory to the Wealth Management segment for the twelve months ended December 31, 2020 were \$6.3 billion, as compared to net redemptions of \$273 million last year. During the twelve months ended December 31, 2020, investment returns resulted in assets increasing by \$6.1 billion compared to an increase of \$7.7 billion last year.

During the second quarter of 2020, Mackenzie onboarded \$2.6 billion of sub-advisory and institutional wins from various

clients. These wins were spread across a diverse range of investment strategies, including Global Equity, U.S. Equity, Fixed Income and Currency Overlay strategies. During the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in net sales of \$45 million into Mackenzie ETFs. Excluding these transactions and the mutual fund allocation changes made by third party programs noted above, total net sales were \$3.0 billion in the twelve months ended December 31, 2020.

During the third quarter of 2019, MD Management reassigned sub-advisory responsibilities totalling \$1.2 billion on mandates advised by Mackenzie. Excluding this transaction and the allocation changes made by third party programs noted above, total net sales were \$0.9 billion in the twelve months ended December 31, 2019.

As at December 31, 2020, Mackenzie's sub-advisory to the Wealth Management segment were \$75.8 billion or 73.6% of total Wealth Management assets under management compared to \$73.6 billion or 74.7% of total Wealth Management assets under management at December 31, 2019.

CHANGE IN ASSETS UNDER MANAGEMENT – Q4 2020 VS. Q3 2020

Mackenzie's total assets under management at December 31, 2020 were \$186.8 billion, inclusive of \$30.3 billion related to the net business acquisitions that closed on December 31, 2020. Mackenzie's total assets under management exclusive of these net acquisitions were \$156.5 billion, an increase of 6.2% from \$147.3 billion at September 30, 2020. Assets under management excluding sub-advisory to the Wealth Management segment and the recent net business acquisitions were \$80.6 billion, an increase of 8.1% from \$74.6 billion at September 30, 2020.

Investment fund assets under management were \$59.3 billion at December 31, 2020, reflecting the decrease of \$13.2 billion of net assets under management related to the sale of mutual fund contracts in the divestiture of QGOF and the Greenchip acquisition noted previously. Mackenzie's total investment fund assets exclusive of these transactions was \$72.5 billion, an increase of 8.3% from \$66.9 billion at September 30, 2020. Mackenzie's mutual fund assets under management excluding the transactions noted above were \$68.7 billion at December 31, 2020, an increase of 8.0% from \$63.6 billion at September 30, 2020. Mackenzie's ETF assets were \$3.8 billion at December 31, 2020 compared to \$3.3 billion at September 30, 2020. ETF assets inclusive of IGM investment funds were \$8.5 billion at December 31, 2020 compared to \$7.5 billion at September 30, 2020.

For the quarter ended December 31, 2020, Mackenzie mutual fund gross sales were \$4.5 billion, an increase of 55.0% from the third quarter of 2020. Mutual fund redemptions were \$3.1 billion, an increase of 52.1% from the third quarter of 2020. Net sales of Mackenzie mutual funds for the current quarter

were \$1.4 billion compared with net sales of \$849 million in the previous quarter.

During the current quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of \$625 million, redemptions of \$593 million and net sales of \$32 million. During the third quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross and net sales of \$290 million. Excluding these mutual fund allocation changes made by third party programs during the fourth and third quarters of 2020, mutual fund gross sales increased 48.3%, redemptions increased 23.3% and mutual fund net sales were \$1.3 billion in the current quarter compared to net sales of \$559 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were \$3.0 billion, compared to \$1.9 billion in the third quarter of 2020. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 18.2% compared to 12.6% in the third quarter. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 14.5% in the fourth quarter of 2020. Net sales of long-term funds for the current quarter were \$1.3 billion compared to net sales of \$784 million in the previous quarter.

For the quarter ended December 31, 2020, Mackenzie ETF net creations were \$372 million compared to \$97 million in the third quarter. Excluding the Wealthsimple allocation changes during the third quarter of 2020 previously discussed, ETF net creations were \$422 million in the quarter ended September 30, 2020.

Investment fund net sales in the current quarter were \$1.7 billion compared to net sales of \$0.9 billion in the third quarter. Excluding the mutual fund and ETF allocation changes made by third party programs, investment fund net sales of \$1.7 billion in the current quarter compared to net sales of \$1.0 billion in the prior quarter.

As at December 31, 2020, Mackenzie's sub-advisory to the Wealth Management segment were \$75.8 billion or 73.6% of total Wealth Management assets under management compared to \$72.7 billion or 74.1% of total Wealth Management assets under management at September 30, 2020.

INVESTMENT MANAGEMENT

Mackenzie has \$186.8 billion in assets under management at December 31, 2020, including \$75.8 billion of sub-advisory mandates to the Wealth Management segment. It has teams located in Toronto, Montreal, Winnipeg, Boston, Dublin and Hong Kong.

We continue to deliver our investment offerings through a boutique structure, with separate in-house investment teams

which each have a distinct focus and investment approach. This boutique approach promotes diversification of styles and ideas and provides Mackenzie with a breadth of capabilities. Oversight is conducted through a common process intended to promote superior risk-adjusted returns over time. This oversight process focuses on i) identifying and encouraging each team's performance edge, ii) promoting best practices in portfolio construction, and iii) emphasizing risk management. Upon the retirement of the Chief Investment Officer (CIO) at December 31, 2020, Mackenzie introduced a two CIO model that supports its growing size and complexity. This new model will include one CIO dedicated to Fixed Income, Quantitative and Multi-Asset Strategies and the other CIO dedicated to Equities and ensure that our Investment Management teams benefit from independent leadership of their boutiques. At the same time, the two CIO's will partner on key areas, including talent, innovation, technology and data, investment operations and a collaborative approach to solutions selling.

Our investment team currently consists of sixteen boutiques. Initiatives during 2020 include the following:

- Addition of a new Canadian Equity boutique with the acquisition of GLC at December 31, 2020.
- Addition of a new Greenchip boutique with the acquisition of Greenchip Financial Corp. at December 22, 2020.

The investment in Northleaf will also enhance our investment capabilities by offering global private equity, private credit and infrastructure investment solutions to our clients.

In addition to our own investment teams, Mackenzie supplements investment capabilities through the use of third party sub-advisors and strategic beta index providers in selected areas. These include Putnam Investments Inc., TOBAM, China AMC, Impax Asset Management LLC and Rockefeller Capital Management.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2020, 78.3% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 67.2% for the three year time frame and 60.8% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar[†] fund ranking service. At December 31, 2020, 82.5% of Mackenzie mutual fund assets measured by Morningstar[†] had a rating of three stars or better and 59.6% had a rating of four or five stars. This compared to the Morningstar[†] universe of 84.6% for three stars or better and 50.1% for four and five star funds at December 31, 2020. These ratings exclude the Quadrus Group of Funds[†].

Mackenzie was once again recognized for industry leading performance, winning five 2020 Refinitiv Lipper Awards. The award honours funds that lead in delivering strong, risk-adjusted performance relative to their peers:

- Mackenzie Canadian Growth Balanced Fund Series A – Best three-year and five-year performance in the Canadian Equity Balanced category. This fund is co-managed by Mackenzie's Bluewater, Fixed Income and Asset Allocation Teams.
- Mackenzie Precious Metals Class Series A – Best ten-year performance in the Precious Metals Equity category. This fund is managed by Mackenzie's Resource Team.
- Mackenzie Maximum Diversification Canada Index ETF and Mackenzie Maximum Diversification All World Developed Index ETF – Best three-year performance in the ETF Equity category. This ETF is managed by Mackenzie's Asset Allocation Team.

In addition, eleven of Mackenzie's mutual funds and ETFs were recognized for industry leading performance at the Fundata FundGrade A+ awards.

PRODUCTS

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. In 2020, Mackenzie launched a number of new products and merged mutual funds to streamline and strengthen its product shelf.

EXCHANGE TRADED FUNDS

The addition of Exchange Traded Funds (ETF) has complemented Mackenzie's broad and innovative fund line-up and reflects its investor-focused vision to provide advisors and investors with new solutions to drive investor outcomes and achieve their personal goals. These ETFs offer investors another investment option when building long-term diversified portfolios.

During 2020, Mackenzie launched eleven new ETFs and two USD series. These ETFs fill meaningful gaps in the product line-up as well as provide unique exposures in the Canadian market. With Mackenzie's continued focus on multi-channel distribution, many of these ETFs cater to multi-channel opportunities.

- Wealthsimple North American Socially Responsible Index ETF
- Wealthsimple Developed Markets excluding North America Socially Responsible Index
- Mackenzie U.S. Aggregate Bond Index ETF (CAD-Hedged)
- Mackenzie Developed ex-North America Aggregate Bond Index ETF (CAD-Hedged)
- Mackenzie Developed Markets Real Estate Index ETF
- Mackenzie Global Fixed Income Allocation ETF
- Mackenzie Balanced Allocation ETF
- Mackenzie Conservative Allocation ETF
- Mackenzie Growth Allocation ETF
- Mackenzie Global Infrastructure Index ETF

- Mackenzie Global Sustainable Dividend Index ETF (CAD units and USD units)
- Mackenzie US Large Cap Equity ETF (USD units)

Mackenzie's current line-up consists of 41 ETFs: 22 active and strategic beta ETFs and 19 traditional index ETFs. ETF assets under management ended the quarter at \$8.5 billion, inclusive of \$4.7 billion in investments from IGM mutual funds. This ranks Mackenzie in sixth place in the Canadian ETF industry for assets under management.

MUTUAL FUNDS

Mackenzie manages its product shelf through new fund launches and fund mergers to streamline fund offerings for advisors and investors.

During 2020, Mackenzie launched five mutual funds:

- Mackenzie Global Small-Mid Cap Fund
- Mackenzie Alternative Enhanced Yield Fund
- Mackenzie US Mid Cap Opportunities Fund
- Mackenzie US Mid Cap Opportunities Currency Neutral Fund
- Mackenzie Private Equity Replication Fund

In December of 2020, Mackenzie launched a Private Equity Replication Fund. This fund seeks to provide access to the amplified return and managed volatility characteristics of U.S. private equity buyouts. It does this by replicating key elements of the private equity investment profile including active exposures to specific industries, leverage, and volatility management. The fund invests in U.S. publicly traded companies that possess characteristics similar to what private equity firms select for investments, such as high quality companies with elevated profitability that trade at attractive valuations.

Product changes during 2020 include the following:

- On October 29, the Mackenzie US Small-Mid Cap Growth Class and the Mackenzie US Small-Mid Cap Growth Currency Neutral Class were soft capped due to capacity constraints. These funds have delivered strong investment performance versus their benchmark and peers, which has led to sustained asset growth in recent years. Closing the funds to new investors will help to ensure that the integrity of the portfolio managers' investment process is protected, and the fund continues to meet its objectives. New investors will be able to access US mid caps through the Mackenzie US Mid Cap Opportunities Fund and the US Mid Cap Opportunities Currency Neutral Fund, which were launched during 2020. The funds are managed by the same Mackenzie Growth Team with a focus on high-quality innovative US mid cap companies.
- Early in the fourth quarter, the Mackenzie Growth Fund merged into the Mackenzie Canadian Growth Fund to streamline the product shelf for investors and advisors.

Review of Segment Operating Results

The Asset Management segment includes revenue earned on advisory mandates to the Wealth Management segment and investments into Mackenzie mutual fund and ETFs by the Wealth Management segment.

