MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2017 and 2016 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, 2017 is as of February 9, 2018.

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, 2017, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (Lifeco), a subsidiary of PFC, held directly or indirectly 61.5% and 3.8%, respectively, of the outstanding common shares of IGM Financial.

FORWARD-LOOKING STATEMENTS

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

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. While the Company considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

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

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

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

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

NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

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

- 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), "earnings before interest, taxes, depreciation and amortization" (EBITDA) and "adjusted earnings before interest, taxes, depreciation and amortization" (Adjusted EBITDA) are also non-IFRS financial measures. EBIT, EBITDA and Adjusted EBITDA are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is a common measure used in the asset management industry to assess profitability before the impact of different financing methods, income taxes, depreciation of capital assets and amortization of intangible assets. Other items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at Adjusted EBITDA. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

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

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

IGM FINANCIAL INC.

SUMMARY OF CONSOLIDATED OPERATING RESULTS

IGM Financial Inc. (TSX:IGM) is one of Canada's premier financial services companies. The Company's principal businesses are Investors Group Inc. and Mackenzie Financial Corporation, each operating distinctly, primarily within the advice segment of the financial services market.

Investment fund assets under management, which were at the highest level in the history of the Company, were $149.8 billion at December 31, 2017 compared with $137.6 billion at December 31, 2016. Average investment fund assets under management for the year ended December 31, 2017 were $143.7 billion compared to $130.2 billion in 2016. Average investment fund assets under management for the fourth quarter of 2017 were $148.1 billion compared to $135.2 billion in 2016.

Total assets under management, also at a record high for the Company, were $156.5 billion at December 31, 2017 compared with $142.7 billion at December 31, 2016, as detailed in Tables 4 and 5. Average total assets under management for the year ended December 31, 2017 were $149.3 billion compared to $136.4 billion in 2016. Average total assets under management for the fourth quarter of 2017 were $154.2 billion compared to $141.0 billion in 2016.

Net earnings available to common shareholders for the year ended December 31, 2017 were $601.9 million or $2.50 per share compared to net earnings available to common shareholders of $770.5 million or $3.19 per share in 2016. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the year ended December 31, 2017 were $727.8 million or $3.02 per share compared to adjusted net earnings available to common shareholders of $736.5 million or $3.05 per share in 2016.

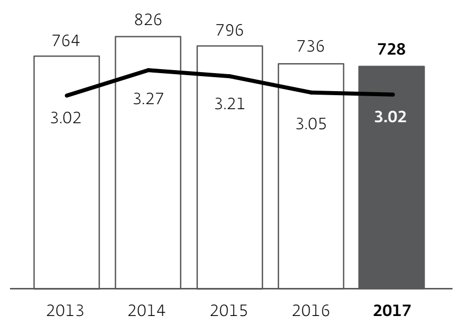
Net earnings available to common shareholders for the three months ended December 31, 2017 were $50.6 million or 21 cents per share compared to net earnings available to common shareholders of $233.0 million or 97 cents per share for the comparative period in 2016. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the three months ended December 31, 2017 were $191.4 million or 79 cents per share. Net earnings in the quarter were impacted by a negative fair value adjustment of $19.6 million primarily related to changes in prevailing mortgage valuation rates.

Other items for the year ended December 31, 2017 consisted of :

- Restructuring and other charges of $126.8 million after-tax ($172.3 million pre-tax) recorded in the fourth quarter resulting from efforts in respect of the implementation of a number of initiatives to assist in the Company's operational effectiveness.

Adjusted Net Earnings and Adjusted Net Earnings per Share

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



2013 excluded an after-tax charge related to restructuring and other charges and the proportionate share of the benefit related to the changes in an affiliate's litigation provisions.

2014 excluded an after-tax charge related to client distributions and other costs, and an after-tax charge related to restructuring and other charges.

2015 excluded an after-tax charge related to restructuring and other charges.

2016 excluded a reduction in income tax estimates related to certain tax filings.

2017 excluded charges related to restructuring and other, a favourable revaluation of the Company's pension plan obligation, charges representing the proportionate share in Great-West Lifeco Inc.'s one-time charges and restructuring provision.

- Restructuring and other charges of $16.8 million after-tax ($23.0 million pre-tax) recorded in the second quarter including severance and termination costs largely associated with the reduction of our region office footprint.
- Favourable revaluation of the Company's registered pension plan obligation of $36.8 million after-tax ($50.4 million pre-tax) in the second quarter, reflecting a new policy which limits the possibility of certain benefit increases in the future.
- An after-tax charge of $14.0 million in the fourth quarter representing the Company's proportionate share in Great-West Lifeco Inc.'s charges related to the impact of United States tax reforms and the pending sale of an equity investment.
- An after-tax charge of $5.1 million in the second quarter representing the Company's proportionate share in Great-West Lifeco Inc.'s restructuring provision.

Other items for the year ended December 31, 2016 consisted of a favourable change in income tax provision estimates of $34.0 million, recorded in the fourth quarter, related to certain tax filings.

Shareholders' equity was $4.8 billion at December 31, 2017, compared to $4.7 billion at December 31, 2016. Return on average common equity based on adjusted net earnings for the year ended December 31, 2017 was 15.6%, compared with 16.3% for the comparative period in 2016. The quarterly dividend per common share was 56.25 cents in 2017, unchanged from the end of 2016.

SIGNIFICANT EVENTS

On August 31, 2017, the Company finalized its investment in China Asset Management Co., Ltd. (China AMC), an asset management company, which resulted in a 13.9% ownership interest. This investment was completed in two separate transactions announced on December 29, 2016 and January 5, 2017. Both transactions involved separate non-strategic shareholders that are Chinese state-owned enterprises.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
($ millions)	**2017 DEC. 31**	2017 SEP. 30	2016 DEC. 31	**2017 DEC. 31**	2016 DEC. 31
Adjusted net earnings available to common shareholders – Non-IFRS measure	**$ 191.4**	$ 173.4	$ 199.0	**$ 727.8**	$ 736.5
Restructuring and other, net of tax	**(126.8)**	–	–	**(143.6)**	–
Pension plan, net of tax	**–**	–	–	**36.8**	–
Proportionate share of associate's one-time charges	**(14.0)**	–	–	**(14.0)**	–
Proportionate share of associate's provision	**–**	–	–	**(5.1)**	–
Reduction in income tax estimates related to certain tax filings	**–**	–	34.0	**–**	34.0
Net earnings available to common shareholders – IFRS	**$ 50.6**	$ 173.4	$ 233.0	**$ 601.9**	$ 770.5
Adjusted net earnings per share[1] available to common shareholders – Non-IFRS measure	**$ 0.79**	$ 0.72	$ 0.83	**$ 3.02**	$ 3.05
Restructuring and other, net of tax	**(0.52)**	–	–	**(0.59)**	–
Pension plan, net of tax	**–**	–	–	**0.15**	–
Proportionate share of associate's one-time charges	**(0.06)**	–	–	**(0.06)**	–
Proportionate share of associate's provision	**–**	–	–	**(0.02)**	–
Reduction in income tax estimates related to certain tax filings	**–**	–	0.14	**–**	0.14
Net earnings per share[1] available to common shareholders – IFRS	**$ 0.21**	$ 0.72	$ 0.97	**$ 2.50**	$ 3.19
Adjusted EBITDA – Non-IFRS measure	**$ 353.8**	$ 330.8	$ 352.0	**$ 1,354.5**	$ 1,320.8
Restructuring and other	**(172.3)**	–	–	**(195.3)**	–
Pension plan	**–**	–	–	**50.4**	–
Proportionate share of associate's one-time charges	**(14.0)**	–	–	**(14.0)**	–
Proportionate share of associate's provision	**–**	–	–	**(5.1)**	–
EBITDA – Non-IFRS measure	**167.5**	330.8	352.0	**1,190.5**	1,320.8
Commission amortization	**(57.6)**	(57.0)	(58.4)	**(230.9)**	(235.8)
Amortization of capital assets and intangible assets and other	**(17.9)**	(15.3)	(11.8)	**(60.9)**	(45.9)
Interest expense on long-term debt	**(29.7)**	(28.9)	(23.2)	**(114.1)**	(92.2)
Earnings before income taxes	**62.3**	229.6	258.6	**784.6**	946.9
Income taxes	**(9.5)**	(54.0)	(23.4)	**(173.9)**	(167.6)
Perpetual preferred share dividends	**(2.2)**	(2.2)	(2.2)	**(8.8)**	(8.8)
Net earnings available to common shareholders – IFRS	**$ 50.6**	$ 173.4	$ 233.0	**$ 601.9**	$ 770.5

(1) Diluted earnings per share

In the fourth quarter, the Company implemented a number of initiatives to assist in the Company's operational effectiveness. The initiatives included:

- A decision to discontinue development of a new investment fund accounting system. After a thorough review, the company instead will upgrade its current solution, resulting in meaningful ongoing savings among other benefits. As a result of this, and other associated technology decisions, the company will record a non-cash charge of approximately $74 million after-tax reflecting capitalized system development expenditures.
- Consolidating the Investors Group and Mackenzie investment management functions and expanding the IGM shared services model to areas within marketing, human resources, customer service and other operational teams.
- Optimizing Investors Group's product and financial specialists to re-invest in the training and development of our advisor network.
- Offering a one-time voluntary retirement program.
- Simplifying the company's reporting structure to speed decisions and increase the empowerment of our people.

In October 2017, IGM Financial Inc. consolidated the investment management functions of Investors Group and Mackenzie Investments to form a single global investment management organization to support both companies under Mackenzie Investments. The investment management organization continues to maintain its multi-boutique and asset class structure. It offers diverse and unique products for Investors Group's Consultants, Mackenzie's distribution channels and the clients they serve. Investors Group and Mackenzie Investments continue to maintain differentiated fund shelves and brands. In addition, Investors Group continues to offer products using a combination of in-house portfolio management expertise supplemented with leading third party investment talent. The changes will result in some modest efficiencies through leveraging scale across the combined organization.

REPORTABLE SEGMENTS

IGM Financial's reportable segments are:

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

These segments, as shown in Tables 2, 3, and 4 reflect the Company's internal financial reporting and performance measurement. In 2017, the Company announced the combination of investment management functions of Investors Group and Mackenzie resulting in the formation of a single

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2017 VS. Q4 2016

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
THREE MONTHS ENDED *($ millions)*	**2017 DEC. 31**	2016 DEC. 31	**2017 DEC. 31**	2016 DEC. 31	**2017 DEC. 31**	2016 DEC. 31	**2017 DEC. 31**	2016 DEC. 31
Revenues								
Fee income	**$ 493.1**	$ 489.5	**$ 204.5**	$ 198.2	**$ 72.4**	$ 64.7	**$ 770.0**	$ 752.4
Net investment income and other	**(3.7)**	20.1	**3.3**	0.7	**37.1**	27.9	**36.7**	48.7
	489.4	509.6	**207.8**	198.9	**109.5**	92.6	**806.7**	801.1
Expenses								
Commission	**165.7**	169.9	**75.7**	73.8	**46.7**	44.5	**288.1**	288.2
Non-Commission	**138.8**	139.1	**82.0**	76.3	**19.5**	15.7	**240.3**	231.1
	304.5	309.0	**157.7**	150.1	**66.2**	60.2	**528.4**	519.3
Earnings before interest and taxes	**$ 184.9**	$ 200.6	**$ 50.1**	$ 48.8	**$ 43.3**	$ 32.4	**278.3**	281.8
Interest expense							**(29.7)**	(23.2)
Restructuring and other							**(172.3)**	–
Proportionate share of associate's one-time charges							**(14.0)**	–
Earnings before income taxes							**62.3**	258.6
Income taxes							**9.5**	23.4
Net earnings							**52.8**	235.2
Perpetual preferred share dividends							**2.2**	2.2
Net earnings available to common shareholders							**$ 50.6**	$ 233.0
Adjusted net earnings available to common shareholders[1]							**$ 191.4**	$ 199.0

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

TABLE 3: CONSOLIDATED OPERATING RESULTS BY SEGMENT – YTD 2017 VS. YTD 2016

TWELVE MONTHS ENDED ($ millions)	INVESTORS GROUP 2017 DEC. 31	INVESTORS GROUP 2016 DEC. 31	MACKENZIE 2017 DEC. 31	MACKENZIE 2016 DEC. 31	CORPORATE & OTHER 2017 DEC. 31	CORPORATE & OTHER 2016 DEC. 31	TOTAL 2017 DEC. 31	TOTAL 2016 DEC. 31
Revenues								
Fee income	**$ 1,927.5**	$ 1,833.0	**$ 808.5**	$ 769.0	**$ 269.7**	$ 254.9	**$ 3,005.7**	$ 2,856.9
Net investment income and other	**41.7**	71.6	**1.2**	4.0	**124.4**	112.2	**167.3**	187.8
	1,969.2	1,904.6	**809.7**	773.0	**394.1**	367.1	**3,173.0**	3,044.7
Expenses								
Commission	**654.4**	624.9	**300.0**	291.3	**183.4**	173.8	**1,137.8**	1,090.0
Non-Commission	**576.3**	543.5	**329.3**	310.3	**66.9**	61.8	**972.5**	915.6
	1,230.7	1,168.4	**629.3**	601.6	**250.3**	235.6	**2,110.3**	2,005.6
Earnings before interest and taxes	**$ 738.5**	$ 736.2	**$ 180.4**	$ 171.4	**$ 143.8**	$ 131.5	**1,062.7**	1,039.1
Interest expense							**(114.1)**	(92.2)
Restructuring and other							**(195.3)**	–
Pension plan							**50.4**	–
Proportionate share of associate's one-time charges							**(14.0)**	–
Proportionate share of associate's provision							**(5.1)**	–
Earnings before income taxes							**784.6**	946.9
Income taxes							**173.9**	167.6
Net earnings							**610.7**	779.3
Perpetual preferred share dividends							**8.8**	8.8
Net earnings available to common shareholders							**$ 601.9**	$ 770.5
Adjusted net earnings available to common shareholders(1)							**$ 727.8**	$ 736.5

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

TABLE 4: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2017 VS. Q3 2017

THREE MONTHS ENDED ($ millions)	INVESTORS GROUP 2017 DEC. 31	INVESTORS GROUP 2017 SEP. 30	MACKENZIE 2017 DEC. 31	MACKENZIE 2017 SEP. 30	CORPORATE & OTHER 2017 DEC. 31	CORPORATE & OTHER 2017 SEP. 30	TOTAL 2017 DEC. 31	TOTAL 2017 SEP. 30
Revenues								
Fee income	**$ 493.1**	$ 473.9	**$ 204.5**	$ 201.5	**$ 72.4**	$ 65.4	**$ 770.0**	$ 740.8
Net investment income and other	**(3.7)**	5.3	**3.3**	(0.3)	**37.1**	27.5	**36.7**	32.5
	489.4	479.2	**207.8**	201.2	**109.5**	92.9	**806.7**	773.3
Expenses								
Commission	**165.7**	156.2	**75.7**	74.2	**46.7**	45.6	**288.1**	276.0
Non-Commission	**138.8**	142.1	**82.0**	81.6	**19.5**	15.1	**240.3**	238.8
	304.5	298.3	**157.7**	155.8	**66.2**	60.7	**528.4**	514.8
Earnings before interest and taxes	**$ 184.9**	$ 180.9	**$ 50.1**	$ 45.4	**$ 43.3**	$ 32.2	**278.3**	258.5
Interest expense							**(29.7)**	(28.9)
Restructuring and other							**(172.3)**	–
Proportionate share of associate's one-time charges							**(14.0)**	–
Earnings before income taxes							**62.3**	229.6
Income taxes							**9.5**	54.0
Net earnings							**52.8**	175.6
Perpetual preferred share dividends							**2.2**	2.2
Net earnings available to common shareholders							**$ 50.6**	$ 173.4
Adjusted net earnings available to common shareholders(1)							**$ 191.4**	$ 173.4

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

global investment management organization. As a result, the Company has changed the definition of the Mackenzie segment to exclude investment advisory mandates to Investors Group effective October 1, 2017. These mandates are no longer reflected within the Mackenzie segment's assets under management, net sales and revenues. With these changes, the Investors Group and Mackenzie segments will each reflect their proportionate share of the expenses of the investment management function going forward to better align with internal reporting. Segment operations are discussed in each of their respective Review of Segment Operating Results sections of the MD&A.

Certain items reflected in Tables 2, 3, and 4 are not allocated to segments:

- *Interest expense* – represents interest expense on long-term debt.
- *2017 Restructuring and other* – resulting from efforts in respect of the implementation of a number of initiatives to assist in the Company's operational effectiveness.
  - Charges of $172.3 million ($126.8 million after-tax) recorded in the fourth quarter resulted from efforts in respect of the implementation of a number of initiatives to assist in the Company's operational effectiveness.
  - Charges of $23.0 million ($16.8 million after tax) recorded in the second quarter representing severance and termination costs largely associated with the reduction of our region office footprint.
- *2017 Pension plan* – change in policy relating to granting increases to certain pension benefits paid under the Company's registered pension plan, resulting in a one-time expense reduction of $50.4 million ($36.8 million after-tax), recorded in the second quarter of 2017. The Company, at its discretion, may from time to time increase the benefits paid to retired members of the plan. The Company has implemented a new policy that limits the possibility of future benefit increases.
- *Proportionate share of associate's one-time charges* – represents the Company's proportionate share in Great-West Lifeco Inc.'s charges recorded in the fourth quarter related to the impact of United States tax reforms and the pending sale of an equity investment.
- *Proportionate share of associate's provision* – represents the Company's proportionate share in Great-West Lifeco Inc.'s restructuring provision recorded in the second quarter of 2017.
- *Income taxes* – changes in the effective tax rates are shown in Table 5.

  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.

