IGM FINANCIAL

SECOND QUARTER REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 2018

IGM Financial

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

This report contains non-IFRS financial measures and additional IFRS measures. Net earnings available to common shareholders, which is an additional measure in accordance with International Financial Reporting Standards (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.

Terms by which non-IFRS financial measures are identified include but are not limited to "adjusted net earnings available to common shareholders", "adjusted diluted earnings per share", "adjusted return on average common equity" and other similar expressions used to provide management and investors with additional measures to assess earnings performance. As well, "earnings before interest and taxes (EBIT)", "earnings before interest, taxes, depreciation and amortization before sales commissions" (EBITDA before sales commissions) and "earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions)" are non-IFRS financial measures used to provide management, investors and investment analysts with additional measures to evaluate and analyze the Company's results. The two EBITDA measures have been introduced following the adoption of IFRS 15. EBITDA before sales commissions excludes all mutual fund sales commissions and is comparable to prior periods. EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows. Other items of a nonrecurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at EBITDA before sales commissions and EBITDA after sales commissions. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Please refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS.

Terms by which additional IFRS measures are identified include "earnings before income taxes" and "net earnings available to common shareholders". Additional IFRS measures 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.

CONTENTS

FINANCIAL HIGHLIGHTS

(unaudited)	FOR THE THREE MONTHS ENDED JUNE 30 2018	2017	CHANGE	AS AT AND FOR THE SIX MONTHS ENDED JUNE 30 2018	2017	CHANGE
Net earnings available to common shareholders *($ millions)*						
Net Earnings	$ **203.7**	$ 200.8	**1.4 %**	$ **389.2**	$ 377.9	**3.0 %**
Adjusted Net Earnings(1)	**203.7**	185.9	**9.6**	**389.2**	363.0	**7.2**
Diluted earnings per share						
Net Earnings	**0.85**	0.83	**2.4**	**1.61**	1.57	**2.5**
Adjusted Net Earnings(1)	**0.85**	0.77	**10.4**	**1.61**	1.51	**6.6**
Return on equity						
Net Earnings				**18.2%**	16.3%	
Adjusted Net Earnings(1)				**18.2%**	15.6%	
Dividends per share	**0.5625**	0.5625	**–**	**1.125**	1.125	**–**
Total assets under management(2) *($ millions)*				$ **159,129**	$ 148,644	**7.1 %**
Investment funds assets under management(3)				$ **152,477**	$ 143,298	**6.4 %**
Investors Group						
Investment funds(4)				**88,762**	84,306	**5.3**
Mackenzie						
Mutual funds				**56,842**	53,516	
ETFs				**2,600**	622	
Investment funds(3)				**58,692**	53,856	
Sub-advisory, institutional and other accounts				**8,261**	6,508	
Total				**66,953**	60,364	**10.9**
Investment Planning Counsel						
Investment funds(4)				**5,562**	5,136	**8.3**

Net Sales *($ millions)*	INVESTORS GROUP	MACKENZIE	COUNSEL	TOTAL(2)
FOR THE THREE MONTHS ENDED JUNE 30, 2018				
Mutual funds(4)	$ (110)	$ 30	$ 5	$ (75)
ETFs	–	570	–	399
Investment funds(3)	(110)	447	5	171
Sub-advisory, institutional and other accounts	–	(97)	–	(90)
Total	(110)	350	5	81
FOR THE SIX MONTHS ENDED JUNE 30, 2018				
Mutual funds(4)	$ 674	$ 316	$ 53	$ 1,043
ETFs	–	1,285	–	873
Investment funds(3)	674	1,215	53	1,530
Sub-advisory, institutional and other accounts	–	132	–	(92)
Total	674	1,347	53	1,438

(1) Non-IFRS Financial Measures:
2017 adjusted net earnings excluded:
- *An after-tax reduction in non-commission expenses of $36.8 million related to the Company's pension plan.*
- *An after-tax charge to non-commission expenses of $16.8 million related to restructuring and other.*
- *An after-tax charge of $5.1 million representing the Company's proportionate share in Great-West Lifeco Inc.'s restructuring provision.*

(2) Total assets under management (AUM) and net sales eliminate double counting related to Mackenzie advisory mandates to other segments. AUM elimination was $2.1 billion at June 30, 2018 (2017 – $1.2 billion) and net sales elimination was $164 million for the quarter and $636 million for the six month period.

(3) Investment funds consists of mutual funds and ETFs. Investment fund AUM and net sales eliminate double counting related to Mackenzie mutual fund investments in ETFs. AUM elimination was $750 million at June 30, 2018 (2017 – $282 million) and net sales elimination was $153 million for the quarter and $386 million for the six month period.

(4) Includes separately managed accounts.

REPORT TO SHAREHOLDERS

HIGHLIGHTS

- Net earnings of $203.7 million or 85 cents per share compared to net earnings of $200.8 million or 83 cents per share in the second quarter of 2017.
- Adjusted net earnings of $203.7 million or 85 cents per share compared to adjusted net earnings, excluding other items,[1] of $185.9 million or 77 cents per share in the second quarter of 2017. This was the highest second quarter adjusted net earnings in the Company's history.
- A quarterly common share dividend of $0.5625 per share was declared in the second quarter of 2018, maintained from the prior quarter.
- Record high assets under management at June 30, 2018 were $159.1 billion, an increase of 2.2% in the quarter and 7.1% from the prior year driven by favourable investment returns.
- Investment fund net sales were $171 million, the second best second quarter result in a decade.

FINANCIAL RESULTS

Net earnings available to common shareholders for the three months ended June 30, 2018 were $203.7 million or 85 cents per share compared to $200.8 million or 83 cents per share for the comparative period in 2017. Adjusted net earnings available to common shareholders for the three months ended June 30, 2018 were $203.7 million or 85 cents per share compared to adjusted net earnings available to common shareholders, excluding other items,[1] of $185.9 million or 77 cents per share for the comparative period in 2017.

Net earnings available to common shareholders for the six months ended June 30, 2018 were $389.2 million or $1.61 per share compared to $377.9 million or $1.57 per share for 2017. Adjusted net earnings available to common shareholders for the six months ended June 30, 2018 were $389.2 million or $1.61 per share compared to adjusted net earnings available to common shareholders, excluding other items,[1] of $363.0 million or $1.51 per share for 2017 for the comparative period in 2017.

INVESTORS GROUP OPERATIONS

Strong investment fund sales – Investment fund sales for the second quarter of 2018 were $2.1 billion, one of the best second quarter sales results, down 11.6% from the second quarter of 2017. Investment fund sales for the six months ended June 30, 2018 were $4.9 billion, a decrease of 6.5% compared to $5.3 billion in the prior year.

Investment fund net sales – Investment fund net redemptions of $110 million for the second quarter of 2018 decreased $545 million, compared to net sales of $435 million a year ago. Investment fund net sales for the six month period were $674 million compared to net sales of $1.3 billion a year ago.

Asset retention – The annualized quarterly redemption rate for long-term funds was 9.3% in the second quarter of 2018, up from 8.4% in the second quarter of 2017.

Assets under management at an all-time high level – Investment fund assets under management at June 30, 2018 were $88.8 billion, an increase of 5.3% compared to $84.3 billion at June 30, 2017.

(1) Please refer to the reconciliation of non-IFRS financial measures to measures prescribed by IFRS in Management's Discussion and Analysis (MD&A) on page 6 of this quarterly report.

MACKENZIE OPERATIONS

Investment fund net sales – Net sales for the second quarter of 2018 were $447 million,[2] a decrease of $178 million compared to net sales of $625 million a year ago. Net sales for the six month period were $1.2 billion[2] compared to net sales of $764 million a year ago.[3]

Mutual fund sales highest second quarter – Mutual fund sales for the second quarter were $2.7 billion,[2] compared to $2.2 billion in 2017. Mutual fund net sales for the second quarter were $30 million[2] compared to $447 million in 2017.[3]

ETF business continued to experience strong growth in the quarter – ETF net creations were $570 million in the second quarter, including Mackenzie mutual fund investments in ETFs of $153 million, and assets under management totalled $2.6 billion at June 30, 2018, an all-time high for the company.

Investment fund assets under management at an all-time high – Mutual fund assets under management were $56.8 billion and ETF assets were $2.6 billion at June 30, 2018, resulting in consolidated investment fund assets under management of $58.7 billion compared to $53.9 billion a year ago. Mackenzie's total assets under management at June 30, 2018 were $67.0 billion compared to $60.4 billion at June 30, 2017.

INVESTMENT PLANNING COUNSEL OPERATIONS

Assets under administration were $27.7 billion as at June 30, 2018 compared to $26.7 billion at June 30, 2017. Investment Planning Counsel's total assets under management at June 30, 2018 were $5.6 billion compared to $5.1 billion at June 30, 2017.

Investment fund sales for the second quarter of 2018 were $252 million compared to $202 million in 2017 and investment fund net sales were $5 million compared to net redemptions of $11 million a year ago.

Investment fund sales for the six months ended June 30, 2018 were $512 million compared to $447 million in 2017 and investment fund net sales were $53 million compared to net redemptions of $28 million a year ago.

DIVIDENDS

The Board of Directors has declared a dividend of 56.25 cents per share on the Company's common shares and has declared a dividend of $0.36875 per share on the Company's 5.90% Non-Cumulative First Preferred Shares, Series "B". The common share dividend and the preferred share dividend are payable on October 31, 2018 to shareholders of record on September 28, 2018.

On behalf of the Board of Directors,

Jeffrey R. Carney
President and Chief Executive Officer
IGM Financial Inc.

August 2, 2018

(2) *During the second quarter of 2018, certain third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in sales of $381 million and net redemptions of $133 million.*

(3) *During the first quarter of 2017, certain third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in sales of $313 million and net redemptions of $305 million.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the three and six months ended June 30, 2018 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (Interim Financial Statements) as well as the 2017 IGM Financial Inc. Annual Report and the 2018 IGM Financial Inc. First Quarter Report to Shareholders filed on www.sedar.com. Commentary in the MD&A as at and for the three and six months ended June 30, 2018 is as of August 2, 2018.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The Interim Financial Statements of IGM Financial, which are the basis of the information presented in the Company's MD&A, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IFRS) and are presented in Canadian dollars (Note 2 of the Interim Financial Statements).

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

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

- 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 before sales commissions" (EBITDA before sales commissions), and "earnings before interest, taxes, depreciation and amortization after sales commissions" (EBITDA after sales commissions) are also non-IFRS financial measures. EBIT, EBITDA before sales commissions and EBITDA after sales commissions are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. The two EBITDA measures have been introduced following the adoption of IFRS 15. EBITDA before sales commissions excludes all mutual fund sales commissions and is comparable to prior periods. EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows. Other items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at EBITDA before sales commissions and EBITDA after sales commissions. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

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

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

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.

Total assets under management were $159.1 billion at June 30, 2018 compared with $148.6 billion at June 30, 2017, as detailed in Tables 6 and 7. Average total assets under management for the second quarter of 2018 were $157.5 billion compared to $149.7 billion in the second quarter of 2017. Average total assets under management for the six months ended June 30, 2018 were $157.2 billion compared to $147.5 billion for the six months ended June 30, 2017.

Investment fund assets under management were $152.5 billion at June 30, 2018 compared with $143.3 billion at June 30, 2017. Average investment fund assets under management for the second quarter of 2018 were $150.9 billion compared to $144.3 billion in the second quarter of 2017. Average investment fund assets under management for the six months ended June 30, 2018 were $150.5 billion compared to $142.2 billion for the six months ended June 30, 2017.

Net earnings available to common shareholders for the three months ended June 30, 2018 were $203.7 million or 85 cents per share compared with net earnings available to common shareholders of $200.8 million or 83 cents per share for the comparative period in 2017. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the three months ended June 30, 2017 were $185.9 million or 77 cents per share.

Net earnings available to common shareholders for the six months ended June 30, 2018 were $389.2 million or $1.61 per share compared to net earnings available to common shareholders of $377.9 million or $1.57 per share for the comparative period in 2017. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the six months ended June 30, 2017 were $363.0 million or $1.51 per share.

Other items for the three and six months ended June 30, 2017 consisted of:

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

Shareholders' equity was $4.5 billion as at June 30, 2018 compared to $4.8 billion at December 31, 2017. Return on average common equity based on adjusted net earnings for the six months ended June 30, 2018 was 18.2% compared with 15.6% for the comparative period in 2017. The reduction in Shareholders' equity in the six month period was largely due to the adoption of IFRS 15 which resulted in an adjustment to opening retained earnings of $514.6 million. The quarterly dividend per common share declared in the second quarter of 2018 was 56.25 cents, unchanged from the first quarter of 2018.

ADOPTION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

On January 1, 2018, the Company adopted a change in accounting policy (IFRS 15 *Revenue from contracts with Customers*) which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers (Note 2 to the Interim Financial Statements). The standard outlines various criteria for the eligibility of capitalizing contract costs.

Commissions are paid on investment product sales where the Company either receives a fee directly from the client or where it receives a fee directly from the investment fund. Prior to January 1, 2018, commissions paid on the sale of investment product sales were capitalized and amortized over a maximum period of seven years. The application of IFRS 15 has resulted in a change to the accounting policy related to the Company's commission expense as follows:

- Commissions that are paid on investment product sales where the Company receives a fee directly from the client are capitalized and amortized over their estimated useful lives, not exceeding a period of seven years.
- All other commissions paid on investment product sales are expensed as incurred.

This new accounting standard has no impact on the economics of our business. The implementation of IFRS 15 will result in a change in timing of the recognition of commission expenses but has no effect on the cash flows of the Company.

On adoption of IFRS 15, the Company introduced two measures of EBITDA (Table 1). EBITDA before sales commissions excludes all mutual fund sales commissions and is comparable to prior periods and EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES[1]

($ millions)	THREE MONTHS ENDED 2018 JUN. 30	2018 MAR. 31	2017 JUN. 30	SIX MONTHS ENDED 2018 JUN. 30	2017 JUN. 30
Adjusted net earnings available to common shareholders – Non-IFRS measure	**$ 203.7**	$ 185.5	$ 185.9	**$ 389.2**	$ 363.0
Restructuring and other, net of tax	**–**	–	(16.8)	**–**	(16.8)
Pension plan, net of tax	**–**	–	36.8	**–**	36.8
Proportionate share of associate's provision	**–**	–	(5.1)	**–**	(5.1)
Net earnings available to common shareholders – IFRS	**$ 203.7**	$ 185.5	$ 200.8	**$ 389.2**	$ 377.9
Adjusted net earnings per share[2] available to common shareholders – Non-IFRS measure	**$ 0.85**	$ 0.77	$ 0.77	**$ 1.61**	$ 1.51
Restructuring and other, net of tax	**–**	–	(0.07)	**–**	(0.07)
Pension plan, net of tax	**–**	–	0.15	**–**	0.15
Proportionate share of associate's provision	**–**	–	(0.02)	**–**	(0.02)
Net earnings per share[2] available to common shareholders – IFRS	**$ 0.85**	$ 0.77	$ 0.83	**$ 1.61**	$ 1.57
EBITDA before sales commissions – Non-IFRS measure	**$ 342.2**	$ 333.2	$ 345.3	**$ 675.4**	$ 669.9
Sales-based commissions paid	**(44.5)**	(62.3)	(66.6)	**(106.8)**	(148.0)
EBITDA after sales commissions – Non-IFRS measure	**$ 297.7**	$ 270.9	$ 278.7	**$ 568.6**	$ 521.9
Sales-based commissions paid subject to amortization	**12.7**	16.3	66.6	**29.0**	148.0
Amortization of capitalized sales commissions	**(3.4)**	(2.9)	(57.4)	**(6.3)**	(116.3)
Amortization of capital assets and intangible assets and other	**(13.8)**	(13.9)	(15.5)	**(27.7)**	(27.7)
Interest expense on long-term debt	**(28.8)**	(30.3)	(28.7)	**(59.1)**	(55.5)
Adjusted earnings before income taxes – Non-IFRS measure	**264.4**	240.1	243.7	**504.5**	470.4
Restructuring and other	**–**	–	(23.0)	**–**	(23.0)
Pension plan	**–**	–	50.4	**–**	50.4
Proportionate share of associate's provision	**–**	–	(5.1)	**–**	(5.1)
Earnings before income taxes	**264.4**	240.1	266.0	**504.5**	492.7
Income taxes	**(58.5)**	(52.4)	(63.0)	**(110.9)**	(110.4)
Perpetual preferred share dividends	**(2.2)**	(2.2)	(2.2)	**(4.4)**	(4.4)
Net earnings available to common shareholders – IFRS	**$ 203.7**	$ 185.5	$ 200.8	**$ 389.2**	$ 377.9

(1) On January 1, 2018, the Company adopted IFRS 15 which resulted in an increase in certain sales commissions which are expensed immediately, offset by a decrease in capitalized sales commissions and related amortization.