The Asset Management segment earnings before interest and taxes are presented in Table 20.

2020 VS. 2019

REVENUES

Asset management fees are classified as either Asset management fees – third party or Asset management fees – Wealth Management.

- Net asset management fees – third party is comprised of the following:
 - Asset management fees – third party consists of management and administration fees earned from our investment funds and management fees from our third party sub-advisory, institutional and other accounts. The largest component is management fees from our investment funds. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. For example, equity-based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts. The majority of Mackenzie's mutual fund assets are retail and sold through third party financial advisors.
 - Redemption fees – consists of fees earned from the redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option. Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option.
 - Dealer compensation expenses – consists of asset-based and sales-based compensation. Asset-based compensation represents trailing commissions paid to dealers on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Sales based compensation are paid to dealers on the sale of mutual funds under the deferred sales charge purchase option and on a low load purchase option.

- Asset management fees – Wealth Management consists of sub-advisory fees earned from the Wealth Management segment.

Net asset management fees – third party were \$137.7 million for the three months ended December 31, 2020, an increase of \$8.2 million or 6.3% from \$129.5 million last year. The increase in net asset management fees – third party was primarily due to a 14.8% increase in average assets under management partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 70.8 basis points for the three months December 31, 2020 compared to 76.7 basis points in the comparative period in 2019. The decline in the net asset management fee rate in the current quarter was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products. Contributing to the increase in non-retail assets was the onboarding of \$2.6 billion of sub-advisory and institutional wins during the second quarter of 2020.

Net asset management fees – third party were \$513.4 million for the year ended December 31, 2020, an increase of \$14.0 million or 2.8% from \$499.4 million last year. The increase in net asset management fees – third party was primarily due to an 8.5% increase in average assets under management partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 71.8 basis points for the year ended December 31, 2020 compared to 76.0 basis points in the comparative period in 2019. The decrease in the net asset management fee rate in the current period was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products.

Management fees – Wealth Management were \$25.8 million for the three months ended December 31, 2020, a decline of \$0.4 million or 1.5% from \$26.2 million last year. The decline in management fees was due to a decline in the effective management fee rate partially offset by a 0.9% increase in average assets under management. Mackenzie's management fee rate was 13.9 basis points for the three months December 31, 2020 compared to 14.2 basis points in the comparative period in 2019. The decrease in the management fee rate was due to a change in the composition of assets under management.

Management fees – Wealth Management were \$100.6 million for the year ended December 31, 2020, a decline of \$3.6 million or 3.5% from \$104.2 million last year. The decline in management fees was due to a 1.5% decline in average assets under management coupled with a decline in the effective management fee rate. Mackenzie's management fee rate was 14.0 basis points for the year ended December 31, 2020 compared to 14.3 basis points in the comparative period in 2019. The decrease in the management fee rate was due to a change in the composition of assets under management.

TABLE 20: OPERATING RESULTS – ASSET MANAGEMENT

THREE MONTHS ENDED (\$ millions)				% CHANGE	
	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	2020 SEP. 30	2019 DEC. 31
Revenues					
Asset management					
Asset management fees – third party	\$ 215.1	\$ 206.4	\$ 202.0	4.2 %	6.5 %
Redemption fees	1.2	0.9	1.4	33.3	(14.3)
	216.3	207.3	203.4	4.3	6.3
Dealer compensation expenses					
Asset-based compensation	(73.5)	(70.6)	(68.3)	4.1	7.6
Sales-based compensation	(5.1)	(4.9)	(5.6)	4.1	(8.9)
	(78.6)	(75.5)	(73.9)	4.1	6.4
Net asset management fees – third party	137.7	131.8	129.5	4.5	6.3
Asset management fees – Wealth Management	25.8	25.8	26.2	–	(1.5)
Net asset management	163.5	157.6	155.7	3.7	5.0
Net investment income and other	1.0	1.1	(0.3)	(9.1)	N/M
	164.5	158.7	155.4	3.7	5.9
Expenses					
Advisory and business development	28.3	16.0	22.5	76.9	25.8
Operations and support	74.6	69.7	77.7	7.0	(4.0)
Sub-advisory	1.5	2.5	2.7	(40.0)	(44.4)
	104.4	88.2	102.9	18.4	1.5
Earnings before interest and taxes	\$ 60.1	\$ 70.5	\$ 52.5	(14.8) %	14.5 %
TWELVE MONTHS ENDED					
(\$ millions)					
			2020 DEC. 31	2019 DEC. 31	% CHANGE
Revenues					
Asset management					
Asset management fees – third party			\$ 808.4	\$ 786.6	2.8 %
Redemption fees			4.5	5.7	(21.1)
			812.9	792.3	2.6
Dealer compensation expenses					
Asset-based compensation			(277.7)	(268.1)	3.6
Sales-based compensation			(21.8)	(24.8)	(12.1)
			(299.5)	(292.9)	2.3
Net asset management fees – third party			513.4	499.4	2.8
Asset management fees – Wealth Management			100.6	104.2	(3.5)
Net asset management			614.0	603.6	1.7
Net investment income and other			2.9	4.2	(31.0)
			616.9	607.8	1.5
Expenses					
Advisory and business development			80.2	79.9	0.4
Operations and support			293.7	295.2	(0.5)
Sub-advisory			8.7	10.8	(19.4)
			382.6	385.9	(0.9)
Earnings before interest and taxes			\$ 234.3	\$ 221.9	5.6 %

Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was \$1.0 million for the three months ended December 31, 2020 compared to (\$0.3) million last year and was \$2.9 million for the year ended December 31, 2020, compared to \$4.2 million last year.

EXPENSES

Mackenzie incurs advisory and business development expenses that primarily includes wholesale distribution activities and these costs vary directly with assets or sales levels. Advisory and business development expenses were \$28.3 million for the three months ended December 31, 2020, an increase of \$5.8 million or 25.8% from \$22.5 million in 2019. The increase in expense during the current quarter is due to higher wholesaler commissions attributed to record high level of sales partially offset by lower travel and entertainment expenses. Expenses for the year ended December 31, 2020 were \$80.2 million, an increase of \$0.3 million or 0.4% from \$79.9 million last year.

Operations and support includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses. Operations and support expenses were \$74.6 million for the three months ended December 31, 2020, a decrease of \$3.1 million or 4.0% from \$77.7 million in 2019. Expenses for the year ended December 31, 2020 were \$293.7 million, a decline of \$1.5 million or 0.5% from \$295.2 million last year.

Sub-advisory expenses were \$1.5 million for the three months ended December 31, 2020, compared to \$2.7 million in 2019. Expenses for the year ended December 31, 2020 were \$8.7 million, compared to \$10.8 million last year.

Q4 2020 VS. Q3 2020

REVENUES

Net asset management fees – third party were \$137.7 million for the current quarter, an increase of \$5.9 million or 4.5% from \$131.8 million in the third quarter. The increase in net asset management fees – third party was primarily due to a 4.7% increase in average assets under management slightly offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 70.8 basis points for the current quarter compared to 71.0 basis points in the third quarter.

Management fees – Wealth Management were \$25.8 million in the current quarter, consistent with the third quarter. The 2.3% increase in average assets under management was offset by a decline in the effective management fee rate. The management fee rate was 13.9 basis points in the current quarter compared to 14.2 basis points in the third quarter.

Net investment income and other was \$1.0 million for the current quarter, a decrease of \$0.1 million from the third quarter.

EXPENSES

Advisory and business development expenses were \$28.3 million for the current quarter, an increase of \$12.3 million or 76.9% from \$16.0 million in the third quarter. The increase during the current quarter is due to higher wholesaler commissions attributable to record high level of sales during the quarter.

Operations and support expenses were \$74.6 million for the current quarter, an increase of \$4.9 million or 7.0% from \$69.7 million compared to the third quarter.

Sub-advisory expenses were \$1.5 million for the current quarter, compared to \$2.5 million in the third quarter.

Strategic Investments and Other

Review of Segment Operating Results

The Strategic Investments and Other segment includes investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (China AMC), Northleaf Capital Group Ltd. (Northleaf), Wealthsimple Financial Corp., Portag3 Ventures LPs., and unallocated capital.

Earnings from the Strategic Investments and Other segment include the Company's proportionate share of earnings of its associates, Lifeco, China AMC and Northleaf as well as net investment income on unallocated capital.

In the third quarter of 2020, the Company sold its 24.8% equity interest in Personal Capital as discussed in the Consolidated Financial Position section of this MD&A. The gain on sale is excluded from segment results.

Assets held by the Strategic Investments and Other segment are included in Table 21.

Unallocated capital represents capital not allocated to any of the operating companies and which would be available for investment, debt repayment, distribution to shareholders or other corporate purposes. This capital is invested in highly liquid, high quality financial instruments in accordance with the Company's Investment Policy.

Strategic investments and other segment earnings before interest and taxes are presented in Table 22.

2020 VS. 2019

The proportionate share of associates' earnings increased by \$7.5 million in the fourth quarter of 2020 compared to the fourth quarter of 2019 and increased by \$24.6 million in the year ended December 31, 2020, compared to 2019. These earnings reflect equity earnings from Lifeco, China AMC and, until the third quarter of 2020, Personal Capital, as discussed in the Consolidated Financial Position section of this MD&A. The increase in the fourth quarter resulted primarily from increases in the proportionate share of China AMC's earnings of \$4.6 million and an increase in Personal Capital reflecting the sale of the Company's investment in the second quarter of 2020. The increase in the twelve months ended December 31, 2020, resulted from the increases in the proportionate share of China AMC's earnings of \$11.4 million and Personal Capital's earnings of \$12.2 million. Net investment income and other decreased to \$1.1 million in the fourth quarter of 2020 compared to \$2.6 million in 2019. For the twelve month period, net investment income and other decreased to \$6.0 million compared to \$7.3 million in 2019.

Q4 2020 VS. Q3 2020

The proportionate share of associates' earnings was \$40.1 million in the fourth quarter of 2020, a decrease of \$3.4 million from the third quarter of 2020. Net investment income and other was \$1.1 million in the fourth quarter of 2020, compared to \$0.6 million in the third quarter.