TABLE 5: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	2017 DEC. 31	2017 SEP. 30	2016 DEC. 31	**2017 DEC. 31**	2016 DEC. 31
Income taxes at Canadian federal and provincial statutory rates	**26.85 %**	26.82 %	26.84 %	**26.84 %**	26.84 %
Effect of:					
Proportionate share of associates' earnings	**(14.94)**	(2.77)	(2.76)	**(3.81)**	(2.96)
Tax loss consolidation[1]	**(5.11)**	–	(2.36)	**(1.55)**	(2.56)
Other items	**2.38**	(0.52)	0.49	**0.03**	(0.03)
Effective income tax rate – adjusted net earnings	**9.18**	23.53	22.21	**21.51**	21.29
Proportionate share of associate's one-time charges	**6.04**	–	–	**0.48**	–
Proportionate share of associate's provision	**–**	–	–	**0.17**	–
Reduction in income tax estimates related to certain tax filings	**–**	–	(13.15)	**–**	(3.59)
Effective income tax rate – net earnings	**15.22 %**	23.53 %	9.06 %	**22.16 %**	17.70 %

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

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT

Total assets under management were $156.5 billion at December 31, 2017 compared to $142.7 billion at December 31, 2016. Changes in total assets under management are detailed in Tables 6 and 7.

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

TABLE 6: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – Q4 2017 VS. Q4 2016(1)

THREE MONTHS ENDED ($ millions)	INVESTORS GROUP 2017 DEC. 31	INVESTORS GROUP 2016 DEC. 31	MACKENZIE 2017 DEC. 31	MACKENZIE 2016 DEC. 31	INVESTMENT PLANNING COUNSEL 2017 DEC. 31	INVESTMENT PLANNING COUNSEL 2016 DEC. 31	CONSOLIDATED(2) 2017 DEC. 31	CONSOLIDATED(2) 2016 DEC. 31
Investment funds								
Mutual funds(3)								
Gross sales – long-term	**$ 1,914**	$ 1,847	**$ 2,136**	$ 1,831	**$ 269**	$ 222	**$ 4,319**	$ 3,901
Total mutual fund gross sales	**2,314**	2,089	**2,234**	1,953	**277**	233	**4,825**	4,275
Net sales – long-term	**96**	202	**111**	(78)	**45**	45	**252**	170
Total mutual fund net sales	**332**	261	**137**	(24)	**48**	52	**516**	291
ETFs								
Net creations			**367**	43			**260**	43
Total investment fund net sales(2)	**332**	261	**477**	19	**48**	52	**749**	334
Sub-advisory, institutional and other accounts								
Net sales			**1,080**	(1,615)			**1,068**	(1,633)
Combined net sales	**$ 332**	$ 261	**$ 1,557**	$ (1,596)	**$ 48**	$ 52	**$ 1,817**	$ (1,299)
Change in total assets under management								
Net sales	**$ 332**	$ 261	**$ 1,557**	$ (1,596)	**$ 48**	$ 52	**$ 1,817**	$ (1,299)
Investment returns	**2,450**	2,089	**2,117**	1,186	**152**	(1)	**4,681**	3,268
Net change in assets	**2,782**	2,350	**3,674**	(410)	**200**	51	**6,498**	1,969
Beginning assets	**85,226**	78,892	**60,948**	58,069	**5,177**	4,857	**150,015**	140,719
Ending assets	**$ 88,008**	$ 81,242	**$ 64,622**	$ 57,659	**$ 5,377**	$ 4,908	**$ 156,513**	$ 142,688
Total assets under management consists of:								
Investment funds								
Mutual funds(3)	**$ 88,008**	$ 81,242	**$ 55,728**	$ 51,314	**$ 5,377**	$ 4,908	**$ 149,001**	$ 137,462
ETFs	**–**	–	**1,296**	113	**–**	–	**1,186**	113
Total investment funds(2)	**88,008**	81,242	**56,656**	51,427	**5,377**	4,908	**149,819**	137,575
Sub-advisory, institutional and other accounts			**7,966**	6,232			**6,694**	5,113
Ending assets	**$ 88,008**	$ 81,242	**$ 64,622**	$ 57,659	**$ 5,377**	$ 4,908	**$ 156,513**	$ 142,688

(1) Effective October 1, 2017, the Mackenzie segment has been redefined to exclude advisory mandates to Investors Group from its assets under management and revenues. Within Table 6 and Table 7, this change has been applied retroactively to provide comparability of results.

(2) Consolidated results eliminate double counting where business is reflected within multiple segments:

- Included with Mackenzie's results were advisory mandates to other segments with assets of $1.5 billion at December 31, 2017 (2016 - $1.1 billion) and net sales of $120 million for the fourth quarter of 2017 (2016 - $16.0 million).

- Included in ETFs are mutual fund investments in ETFs totalling $368 million at December 31, 2017 and net sales of $27 million for the fourth quarter of 2017.

(3) Investors Group and Investment Planning Counsel total AUM and net sales includes separately managed accounts.

TABLE 7: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – 2017 VS. 2016[1]

TWELVE MONTHS ENDED ($ millions)	INVESTORS GROUP 2017 DEC. 31	INVESTORS GROUP 2016 DEC. 31	MACKENZIE 2017 DEC. 31	MACKENZIE 2016 DEC. 31	INVESTMENT PLANNING COUNSEL 2017 DEC. 31	INVESTMENT PLANNING COUNSEL 2016 DEC. 31	CONSOLIDATED[2] 2017 DEC. 31	CONSOLIDATED[2] 2016 DEC. 31
Investment funds								
Mutual funds[3][4]								
Gross sales – long-term	**$ 8,212**	$ 6,683	**$ 8,834**	$ 6,509	**$ 853**	$ 909	**$ 17,784**	$ 14,101
Total mutual fund gross sales	**9,693**	7,760	**9,240**	6,939	**889**	955	**19,707**	15,654
Net sales – long-term	**1,154**	54	**962**	(766)	**59**	262	**2,070**	(449)
Total mutual fund net sales	**1,944**	366	**1,069**	(667)	**79**	293	**2,987**	(6)
ETFs								
Net creations			**1,156**	112			**1,049**	112
Total investment fund net sales[2]	**$ 1,944**	$ 366	**$ 1,884**	$ (555)	**$ 79**	$ 293	**$ 3,695**	$ 106
Sub-advisory, institutional and other accounts								
Net sales			**1,189**	(1,780)			**1,107**	(1,862)
Combined net sales	**$ 1,944**	$ 366	**$ 3,073**	$ (2,335)	**$ 79**	$ 293	**$ 4,802**	$ (1,756)
Change in total assets under management								
Net sales	**$ 1,944**	$ 366	**$ 3,073**	$ (2,335)	**$ 79**	$ 293	**$ 4,802**	$ (1,756)
Investment returns	**4,822**	5,979	**3,890**	3,949	**390**	163	**9,023**	10,046
Net change in assets	**6,766**	6,345	**6,963**	1,614	**469**	456	**13,825**	8,290
Beginning assets	**81,242**	74,897	**57,659**	56,045	**4,908**	4,452	**142,688**	134,398
Ending assets	**$ 88,008**	$ 81,242	**$ 64,622**	$ 57,659	**$ 5,377**	$ 4,908	**$ 156,513**	$ 142,688

(1) Effective October 1, 2017, the Mackenzie segment has been redefined to exclude advisory mandates to Investors Group from its assets under management and revenues. Within Table 6 and Table 7, this change has been applied retroactively to provide comparability of results.

(2) Consolidated results eliminate double counting where business is reflected within multiple segments:

- *Included with Mackenzie's results were advisory mandates to other segments with assets of $1.5 billion at December 31, 2017 (2016 - $1.1 billion) and net sales of $294 million for the year ending December 31, 2017 (2016 - $80 million).*
- *Included in ETFs are mutual fund investments in ETFs totalling $368 million at December 31, 2017 and net sales of $341 million for the year ending December 31,2017.*

(3) During the twelve months ended December 31 2017, Investors Group and certain third party programs which include Mackenzie mutual funds made fund allocations changes which resulted in Mackenzie mutual fund gross sales of $421 million, redemptions of $621 million and net redemptions of $200 million.

(4) Investors Group and Investment Planning Counsel total AUM and net sales includes separately managed accounts.

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 8.

Net Earnings and Earnings per Share – Except as noted in the reconciliation in Table 8, variations in net earnings and total revenues result primarily from changes in average daily mutual fund assets under management. Investment fund assets under management increased to $127.8 billion in 2015, $137.6 billion in 2016 and $149.8 billion in 2017, driven largely by changes in financial markets during the period. The increase in 2017 also reflected the impact of strong net sales of the Company. Average investment fund assets under management for the year ended December 31, 2017 were $143.7 billion compared to $130.2 billion in 2016. The impact on earnings and revenues of changes in average daily investment fund assets under management and other pertinent items are discussed in the Review of Segment Operating Results sections of the MD&A for both Investors Group and Mackenzie.

Total assets under management at December 31, 2017 were $156.5 billion and included investment fund assets under management totalling $149.8 billion. Net earnings in future periods will largely be determined by the level of investment fund assets which will continue to be influenced by global market conditions.

Dividends per Common Share – Annual dividends per common share were $2.25 in 2017, unchanged from 2016 and 2015. Annual dividends per common share had increased by 3.4% in 2015.

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 9 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 9, largely reflect the impact of strong net sales of the Company and changes in domestic and foreign markets.

TABLE 8: SELECTED ANNUAL INFORMATION

	2017	2016	2015
Consolidated statements of earnings *($ millions)*			
Revenues			
Fee income	$ 3,005.7	$ 2,856.9	$ 2,836.1
Net investment income and other	167.3	187.8	195.2
	3,173.0	3,044.7	3,031.3
Expenses	2,224.4	2,097.8	2,006.6
	948.6	946.9	1,024.7
Restructuring and other	(195.3)	–	(33.9)
Pension plan	50.4	–	–
Proportionate share of associate's one-time charges	(14.0)	–	–
Proportionate share of associate's provision	(5.1)	–	–
Earnings before income taxes	784.6	946.9	990.8
Income taxes	173.9	167.6	210.3
Net earnings	610.7	779.3	780.5
Perpetual preferred share dividends	8.8	8.8	8.8
Net earnings available to common shareholders	$ 601.9	$ 770.5	$ 771.7
Reconciliation of Non-IFRS financial measures[1] *($ millions)*			
Adjusted net earnings available to common shareholders – non-IFRS measure	$ 727.8	$ 736.5	$ 796.0
Other items:			
Restructuring and other, net of tax	(143.6)	–	(24.3)
Pension plan, net of tax	36.8	–	–
Proportionate share of associate's one-time charges	(14.0)	–	–
Proportionate share of associate's provision	(5.1)	–	–
Reduction in income tax estimates related to certain tax filings	–	34.0	–
Net earnings available to common shareholders – IFRS	$ 601.9	$ 770.5	$ 771.7
Earnings per share *($)*			
Adjusted net earnings available to common shareholders[1]			
– Basic	$ 3.03	$ 3.05	$ 3.21
– Diluted	3.02	3.05	3.21
Net earnings available to common shareholders			
– Basic	2.50	3.19	3.11
– Diluted	2.50	3.19	3.11
Dividends per share *($)*			
Common	$ 2.25	$ 2.25	$ 2.25
Preferred, Series B	1.48	1.48	1.48
Average daily investment fund assets *($ millions)*	$ 143,735	$ 130,201	$ 129,643
Total investment fund assets under management *($ millions)*	$ 149,819	$ 137,575	$ 127,791
Total assets under management *($ millions)*	$ 156,513	$ 142,688	$ 134,398
Total corporate assets *($ millions)*	$ 16,499	$ 15,625	$ 14,831
Total long-term debt *($ millions)*	$ 2,175	$ 1,325	$ 1,325
Outstanding common shares *(thousands)*	240,666	240,516	244,788

(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 9: SUMMARY OF QUARTERLY RESULTS

	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Consolidated statements of earnings *($ millions)*								
Revenues								
Management fees	$ 564.4	$ 541.9	$ 547.0	$ 527.7	$ 525.7	$ 518.3	$ 497.4	$ 483.8
Administration fees	110.4	109.1	111.2	109.0	109.0	107.9	104.4	100.3
Distribution fees	95.2	89.8	94.8	105.2	117.7	101.1	96.3	95.0
Net investment income and other	36.7	32.5	50.3	47.8	48.7	49.1	46.3	43.7
	806.7	773.3	803.3	789.7	801.1	776.4	744.4	722.8
Expenses								
Commission	288.1	276.0	284.4	289.3	288.2	273.1	267.2	261.5
Non-commission	240.3	238.8	246.5	246.9	231.1	224.9	231.7	227.9
Interest	29.7	28.9	28.7	26.8	23.2	23.2	22.9	22.9
	558.1	543.7	559.6	563.0	542.5	521.2	521.8	512.3
Earnings before undernoted	248.6	229.6	243.7	226.7	258.6	255.2	222.6	210.5
Restructuring and other	(172.3)	–	(23.0)	–	–	–	–	–
Pension plan	–	–	50.4	–	–	–	–	–
Proportionate share of associate's one-time charges	(14.0)	–	–	–	–	–	–	–
Proportionate share of associate's provision	–	–	(5.1)	–	–	–	–	–
Earnings before income taxes	62.3	229.6	266.0	226.7	258.6	255.2	222.6	210.5
Income taxes	9.5	54.0	63.0	47.4	23.4	55.4	47.5	41.3
Net earnings	52.8	175.6	203.0	179.3	235.2	199.8	175.1	169.2
Perpetual preferred share dividends	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Net earnings available to common shareholders	$ 50.6	$ 173.4	$ 200.8	$ 177.1	$ 233.0	$ 197.6	$ 172.9	$ 167.0
Reconciliation of Non-IFRS financial measures [1] *($ millions)*								
Adjusted net earnings available to common shareholders – non-IFRS measure	$ 191.4	$ 173.4	$ 185.9	$ 177.1	$ 199.0	$ 197.6	$ 172.9	$ 167.0
Other items:								
Restructuring and other, net of tax	(126.8)	–	(16.8)	–	–	–	–	–
Pension plan, net of tax	–	–	36.8	–	–	–	–	–
Proportionate share of associate's one-time charges	(14.0)	–	–	–	–	–	–	–
Proportionate share of associate's provision	–	–	(5.1)	–	–	–	–	–
Reduction in income tax estimates related to certain tax filings	–	–	–	–	34.0	–	–	–
Net earnings available to common shareholders – IFRS	$ 50.6	$ 173.4	$ 200.8	$ 177.1	$ 233.0	$ 197.6	$ 172.9	$ 167.0
Earnings per Share *(¢)*								
Adjusted net earnings available to common shareholders[1]								
– Basic	80	72	77	74	83	82	72	69
– Diluted	79	72	77	74	83	82	72	69
Net earnings available to common shareholders								
– Basic	21	72	83	74	97	82	72	69
– Diluted	21	72	83	74	97	82	72	69
Average daily investment fund assets *($ billions)*	$ 148.1	$ 142.4	$ 144.3	$ 140.1	$ 135.2	$ 132.6	$ 128.2	$ 124.7
Total investment fund assets under management *($ billions)*	$ 149.8	$ 144.6	$ 143.3	$ 142.1	$ 137.6	$ 134.1	$ 129.1	$ 127.4
Total assets under management *($ billions)*	$ 156.5	$ 150.0	$ 148.6	$ 147.5	$ 142.7	$ 140.7	$ 135.5	$ 133.7

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

INVESTORS GROUP

REVIEW OF THE BUSINESS

Investors Group provides a broad range of financial and investment planning services to Canadians through its exclusive network of Consultants across the country.

Fee income is primarily generated from the management, administration and distribution of Investors Group mutual funds.

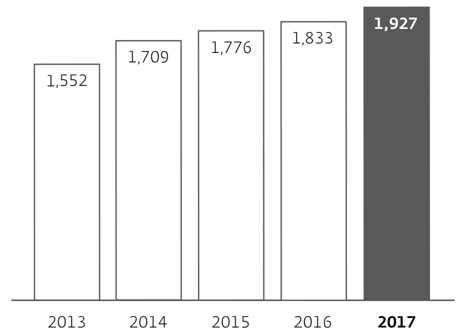
Fee income is also earned from the distribution of insurance, securities and other financial services.

Additional revenue is derived from net investment income and other income, primarily related to our mortgage business.

Revenues depend largely on the level and composition of mutual fund assets under management. The comprehensive planning approach, provided by our Consultants through the broad range of financial products and services offered by Investors Group, has resulted in a mutual fund redemption rate lower than the industry average.

Fee Income – Investors Group

For the financial year ($ millions)



INVESTORS GROUP STRATEGY

In 2017, Investors Group introduced its new strategic vision and established a number of strategic priorities to drive future business success.

Investors Group's promise is to inspire financial confidence.

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

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

- 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.
- 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.

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 the most powerful, competitively priced, comprehensive suite of solutions.
- Business processes that are simple, easy and digitized – Redesigning client and advisor interactions to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.
- Enabled by a high-performing and diverse culture.

CONSULTANT NETWORK

Investors Group distinguishes itself from its competition by offering comprehensive planning to its clients within the context of long-term relationships. This approach is consistent with studies in recent years which indicate that client households receiving advice from a financial advisor have higher assets than non-advised households, and that this advantage increases based on the length of the relationship with the financial advisor. At the centre of these relationships is a national distribution network of Consultants based in region offices across Canada.

The following provides a breakdown of the Investors Group's Consultant network into its significant components at December 31, 2017:

- 2,124 Consultant practices (2,300 at December 31, 2016), which reflect Consultants with more than four years of Investors Group experience. These practices may include Associates as described below. The level of Consultant practices is a key measurement of our business as they serve clientele representing approximately 95% of AUM.
- 954 New Consultants (1,679 at December 31, 2016), which are those Consultants with less than four years of Investors Group experience.
- 1,068 Associates and Regional Directors (968 at December 31, 2016). Associates are licensed team members of

Consultant practices who provide financial planning services and advice to the clientele served by the team.

- Investors Group had a total Consultant network of 4,146 (4,947 at December 31, 2016).

