



# Mackenzie Investments to Acquire Additional 13.9% Equity Interest in ChinaAMC

*Enhancing IGM Financial's Growth Profile*

January 6, 2022



# Caution Concerning Forward-Looking Statements and Non-IFRS Financial Measures

## Caution Concerning Forward-Looking Statements:

Certain statements in this document 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 anticipated benefits of the transactions, including expected accretion to annual earnings, the future growth prospects of CAMC, and the timing of the completion of the transactions. 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, the transactions not being completed as expected or at all, including failure of any condition to the transactions, or the failure to achieve the anticipated benefits of the transactions, and the Company's and its subsidiaries' success in anticipating and managing the foregoing factors.

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

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

Additional information about the risks and uncertainties of the Company's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials filed with the securities regulatory authorities in Canada, available at [www.sedar.com](http://www.sedar.com).

## Non-IFRS Financial Measures & 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.

This report may also contain non-IFRS financial measures. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. However, we caution that non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Specific instances of such measures that may be referred to within this document include "Adjusted Net Earnings", "Adjusted Earnings per Share", "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).

We refer you to the appropriate reconciliation in the Management's Discussion and Analysis of these non-IFRS financial measures to measures prescribed by IFRS.

All figures are as at September 30, 2021 unless otherwise noted.

# Strategic Rationale

Enhancing IGM's growth profile and providing greater clarity to investors with Mackenzie acquiring an additional 13.9% equity interest in ChinaAMC (27.8% pro forma) for \$1.15B; 50% funded by partial sale of IGM's 4% equity interest in Great-West Lifeco (2.4% pro forma) and 50% funded with excess capital

1	<b>Enhances IGM's growth profile</b>	<ul style="list-style-type: none"><li>a) China represents both the second largest economy and capital markets in the world with an attractive secular growth opportunity to address the financial needs of the growing middle class</li><li>b) China industry and ChinaAMC long-term fund AUM growth of ~40% with industry net sales accounting for over two-thirds of the growth<sup>1</sup></li><li>c) ChinaAMC to represent ~12% of IGM pro forma earnings<sup>2</sup>; ChinaAMC Q3/21 earnings growth of 56% year-over-year</li><li>d) C\$1,150MM valuation represents a 16% CAGR on IGM Financial's original 13.9% investment in ChinaAMC in 2017 at C\$638MM</li></ul>
2	<b>Provides leading China asset management industry exposure within public vehicle</b>	<ul style="list-style-type: none"><li>a) IGM will provide one of the largest exposures to the asset management industry in China through a publicly-traded vehicle</li><li>b) ChinaAMC is the second largest asset manager<sup>3</sup> and is a consistent leader across categories and asset classes in the Chinese asset management industry, with RMB 1.6 trillion (C\$309B) in AUM as at June 30, 2021</li><li>c) ChinaAMC is the leading asset manager brand in China and is among the global top 50 asset manager brands according to Broadridge<sup>4</sup></li></ul>
3	<b>Reinforces relationships and business opportunities between Mackenzie and ChinaAMC</b>	<ul style="list-style-type: none"><li>a) Further supports Mackenzie as it builds truly global, fully diversified and differentiated solutions for its retail and institutional clients and strengthens distribution opportunities in the Chinese marketplace</li><li>b) Opportunities surfaced since IGM's initial 2017 investment include \$750MM sub-advised by Mackenzie and ChinaAMC sub-advises to Chinese equity and fixed income products offered by Mackenzie and IG Wealth for a combined total of ~\$285MM</li><li>c) Leverages Power Corporation's experience in China and 35+ year relationship with the CITIC Group. IGM/Mackenzie are in partnership with CITIC Securities, which owns 62.2% of ChinaAMC and is a long-standing business partner of the group</li></ul>
4	<b>Simplifies IGM and Power group</b>	<ul style="list-style-type: none"><li>a) Consolidating the 27.8% equity interest in ChinaAMC at Mackenzie clarifies strategic fit to achieve value creation opportunities</li><li>b) Partial disposition of GWO shares (C\$575MM) further simplifies the IGM story while retaining strategic advantages from GWO relationship</li></ul>
5	<b>Financially attractive</b>	<ul style="list-style-type: none"><li>a) Modestly accretive to earnings in the first year and strong long-term earnings accretion expected driven by ChinaAMC's growth profile</li><li>b) ChinaAMC has consistently paid an annual dividend, and pay-out rate has been increasing (~60% of net earnings)</li></ul>

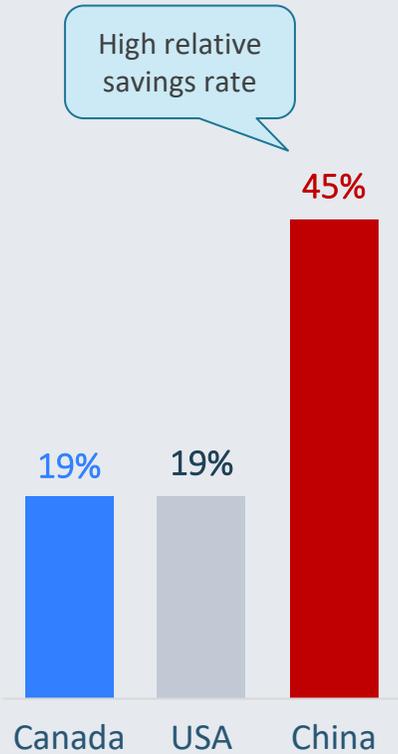
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1. Reflects long-term fund AUM compound annual growth rate (CAGR) and net sales over the past three years.
2. Based on analyst consensus 2021 earnings net of 10% Chinese withholding tax.
3. Source: Z-Ben Advisors and IIC Analytics. Ranking reflects mutual fund AUM excluding money market funds and short-term wealth management products.
4. Broadridge Fund Brand 50 - 2021 – The annual survey of the brand success of third-party asset managers.