(2) Diluted earnings per share

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 global investment management organization. As a result, the Company 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 each reflect their proportionate share of the expenses of the investment management function 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. The change in interest expense in the period resulted from the impact of the issuance of $250 million 4.115% debentures in December 2017 and the redemption of $150 million 6.58% debentures on March 7, 2018.
- *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 recorded in the second quarter of $23.0 million ($16.8 million after-tax) represented 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).

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q2 2018 VS. Q2 2017

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
THREE MONTHS ENDED *($ millions)*	**2018 JUN. 30**	2017 JUN. 30	**2018 JUN. 30**	2017 JUN. 30	**2018 JUN. 30**	2017 JUN. 30	**2018 JUN. 30**	2017 JUN. 30
Revenues								
Fee income	**$ 483.8**	$ 482.4	**$ 203.4**	$ 204.0	**$ 72.6**	$ 66.6	**$ 759.8**	$ 753.0
Net investment income and other	**12.1**	22.1	**2.5**	(1.9)	**41.6**	30.1	**56.2**	50.3
	495.9	504.5	**205.9**	202.1	**114.2**	96.7	**816.0**	803.3
Expenses								
Commission	**151.6**	162.9	**72.9**	75.5	**45.6**	46.0	**270.1**	284.4
Non-Commission	**146.9**	147.7	**84.3**	83.2	**21.5**	15.6	**252.7**	246.5
	298.5	310.6	**157.2**	158.7	**67.1**	61.6	**522.8**	530.9
Earnings before interest and taxes	**$ 197.4**	$ 193.9	**$ 48.7**	$ 43.4	**$ 47.1**	$ 35.1	**293.2**	272.4
Interest expense							**(28.8)**	(28.7)
Restructuring and other							**–**	(23.0)
Pension plan							**–**	50.4
Proportionate share of associate's provision							**–**	(5.1)
Earnings before income taxes							**264.4**	266.0
Income taxes							**58.5**	63.0
Net earnings							**205.9**	203.0
Perpetual preferred share dividends							**2.2**	2.2
Net earnings available to common shareholders							**$ 203.7**	$ 200.8
Adjusted net earnings available to common shareholders[1]							**$ 203.7**	$ 185.9

(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 2018 VS. YTD 2017

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
SIX MONTHS ENDED *($ millions)*	**2018 JUN. 30**	2017 JUN. 30	**2018 JUN. 30**	2017 JUN. 30	**2018 JUN. 30**	2017 JUN. 30	**2018 JUN. 30**	2017 JUN. 30
Revenues								
Fee income	**$ 966.0**	$ 960.5	**$ 406.3**	$ 402.5	**$ 145.0**	$ 131.9	**$ 1,517.3**	$ 1,494.9
Net investment income and other	**22.4**	40.1	**2.3**	(1.8)	**83.6**	59.8	**108.3**	98.1
	988.4	1,000.6	**408.6**	400.7	**228.6**	191.7	**1,625.6**	1,593.0
Expenses								
Commission	**316.4**	332.5	**148.2**	150.1	**91.6**	91.1	**556.2**	573.7
Non-Commission	**291.6**	295.4	**170.1**	165.7	**44.1**	32.3	**505.8**	493.4
	608.0	627.9	**318.3**	315.8	**135.7**	123.4	**1,062.0**	1,067.1
Earnings before interest and taxes	**$ 380.4**	$ 372.7	**$ 90.3**	$ 84.9	**$ 92.9**	$ 68.3	**563.6**	525.9
Interest expense							**(59.1)**	(55.5)
Restructuring and other							**–**	(23.0)
Pension plan							**–**	50.4
Proportionate share of associate's provision							**–**	(5.1)
Earnings before income taxes							**504.5**	492.7
Income taxes							**110.9**	110.4
Net earnings							**393.6**	382.3
Perpetual preferred share dividends							**4.4**	4.4
Net earnings available to common shareholders							**$ 389.2**	$ 377.9
Adjusted net earnings available to common shareholders(1)							**$ 389.2**	$ 363.0

(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 4: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q2 2018 VS. Q1 2018

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
THREE MONTHS ENDED *($ millions)*	**2018 JUN. 30**	2018 MAR. 31	**2018 JUN. 30**	2018 MAR. 31	**2018 JUN. 30**	2018 MAR. 31	**2018 JUN. 30**	2018 MAR. 31
Revenues								
Fee income	**$ 483.8**	$ 482.2	**$ 203.4**	$ 202.9	**$ 72.6**	$ 72.4	**$ 759.8**	$ 757.5
Net investment income and other	**12.1**	10.3	**2.5**	(0.2)	**41.6**	42.0	**56.2**	52.1
	495.9	492.5	**205.9**	202.7	**114.2**	114.4	**816.0**	809.6
Expenses								
Commission	**151.6**	164.8	**72.9**	75.3	**45.6**	46.0	**270.1**	286.1
Non-Commission	**146.9**	144.7	**84.3**	85.8	**21.5**	22.6	**252.7**	253.1
	298.5	309.5	**157.2**	161.1	**67.1**	68.6	**522.8**	539.2
Earnings before interest and taxes	**$ 197.4**	$ 183.0	**$ 48.7**	$ 41.6	**$ 47.1**	$ 45.8	**293.2**	270.4
Interest expense							**(28.8)**	(30.3)
Earnings before income taxes							**264.4**	240.1
Income taxes							**58.5**	52.4
Net earnings							**205.9**	187.7
Perpetual preferred share dividends							**2.2**	2.2
Net earnings available to common shareholders							**$ 203.7**	$ 185.5
Adjusted net earnings available to common shareholders(1)							**$ 203.7**	$ 185.5

(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.

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.

- *2017 Proportionate share of associate's provision* – represents the Company's proportionate share in Great-West Lifeco Inc.'s restructuring provision.
- *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.

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT

Total assets under management were $159.1 billion at June 30, 2018 compared to $148.6 billion at June 30, 2017. 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 5: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED			SIX MONTHS ENDED	
	2018 JUN. 30	2018 MAR. 31	2017 JUN. 30	**2018 JUN. 30**	2017 JUN. 30
Income taxes at Canadian federal and provincial statutory rates	**26.80 %**	26.81 %	26.85 %	**26.80 %**	26.84 %
Effect of:					
Proportionate share of associates' earnings	**(3.04)**	(3.38)	(2.51)	**(3.20)**	(2.89)
Tax loss consolidation[1]	**(1.29)**	(1.41)	(1.12)	**(1.35)**	(1.82)
Other items	**(0.35)**	(0.20)	(0.06)	**(0.27)**	(0.01)
Effective income tax rate – adjusted net earnings	**22.12**	21.82	23.16	**21.98**	22.12
Proportionate share of associate's provision	**–**	–	0.52	**–**	0.28
Effective income tax rate – net earnings	**22.12 %**	21.82 %	23.68 %	**21.98 %**	22.40 %

(1) See Note 25 – Related Party Transactions of the Consolidated Financial Statements included in the 2017 IGM Financial Inc. Annual Report (Annual Financial Statements).

TABLE 6: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – Q2 2018 VS. Q2 2017(1)

THREE MONTHS ENDED *($ millions)*	INVESTORS GROUP **2018 JUN. 30**	 2017 JUN. 30	MACKENZIE **2018 JUN. 30**	 2017 JUN. 30	INVESTMENT PLANNING COUNSEL **2018 JUN. 30**	 2017 JUN. 30	CONSOLIDATED(2) **2018 JUN. 30**	 2017 JUN. 30
Investment funds								
Mutual funds(3)(4)								
Total mutual fund gross sales	**$ 2,084**	$ 2,357	**$ 2,741**	$ 2,195	**$ 252**	$ 202	**$ 5,077**	$ 4,754
Total mutual fund net sales	**(110)**	435	**30**	447	**5**	(11)	**(75)**	871
ETFs								
Net creations			**570**	389			**399**	389
Total investment fund net sales(2)	**(110)**	435	**447**	625	**5**	(11)	**171**	1,049
Sub-advisory, institutional and other accounts								
Net sales			**(97)**	(82)			**(90)**	(85)
Combined net sales	**$ (110)**	$ 435	**$ 350**	$ 543	**$ 5**	$ (11)	**$ 81**	$ 964
Change in total assets under management								
Net sales	**$ (110)**	$ 435	**$ 350**	$ 543	**$ 5**	$ (11)	**$ 81**	$ 964
Investment returns	**1,769**	(29)	**1,442**	169	**105**	59	**3,290**	184
Net change in assets	**1,659**	406	**1,792**	712	**110**	48	**3,371**	1,148
Beginning assets	**87,103**	83,900	**65,161**	59,652	**5,452**	5,088	**155,758**	147,496
Ending assets	**$ 88,762**	$ 84,306	**$ 66,953**	$ 60,364	**$ 5,562**	$ 5,136	**$ 159,129**	$ 148,644
Total assets under management consists of:								
Investment funds								
Mutual funds(3)(4)	**$ 88,762**	$ 84,306	**$ 56,842**	$ 53,516	**$ 5,562**	$ 5,136	**$ 151,166**	$ 142,958
ETFs			**2,600**	622			**2,061**	622
Total investment funds(2)	**88,762**	84,306	**58,692**	53,856	**5,562**	5,136	**152,477**	143,298
Sub-advisory, institutional and other accounts			**8,261**	6,508			**6,652**	5,346
Ending assets	**$ 88,762**	$ 84,306	**$ 66,953**	$ 60,364	**$ 5,562**	$ 5,136	**$ 159,129**	$ 148,644

(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 5, 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 $2.1 billion at June 30, 2018 (2017 – $1.2 billion) and net sales of $164 million for the second quarter of 2018 (2017 – $4 million).*
- *Included in ETFs are mutual fund investments in ETFs totalling $750 million at June 30, 2018 (2017 – $282 million) and net sales of $153 million for the second quarter of 2018 (2017 – $211 million).*

(3) *During the second quarter of 2018, third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in sales of $381 million, redemptions of $514 million and net redemptions of $133 million.*

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

TABLE 7: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – 2018 VS. 2017[1]

	INVESTORS GROUP		MACKENZIE		INVESTMENT PLANNING COUNSEL		CONSOLIDATED[2]	
SIX MONTHS ENDED *($ millions)*	**2018 JUN. 30**	2017 JUN. 30	**2018 JUN. 30**	2017 JUN. 30	**2018 JUN. 30**	2017 JUN. 30	**2018 JUN. 30**	2017 JUN. 30
Investment funds								
Mutual funds[3][4]								
Total mutual fund gross sales	**$ 4,943**	$ 5,289	**$ 5,371**	$ 5,056	**$ 512**	$ 447	**$ 10,826**	$ 10,792
Total mutual fund net sales	**674**	1,325	**316**	523	**53**	28	**1,043**	1,876
ETFs								
Net creations			**1,285**	503			**873**	503
Total investment fund net sales[2]	**674**	1,325	**1,215**	764	**53**	28	**1,530**	2,117
Sub-advisory, institutional and other accounts								
Net sales			**132**	35			**(92)**	34
Combined net sales	**$ 674**	$ 1,325	**$ 1,347**	$ 799	**$ 53**	$ 28	**$ 1,438**	$ 2,151
Change in total assets under management								
Net sales	**$ 674**	$ 1,325	**$ 1,347**	$ 799	**$ 53**	$ 28	**$ 1,438**	$ 2,151
Investment returns	**80**	1,739	**1,097**	1,908	**132**	200	**1,178**	3,805
Net change in assets	**754**	3,064	**2,444**	2,707	**185**	228	**2,616**	5,956
Beginning assets	**88,008**	81,242	**64,509**	57,657	**5,377**	4,908	**156,513**	142,688
Ending assets	**$ 88,762**	$ 84,306	**$ 66,953**	$ 60,364	**$ 5,562**	$ 5,136	**$ 159,129**	$ 148,644

(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 $2.1 billion at June 30, 2018 (2017 – $1.2 billion) and net sales of $636 million for the six months ending June 30, 2018 (2017 – $2 million).*

– *Included in ETFs are mutual fund investments in ETFs totalling $750 million at June 30, 2018 (2017 – $282 million) and net sales of $386 million for the six months ending June 30, 2018 (2017 – $262 million).*

(3) *During the second quarter of 2018, third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in sales of $381 million, redemptions of $514 million and net redemptions of $133 million.*

During the first quarter of 2017, third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in sales of $313 million, redemptions of $618 million and net redemptions of $305 million.

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

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 8 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 8, largely reflect the impact of strong net sales of the Company and changes in domestic and foreign markets.