Starting in the first quarter of 2017, Investors Group has accelerated the departure of Consultants who were not expected to develop a successful practice. We also enhanced recruiting standards to achieve greater likelihood of success while also enhancing our culture and brand. This has resulted in us reducing the overall size of our region office footprint from 115 to 95 offices.

In 2017, Investors Group made it mandatory that all Consultants with more than four years of experience are required to have or be enrolled to achieve the Certified Financial Planner (CFP) or its Quebec equivalent, Financial Planner (F.Pl.) designations. The CFP and F.Pl. 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 Financial Planning Standards Council published in 2017 that Investors Group has more CFP designation holders than any other organization in Canada.

Over 57% of Consultant practices have professionals who are qualified as Certified Financial Planners (CFP) or its Quebec equivalent, Financial Planners (F.Pl.) and approximately 98% of Consultant practices are qualified or enrolled to be qualified. At December 31, 2017, 1,566 individuals in our Consultant network held the CFP designation or the F.Pl. designation. In addition, there were 2,347 individuals enrolled in these programs to gain these designations. The total of 3,913 of those studying to be or qualified as CFP or F.Pl. is up 42% from 2,746 at December 31, 2016.

CONSULTANT DEVELOPMENT

Investors Group combines a number of interview and testing techniques to identify individuals who demonstrate a blend of experience, education and aptitude that makes them well suited to becoming successful financial planners. This process is continually reviewed in our efforts to select the most appropriate candidates as new Consultants to improve their likelihood of success in the future.

Each year our training curriculum is reviewed and refreshed to offer new Consultants important building blocks to develop client relationships. As Consultants progress, they develop their skills as financial planners and business managers by attending a selection of focused educational programs including: financial planning skills, product knowledge, client service, business development skills, compliance, technology, practice management and other related topics. This core training is supplemented by annual training conferences, where education is tailored to both new and experienced Consultants, and by other educational programs including National Education Days by way of video.

Investors Group continually reviews and enhances our Consultant technology platform, bringing greater efficiencies to our Consultants' contact management and portfolio information and financial planning systems to help them serve our clients more effectively. These efforts included upgrades to the financial planning software used by Consultants.

ADMINISTRATIVE SUPPORT AND COMMUNICATION FOR CONSULTANTS AND CLIENTS

Administrative support for Consultants and clients includes timely and accurate client account record-keeping and reporting, effective problem resolution support, and continuous improvements to servicing systems.

This administrative support is provided from both Investors Group's Quebec General Office located in Montreal for Consultants and clients residing in Quebec and from Investors Group's head office in Winnipeg, Manitoba for Consultants and clients in the rest of Canada. The Quebec General Office has over 200 employees and operating units for most functions supporting approximately 880 Consultants throughout Quebec. Mutual fund assets under management in Quebec were approximately $15 billion as at December 31, 2017.

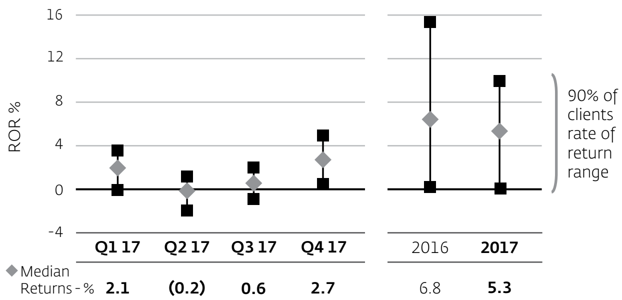
DEALER PLATFORM

A dealer platform was launched in the fourth quarter of 2016 which delivers an enhanced service experience to Consultants and clients. This dealer platform has allowed us to internalize carrying broker functionality and client statement preparation for Investment Industry Regulatory Organization of Canada (IIROC) and Mutual Fund Dealers Association of Canada (MFDA) nominee accounts, which were previously performed by a third party service provider, and has provided increased automation of transaction activity. This platform supports the introduction of new IIROC based products designed to support the high net worth segment of our client base. The platform is expected to result in efficiencies over the long term.

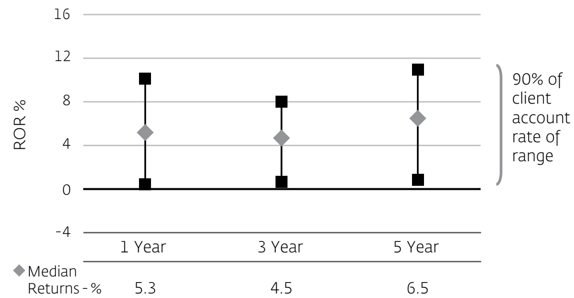
CLIENT STATEMENTS

Regular communication with our clients includes quarterly reporting of their Investors Group mutual fund holdings and the change in asset values of these holdings during the quarter. Individual clients experience different returns as a result of

Client Account Rate of Return (ROR) Experience
Quarterly and Annual Returns



Client Account Rate of Return (ROR) Experience
As at December 31, 2017



having different composition of their portfolios in each quarter as illustrated on the accompanying charts. The first chart reflects in-quarter client account median rates of return for the current year, as well as the annual returns for 2017 compared to 2016. The second chart reflects the client account median rates of return based on one, three and five year timeframes as at December 31, 2017. Both charts also illustrate upper and lower ranges of rates of return around the median for 90% of Investors Group client accounts.

For the three months ended December 31, 2017, the client account median rate of return was approximately 2.7% and 98% of client accounts experienced positive returns. For the twelve months ended December 31, 2017, the client account median rate of return was approximately 5.3% and 97% of client accounts experienced positive returns.

Investors Group has long believed that providing our clients with personal account level performance and rate of return information over multiple time periods is a meaningful benefit to our clients and further demonstrates the value provided through advice over the history of our client relationships.

Our clients' statements include a multiple-period view of their performance, including one year, three year and five year rates of return.

Also for the twelve months ending June 30, 2017, Investors Group introduced its annual cost of compensation disclosure which outlines the fees paid to the Investors Group dealer holding the client's account.

ASSETS UNDER MANAGEMENT

At December 31, 2017, Investors Group's mutual fund assets under management were $88.0 billion, an all-time quarter end high. The level of assets under management is influenced by three factors: sales, redemptions and investment returns of our funds. Changes in mutual fund assets under management for the periods under review are reflected in Table 10.

CHANGE IN ASSETS UNDER MANAGEMENT – 2017 VS. 2016

Investors Group's mutual fund assets under management were $88.0 billion at December 31, 2017, representing an increase of 8.3% from $81.2 billion at December 31, 2016. Average daily mutual fund assets were $87.2 billion in the fourth quarter of 2017, up 9.3% from $79.7 billion in the fourth quarter of 2016.

For the quarter ended December 31, 2017, sales of Investors Group mutual funds through its Consultant network were $2.3 billion, an increase of 10.8% from the comparable period in 2016 and an all-time high fourth quarter result. Mutual fund redemptions totalled $2.0 billion, an increase of 8.4% from 2016. Investors Group mutual fund net sales for the fourth quarter of 2017 were $332 million compared with net sales of $261 million in 2016. During the fourth quarter, investment returns resulted in an increase of $2.5 billion in mutual fund assets compared to an increase of $2.1 billion in the fourth quarter of 2016.

Sales of long-term funds were $1.9 billion for the fourth quarter of 2017, an increase of 3.6% from the previous year. Net sales of long-term funds for the fourth quarter of 2017 were $96 million compared to net sales of $202 million in 2016.

Investors Group's annualized quarterly redemption rate for long-term funds was 8.3% in the fourth quarter of 2017, unchanged from the fourth quarter of 2016. Investors Group's twelve month trailing redemption rate for long-term funds was 8.4% at December 31, 2017 compared to 8.8% at December 31, 2016, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 16.1% at December 31, 2017.

For the twelve months ended December 31, 2017, sales of Investors Group mutual funds through its Consultant network were $9.7 billion, an increase of 24.9% from 2016. Mutual fund redemptions totalled $7.7 billion, an increase of 4.8% from 2016. Net sales of Investors Group mutual funds were $1.9 billion compared with net sales of $366 million in 2016. Sales of long-

TABLE 10: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

THREE MONTHS ENDED ($ millions)	2017 DEC. 31	2017 SEP. 30	2016 DEC. 31	% CHANGE 2017 SEP. 30	% CHANGE 2016 DEC. 31
Sales	$ 2,314	$ 2,090	$ 2,089	10.7 %	10.8 %
Redemptions	1,982	1,803	1,828	9.9	8.4
Net sales (redemptions)	332	287	261	15.7	27.2
Investment returns	2,450	633	2,089	287.0	17.3
Net change in assets	2,782	920	2,350	202.4	18.4
Beginning assets	85,226	84,306	78,892	1.1	8.0
Ending assets	$ 88,008	$ 85,226	$ 81,242	3.3 %	8.3 %
Average daily assets	$ 87,195	$ 83,815	$ 79,744	4.0 %	9.3 %

TWELVE MONTHS ENDED ($ millions)	2017 DEC. 31	2016 DEC. 31	% CHANGE
Sales	$ 9,693	$ 7,760	24.9 %
Redemptions	7,749	7,394	4.8
Net sales (redemptions)	1,944	366	N/M
Investment returns	4,822	5,979	(19.4)
Net change in assets	6,766	6,345	6.6
Beginning assets	81,242	74,897	8.5
Ending assets	$ 88,008	$ 81,242	8.3 %
Average daily assets	$ 84,705	$ 76,820	10.3 %

term funds for the twelve month period in 2017 were $8.2 billion compared with $6.7 billion in 2016, an increase of 22.9%. Net sales of long-term funds were $1.2 billion compared to net sales of $54 million in 2016. During 2017, investment returns resulted in an increase of $4.8 billion in mutual fund assets compared to an increase of $6.0 billion in 2016.

CHANGE IN ASSETS UNDER MANAGEMENT – Q4 2017 VS. Q3 2017

Investors Group's mutual fund assets under management were $88.0 billion at December 31, 2017, an increase of 3.3% from $85.2 billion at September 30, 2017. Average daily mutual fund assets were $87.2 billion in the fourth quarter of 2017 compared to $83.8 billion in the third quarter of 2017, an increase of 4.0%.

For the quarter ended December 31, 2017, sales of Investors Group mutual funds through its Consultant network were $2.3 billion, an increase of 10.7% from the third quarter of 2017. Mutual fund redemptions, which totalled $2.0 billion for the fourth quarter, increased 9.9% from the previous quarter and the annualized quarterly redemption rate was 8.3% in the fourth quarter compared to 7.9% in the third quarter of 2017. Investors Group mutual fund net sales were $332 million for the current quarter compared to net sales of $287 million in the previous quarter. Sales of long-term funds were $1.9 billion for the current quarter compared to $1.7 billion in the previous quarter. Net sales of long-term funds for the current quarter were $96 million, unchanged from the previous quarter.

PRODUCTS AND SERVICES

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

PFP – PERSONAL FINANCIAL PLANNER

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

SYMPHONY STRATEGIC INVESTMENT PLANNING™ PROGRAM

Symphony is Investors Group's approach to strategic investment planning. The Symphony program is designed to provide a scientifically constructed investment portfolio, consistent with the client's investment objectives and suited to their risk profile.

CHARITABLE GIVING PROGRAM

The Investors Group Charitable Giving Program is 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.

MUTUAL FUNDS

Investors Group had $88.0 billion in mutual fund assets under management at December 31, 2017 in 148 mutual funds covering a broad range of investment mandates. This compared with $81.2 billion in 2016, an increase of 8.3%.

Clients can diversify their holdings across investment managers, asset categories, investment styles, geography, capitalization and sectors through portfolios customized to meet their objectives.

Investors Group funds are advised by a newly formed single global investment management organization under Mackenzie Investments that supports both Investors Group and Mackenzie Investments investment management functions. This organization includes a multi-disciplinary team of investment professionals with offices and advisors in North America, Europe, and Asia. The global connections, depth of research and use of information technology provide us with the investment management capabilities to offer our clients investment management expertise suitable for the widest range of investment objectives. Investors Group also offers a range of partner funds through advisory relationships with other external investment management firms. Investors Group oversees all investment advisors to ensure that their activities are consistent with Investors Group's investment philosophy and with the investment objectives and strategies of the funds that they advise. These advisory relationships include the following investment managers: Putnam Investment Management LLC, PanAgora Asset Management, Inc., Irish Life Investment Managers Limited, AGF Investments Inc., Aristotle Capital Management, LLC, Beutel, Goodman & Company Ltd., Fidelity Investments Canada ULC, Fiera Capital Corporation, CI Investments Inc., LaSalle Investment Management Securities, LLC., and Franklin Templeton Investments Canada.

Fund Performance

At December 31, 2017, 49.9% of Investors Group mutual funds had a rating of three stars or better from the Morningstar† fund ranking service and 15.0% had a rating of four or five stars. This compared to the Morningstar† universe of 62.8% for three stars or better and 25.6% for four and five star funds at December 31, 2017. Morningstar Ratings† are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

Changes to Mutual Fund Product Offering

Investors Group continues to enhance the performance, scope and diversity of our investment offering with the introduction of new funds and other product changes that are well-suited to the long-term diverse needs of Canadian investors.

Effective January 1, 2017, Investors Group discontinued the deferred sales charge (DSC) purchase option for its mutual funds and, at the same time, fees on no-load series were reduced.

In the third quarter, Investors Group implemented several changes to its mutual fund offering. These changes included the merging of the accumulation focused Alto portfolios into Allegro, providing our Alto and Allegro clients access to a wider range of investment solutions along with dynamic asset allocation capabilities for certain portfolios.

MANAGED ASSET AND MULTI-MANAGER INVESTMENT PROGRAMS

Investors Group offers several managed asset and multi-manager investment programs. Total assets of these programs at December 31, 2017 were $36.5 billion and sales were $6.4 billion for the year ending December 31, 2017. This level of sales represented 66.4% of total gross sales.

Within the managed assets and multi-manager investment programs is a broad selection of asset allocation opportunities which offer:

- Programs with single-step diversification by geography, investment style, asset class and investment advisor, along with tactical asset allocation overlays. At December 31, 2017, assets under management in these programs were $30.7 billion, an increase of 15.4% from $26.6 billion at December 31, 2016.
- *i*Profile™ managed asset program. At December 31, 2017, the *i*Profile program assets under management were $5.8 billion, an increase of 149% from $2.3 billion at December 31, 2016.

HIGH NET WORTH OFFERINGS

High net worth clients represent a growing segment of our client base. Investors Group has several offerings to address the needs of high net worth clients and continues to look at ways to provide further offerings to this segment. Assets under management for clients in this category totalled $40.5 billion at December 31, 2017, an increase of 25.3% from one year ago, and represented 46% of total assets under management. Sales to high net worth clients totalled $1,045 million for the fourth quarter of 2017, an increase of 40% from the fourth quarter of 2016, and represented 46% of total sales.

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

Investors Group has investment solutions with differentiated pricing for households with investments in Investors Group funds in excess of $500,000. Assets under management for clients in this category totalled $34.7 billion, an increase of 15.8% from $30.0 billion at December 31, 2016.

- Series J had assets of $20.4 billion at December 31, 2017, a decrease of 17.0% from $24.6 billion at December 31, 2016, largely as a result of transfer activity from Series J to Series U.
- Series U provides a pricing structure which separates the advisory fee, which is charged directly to a client's account, from the fees charged to the underlying investment funds. At December 31, 2017, Series U assets under management had increased to $14.3 billion, compared to $5.4 billion at December 31, 2016, an increase of 164%.

*i*Profile™

This is a unique portfolio management program, launched in 2001, that is available for households with assets held at Investors Group in excess of $250,000. *i*Profile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions. The *i*Profile program has a pricing structure which separates the advisory fee, which is charged directly to a client's account, from the fees charged to the underlying investment funds.

Along with the IGM Financial global investment management team, the program is advised by a select group of external global money management firms: JPMorgan Asset Management (Canada) Inc., Jarislowsky, Fraser Limited, Cidel Asset Management, Baring International Investment Limited, Laketon Investment Management, Putnam Investment Management LLC, PanAgora Asset Management, Inc., Aristotle Capital Management LLC, and Lazard Asset Management LLC.

At December 31, 2017, the *i*Profile program assets under management were $5.8 billion, an increase of 149% from $2.3 billion at December 31, 2016.

Unbundled Fee Structures

A growing portion of Investors Group's client assets are in Series U and *i*Profile, which are products with unbundled fee structures where a separate advisory fee is charged to the client account by the dealer. At December 31, 2017, $20.1 billion, or 22.8% of Investors Group's mutual fund assets under management, were in products with unbundled fee structures, up 159% from $7.7 billion at December 31, 2016 which represented 9.5% of assets under management. Sales of these products to high net worth clients totalled $731 million for the fourth quarter of 2017, an increase of $394 million from the fourth quarter of 2016, and represented 70% of total high net worth sales.

In the fourth quarter, the Company indicated it would provide access for all clients to Series U in 2018 with the goal of eliminating all embedded fee purchase options.

Separately Managed Accounts and Fee-Based Brokerage Account

Investors Group's separately managed account program, Azure Managed Investments™, as well its Fee-Based Account program, are both offered through Investors Group's brokerage services firm, Investors Group Securities Inc.

Azure Managed Investments are discretionary managed accounts that allow clients to delegate responsibility for day-to-day investment decisions to a portfolio manager. There are seven different investment mandates available that provide core equity exposure in Canadian, U.S., North American and International equity markets and are managed with supporting expertise from I.G. Investment Management and external investment managers.

Investors Group's Fee-Based Account program is a non-discretionary, fee-based brokerage account offering clients the benefits of a holistic approach to managing their portfolio.

SEGREGATED FUNDS

Investors Group offers segregated funds which include the Investors Group Series of Guaranteed Investment Funds (GIFs). GIFs are segregated fund policies issued by The Great-West Life Assurance Company and include 14 fund-of-fund segregated portfolios and six individual segregated funds. These segregated funds provide for long-term investment growth potential combined with risk management, full and partial maturity and death benefit guarantee features, potential creditor protection and estate planning efficiencies. Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by Investors Group. At December 31, 2017, total segregated fund assets were $1.9 billion compared to $1.8 billion at December 31, 2016.