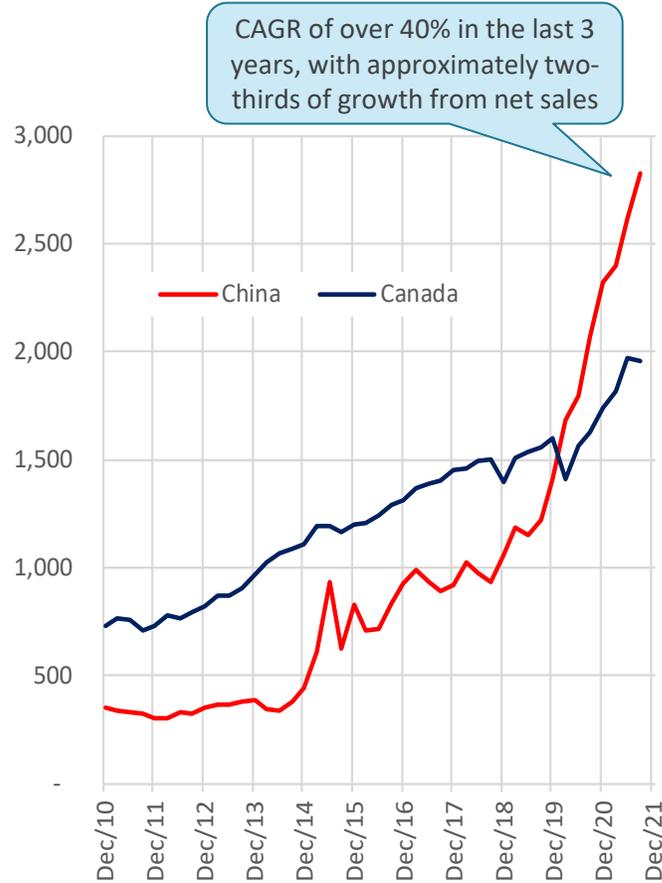


# Strong historical growth in China mutual fund industry AUM driven by high savings and net sales

**Savings Rate by Country**  
(2020 gross savings as a % of GDP)



**Long-term Mutual Fund Industry Assets Under Management (C\$ billions)**



Sources: The Investment Funds Institute of Canada (IFIC), ISS Market Intelligence Simfund Canada, Z-Ben Advisors, and IIC Analytics.

**Investment Fund Industry Forecasts**

Compound Annual Growth Rate in Assets Under Management



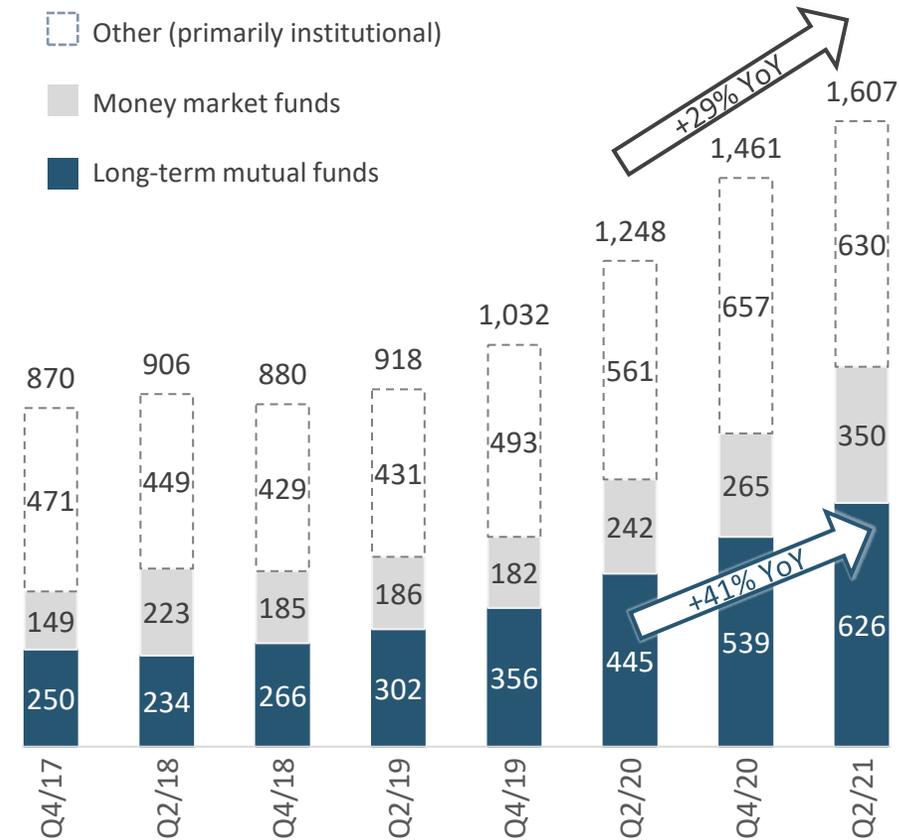
**Key Growth Catalysts for China Asset Management Industry:**