TABLE 8: SUMMARY OF QUARTERLY RESULTS

	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
Consolidated statements of earnings *($ millions)*								
Revenues								
Management fees	**$ 562.8**	$ 556.6	$ 564.4	$ 541.9	$ 547.0	$ 527.7	$ 525.7	$ 518.3
Administration fees	**107.1**	107.6	110.4	109.1	111.2	109.0	109.0	107.9
Distribution fees	**89.9**	93.3	95.2	89.8	94.8	105.2	117.7	101.1
Net investment income and other	**56.2**	52.1	36.7	32.5	50.3	47.8	48.7	49.1
	816.0	809.6	806.7	773.3	803.3	789.7	801.1	776.4
Expenses								
Commission	**270.1**	286.1	288.1	276.0	284.4	289.3	288.2	273.1
Non-commission	**252.7**	253.1	240.3	238.8	246.5	246.9	231.1	224.9
Interest	**28.8**	30.3	29.7	28.9	28.7	26.8	23.2	23.2
	551.6	569.5	558.1	543.7	559.6	563.0	542.5	521.2
Earnings before undernoted	**264.4**	240.1	248.6	229.6	243.7	226.7	258.6	255.2
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	**264.4**	240.1	62.3	229.6	266.0	226.7	258.6	255.2
Income taxes	**58.5**	52.4	9.5	54.0	63.0	47.4	23.4	55.4
Net earnings	**205.9**	187.7	52.8	175.6	203.0	179.3	235.2	199.8
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	**$ 203.7**	$ 185.5	$ 50.6	$ 173.4	$ 200.8	$ 177.1	$ 233.0	$ 197.6
Reconciliation of Non-IFRS financial measures(1) *($ millions)*								
Adjusted net earnings available to common shareholders – non-IFRS measure	**$ 203.7**	$ 185.5	$ 191.4	$ 173.4	$ 185.9	$ 177.1	$ 199.0	$ 197.6
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	**$ 203.7**	$ 185.5	$ 50.6	$ 173.4	$ 200.8	$ 177.1	$ 233.0	$ 197.6
Earnings per Share *(¢)*								
Adjusted net earnings available to common shareholders(1)								
– Basic	**85**	77	80	72	77	74	83	82
– Diluted	**85**	77	79	72	77	74	83	82
Net earnings available to common shareholders								
– Basic	**85**	77	21	72	83	74	97	82
– Diluted	**85**	77	21	72	83	74	97	82
Average daily investment fund assets *($ billions)*	**$ 150.9**	$ 150.1	$ 148.1	$ 142.4	$ 144.3	$ 140.1	$ 135.2	$ 132.6
Total investment fund assets under management *($ billions)*	**$ 152.5**	$ 149.2	$ 149.8	$ 144.6	$ 143.3	$ 142.1	$ 137.6	$ 134.1
Total assets under management *($ billions)*	**$ 159.1**	$ 155.8	$ 156.5	$ 150.0	$ 148.6	$ 147.5	$ 142.7	$ 140.7

(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 STRATEGY

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 June 30, 2018:

- 2,096 Consultant practices (2,229 at June 30, 2017), 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.
- 807 New Consultants (1,298 at June 30, 2017), which are those Consultants with less than four years of Investors Group experience.
- 1,042 Associates and Regional Directors (1,003 at June 30, 2017). 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 3,945 (4,530 at June 30, 2017).

Starting in the first quarter of 2017, Investors Group 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.

Investors Group requires all Consultants with more than four years of experience 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.

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 200 employees and operating units for most functions supporting approximately 850 Consultants throughout Quebec. Mutual fund assets under management in Quebec were approximately $15.7 billion as at June 30, 2018.

DEALER PLATFORM

Investors Group's dealer platform provides increased automation and supports 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 COMMUNICATIONS

Communication with our clients includes regular reporting of their Investors Group investment fund holdings and the change in asset values of these holdings. Individual clients experience different returns as a result of 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. The second chart reflects the client account median rates of return based on one, three and five year timeframes as at June 30, 2018. 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 and six month periods ended June 30, 2018, the client account median rate of return was approximately 1.8% and 0.2%, respectively.

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.

ASSETS UNDER MANAGEMENT

At June 30, 2018, Investors Group's mutual fund assets under management were $88.8 billion, an all-time 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 9.

FUND PERFORMANCE

At June 30, 2018, 52.7% of Investors Group mutual funds had a rating of three stars or better from the Morningstar† fund ranking service and 16.9% had a rating of four or five stars. This compared to the Morningstar† universe of 69.0% for three stars or better and 34.0% for four and five star funds at June 30, 2018. 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.

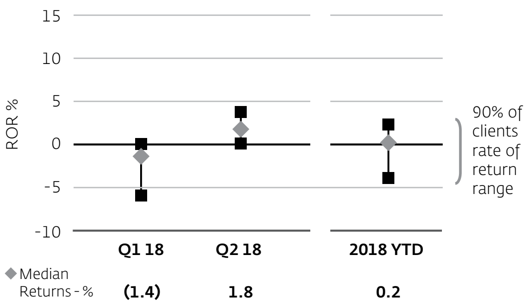
Investors Group's commitment to provide clients with a comprehensive selection of the highest quality sub-advisors from around the world continues as it announced new relationships with the following asset managers in the second quarter of 2018:

- T. Rowe Price has been retained by Investors Group as a sub-advisor to provide investment advisory services for the IG T. Rowe Price U.S. Large Cap Equity Fund/Class.
- BlackRock Asset Management Canada Limited (BlackRock Canada) has been retained by Investors Group to provide investment advisory services to *i*Profile International Equity Pool/Class.

HIGH NET WORTH OFFERINGS

Investors Group has several offerings to address the needs of high net worth clients, which represent a growing segment of

Client Account Rate of Return (ROR) Experience
Quarterly and year to date returns



Client Account Rate of Return (ROR) Experience
As at June 30, 2018

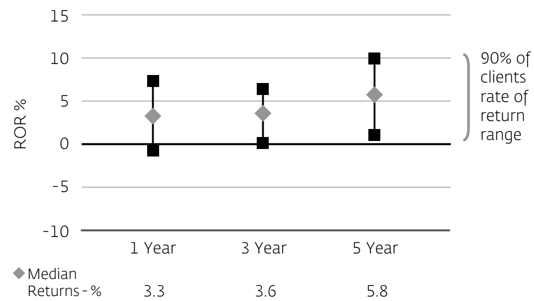


TABLE 9: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

THREE MONTHS ENDED ($ millions)	2018 JUN. 30	2018 MAR. 31	2017 JUN. 30	% CHANGE 2018 MAR. 31	% CHANGE 2017 JUN. 30
Sales	$ **2,084**	$ 2,859	$ 2,357	(27.1) %	(11.6) %
Redemptions	**2,194**	2,075	1,922	5.7	14.2
Net sales (redemptions)	**(110)**	784	435	N/M	N/M
Investment returns	**1,769**	(1,689)	(29)	N/M	N/M
Net change in assets	**1,659**	(905)	406	N/M	N/M
Beginning assets	**87,103**	88,008	83,900	(1.0)	3.8
Ending assets	$ **88,762**	$ 87,103	$ 84,306	1.9 %	5.3 %
Average daily assets	$ **87,999**	$ 87,845	$ 85,021	0.2 %	3.5 %

SIX MONTHS ENDED ($ millions)	2018 JUN. 30	2017 JUN. 30	% CHANGE
Sales	$ **4,943**	$ 5,289	(6.5) %
Redemptions	**4,269**	3,964	7.7
Net sales (redemptions)	**674**	1,325	(49.1)
Investment returns	**80**	1,739	(95.4)
Net change in assets	**754**	3,064	(75.4)
Beginning assets	**88,008**	81,242	8.3
Ending assets	$ **88,762**	$ 84,306	5.3 %
Average daily assets	$ **87,909**	$ 83,892	4.8 %

our client base, and continues to look at ways to provide further offerings to this segment. Assets under management for clients in this category totalled $43.0 billion at June 30, 2018, an increase of 18.1% from one year ago, and represented 48% of total assets under management. Sales to high net worth clients totalled $915 million for the second quarter of 2018 and represented 44% of total sales up from 41% in 2017. For the six month period, sales to high net worth clients totalled $2.1 billion and represented 43% of total sales up from 39% in 2017.

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 $35.4 billion, an increase of 9.8% from $32.3 billion at June 30, 2017.

- 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 June 30, 2018, Series U assets under management had increased to $16.6 billion, compared to $10.8 billion at June 30, 2017, an increase of 53.7%.
- Series J had assets of $18.8 billion at June 30, 2018, a decrease of 12.2% from $21.5 billion at June 30, 2017, largely as a result of transfer activity from Series J to Series U. Series J pricing structure bundles the cost of asset management and advice into one fee.

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 June 30, 2018, $24.2 billion, or 27.2% of Investors Group's mutual fund assets under management, were in products with unbundled fee structures, up 61.5% from $15.0 billion at June 30, 2017 which represented 17.7% of assets under management. Sales of these products to high net worth clients totalled $676 million for the second quarter of 2018, an increase of $51 million from the second quarter of 2017, representing 74% of total high net worth sales and 32% of total mutual fund sales. For the six months ended June 30, 2018, sales totalled $1.5 billion, an increase of $320 million from 2017, representing 72% of total high net worth sales and 31% of total mutual fund sales.

The Company intends to eliminate all embedded fee purchase options by providing access for all clients to Series U. Following this transition, Investors Group will discontinue offering bundled purchase options for investment funds.

*i*Profile™

This is a unique portfolio management program 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.

At June 30, 2018, the *i*Profile program assets under management were $7.6 billion, an increase of 81.5% from $4.2 billion at June 30, 2017.

Separately Managed Accounts and Fee-Based Brokerage Account

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

Azure Managed Investments are discretionary dealer-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.

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.

CHANGE IN ASSETS UNDER MANAGEMENT – 2018 VS. 2017

Investors Group's mutual fund assets under management were $88.8 billion at June 30, 2018, representing an increase of 5.3% from $84.3 billion at June 30, 2017. Average daily mutual fund assets were $88.0 billion in the second quarter of 2018, up 3.5% from $85.0 billion in the second quarter of 2017.

For the quarter ended June 30, 2018, sales of Investors Group mutual funds through its Consultant network were $2.1 billion, a decrease of 11.6% from the comparable period in 2017. Mutual fund redemptions totalled $2.2 billion, an increase of 14.2% from 2017. Investors Group mutual fund net redemptions for the second quarter of 2018 were $110 million compared with net sales of $435 million in 2017. During the second quarter, investment returns resulted in an increase of $1.8 billion in mutual fund assets compared to a decrease of $29 million in the second quarter of 2017.

Investors Group's annualized quarterly redemption rate for long-term funds was 9.3% in the second quarter of 2018, compared to 8.4% in the second quarter of 2017. Investors Group's twelve month trailing redemption rate for long-term funds was 8.6% at June 30, 2018, unchanged from 8.6% at June 30, 2017, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 16.5% at June 30, 2018.

For the six months ended June 30, 2018, sales of Investors Group mutual funds through its Consultant network were $4.9 billion, a decrease of 6.5% from 2017. Mutual fund redemptions totalled $4.3 billion, an increase of 7.7% from 2017. Net sales of Investors Group mutual funds were $674 million compared with net sales of $1.3 billion in 2017. During 2018, investment returns resulted in an increase of $80 million in mutual fund assets compared to an increase of $1.7 billion in 2017.

CHANGE IN ASSETS UNDER MANAGEMENT – Q2 2018 VS. Q1 2018

Investors Group's mutual fund assets under management were $88.8 billion at June 30, 2018, an increase of 1.9% from $87.1 billion at March 31, 2018. Average daily mutual fund assets were $88.0 billion in the second quarter of 2018 compared to $87.8 billion in the first quarter of 2018, an increase of 0.2%.

For the quarter ended June 30, 2018, sales of Investors Group mutual funds through its Consultant network were $2.1 billion, a decrease of 27.1% from the first quarter of 2018. Mutual fund redemptions, which totalled $2.2 billion for the second quarter, increased 5.7% from the previous quarter and the annualized quarterly redemption rate was 9.3% in the second quarter compared to 9.0% in the first quarter of 2018. Investors Group mutual fund net redemptions were $110 million for the current quarter compared to net sales of $784 million in the previous quarter.

OTHER PRODUCTS AND SERVICES

SEGREGATED FUNDS

Investors Group offers segregated funds which include the Investors Group Series of Guaranteed Investment Funds (GIFs). GIFs are segregated fund policies issued by The Great-West Life

Assurance Company and include 14 fund-of-fund segregated portfolios and six individual segregated funds. These segregated funds provide for long-term investment growth potential combined with risk management, full and partial maturity and death benefit guarantee features, potential creditor protection and estate planning efficiencies. Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by Investors Group. At June 30, 2018, total segregated fund assets were $1.8 billion, unchanged from June 30, 2017.

INSURANCE

Investors Group distributes insurance products through I.G. Insurance Services Inc. The average number of policies sold by each insurance-licensed Consultant was 2.3 for the quarter ended June 30, 2018, compared to 3.0 in 2017. For the six months ended June 30, 2018, the average number of policies sold by each insurance-licensed Consultant was 4.6 compared to 6.1 in 2017. 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 AND BANKING OPERATIONS

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 and other lending strategies that meet the individual needs and goals of each client as part of their comprehensive financial plan.

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

Investors Group mortgage fundings for the three and six months ended June 30, 2018 were $266 million and $437 million, compared to $398 million and $709 million in 2017, a decrease of 33.2% and 38.4%, respectively. At June 30, 2018, mortgages serviced by Investors Group related to its mortgage banking operations totalled $10.6 billion, compared to $11.0 billion at June 30, 2017, a decrease of 4.1%.

Investors Group's Solutions Banking† mortgage fundings for the three and six months ended June 30, 2018 were $126 million and $151 million, respectively. At June 30, 2018 total Solutions Banking† mortgages totalled $153 million.

Available credit associated with Solutions Banking† All-in-One accounts originated for the three and six month periods ended June 30, 2018 were $283 million and $483 million, respectively, compared to $284 million and $433 million in 2017. At June 30, 2018, the balance outstanding of Solutions Banking† All-in-One products was $2.4 billion, compared to $2.0 billion one year ago, and represented approximately 51% of total available credit associated with these accounts.

Other products and services offered though Investors Group's Solutions Banking† include investment loans, lines of credit, personal loans, creditor insurance, deposit accounts, and credit cards. Through Solutions Banking†, clients have access to a network of banking machines, as well as a private labeled client website and client service centre. The Solutions Banking† offering supports 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 $3.8 billion at June 30, 2018, compared to $3.3 billion at June 30, 2017.

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 10.

2018 VS. 2017

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 $365.8 million in the second quarter of 2018, an increase of $11.2 million or 3.2% from $354.6 million in 2017. For the six months ended June 30, 2018, management fees were $726.6 million, an increase of $30.9 million or 4.4% from $695.7 million in 2017.

The net increase in management fees in the three and six month periods of 2018 was primarily due to the increase in average assets under management of 3.5% and 4.8%, respectively, as shown in Table 9. The average management fee rate in both the three and six month periods ended June 30, 2018 was 166.7 basis points of average assets under management compared to 166.9 basis points in 2017.

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 $77.5 million in the current quarter compared to $81.3 million a year ago, a decrease of 4.7%. Administration fees were $155.6 million for the six month period ended June 30, 2018 compared to $161.2 million in 2017, a decrease of 3.5%. These decreases resulted primarily from the movement of assets into unbundled products which are not charged certain administration fees and changes in the composition of average assets under management.

Distribution fees are earned from:

- Redemption fees on mutual funds that were 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 $40.5 million for the second quarter of 2018 decreased by $6.0 million from $46.5 million in 2017. For the six month period, distribution fee income of $83.8 million decreased by $19.8 million from $103.6 million in 2017. The decrease in both periods was primarily due to a decrease in distribution fee income from insurance products. Insurance revenue in 2017 was higher as a result of sales in advance of changes to the way permanent insurance was taxed. Redemption fees were also lower in the three and six months ended June 30, 2018. Effective January 1, 2017, Investors Group discontinued the deferred sales purchase option for its mutual funds. 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.