INSURANCE

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

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

The average number of policies sold by each insurance-licensed Consultant was 11.2 in 2017, compared to 10.9 in 2016. Distribution of insurance products is enhanced through Investors Group'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. Investors Group Consultants can refer clients to one of our Wealth Planning Specialists available through Investors Group Securities Inc. In addition, there are a growing number of IIROC licensed Consultants using this platform.

MORTGAGE OPERATIONS

Investors Group is a national mortgage lender that offers residential mortgages to Investors Group clients as part of a comprehensive financial plan. Investors Group Mortgage Planning Specialists are located throughout each province in Canada, and work with our clients and their Consultants as permitted by the regulations to develop mortgage strategies that meet the individual needs and goals of each client.

Through its mortgage banking operations, mortgages originated by Investors Group Mortgage Planning Specialists are sold to the Investors Mortgage and Short Term Income Fund, Investors Canadian Corporate Bond Fund, securitization programs, and institutional investors. Certain subsidiaries of Investors Group are Canada Mortgage and Housing Corporation (CMHC)-approved issuers of National Housing Act Mortgage-Backed Securities (NHA MBS) and are approved sellers of NHA MBS into the Canada Mortgage Bond Program (CMB Program). Securitization programs also include certain bank-sponsored asset-backed commercial paper (ABCP) programs. Residential mortgages are also held by Investors Group's intermediary operations.

Mortgage fundings for the three and twelve months ended December 31, 2017 were $385 million and $1.5 billion, compared to $481 million and $2.2 billion in 2016, a decrease of 20.0% and 28.2%, respectively. At December 31, 2017, mortgages serviced by Investors Group related to its mortgage banking operations totalled $10.8 billion, compared to $11.1 billion at December 31, 2016, a decrease of 2.2%.

SOLUTIONS BANKING†

Investors Group's Solutions Banking† offering consists of a wide range of products and services provided by the National Bank of Canada under a long-term distribution agreement and includes: investment loans, lines of credit, personal loans, creditor insurance, deposit accounts and credit cards. The offering also includes an All-in-One product which is a comprehensive cash management solution that integrates the features of a mortgage, term loan, revolving line of credit and deposit account to meet the needs of our clients while minimizing overall interest costs. In the fourth quarter of 2017, Investors Group launched a new residential mortgage product suite through our partners at National Bank, which complements our current mortgage offerings. 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 Investors Group's approach to delivering total financial solutions for our clients through a broad financial planning platform. Total lending products of Investors Group clients in the Solutions Banking† offering totalled $3.5 billion at December 31, 2017, compared to $3.1 billion at December 31, 2016.

Available credit associated with Solutions Banking† All-in-One accounts originated for the three and twelve month periods ended December 31, 2017 were $221 million and $1.0 billion, compared to $172 million and $715 million, respectively, in 2016. At December 31, 2017, the balance outstanding of Solutions Banking All-in-One products was 2.2 billion, compared to $1.8 billion one year ago, and represented approximately 49% of total available credit associated with these accounts.

ADDITIONAL PRODUCTS AND SERVICES

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

Investors Group's earnings before interest and taxes are presented in Table 11.

2017 VS. 2016

FEE INCOME

Fee income is generated from the management, administration and distribution of Investors Group mutual funds. The distribution of insurance and Solutions Banking† products and the provision of securities services provide additional fee income.

Investors Group earns management fees for investment management services provided to its mutual funds, which depend largely on the level and composition of mutual fund assets under management. Management fees were $366.8 million in the fourth quarter of 2017, an increase of $29.0 million or 8.6% from $337.8 million in 2016. For the twelve months ended December 31, 2017, management fees were $1,415.0 million, an increase of $119.0 million or 9.2% from $1,296.0 million in 2016.

The net increase in management fees in the three and twelve month periods ended December 31, 2017 was primarily due to the increase in average assets under management of 9.3%, and 10.3%, respectively, as shown in Table 10. The average management fee rate in the fourth quarter of 2017 was 166.9

TABLE 11: OPERATING RESULTS – INVESTORS GROUP

THREE MONTHS ENDED ($ millions)	**2017 DEC. 31**	2017 SEP. 30	2016 DEC. 31	% CHANGE 2017 SEP. 30	% CHANGE 2016 DEC. 31
Revenues					
Management fees	**$ 366.8**	$ 352.5	$ 337.8	4.1 %	8.6 %
Administration fees	**80.9**	79.9	80.6	1.3	0.4
Distribution fees	**45.4**	41.5	71.1	9.4	(36.1)
	493.1	473.9	489.5	4.1	0.7
Net investment income and other	**(3.7)**	5.3	20.1	N/M	N/M
	489.4	479.2	509.6	2.1	(4.0)
Expenses					
Commission	**76.3**	73.2	96.0	4.2	(20.5)
Asset retention bonus and premium	**89.4**	83.0	73.9	7.7	21.0
Non-commission	**138.8**	142.1	139.1	(2.3)	(0.2)
	304.5	298.3	309.0	2.1	(1.5)
Earnings before interest and taxes	**$ 184.9**	$ 180.9	$ 200.6	2.2 %	(7.8) %

TWELVE MONTHS ENDED ($ millions)	**2017 DEC. 31**	2016 DEC. 31	% CHANGE
Revenues			
Management fees	**$ 1,415.0**	$ 1,296.0	9.2 %
Administration fees	**322.0**	309.9	3.9
Distribution fees	**190.5**	227.1	(16.1)
	1,927.5	1,833.0	5.2
Net investment income and other	**41.7**	71.6	(41.8)
	1,969.2	1,904.6	3.4
Expenses			
Commission	**319.3**	340.7	(6.3)
Asset retention bonus and premium	**335.1**	284.2	17.9
Non-commission	**576.3**	543.5	6.0
	1,230.7	1,168.4	5.3
Earnings before interest and taxes	**$ 738.5**	$ 736.2	0.3 %

basis points of average assets under management compared to 167.1 basis points in 2016. The average management fee rate was 166.3 basis points of average assets under management for the twelve month period ended December 31, 2017 compared to 167.4 basis points in 2016. The decrease in the management fee rate in both periods is due, in part, to assets moving into high net worth products.

Investors Group receives administration fees for providing administrative services to its mutual funds and trusteeship services to its unit trust mutual funds, which also depend largely on the level and composition of mutual fund assets under management. Administration fees totalled $80.9 million in the current quarter compared to $80.6 million a year ago, an increase of 0.4%. Administration fees were $322.0 million for the twelve month period ended December 31, 2017 compared to $309.9 million in 2016, an increase of 3.9%. These increases resulted primarily from changes in average assets under management offset, in part, by fee reductions. Effective January 1, 2017, as part of the discontinuation of deferred sales charge (DSC) series options, Investors Group reduced the administration fees on no-load series. The impact on administration fee revenue during the quarter associated with the changes was $2.5 million.

Distribution fees are earned from:

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

Distribution fee income of $45.4 million for the fourth quarter of 2017 decreased by $25.7 million from $71.1 million in 2016. For the twelve month period, distribution fee income of $190.5 million decreased by $36.6 million from $227.1 million in 2016. The decrease in both periods was primarily due to decreases in distribution fee income from insurance products. Redemption fees were also lower in both the three and twelve month periods. Redemption fee income varies depending on the level of deferred sales charge attributable to fee-based redemptions.

NET INVESTMENT INCOME AND OTHER

Net investment income and other includes income related to mortgage banking operations and net interest income related to intermediary operations.

Net investment income and other was ($3.7) million in the fourth quarter of 2017, a decrease of $23.8 million from $20.1 million in 2016. For the year ended December 31, 2017, net investment income and other totalled $41.7 million, a decrease of $29.9 million from $71.6 million in 2016.

Net investment income related to Investors Group's mortgage banking operations totalled ($6.3) million for the fourth quarter of 2017 compared to $19.4 million in 2016, a decrease of $25.7 million. For the year ended December 31, 2017, net investment income related to Investors Group's mortgage banking operations totalled $36.0 million compared to $69.4 million in 2016, a decrease of $33.4 million. A summary of mortgage banking operations for the three and twelve month periods under review is presented in Table 12. The changes in mortgage banking income were due to:

- Net interest income on securitized loans – decreased by $2.1 million and $1.6 million for the three and twelve month periods ended December 31, 2017 to $14.5 million and $62.9 million, respectively, compared to 2016. The decrease resulted primarily from lower margins on securitized loans.
- Gains realized on the sale of residential mortgages – decreased by $3.2 million and $8.6 million for the three and twelve month periods ended December 31, 2017 to nil and $7.5 million, respectively, compared to 2016. The decrease in gains resulted from lower sales activity and margins.
- Fair value adjustments – decreased by $21.7 million and $29.0 million for the three and twelve month periods ended December 31, 2017 to ($19.6) million and ($31.3) million, respectively, compared to 2016. The decrease was primarily due to negative fair value adjustments on loans held temporarily pending sale or securitization to third parties, as a result of interest rate increases in the period. A meaningful component of this fair value adjustment represents a surplus in mortgage rate increases relative to funding rate increases. In these instances, the net fair value adjustment after hedging gains reflects timing as the resulting effective interest rate on the mortgage reflects the increased mortgage rate over the securitization term. Under IFRS 9, effective January 1, 2018, these loans will be classified as hold to collect and recorded at amortized cost with mortgage interest income recognized at the contractual mortgage rate. As a result of this change, issue costs of $24.4 million pre-tax and mortgage fair value adjustments of $25.3 million pre-tax will be credited to retained earnings as at January 1, 2018. The issue costs will be amortized over the life of the related loans.
- Other – increased by $1.3 million and $5.8 million for the three and twelve month periods ended December 31, 2017 to ($1.2) million and ($3.1) million compared to 2016 primarily due to lower mortgage issuance costs.

TABLE 12: MORTGAGE BANKING OPERATIONS – INVESTORS GROUP

THREE MONTHS ENDED ($ millions)	2017 DEC. 31	2017 SEP. 30	2016 DEC. 31	% CHANGE 2017 SEP. 30	% CHANGE 2016 DEC. 31
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	**$ 52.5**	$ 49.5	$ 49.4	6.1 %	6.3 %
Interest expense	**38.0**	33.3	32.8	14.1	15.9
Net interest income	**14.5**	16.2	16.6	(10.5)	(12.7)
Gains on sales[1]	**–**	0.9	3.2	N/M	N/M
Fair value adjustments	**(19.6)**	(12.7)	2.1	(54.3)	N/M
Other[2]	**(1.2)**	(0.2)	(2.5)	N/M	52.0
	$ (6.3)	$ 4.2	$ 19.4	N/M %	N/M %
Average mortgages serviced					
Securitizations	**$ 7,239**	$ 7,120	$ 7,419	1.7 %	(2.4) %
Other	**3,596**	3,791	3,595	(5.1)	–
	$ 10,835	$ 10,911	$ 11,014	(0.7) %	(1.6) %
Mortgage sales to:[3]					
Securitizations	**$ 1,068**	$ 854	$ 717	25.1 %	49.0 %
Other[1]	**25**	240	253	(89.6)	(90.1)
	$ 1,093	$ 1,094	$ 970	(0.1) %	12.7 %

TWELVE MONTHS ENDED ($ millions)	2017 DEC. 31	2016 DEC. 31	% CHANGE
Total mortgage banking income			
Net interest income on securitized loans			
Interest income	**$ 200.9**	$ 193.2	4.0 %
Interest expense	**138.0**	128.7	7.2
Net interest income	**62.9**	64.5	(2.5)
Gains on sales[1]	**7.5**	16.1	(53.4)
Fair value adjustments	**(31.3)**	(2.3)	N/M
Other[2]	**(3.1)**	(8.9)	65.2
	$ 36.0	$ 69.4	(48.1) %
Average mortgages serviced			
Securitizations	**$ 7,331**	$ 7,199	1.8 %
Other	**3,641**	3,566	2.1
	$ 10,972	$ 10,765	1.9 %
Mortgage sales to:[3]			
Securitizations	**$ 2,561**	$ 2,882	(11.1) %
Other[1]	**857**	1,071	(20.0)
	$ 3,418	$ 3,953	(13.5) %

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

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

(3) Represents principal amounts sold.

EXPENSES

Investors Group incurs commission expense in connection with the distribution of its mutual funds and other financial services and products. Commissions are paid on the sale of these products and fluctuate with the level of sales. The expense for deferred selling commissions consists of the amortization of the asset over its useful life and the reduction of the unamortized deferred selling commission asset associated with redemptions. Commissions paid on the sale of mutual funds are deferred and amortized over a maximum period of seven years. Commission expense was $76.3 million for the fourth quarter of 2017, a decrease of $19.7 million from $96.0 million in 2016. Commission expense was $319.3 million for the year ended December 31, 2017, a decrease of $21.4 million from $340.7 million in 2016. The changes in both the three and twelve month periods resulted primarily from compensation related to the distribution of other insurance products.

Asset retention bonus and premium expense, which are based on the value of assets under management, increased by $15.5 million and $50.9 million for the three and twelve month periods ended December 31, 2017 to $89.4 million and $335.1 million, respectively, compared to 2016. The increase in both periods was primarily due to the increase in assets under management and to the increasing proportion of no load products within our asset base.

Non-commission expenses incurred by Investors Group primarily relate to the support of the Consultant network, the administration, marketing and management of its mutual funds and other products, as well as sub-advisory fees related to mutual fund assets under management. Non-commission expenses were $138.8 million for the fourth quarter of 2017 compared to $139.1 million in 2016, a decrease of $0.3 million or 0.2%. For the twelve month period, non-commission expenses were $576.3 million compared to $543.5 million in 2016, an increase of $32.8 million or 6.0%. The increase in the twelve month period resulted largely from Consultant network support and other business development efforts, as well as sub-advisory fees related to increased assets under management.

Q4 2017 VS. Q3 2017

FEE INCOME

Management fee income increased by $14.3 million or 4.1% to $366.8 million in the fourth quarter of 2017 compared with the third quarter of 2017. The net increase in management fees in the fourth quarter was primarily due to the increase in average assets under management of 4.0% for the quarter, as shown in Table 10.

Administration fees increased to $80.9 million in the fourth quarter of 2017 from $79.9 million in the third quarter of 2017 largely due to the change in average mutual fund assets under management in the period.

Distribution fee income of $45.4 million in the fourth quarter of 2017 increased by $3.9 million from $41.5 million in the third quarter primarily due to an increase in distribution fee income from insurance product sales.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was ($3.7) million in the fourth quarter of 2017 compared to $5.3 million in the previous quarter, a decrease of $9.0 million primarily related to Investors Group's mortgage banking operations.

Net investment income related to Investors Group's mortgage banking operations totalled ($6.3) million in the fourth quarter of 2017, a decrease of $10.5 million from $4.2 million in the previous quarter as shown in Table 12. The changes in mortgage banking income were due to:

- Fair value adjustments – decreased by $6.9 million for the fourth quarter of 2017 to ($19.6) million compared to ($12.7) million in the previous quarter primarily due to negative fair value adjustments on loans held temporarily pending sale or securitization to third parties, as a result of interest rate increases in the period.

EXPENSES

Commission expense in the current quarter was $76.3 million compared with $73.2 million in the previous quarter. The increase primarily related to higher compensation related to the distribution of other financial services and products. The asset retention bonus and premium expense increased by $6.4 million to $89.4 million in the fourth quarter of 2017, due to higher assets under management.

Non-commission expenses were $138.8 million in the current quarter, compared to $142.1 million in the prior quarter.

MACKENZIE INVESTMENTS

REVIEW OF THE BUSINESS

Mackenzie's core business is the provision of investment management and related services offered through diversified investment solutions, distributed through multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on the experience and perspective gained through 50 years in the investment management business.

Mackenzie earns revenue primarily from:

- Management fees earned from its mutual 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.

MACKENZIE STRATEGY

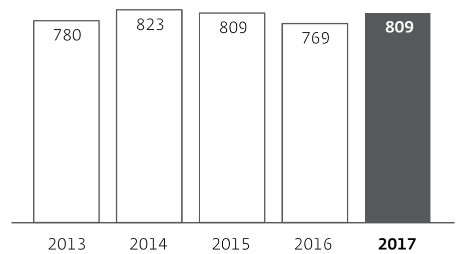
Mackenzie strives to ensure that the interests of clients, shareholders, dealers, advisors and employees are closely aligned.

Mackenzie's vision: We are committed to the financial success of investors, through *their* eyes. This impacts the strategic priorities we select to fulfil that commitment and drive future business growth. Our strategic mandate is two-fold: win in the Canadian retail space, and build meaningful strategic relationships, both in support of our goal to be the company of choice for individual investors, financial advisors and institutional investors. 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.

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

- Delivering competitive and consistent risk-adjusted performance
- Offering innovative and high quality investment solutions
- Accelerating distribution
- Advancing brand leadership
- Driving operational excellence and discipline
- Enabling a high-performing and diverse culture

Fee Income – Mackenzie
For the financial year ($ millions)



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

Founded in 1967, Mackenzie proudly celebrated its 50th anniversary in the Canadian financial services industry during 2017. Mackenzie continues to build an investment advisory business through proprietary investment research and portfolio management while utilizing strategic partners in a selected sub-advisory capacity. Our business focuses on multiple distribution channels: Retail, Strategic Alliances and Institutional.

Mackenzie primarily distributes its retail investment products through third party financial advisors. Mackenzie's sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. In addition to its retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace. Within the strategic alliance channel, Mackenzie offers certain series of its mutual funds and provides sub-advisory services to third party and related party investment programs offered by banks, insurance companies and other investment companies. Strategic alliances with related parties include providing advisory services to Investors Group, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries, and also include a private label mutual fund arrangement with Lifeco subsidiary Quadrus. Within the strategic alliance channel, Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company. In the institutional channel, Mackenzie provides investment management services to pension plans, foundations and other institutions. Mackenzie attracts new institutional business through its relationships with pension and management consultants.