- Fast growing economy
- Growing middle class
- Size and quality of capital markets
- Retirement system reforms
- Continued high household savings rate
- Emerging growth of long-term funds

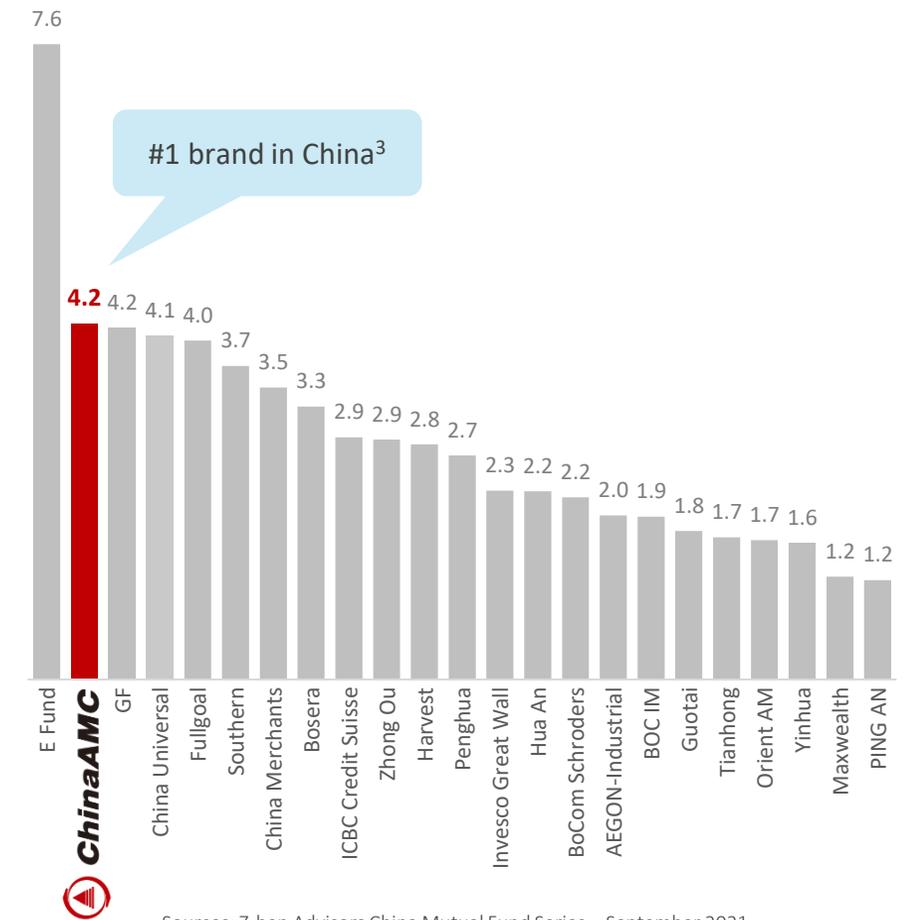
Sources: Z-Ben Advisors – July 2021; Casey Quirk by Deloitte, Leadership in Times of Plenty: Future Winners in China’s Asset Management Industry (15 year AUM CAGR for the combined HNWI and mass affluent categories); Morgan Stanley – Where China’s Wealth Will Go; Investor Economics – Household Balance Sheet Report – Canada (2021).

# ChinaAMC has experienced strong AUM growth and is an industry leader; consistently among top three in league tables

ChinaAMC Ending AUM<sup>1</sup>  
(RMB billions)



Chinese Mutual Fund Industry Long-term Mutual Fund Market Share (% at September 30, 2021)<sup>2</sup>



Sources: Z-ben Advisors China Mutual Fund Series – September 2021

1) ChinaAMC's assets under management is reported semi-annually and excludes China Asset Management Co., Ltd subsidiary assets under management.  
 2) Market share reflects mutual funds excluding money market funds and short-term wealth management products.  
 3) Broadridge Fund Brand 50 - 2021 – The annual survey of the brand success of third-party asset managers.