As of January 1, 2018, the Company has adopted IFRS 9 which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. The adoption of IFRS 9 has resulted in several changes to how the Company accounts for its mortgage banking operations:

- Loans of $282.6 million previously classified as held for trading were reclassified to amortized cost. This resulted in a total remeasurement of $49.7 million due to the reversal of unrealized losses included in the carrying value of the loans and the capitalization of previously expensed mortgage issue costs. This remeasurement amount of $49.7 million will reduce mortgage banking income over the life of the related loans.
- The Company has adopted the hedge accounting requirements of IFRS 9 as outlined in Note 2 to the Interim Financial Statements.

Table 25 details the impact of IFRS 9 on the Consolidated Balance Sheet as at January 1, 2018.

Net investment income and other was $12.1 million in the second quarter of 2018, a decrease of $10.0 million from $22.1 million in 2017. For the six months ended June 30, 2018, net investment income and other totalled $22.4 million, a decrease of $17.7 million from $40.1 million in 2017.

Net investment income related to Investors Group's mortgage banking operations totalled $10.7 million for the second quarter of 2018 compared to $21.3 million in 2017, a decrease of $10.6 million. For the six months ended June 30, 2018, net investment income related to Investors Group's mortgage banking operations totalled $19.6 million compared to $38.1 million in 2017, a decrease of $18.5 million. A summary

TABLE 10: OPERATING RESULTS – INVESTORS GROUP

THREE MONTHS ENDED ($ millions)	**2018 JUN. 30**	2018 MAR. 31	2017 JUN. 30	% CHANGE 2018 MAR. 31	% CHANGE 2017 JUN. 30
Revenues					
Management fees	**$ 365.8**	$ 360.8	$ 354.6	1.4 %	3.2 %
Administration fees	**77.5**	78.1	81.3	(0.8)	(4.7)
Distribution fees	**40.5**	43.3	46.5	(6.5)	(12.9)
	483.8	482.2	482.4	0.3	0.3
Net investment income and other	**12.1**	10.3	22.1	17.5	(45.2)
	495.9	492.5	504.5	0.7	(1.7)
Expenses					
Commission					
Commission amortization	**3.4**	2.9	44.7	17.2	N/M
Mutual fund sales commissions expensed as incurred	**24.5**	35.9	–	(31.8)	N/M
Other commissions	**28.4**	30.4	34.2	(6.6)	(17.0)
	56.3	69.2	78.9	(18.6)	(28.6)
Asset-based compensation	**95.3**	95.6	84.0	(0.3)	13.5
Non-commission	**146.9**	144.7	147.7	1.5	(0.5)
	298.5	309.5	310.6	(3.6)	(3.9)
Earnings before interest and taxes	**$ 197.4**	$ 183.0	$ 193.9	7.9 %	1.8 %

SIX MONTHS ENDED ($ millions)	**2018 JUN. 30**	2017 JUN. 30	% CHANGE
Revenues			
Management fees	**$ 726.6**	$ 695.7	4.4 %
Administration fees	**155.6**	161.2	(3.5)
Distribution fees	**83.8**	103.6	(19.1)
	966.0	960.5	0.6
Net investment income and other	**22.4**	40.1	(44.1)
	988.4	1,000.6	(1.2)
Expenses			
Commission			
Commission amortization	**6.3**	89.9	N/M
Mutual fund sales commissions expensed as incurred	**60.4**	–	N/M
Other commissions	**58.8**	79.9	(26.4)
	125.5	169.8	(26.1)
Asset-based compensation	**190.9**	162.7	17.3
Non-commission	**291.6**	295.4	(1.3)
	608.0	627.9	(3.2)
Earnings before interest and taxes	**$ 380.4**	$ 372.7	2.1 %

of mortgage banking operations for the three and six month periods under review is presented in Table 11. The changes in mortgage banking income were due to:

- Net interest income on securitized loans – decreased by $6.3 million and $12.2 million for the three and six month periods ended June 30, 2018 to $9.6 million and $20.0 million, respectively, compared to 2017. The decrease resulted from lower margins on securitized loans, primarily due to the adoption of IFRS 9 where issue costs for securitized loans previously expensed as incurred are now capitalized and amortized over the life of the related loans using the effective interest method, as well as the elimination of accretion of discounts related to fair value losses recognized on loans held prior to securitization. Issue costs in the comparative periods of $3.5 million and $6.4 million for the three and six months ended June 30, 2017, prior to the adoption of IFRS 9, were expensed and classified in Other as part of Net investment income.
- Gains realized on the sale of residential mortgages – decreased by $3.8 million and $5.1 million for the three and six month periods ended June 30, 2018 to $0.7 million and $1.5 million, respectively, compared to 2017. The decreases in gains resulted from lower sales activity.
- Fair value adjustments – decreased by $4.2 million and $6.8 million for the three and six month periods ended June 30, 2018 to ($1.9) million and ($5.8) million, respectively, compared to 2017. The decreases in both periods were primarily due to favorable fair value adjustments in 2017 on certain securitization related financial instruments.
- Other – increased by $3.7 million and $5.6 million for the three and six month periods ended June 30, 2018 to $2.3 million and $3.9 million compared to 2017 primarily due to the adoption of IFRS 9 where issue costs for securitized loans previously expensed as incurred are amortized over the life of the related loans.

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. Prior to January 1, 2018, commissions paid on the sale of mutual funds were capitalized and amortized over a maximum period of seven years. As of January 1, 2018, as a result of the adoption of IFRS 15 (Note 2 to the Interim Financial Statements) commissions paid on the sale of investment products are capitalized and amortized over their estimated useful lives where the Company receives a fee directly from the client. All other commissions paid on investment product sales are expensed as incurred.

Commission expense was $56.3 million for the second quarter of 2018, a decrease of $22.6 million from $78.9 million in 2017. For the six month period, commission expense decreased by $44.3 million to $125.5 million compared with $169.8 million in 2017. When adjusted for the impact of IFRS 15, prior period expenses would have been $78.4 million for the quarter and $181.8 million for the six month period, representing a decrease in 2018 of $22.1 million and $56.3 million, respectively. These decreases in mutual fund commissions are due to lower mutual fund sales in each period and compensation changes that were effective January 1, 2018 resulting in a decrease in commission based compensation and an increase in asset-based compensation. In addition, the decrease in other commissions resulted in part from compensation related to the distribution of insurance products.

Asset-based compensation, which is based on the value of assets under management, increased by $11.3 million and $28.2 million for the three and six month periods ended June 30, 2018 to $95.3 million and $190.9 million, compared to 2017. The increase was primarily due to the increase in assets under management and compensation changes effective January 1, 2018.

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 $146.9 million for the second quarter of 2018 compared to $147.7 million in 2017, a decrease of $0.8 million or 0.5%. For the six month period, non-commission expenses were $291.6 million in 2018 compared to $295.4 million in 2017, a decrease of $3.8 million or 1.3%.

Q2 2018 VS. Q1 2018

FEE INCOME

Management fee income increased by $5.0 million or 1.4% to $365.8 million in the second quarter of 2018 compared with the first quarter of 2018. The increase in management fees in the second quarter was primarily due to an increase of approximately $3.4 million resulting from one additional calendar day in the second quarter compared to the prior quarter, as well as by the increase in average assets under management of 0.2% for the quarter, as shown in Table 9.

Administration fees decreased to $77.5 million in the second quarter of 2018 from $78.1 million in the first quarter of 2018.

Distribution fee income of $40.5 million in the second quarter of 2018 decreased by $2.8 million from $43.3 million in the first

TABLE 11: MORTGAGE BANKING OPERATIONS – INVESTORS GROUP

THREE MONTHS ENDED ($ millions)	2018 JUN. 30	2018 MAR. 31	2017 JUN. 30	% CHANGE 2018 MAR. 31	% CHANGE 2017 JUN. 30
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	**$ 50.9**	$ 50.3	$ 49.4	1.2 %	3.0 %
Interest expense	**41.3**	39.9	33.5	3.5	23.3
Net interest income[1]	**9.6**	10.4	15.9	(7.7)	(39.6)
Gains on sales[2]	**0.7**	0.8	4.5	(12.5)	(84.4)
Fair value adjustments	**(1.9)**	(3.9)	2.3	51.3	N/M
Other	**2.3**	1.6	(1.4)	43.8	N/M
	$ 10.7	$ 8.9	$ 21.3	20.2 %	(49.8) %
Average mortgages serviced					
Securitizations	**$ 7,487**	$ 7,529	$ 7,441	(0.6) %	0.6 %
Other	**3,153**	3,236	3,620	(2.6)	(12.9)
	$ 10,640	$ 10,765	$ 11,061	(1.2) %	(3.8) %
Mortgage sales to:[3]					
Securitizations	**$ 364**	$ 379	$ 308	(4.0) %	18.2 %
Other[2]	**105**	96	294	9.4	(64.3)
	$ 469	$ 475	$ 602	(1.3) %	(22.1) %

SIX MONTHS ENDED ($ millions)	2018 JUN. 30	2017 JUN. 30	% CHANGE
Total mortgage banking income			
Net interest income on securitized loans			
Interest income	**$ 101.2**	$ 98.9	2.3 %
Interest expense	**81.2**	66.7	21.7
Net interest income[1]	**20.0**	32.2	(37.9)
Gains on sales[2]	**1.5**	6.6	(77.3)
Fair value adjustments	**(5.8)**	1.0	N/M
Other	**3.9**	(1.7)	N/M
	$ 19.6	$ 38.1	(48.6) %
Average mortgages serviced			
Securitizations	**$ 7,508**	$ 7,483	0.3 %
Other	**3,194**	3,588	(11.0)
	$ 10,702	$ 11,071	(3.3) %
Mortgage sales to:[3]			
Securitizations	**$ 743**	$ 639	16.3 %
Other[2]	**201**	592	(66.0)
	$ 944	$ 1,231	(23.3) %

(1) Issuance costs in the comparative periods of $2.9 million for the quarter ended March 31, 2017 and $3.5 million in the quarter ended June 30, 2017 were expensed as incurred and recorded in Other within Total mortgage banking income.

(2) 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.

(3) Represents principal amounts sold.

quarter primarily due to a decrease in distribution fee income from insurance product sales, as well as lower redemption fees.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was $12.1 million in the second quarter of 2018 compared to $10.3 million in the previous quarter, an increase of $1.8 million related to Investors Group's mortgage banking operations.

Net investment income related to Investors Group's mortgage banking operations totalled $10.7 million in the second quarter of 2018, an increase of $1.8 million from $8.9 million in the previous quarter as shown in Table 11. The changes in mortgage banking income were due to:

- Fair value adjustments – increased by $2.0 million for the second quarter of 2018 to ($1.9) million compared to ($3.9) million in the previous quarter primarily due to larger unfavorable fair value adjustments on certain securitization related financial instruments in the previous quarter.

EXPENSES

Commission expense in the current quarter was $56.3 million compared with $69.2 million in the previous quarter. The decrease related primarily to lower cash commissions paid being expensed in the quarter primarily due to seasonally lower mutual fund sales in the second quarter. Asset-based compensation decreased by $0.3 million to $95.3 million in the second quarter of 2018.

Non-commission expenses were $146.9 million in the current quarter compared to $144.7 million in the prior quarter.

MACKENZIE INVESTMENTS

REVIEW OF THE BUSINESS

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

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

Founded in 1967, Mackenzie continues to build an investment advisory business through proprietary investment research and portfolio management while utilizing strategic partners in a selected sub-advisory capacity. Our business focuses on multiple distribution channels: Retail, Strategic Alliances and Institutional.

Mackenzie 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 12 and the changes in total assets under management are summarized in Table 13.

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. Effective October 1, 2017, Mackenzie's segment excludes investment advisory mandates to Investors Group funds and investments into Mackenzie mutual funds by Investors Group mutual 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 mandates.

At June 30, 2018, Mackenzie's investment fund assets under management were $58.7 billion, an all-time high, and total assets under management were $67.0 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.

FUND PERFORMANCE

Long-term investment performance is a key measure of Mackenzie's ongoing success. At June 30, 2018, 40.0% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 49.8% for the three year time frame and 43.3% for the five year time frame. Mackenzie also monitors its fund performance relative to the

TABLE 12: CHANGE IN INVESTMENT FUND ASSETS UNDER MANAGEMENT – MACKENZIE[1]

THREE MONTHS ENDED ($ millions)	2018 JUN. 30	2018 MAR. 31	2017 JUN. 30	% CHANGE 2018 MAR. 31	% CHANGE 2017 JUN. 30
Sales	$ 2,741	$ 2,630	$ 2,195	4.2 %	24.9 %
Redemptions	2,711	2,344	1,748	15.7	55.1
Mutual fund net sales (redemptions)[2]	30	286	447	(89.5)	(93.3)
ETF net creations	570	715	389	(20.3)	46.5
Investment fund net sales (redemptions)[3]	447	768	625	(41.8)	(28.5)
Investment returns	1,251	(317)	132	N/M	N/M
Net change in assets	1,698	451	757	N/M	124.3
Beginning assets	56,994	56,543	53,099	0.8	7.3
Ending assets	$ 58,692	$ 56,994	$ 53,856	3.0 %	9.0 %
Consists of:					
Mutual funds	$ 56,842	$ 55,586	$ 53,516	2.3 %	6.2 %
ETFs	2,600	2,004	622	29.7	N/M
Investment funds[4]	$ 58,692	$ 56,994	$ 53,856	3.0 %	9.0 %
Daily average investment fund assets	$ 57,913	$ 57,070	$ 54,098	1.5 %	7.1 %

SIX MONTHS ENDED ($ millions)	2018 JUN. 30	2017 JUN. 30	% CHANGE
Sales	$ 5,371	$ 5,056	6.2 %
Redemptions	5,055	4,533	11.5
Mutual fund net sales (redemptions)[2]	316	523	(39.6)
ETF net creations	1,285	503	155.5
Investment fund net sales (redemptions)[3]	1,215	764	59.0
Investment returns	934	1,667	(44.0)
Net change in assets	2,149	2,431	(11.6)
Beginning assets	56,543	51,425	10.0
Ending assets	$ 58,692	$ 53,856	9.0 %
Daily average investment fund assets	$ 57,494	$ 53,219	8.0 %

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

(2) *During the second quarter of 2018, third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in sales of $381 million, redemptions of $514 million and net redemptions of $133 million.*

During the first quarter of 2017, third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in sales of $313 million, redemptions of $618 million and net redemptions of $305 million.

(3) *Total investment fund net sales exclude Mackenzie mutual fund investments in ETFs of $153 million for the second quarter of 2018, $233 million for the first quarter of 2018, $211 million for the second quarter of 2017.*

Total investment fund net sales exclude Mackenzie mutual fund investments in ETFs of $386 million for the six months ended June 30, 2018 and $262 million for the six months ended June 30, 2017.