TABLE 21: TOTAL ASSETS – STRATEGIC INVESTMENTS AND OTHER

(\$ millions)	2020 DECEMBER 31	2019 DECEMBER 31
Investments in associates		
Lifeco	\$ 962.4	\$ 896.7
China AMC	720.3	662.7
Northleaf	248.5	–
Personal Capital	–	194.5
	1,931.2	1,753.9
FVTOCI investments		
Wealthsimple (direct investment only)	511.6	236.2
Portag3 and other investments	81.7	64.9
	593.3	301.1
Unallocated capital and other	240.6	321.0
Total assets	\$ 2,765.1	\$ 2,376.0
Lifeco fair value	\$ 1,133.2	\$ 1,241.8

TABLE 22: OPERATING RESULTS – STRATEGIC INVESTMENTS AND OTHER

THREE MONTHS ENDED (\$ millions)	2020		2019	% CHANGE	
	DEC. 31	SEP. 30	DEC. 31	2020 SEP. 30	2019 DEC. 31
Revenues					
Net investment income and other	\$ 1.1	\$ 0.6	\$ 2.6	83.3 %	(57.7) %
Proportionate share of associates' earnings					
Investment in Lifeco	27.3	33.0	29.9	(17.3)	(8.7)
Investment in China AMC	11.8	10.5	7.2	12.4	63.9
Investment in Northleaf	1.0	–	–	N/M	N/M
Investment in Personal Capital	–	–	(4.5)	–	100.0
	40.1	43.5	32.6	(7.8)	23.0
	41.2	44.1	35.2	(6.6)	17.0
Expenses					
Operations and support	0.9	1.2	0.6	(25.0)	50.0
Earnings before interest and taxes	\$ 40.3	\$ 42.9	\$ 34.6	(6.1) %	16.5 %
TWELVE MONTHS ENDED					
(\$ millions)	2020		2019	% CHANGE	
	DEC. 31	DEC. 31	DEC. 31		
Revenues					
Net investment income and other			\$ 6.0	\$ 7.3	(17.8) %
Proportionate share of associates' earnings					
Investment in Lifeco			109.1	109.1	–
Investment in China AMC			41.5	30.1	37.9
Investment in Northleaf			1.0	–	N/M
Investment in Personal Capital			(4.6)	(16.8)	72.6
			147.0	122.4	20.1
			153.0	129.7	18.0
Expenses					
Operations and support			4.1	2.2	86.4
Earnings before interest and taxes			\$ 148.9	\$ 127.5	16.8 %

Consolidated Financial Position

IGM Financial's total assets were \$16.1 billion at December 31, 2020, compared to \$15.4 billion at December 31, 2019.

OTHER INVESTMENTS

The composition of the Company's securities holdings is detailed in Table 23.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Gains and losses on FVTOCI investments are recorded in Other comprehensive income.

Corporate Investments

Corporate investments is primarily comprised of the Company's investments in Wealthsimple Financial Corp., and Portag3 Ventures LP and Portag3 Ventures II LP.

Portag3 Ventures LP and Portag3 Ventures II LP (Portag3) are early-stage investment funds dedicated to backing innovating financial services companies and are controlled by Power Financial Corporation, a subsidiary of Power Corporation of Canada. As at December 31, 2020, the Company had invested a total of \$53.1 million in Portag3.

Wealthsimple Financial Corp. (Wealthsimple) is an online investment manager that provides financial investment guidance. As at December 31, 2020, the Company had invested a total of \$186.9 million in Wealthsimple through a limited partnership controlled by Power Financial Corporation. The investment is classified at Fair value through other comprehensive income.

On October 14, 2020, Wealthsimple announced a \$114 million equity fundraising led by TCV, one of the largest growth equity investors focused on technology, along with Greylock, Meritech, Two Sigma Ventures and existing investor Allianz X. The new investors have an ownership stake of 7.4%. The purchase price associated with this fundraising valued the common equity of Wealthsimple at \$1.5 billion (\$1.4 billion pre-money valuation).

IGM Financial Inc. is the largest shareholder in Wealthsimple and holds, directly and indirectly, a 36% interest. As a result of this valuation, the fair value of the Company's investment increased by \$298 million and is recorded at \$550 million at December 31, 2020.

The total fair value of Corporate investments of \$593 million is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Securities classified as FVTPL include equity securities and proprietary investment funds. Gains and losses are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Certain proprietary investment funds are consolidated where the Company has made the assessment that it controls the investment fund. The underlying securities of these funds are classified as FVTPL.

LOANS

The composition of the Company's loans is detailed in Table 24.

Loans consisted of residential mortgages and represented 39.4% of total assets at December 31, 2020, compared to 46.8% at December 31, 2019.

Loans measured at amortized cost are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled \$6.2 billion at December 31, 2020, compared to \$6.9 billion at December 31, 2019.

The Company holds loans pending sale or securitization. Loans measured at fair value through profit or loss are residential mortgages held temporarily by the Company pending sale. Loans held for securitization are carried at amortized cost. Total

TABLE 23: OTHER INVESTMENTS

(\$ millions)	DECEMBER 31, 2020		DECEMBER 31, 2019	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income				
Corporate investments	\$ 251.4	\$ 593.3	\$ 245.0	\$ 301.2
Fair value through profit or loss				
Equity securities	1.5	1.5	1.6	1.8
Proprietary investment funds	35.3	37.5	51.3	54.4
	36.8	39.0	52.9	56.2
	\$ 288.2	\$ 632.3	\$ 297.9	\$ 357.4

TABLE 24: LOANS

(\$ millions)	DECEMBER 31, 2020	DECEMBER 31, 2019
Amortized cost	\$ 6,329.4	\$ 7,198.7
Less: Allowance for expected credit losses	0.8	0.7
	6,328.6	7,198.0
Fair value through profit or loss	3.3	–
	\$ 6,331.9	\$ 7,198.0

loans being held pending sale or securitization are \$334.5 million at December 31, 2020, compared to \$344.5 million at December 31, 2019.

Residential mortgages originated by IG Wealth Management are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs. At December 31, 2020, IG Wealth Management serviced \$11.0 billion of residential mortgages, including \$2.4 billion originated by subsidiaries of Lifeco.

SECURITIZATION ARRANGEMENTS

Through the Company's mortgage banking operations, residential mortgages originated by IG Wealth Management mortgage planning specialists are sold to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company securitizes residential mortgages through the CMHC sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) and the Canada Mortgage Bond Program (CMB Program) and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. The Company retains servicing responsibilities and certain elements of credit risk and prepayment risk associated with the transferred assets. The Company's credit risk on its securitized mortgages is partially mitigated through the use of insurance. Derecognition of financial assets in accordance with IFRS is based on the transfer of risks and rewards of ownership. As the Company has retained prepayment risk and certain elements of credit risk associated with the Company's securitization transactions through the CMB and ABCP programs, they are accounted for as secured borrowings. The Company records the transactions under these programs as follows: i) the mortgages and related obligations are carried at amortized cost, with interest income and interest expense, utilizing the effective interest rate method, recorded over the term of the mortgages, ii) the component of swaps entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal, are recorded at fair value, and iii) cash reserves held under the ABCP program are carried at amortized cost.

In the fourth quarter of 2020, the Company securitized loans through its mortgage banking operations with cash proceeds of \$422.8 million compared to \$277.8 million in 2019. Additional information related to the Company's securitization activities, including the Company's hedges of related reinvestment and interest rate risk, can be found in the Financial Risk section of this MD&A and in Note 6 to the Annual Financial Statements.

INVESTMENT IN ASSOCIATES

Great-West Lifeco Inc. (Lifeco)

At December 31, 2020, the Company held a 4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Corporation of Canada.

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. Changes in the carrying value for the three and twelve months ended December 31, 2020 compared with 2019 are shown in Table 25.

In December 2020, Lifeco recorded a gain in relation to the revaluation of a deferred tax asset less certain restructuring and transaction costs. The Company's after-tax proportionate share of these adjustments was \$3.4 million.

In April 2019, the Company participated on a proportionate basis in the Lifeco substantial issuer bid by selling 2,400,255 of its shares in Lifeco for proceeds of \$80.4 million.

In June 2019, Lifeco recorded a one-time loss in relation to the sale of substantially all of its United States individual life insurance and annuity business. In December 2019, Lifeco recorded one-time charges in relation to the revaluation of a deferred tax asset, restructuring costs and the net gain on the Scottish Friendly transaction. The Company's after-tax proportionate share of these charges was \$17.2 million.

China Asset Management Co., Ltd. (China AMC)

Founded in 1998 as one of the first fund management companies in China, China AMC has developed and maintained a position among the market leaders in China's asset management industry.

TABLE 25: INVESTMENT IN ASSOCIATES

(\$ millions)	DECEMBER 31, 2020					DECEMBER 31, 2019			
	LIFECO	CHINA AMC	PERSONAL CAPITAL	NORTHLEAF	TOTAL	LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL
THREE MONTHS ENDED									
Carrying value, October 1	\$ 942.8	\$ 713.0	\$ –	\$ –	\$ 1,655.8	\$ 898.7	\$ 651.2	\$ 202.8	\$ 1,752.7
Investment	–	–	–	247.5	247.5	–	–	–	–
Dividends	(16.3)	–	–	–	(16.3)	(15.4)	–	–	(15.4)
Proportionate share of:									
Earnings (losses) ⁽¹⁾	27.3	11.8	–	1.0 ⁽²⁾	40.1	29.9	7.2	(4.5)	32.6
Associate's adjustments ⁽¹⁾	3.4	–	–	–	3.4	–	–	–	–
Associate's one-time charges ⁽¹⁾	–	–	–	–	–	(9.2)	–	–	(9.2)
Other comprehensive income (loss) and other adjustments	5.2	(4.5)	–	–	0.7	(7.3)	4.3	(3.8)	(6.8)
Carrying value, December 31	\$ 962.4	\$ 720.3	\$ –	\$ 248.5	\$ 1,931.2	\$ 896.7	\$ 662.7	\$ 194.5	\$ 1,753.9
TWELVE MONTHS ENDED									
Carrying value, January 1	\$ 896.7	\$ 662.7	\$ 194.5	\$ –	\$ 1,753.9	\$ 967.8	\$ 683.5	\$ –	\$ 1,651.3
Investment	–	–	–	247.5	247.5	–	–	–	–
Transfer from corporate investments (FVTOCI)	–	–	–	–	–	–	–	217.0	217.0
Proceeds from substantial issuer bid	–	–	–	–	–	(80.4)	–	–	(80.4)
Dividends	(65.4)	(13.7)	–	–	(79.1)	(62.6)	(10.3)	–	(72.9)
Proportionate share of:									
Earnings (losses) ⁽¹⁾	109.1	41.5	(4.6)	1.0	147.0	109.1	30.1	(16.8)	122.4
Associate's adjustments ⁽¹⁾	3.4	–	–	–	3.4	–	–	–	–
Associate's one-time charges ⁽¹⁾	–	–	–	–	–	(17.2)	–	–	(17.2)
Other comprehensive income (loss) and other adjustments	18.6	29.8	8.8	–	57.2	(20.0)	(40.6)	(5.7)	(66.3)
Disposition	–	–	(198.7)	–	(198.7)	–	–	–	–
Carrying value, December 31	\$ 962.4	\$ 720.3	\$ –	\$ 248.5	\$ 1,931.2	\$ 896.7	\$ 662.7	\$ 194.5	\$ 1,753.9

(1) The proportionate share of earnings from the Company's investment in associates is recorded in the Strategic Investments and Other segment.

(2) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was \$0.8 million.

China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥ 1,461.1 billion (\$285.1 billion) at December 31, 2020, representing an increase of 41.6% (CAD\$ increase of 48.1%) from RMB¥ 1,032.1 billion (\$192.4 billion) at December 31, 2019.

The equity method is used to account for the Company's 13.9% equity interest in China AMC, as it exercises significant influence. Changes in the carrying value for the three and twelve months ended December 31, 2020 are shown in Table 25. The change in other comprehensive income of negative \$4.5 million in the three month period ended December 31, 2020 was due to a 0.5% depreciation of the Chinese yuan relative to the Canadian dollar.

Personal Capital Corporation (Personal Capital)

During the third quarter, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of \$232.8 million (USD \$176.2 million) and up to an additional USD \$24.6 million in consideration subject to Personal Capital achieving certain target growth objectives.

As a result of the sale, the Company has derecognized its investment in Personal Capital and recorded an accounting gain of \$37.2 million (\$31.4 million net of tax) in Net investment income and other in the Annual Financial Statements.

The Company's economic gain based on the cost of its investment in Personal Capital of \$189.1 million was approximately \$43.7 million (\$37.9 million net of tax).