# Mackenzie capitalizing on ChinaAMC opportunity

## 2021 Mackenzie/IGM-ChinaAMC strategic partnership highlights

- C\$750MM sub-advised by Mackenzie for ChinaAMC
- Overall, ChinaAMC sub-advises ~\$285MM for Mackenzie Investments & IG Wealth’s investment solutions
- Mackenzie All China Equity Fund rated 5-stars by Morningstar and delivered net sales of \$154MM year-to-date September 30, 2021
- Launched Mackenzie ChinaAMC All China Bond Fund and Mackenzie ChinaAMC Multi-Asset Fund

## Mackenzie is a thought leader, providing perspectives to Canadian advisors on the Chinese marketplace

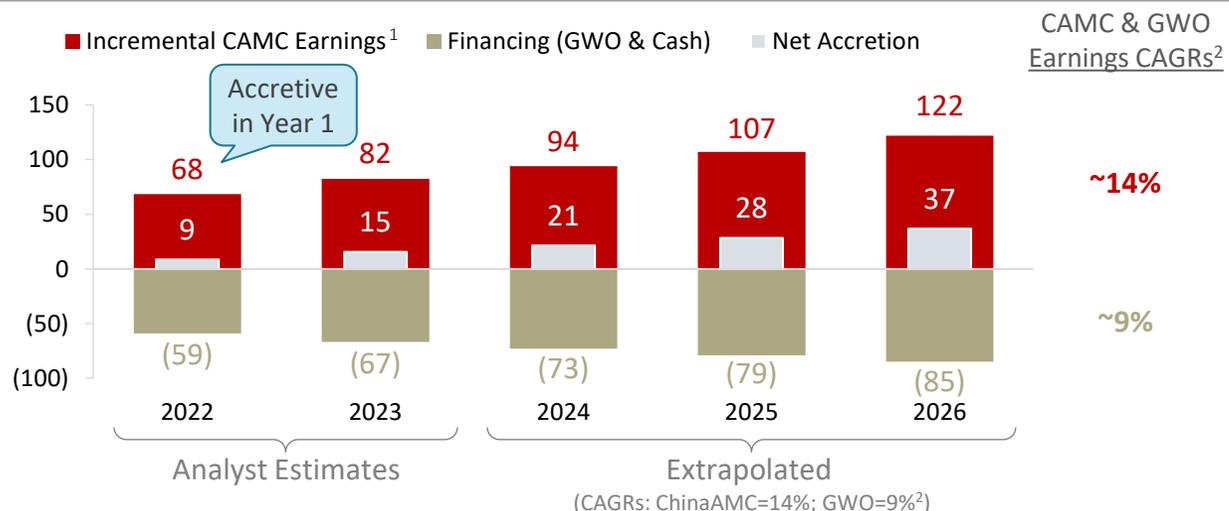
- Ongoing sharing of investment insights across Mackenzie and ChinaAMC’s investment management teams



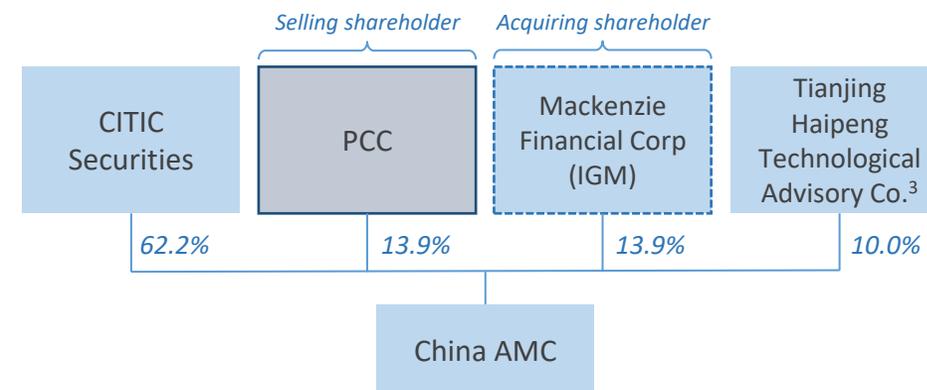
# Transaction Summary

- 1) **Mackenzie to purchase 13.9% of ChinaAMC for C\$1.15 billion from Power Corporation of Canada (PCC)**
  - a) Transaction increases Mackenzie's ownership from 13.9% to 27.8%
  - b) Targeting first half of 2022 closing, subject to regulatory approvals
- 2) **Transaction to be funded through partial sale of GWO shares as well as existing unallocated capital**
  - a) PCC to purchase 15,200,662 GWO common shares from IGM Financial subsidiaries for cash consideration of \$575 million (at the 5-day volume weighted average price (VWAP) of \$37.8273)
  - b) The remaining portion of the purchase price will be funded with \$575MM cash from IGM's unallocated capital position (\$673.7MM as at September 30, 2021)
- 3) **A special committee of independent directors of the IGM board was established** to make recommendations to the Board regarding whether the transactions were in the best interests of IGM and to assess the fairness of the consideration paid
  - a) The special committee unanimously recommended the transactions to the IGM board
  - b) RBC was retained as financial advisor to the special committee and provided a fairness opinion

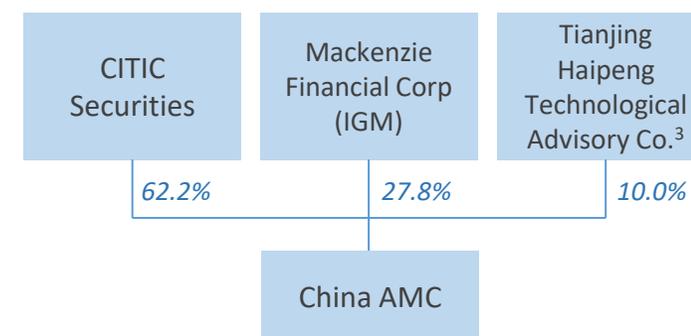
## IGM Estimated Earnings Accretion – Pro Forma Based on Analyst Estimates (C\$MM)