(4) *Excludes Mackenzie mutual fund investments in ETFs of $750 million at June 30, 2018, $596 million at March 31, 2018 and $282 million at June 30, 2017.*

TABLE 13: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – MACKENZIE[1]

THREE MONTHS ENDED *($ millions)*	2018 JUN. 30	2018 MAR. 31	2017 JUN. 30	% CHANGE 2018 MAR. 31	% CHANGE 2017 JUN. 30
Net sales (redemptions)					
Mutual funds[2]	**$ 30**	$ 286	$ 447	(89.5) %	(93.3) %
ETF net creations	**570**	715	389	(20.3)	46.5
Investment funds[3]	**447**	768	625	(41.8)	(28.5)
Sub-advisory, institutional and other accounts	**(97)**	229	(82)	N/M	(18.3)
Total net sales	**350**	997	543	(64.9)	(35.5)
Investment returns	**1,442**	(345)	169	N/M	N/M
Net change in assets	**1,792**	652	712	174.8	151.7
Beginning assets	**65,161**	64,509	59,652	1.0	9.2
Ending assets	**$ 66,953**	$ 65,161	$ 60,364	2.8 %	10.9 %
Consists of:					
Mutual funds	**$ 56,842**	$ 55,586	$ 53,516	2.3 %	6.2 %
ETFs	**2,600**	2,004	622	29.7	N/M
Investment funds[4]	**58,692**	56,994	53,856	3.0	9.0
Sub-advisory, institutional and other accounts	**8,261**	8,167	6,508	1.2	26.9
Total assets under management	**$ 66,953**	$ 65,161	$ 60,364	2.8	10.9 %
Average total assets[5]	**$ 66,116**	$ 65,233	$ 60,661	1.4 %	9.0 %

SIX MONTHS ENDED *($ millions)*	2018 JUN. 30	2017 JUN. 30	% CHANGE
Net sales (redemptions)			
Mutual funds[2]	**$ 316**	$ 523	(39.6) %
ETF net creations	**1,285**	503	155.5
Investment funds[3]	**1,215**	764	59.0
Sub-advisory, institutional and other accounts	**132**	36	N/M
Total net sales	**1,347**	800	68.4
Investment returns	**1,097**	1,907	(42.5)
Net change in assets	**2,444**	2,707	(9.7)
Beginning assets	**64,509**	57,657	11.9
Ending assets	**$ 66,953**	$ 60,364	10.9 %
Average total assets[5]	**$ 65,679**	$ 59,668	10.1 %

(1) Effective October 1, 2017, Mackenzie segment has been redefined to exclude advisory mandates to Investors Group and investments into Mackenzie mutual funds by Investors Group mutual funds from its assets under management and net sales. These changes have been applied retroactively to provide comparability of results.

(2) During the second quarter of 2018, third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in sales of $381 million, redemptions of $514 million and net redemptions of $133 million.

During the first quarter of 2017, third party programs which include Mackenzie mutual funds made fund allocation changes which resulted in sales of $313 million, redemptions of $618 million and net redemptions of $305 million.

(3) Total investment fund net sales exclude Mackenzie mutual fund investments in ETFs of $153 million for the second quarter of 2018, $233 million for the first quarter of 2018, $211 million for the second quarter of 2017.

Total investment fund net sales exclude Mackenzie mutual fund investments in ETFs of $386 million for the six months ended June 30, 2018 and $262 million for the six months ended June 30, 2017.

(4) Excludes Mackenzie mutual fund investments in ETFs of $750 million at June 30, 2018, $596 million at March 31, 2018 and $282 million at June 30, 2017.

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

ratings it receives on its mutual funds from the Morningstar† fund ranking service. At June 30, 2018, 77.6% of Mackenzie mutual fund assets measured by Morningstar† had a rating of three stars or better and 38.4% had a rating of four or five stars. This compared to the Morningstar† universe of 77.5% for three stars or better and 43.0% for four and five star funds at June 30, 2018. These ratings exclude the Quadrus Group of Funds†.

CHANGES TO PRODUCT OFFERINGS

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. In 2018, Mackenzie launched a number of new products, implemented a new simplified and more accessible pricing structure, and merged eleven mutual funds to streamline and strengthen its product shelf.

Exchange Traded Funds

The addition of Exchange Traded Funds (ETF) has complemented Mackenzie's broad and innovative fund line-up and reflects its investor-focus vision to provide advisors and investors with new solutions to drive investor outcomes and achieve their personal goals. These ETFs offer investors another investment option to utilize in building long-term diversified portfolios. Mackenzie's current line-up consists of twenty-eight ETFs: fifteen active and strategic beta ETFs launched during 2016 and 2017 and an additional thirteen traditional index ETFs launched in the first quarter of 2018. Since the launch in April 2016, Mackenzie's ETF assets under management have grown to $2.6 billion at the end of June 30, 2018, inclusive of $750 million in investments from Mackenzie mutual funds. This ranks Mackenzie in eighth place in the Canadian ETF industry for assets under management.

Mutual Funds

On May 2, 2018, Mackenzie launched the Mackenzie Multi-Strategy Absolute Return Fund. The fund is the first of its kind for Canadian retail investors, based on the regulators' alternative framework proposal for conventional mutual funds. The fund offers a one-stop solution for retail investors. By diversifying in new alternative ways, the fund enables investors to increase portfolio stability by adding a component to their portfolio that is not correlated with the markets and can experience a smoother ride by leveraging sophisticated risk allocation methodology. This fund seeks to achieve a positive total return over a market cycle, regardless of the ups and downs. To manage this new product, Mackenzie brings together leaders with decades of robust experience managing institutional alternative strategies, including Asset Allocation, Fixed Income and Systematic Strategies teams. Mackenzie's Asset Allocation team will holistically and dynamically allocate among multiple non-traditional strategies including long/short equity, opportunistic credit and global macro.

On May 17, 2018, Mackenzie changed the portfolio management for its emerging market offerings previously managed by a third party sub-advisor. Mackenzie Emerging Markets Class, Mackenzie Emerging Markets Opportunity Class and Mackenzie Emerging Markets Opportunities Fund will be managed internally by the new Global Quantitative Equity boutique based in Boston that utilizes a quantitative investment approach.

As previously announced on June 1, 2018, Mackenzie implemented its lower and simplified pricing structure, which includes some fee reductions.

Precision Tool Launch

On July 16, 2018, Mackenzie launched a new fund and portfolio analysis tool called Precision. Developed by Mackenzie with input from advisors, Precision combines a suite of powerful analysis tools with access to Canadian Mutual Fund and ETF data. Precision will help advisors build client portfolios, generate data-driven insights and share information. This tool is available to all advisors in Canada on the Mackenzie Advisor Resources site.

CHANGE IN ASSETS UNDER MANAGEMENT – 2018 VS. 2017

Mackenzie's total assets under management at June 30, 2018 were $67.0 billion, an increase of 10.9% from $60.4 billion at June 30, 2017. Mackenzie's sub-advisory, institutional and other accounts at June 30, 2018 were $8.3 billion, an increase of 26.9% from $6.5 billion last year.

Mackenzie's investment fund assets under management were $58.7 billion at June 30, 2018, an increase of 9.0% from June 30, 2017. Mackenzie's mutual fund assets under management were $56.8 billion at June 30, 2018, an increase of 6.2% from $53.5 billion at June 30, 2017. Mackenzie's ETF assets were $2.6 billion at June 30, 2018, inclusive of $750 million in investments from Mackenzie mutual funds, compared to $622 million at June 30, 2017, inclusive of $282 million in investments from Mackenzie mutual funds.

In the three months ended June 30, 2018, Mackenzie's mutual fund gross sales were $2.7 billion, an increase of 24.9% from $2.2 billion in the comparative period last year. Mutual fund redemptions in the current quarter were $2.7 billion, an increase of 55.1% from last year. Mutual fund net sales for the three months ended June 30, 2018 were $30 million, as compared to net sales of $447 million last year. In the three months ended June 30, 2018, ETF net creations were $570 million, inclusive of $153 million in investments from Mackenzie mutual funds compared to ETF net creations of $389 million last year, inclusive of $211 million in investments from Mackenzie mutual funds. Investment fund net sales in the current quarter were $447 million compared to net sales of $625 million last year.

During the current quarter, investment returns resulted in investment fund assets increasing by $1.3 billion as compared to an increase of $132 million last year.

During the three months ended June 30, 2018, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $381 million, redemptions of $514 million and net redemptions of $133 million. Excluding these transactions, mutual fund gross sales increased 7.6% and mutual fund redemptions increased 25.7% in the three months ended June 30, 2018 compared to last year and mutual fund net sales were $163 million compared to mutual fund net sales of $447 million last year.

Total net sales for the three months ended June 30, 2018 were $350 million, compared to net sales of $543 million last year. During the current quarter, investment returns resulted in assets increasing by $1.4 billion compared to an increase of $169 million last year. Excluding the mutual fund allocation changes made by third party programs during the second quarter of 2018 discussed previously, total net sales were $483 million in the current quarter compared to net sales of $543 million last year.

In the six months ended June 30, 2018, Mackenzie's mutual fund gross sales were $5.4 billion, an increase of 6.2% from $5.1 billion in the comparative period last year. Mutual fund redemptions in the current period were $5.1 billion, an increase of 11.5% from last year. Mutual fund net sales for the six months ended June 30, 2018 were $316 million, as compared to net sales of $523 million last year. In the six months ended June 30, 2018, ETF net creations were $1.3 billion, inclusive of $386 million in investments from Mackenzie mutual funds, compared to ETF net creations of $503 million, inclusive of $262 million in investments from Mackenzie mutual funds last year. Investment fund net sales in the current period were $1.2 billion compared to $0.8 billion last year. During the current period, investment returns resulted in investment fund assets increasing by $934 million as compared to an increase of $1.7 billion last year.

During the six months ended June 30, 2018, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $381 million, redemptions of $514 million and net redemptions of $133 million. During the six months ended June 30, 2017, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $313 million, redemptions of $618 million and net redemptions of $305 million. Excluding these transactions, mutual fund gross sales increased 5.2% and mutual fund redemptions increased 16.0% in the six months ended June 30, 2018 compared to last year and mutual fund net sales were $449 million compared to $828 million last year.

Redemptions of long-term mutual funds in the three and six months ended June 30, 2018, were $2.6 billion and $4.9 billion, respectively, as compared to $1.7 billion and $4.4 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by third party programs were $4.4 billion in the six months ended June 30, 2018, compared to $3.8 billion last year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 18.9% in the second quarter of 2018, compared to 12.6% in the second quarter of 2017. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 15.2% in the second quarter of 2018. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 15.3% at June 30, 2018, as compared to 15.5% last year. Mackenzie's twelve month trailing redemption rate for long-term funds, excluding rebalance transactions, was 14.4% at June 30, 2018 and 14.3% at June 30, 2017. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 16.4% at June 30, 2018. 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 six months ended June 30, 2018 were $1.3 billion, as compared to net sales of $800 million last year. During the six months ended June 30, 2018, investment returns resulted in assets increasing by $1.1 billion, compared to an increase of $1.9 billion last year. Excluding the mutual fund allocation changes in both 2018 and 2017 previously discussed, total net sales were $1.5 billion in the current period compared to net sales of $1.1 billion last year.

CHANGE IN ASSETS UNDER MANAGEMENT – Q2 2018 VS. Q1 2018

Mackenzie's total assets under management at June 30, 2018, were $67.0 billion, an increase of 2.8% from $65.2 billion at March 31, 2018. Mackenzie's sub-advisory, institutional and other accounts at June 30, 2018 were $8.3 billion, an increase of 1.2% from $8.2 billion at March 31, 2018.

Mackenzie's investment fund assets under management were $58.7 billion at June 30, 2018, an increase of 3.0% from $57.0 billion at March 31, 2018. Mackenzie's mutual fund assets under management were $56.8 billion at June 30, 2018, an increase of 2.3% from $55.6 billion at March 31, 2018. Mackenzie's ETF assets were $2.6 billion at June 30, 2018, an increase of 29.7% from $2.0 billion at March 31, 2018. ETF assets include investments from Mackenzie mutual funds of $750 million at June 30, 2018 and $596 million at March 31, 2018.

For the quarter ended June 30, 2018, Mackenzie mutual fund gross sales were $2.7 billion, an increase of 4.2% from the first quarter of 2018. Mutual fund redemptions, which totalled $2.7 billion for the second quarter, increased by 15.7% from the previous quarter. Net sales of Mackenzie mutual funds for the current quarter were $30 million compared with net sales of $286 million in the previous quarter. Excluding the mutual fund allocation changes during the second quarter of 2018 previously discussed, mutual fund gross sales declined 10.2%, mutual fund redemptions declined 6.2% and net sales in the three months ended June 30, 2018, were $163 million compared to $286 million in the first quarter of 2018.

Redemptions of long-term mutual fund assets in the current quarter were $2.6 billion, compared to $2.2 billion in the first quarter of 2018. Redemptions of long-term mutual fund assets, excluding mutual fund allocation changes made by third party programs in the second quarter of 2018 previously discussed, were $2.1 billion. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 18.9% compared to 16.5% for the first quarter of 2018. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 15.2% in the second quarter of 2018. Net sales of long-term funds for the current quarter were $20 million compared to net sales of $264 million in the previous quarter. Net sales of long-term mutual funds excluding rebalance transactions was $152 million in the second quarter of 2018.

For the quarter ended June 30 2018, Mackenzie ETF net creations were $570 million, a decrease of $145 million from the first quarter of 2018. In the current quarter, ETF net creations were inclusive of $153 million in investments from Mackenzie mutual funds compared to $233 million in the first quarter.

Investment fund net sales in the current quarter were $447 million compared to net sales of $768 million in the first quarter. Investment fund net sales in the current quarter, excluding mutual fund allocation changes made by third party programs previously discussed, were $580 million.

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 and investments into Mackenzie mutual funds by Investors Group mutual 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 which better aligns with internal management 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 14.

2018 VS. 2017

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

TABLE 14: OPERATING RESULTS – MACKENZIE

THREE MONTHS ENDED ($ millions)	2018 JUN. 30	2018 MAR. 31	2017 JUN. 30	% CHANGE 2018 MAR. 31	% CHANGE 2017 JUN. 30
Revenues					
Management fees	**$ 177.0**	$ 175.9	$ 177.2	0.6 %	(0.1) %
Administration fees	**24.9**	24.9	24.9	–	–
Distribution fees	**1.5**	2.1	1.9	(28.6)	(21.1)
	203.4	202.9	204.0	0.2	(0.3)
Net investment income and other	**2.5**	(0.2)	(1.9)	N/M	N/M
	205.9	202.7	202.1	1.6	1.9
Expenses					
Commission	**7.2**	9.9	11.7	(27.3)	(38.5)
Trailing commission	**65.7**	65.4	63.8	0.5	3.0
Non-commission	**84.3**	85.8	83.2	(1.7)	1.3
	157.2	161.1	158.7	(2.4)	(0.9)
Earnings before interest and taxes	**$ 48.7**	$ 41.6	$ 43.4	17.1 %	12.2 %

SIX MONTHS ENDED ($ millions)	2018 JUN. 30	2017 JUN. 30	% CHANGE
Revenues			
Management fees	**$ 352.9**	$ 349.0	1.1 %
Administration fees	**49.8**	49.3	1.0
Distribution fees	**3.6**	4.2	(14.3)
	406.3	402.5	0.9
Net investment income and other	**2.3**	(1.8)	N/M
	408.6	400.7	2.0
Expenses			
Commission	**17.1**	24.3	(29.6)
Trailing commission	**131.1**	125.8	4.2
Non-commission	**170.1**	165.7	2.7
	318.3	315.8	0.8
Earnings before interest and taxes	**$ 90.3**	$ 84.9	6.4 %

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 June 30, 2018, these series had $8.0 billion in assets, an increase of 31.5% from the prior year.