Northleaf Capital Group Ltd. (Northleaf)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Lifeco, acquired a non-controlling interest in Northleaf, a global private equity, private credit and infrastructure fund manager headquartered in Toronto.

The transaction was executed through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco for cash consideration of \$241 million and up to an additional \$245 million in consideration at the end of five years subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as expense over the five year period based on the fair value of the expected payment, which is revalued at each reporting period date.

The acquisition vehicle acquired a 49.9% voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase the remaining equity and

voting interest in Northleaf commencing in approximately five years and extending into future periods. The equity method is used to account for the acquisition vehicle's 70% economic interest as it exercises significant influence. Significant influence arises from board representation, participating in the policy making process and shared strategic initiatives.

The Company controls the acquisition vehicle therefore it recognizes the full 70% economic interest in Northleaf and recognizes Non-controlling interest (NCI) related to Lifeco's net interest in Northleaf of 14%. Net of NCI, IGM's investment at December 31, 2020 was \$199.6 million, comprised of \$192.6 million in cash consideration, \$6.2 million in capitalized transaction costs and proportionate share of 2020 earnings of \$0.8 million.

Northleaf's assets under management, including invested capital and uninvested commitments, were \$14.6 billion as at December 31, 2020.

Consolidated Liquidity and Capital Resources

LIQUIDITY

Cash and cash equivalents totalled \$771.6 million at December 31, 2020 compared with \$720.0 million at December 31, 2019. Cash and cash equivalents related to the Company's deposit operations were \$5.2 million at December 31, 2020, compared to \$2.2 million at December 31, 2019, as shown in Table 26.

Client funds on deposit represents cash balances held by clients within their investment accounts and with the offset included in deposit liabilities. The increase in the balance since December 31, 2019 is primarily due to market volatility that has caused clients to hold larger cash positions and due to the migration of IG Wealth clientele to nominee accounts that may hold deposit balances.

Working capital, which consists of current assets less current liabilities, totalled \$330.8 million at December 31, 2020 compared with \$464.3 million at December 31, 2019 (Table 27). The decrease in working capital reflects the closing of the Company's acquisitions as previously discussed.

Working capital is utilized to:

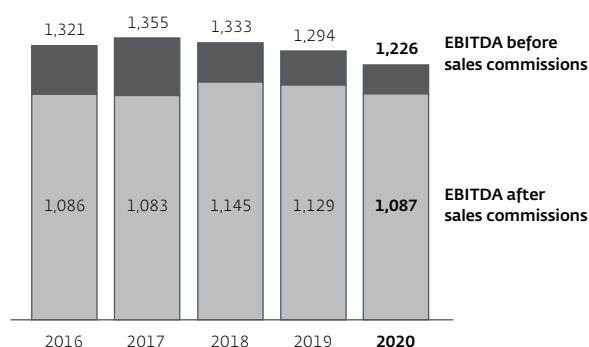
- Finance ongoing operations, including the funding of sales commissions.
- Temporarily finance mortgages in its mortgage banking operations.
- Pay interest and dividends related to long-term debt and preferred shares.
- Maintain liquidity requirements for regulated entities.
- Pay quarterly dividends on its outstanding common shares.
- Finance common share repurchases and retirement of long-term debt.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization before sales commissions (EBITDA before

sales commissions) totalled \$1,226.4 million for the year ended December 31, 2020, compared to \$1,294.0 million for 2019. EBITDA before sales commissions excludes the impact of both commissions paid and commission amortization (refer to Table 1).

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

For the financial year (\$ millions)



Adjusted EBITDA before and after sales commissions excluded the following:

- 2017 – charges related to restructuring and other, a favourable revaluation of the Company's pension plan obligation, charges representing the Company's proportionate share in Great-West Lifeco Inc.'s one-time charges and restructuring provision.
- 2018 – charges related to restructuring and other and the premium paid on the early redemption of debentures.
- 2019 – the Company's proportionate share of associate's one-time charges.
- 2020 – the gain on sale of Personal Capital, gain on sale of Quadrus Group of Funds net of acquisition costs, the Company's proportionate share of associate's one-time adjustments and restructuring and other.

TABLE 26: DEPOSIT OPERATIONS – FINANCIAL POSITION

AS AT DECEMBER 31 (\$ millions)	2020	2019
Assets		
Cash and cash equivalents	\$ 5.2	\$ 2.2
Client funds on deposit	1,063.4	561.3
Accounts and other receivables	36.5	12.3
Loans	10.5	20.4
Total assets	\$ 1,115.6	\$ 596.2
Liabilities and shareholders' equity		
Deposit liabilities	\$ 1,104.9	\$ 584.3
Other liabilities	0.3	0.5
Shareholders' equity	10.4	11.4
Total liabilities and shareholders' equity	\$ 1,115.6	\$ 596.2

TABLE 27: WORKING CAPITAL

AS AT DECEMBER 31 (\$ millions)	2020	2019
Current Assets		
Cash and cash equivalents	\$ 771.6	\$ 720.0
Client funds on deposit	1,063.4	561.3
Accounts receivable and other assets	391.3	345.3
Current portion of securitized mortgages and other	1,518.6	1,531.7
	3,744.9	3,158.3
Current Liabilities		
Accounts and other payables	756.5	611.9
Deposits and certificates	1,101.4	579.0
Current portion of obligations to securitization entities and other	1,556.2	1,503.1
	3,414.1	2,694.0
Working Capital	\$ 330.8	\$ 464.3

Earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions) totalled \$1,086.9 million for the year ended December 31, 2020, compared to \$1,128.9 million for 2019. EBITDA after sales commissions excludes the impact of commission amortization (refer to Table 1).

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

CASH FLOWS

Table 28 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Consolidated Financial Statements for the year ended December 31, 2020. Cash and cash equivalents increased by \$51.6 million in 2020 compared to an increase of \$69.8 million in 2019.

Adjustments to determine net cash from operating activities during the year ended 2020 compared to 2019 consist of non-cash operating activities offset by cash operating activities:

- The add-back of amortization of capitalized sale commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital, intangible and other assets.
- The deduction of investment in associates' equity earnings offset by dividends received.
- The add-back of pension and other post-employment benefits offset by cash contributions.
- Changes in operating assets and liabilities and other.
- The adjustment for other items in 2020, which included the add-back of restructuring provision and other and the deduction of the gain on the sale of the Company's investment in Personal Capital and the gain on the sale of the Quadrus Group of Funds.
- The deduction of restructuring provision cash payments.

TABLE 28: CASH FLOWS

TWELVE MONTHS ENDED (\$ millions)	2020 DEC. 31	2019 DEC. 31	% CHANGE
Operating activities			
Earnings before income taxes	\$ 965.4	\$ 968.7	(0.3) %
Income taxes paid	(172.3)	(236.7)	27.2
Adjustments to determine net cash from operating activities	(56.5)	(19.9)	(183.9)
	736.6	712.1	3.4
Financing activities	(1,358.4)	(1,068.9)	(27.1)
Investing activities	673.4	426.6	57.9
Change in cash and cash equivalents	51.6	69.8	(26.1)
Cash and cash equivalents, beginning of year	720.0	650.2	10.7
Cash and cash equivalents, end of year	\$ 771.6	\$ 720.0	7.2 %

Financing activities during the year ended December 31, 2020 compared to 2019 related to:

- An increase in obligations to securitization entities of \$1,568.5 million and repayments of obligations to securitization entities of \$2,359.8 million in 2020 compared to an increase in obligations to securitization entities of \$1,456.3 million and repayments of obligations to securitization entities of \$1,960.8 million in 2019.
- The payment of regular common share dividends which totalled \$536.2 million in 2020 compared to \$539.0 million in 2019.

2019 also included the following financing activities:

- Issuance of debentures of \$250.0 million.
- Redemption of preferred shares of \$150.0 million.
- The purchase of 2,762,788 common shares under IGM Financial's normal course issuer bid at a cost of \$100.0 million.
- Payment of perpetual preferred share dividends which totalled \$4.4 million.

Investing activities during the year ended December 31, 2020 compared to 2019 primarily related to:

- The purchases of other investments totalling \$32.7 million and sales of other investments with proceeds of \$38.8 million in 2020 compared to \$118.9 million and \$85.5 million, respectively, in 2019.
- An increase in loans of \$1,793.0 million with repayments of loans and other of \$2,679.7 million in 2020 compared to \$1,682.1 million and \$2,211.5 million, respectively, in 2019, primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions was \$68.8 million in 2020 compared to \$64.1 million in 2019.
- The acquisition of GLC Asset Management Group Ltd. for \$175.8 million in 2020.
- The investment in Northleaf Capital Group Ltd. of \$198.8 million in 2020.
- The sales of the Company's investment in Personal Capital and the Quadrus Group of Funds with proceeds of \$262.8 million.

2019 also included the following investing activities:

- An additional investment in Personal Capital of \$66.8 million.
- Proceeds of \$80.4 million from the sale of 2,400,255 Lifeco shares as a result of the Company's participation in the Lifeco substantial issuer bid.

CAPITAL RESOURCES

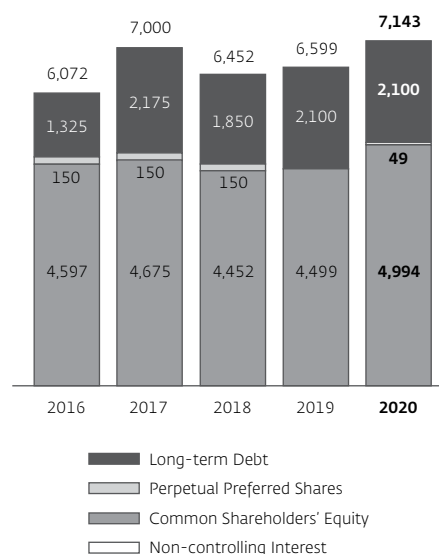
The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt and common shareholders' equity which totalled \$7.1 billion at December 31, 2020, compared to \$6.6 billion at December 31, 2019. The Company regularly assesses its capital management practices in response to changing economic conditions.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. The Company's subsidiaries have complied with all regulatory capital requirements.

The total outstanding long-term debt was \$2.1 billion at December 31, 2020, unchanged from December 31, 2019. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

Capital

As at December 31 (\$ millions)



Other activities in 2020 included the declaration of common share dividends of \$536.2 million or \$2.25 per share. Changes in common share capital are reflected in the Annual Consolidated Statements of Changes in Shareholders' Equity.

Standard & Poor's (S&P) current rating on the Company's senior unsecured debentures is "A" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Company's senior unsecured debentures is "A (High)" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

These ratings are not a recommendation to buy, sell or hold the securities of the Company and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

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

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

FINANCIAL INSTRUMENTS

Table 29 presents the carrying amounts and fair values of financial assets and financial liabilities. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

Fair value is determined using the following methods and assumptions:

- Other investments and other financial assets and liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans classified as held for trading are valued using market interest rates for loans with similar credit risk and maturity, specifically lending rates offered to retail borrowers by financial institutions.