## Current Ownership



## Pro Forma Ownership

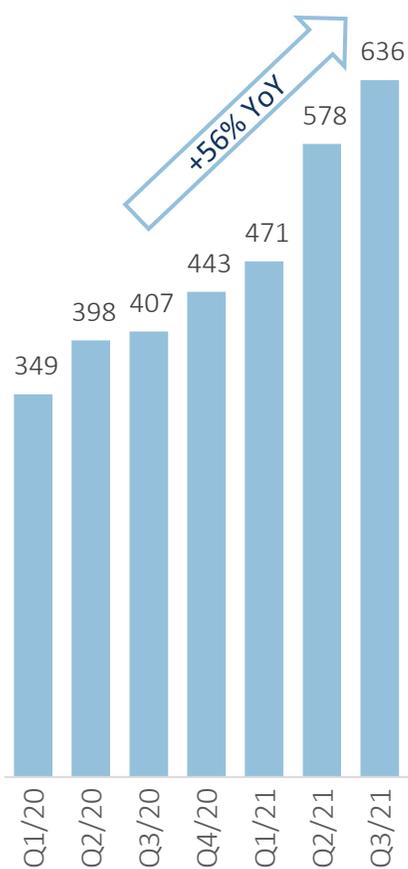


- CITIC Securities is one of the largest securities dealers in China (ranks 1<sup>st</sup> based on H1/21 revenue & net profit) and is part of the CITIC Group, which includes CITIC Bank (ranks 16<sup>th</sup> among global bank brands)<sup>4</sup>
- Power Corp has a 35+ year business relationship with the CITIC Group

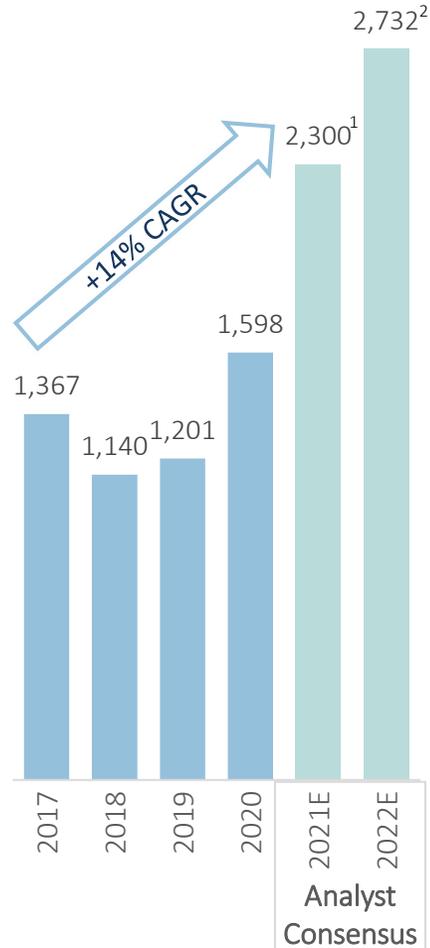
1. Incremental ChinaAMC earnings are presented net of 10% Chinese withholding tax and excludes incremental amortization associated with the additional 13.9% equity interest (estimated to be ~\$4 million).  
 2. ChinaAMC extrapolated conservatively based on industry AUM growth forecasts of ~14%. GWO extrapolated based on 8-10% medium-term EPS growth target.  
 3. Tianjing Haipeng Technological Advisory Co., Ltd. represents a private equity fund managed by Primavera Capital Group.  
 4. Sources: Company reports & Brand Finance – Banking 500 2021.

# ChinaAMC has delivered strong earnings growth since 2017 initial investment with accelerated growth in the last two years