Management fees were $177.0 million for the three months ended June 30, 2018, a decrease of $0.2 million or 0.1% from $177.2 million last year. As discussed earlier, advisory mandates to Investors Group funds and investments into Mackenzie mutual funds by Investors Group mutual funds were excluded from the Mackenzie segment effective October 1, 2017. When adjusted to remove these fees from Investors Group, prior period management fees were $172.3 million. The net increase in management fees was due to the increase in average assets under management of 9.0% offset by a decline in the average management fee rate. Mackenzie's average management fee rate was 107.4 basis points during the current quarter compared to 113.9 basis points in 2017 when adjusted to exclude these 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, the impact of the pricing changes implemented on June 1, 2018 which included switching of qualified investors into is Private Wealth Series, and a 26.9% increase in lower margin sub-advisory, institutional and other accounts.

Management fees were $352.9 million for the six months ended June 30, 2018, an increase of $3.9 million or 1.1% from $349.0 million last year. When adjusted to remove the fees from Investors Group, prior period management fees were $339.5 million. The net increase in management fees was due to the increase in total average assets under management of 10.1% offset by a decline in the average management fee rate. Mackenzie's average management fee rate in the six months ended June 30, 2018 was 108.4 basis points compared to 114.7 basis points in 2017. 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.

Mackenzie earns administration fees primarily from providing services to its investment funds. Administration fees were $24.9 million for the three months ended June 30, 2018, consistent with last year. Administration fees were $49.8 million for the six months ended June 30, 2018, an increase of $0.5 million or 1.0% from $49.3 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 June 30, 2018 was $1.5 million, compared to $1.9 million last year. Distribution fee income in the six months ended June 30, 2018 was $3.6 million, a decrease of $0.6 million from $4.2 million last year.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was $2.5 million for the three months ended June 30, 2018 compared to ($1.9) million last year. Net investment income and other was $2.3 million for the six months ended June 30, 2018, an increase of $4.1 million from ($1.8) million last year.

EXPENSES

Mackenzie's expenses were $157.2 million for the three months ended June 30, 2018, a decrease of $1.5 million or 0.9% from $158.7 million in 2017. Expenses for the six months ended June 30, 2018 were $318.3 million, an increase of $2.5 million or 0.8% from $315.8 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. Prior to January 1, 2018, commissions paid on the sale of mutual funds were capitalized and amortized over a maximum period of seven years. As of January 1, 2018, as a result of the adoption of IFRS 15, commissions paid are expensed as incurred.

Commission expense was $7.2 million in the three months ended June 30, 2018, as compared to $11.7 million last year. Commission expense in the six months ended June 30, 2018 was $17.1 million compared to $24.3 million in 2017. When adjusted for the impact of IFRS 15, prior period expenses would have been $8.0 million for the quarter and $17.9 million for the six month period, representing a decrease in 2018 of $0.8 million in both periods.

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 $65.7 million in the three months ended June 30, 2018, an increase of $1.9 million or 3.0% from $63.8 million last year. Trailing commissions in the six months ended June 30, 2018 were $131.1 million, an increase of $5.3 million or 4.2% from $125.8 million last year. The increase in trailing commissions in the three and six months ended June 30, 2018 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 46.7 and 46.8 basis points in the three and six months ended June 30, 2018 compared to 47.4 basis points in the three and six months ended June 30, 2017. The decline 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 $84.3 million in the three months ended June 30, 2018, an increase of $1.1 million or 1.3% from $83.2 million in 2017. Non-commission expenses in the six months ended June 30, 2018 were $170.1 million, an increase of $4.4 million or 2.7% from $165.7 million in 2017.

Q2 2018 VS. Q1 2018

REVENUES

Mackenzie's revenues were $205.9 million for the current quarter, an increase of $3.2 million or 1.6% from $202.7 million in the first quarter.

Management fees were $177.0 million for the current quarter, an increase of $1.1 million or 0.6% from $175.9 million in the first quarter. Factors contributing to the net increase in management fees are as follows:

- Average assets under management were $66.1 billion in the current quarter, a 1.4% increase from $65.2 billion in the prior quarter.
- Mackenzie's average management fee rate was 107.4 basis points in the current quarter compared to 109.4 basis points in the first quarter.
- There was one more calendar day in the second quarter of 2018 compared to the first quarter of 2018, which resulted in an increase of $1.9 million.

Administration fees were $24.9 million in the current quarter, consistent with the first quarter.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. Net investment income and other was $2.5 million for the current quarter compared to ($0.2) million in the first quarter.

EXPENSES

Mackenzie's expenses were $157.2 million for the current quarter, a decrease of $3.9 million or 2.4% from $161.1 million in the first quarter.

Commission expense related to selling commissions paid was $7.2 million in the quarter ended June 30, 2018, as compared to $9.9 million in the first quarter. The decline in the second quarter was primarily due to seasonally lower sales on a deferred sales charge and low load purchase option.

Trailing commissions were $65.7 million in the current quarter, an increase of $0.3 million or 0.5% from $65.4 million in the first quarter. The change in trailing commissions reflects the 0.7% period over period increase in average mutual fund assets under management, offset, in part, by a decline in the effective trailing commission rate. The effective trailing commission rate was 46.7 basis points in the current quarter compared to 46.8 basis points in the first quarter.

Non-commission expenses were $84.3 million in the current quarter, compared to $85.8 million in the first quarter.

CORPORATE AND OTHER

REVIEW OF SEGMENT OPERATING RESULTS

The Corporate and Other segment includes net investment income not allocated to the Investors Group or Mackenzie segments, the Company's proportionate share of earnings of its 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 15.

2018 VS. 2017

The proportionate share of associates' earnings increased by $12.7 million in the second quarter of 2018 and increased by $22.7 million in the six months ended June 30, 2018, compared to 2017. These earnings reflect equity earnings from Lifeco for all periods under review and from China AMC in 2018, as discussed in the Consolidated Financial Position section of this MD&A. Net investment income and other decreased to $4.0 million in the second quarter of 2018 compared to $5.2 million in 2017. For the six month period, net investment income and other increased to $8.0 million compared to $6.9 million in 2017.

Earnings before interest and taxes related to Investment Planning Counsel were $1.8 million higher in the second quarter of 2018 compared to the same period in 2017 and $3.1 million higher in the six months ended June 30, 2018.

TABLE 15: OPERATING RESULTS – CORPORATE AND OTHER

THREE MONTHS ENDED ($ millions)	2018 JUN. 30	2018 MAR. 31	2017 JUN. 30	% CHANGE 2018 MAR. 31	% CHANGE 2017 JUN. 30
Revenues					
Fee income	**$ 72.6**	$ 72.4	$ 66.6	0.3 %	9.0 %
Net investment income and other	**4.0**	4.0	5.2	–	(23.1)
Proportionate share of associates' earnings	**37.6**	38.0	24.9	(1.1)	51.0
	114.2	114.4	96.7	(0.2)	18.1
Expenses					
Commission	**45.6**	46.0	46.0	(0.9)	(0.9)
Non-commission	**21.5**	22.6	15.6	(4.9)	37.8
	67.1	68.6	61.6	(2.2)	8.9
Earnings before interest and taxes	**$ 47.1**	$ 45.8	$ 35.1	2.8 %	34.2 %

SIX MONTHS ENDED ($ millions)	2018 JUN. 30	2017 JUN. 30	% CHANGE
Revenues			
Fee income	**$ 145.0**	$ 131.9	9.9 %
Net investment income and other	**8.0**	6.9	15.9
Proportionate share of associates' earnings	**75.6**	52.9	42.9
	228.6	191.7	19.2
Expenses			
Commission	**91.6**	91.1	0.5
Non-commission	**44.1**	32.3	36.5
	135.7	123.4	10.0
Earnings before interest and taxes	**$ 92.9**	$ 68.3	36.0 %

Q2 2018 VS. Q1 2018

The proportionate share of associates' earnings were $37.6 million in the second quarter of 2018, a decrease of $0.4 million from the first quarter of 2018. Net investment income and other was $4.0 million in the second quarter of 2018, unchanged from the first quarter.

Earnings before interest and taxes related to Investment Planning Counsel were $1.8 million higher in the second quarter of 2018 compared to the prior quarter.

IGM FINANCIAL INC.

CONSOLIDATED FINANCIAL POSITION

IGM Financial's total assets were $15.7 billion at June 30, 2018, compared to $16.5 billion at December 31, 2017.

OTHER INVESTMENTS

The composition of the Company's securities holdings is detailed in Table 16.

As a result of the adoption of IFRS 9 on January 1, 2018 (Note 2 to the Interim Financial Statements), other investments of $19.9 million were reclassified from available for sale to fair value through profit or loss (FVTPL) and the Company elected to classify other investments of $262.8 million at fair value through other comprehensive income (FVTOCI).

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Corporate Investments

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

In the second quarter of 2018, the Company invested a total of $18.0 million in Corporate investments for a total of $65.2 million in the six month period.

FAIR VALUE THROUGH PROFIT OR LOSS

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

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

LOANS

The composition of the Company's loans is detailed in Table 17.

Loans consisted of residential mortgages and represented 50.0% of total assets at June 30, 2018, compared to 47.6% at December 31, 2017.

Loans measured at amortized cost are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $7.5 billion at June 30, 2018, compared to $7.6 billion at December 31, 2017.

The Company holds loans pending sale or securitization. Loans measured at fair value through profit or loss are residential mortgages held temporarily by the Company pending sale. Upon adoption of IFRS 9, effective January 1, 2018, loans held for securitization are carried at amortized cost. As a result, $282.6 million of the $286.7 million loans classified as held for trading at fair value through profit or loss were reclassified to loans measured at amortized cost. Total loans being held pending sale or securitization are $397.7 million at June 30, 2018 compared to $286.7 million at December 31, 2017.

TABLE 16: OTHER INVESTMENTS

	JUNE 30, 2018		DECEMBER 31, 2017	
($ millions)	COST	FAIR VALUE	COST	FAIR VALUE
Available for sale				
Corporate investments	$ N/A	$ N/A	$ 215.0	$ 262.8
Proprietary investment funds	N/A	N/A	19.6	19.9
	N/A	N/A	234.6	282.7
Fair value through other comprehensive income				
Corporate investments	280.2	321.4	N/A	N/A
Fair value through profit or loss				
Equity securities	16.8	18.3	17.1	17.1
Proprietary investment funds	85.6	87.2	79.6	79.9
	102.4	105.5	96.7	97.0
	$ 382.6	$ 426.9	$ 331.3	$ 379.7

TABLE 17: LOANS

($ millions)	2018 JUNE 30	2017 DECEMBER 31
Amortized cost	**$ 7,822.4**	$ 7,564.0
Less: Allowance for expected credit losses	**0.9**	0.8
	7,821.5	7,563.2
Fair value through profit or loss	**6.9**	286.7
	$ 7,828.4	$ 7,849.9

Residential mortgages originated by Investors Group are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs. Investors Group services $13.0 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 second quarter of 2018, the Company securitized loans through its mortgage banking operations with cash proceeds of $355.3 million compared to $300.0 million in 2017. 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 5 of the Interim Financial Statements.

INVESTMENT IN ASSOCIATES

GREAT-WEST LIFECO INC. (LIFECO)

At June 30, 2018, 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 six months ended June 30, 2018 compared with 2017 are shown in Table 18.

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¥ 869.6 billion ($167.9 billion) at December 31, 2017, representing an increase of 4.0% (CAD$ increase of 5.0%) from RMB¥ 836.4 billion ($159.9 billion) at June 30, 2017.

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 June 30, 2018 are shown in Table 18.

TABLE 18: INVESTMENT IN ASSOCIATES

SIX MONTHS ENDED ($ millions)			2018 JUN. 30	2017 JUN. 30
	LIFECO	CHINA AMC	**TOTAL**	TOTAL
Carrying value, beginning of period				
As previously reported	$ 903.1	$ 647.9	**$ 1,551.0**	$ 888.9
Change in accounting policy (IFRS 15)	(1.7)	–	**(1.7)**	–
	901.4	647.9	**1,549.3**	888.9
Proportionate share of earnings	60.1	15.5	**75.6**	52.9
Proportionate share of associate's restructuring provision(1)	–	–	**–**	(5.1)
Dividends received	(30.9)	(12.2)	**(43.1)**	(29.2)
Proportionate share of other comprehensive income (loss) and other adjustments	28.9	18.7	**47.6**	6.7
Carrying value, end of period	$ 959.5	$ 669.9	**$ 1,629.4**	$ 914.2

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

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Cash and cash equivalents totalled $721.7 million at June 30, 2018 compared with $966.8 million at December 31, 2017 and $1,069.3 million at June 30, 2017. Cash and cash equivalents related to the Company's deposit operations were $2.9 million at June 30, 2018, compared to $3.3 million at December 31, 2017 and $2.0 million at June 30, 2017, as shown in Table 19.

Working capital totalled $147.8 million at June 30, 2018 compared with $786.1 million at December 31, 2017 and $1,082.6 million at June 30, 2017. Working capital excludes the Company's deposit operations. The decrease in working capital is due to the 7.35% debentures in the amount of $375 million becoming current and the Company will redeem the debentures early on August 10, 2018. Working capital at June 30, 2018 does not include the impact of the $200 million 4.174% debentures issued on July 11, 2018. The decrease also resulted from the adoption of IFRS 9 which included the reclassification of certain loans from current assets to long-term assets.

Working capital is utilized to:

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

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization before sales commissions (EBITDA before sales commissions) totalled $342.2 million in the second quarter of 2018 compared to $345.3 million in the second quarter of 2017 and $333.2 million in the first quarter of 2018. EBITDA before sales commissions excludes the impact of both commissions paid and commission amortization (refer to Table 1).

Earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions) totalled $297.7 million in the second quarter of 2018 compared to $278.7 million in the second quarter of 2017 and $270.9 million in the first quarter of 2018. EBITDA after sales commissions excludes the impact of commission amortization (refer to Table 1).

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

TABLE 19: DEPOSIT OPERATIONS – FINANCIAL POSITION

($ millions)	2018 JUN. 30	2017 DEC. 31	2017 JUN. 30
Assets			
Cash and cash equivalents	**$ 2.9**	$ 3.3	$ 2.0
Client funds on deposit	**471.3**	489.6	420.4
Accounts and other receivables	**5.4**	0.8	1.0
Loans	**21.9**	21.7	27.1
Total assets	**$ 501.5**	$ 515.4	$ 450.5
Liabilities and shareholders' equity			
Deposit liabilities	**$ 490.4**	$ 505.0	$ 439.3
Other liabilities	**0.5**	0.5	0.5
Shareholders' equity	**10.6**	9.9	10.7
Total liabilities and shareholders' equity	**$ 501.5**	$ 515.4	$ 450.5

CASH FLOWS

Table 20 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Interim Financial Statements for the three and six month periods ended June 30, 2018. Cash and cash equivalents decreased by $56.5 million in the second quarter of 2018 compared to a decrease of $133.6 million in 2017. For the six month period, cash and cash equivalents decreased by $245.1 million in 2018 compared to an increase of $458.3 million in 2017.

As at June 30, 2018, the Company has revised its Consolidated Statements of Cashflows included in its Consolidated Financial Statements in order to provide users with additional details on the nature of the Company's cash flows.

Adjustments to determine net cash from operating activities during the second quarter of 2018 compared to 2017 consist of non-cash operating activities offset by cash operating activities:

- The add-back of amortization of capitalized sale commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital and intangible assets.
- The deduction of investment in associates' equity earnings offset by dividends received.
- The add-back of pension and other post-employment benefits offset by cash contributions.
- Changes in operating assets and liabilities and other.