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

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

ASSETS UNDER MANAGEMENT

The changes in investment fund assets under management are summarized in Table 13 and the changes in total assets under management are summarized in Table 14.

In October 2017, the investment management functions of Investors Group and Mackenzie consolidated to form a single global investment management organization under Mackenzie to support both companies. As previously discussed, effective

TABLE 13: CHANGE IN INVESTMENT FUND ASSETS UNDER MANAGEMENT – MACKENZIE

THREE MONTHS ENDED ($ millions)	**2017 DEC. 31**	2017 SEP. 30	2016 DEC. 31	% CHANGE 2017 SEP. 30	% CHANGE 2016 DEC. 31
Sales	**$ 2,234**	$ 1,840	$ 1,953	21.4 %	14.4 %
Redemptions	**2,097**	1,536	1,977	36.5	6.1
Mutual fund net sales (redemptions)	**137**	304	(24)	(54.9)	N/M
ETF net creations	**367**	286	43	28.3	N/M
Investment fund net sales (redemptions)(2)	**477**	538	19	(11.3)	N/M
Investment returns	**1,854**	(175)	1,085	N/M	70.9
Net change in assets	**2,331**	363	1,104	N/M	111.1
Beginning assets	**54,325**	53,962	50,323	0.7	8.0
Ending assets	**$ 56,656**	$ 54,325	$ 51,427	4.3 %	10.2 %
Consists of:					
Mutual funds	**$ 55,728**	$ 53,752	$ 51,314	3.7 %	8.6 %
ETFs	**1,296**	906	113	43.0	N/M
Investment funds(3)	**$ 56,656**	$ 54,325	$ 51,427	4.3 %	10.2 %
Daily average investment fund assets	**$ 55,797**	$ 53,528	$ 50,596	4.2 %	10.3 %

TWELVE MONTHS ENDED ($ millions)	**2017 DEC. 31**	2016 DEC. 31	% CHANGE
Sales	**$ 9,240**	$ 6,939	33.2 %
Redemptions	**8,171**	7,606	7.4
Mutual fund net sales (redemptions)(1)	**1,069**	(667)	N/M
ETF net creations	**1,156**	112	N/M
Investment fund net sales (redemptions)(2)	**1,884**	(555)	N/M
Investment returns	**3,345**	3,537	(5.4)
Net change in assets	**5,229**	2,982	75.4
Beginning assets	**51,427**	48,445	6.2
Ending assets	**$ 56,656**	$ 51,427	10.2 %
Daily average investment fund assets	**$ 53,962**	$ 48,727	10.7 %

(1) During 2017, Investors Group mutual funds and certain third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in Mackenzie mutual fund gross sales of $421 million, redemptions of $621 million and net redemptions of $200 million.

(2) Total investment fund net sales exclude Mackenzie mutual fund investments in ETFs of $27 million for the fourth quarter of 2017, $52 million for the third quarter of 2017 and $341 million for the twelve months ended December 31, 2017.

(3) Excludes Mackenzie mutual fund investments in ETFs of $368 million at December 31, 2017 and $333 million at September 30, 2017.

TABLE 14: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – MACKENZIE[1]

THREE MONTHS ENDED ($ millions)	2017 DEC. 31	2017 SEP. 30	2016 DEC. 31	% CHANGE 2017 SEP. 30	% CHANGE 2016 DEC. 31
Net sales (redemptions)					
Mutual funds	$ 137	$ 304	$ (24)	(54.9) %	N/M %
ETF net creations	367	286	43	28.3	N/M
Investment funds[3]	477	538	19	(11.3)	N/M
Sub-advisory, institutional and other accounts[4]	1,080	74	(1,615)	N/M	N/M
Total net sales	1,557	612	(1,596)	N/M	N/M
Investment returns	2,117	(135)	1,186	N/M	78.5
Net change in assets	3,674	477	(410)	N/M	N/M
Beginning assets	60,948	60,471	58,069	0.8	5.0
Ending assets	$ 64,622	$ 60,948	$ 57,659	6.0 %	12.1 %
Consists of:					
Mutual funds	$ 55,728	$ 53,752	$ 51,314	3.7	8.6 %
ETFs	1,296	906	113	43.0	N/M
Investment funds[5]	56,656	54,325	51,427	4.3	10.2
Sub-advisory, institutional and other accounts	7,966	6,623	6,232	20.3	27.8
Total assets under management	$ 64,622	$ 60,948	$ 57,659	6.0 %	12.1 %
Average total assets[6]	$ 63,139	$ 60,117	$ 57,465	5.0 %	9.9 %

TWELVE MONTHS ENDED ($ millions)	2017 DEC. 31	2016 DEC. 31	% CHANGE
Net sales (redemptions)			
Mutual funds[2]	$ 1,069	$ (667)	N/M %
ETF net creations	1,156	112	N/M
Investment funds[3]	1,884	(555)	N/M
Sub-advisory, institutional and other accounts[4]	1,189	(1,780)	N/M
Total net sales	3,073	(2,335)	N/M
Investment returns	3,890	3,949	(1.5)
Net change in assets	6,963	1,614	N/M
Beginning assets	57,659	56,045	2.9
Ending assets	$ 64,622	$ 57,659	12.1 %
Average total assets[6]	$ 60,711	$ 55,935	8.5 %

(1) Effective October 1, 2017, Mackenzie segment has been redefined to exclude advisory mandates to Investors Group funds from its assets under management and net sales. This change has been applied retroactively to provide comparability of results.

(2) During 2017, Investors Group mutual funds and certain third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in Mackenzie mutual fund gross sales of $421 million, redemptions of $621 million and net redemptions of $200 million.

(3) Investment fund net sales and total net sales exclude Mackenzie mutual fund investments in ETFs of $27 million for the fourth quarter of 2017, $52 million for the third quarter of 2017 and $341 million for the twelve months ended December 31, 2017.

(4) During the fourth quarter of 2016, MD Financial Management re-assigned sub-advisory responsibilities on a $1.5 billion fixed income mandate advised by Mackenzie.

(5) Excludes Mackenzie mutual fund investments in ETFs of $368 million at December 31, 2017 and $333 million at September 30, 2017.

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

October 1, 2017, Mackenzie's segment excludes investment advisory mandates to Investors Group funds. These mandates are no longer reflected within Mackenzie's segment assets under management and net sales. To ensure comparability of results, prior period assets under management and net sales have been adjusted to remove these advisory mandates.

At December 31, 2017, Mackenzie's investment fund assets under management were $56.7 billion, an all-time quarter end high and total assets under management were $64.6 billion. The change in Mackenzie's assets under management is determined by the increase or decrease in the market value of the securities held in the portfolios of investments and by the level of net sales.

CHANGE IN ASSETS UNDER MANAGEMENT – 2017 VS. 2016

Mackenzie's total assets under management at December 31, 2017 were $64.6 billion, an increase of 12.1% from $57.7 billion at December 31, 2016. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2017 were $8.0 billion, an increase of 27.8% from $6.2 billion last year.

Mackenzie's investment fund assets under management were $56.7 billion at December 31, 2017, an increase of 10.2% from December 31, 2016. Mackenzie's mutual fund assets under management were $55.7 billion at December 31, 2017, an increase of 8.6% from $51.3 billion at December 31, 2016. Mackenzie's ETF assets were $1.3 billion at December 31, 2017, inclusive of $368 million in investments from Mackenzie mutual funds, compared to $113 million at December 31, 2016.

In the three months ended December 31, 2017, Mackenzie's mutual fund gross sales were $2.2 billion, an increase of 14.4% from $2.0 billion in the comparative period last year. Mutual fund redemptions in the current quarter were $2.1 billion, an increase of 6.1% from last year. Mutual fund net sales for the three months ended December 31, 2017 were $137 million, as compared to net redemptions of $24 million last year. In the three months ended December 31, 2017, ETF net creations were $367 million, inclusive of $27 million in investments from Mackenzie mutual funds compared to ETF net creations of $43 million last year. Investment fund net sales in the current quarter were $477 million compared to net sales of $19 million last year. During the current quarter, investment returns resulted in investment fund assets increasing by $1.9 billion as compared to an increase of $1.1 billion last year.

Total net sales for the three months ended December 31, 2017 were $1.6 billion, as compared to net redemptions of $1.6 billion last year. During the fourth quarter of 2016, MD Financial Management Inc. (MD) re-assigned sub-advisory responsibilities on fixed income mandates totaling $1.5 billion. Excluding this MD transaction, net redemptions were $106 million in the fourth quarter of 2016. During the current quarter, investment returns resulted in assets increasing by $2.1 billion as compared to an increase of $1.2 billion last year.

In the twelve months ended December 31, 2017, Mackenzie's mutual fund gross sales were $9.2 billion, an increase of 33.2% from $6.9 billion in the comparative period last year. Mutual fund redemptions in the current period were $8.2 billion, an increase of 7.4% from last year. Mutual fund net sales for the twelve months ended December 31, 2017 were $1.1 billion, as compared to net redemptions of $667 million last year. In the twelve months ended December 31, 2017, ETF net creations were $1.2 billion, inclusive of $341 million in investments from Mackenzie mutual funds, compared to ETF net creations of $112 million last year. Investment fund net sales in the current period were $1.9 billion compared to net redemptions of $555 million last year. During the current period, investment returns resulted in investment fund assets increasing by $3.3 billion as compared to an increase of $3.5 billion last year.

During the twelve months ended December 31, 2017, Investors Group mutual funds and certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $421 million, redemptions of $621 million and net redemptions of $200 million. Excluding these transactions, mutual fund gross sales increased 27.1% and mutual fund redemptions decreased 0.7% in the twelve months ended December 31, 2017 compared to last year and mutual fund net sales were $1.3 billion compared to mutual fund net redemptions of $667 million last year.

Redemptions of long-term mutual funds in the three and twelve months ended December 31, 2017, were $2.0 billion and $7.9 billion, respectively, as compared to $1.9 billion and $7.3 billion last year. Redemptions of long-term mutual funds in the twelve months ended December 31, 2017 excluding the mutual fund allocation changes made by third party programs and Investors Group mutual funds, were $7.3 billion. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 14.7% in the fourth quarter of 2017, compared to 15.2% in the fourth quarter of 2016. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 14.8% at December 31, 2017, as compared to 15.0% last year. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 15.6% at December 31, 2017. 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 for the twelve months ended December 31, 2017 were $3.1 billion, as compared to net redemptions of $2.3 billion last year. During the twelve months ended December 31, 2017, investment returns resulted in assets increasing by $3.9 billion, consistent with the increase last year. Excluding the mutual fund allocation changes resulting in net redemptions of $200 million during 2017 and the MD re-assignment of $1.5 billion during 2016 previously discussed, total net sales were $3.3 billion in the current period compared to net redemptions of $0.8 billion last year.

CHANGE IN ASSETS UNDER MANAGEMENT – Q4 2017 VS. Q3 2017

Mackenzie's total assets under management at December 31, 2017, were $64.6 billion, an increase of 6.0% from $60.9 billion at September 30, 2017. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2017 were $8.0 billion, an increase of 20.3% from $6.6 billion at September 30, 2017.

Mackenzie's investment fund assets under management were $56.7 billion at December 31, 2017, an increase of 4.3% from $54.3 billion at September 30, 2017. Mackenzie's mutual fund assets under management were $55.7 billion at December 31, 2017, an increase of 3.7% from $53.8 billion at September 30, 2017. Mackenzie's ETF assets were $1.3 billion at December 31, 2017, an increase of 43.0% from $906 million at September 30, 2017. ETF assets include investments from Mackenzie mutual funds of $368 million at December 31, 2017 and $333 million at September 30, 2017.

For the quarter ended December 31, 2017, Mackenzie mutual fund gross sales were $2.2 billion, an increase of 21.4% from the third quarter of 2017. Mutual fund redemptions, which totalled $2.1 billion for the fourth quarter, increased by 36.5% from the previous quarter. Net sales of Mackenzie mutual funds for the current quarter were $137 million compared with net sales of $304 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were $2.0 billion, compared to $1.5 billion in the third quarter of 2017. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 14.7% compared to 11.0% for the third quarter of 2017. Net sales of long-term funds for the current quarter were $111 million compared to net sales of $268 million in the previous quarter.

For the quarter ended December 31, 2017, Mackenzie ETF net creations were $367 million, an increase of $81 million from the third quarter of 2017. In the current quarter, ETF net creations were inclusive of $27 million in investments from Mackenzie mutual funds compared to $52 million in the third quarter.

Investment fund net sales in the current quarter were $477 million compared to net sales of $538 million in the third quarter.

INVESTMENT MANAGEMENT

In the fourth quarter of 2017, the investment management functions of Investors Group and Mackenzie were consolidated to form a single global investment management organization to support both companies under Mackenzie. The investment management organization continues to maintain its Canadian presence in Toronto, Montreal and Winnipeg and its international presence in Dublin and Hong Kong. In addition, it has recently expanded to the United States with the opening of its Boston office. Total assets managed by this combined team at December 31, 2017 were $127.1 billion.

The new investment management organization continues to deliver its 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 process is focused upon i) identifying and encouraging each team's performance edge, ii) promoting best practices in portfolio construction, and iii) emphasizing risk management.

During 2017, Mackenzie strengthened its investment management capabilities and increased the number of boutiques from ten to fourteen:

- As part of the consolidation of the investment management functions, three new boutiques were created – European & International Equities, Asian Equities and Portfolio Solutions.
- In December 2017, Mackenzie created a new Global Quantitative Equity boutique based in Boston.

In addition to its own investment teams, Mackenzie supplements its investment capabilities through the use of third party sub-advisors in selected areas. These sub-advisors include Putnam Investments Inc., JP Morgan Asset Management Inc., Waddell & Reed Financial, Inc., Irish Life Investment Managers Limited, TOBAM, China AMC, Pax Ellevate Management LLC and Rockefeller & Co.

Mackenzie's assets under management are diversified by investment objective as set out in Table 15. The development of a broad range of investment capabilities and products has proven to be, and continues to be, a key strength of the organization in satisfying the evolving financial needs of our clients.

TABLE 15: ASSETS UNDER MANAGEMENT BY INVESTMENT OBJECTIVE – MACKENZIE

($ millions)	2017		2016	
Equity				
Domestic	$ 11,970	18.5 %	$ 10,818	18.8 %
Foreign	21,116	32.7	18,792	32.6
	33,086	51.2	29,610	51.4
Balanced				
Domestic	11,809	18.3	11,189	19.4
Foreign	11,806	18.3	9,500	16.5
	23,615	36.6	20,689	35.9
Fixed Income				
Domestic	4,462	6.9	4,589	7.9
Foreign	2,975	4.6	2,231	3.9
	7,437	11.5	6,820	11.8
Money Market				
Domestic	484	0.7	540	0.9
Total	$ 64,622	100.0 %	$ 57,659	100.0 %
Consists of:				
Mutual funds	$ 56,656	87.7 %	$ 51,427	89.2 %
Sub-advisory, institutional and other accounts	7,966	12.3	6,232	10.8
	$ 64,622	100.0 %	$ 57,659	100.0 %

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2017, 43.9% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 41.7% for the three year time frame and 41.7% 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, 2017, 70.1% of Mackenzie mutual fund assets measured by Morningstar† had a rating of three stars or better and 32.0% had a rating of four or five stars. This compared to the Morningstar† universe of 74.1% for three stars or better and 32.8% for four and five star funds at December 31, 2017. These ratings exclude the Quadrus Group of Funds†.

PRODUCTS

Mackenzie's diversified suite of investment products is designed to meet the needs and goals of investors. Through a number of product launches in 2017, Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their investment clients.

EXCHANGE TRADED FUNDS

During 2017, Mackenzie celebrated its first anniversary of launching its Exchange Traded Funds (ETF) and ended the year with $1.3 billion in assets under management. The addition of ETFs complements Mackenzie's broad and innovative fund line-up and reflects its investor-focus vision to provide advisors and investors with new solutions to drive investor outcomes and achieve their financial goals. These ETFs offer investors another investment option to utilize in building long-term diversified portfolios.

During 2017 Mackenzie launched five ETFs and ended the year with fifteen ETFs in its lineup:

- Five unique fixed income actively managed ETFs managed by Mackenzie's Fixed Income Team.
- Six Maximum Diversification Index Smart Beta ETFs in partnership with TOBAM, a global award-winning asset manager and index provider to some of the world's largest pension funds, to utilize their proprietary investment process.

Included in the 2017 are four ETFs launched during the fourth quarter:

- Mackenzie Ivy Global Equity ETF - managed by Mackenzie's Ivy Team and provides long term capital growth with international exposure.

- Mackenzie Canadian Short Term Fixed Income ETF - managed by Mackenzie's Fixed Team and invests in high quality fixed-income securities with relatively shorter terms to maturity.
- Mackenzie Portfolio Completion ETF – managed by Mackenzie's Systematic Strategies Team and provides long term capital appreciation and the potential for income by investing primarily in a diversified portfolio of alternative asset class ETFs and currencies.
- Mackenzie Global Leadership Impact ETF – sub-advised by Pax Ellevate Management LLC and invests primarily in companies that promote gender diversity and women's leadership anywhere in the world.

Early in 2018, Mackenzie launched thirteen new traditional index ETFs that will broaden the choice for investors.

MUTUAL FUNDS

During 2017 and early 2018, Mackenzie launched eleven mutual funds as follows:

- Mackenzie High Diversification Emerging Markets Equity Fund – sub-advised by TOBAM and provides investors with an innovative option to invest in emerging markets with enhanced diversification.
- Mackenzie US Strategic Income Fund – provides investors with a US focused balanced solution that satisfies their needs for income and capital growth.
- Mackenzie Global Credit Opportunities Fund – provides investors with a flexible global credit solution focused on achieving a high level of income and the potential for long-term capital growth.
- Mackenzie All China Equity Fund – capitalizes on Mackenzie's relationship with China AMC to provide investors with a unique product that captures the entire spectrum of Chinese capital markets.