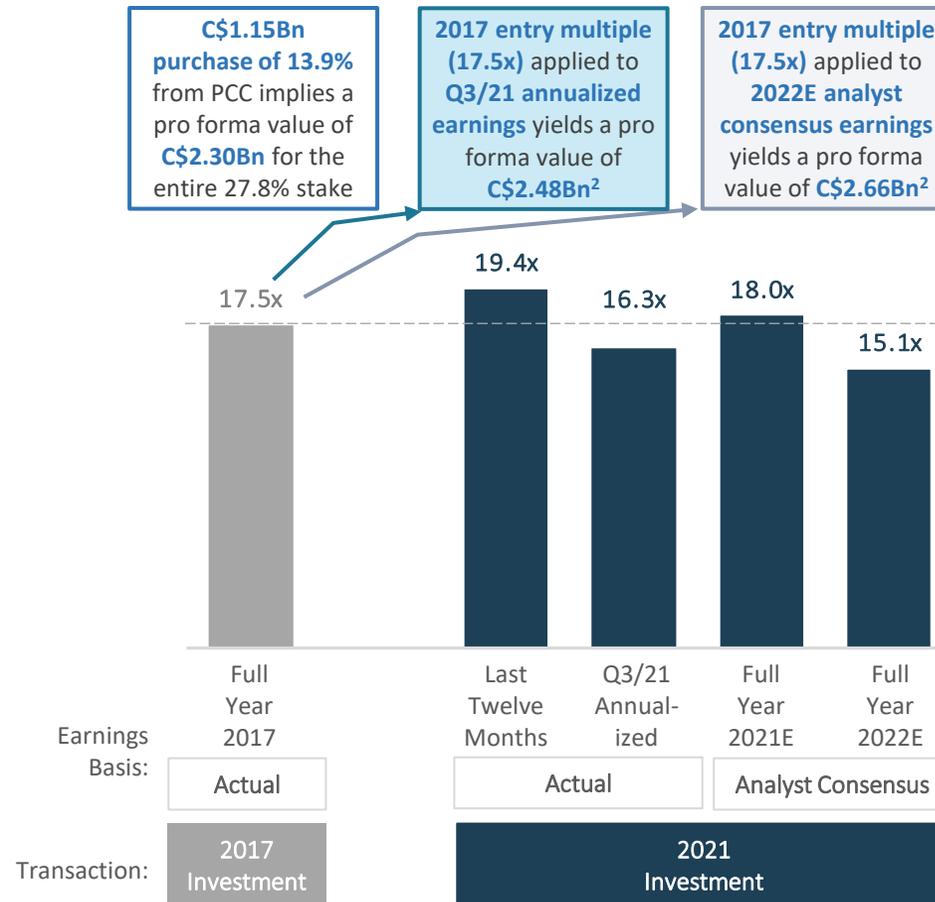
**ChinaAMC Quarterly Net Earnings** (RMB millions)



**ChinaAMC Annual Net Earnings** (RMB millions)



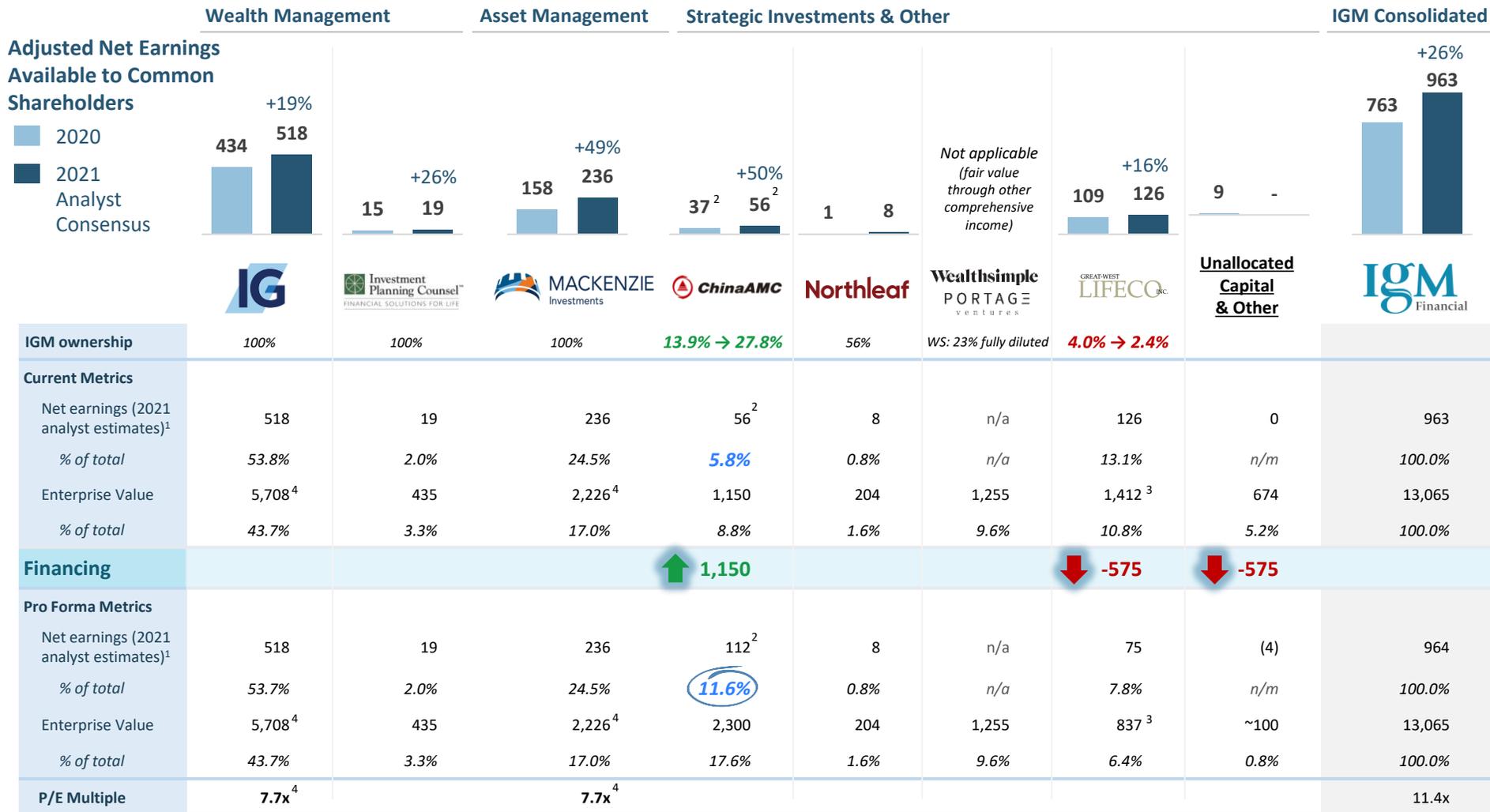
**Valuation of the 13.9% ChinaAMC Interest Purchased from PCC for C\$1.15Bn**  
(Implied ChinaAMC P/E Multiples)