TABLE 20: CASH FLOWS

	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
($ millions)	2018	2017	% CHANGE	2018	2017	% CHANGE
Operating activities						
Earnings before income taxes	**$ 264.4**	$ 266.0	(0.6) %	**$ 504.4**	$ 492.7	2.4 %
Income taxes paid	**(45.2)**	(46.2)	2.2	**(83.6)**	(90.0)	7.11
Adjustments to determine net cash from operating activities	**0.2**	(32.7)	N/M	**(83.6)**	(116.1)	28.0
	219.4	187.1	17.3	**337.2**	286.6	17.7
Financing activities	**(299.1)**	(377.1)	20.7	**(572.9)**	40.7	N/M
Investing activities	**23.2**	56.4	(58.9)	**(9.4)**	131.0	N/M
Change in cash and cash equivalents	**(56.5)**	(133.6)	57.7	**(245.1)**	458.3	N/M
Cash and cash equivalents, beginning of period	**778.2**	1,202.9	(35.3)	**966.8**	611.0	58.2
Cash and cash equivalents, end of period	**$ 721.7**	$ 1,069.3	(32.5) %	**$ 721.7**	$ 1,069.3	(32.5) %

- The add-back of one-time adjustments in the three and six month periods in 2017 which included the pension plan adjustment and restructuring provisions and other.
- The deduction of restructuring provision cash payments.

Financing activities during the second quarter of 2018 compared to 2017 related to:

- An increase in obligations to securitization entities of $344.6 million and repayments of obligations to securitization entities of $506.5 million in 2018 compared to an increase in obligations to securitization entities of $292.1 million and repayments of obligations to securitization entities of $531.6 million in 2017.
- The payment of perpetual preferred share dividends which totalled $2.2 million in 2018, unchanged from 2017.
- The payment of regular common share dividends which totalled $135.4 million in 2018 compared to $135.3 million in 2017.

Financing activities during the six months ended June 30, 2018 compared to 2017 related to:

- An increase in obligations to securitization entities of $711.1 million and repayments of obligations to securitization entities of $864.3 million in 2018 compared to an increase in obligations to securitization entities of $610.8 million and repayments of obligations to securitization entities of $897.5 million in 2017.
- Payment of debentures of $150.0 million in the first quarter of 2018.
- Issuance of debentures of $600.0 million in the first quarter of 2017.
- The payment of perpetual preferred share dividends which totalled $4.4 million in 2018, unchanged from 2017.
- The payment of regular common share dividends which totalled $270.8 million in 2018 compared to $270.6 million in 2017.

Investing activities during the second quarter of 2018 compared to 2017 primarily related to:

- The purchases of other investments totalling $32.1 million and sales of other investments with proceeds of $17.5 million in 2018 compared to $61.0 million and $11.2 million, respectively, in 2017. Purchases included corporate investments of $20.2 million in the second quarter of 2018 and $30.4 million in the second quarter of 2017.
- An increase in loans of $472.2 million with repayments of loans and other of $518.4 million in 2018 compared to $670.6 million and $788.0 million, respectively, in 2017 primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions was $5.9 million in 2018 compared to $7.8 million in 2017.

Investing activities during the six months ended June 30, 2018 compared to 2017 primarily related to:

- The purchases of other investments totalling $82.3 million and sales of other investments with proceeds of $43.3 million in 2018 compared to $103.1 million and $36.7 million, respectively, in 2017. Purchases included corporate investments of $47.0 million in 2018 and $42.6 million in 2017.
- An increase in loans of $855.8 million with repayments of loans and other of $921.4 million in 2018 compared to $1,184.8 million and $1,407.3 million, respectively, in 2017 primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions was $29.0 million in 2018 compared to $15.7 million in 2017.

CAPITAL RESOURCES

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt, perpetual preferred shares and common shareholders' equity which totalled $6.5 billion at June 30, 2018, compared to $7.0 billion at December 31, 2017. The reduction in Shareholders' equity in the six month period was largely due to the adoption of IFRS 15 which resulted in an adjustment to opening retained earnings of $514.6 million in the first quarter of 2018. The Company regularly assesses its capital management practices in response to changing economic conditions.

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

The total outstanding long-term debt was $2,025.0 million at June 30, 2018, compared to $2,175.0 million at December 31, 2017. The decrease of $150.0 million is related to the maturity of the Company's 6.58% debentures which were due and repaid on March 7, 2018. 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.

On July 11, 2018, IGM Financial issued $200.0 million of 4.174% debentures maturing July 13, 2048. The offering was made pursuant to a prospectus supplement to IGM Financial's short form base shelf prospectus dated November 29, 2016. The net proceeds will be used by IGM Financial, together with a portion of IGM Financial's existing internal cash resources, to fund the redemption of all of its $375 million aggregate principal amount of 7.35% debentures due April 8, 2019 (the "2019 Debentures"). IGM Financial issued a notice on July 11, 2018 to redeem the 2019 Debentures on August 10, 2018.

Perpetual preferred shares of $150 million at June 30, 2018 remain unchanged from December 31, 2017.

Other activities in 2018 included the declaration of perpetual preferred share dividends of $4.4 million or $0.7375 per share and common share dividends of $270.9 million or $1.125 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

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

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

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

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

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

FINANCIAL INSTRUMENTS

Table 21 presents the carrying amounts and fair values of financial assets and financial liabilities. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities, and certain other financial liabilities.

Fair value is determined using the following methods and assumptions:

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

TABLE 21: FINANCIAL INSTRUMENTS

($ millions)	JUNE 30, 2018 CARRYING VALUE	JUNE 30, 2018 FAIR VALUE	DECEMBER 31, 2017 CARRYING VALUE	DECEMBER 31, 2017 FAIR VALUE
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	$ 321.4	$ 321.4	$ N/A	$ N/A
– Available for sale	N/A	N/A	282.7	282.7
– Fair value through profit or loss	105.5	105.5	97.0	97.0
Loans				
– Fair value through profit or loss	6.9	6.9	286.7	286.7
Derivative financial instruments	27.4	27.4	35.7	35.7
Financial assets recorded at amortized cost				
Loan				
– Loans and receivables	7,821.5	7,823.9	7,563.2	7,675.5
Financial liabilities recorded at fair value				
Derivative financial instruments	31.2	31.2	28.4	28.4
Other financial liabilities	9.3	9.3	9.3	9.3
Financial liabilities recorded at amortized cost				
Deposits and certificates	490.4	490.7	505.0	505.5
Obligations to securitization entities	7,506.2	7,545.0	7,596.0	7,657.8
Long-term debt	2,025.0	2,306.5	2,175.0	2,470.2

- 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 14 of the Interim Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the six months ended June 30, 2018.

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 Board of Directors. Additional oversight is provided by the Enterprise Risk Management (ERM) Department, compliance groups, and the Company's Internal Audit Department.

The Board of Directors provides primary oversight and carries out its risk management mandate. The Board 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.

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

- 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 Human Resource 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 Chief Operating Officer, the Executive Vice President Strategy Execution Office and the Senior Vice President Client and Regulatory Affairs. The committee is responsible for 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 Operational Risk Management committees. These committees perform critical reviews of risk assessments, risk management practices and risk response plans developed by business units and support functions.

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

Third Line of Defence

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

RISK APPETITE AND RISK PRINCIPLES

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

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

RISK MANAGEMENT PROCESS

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

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

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

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

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

RISK MANAGEMENT CULTURE

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

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

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

KEY RISKS OF THE BUSINESS

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 2018 and 2017, 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.
- 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 were used by IGM Financial to finance a substantial portion of its acquisition of a 13.9% equity interest in China AMC in 2017 and for general corporate purposes.
- In December 2017, the Company issued $250 million of 30 year 4.115% debentures.
- In March 2018, the Company repaid the $150.0 million 6.58% debentures.
- In July 2018, the Company issued $200 million of 30 year 4.174% debentures. The net proceeds will be used by IGM Financial, together with a portion of IGM Financial's existing internal cash resources, to fund the redemption of all of its $375 million aggregate principal amount of 7.35% debentures due April 8, 2019 (2019 Debentures). IGM Financial issued a notice on July 11, 2018 to redeem the 2019 Debentures on August 10, 2018.

The Company's contractual obligations are reflected in Table 22.

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 June 30, 2018, unchanged from December 31, 2017. The lines of credit as at June 30, 2018 consisted of committed lines of $650 million (December 31, 2017 – $650 million) and uncommitted lines of $175 million (December 31, 2017 – $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 June 30, 2018 and December 31, 2017, 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, 2017, was completed in May 2018. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of

TABLE 22: CONTRACTUAL OBLIGATIONS

AS AT JUNE 30, 2018 ($ millions)	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 8.5	$ 22.3	$ 0.4	$ 31.2
Deposits and certificates	476.0	7.1	5.7	1.6	490.4
Obligations to securitization entities	–	1,262.3	6,217.7	26.2	7,506.2
Long-term debt	–	375.0	–	1,650.0	2,025.0
Operating leases(1)	–	27.7	69.6	34.1	131.4
Pension funding(2)	–	8.1	–	–	8.1
Total contractual obligations	$ 476.0	$ 1,688.7	$ 6,315.3	$ 1,712.3	$ 10,192.3

(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, 2020. 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.*

the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $47.2 million compared to $82.7 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2016. The decrease in the solvency deficit resulted primarily from higher assets due to contribution and investment returns, and is required to be funded over five years. The registered pension plan had a going concern surplus of $46.1 million compared to $24.4 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2020. The Company has made contributions of $30.3 million in the six months ended June 30, 2018 (2017 – $7.1 million). The Company utilized $10.5 million of the payments made during 2018 to reduce its solvency deficit and increase its going concern surplus. The Company expects to make further contributions of approximately $8.1 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, 2017.

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

Cash and Cash Equivalents

At June 30, 2018, cash and cash equivalents of $721.7 million (December 31, 2017 – $966.8 million) consisted of cash balances of $51.6 million (December 31, 2017 – $88.3 million) on deposit with Canadian chartered banks and cash equivalents of $670.1 million (December 31, 2017 – $878.5 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $13.5 million (December 31, 2017 – $239.5 million), provincial government treasury bills and promissory notes of $167.7 million (December 31, 2017 – $252.6 million), bankers' acceptances and other short-term notes issued by Canadian chartered banks of $434.5 million (December 31, 2017 – $351.4 million), and highly rated corporate commercial paper of $54.4 million (December 31, 2017 – $35.0 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, 2017.

Mortgage Portfolio

As at June 30, 2018, residential mortgages, recorded on the Company's balance sheet, of $7.8 billion (December 31, 2017 – $7.8 billion) consisted of $7.4 billion sold to securitization programs (December 31, 2017 – $7.5 billion), $397.7 million held pending sale or securitization (December 31, 2017 – $286.7 million) and $26.0 million related to the Company's intermediary operations (December 31, 2017 – $26.0 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 $4.4 billion (December 31, 2017 – $4.5 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 (December 31, 2017 – $3.1 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $70.5 million (December 31, 2017 – $69.7 million) and $38.3 million (December 31, 2017 – $42.4 million), respectively, at June 30, 2018. 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 12.3% of mortgages held in ABCP Trusts insured at June 30, 2018 (December 31, 2017 – 16.4%).

At June 30, 2018, residential mortgages recorded on balance sheet were 63.4% insured (December 31, 2017 – 65.5%). As at June 30, 2018, impaired mortgages on these portfolios were $3.8 million, compared to $2.8 million at December 31, 2017. Uninsured non-performing mortgages over 90 days on these portfolios were $1.2 million at June 30, 2018, compared to $0.8 million at December 31, 2017.

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

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

The Company's allowance for expected credit losses was $0.9 million at June 30, 2018, compared to $0.8 million at December 31, 2017, 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, 2017.

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 $28.3 million (December 31, 2017 – $33.8 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 $0.4 million at June 30, 2018 (December 31, 2017 – $1.2 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 June 30, 2018. Management of credit risk related to derivatives has not changed materially since December 31, 2017.

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 Annual Financial Statements.

MARKET RISK

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

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 $7.0 million (December 31, 2017 – positive $4.1 million) and an outstanding notional amount of $1.1 billion at June 30, 2018 (December 31, 2017 – $1.2 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 $12.4 million (December 31, 2017 – negative $4.5 million), on an outstanding notional amount of $1.9 billion at June 30, 2018 (December 31, 2017 – $1.9 billion). The net fair value of these swaps of negative $5.4 million at June 30, 2018 (December 31, 2017 – negative $0.4 million) is recorded on the balance sheet and has an outstanding notional amount of $3.0 billion (December 31, 2017 – $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 was $0.1 million (December 31, 2017 – $0.9 million) on an outstanding notional amount of $210.0 million at June 30, 2018 (December 31, 2017 – $137.0 million).

As at June 30, 2018, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $0.8 million (December 31, 2017 – a decrease of $0.9 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2017.

Equity Price Risk

The Company is exposed to equity price risk on its equity investments which are classified as either fair value through other comprehensive income or fair value through profit or loss. The fair value of the equity investments was $426.9 million at June 30, 2018 (December 31, 2017 – $379.7 million), as shown in Table 16.

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 June 30, 2018, IGM Financial's total assets under management were $159.1 billion compared to $156.5 billion at December 31, 2017.

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

TABLE 23: IGM FINANCIAL ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

AS AT JUNE 30, 2018	INVESTMENT FUNDS	TOTAL
Cash	0.4 %	0.8 %
Short-term fixed income and mortgages	6.6	6.5
Other fixed income	25.8	25.4
Domestic equity	23.6	23.6
Foreign equity	43.0	42.8
Real Property	0.6	0.9
	100.0 %	100.0 %
CAD	58.4 %	58.4 %
USD	26.5	26.0
Other	15.1	15.6
	100.0 %	100.0 %

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 the management and provision of financial products and services, including securities, insurance and mortgages, and other activities carried on by the Company in the markets in which it operates. Regulatory standards affecting the Company and the financial services industry are significant and 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. The Company also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the 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's Compliance Departments are responsible for providing oversight of all regulated 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 five committees. The Company's President and Chief Executive Officer has overall responsibility for management of the Company. The Company's activities are carried out principally by three operating companies – Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. – each of which are managed by a President and Chief Executive Officer.

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

On June 21, 2018, the Canadian Securities Administrators (the CSA) published two notices concerning ongoing initiatives related to the client-registrant relationship. The first, which followed earlier CSA consultations on proposals to enhance the client-registrant relationship and a regulatory best interest standard, requested public comment on detailed reforms to obligations of registrants (the Client Focused Reforms).

Among the Client Focused Reforms include rule proposals (the Proposed Amendments) that, if implemented, would require registrants to:

- Address all conflicts of interest in the best interest of the client;
- Put the client's interest first when making a suitability determination; and
- Provide clients with greater clarity on what they should expect from registrants.

The Proposed Amendments relating to know-your-client and know-your-product are designed to support these provisions. They are also intended to provide clarity about what information must be collected about a client, and to increase rigor and transparency around the products and services that registrants make available to their clients.

The notice also specified that the Ontario Securities Commission and the Financial and Consumer Services Commission of New Brunswick will not pursue the adoption of an overarching regulatory best interest standard, consistent with all other CSA jurisdictions.