TABLE 29: FINANCIAL INSTRUMENTS

(\$ millions)	DECEMBER 31, 2020		DECEMBER 31, 2019	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	\$ 593.3	\$ 593.3	\$ 301.2	\$ 301.2
– Fair value through profit or loss	39.0	39.0	56.2	56.2
Loans				
– Fair value through profit or loss	3.3	3.3	–	–
Derivative financial instruments	37.3	37.3	15.2	15.2
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	6,328.6	6,532.8	7,198.0	7,273.8
Financial liabilities recorded at fair value				
Derivative financial instruments	34.5	34.5	17.2	17.2
Financial liabilities recorded at amortized cost				
Deposits and certificates	1,104.9	1,105.4	584.3	584.7
Obligations to securitization entities	6,173.9	6,345.2	6,913.6	6,997.0
Long-term debt	2,100.0	2,653.8	2,100.0	2,453.6

- Loans classified as amortized cost are valued by discounting the expected future cash flows at prevailing market yields.
- Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is valued using quoted prices for each debenture available in the market.

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

See Note 23 of the Annual Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the twelve months ended December 31, 2020.

Risk Management

IGM Financial is exposed to a variety of risks that are inherent in our business activities. Our ability to manage these risks is key to our ongoing success. The Company emphasizes a strong risk management culture and the implementation of an effective risk management approach. Our approach coordinates risk management across the organization and its business units and seeks to ensure prudent and measured risk-taking in order to achieve an appropriate balance between risk and return. Fundamental to our enterprise risk management program is protecting and enhancing our reputation.

RISK MANAGEMENT FRAMEWORK

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

RISK GOVERNANCE

Our risk governance structure emphasizes ownership of risk management in each business unit and oversight by an executive Risk Management Committee accountable to the Risk Committee of the Board (Risk Committee) and ultimately to the Board of Directors. Additional oversight is provided by the ERM Department, compliance groups, and Internal Audit Department.

The Risk Committee provides primary oversight and carries out its risk management mandate. The Risk Committee is responsible for assisting the Board in reviewing and overseeing the risk governance structure and risk management program of the Company by: i) ensuring that appropriate procedures are in place to identify and manage risks and establish risk tolerances, ii) ensuring that appropriate policies, procedures and controls are implemented to manage risks, and iii) reviewing the risk management process on a regular basis to ensure that it is functioning effectively.

Other specific risks are managed with the support of the following Board committees:

- The Audit Committee has specific risk oversight responsibilities in relation to financial disclosure, internal controls and the control environment as well as our compliance activities, including administration of the Code of Conduct.
- The Human Resource Committee oversees compensation policies and practices.
- The Governance and Nominating Committee oversees corporate governance practices.

- The Related Party and Conduct Review Committee oversees conflicts of interest.

Management oversight for risk management resides with the executive Risk Management Committee which is comprised of the Chief Executive Officers of IGM Financial, IG Wealth Management and Mackenzie Investments, the Chief Financial Officer, the General Counsel, the Chief Operating Officer, the Chief Strategy and Corporate Development Officer and the Chief Human Resources Officer. The committee is responsible for oversight of IGM Financial's risk management process by: i) establishing and maintaining the risk framework and policy; ii) defining the risk appetite; iii) ensuring our risk profile and processes are aligned with corporate strategy and risk appetite; and iv) establishing "tone at the top" and reinforcing a strong culture of risk management.

The Chief Executive Officers of the operating companies have overall responsibility for overseeing risk management of their respective companies.

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

In response to the impact of COVID-19, the Company is focusing our teams on addressing and managing COVID-19 issues and has established new committees and processes where required.

First Line of Defence

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

Second Line of Defence

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

appetite for all activities of the Company. Other responsibilities include: i) developing and maintaining the enterprise risk management program and framework, ii) managing the enterprise risk management process, and iii) providing guidance and training to business unit and support function leaders.

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

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

Third Line of Defence

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

RISK APPETITE AND RISK PRINCIPLES

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

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

RISK MANAGEMENT PROCESS

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

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

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

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

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

RISK MANAGEMENT CULTURE

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

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

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

KEY RISKS OF THE BUSINESS

Significant risks that may adversely affect our ability to achieve strategic and business objectives are identified through our ongoing risk management process.

We use a consistent methodology across our organizations and business units to identify and assess risks, considering factors both internal and external to the organization. These risks are broadly grouped into five categories: financial, operational, strategic, business, and environmental and social.

1) FINANCIAL RISK

LIQUIDITY AND FUNDING RISK

This is the risk of an inability to generate or obtain sufficient cash in a timely and cost-effective manner to meet contractual or anticipated commitments as they come due or arise.

Our liquidity management practices include:

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

A key funding requirement is the funding of Consultant network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

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

by CMHC. The availability of mortgage insurance is dependent upon market conditions and is subject to change.

As part of ongoing liquidity management during 2020 and 2019, the Company:

- Continued to assess additional funding sources for the Company's mortgage banking operations.
- Issued \$250 million 4.206% debentures in March 2019 maturing March 21, 2050. The net proceeds were used by the Company to fund the redemption of \$150 million 5.90% Non-Cumulative First Preferred Shares, Series B and for general corporate purposes. The Company redeemed the Series B Preferred Shares on April 30, 2019.
- Participated in the Lifeco substantial issuer bid by selling 2,400,255 of its shares in Lifeco for proceeds of \$80.4 million.
- Received proceeds from the sales of the Company's investment in Personal Capital and the Quadrus Group of Funds of \$262.8 million.

The Company's contractual obligations are reflected in Table 30.

The maturity schedule for long-term debt of \$2.1 billion is reflected in the accompanying chart (Long-Term Debt Maturity Schedule).

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled \$825 million at December 31, 2020, unchanged from December 31, 2019. The lines of credit at December 31, 2020 consisted of committed lines of \$650 million and uncommitted lines of \$175 million, unchanged from December 31, 2019. The Company has accessed its uncommitted lines of credit in the past; however, any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at December 31, 2020 and December 31, 2019, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

TABLE 30: CONTRACTUAL OBLIGATIONS

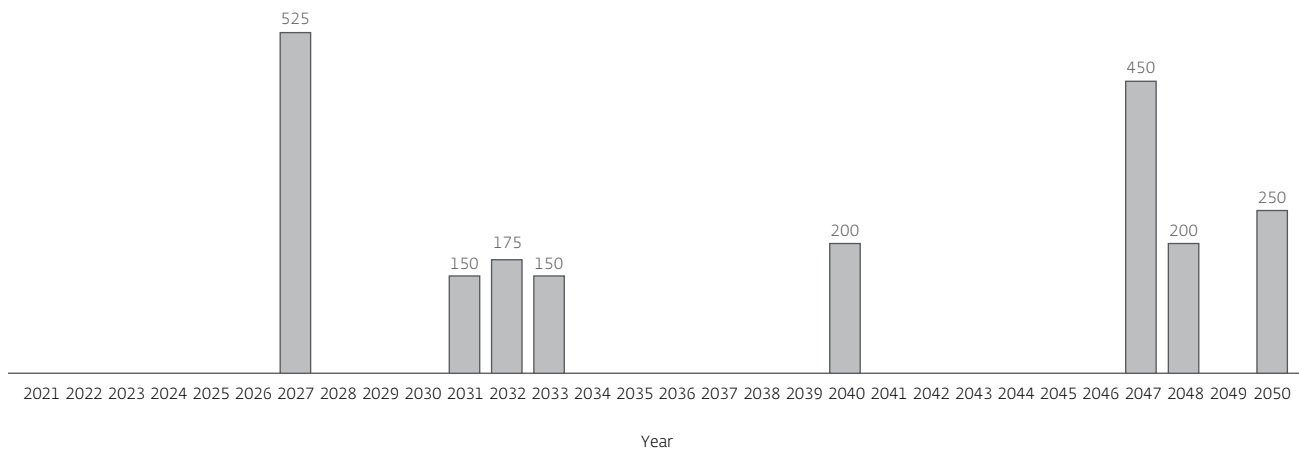
AS AT DECEMBER 31, 2020 (\$ millions)	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	\$ -	\$ 13.1	\$ 21.4	\$ -	\$ 34.5
Deposits and certificates	1,099.4	2.1	2.5	0.9	1,104.9
Obligations to securitization entities	-	1,543.1	4,610.1	20.7	6,173.9
Leases ⁽¹⁾	-	27.6	88.2	131.1	246.9
Long-term debt	-	-	-	2,100.0	2,100.0
Pension funding ⁽²⁾	-	14.1	-	-	14.1
Total contractual obligations	\$ 1,099.4	\$ 1,600.0	\$ 4,722.2	\$ 2,252.7	\$ 9,674.3

(1) Includes remaining lease payments related to office space and equipment used in the normal course of business.

(2) The next required actuarial valuation will be completed based on a measurement date of December 31, 2020. Pension funding requirements beyond 2021 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Long-Term Debt Maturity Schedule

(\$ millions)



The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2017, was completed in May 2018. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of \$47.2 million compared to \$82.7 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2016. The decrease in the solvency deficit resulted primarily from higher assets due to contribution and investment returns and is required to be funded over five years. The registered pension plan had a going concern surplus of \$46.1 million compared to \$24.4 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2020. During the year ended December 31, 2020, the Company made contributions of \$25.6 million (2019 – \$26.4 million). The Manitoba Government announced that they will temporarily waive certain contributions businesses are required to make to their defined benefit pension plans including solvency funding payments for the 13 months from December 2020 to December 2021. IGM has elected this special payment moratorium and as a result, the Company expects to only make current service cost contributions of approximately \$14.1 million in 2021. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above are sufficient to meet the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the impact that debt and equity market performance has on the Company's fee income and commission and certain other expenses. The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2019.

CREDIT RISK

This is the risk of financial loss to the Company if a counterparty to a transaction fails to meet its obligations.

The Company's cash and cash equivalents, other investment holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

Cash and Cash Equivalents and Client Funds on Deposit

At December 31, 2020, cash and cash equivalents of \$771.6 million (2019 – \$720.0 million) consisted of cash balances of \$76.6 million (2019 – \$68.0 million) on deposit with Canadian chartered banks and cash equivalents of \$695.0 million (2019 – \$652.0 million). Cash equivalents are comprised of Government of Canada treasury bills totalling \$96.0 million (2019 – \$34.5 million), provincial government treasury bills and promissory notes of \$148.8 million (2019 – \$206.5 million), and bankers' acceptances

and other short-term notes issued by Canadian chartered banks of \$450.2 million (2019 – \$411.0 million).

Client funds on deposit of \$1,063.4 million (December 31, 2019 – \$561.3 million) represent cash balances held in client accounts which are deposited at Canadian financial institutions.

The Company manages credit risk related to cash and cash equivalents by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

The Company's exposure to and management of credit risk related to cash and cash equivalents and fixed income securities have not changed materially since December 31, 2019.

Mortgage Portfolio

As at December 31, 2020, residential mortgages, recorded on the Company's balance sheet, of \$6.3 billion (2019 – \$7.2 billion) consisted of \$6.0 billion sold to securitization programs (2019 – \$6.8 billion), \$334.5 million held pending sale or securitization (2019 – \$344.5 million) and \$14.1 million related to the Company's intermediary operations (2019 – \$24.2 million).

The Company manages credit risk related to residential mortgages through:

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

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

- Under the NHA MBS program totalling \$3.2 billion (2019 – \$3.9 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling \$2.8 billion (2019 – \$2.9 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$73.0 million (2019 – \$71.9 million) and \$45.6 million (2019 – \$37.9 million), respectively, at December 31, 2020. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be

recorded over the life of the mortgages. This risk is further mitigated by insurance with 3.0% of mortgages held in ABCP Trusts insured at December 31, 2020 (2019 – 4.6%).