• **Reminder:** IGM's 2017 acquisition of a 13.9% stake at C\$638MM was a competitive process from arm's length vendors and reflected a valuation of 17.5x next twelve months earnings

1. 2021 analyst consensus net earnings for ChinaAMC is calculated based on i) year-to-date September 30 of RMB 1,685 million; plus ii) Q4/21 analyst consensus of C\$17.1 million for IGM's 13.9% equity interest, grossed up to reflect 100% of ChinaAMC and converted to RMB (5.00 CNY per 1 CAD).  
2. Translated at exchange rate of 5.00 CNY per 1 CAD.

# ChinaAMC provides unique asset management industry exposure within public vehicle; will represent ~12% of IGM's net earnings on a pro forma basis



- ChinaAMC has high growth profile, and will become a more meaningful component of IGM
  - ~12% of earnings and ~18% of enterprise value
  - Larger stake encourages analyst & investor attention and sum-of-parts
- Simplifies IGM/PCC story
  - ChinaAMC investment consolidated in one place
  - Reduction of GWO while IGM retains synergies from strategic relationship with sister company
- IGM among largest exposures to Chinese asset management industry in public vehicle

1) Represents Adjusted Net Earnings Available to Common Shareholders.  
 2) ChinaAMC net earnings presented net of 10% Chinese withholding tax. Gross of withholding tax and based on a constant currency conversion of 5.00 CNY per 1 CAD, IGM's proportionate share of ChinaAMC's 2021 net earnings would be C\$64 million and C\$128 million for a 13.9% and a 27.8% equity interest, respectively (based on ChinaAMC's year-to-date September 30 consolidated results of RMB 1,685 million and analyst consensus for Q4/21 of C\$17.1 million for IGM's existing 13.9% equity interest).  
 3) Based on GWO 5-day volume-weighted average price at the close of business on January 5, 2022 of \$37.8273.  
 4) IG Wealth and Mackenzie's value is implied based on January 5, 2022 IGM share price of \$45.85 and deducting the value of i) strategic investments and ii) IPC (based on 1% of AUA + 2% of AUM).





# Q&A



# Appendix

# ChinaAMC is a leading, broadly diversified asset manager



**RMB 1.607 trillion** in total assets under management (C\$309 billion) as at June 30, 2021<sup>1</sup>

**Rank #2** in long-term mutual fund AUM in China<sup>2</sup>

**#1** asset management brand in China and among the top 50 asset manager brands globally<sup>3</sup>

**Industry Leader in ESG** within China

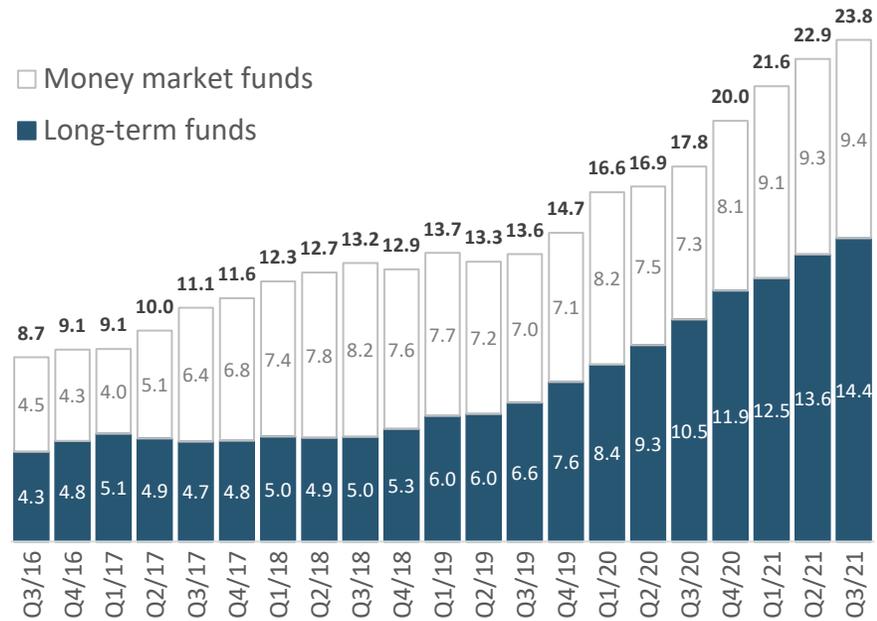
- ✓ UNPRI
- ✓ Climate Action 100+
- ✓ TCFD
- ✓ Commitment to net zero
- ✓ Launched first China ESG fund in Europe

Diversified client relationships with **75,000** institutional clients and **184 million** retail investors