Included in 2017 are two new products launched during the fourth quarter to meet the growing demand by investors for sustainable, responsible and impact investments:

- Mackenzie Global Sustainability and Impact Balanced Fund – combines the strengths of the Mackenzie Fixed Income Team and equity sub-advisor Rockefeller & Co to provide a combination of income and capital appreciation.
- Mackenzie Global Leadership Impact Fund – sub-advised by Pax Ellevate Management LLC and invests primarily in companies that promote gender diversity and women's leadership anywhere in the world.

Early in 2018, Mackenzie launched Exchange Traded Fund (ETF) Portfolios, a series of five mutual fund portfolios in a single solution that provides access to a full spectrum of Mackenzie ETFs. Each portfolio has the ability to invest in Mackenzie's active, strategic beta and traditional ETFs and is managed and monitored by the Mackenzie Asset Allocation Team. This new line-up makes ETFs more accessible to Canadian advisors and investors.

- Mackenzie Conservative Income ETF Portfolio
- Mackenzie Conservative ETF Portfolio
- Mackenzie Balanced ETF Portfolio
- Mackenzie Moderate Growth ETF Portfolio
- Mackenzie Growth ETF Portfolio

During 2017, Mackenzie also implemented an automated service that switches investors with a minimum of $100,000 per fund and households with a minimum of $250,000 into the appropriate Private Wealth Series to ensure they are invested in the lowest fee series for which they qualify.

REVIEW OF SEGMENT OPERATING RESULTS

In October 2017, the investment management functions of Investors Group and Mackenzie consolidated to form a single global investment management organization under Mackenzie to support both companies. As previously discussed, effective October 1, 2017, Mackenzie's segment excludes investment advisory mandates to Investors Group funds. Revenue earned on these mandates are no longer reflected within Mackenzie's segment revenues. With these changes, Mackenzie's segment will reflect its proportionate share of the expenses of the investment management function going forward to better align with internal reporting. The impact of these changes in segment earnings is not significant. Prior period earnings have not been restated.

Mackenzie's earnings before interest and taxes are presented in Table 16.

TABLE 16: OPERATING RESULTS – MACKENZIE

THREE MONTHS ENDED *($ millions)*	**2017 DEC. 31**	2017 SEP. 30	2016 DEC. 31	% CHANGE 2017 SEP. 30	% CHANGE 2016 DEC. 31
Revenues					
Management fees	**$ 177.4**	$ 175.3	$ 172.3	1.2 %	3.0 %
Administration fees	**25.3**	24.5	23.8	3.3	6.3
Distribution fees	**1.8**	1.7	2.1	5.9	(14.3)
	204.5	201.5	198.2	1.5	3.2
Net investment income and other	**3.3**	(0.3)	0.7	N/M	N/M
	207.8	201.2	198.9	3.3	4.5
Expenses					
Commission	**11.1**	11.3	12.4	(1.8)	(10.5)
Trailing commission	**64.6**	62.9	61.4	2.7	5.2
Non-commission	**82.0**	81.6	76.3	0.5	7.5
	157.7	155.8	150.1	1.2	5.1
Earnings before interest and taxes	**$ 50.1**	$ 45.4	$ 48.8	10.4 %	2.7 %

TWELVE MONTHS ENDED *($ millions)*	**2017 DEC. 31**	2016 DEC. 31	% CHANGE
Revenues			
Management fees	**$ 701.7**	$ 666.7	5.2 %
Administration fees	**99.1**	93.0	6.6
Distribution fees	**7.7**	9.3	(17.2)
	808.5	769.0	5.1
Net investment income and other	**1.2**	4.0	(70.0)
	809.7	773.0	4.7
Expenses			
Commission	**46.7**	53.1	(12.1)
Trailing commission	**253.3**	238.2	6.3
Non-commission	**329.3**	310.3	6.1
	629.3	601.6	4.6
Earnings before interest and taxes	**$ 180.4**	$ 171.4	5.3 %

2017 VS. 2016

REVENUES

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

Within Mackenzie's retail mutual fund offering, certain series are offered for fee-based programs of participating dealers whereby dealer compensation on such series is charged directly by the dealer to a client (primarily Series F and PWF). As Mackenzie does not pay the dealer compensation, these series have lower management fees. At December 31, 2017, these series had $7.0 billion in assets, an increase of 44.9% from the prior year.

Management fees were $177.4 million for the three months ended December 31, 2017, an increase of $5.1 million or 3.0% from $172.3 million last year. As discussed earlier, advisory mandates to Investors Group funds were excluded from the Mackenzie segment effective October 1, 2017. When adjusted to remove advisory fees from Investors Group, prior period management fees were $167.9 million. Average assets under management were $63.1 billion during the current quarter compared to $57.5 billion last year, an increase of 9.9%. Mackenzie's average management fee rate was 111.4 basis points during the current quarter compared to 115.9 basis points in 2016 when adjusted to exclude advisory fees from Investors Group funds. The decrease in the average 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 and Series F, and the impact of automatic switching of qualified investors into its Private Wealth Series.

Management fees were $701.7 million for the twelve months ended December 31, 2017, an increase of $35.0 million or 5.2% from $666.7 million last year. When adjusted to remove advisory fees from Investors Group funds in prior quarters, management fees were $686.5 million for 2017 and $649.7 last year. Average assets under management were $60.7 billion during the current period, an 8.5% increase from $55.9 billion last year. Mackenzie's average management fee rate in the twelve months ended December 31, 2017 was 113.1 basis points compared to 115.9 basis points in 2016 when adjusted to exclude advisory fees from Investors Group funds. The decrease in average management fee rate was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products and Series F.

Mackenzie earns administration fees primarily from providing services to its investment funds. Administration fees were $25.3 million for the three months ended December 31, 2017, an increase of $1.5 million or 6.3% from $23.8 million last year. Administration fees were $99.1 million for the twelve months ended December 31, 2017, an increase of $6.1 million or 6.6% from $93.0 million last year.

Mackenzie earns distribution fee income on redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option. Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option. Distribution fee income in the three months ended December 31, 2017 was $1.8 million, compared to $2.1 million last year. Distribution fee income in the twelve months ended December 31, 2017 was $7.7 million, a decrease of $1.6 million from $9.3 million last year.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was $3.3 million for the three months ended December 31, 2017 compared to $0.7 million last year. Net investment income and other was $1.2 million for the twelve months ended December 31, 2017, a decrease of $2.8 million from $4.0 million last year.

EXPENSES

Mackenzie's expenses were $157.7 million for the three months ended December 31, 2017, an increase of $7.6 million or 5.1% from $150.1 million in 2016. Expenses for the twelve months ended December 31, 2017 were $629.3 million, an increase of $27.7 million or 4.6% from $601.6 million last year.

Mackenzie pays selling commissions to the dealers that sell its mutual funds on a deferred sales charge and low load purchase option. The expense for deferred selling commissions consists of the amortization of the asset over its useful life and the reduction of the unamortized deferred selling commission asset associated with redemptions. Mackenzie amortizes selling commissions over a maximum period of three years from the date of original purchase of the applicable low load assets and over a maximum period of seven years from the date of original purchase of the applicable deferred sales charge assets. Commission expense was $11.1 million in the three months ended December 31, 2017, as compared to $12.4 million last year. Commission expense in the twelve months ended December 31, 2017 was $46.7 million compared to $53.1 million in 2016. These declines are consistent with the lower amount of deferred sales commissions paid in recent years combined with lower write-offs of the unamortized balance of deferred sales commissions associated with redemptions.

Trailing commissions paid to dealers are paid on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Trailing commissions were $64.6 million in the three months ended December 31, 2017, an increase of $3.2 million or 5.2% from $61.4 million last year. Trailing commissions in the twelve months ended December 31, 2017 were $253.3 million, an increase of $15.1 million or 6.3% from $238.2 million last year. The increase in trailing commissions in the three and twelve months ended December 31, 2017 resulted from the period over period increase in average mutual fund assets offset, in part, by a decline in the effective trailing commission rate. Trailing commissions as a percentage of average mutual fund assets under management was 47.0 basis points and 47.3 basis points in the three and twelve month periods ended December 31, 2017 compared to 48.6 basis points and 48.9 basis points in the three and twelve month periods ended December 31, 2016. The decline in both periods was due to a change in composition of mutual fund assets towards series of mutual funds that do not pay trail commissions.

Non-commission expenses are incurred by Mackenzie in the administration, marketing and management of its assets under management. Non-commission expenses were $82.0 million in the three months ended December 31, 2017, an increase of $5.7 million or 7.5% from $76.3 million in 2016. Non-commission expenses in the twelve months ended December 31, 2017 were $329.3 million, an increase of $19.0 million or 6.1% from $310.3 million in 2016. The increase in non-commission expenses in the fourth quarter of 2017 was primarily timing related. The increase in the twelve month period ended December 31, 2017 was due primarily to additional sales-based incentives as a result of higher mutual fund sales volumes.

Q4 2017 VS. Q3 2017

REVENUES

Mackenzie's revenues were $207.8 million for the current quarter, an increase of $6.6 million or 3.3% from $201.2 million in the third quarter.

Management fees were $177.4 million for the current quarter, an increase of $2.1 million or 1.2% from $175.3 million in the third quarter. Management fees for the prior quarter were $169.6 million excluding the advisory mandates to Investors Group funds. Factors contributing to the net increase in management fees are as follows:

- Average assets under management were $63.1 billion in the current quarter, a 5.0% increase from $60.1 billion in the prior quarter.
- Mackenzie's average management fee rate was 111.4 basis points in the current quarter compared to 112.0 basis points in the third quarter, when adjusted to exclude advisory fees from Investors Group.

Administration fees were $25.3 million in the current quarter, an increase of $0.8 million or 3.3% from $24.5 million in the prior quarter.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. Net investment income and other was $3.3 million for the current quarter compared to ($0.3) million in the third quarter.

EXPENSES

Mackenzie's expenses were $157.7 million for the current quarter, an increase of $1.9 million or 1.2% from $155.8 million in the third quarter.

Commission expense related to the amortization of selling commissions was $11.1 million in the quarter ended December 31, 2017, a decrease of 1.8% from the third quarter.

Trailing commissions were $64.6 million in the current quarter, an increase of $1.7 million or 2.7% from $62.9 million in the third quarter. The change in trailing commissions reflects the 3.6% period over period increase in average mutual fund assets under management. The effective trailing commission rate was 47.0 basis points in the current quarter compared to 47.4 basis points in the third quarter.

Non-commission expenses were $82.0 million in the current quarter, compared to $81.6 million in the third quarter.

CORPORATE AND OTHER

REVIEW OF SEGMENT OPERATING RESULTS

The Corporate and Other segment includes net investment income not allocated to the Investors Group or Mackenzie segments, the Company's proportionate share of earnings of its associates, Great-West Lifeco Inc. (Lifeco) and China Asset Management Co., Ltd. (China AMC), operating results for Investment Planning Counsel Inc., other income, as well as consolidation elimination entries.

The Company's investment in China AMC closed on August 31, 2017.

The Company also has investments in Personal Capital Corporation, Wealthsimple Financial Corporation and Portag3 Ventures LP.

Corporate and other earnings before interest and taxes are presented in Table 17.

TABLE 17: OPERATING RESULTS – CORPORATE AND OTHER

				% CHANGE	
THREE MONTHS ENDED *($ millions)*	**2017 DEC. 31**	2017 SEP. 30	2016 DEC. 31	2017 SEP. 30	2016 DEC. 31
Revenues					
Fee income	**$ 72.4**	$ 65.4	$ 64.7	10.7 %	11.9 %
Net investment income and other	**0.2**	2.6	1.4	(92.3)	(85.7)
Proportionate share of associates' earnings	**36.9**	24.9	26.5	48.2	39.2
	109.5	92.9	92.6	17.9	18.3
Expenses					
Commission	**46.7**	45.6	44.5	2.4	4.9
Non-commission	**19.5**	15.1	15.7	29.1	24.2
	66.2	60.7	60.2	9.1	10.0
Earnings before interest and taxes	**$ 43.3**	$ 32.2	$ 32.4	34.5 %	33.6 %

TWELVE MONTHS ENDED *($ millions)*	**2017 DEC. 31**	2016 DEC. 31	% CHANGE
Revenues			
Fee income	**$ 269.7**	$ 254.9	5.8 %
Net investment income and other	**9.7**	8.0	21.3
Proportionate share of associates' earnings	**114.7**	104.2	10.1
	394.1	367.1	7.4
Expenses			
Commission	**183.4**	173.8	5.5
Non-commission	**66.9**	61.8	8.3
	250.3	235.6	6.2
Earnings before interest and taxes	**$ 143.8**	$ 131.5	9.4 %

2017 VS. 2016

The proportionate share of associates' earnings increased by $10.4 million in the fourth quarter of 2017 and by $10.5 million in the year ended December 31, 2017, compared to 2016. These earnings reflect equity earnings from Lifeco for all periods under review and from China AMC in 2017, as discussed in the Consolidated Financial Position section of this MD&A. In the third quarter of 2017, net earnings reflected a reduction in the proportionate share of associates' earnings of $7.0 million caused by charges incurred by Lifeco in relation to Hurricanes Harvey, Irma and Maria. Net investment income and other decreased to $0.2 million in the fourth quarter of 2017 compared to $1.4 million in 2016. For the twelve month period, net investment income and other increased to $9.7 million compared to $8.0 million in 2016.

Earnings before interest and taxes related to Investment Planning Counsel were $1.8 million higher in the fourth quarter of 2017 compared to the same period in 2016 and $0.1 million higher in the twelve months ended December 31, 2017.

Q4 2017 VS. Q3 2017

The proportionate share of associates' earnings were $36.9 million in the fourth quarter of 2017, an increase of $12.0 million from the third quarter of 2017. Results for the fourth quarter reflect a full quarter of China AMC earnings. Results in the third quarter reflected the charges incurred by Lifeco, as described previously. Net investment income and other decreased to $0.2 million in the fourth quarter of 2017 compared to $2.6 million in the third quarter.

Earnings before interest and taxes related to Investment Planning Counsel were $1.9 million higher in the fourth quarter of 2017 compared to the prior quarter.

IGM FINANCIAL INC.

CONSOLIDATED FINANCIAL POSITION

IGM Financial's total assets were $16.5 billion at December 31, 2017, compared to $15.6 billion at December 31, 2016.

SECURITIES

The composition of the Company's securities holdings is detailed in Table 18.

AVAILABLE FOR SALE SECURITIES

Securities classified as available for sale include corporate investments and investments in proprietary investment funds. Unrealized gains and losses on available for sale securities are recorded in Other comprehensive income until they are realized or until management determines that there is objective evidence of impairment, at which time they are reclassified to the Consolidated Statements of Earnings and any subsequent losses are also recorded in net earnings.

Corporate Investments

Corporate investments is primarily comprised of the Company's investments in Personal Capital Corporation (Personal Capital), Wealthsimple Financial Corporation (Wealthsimple) and Portag3 Ventures LP (Portag3).

In 2017, the Company invested $73.4 million in Corporate investments, with investments of $25.0 million related to Personal Capital and $42.6 million related to Wealthsimple. Subsequent to December 31, 2017, the Company increased its investment in Wealthsimple by a total of $45.0 million including the conversion of a $15.0 million loan to equity.

In 2016, the Company invested $135.9 million, with investments of $97.3 million related to Personal Capital, $20.0 million related to Wealthsimple and $15.0 million related to Portag3.

FAIR VALUE THROUGH PROFIT OR LOSS SECURITIES

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

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

LOANS

The composition of the Company's loans is detailed in Table 19.

Loans consisted of residential mortgages and represented 47.6% of total assets at December 31, 2017, compared to 51.1% at December 31, 2016.

Loans classified as loans and receivables are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $7.6 billion at December 31, 2017, compared to $7.7 billion at December 31, 2016.

Loans classified as held for trading are residential mortgages held temporarily by the Company pending sale or securitization.

Residential mortgages originated by Investors Group are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation

TABLE 18: SECURITIES

	DECEMBER 31, 2017		DECEMBER 31, 2016	
($ millions)	**COST**	**FAIR VALUE**	COST	FAIR VALUE
Available for sale				
Corporate investments	**$ 215.0**	**$ 262.8**	$ 141.6	$ 152.0
Proprietary investment funds	**19.6**	**19.9**	6.1	6.4
	234.6	**282.7**	147.7	158.4
Fair value through profit or loss				
Equity securities	**17.1**	**17.1**	15.5	17.7
Proprietary investment funds	**79.6**	**79.9**	49.4	49.1
	96.7	**97.0**	64.9	66.8
	$ 331.3	**$ 379.7**	$ 212.6	$ 225.2

TABLE 19: LOANS

($ millions)	DECEMBER 31, 2017	DECEMBER 31, 2016
Loans and receivables	**$ 7,564.0**	$ 7,644.5
Less: Collective allowance	**0.8**	0.7
	7,563.2	7,643.8
Held for trading	**286.7**	339.5
	$ 7,849.9	$ 7,983.3

(CMHC) or Canadian bank sponsored securitization programs. Investors Group services $13.3 billion of residential mortgages, including $2.5 billion originated by subsidiaries of Lifeco.

SECURITIZATION ARRANGEMENTS

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

In the fourth quarter of 2017, the Company securitized loans through its mortgage banking operations with cash proceeds of $1,031.8 million compared to $698.3 million in 2016. 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 of the Consolidated Financial Statements.

TABLE 20: INVESTMENT IN ASSOCIATES

TWELVE MONTHS ENDED ($ millions)			2017 DEC. 31	2016 DEC. 31
	LIFECO	CHINA AMC	**TOTAL**	TOTAL
Carrying value, beginning of year	$ 888.9	$ –	**$ 888.9**	$ 904.3
Additional investment	–	638.3	**638.3**	–
Proportionate share of earnings	105.7	9.0	**114.7**	104.2
Proportionate share of associate's one-time charges(1)	(14.0)	–	**(14.0)**	–
Proportionate share of associate's restructuring provision(1)	(5.1)	–	**(5.1)**	–
Dividends received	(58.3)	(10.8)	**(69.1)**	(55.0)
Proportionate share of other comprehensive income (loss) and other adjustments	(14.1)	11.4	**(2.7)**	(64.6)
Carrying value, end of year	$ 903.1	$ 647.9	**$ 1,551.0**	$ 888.9

(1) Refer to the Summary of Consolidated Operating Results in this MD&A.