At December 31, 2020, residential mortgages recorded on balance sheet were 55.3% insured (2019 – 59.1%). As at December 31, 2020, impaired mortgages on these portfolios were \$4.8 million, compared to \$2.4 million at December 31, 2019. Uninsured non-performing mortgages over 90 days on these portfolios were \$2.3 million at December 31, 2020, compared to \$1.6 million at December 31, 2019.

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

The Company regularly reviews the credit quality of the mortgages and the adequacy of the allowance for expected credit losses.

The Company's allowance for expected credit losses was \$0.8 million at December 31, 2020, compared to \$0.7 million at December 31, 2019, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience, ii) recent trends including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses, iii) current portfolio credit metrics and other relevant characteristics, iv) our strong financial planning relationship with our clients, and v) stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2019.

Derivatives

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

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

The Company's derivative activities are managed in accordance with its Investment Policy which includes counterparty limits and other parameters to manage counterparty risk. The aggregate credit risk exposure related to derivatives that

are in a gain position of \$35.8 million (2019 – \$15.7 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was \$3.8 million at December 31, 2020 (2019 – \$0.7 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2020. Management of credit risk related to derivatives has not changed materially since December 31, 2019.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Notes 2, 6 and 22 to the Annual Financial Statements.

MARKET RISK

This is the risk of loss arising from changes in the values of the Company's financial instruments due to changes in foreign exchange rates, interest rates or equity prices.

Interest Rate Risk

IGM Financial is exposed to interest rate risk on its mortgage portfolio and on certain of the derivative financial instruments used in our mortgage banking operations.

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

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a negative fair value of \$21.1 million (December 31, 2019 – negative \$0.9 million) and an outstanding notional amount of \$0.7 billion at December 31, 2020 (December 31, 2019 – \$0.8 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled \$19.9 million (December 31, 2019 – negative \$4.9 million), on an outstanding notional amount of \$1.3 billion at December 31, 2020 (December 31, 2019 – \$1.6 billion). The net fair value of these swaps of negative \$1.2 million at December 31, 2020 (December 31, 2019 – negative \$5.8 million) is recorded on the balance sheet and has an outstanding notional amount of \$2.0 billion (December 31, 2019 – \$2.4 billion).
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed

to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Wealth Management revenue over the term of the related Obligations to securitization entities. The negative fair value of these swaps was \$0.3 million (December 31, 2019 – positive \$0.6 million) on an outstanding notional amount of \$191.3 million at December 31, 2020 (December 31, 2019 – \$180.4 million).

As at December 31, 2020, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately \$1.3 million (December 31, 2019 – decrease of \$2.0 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2019.

Equity Price Risk

IGM Financial is exposed to equity price risk on our equity investments which are classified as either fair value through other comprehensive income or fair value through profit or loss or investments in associates. The fair value of the equity investments was \$632.3 million at December 31, 2020 (December 31, 2019 – \$357.4 million), as shown in Table 23.

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

Foreign Exchange Risk

IGM Financial is exposed to foreign exchange risk on its investment in China AMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in Other comprehensive income. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately \$34.0 million (\$37.6 million).

The Company's proportionate share of China AMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of associates' earnings (losses) by approximately \$2.0 million (\$2.1 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT AND ADVISEMENT

At December 31, 2020, IGM Financial's total assets under management and advisement were \$240.0 billion compared to \$190.0 billion at December 31, 2019.

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

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

During 2020, there has been significant global market volatility, as discussed in the Operational Assessment section of the MD&A.

The Company believes that over the long term, exposure to investment returns on its client portfolios is beneficial to the Company's results and consistent with stakeholder expectations, and generally it does not engage in risk transfer activities such as hedging in relation to these exposures.

The Company has increased its communication to clients and others of market conditions and changes and the Company and its Consultants have actively been reaching out to clients to discuss their financial planning needs and goals in light of COVID-19 and will continue those efforts. The Company has

also increased communication to support the independent financial advisors and its institutional clients with a focus on providing capital market and economic updates, ongoing commentary, and access to investment management to ensure they have the resources they need to support their clients in light of COVID-19.

The Company's exposure to the value of assets under management and advisement aligns it with the experience of its clients. Assets under management are broadly diversified by asset class, geographic region, industry sector, investment team and style. The Company regularly reviews the sensitivity of its assets under management, revenues, earnings and cash flow to changes in financial markets.

2) OPERATIONAL RISK

This is the risk of financial loss, reputational damage or regulatory actions resulting from inadequate or failed internal processes or systems, human interaction or external events. This excludes business risk, which is a separate category in our ERM framework.

We are exposed to a broad range of operational risks, including information technology security and system failures, errors relating to transaction processing, financial models and valuations, fraud and misappropriation of assets, and inadequate application of internal control processes.

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

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

TABLE 31: IGM FINANCIAL ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

AS AT DECEMBER 31, 2020	INVESTMENT FUNDS	TOTAL
Cash	1.6 %	2.6 %
Short-term fixed income and mortgages	5.1	5.0
Other fixed income	26.0	25.5
Domestic equity	19.8	24.3
Foreign equity	44.9	40.6
Real Property	2.6	2.0
	100.0 %	100.0 %
CAD	52.9 %	58.7 %
USD	30.4	27.1
Other	16.7	14.2
	100.0 %	100.0 %

Operational risk affects all business activities, including the processes in place to manage other risks. As a result, operational risk can be difficult to measure, given that it forms part of other risks of the Company and may not always be separately identified.

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

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

The Company has a crisis response plan which outlines crisis response coordination policies and procedures in the event of a crisis that could significantly impact the organization's reputation, brands or business operations. The Company executes simulation exercises on a regular basis. The Company has a crisis assessment team comprised of senior leadership who are responsible for crisis confirmation and management. In addition, this team is responsible for setting strategy, overseeing response and ensuring appropriate subject matter experts are engaged in the scenario-dependent crisis response team.

The Company also has a business continuity management program to enable critical operations and processes to function in the event of a business disruption.

For the health and safety of the Company's employees and clients and to help efforts to limit the speed and spread of the COVID-19 infection, the Company moved substantially all of its employees and Consultants to work from home and temporarily closed its offices in March 2020. The Company is continuously assessing its plan and protocols, and taking direction from external governing bodies such as the Medical Officers of Health, to determine when employees and advisors will return to the office.

The Company's business continuity plan has been effective at ensuring the Company is able to continue operations and provide client service with minimal disruptions.

TECHNOLOGY AND CYBER RISK

We use systems and technology to support business operations and the client and financial advisor experience. As a result, we are exposed to risks relating to technology and cyber security such as data breaches, identity theft and hacking, including the risk of denial of service or malicious software attacks. The volume of these activities in our society has increased since the onset of COVID-19. Such attacks could compromise confidential information of the Company and that of clients or other stakeholders, and could result in negative consequences including lost revenue, litigation, regulatory scrutiny or reputational damage. To remain resilient to such threats, we have established enterprise-wide cyber security programs, benchmarked capabilities to sound industry practices, and

implemented threat and vulnerability assessment and response capabilities. Extended duration of work from home programs introduces increased need to mitigate risk of potential data loss.

OUTSOURCING

We regularly engage third parties to provide expertise and efficiencies that support our operational activities. Our exposure to third party service provider risk could include reputational, regulatory and other operational risks. Policies, standard operating procedures and dedicated resources, including a supplier code of conduct and outsourcing policy, have been developed and implemented to specifically address third party service provider risk. We perform due diligence and monitoring activities before entering into contractual relationships with third-party service providers and on an ongoing basis. As our reliance on external service providers continues to grow, we continue to enhance resources and processes to support third party risk management.

MODEL RISK

We use a variety of models to assist in: the valuation of financial instruments, operational scenario testing, management of cash flows, capital management, and assessment of potential acquisitions. These models incorporate internal assumptions, observable market inputs and available market prices. Effective controls exist over the development, implementation and application of these models. However, changes in the internal assumptions or other factors affecting the models could have an adverse effect on the Company's consolidated financial position and reputation.

LEGAL AND REGULATORY COMPLIANCE

This is the risk of not complying with laws, contractual agreements or regulatory requirements. These risks relate to regulation governing product distribution, investment management, accounting, reporting and communications.

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. These requirements include those that apply to IGM Financial as a publicly traded company and those that apply to the Company's subsidiaries based on the nature of their activities. They include regulations related to the management and provision of financial products and services, including securities, insurance and mortgages, and other activities carried on by the Company in the markets in which it operates. Regulatory standards affecting the Company and the financial

services industry are significant and continually evolve. The Company and its subsidiaries are subject to reviews as part of the normal ongoing process of oversight by the various regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages legal and regulatory compliance risk through its efforts to promote a strong culture of compliance. The monitoring of regulatory developments and their impact on the Company is overseen by the Regulatory Initiatives Committee chaired by the Executive Vice-President, General Counsel. The Company 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 Board receives regular reporting on compliance initiatives and issues.

IGM Financial promotes a strong culture of ethics and integrity through its Code of Conduct approved by the Board of Directors, which outlines standards of conduct that apply to all IGM Financial directors, officers and employees. The Code of Conduct references many policies relating to the conduct of directors, officers and employees. Other corporate policies cover anti-money laundering and privacy. Training is provided on these policies on an annual basis. Individuals subject to the Code of Conduct attest annually that they understand the requirements and have complied with its provisions.

Business units are responsible for management of legal and regulatory compliance risk, and implementing appropriate policies, procedures and controls. The Company's Compliance Departments are responsible for providing oversight of all regulated compliance activities. The Internal Audit Department also provides oversight concerning regulatory compliance matters.

CONTINGENCIES

The Company is subject to legal actions arising in the normal course of its business. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

3) STRATEGIC RISK

This is the risk of potential adverse impacts resulting from inadequate or inappropriate governance, oversight, management of incentives and conflicts, regulatory developments and strategy.

IGM Financial believes in the importance of good corporate governance and the central role played by directors in

the governance process. We believe that sound corporate governance is essential to the well-being of the Company and our shareholders.

Oversight of IGM Financial is performed by the Board of Directors directly and through its five committees. The Company's President and Chief Executive Officer has overall responsibility for management of the Company. The Company's activities are carried out principally by three operating companies – Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. – each of which are managed by a President and Chief Executive Officer.

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

REGULATORY DEVELOPMENT RISK

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

We are exposed to the risk of changes in laws, taxation and regulation that could have an adverse impact on the Company. Particular regulatory initiatives may have the effect of making the products of the Company's subsidiaries appear to be less competitive than the products of other financial service providers, to third party distribution channels and to clients. Regulatory differences that may impact the competitiveness of the Company's products include regulatory costs, tax treatment, disclosure requirements, transaction processes or other differences that may be as a result of differing regulation or application of regulation. Regulatory developments may also impact product structures, pricing, and dealer and advisor compensation. While the Company and its subsidiaries actively monitor such initiatives, and where feasible comment upon or discuss them with regulators, the ability of the Company and its subsidiaries to mitigate the imposition of differential regulatory treatment of financial products or services is limited.

The Company continuously monitors regulatory developments, guidance and communications, and has been engaged in ongoing discussions with regulators as the industry works to address issues resulting from COVID-19.

ACQUISITION RISK

The Company is exposed to risks related to its acquisitions and strategic investments. The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic

objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition is dependent on retaining assets under management, clients, and key employees of an acquired company.