Industry leading investment team with over **250** dedicated investment professionals

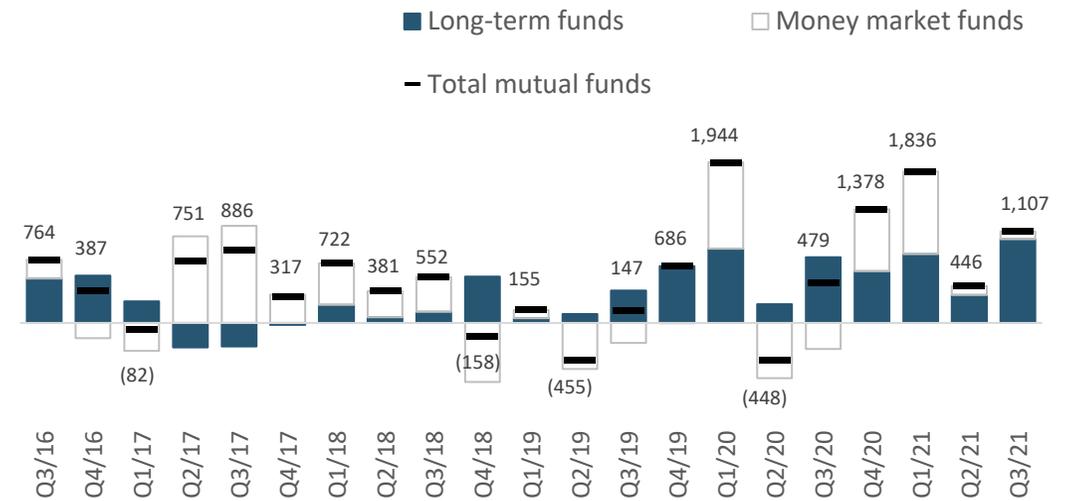
# Chinese Mutual Fund industry AUM & Net Flows

**Chinese Mutual Fund Industry Ending AUM (RMB Trillions)<sup>1</sup>**

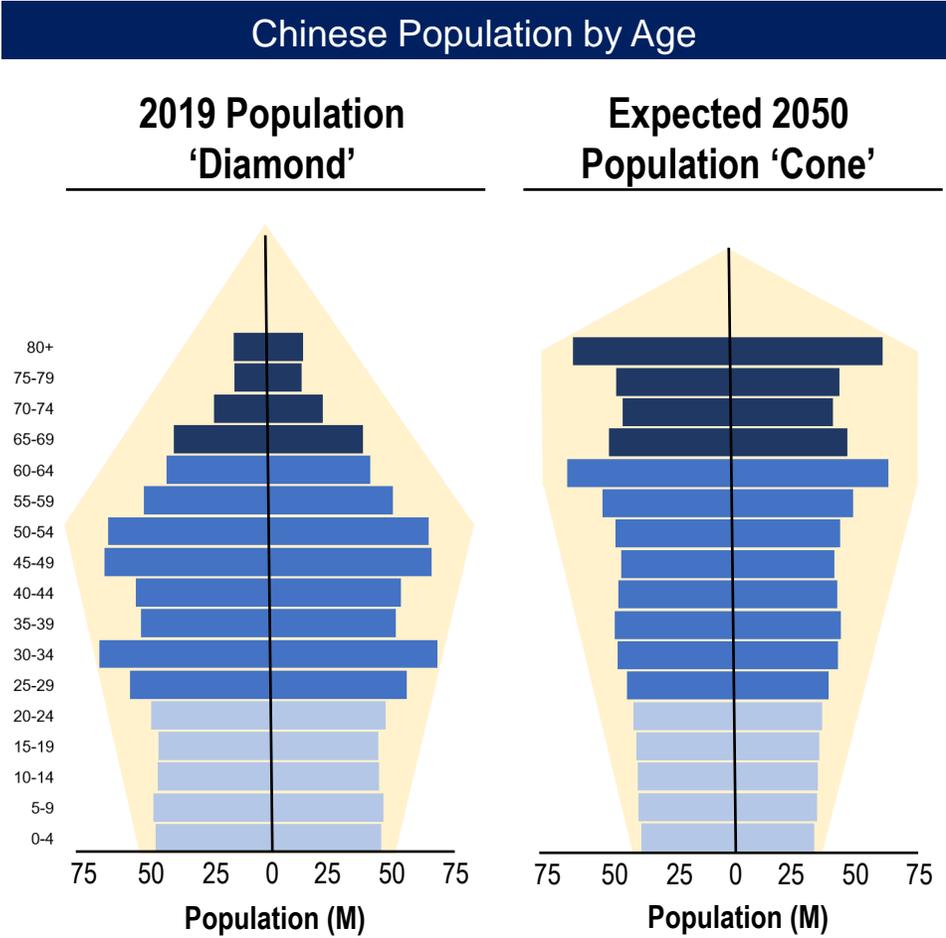


**42% CAGR on Long-term funds over the last three years**

**Chinese Mutual Fund Industry Flows (RMB Billions)<sup>1</sup>**



# China demographics



Source: World Bank

**Aging Chinese population stimulates the need for retirement savings and asset management**