INVESTMENT IN ASSOCIATES

Great-West Lifeco Inc. (Lifeco)

At December 31, 2017 the Company held a 4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Financial Corporation.

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. The Company's proportionate share of Lifeco's earnings is recorded in Net investment income and other in the Corporate and other reportable segment (Tables 2-4). Changes in the carrying value for the year ended December 31, 2017 compared with 2016 are shown in Table 20.

During 2017, Lifeco established a restructuring provision, and recorded charges related to the impact of the United States tax reform and pending sale of an equity investment. The Company's after-tax proportionate share of the restructuring provision and the one-time charges are $5.1 million and $14.0 million, respectively.

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.

China AMC's total assets under management, excluding subsidiary assets under management were RMB¥ 836.4 billion ($159.9 billion) at June 30, 2017, representing a decrease of 16.8% (CAD$ decrease of 17.8%) from RMB¥ 1,005.8 billion ($194.6 billion) at December 31, 2016.

The equity method is used to account for the Company's 13.9% equity interest in China AMC, as it exercises significant influence. The Company's proportionate share of China AMC's earnings is recorded in Net investment income and other in the Corporate and other reportable segment (Tables 2-4). Changes in the carrying value for the quarter ended December 31, 2017 are shown in Table 20.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Cash and cash equivalents totalled $966.8 million at December 31, 2017 compared with $611.0 million at December 31, 2016. Cash and cash equivalents related to the Company's deposit operations were $3.3 million at December 31, 2017, compared to $2.7 million at December 31, 2016, as shown in Table 21.

Working capital totalled $786.1 million at December 31, 2017 compared with $557.8 million at December 31, 2016. Working capital excludes the Company's deposit operations.

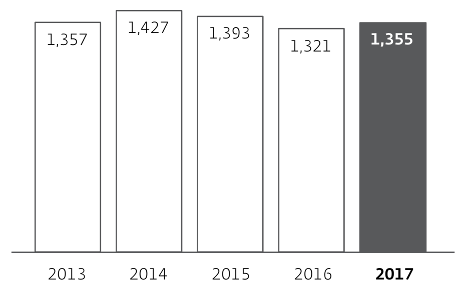
Working capital is utilized to:

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

IGM Financial generates significant cash flows from its operations. Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) totalled $1,354.5 million for the year ended December 31, 2017 compared to $1,320.8 million in 2016. Adjusted EBITDA for each period under review excludes the impact of amortization of deferred selling commissions which totalled $230.9 million in 2017 compared to $235.8 million in 2016. As well as being an important alternative measure of performance, EBITDA is a common measure utilized by investment analysts and credit rating agencies in reviewing asset management companies.

Refer to the Financial 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.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)
For the financial year ($ millions)



Adjusted EBITDA

2013 excluded a charge related to restructuring and other charges and the proportionate share of the benefit related to the changes in an affiliate's litigation provisions.

2014 excluded a charge related to client distributions and other costs, and restructuring and other charges.

2015 excluded a charge related to restructuring and other charges.

2017 excluded charges related to restructuring and other, a favourable revaluation of the Company's pension plan obligation, charges representing the proportionate share in Great-West Lifeco Inc.'s one-time charges and restructuring provision.

TABLE 21: DEPOSIT OPERATIONS – FINANCIAL POSITION

AS AT DECEMBER 31 (*$ millions*)	**2017**	2016
Assets		
Cash and cash equivalents	**$ 3.3**	$ 2.7
Client funds on deposit	**489.6**	455.5
Accounts and other receivables	**0.8**	0.5
Loans	**21.7**	25.1
Total assets	**$ 515.4**	$ 483.8
Liabilities and shareholders' equity		
Deposit liabilities	**$ 505.0**	$ 471.2
Other liabilities	**0.5**	2.6
Shareholders' equity	**9.9**	10.0
Total liabilities and shareholders' equity	**$ 515.4**	$ 483.8

CASH FLOWS

Table 22 - 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, 2017. Cash and cash equivalents increased by $355.8 million in 2017 compared to a decrease of $372.0 million in 2016.

Operating activities, before payment of commissions, generated $929.2 million during the year ended December 31, 2017, as compared to $971.5 million in 2016. Cash commissions paid were $271.6 million in 2017 compared to $234.9 million in 2016. Cash flows from operating activities, net of commissions paid, were $657.6 million in 2017 as compared to $736.6 million in 2016.

Financing activities during the year ended December 31, 2017 compared to 2016 related to:

- A net decrease of $131.6 million in 2017 arising from obligations to securitization entities compared to a net increase of $631.1 million in 2016.
- Issuance of debentures of $850.0 million in 2017, comprised of $600.0 million in the first quarter and $250.0 million in the fourth quarter.
- There was no purchase of common shares in 2017 under IGM Financial's normal course issuer bid compared with the purchase of 4,346,600 common shares at a cost of $155.7 million in 2016.
- The payment of perpetual preferred share dividends which totalled $8.8 million in 2017, unchanged from 2016.
- The payment of regular common share dividends which totalled $541.3 million in 2017 compared to $544.4 million in 2016.

Investing activities during the year ended December 31, 2017 compared to 2016 primarily related to:

- The purchases of securities totalling $181.6 million and sales of securities with proceeds of $62.2 million in 2017 compared to $231.3 million and $80.3 million, respectively, in 2016.
- A net decrease in loans of $136.6 million in 2017 compared to a net increase of $582.9 million in 2016 primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions was $33.6 million in 2017 compared to $64.5 million in 2016.
- The final payment related to investment in China AMC of $439.3 million in the third quarter of 2017, resulting in a total investment of $638.3 million.

CAPITAL RESOURCES

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt, perpetual preferred shares and common shareholders' equity which totalled $7.0 billion at December 31, 2017, compared to $6.1 billion at December 31, 2016. 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

TABLE 22: CASH FLOWS

TWELVE MONTHS ENDED *($ millions)*	**2017 DEC. 31**	2016 DEC. 31	% CHANGE
Operating activities			
Before payment of commissions	**$ 929.2**	$ 971.5	(4.4) %
Commissions paid	**(271.6)**	(234.9)	(15.6)
Net of commissions paid	**657.6**	736.6	(10.7)
Financing activities	**170.5**	(74.9)	N/M
Investing activities	**(472.3)**	(1,033.7)	54.3
Change in cash and cash equivalents	**355.8**	(372.0)	N/M
Cash and cash equivalents, beginning of year	**611.0**	983.0	(37.8)
Cash and cash equivalents, end of year	**$ 966.8**	$ 611.0	58.2 %

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 $2,175.0 million at December 31, 2017, compared to $1,325.0 million at December 31, 2016. 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.

In 2017, IGM Financial issued the following debentures:

- January 26 - $400 million of 10 year 3.44% debentures and $200 million of 30 year 4.56% debentures. The net proceeds were used by IGM Financial to finance a substantial portion of the announced acquisitions of its equity interest in China AMC (refer to Note 8 to the Consolidated Financial Statements) and for general corporate purposes.
- December 7 - $250 million of 30 year 4.115% debentures. The net proceeds will be used by IGM Financial to repay upcoming long-term debt maturities and for general corporate purposes.

The debenture offerings were made pursuant to prospectus supplements to IGM Financial's short form base shelf prospectus dated November 29, 2016.

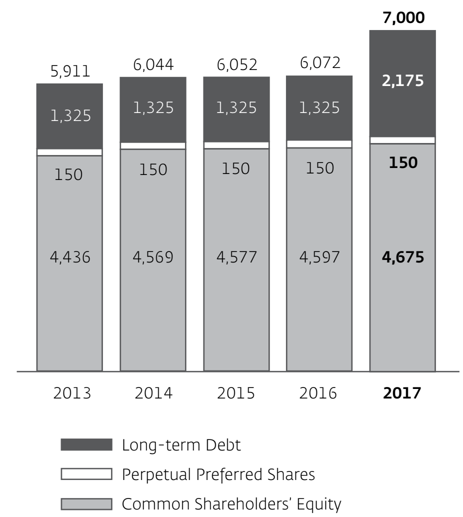
Perpetual preferred shares of $150 million at December 31, 2017 remain unchanged from December 31, 2016.

The Company commenced a normal course issuer bid on March 20, 2017, which is effective until March 19, 2018, to purchase up to 5% of its common shares in order to mitigate the dilutive effect of stock options issued under the Company's stock option plan and for other capital management purposes. There were no common shares purchased by the Company in 2017 (refer to Note 16 to the Consolidated Financial Statements). Other activities in 2017 included the declaration of perpetual preferred share dividends of $8.8 million or $1.475 per share and common share dividends of $541.4 million or $2.25 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

During 2017, Standard & Poor's (S&P) decreased the rating of the Company's senior unsecured debentures to "A" from "A+" with a stable outlook as a result of the additional debenture issuance. Dominion Bond Rating Service's (DBRS) current rating on the Company's senior unsecured debentures is "A (High)" with a stable rating trend.

Capital

As at December 31 ($ millions)



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

Fair value is determined using the following methods and assumptions:

- Securities and other financial assets and liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans classified as held for trading are valued using market interest rates for loans with similar credit risk and maturity, specifically lending rates offered to retail borrowers by financial institutions.
- Loans classified as loans and receivables are valued by discounting the expected future cash flows at prevailing market yields.
- Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is valued using quoted prices for each debenture available in the market.
- Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

See Note 22 of the Consolidated 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, 2017.

TABLE 23: FINANCIAL INSTRUMENTS

	DECEMBER 31, 2017		DECEMBER 31, 2016	
($ millions)	**CARRYING VALUE**	**FAIR VALUE**	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Securities				
– Available for sale	**$ 282.7**	**$ 282.7**	$ 158.4	$ 158.4
– Held for trading	**97.0**	**97.0**	66.8	66.8
Loans				
– Held for trading	**286.7**	**286.7**	339.5	339.5
Derivative financial instruments	**35.7**	**35.7**	42.8	42.8
Financial assets recorded at amortized cost				
Loans				
– Loans and receivables	**7,563.2**	**7,675.5**	7,643.8	7,867.7
Financial liabilities recorded at fair value				
Derivative financial instruments	**28.4**	**28.4**	38.2	38.2
Other financial liabilities	**9.3**	**9.3**	9.8	9.8
Financial liabilities recorded at amortized cost				
Deposits and certificates	**505.0**	**505.5**	471.2	472.2
Obligations to securitization entities	**7,596.0**	**7,657.8**	7,721.0	7,873.1
Long-term debt	**2,175.0**	**2,470.2**	1,325.0	1,610.9

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

RISK MANAGEMENT FRAMEWORK

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

RISK GOVERNANCE

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

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

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

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

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

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

First Line of Defence

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

Second Line of Defence

The Enterprise Risk Management (ERM) Department provides oversight, analysis and reporting to the Risk Management Committee on the level of risks relative to the established risk appetite for all activities of the Company. Other responsibilities include: i) developing and maintaining the enterprise risk management program and framework, ii) managing the enterprise risk management process, and iii) providing guidance and training to business unit and support function leaders.

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

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

Third Line of Defence

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

RISK APPETITE AND RISK PRINCIPLES

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

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

RISK MANAGEMENT PROCESS

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

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

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

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

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

RISK MANAGEMENT CULTURE

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

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

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

KEY RISKS OF THE BUSINESS

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

1) FINANCIAL RISK

LIQUIDITY AND FUNDING RISK

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

The Company's liquidity management practices include:

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

A key funding requirement for the Company is the funding of commissions paid on the sale of mutual funds. Commissions on the sale of mutual funds continue to be paid from operating cash flows.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements related to the mortgage banking operation. 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 2017 and 2016, the Company:

- Continued to expand our funding channels by issuing NHA MBS to multiple purchasers.
- Continued to assess and identify additional funding sources for the Company's mortgage banking operations, including the launch of a new residential mortgage product suite through our partners at National Bank in the fourth quarter of 2017, which complements our current mortgage offerings.

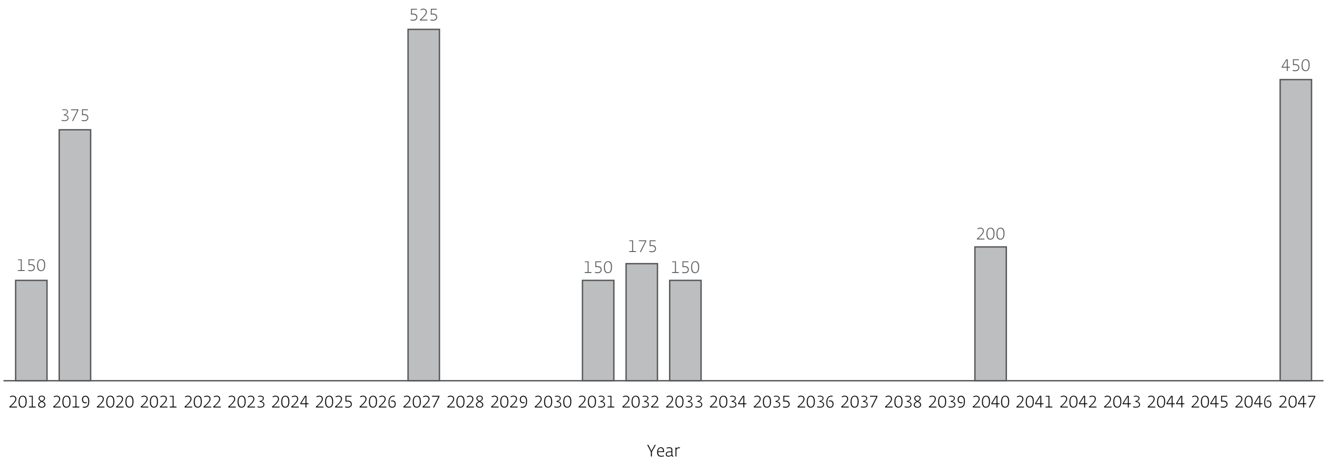
TABLE 24: CONTRACTUAL OBLIGATIONS

AS AT DECEMBER 31, 2017 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 7.0	$ 21.4	$ –	$ 28.4
Deposits and certificates	489.9	6.5	6.9	1.7	505.0
Obligations to securitization entities	–	1,193.0	6,357.3	45.7	7,596.0
Long-term debt	–	150.0	375.0	1,650.0	2,175.0
Operating leases(1)	–	28.4	70.7	35.1	134.2
Pension funding(2)	–	47.3	–	–	47.3
Total contractual obligations	$ 489.9	$ 1,432.2	$ 6,831.3	$ 1,732.5	$ 10,485.9

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

(2) The next required actuarial valuation will be completed based on a measurement date of December 31, 2017. Pension funding requirements beyond 2018 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)



- Filed a short form base shelf prospectus to give the Company the flexibility to access debt and equity markets.
- Increased the Company's committed lines of credit by $300 million during the fourth quarter of 2016.
- In January 2017, the Company issued $400 million of 10 year 3.44% debentures and $200 million of 30 year 4.56% debentures. The net proceeds will be used by IGM Financial to finance a substantial portion of its previously announced acquisition of a 13.9% equity interest in China AMC and for general corporate purposes.
- In December 2017, the Company issued $250 million of 30 year 4.115% debentures. The net proceeds will be used by IGM Financial to repay upcoming long-term debt maturities and for general corporate purposes.

The Company's contractual obligations are reflected in Table 24.

The maturity schedule for long-term debt of $2,175 million is reflected in the accompanying chart (Long-Term Debt Maturity Schedule). Debt repayment of $150 million is due March 7, 2018 and $375 million is due in 2019.

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, 2017, unchanged from December 31, 2016. The lines of credit as at December 31, 2017 consisted of committed lines of $650 million (December 31, 2016 – $650 million) and uncommitted lines of $175 million (December 31, 2016 - $175 million). The Company has accessed its uncommitted lines of credit in the past; however, any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at December 31, 2017 and December 31, 2016, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2016, was completed in September 2017. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $82.7 million compared to $23.4 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2013. The increase in the solvency deficit resulted primarily from lower interest rates, and is required to be funded over five years. The Company has made contributions of $37.8 million in 2017 (2016 - $19.7 million). The Company expects to make contributions of approximately $47.3 million in 2018. 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, 2016.

CREDIT RISK

Credit risk is the potential for financial loss to the Company if a counterparty to a transaction fails to meet its obligations.

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

Cash and Cash Equivalents

At December 31, 2017, cash and cash equivalents of $966.8 million (2016 - $611.0 million) consisted of cash balances of $88.3 million (2016 - $84.5 million) on deposit with Canadian chartered banks and cash equivalents of $878.5 million (2016 - $526.5 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $239.5 million (2016 - $44.1 million), provincial government treasury bills and promissory notes of $252.6 million (2016 - $197.1 million), bankers' acceptances and other short-term notes issued by Canadian chartered banks of $351.4 million (2016 - $246.8 million), and highly rated corporate commercial paper of $35.0 million (2016 - $38.5 million).

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

The Company's exposure to and management of credit risk related to cash and cash equivalents and fixed income securities have not changed materially since December 31, 2016.

Mortgage Portfolio

As at December 31, 2017, residential mortgages, recorded on the Company's balance sheet, of $7.8 billion (2016 - $8.0 billion) consisted of $7.5 billion sold to securitization programs (2016 - $7.6 billion), $286.7 million held pending sale or securitization (2016 - $339.5 million) and $26.0 million related to the Company's intermediary operations (2016 - $29.2 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 Investors Group Consultants as part of a client's comprehensive financial plan.

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

- Under the NHA MBS program totalling $4.5 billion (2016 - $4.9 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 $3.1 billion (2016 – $2.7 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $69.7 million (2016 - $54.7 million) and $42.4 million (2016 - $45.0 million), respectively, at December 31, 2017. 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 16.4% of mortgages held in ABCP Trusts insured at December 31, 2017 (2016 – 29.1%).