4) BUSINESS RISK

GENERAL BUSINESS CONDITIONS

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from competitive or other external factors relating to the marketplace.

Global economic conditions, changes in equity markets, demographics and other factors including geopolitical risk and government instability, can affect investor confidence, income levels and savings decisions. This could result in reduced sales of IGM Financial's products and services and/or result in investors redeeming their investments. These factors may also affect the level and volatility of financial markets and the value of the Company's assets under management, as described more fully under the Risks Related to Assets Under Management section of this MD&A.

To manage this risk, the Company, across its operating subsidiaries, communicates with clients and underscores the importance of financial planning across economic cycles. The Company and the industry continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility, Consultants and independent financial advisors play a key role in assisting investors in maintaining perspective and focus on their long-term objectives.

Redemption rates for long-term funds are summarized in Table 32 and are discussed in the Wealth Management and the Asset Management Segment Operating Results sections of this MD&A.

CATASTROPHIC EVENTS OR LOSS

Catastrophic events or loss refers to the risk that events such as earthquakes, floods, fire, tornadoes, pandemics, or terrorism could adversely affect the Company's financial performance.

Catastrophic events can cause economic uncertainty, affect investor confidence, income levels and financial planning decisions. This could affect the level and volatility of financial markets and the level of the Company's assets under management and advisement.

The global COVID-19 pandemic has caused economic disruption, adversely impacted economic conditions, has caused significant volatility and reductions in the level of financial markets, and has increased unemployment in Canada and globally.

In response, the Company has implemented its business continuity plans and has transitioned substantially all of its employees and Consultants to working from home.

It is difficult to predict how significant the COVID-19 pandemic and government measures taken in response will be to world economies, our clients and our business. This event could have a material impact on the financial positions and results of the Company, subject to duration and severity.

PRODUCT / SERVICE OFFERING

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from inadequate product or service performance, quality or breadth.

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

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

TABLE 32: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

	2020 DEC. 31	2019 DEC. 31
IGM Financial Inc.		
IG Wealth Management	9.8 %	10.3 %
Mackenzie	16.6 %	15.6 %
Counsel	20.1 %	19.3 %

We strive to deliver strong investment performance on our products relative to benchmarks and peers. Poor investment performance relative to benchmarks or peers could reduce the level of assets under management and sales and asset retention, as well as adversely impact our brands and reputation. Meaningful and/or sustained underperformance could affect the Company's results. Our objective is to cultivate investment processes and disciplines that give us a competitive advantage, and we do this by diversifying our assets under management and product shelf by investment team, brand, asset class, mandate, style and geographic region.

BUSINESS / CLIENT RELATIONSHIPS

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from changes to key business or client relationships. These relationships primarily include IG Wealth Management clients and Consultants, Mackenzie retail distribution, strategic and significant business partners, clients of Mackenzie funds, and sub-advisors and other product suppliers.

IG Wealth Management Consultant network – IG Wealth Management derives all of its mutual fund sales through its Consultant network. IG Wealth Management 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 IG Wealth Management's results of operations and business prospects. IG Wealth Management is focused on strengthening its distribution network of Consultants and on responding to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice, as discussed in the Wealth Management Review of the Business section of this MD&A.

Asset Management – Mackenzie derives the majority of its mutual fund sales through third party financial advisors. Financial advisors generally offer their clients investment products in addition to, and in competition with Mackenzie. Mackenzie also derives sales of its investment products and services from its strategic alliance and institutional clients. Due to the nature of the distribution relationship in these relationships and the relative size of these accounts, gross sale and redemption activity can be more pronounced in these accounts than in a retail relationship. Mackenzie's ability to market its investment products is highly dependent on continued access to these distribution networks. Lack of access could have a material adverse effect on Mackenzie's operating results and business prospects. Mackenzie is well positioned to manage this risk and to continue to build and enhance its distribution relationships. Mackenzie's diverse portfolio of financial products

and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading investment management companies. These factors are discussed further in the Asset Management Review of the Business section of this MD&A.

PEOPLE RISK

This risk refers to the potential inability to attract or retain employees or Consultants, develop them to an appropriate level of proficiency, or manage engagement and personnel succession or transition.

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

We have a Diversity and Inclusion Strategy with the purpose of driving an inclusive, equitable and consistent experience for employees and clients that supports our business objectives now and into the future. To achieve the desired outcomes, we focus on three pillars of action: raising awareness; improving inclusive leadership behaviours; and building external partnerships and community engagement.

Our activities have a current focus on enabling the upward mobility of women and other under-represented groups. We had a goal to have at least 35% of our executive roles – Vice-President and above – held by women by the end of 2020. As of December 31, 2020, 33% of these roles were held by women and 27% of IG Wealth Management Consultants were women. We are supporters of the UN Women's Empowerment Principles and also work with Catalyst, the Institute for Gender and the Economy and Women in Capital Markets to advance gender equality. In 2020, the IGM Financial companies also signed a pledge through the BlackNorth Initiative that reinforces our shared commitment to end anti-Black systemic racism.

COVID-19 has caused significant disruption in peoples' lives both professionally and personally. The Company's actions have included:

- Implementing a work at home strategy to maintain social distance for our employees and Consultants.
- Providing the tools and processes to enable our employees and Consultants to continue to operate effectively from home.
- Providing Employee Assistance Programs and other programs to support the mental and physical well-being of our employees, Consultants, and their families.
- Developing a return to office strategy to safely allow employees and advisors to return to the office when appropriate.

5) ENVIRONMENTAL AND SOCIAL RISK

This is the potential for financial loss or other unfavourable impacts resulting from environmental or social issues connected to our business operations or investment activities.

Environmental risks include issues such as climate change, biodiversity, pollution, waste, and the unsustainable use of energy, water and other resources. Social risks include issues such as human rights, labour standards, diversity and inclusion, and community impacts.

IGM Financial has a long-standing commitment to responsible management, as articulated in our Corporate Responsibility Statement approved by the Board of Directors. The Board's risk management oversight includes ensuring that material environmental and social risks are appropriately identified, managed and monitored.

The Company's executive Risk Management Committee is responsible for oversight of the risk management process. Other management committees provide oversight of specific risks including the Corporate Responsibility (CR) Committee and the Diversity and Inclusion Executive Council. The CR Committee is composed of senior executives who are responsible for ensuring implementation of policy and strategy, establishing goals and initiatives, measuring progress, and approving annual reporting for environmental, social and governance (ESG) matters.

Our commitment to responsible management is demonstrated through various mechanisms. These include our Code of Conduct for employees, contractors, and directors; our Supplier Code of Conduct for the firms that do business with us; our Respectful Workplace Policy; our Diversity Policy; our Environmental Policy; and other related policies.

IG Wealth Management and Mackenzie Investments are signatories to the Principles for Responsible Investment (PRI). IG Wealth Management sub-advisors were also required to be signatories to the PRI by the end of 2019. Under the PRI, investors formally commit to incorporate ESG issues into their investment decision making and active ownership processes. In addition, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel have implemented Responsible Investment Policies outlining the practices at each company.

IGM Financial reports annually on ESG management and performance in its Corporate Responsibility Report available on our website. The Company has been recognized for demonstrating strong ESG performance through positions earned on the FTSE4Good Index Series, Jantzi Social Index, Corporate Knights' 2021 Global 100 and Best 50 Corporate Citizens, and has been recognized by CDP at the leadership level for the past three years for its climate disclosures.

We believe that financial services companies have an important role to play in addressing climate change. IGM Financial is

a long-standing participant in the CDP (formerly Carbon Disclosure Project), which promotes corporate disclosures on greenhouse gas emissions and climate change management including setting and monitoring emission reduction targets. We have been recognized by CDP at the leadership level for the past three years for our climate disclosures.

Global practices are continually evolving relating to the identification, analysis, and management of climate risks and opportunities. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) was established in response to investor demand for enhanced information on climate-related risks and opportunities. IGM Financial and its operating companies support the TCFD recommendations which include a framework for consistent, voluntary climate-related financial disclosures that provide decision-useful information to investors, analysts, rating agencies and other stakeholders.

TCFD DISCLOSURE

The TCFD recommends that organizations disclose information about climate-related risks and opportunities in four areas: governance, strategy, risk management, and metrics and targets. Full implementation of TCFD will be a multi-year journey.

Governance: IGM Financial's Board is responsible for providing oversight on risk and strategy, which includes climate-related matters. Through its Risk Committee, the Board is responsible for ensuring that material climate-related issues are appropriately identified, managed and monitored. Our Chief Financial Officer (CFO) oversees implementation of the CR and Enterprise Risk Management programs. We have established an enterprise wide TCFD Working Group of senior leaders to lead the planning and implementation of the TCFD recommendations. This working group is focused on enhancing our knowledge and tools to quantify climate risks in tandem with our industry, further integrating climate into our business strategy and product offering for clients, evolving our engagement approach with investee companies, and addressing increased disclosure expectations.

Strategy: Climate-related opportunities are identified and assessed within IGM Financial through our business planning processes which define our strategic priorities, initiatives and budgets. In addition to our commitments described above to be responsible investors through engagement and integration of material climate issues into our investment processes, we also offer investment products with specific environmental or social mandates.

At Mackenzie Investments, sustainable investing is one of our key areas of strategic emphasis, and we have established a dedicated function which reports to the CEO. We also have an investment boutique, Greenchip, which is exclusively focused on thematic investing to fight climate change.

At IG Wealth, we have integrated environmental and climate issues into our sub-advisory selection and oversight processes, and have requirements for all sub-advisors to our product offering to be UN PRI signatories. We have a Sustainable and Responsible Investing Committee whose responsibilities include incorporation of climate change awareness and management into our product and service offerings, and we have established education and communication programs for our financial planners.

Risk Management: Assessment and management of climate-related risks is integrated into our ERM framework. At Mackenzie Investments, our boutique investment teams are each responsible for determining when and how climate change is material and how to incorporate transition and physical risks into their investment process. The teams have access to ESG data tools and a service provider for comprehensive global investor engagement who places a priority on climate change

engagement. To help aid in the assessment of material climate risks and opportunities, Mackenzie Investments is in the process of implementing the Sustainability Accounting Standards Board framework and a tool to enhance climate data and analytics. We are following the development of climate scenario tools for our industry in order to incorporate scenario planning to enhance our understanding of how our clients and the Company will be impacted by various climate change scenarios.

Metrics and Targets: We set, monitor and report on climate change-related metrics and targets annually in our CDP response and our CR Report which are available at igmfinancial.com/en/corporate-responsibility. We are reviewing tools to expand our reporting of emissions metrics in our investment portfolios. We have set emission reduction and renewable energy targets in our operations and are on track to meet these goals. As we continue to develop our climate strategy, we will review our targets to continue measuring our progress.

The Financial Services Environment

Canadians held \$5.0 trillion in discretionary financial assets with financial institutions at December 31, 2019 based on the most recent report from Investor Economics. The nature of holdings was diverse, ranging from demand deposits held for short-term cash management purposes to longer-term investments held for retirement purposes. Approximately 66% (\$3.3 trillion) of these financial assets are held within the context of a relationship with a financial advisor, and this is the primary channel serving the longer-term savings needs of Canadians. Of the \$1.7 trillion held outside of a financial advisory relationship, approximately 61% consisted of bank deposits.