At December 31, 2017, residential mortgages recorded on balance sheet were 65.5% insured (2016 – 73.9%). As at December 31, 2017, impaired mortgages on these portfolios were $2.8 million, compared to $2.6 million at December 31, 2016. Uninsured non-performing mortgages over 90 days on these portfolios were $0.8 million at December 31, 2017, compared to $0.9 million at December 31, 2016.

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

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

The Company's collective allowance for credit losses was $0.8 million at December 31, 2017, compared to $0.7 million at December 31, 2016, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience and recent trends, ii) current portfolio credit metrics and other relevant characteristics, and iii) regular stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2016.

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 $33.8 million (2016 - $41.4 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was $1.2 million at December 31, 2017 (2016 - $3.0 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2017. Management of credit risk related to derivatives has not changed materially since December 31, 2016.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Notes 2, 6 and 21 to the Consolidated Financial Statements.

MARKET RISK

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in foreign exchange rates, interest rates or equity prices.

Interest Rate Risk

The Company is exposed to interest rate risk on its mortgage portfolio and on certain of the derivative financial instruments used in the Company's mortgage banking operations.

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

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a positive fair value of $4.1 million (December 31, 2016 – negative $23.1 million) and an outstanding notional amount of $1.2 billion at December 31, 2017 (December 31, 2016 - $1.0 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 negative fair value of these swaps totalled $4.5 million (December 31, 2016 - $30.0 million), on an outstanding notional amount of $1.9 billion at December 31, 2017 (December 31, 2016 - $2.1 billion). The net fair value of these swaps of negative $0.4 million at December 31, 2017 (December 31, 2016 - $6.9 million) are recorded on balance sheet and have an outstanding notional amount of $3.1 billion (December 31, 2016 - $3.1 billion).
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. The fair value of these swaps totalled $0.9 million (December 31, 2016 - negative $0.4 million) on an outstanding notional amount of $137.0 million at December 31, 2017 (December 31, 2016 - $123.0 million).

As at December 31, 2017, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $0.9 million (December 31, 2016 - an increase of $0.2 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2016.

TABLE 25: IGM FINANCIAL ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

AS AT DECEMBER 31, 2017	INVESTMENT FUNDS	TOTAL
Cash	1.1 %	1.5 %
Short-term fixed income and mortgages	6.0	5.9
Other fixed income	23.3	22.9
Domestic equity	28.0	27.9
Foreign equity	38.6	38.6
Real Property	3.0	3.2
	100.0 %	100.0 %
CAD	61.2 %	61.1 %
USD	24.3	24.0
Other	14.5	14.9
	100.0 %	100.0 %

Equity Price Risk

The Company is exposed to equity price risk on its equity securities which are classified as either available for sale or fair value through profit or loss. The fair value of the equity securities was $379.7 million at December 31, 2017 (December 31, 2016 - $225.2 million), as shown in Table 18.

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

The Company is exposed to foreign exchange risk on its investments in Personal Capital and China AMC.

RISKS RELATED TO ASSETS UNDER MANAGEMENT

At December 31, 2017, IGM Financial's total assets under management were $156.5 billion compared to $142.7 billion at December 31, 2016.

The Company's primary sources of revenues are management, administration and other fees which are applied as an annual percentage of the level of assets under management. As a result, the level of the Company's revenues and earnings are indirectly exposed to a number of financial risks that affect the value of assets under management on an ongoing basis. These include market risks, 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.

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

2) OPERATIONAL RISK

Operational 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.

OPERATIONAL RISK

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

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

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

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

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

TECHNOLOGY AND CYBER RISK

Technology and cyber risk driven by systems are managed through controls over technology development and change management. Information security is a significant risk to our industry and our Company's operations. The Company uses systems and technology to support its business operations and the client and financial advisor experience. As a result, we are exposed to risks relating to technology and cyber security such as data breaches, identity theft and hacking, including the risk of denial of service or malicious software attacks. 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, the Company has established enterprise-wide cyber security programs, benchmarked capabilities to sound industry practices, and has implemented threat and vulnerability assessment and response capabilities.

MODEL RISK

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

LEGAL AND REGULATORY COMPLIANCE

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

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. These requirements include those that apply to IGM Financial as a publicly traded company and those that apply to the Company's subsidiaries based on the nature of their activities. They include regulations related to securities markets, the provision of financial products and services, including fund management, distribution, insurance and mortgages, and other activities carried on by the Company in the markets in which it operates. Regulatory standards affecting the Company and the financial services industry are significant and are being continually changed. The Company and its subsidiaries are subject to 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 Senior Vice-President, Client and Regulatory Affairs. It also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Company receives regular reporting on compliance initiatives and issues.

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

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

CONTINGENCIES

The Company is subject to legal actions arising in the normal course of its business. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

3) GOVERNANCE, OVERSIGHT AND STRATEGIC RISK

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

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

Oversight of IGM Financial is performed by the Board of Directors directly and through its seven committees. The Company'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.

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

ACQUISITION RISK

The Company is also exposed to risks related to its acquisitions. The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition is dependent on retaining assets under management, clients, and key employees of an acquired company.

4) REGULATORY DEVELOPMENTS

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

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

BEST INTEREST STANDARD, TARGETED REFORMS AND MUTUAL FUND EMBEDDED COMMISSIONS

In May 2017, the Canadian Securities Administrators (the CSA) published Staff Notice 33-319 (the Staff Notice) Status Report on CSA Consultation Paper 33-404 Proposals to Enhance the Obligations of Advisers, Dealers and Representatives

Toward Their Clients (the BIS Consultation Paper), which provided an update on the CSA's proposal for a set of targeted reforms relating to the client-registrant relationship and a regulatory best interest standard. The Company's subsidiaries submitted comment letters on the BIS Consultation Paper and also participated in a series of roundtables hosted by certain jurisdictions to further explore the proposals in the BIS Consultation Paper.

The Staff Notice specifies that only the Ontario Securities Commission and the Financial and Consumer Services Commission of New Brunswick will continue to pursue further work to articulate a regulatory best interest standard. The Staff Notice further indicates that over the 2017-2018 fiscal year, the CSA will prioritize the work on many of the targeted reforms. This work will culminate in rule proposals that will be published for comment, providing the Company's subsidiaries further opportunity for meaningful input.

In January 2017, the CSA published CSA Staff Notice 81-408 Consultation on the Option of Discontinuing Embedded Commissions (the Fees Consultation Paper) which sought input on the option of discontinuing embedded commissions and the potential impacts of such a change on Canadian investors and market participants. The Company's subsidiaries submitted comment letters on the Fees Consultation Paper. The Company's subsidiaries also participated in the roundtables hosted by some members of the CSA in the fall to facilitate further stakeholder input on the Fees Consultation Paper.

The Company will continue its active dialogue and engagement with regulators on these subjects.

COOPERATIVE CAPITAL MARKETS REGULATORY SYSTEM

Since 2013, the Government of Canada and participating provincial jurisdictions have been working to establish a common securities regulator for Canada's capital markets. Of note, there has been opposition from Quebec, Alberta and Manitoba. In response to a reference from the Quebec government, in May 2017 the Quebec Court of Appeal ruled in favour of the Quebec government and held that the governance framework for the pan-Canadian securities regulation under the proposed Capital Markets Regulatory Authority (CMRA) was unconstitutional.

The decision has been appealed to the Supreme Court of Canada which is expected to hear arguments in March, 2018. The Company is continuing to monitor this initiative and any impact it may have on its activities and those of its subsidiaries, particularly in the area of the regulation of mutual funds.

5) BUSINESS RISK

GENERAL BUSINESS CONDITIONS

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

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

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

Redemption rates for long-term funds are summarized in Table 26 and are discussed in the Investors Group and Mackenzie Segment Operating Results sections of this MD&A.

TABLE 26: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

	2017 DEC. 31	2016 DEC. 31
IGM Financial Inc.		
Investors Group	**8.4 %**	8.8 %
Mackenzie	**14.8 %**	15.0 %
Counsel	**16.7 %**	15.7 %

PRODUCT / SERVICE OFFERING

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

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

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

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

BUSINESS / CLIENT RELATIONSHIPS

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

Investors Group Consultant network – Investors Group derives all of its mutual fund sales through its Consultant network. Investors Group Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on Investors Group's results of operations and business prospects. Investors Group is focused on 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 Investors Group Review of the Business section of this MD&A.

Mackenzie – Mackenzie derives the majority of its mutual fund sales through third party financial advisors. Financial advisors generally offer their clients investment products in addition to, and in competition with Mackenzie. Mackenzie also derives sales of its investment products and services from its strategic alliance and institutional clients. Due to the nature of the distribution relationship in these relationships and the relative size of these accounts, gross sale and redemption activity can be more pronounced in these accounts than in a retail relationship. Mackenzie's ability to market its investment products is highly dependent on continued access to these distribution networks. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. Mackenzie is well positioned to manage this risk and to continue to build and enhance its distribution relationships. Mackenzie's diverse portfolio of financial products and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading investment management companies. These factors are discussed further in the Mackenzie Review of the Business section of this MD&A.

PEOPLE RISK

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

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

6) ENVIRONMENTAL RISK

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

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

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

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

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

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

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

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

OUTLOOK

THE FINANCIAL SERVICES ENVIRONMENT

Canadians held $4.1 trillion in discretionary financial assets with financial institutions at December 31, 2016 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% ($2.7 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 $1.4 trillion held outside of a financial advisory relationship, approximately 60% consisted of bank deposits.

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

Approximately 41% of Canadian discretionary financial assets or $1.7 trillion resided in investment funds at December 31, 2016, 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 78% 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 $150 billion in investment fund assets under management, the Company is among the country's largest investment fund managers. Management believes that investment funds are likely to remain the preferred savings vehicle of Canadians. Investment funds provide investors with the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

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

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 43% of total industry long-term mutual fund assets at December 31, 2017.

The Canadian mutual fund industry continues to be very concentrated, with the ten largest firms and their subsidiaries representing 69% of industry long-term mutual fund assets and 69% of total mutual fund assets under management at December 31, 2017. Management anticipates continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

Management believes that the financial services industry will continue to be influenced by the following trends:

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

THE COMPETITIVE LANDSCAPE

IGM Financial and its subsidiaries operate in a highly competitive environment. Investors Group and Investment Planning Counsel compete directly with other retail financial service providers, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Investors Group, Mackenzie and Investment Planning Counsel compete directly with other investment managers for assets under management, and their products compete with stocks, bonds and other asset classes for a share of the investment assets of Canadians.

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

IGM Financial continues to focus on its commitment to provide quality investment advice and financial products, service innovations, effective management of the Company and long-term value for its clients and shareholders. Management believes that the Company is well-positioned to meet competitive challenges and capitalize on future opportunities.

The Company enjoys several competitive strengths, including:

- Broad and diversified distribution with an emphasis on those channels emphasizing comprehensive financial planning through a relationship with a financial advisor.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Financial group of companies.

BROAD AND DIVERSIFIED DISTRIBUTION

IGM Financial's distribution strength is a competitive advantage. In addition to owning two of Canada's largest financial planning organizations, Investors Group and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with Canadian and U.S. manufacturing and distribution complexes to provide investment management to a number of retail investment fund mandates.

BROAD PRODUCT CAPABILITIES

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

ENDURING RELATIONSHIPS

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

BENEFITS OF BEING PART OF THE POWER FINANCIAL GROUP OF COMPANIES

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

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, deferred selling 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.

  Investments in proprietary mutual funds and corporate investments classified as available for sale result in unrealized gains and losses on securities which are recorded in Other comprehensive income until realized or until there is objective evidence of impairment, at which time they are reclassified to the Consolidated Statements of Earnings. Management regularly reviews securities classified as available for sale to assess whether there is objective evidence of impairment. The Company considers such factors as the nature of the investment and the length of time and the extent to which the fair value has been below cost. A significant change in this assessment may result in unrealized losses being recognized in net earnings. During 2017, the Company assessed the measurement of the available for sale securities and determined there was no impairment in the value of these securities.

- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 10 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 based on March 31, 2017 financial information 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 14 to the Consolidated Financial Statements.

- *Deferred selling commissions* – Commissions paid on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of deferred selling 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 deferred selling commission asset in relation to its carrying value. At December 31, 2017, there were no indications of impairment to deferred selling 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 2017, the performance of the defined benefit pension plan assets was positively impacted by market conditions. Corporate bond yields decreased in 2017 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, 2017 was 3.60% compared to 4.05% at December 31, 2016. Pension plan assets increased to $417.7 million at December 31, 2017 from $372.1 million at December 31, 2016. The increase in plan assets was due to market performance of $27.1 million comprised of interest income of $15.5 million calculated based on the discount rate, which was recorded as a reduction to the pension expense, and actuarial gains of $11.6 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 $37.8 million (2016 - $19.7 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 $38.6 million which were recorded in Other comprehensive income. Demographic assumptions and experience adjustments were revised which resulted in net actuarial gains of $1.4 million. The total defined benefit pension plan obligation was $493.6 million at December 31, 2017 compared to $481.2 million at December 31, 2016. As a result of these changes, the defined benefit pension plan had an accrued benefit liability of $75.9 million at December 31, 2017 compared to $109.1 million at the end of 2016. The unfunded SERPs and other post-retirement benefits plans had an accrued benefit liability of $63.1 million and $45.4 million, respectively, at December 31, 2017 compared to $62.5 million and $44.8 million in 2016.

  A decrease of 0.25% in the discount rate utilized in 2018 would result in a change of $21.9 million in the accrued pension obligation, $20.1 million in other comprehensive income, and $1.8 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 13 of the Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

There were no changes to the Company's accounting policies from those reported at December 31, 2016.

FUTURE ACCOUNTING CHANGES

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

IFRS 9 FINANCIAL INSTRUMENTS

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

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

The transition to IFRS 9 is managed by a committee comprised of senior levels of management. Periodic reporting on the progress against plan is provided to the committee and other affected stakeholders within the Company. To date, the Company's efforts have been focused on updating accounting policies to address key aspects of the Standard including classification and measurement of financial instruments, reviewing the impact to its impairment models and assessing the use of hedge accounting under IFRS 9.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively; however restatement of comparative periods is not required. The Company will recognize any measurement difference between the previous carrying amount and the new carrying amount on January 1, 2018, through an adjustment to opening retained earnings.

The application of IFRS 9 as at January 1, 2018 will result in the following changes to the current classification of assets under IAS 39.

- Loans of $263.5 million currently classified as held for trading will be reclassified to amortized cost resulting in the capitalization and amortization of issue costs and the reversal of mortgage premiums and discounts currently recognized under IAS 39.
- Proprietary investment funds of $19.9 million currently classified as available for sale will be reclassified to fair value through profit and loss.
- The company will elect to classify Corporate investments of $262.8 million at Fair value through other comprehensive income. Under this election, unrealized gains and losses on these investments will never be recycled through profit or loss.

The cumulative impact of the above changes will result in an increase to opening retained earnings of approximately $36.3 million after-tax ($49.7 million pre-tax) as at January 1, 2018.

The Company will adopt the hedge accounting requirements of IFRS 9 beginning January 1, 2018.

The Company has also elected to apply the temporary exemption included within IFRS 17 - Insurance Contracts which provides relief from the requirements to apply IFRS 9 accounting to the Company's investment in Lifeco. Insurance companies in Canada have generally elected to defer adoption of IFRS 9. As a result, this temporary exemption means that the Company will not be required to restate Lifeco's results to be in accordance with IFRS 9.

The application of the expected credit loss model will not have a material impact to the Company's loan loss provision.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The IASB issued IFRS 15 which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The model requires an entity to recognize revenue as the goods or services are transferred to the customer in an amount that reflects the expected consideration. This standard is effective for annual reporting periods beginning on or after January 1, 2018. Entities have the choice of full retrospective application or prospective application with additional disclosures.

IFRS 15 outlines various criteria for the eligibility of capitalizing contract costs. Determining whether the customer is the fund or the end investor can impact whether costs should be capitalized as a cost of obtaining a contract with a customer or whether they should be assessed as a cost of fulfilling a contract with a customer. Significant judgment is required in determining whether fulfillment costs should be expensed or capitalized. IFRS 15 could therefore result in changes to the timing of recognition of certain commission related expenses.

Due to recent developments in the interpretation of the guidance on fulfillment costs, the Company continues to assess the impact to certain commission payments and related expenses.

The adoption of IFRS 15 is not expected to have a significant impact to the ongoing recognition of the Company's revenues.

IFRS 16 LEASES

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

OTHER

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

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, 2017, 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.

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, 2017, 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.

During the fourth quarter of 2017, 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.

TRANSACTIONS WITH RELATED PARTIES

IGM Financial enters into transactions with Great-West Life Assurance Company (Great-West), London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco. These transactions are in the normal course of operations and have been recorded at fair value as described below:

- During 2017 and 2016, the Company provided to and received from Great-West certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributes insurance products under a distribution agreement with Great-West and Canada Life and received $77.1 million in distribution fees (2016 - $101.8 million). The Company received $17.8 million (2016 - $16.9 million) and paid $24.2 million (2016 - $21.7 million) to Great-West and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $76.0 million (2016 – $70.5 million) to London Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2017, the Company sold residential mortgage loans to Great-West and London Life for $136.5 million compared to $183.7 million in 2016.

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 acquisitions are expected to close in the fourth quarter of each year. The Company will recognize the benefit of the tax losses realized throughout the year. On December 29, 2017, the Company acquired shares of such a loss company and recorded the benefit of the tax losses acquired.

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

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2017 totalled 240,666,131. Outstanding stock options as at December 31, 2017 totalled 8,912,748, of which 4,063,668 were exercisable. As at February 6, 2018, outstanding common shares totalled $240,801,427 and outstanding stock options totalled $8,777,452 of which $3,928,372 were exercisable.

Perpetual preferred shares of $150 million were outstanding as at December 31, 2017, unchanged at February 6, 2018.

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.