Financial advisors represent the primary distribution channel for IGM Financial's products and services, and the core emphasis of our business model is to support these financial advisors as they work with clients to plan for and achieve their financial goals. Multiple sources of emerging research show significantly better financial outcomes for Canadians who use financial advisors compared to those who do not. We actively promote the value of financial advice and the importance of a relationship with an advisor to develop and remain focused on long-term financial plans and goals.

Approximately 41% of Canadian discretionary financial assets or \$2.0 trillion resided in investment funds at December 31, 2019, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 77% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With \$162 billion in investment fund assets under management at December 31, 2020, IGM Financial is among the country's largest investment fund managers. We believe that investment funds are likely to remain the preferred savings vehicle of Canadians. They offer 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.

Traditional distinctions between bank branches, full-service brokerages, financial planning firms and insurance agent sales forces have become obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf. Accordingly, the Canadian financial services industry is characterized by a number of large, diversified, vertically-integrated participants, similar to IGM Financial, that offer both financial planning and investment management services.

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. Bank branches

continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 42% of total industry long-term mutual fund assets at December 31, 2020.

The Canadian mutual fund industry continues to be very concentrated, with the 10 largest firms and their subsidiaries representing 73% of industry long-term mutual fund assets and 73% of total mutual fund assets under management at December 31, 2020. We anticipate continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

We believe that the financial services industry will continue to be influenced by the following trends:

- Shifting demographics as the number of Canadians in their prime savings and retirement years continues to increase.
- Changes in investor attitudes based on economic conditions.
- Continued importance of the role of the financial advisor.
- Public policy related to retirement savings.
- Changes in the regulatory environment.
- A highly competitive landscape.
- Advancing and changing technology.

THE COMPETITIVE LANDSCAPE

Our subsidiaries IG Wealth Management and Investment Planning Counsel compete directly with other retail financial service providers in the advice segment, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Our asset management subsidiary, Mackenzie Investments, competes directly with other investment managers for assets under management, and our products compete with stocks, bonds and other asset classes for a share of Canadians' investment assets.

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

IGM Financial continues to focus on our commitment to provide quality investment advice and financial products, service innovations, effective and responsible management of the Company and long-term value for our clients and shareholders. We are midway through a five-year transformation to modernize

our digital platforms and technology infrastructure to enhance operations, achieve efficiencies and improve the service experience for our clients. We believe that IGM Financial is well-positioned to meet competitive challenges and capitalize on future growth opportunities.

Our competitive strength includes:

- Broad and diversified distribution through more than 35,000 financial advisors, with an emphasis on comprehensive financial planning.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Corporation group of companies.

BROAD AND DIVERSIFIED DISTRIBUTION

In addition to owning two of Canada's largest financial planning organizations, IG Wealth Management and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors.

Mackenzie also, in its growing strategic alliance business, partners with global manufacturing and distribution entities to provide investment management services.

BROAD PRODUCT CAPABILITIES

Our subsidiaries continue to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

ENDURING CLIENT RELATIONSHIPS

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors have developed with clients. In addition, our subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

PART OF THE POWER CORPORATION GROUP OF COMPANIES

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

Critical Accounting Estimates and Policies

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to exercise judgment in the process of applying accounting policies and requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying notes. 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 financial services industry; others are specific to IGM Financial's businesses and operations. IGM Financial's significant accounting policies are described in detail in Note 2 of the Consolidated Financial Statements.

Critical accounting estimates relate to the fair value of financial instruments, goodwill and intangibles, income taxes, capitalized sales commissions, provisions and employee benefits.

The major critical accounting estimates are summarized below:

- *Fair value of financial instruments* – The Company's financial instruments are carried at fair value, except for loans, deposits and certificates, obligations to securitization entities, and long-term debt which are all carried at amortized cost. The fair value of publicly traded financial instruments is determined using published market prices. The fair value of financial instruments where published market prices are not available, including derivatives related to the Company's securitized loans, are determined using various valuation models which maximize the use of observable market inputs where available. Valuation methodologies and assumptions used in valuation models are reviewed on an ongoing basis. Changes in these assumptions or valuation methodologies could result in significant changes in net earnings.
- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 11 of the Consolidated Financial Statements. The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

These tests involve the use of estimates and assumptions appropriate in the circumstances. In assessing the recoverable amounts, valuation approaches are used that include discounted cash flow analysis and application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables. Assumptions and estimates employed include future changes in assets under management resulting from net sales and investment returns, pricing and profit margin changes, discount rates, and capitalization multiples.

The Company completed its annual impairment tests of goodwill and indefinite life intangible assets as at April 1, 2020, and determined there was no impairment in the value of those assets.

- *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 Earnings. 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 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 deferred tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the deferred 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 in this MD&A and in Note 15 to the Consolidated Financial Statements.
- *Capitalized sales commissions* – Commissions paid directly by the client on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of capitalized sales commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the capitalized sales commission asset in relation to its carrying value. At December 31, 2020, there were no indications of impairment to capitalized sales commissions.
- *Provisions* – A provision is recognized when there is a present obligation as a result of a past transaction or event, it is

“probable” that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. In determining the best estimate for a provision, a single estimate, a weighted average of all possible outcomes, or the midpoint where there is a range of equally possible outcomes are all considered. A significant change in assessment of the likelihood or the best estimate may result in additional adjustments to net earnings.

- *Employee benefits* – The Company maintains a number of employee benefit plans. These plans include a funded registered defined benefit pension plan for all eligible employees, unfunded supplementary executive retirement plans for certain executive officers (SERPs) and an unfunded post-employment health care and life insurance plan for eligible retirees. The funded registered defined benefit pension plan provides pensions based on length of service and final average earnings. The measurement date for the Company’s defined benefit pension plan assets and for the accrued benefit obligations on all defined benefit plans is December 31.

Due to the long-term nature of these plans, the calculation of the accrued benefit liability depends on various assumptions including discount rates, rates of return on assets, the level and types of benefits provided, healthcare cost trend rates, projected salary increases, retirement age, and mortality and termination rates. The discount rate assumption is determined using a yield curve of AA corporate debt securities. All other assumptions are determined by management and reviewed by independent actuaries who calculate the pension and other future benefits expenses and accrued benefit obligations. Actual experience that differs from the actuarial assumptions will result in actuarial gains or losses as well as changes in benefits expense. The Company records actuarial gains and losses on all of its defined benefit plans in Other comprehensive income.

During 2020, the performance of the defined benefit pension plan assets was positively impacted by market conditions. Corporate bond yields decreased in 2020 thereby impacting the discount rate used to measure the Company’s accrued benefit liability. The discount rate utilized to value the defined benefit pension plan accrued benefit liability at December 31, 2020 was 2.70% compared to 3.20% at December 31, 2019. Pension plan assets increased to \$517.0 million at December 31, 2020 from \$466.5 million at December 31, 2019. The increase in plan assets was due to

market performance of \$26.1 million comprised of interest income of \$14.9 million calculated based on the discount rate, which was recorded as a reduction to the pension expense, and actuarial gains of \$11.2 million, which were recorded in Other comprehensive income. The assets in the Company’s registered defined benefit pension plan also increased due to the Company contributing \$25.6 million (2019 – \$26.4 million) to the pension plan. The decrease in the discount rate utilized to value the defined benefit pension plan obligation resulted in actuarial losses of \$57.2 million which were recorded in Other comprehensive income. Demographic assumptions and experience adjustments were revised which resulted in nominal net actuarial gains. The total defined benefit pension plan obligation was \$650.1 million at December 31, 2020 compared to \$565.6 million at December 31, 2019. As a result of these changes, the defined benefit pension plan had an accrued benefit liability of \$133.1 million at December 31, 2020 compared to \$99.1 million at the end of 2019. The unfunded SERPs and other post-retirement benefits plans had an accrued benefit liability of \$74.8 million and \$42.1 million, respectively, at December 31, 2020 compared to \$69.2 million and \$39.1 million in 2019.

A decrease of 0.25% in the discount rate utilized in 2020 would result in a change of \$31.4 million in the accrued pension obligation, \$29.3 million in other comprehensive income, and \$2.1 million in pension expense. Additional information regarding the Company’s accounting and sensitivities related to pensions and other post-retirement benefits is included in Notes 2 and 14 of the Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

IGM Financial has not adopted any changes in accounting policies in 2020.

FUTURE ACCOUNTING CHANGES

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

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

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that (a) material information relating to the Company is made known to the President and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared, and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on their evaluations as of December 31, 2020, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting.

All internal control systems have inherent limitations and may become inadequate because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Effective November 18, 2019, IGM Financial entered into an outsourcing agreement with CIBC Mellon to assume most of IGM Financial's fund services functions. This adds fund administration servicing solutions to the custody and related services that CIBC Mellon already performs for IGM Financial. As a result of the outsourcing, substantially all of IGM Financial's employees in the outsourced functions were hired by CIBC Mellon and continued performing the same functions during the remainder of the fourth quarter. Contractually, CIBC Mellon is required to develop and implement internal controls and has agreed to work with IGM Financial to implement compliance measures to satisfy CSA National Instrument 52-109. CIBC Mellon has agreed to make minimal changes to processes and systems through 2020. Accordingly, management has concluded

that this outsourcing has not materially affected the Company's internal controls in 2020. As the transition proceeds over the coming months and years, management will continually reassess its impact on the Company's internal control over financial reporting.

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. The Company transitioned to the COSO 2013 Framework during 2014. Based on their evaluations as of December 31, 2020, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Notwithstanding the above, during the fourth quarter of 2020, 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 The Canada Life Assurance Company (Canada Life), which is a subsidiary of its affiliate, Lifeco, which is a subsidiary of Power Corporation of Canada. On January 1, 2020, Great-West, London Life and Canada Life, amalgamated into a single company, The Canada Life Assurance Company. These transactions are in the normal course of operations and have been recorded at fair value:

- During 2020 and 2019, the Company provided to and received from Canada Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise. In 2020, IGM notified Canada Life of its intention to terminate its long-term technology infrastructure related sharing agreement.
- The Company distributes insurance products under a distribution agreement with Canada Life and received \$45.1 million in distribution fees (2019 – \$54.8 million). The Company received \$18.4 million (2019 – \$17.1 million) and paid \$29.6 million (2019 – \$26.2 million) to Canada Life and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid \$78.3 million (2019 – \$78.8 million) to Canada 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 2020, the Company sold residential mortgage loans to Canada Life for \$20.9 million compared to \$10.8 million in 2019.

After obtaining advanced tax rulings in October 2017, the Company agreed to tax loss consolidation transactions with

the Power Corporation of Canada group whereby shares of a subsidiary that has generated tax losses may be acquired in each year up to and including 2020. The Company recognized the benefit of the tax losses realized throughout the year. On each of December 31, 2020 and December 31, 2019, the Company acquired shares of such loss companies and recorded the benefit of the tax losses acquired. The benefits from these tax loss consolidation arrangements ended at December 31, 2020.

Additional transactions with related parties included the sale of Personal Capital, the investment in Northleaf, the acquisition of GLC Asset Management Group Ltd. and the sale of Quadrus Group of Funds (Note 8 and Note 29 of the Consolidated Financial Statements).

For further information on transactions involving related parties, see Notes 8 and 26 to the Company's Consolidated Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2020 totalled 238,308,284. Outstanding stock options as at December 31, 2020 totalled 11,930,224 of which 6,326,067 were exercisable. As at February 5, 2021, outstanding common shares totalled 238,312,192 and outstanding stock options totalled 11,918,854 of which 6,322,159 were exercisable.

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.