The second notice, CSA Staff Notice 81-330 (the Staff Notice), announced the CSA's intended policy decision on the matter of mutual fund embedded commissions. This includes:

- Embedded commissions will remain permissible, subject to the enhanced conflict of interest mitigation rules and guidance set out in the Client Focused Reforms.
- The CSA will publish rule proposals for comment in September 2018 that will prohibit all forms of the deferred sales charge (DSC) purchase option, including low-load options and their associated upfront commissions.

The Company believes it is well positioned to respond to these recent regulatory notices, which allow for different operating models, including registered firms that trade in, or recommend, proprietary products.

The Company and its subsidiaries will continue its active dialogue and engagement with regulators on each of these subjects, and will have the opportunity to provide further input on the Client Focused Reforms and Staff Notice throughout the consultation processes.

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 heard arguments in March 2018. On May 8, 2018, the participating jurisdictions announced that the cooperative system will not launch by the end of 2018, and confirmed that they will provide an update on the timing of the launch following the decision of the Supreme Court of Canada. 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 24 and are discussed in the Investors Group and Mackenzie Segment Operating Results sections of this MD&A.

PRODUCT / SERVICE OFFERING

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

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

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

The Company strives to deliver strong investment performance on its products relative to benchmarks and peers. Poor investment performance relative to benchmarks or peers could reduce the level of assets under management and sales and asset retention, as well as adversely impact our brands. Meaningful and/or sustained underperformance could affect the Company's results. The Company's objective is to cultivate investment processes and disciplines that provide it with a

TABLE 24: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

	2018 JUN. 30	2017 JUN. 30
IGM Financial Inc.		
Investors Group	**8.6 %**	8.6 %
Mackenzie	**15.3 %**	15.5 %
Counsel	**16.9 %**	15.7 %

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.

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 $152 billion in investment fund assets under management at June 30, 2018, 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 45% of total industry long-term mutual fund assets at June 30, 2018.

The Canadian mutual fund industry continues to be very concentrated, with the ten largest firms and their subsidiaries representing 74% of industry long-term mutual fund assets and 74% of total mutual fund assets under management at June 30, 2018. 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

There were no changes to the Company's assumptions related to critical accounting estimates from those reported at December 31, 2017.

The Company completed its annual impairment tests of goodwill and indefinite life intangible assets based on March 31, 2018 financial information and determined there was no impairment in the value of those assets.

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.

CHANGES IN ACCOUNTING POLICIES

IFRS 9 FINANCIAL INSTRUMENTS (IFRS 9)

As of January 1, 2018, the Company has adopted IFRS 9 which replaces IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 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 incurred loss model for impairment of financial assets with an expected credit loss model.
- Hedge accounting: This phase replaces the rule-based hedge accounting requirements with guidance that more closely aligns the accounting with an entity's risk management activities.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 9, as permitted by the transitional provisions within IFRS 9. The cumulative impact of applying IFRS 9 has therefore been recognized as an adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with IAS 39.

The cumulative impact relating to classification and measurement under IFRS 9 has resulted in an after tax increase to opening retained earnings of approximately $36.3 million ($49.7 million before tax) as at January 1, 2018.

Loans of $282.6 million previously classified as held for trading were reclassified to amortized cost as a result of the Company's business model and contractual cash flow characteristics assessment.

A total remeasurement of $49.7 million was recorded due to the reversal of discounts related to fair value losses recognized on the loans and the capitalization of previously expensed mortgage issue costs.

Other investments of $19.9 million were reclassified from available for sale to fair value through profit or loss (FVTPL).

The Company elected to classify other investments of $262.8 million at fair value through other comprehensive income (FVTOCI). This reclassification had no impact to opening retained earnings, however under this election, unrealized gains and losses on these investments will never be recycled through profit or loss.

The Company has adopted the hedge accounting requirements of IFRS 9. As a result of the business model assessment, mortgages previously classified as held for trading and subsequently reclassified to loans and receivables are now classified at amortized cost when originated. The Company has therefore designated certain derivative instruments as hedging instruments to avoid an accounting mismatch between derivative instruments and associated loans. Application of IFRS 9 hedge accounting requirements did not have a material impact in the first quarter of 2018.

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

Table 25 details the impact of IFRS 9 and IFRS 15 on the Consolidated Balance Sheet as at January 1, 2018.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

As of January 1, 2018, the Company has adopted 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.

IFRS 15 outlines various criteria for the eligibility of capitalizing contract costs. Determining whether the customer is the fund or the end investor impacts 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.

To determine whether sales commissions associated with the distribution of investment funds should be capitalized, the Company assesses whether the customer is the investment fund or the individual investor. Where it is determined that the investment fund is the customer, contract costs are expensed as incurred. Where it is determined that the individual investor is the customer, contract costs are capitalized and amortized over a period not exceeding seven years.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 15, as permitted by the transitional provisions within IFRS 15. The cumulative impact of applying IFRS 15 has therefore been recognized as an adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with the Company's accounting policies in effect as at December 31, 2017.

The cumulative impact from the Company's application of IFRS 15 has resulted in an after tax decrease to opening retained earnings of approximately $514.6 million ($703.5 million before tax) as at January 1, 2018.

Capitalized sales commissions of $703.5 million were derecognized as they related to commissions paid on sales where the customer was the investment fund. This resulted in a decrease to the Company's Deferred income taxes liability of $188.9 million.

On January 1, 2018, Great-West Lifeco Inc. (Lifeco) also adopted IFRS 15 (Note 6). The impact from Lifeco's application of IFRS 15 has resulted in a decrease in the Company's investment in associates of $1.7 million and a decrease in opening retained earnings of $1.7 million as at January 1, 2018.

Table 25 details the impact of IFRS 9 and IFRS 15 on the Consolidated Balance Sheet as at January 1, 2018.

TABLE 25: IMPACT OF IFRS 9 AND IFRS 15 ON BALANCE SHEET

	DECEMBER 31, 2017		ADJUSTMENT DUE TO CHANGES IN :		JANUARY 1, 2018	
($ millions)	CLASSIFICATION	CARRYING VALUE	CLASSIFICATION	MEASUREMENT	CARRYING VALUE	CLASSIFICATION
Assets						
Loans[1]	Held for trading	286.7	(282.6)	–	4.1	FVTPL
	Loans & receivables	7,563.2	282.6	49.7	7,895.5	Amortized Cost
		7,849.9	–	49.7	7,899.6	
Other investments[1]	Available for sale	282.7	(19.9)	–	262.8	FVTOCI
	FVTPL	97.0	19.9	–	116.9	FVTPL
Investment in associates[2]		1,551.0	–	(1.7)	1,549.3	
Capitalized sales commissions[2]		767.3	–	(703.5)	63.8	
			–	(655.5)		
Liabilities & Shareholders' Equity						
Income tax payable[1]		8.0	–	6.9	14.9	
Deferred income taxes[1][2]		463.9	–	(182.4)	281.5	
Retained earnings[1][2]		3,100.8	–	(480.0)	2,620.8	
AOCI[1]		(71.1)	–	–	(71.1)	
			–	(655.5)		

(1) Transition to IFRS 9

(2) Transition to IFRS 15

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 16 LEASES

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

OTHER

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the second quarter of 2018, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OTHER INFORMATION

TRANSACTIONS WITH RELATED PARTIES

There were no changes to the types of related party transactions from those reported at December 31, 2017. For further information on transactions involving related parties, see Notes 8 and 25 to the Company's Annual Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at June 30, 2018 totalled 240,825,846. Outstanding stock options as at June 30, 2018 totalled 9,829,225, of which 4,754,554 were exercisable. As at July 30, 2018, outstanding common shares totalled 240,825,846 and outstanding stock options totalled 9,829,225 of which 4,754,554 were exercisable.

Perpetual preferred shares of $150 million were outstanding as at June 30, 2018, unchanged at July 30, 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.

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited) *(in thousands of Canadian dollars, except shares and per share amounts)*	THREE MONTHS ENDED JUNE 30 2018	2017	SIX MONTHS ENDED JUNE 30 2018	2017
Revenues				
Management fees	$ 562,781	$ 547,002	$ 1,119,382	$ 1,074,703
Administration fees	107,123	111,238	214,657	220,202
Distribution fees	89,897	94,775	183,217	200,035
Net investment income and other	18,577	25,465	32,786	45,222
Proportionate share of associates' earnings	37,583	19,758	75,567	47,777
	815,961	798,238	1,625,609	1,587,939
Expenses				
Commission	270,164	284,448	556,262	573,755
Non-commission	252,627	219,075	505,772	465,976
Interest	28,770	28,703	59,034	55,490
	551,561	532,226	1,121,068	1,095,221
Earnings before income taxes	264,400	266,012	504,541	492,718
Income taxes	58,483	62,997	110,873	110,371
Net earnings	205,917	203,015	393,668	382,347
Perpetual preferred share dividends	2,212	2,212	4,425	4,425
Net earnings available to common shareholders	$ 203,705	$ 200,803	$ 389,243	$ 377,922
Earnings per share *(in dollars) (Note 15)*				
– Basic	$ 0.85	$ 0.83	$ 1.62	$ 1.57
– Diluted	$ 0.85	$ 0.83	$ 1.61	$ 1.57

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) *(in thousands of Canadian dollars)*	THREE MONTHS ENDED JUNE 30 **2018**	 2017	SIX MONTHS ENDED JUNE 30 **2018**	 2017
Net earnings	**$ 205,917**	$ 203,015	**$ 393,668**	$ 382,347
Other comprehensive income (loss), net of tax				
Items that will not be reclassified to Net earnings				
Fair value through other comprehensive income investments				
Other comprehensive income (loss), *net of tax of $466 and $895*	**(3,006)**	N/A	**(5,752)**	N/A
Employee benefits				
Net actuarial gains (losses), *net of tax of $(3,953), $7,888, $(2,684) and $10,827*	**10,690**	(21,330)	**7,263**	(29,278)
Investment in associates – employee benefits and other				
Other comprehensive income (loss), *net of tax of nil*	**1,444**	(791)	**(1,431)**	12,799
Items that may be reclassified subsequently to Net earnings				
Available for sale investments				
Net unrealized gains (losses), *net of tax of $(163) and $(356)*	**N/A**	4,395	**N/A**	5,402
Reclassification of realized (gains) losses to net earnings, *net of tax of $20 and $27*	**N/A**	(53)	**N/A**	(72)
	N/A	4,342	**N/A**	5,330
Investment in associates and other				
Other comprehensive income (loss), *net of tax of $2,580, $538, $(1,842) and $(1,125)*	**9,025**	(3,271)	**49,962**	3,062
	18,153	(21,050)	**50,042**	(8,087)
Total comprehensive income	**$ 224,070**	$ 181,965	**$ 443,710**	$ 374,260

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

(unaudited) *(in thousands of Canadian dollars)*	**JUNE 30 2018**	DECEMBER 31 2017
Assets		
Cash and cash equivalents	**$ 721,695**	$ 966,843
Other investments *(Note 3)*	**426,853**	379,696
Client funds on deposit	**471,309**	489,626
Accounts and other receivables	**363,443**	305,062
Income taxes recoverable	**26,910**	33,928
Loans *(Note 4)*	**7,828,444**	7,849,873
Derivative financial instruments	**27,441**	35,692
Other assets	**48,305**	64,558
Investment in associates *(Note 6)*	**1,629,407**	1,551,013
Capital assets	**145,664**	150,468
Capitalized sales commissions *(Note 7)*	**86,505**	767,315
Deferred income taxes	**51,564**	60,661
Intangible assets	**1,184,354**	1,184,451
Goodwill	**2,660,267**	2,660,267
	$ 15,672,161	$ 16,499,453
Liabilities		
Accounts payable and accrued liabilities	**$ 376,472**	$ 406,821
Income taxes payable	**21,760**	8,018
Derivative financial instruments	**31,172**	28,444
Deposits and certificates	**490,401**	504,996
Other liabilities	**422,134**	491,280
Obligations to securitization entities *(Note 5)*	**7,506,222**	7,596,028
Deferred income taxes	**282,672**	463,862
Long-term debt *(Note 8)*	**2,025,000**	2,175,000
	11,155,833	11,674,449
Shareholders' Equity		
Share capital		
Perpetual preferred shares	**150,000**	150,000
Common shares	**1,609,576**	1,602,726
Contributed surplus	**43,763**	42,633
Retained earnings	**2,734,060**	3,100,775
Accumulated other comprehensive income (loss)	**(21,071)**	(71,130)
	4,516,328	4,825,004
	$ 15,672,161	$ 16,499,453

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 2, 2018.

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	SIX MONTHS ENDED JUNE 30					
	SHARE CAPITAL					
(unaudited) *(in thousands of Canadian dollars)*	PERPETUAL PREFERRED SHARES *(Note 9)*	COMMON SHARES *(Note 9)*	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *(Note 12)*	TOTAL SHAREHOLDERS' EQUITY
2018						
Balance, beginning of period						
As previously reported	$ 150,000	$ 1,602,726	$ 42,633	$ 3,100,775	$ (71,130)	$ 4,825,004
Change in accounting policy (*Note 2*)						
IFRS 9	–	–	–	36,334	17	36,351
IFRS 15	–	–	–	(516,312)	–	(516,312)
As restated	150,000	1,602,726	42,633	2,620,797	(71,113)	4,345,043
Net earnings	–	–	–	393,668	–	393,668
Other comprehensive income (loss), net of tax	–	–	–	–	50,042	50,042
Total comprehensive income	–	–	–	393,668	50,042	443,710
Common shares						
Issued under stock option plan	–	6,850	–	–	–	6,850
Stock options						
Current period expense	–	–	1,823	–	–	1,823
Exercised	–	–	(693)	–	–	(693)
Perpetual preferred share dividends	–	–	–	(4,425)	–	(4,425)
Common share dividends	–	–	–	(270,916)	–	(270,916)
Other	–	–	–	(5,064)	–	(5,064)
Balance, end of period	$ 150,000	$ 1,609,576	$ 43,763	$ 2,734,060	$ (21,071)	$ 4,516,328
2017						
Balance, beginning of period	$ 150,000	$ 1,597,208	$ 39,552	$ 3,042,442	$ (82,442)	$ 4,746,760
Net earnings	–	–	–	382,347	–	382,347
Other comprehensive income (loss), net of tax	–	–	–	–	(8,087)	(8,087)
Total comprehensive income	–	–	–	382,347	(8,087)	374,260
Common shares						
Issued under stock option plan	–	2,074	–	–	–	2,074
Stock options						
Current period expense	–	–	1,824	–	–	1,824
Exercised	–	–	(110)	–	–	(110)
Perpetual preferred share dividends	–	–	–	(4,425)	–	(4,425)
Common share dividends	–	–	–	(270,659)	–	(270,659)
Other	–	–	–	(2,216)	–	(2,216)
Balance, end of period	$ 150,000	$ 1,599,282	$ 41,266	$ 3,147,489	$ (90,529)	$ 4,847,508

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) *(in thousands of Canadian dollars)*	SIX MONTHS ENDED JUNE 30 2018	2017
Operating activities		
Earnings before income taxes	$ 504,541	$ 492,718
Income taxes paid	(83,642)	(89,964)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	6,277	116,310
Capitalized sales commissions paid	(28,961)	(147,974)
Amortization of capital and intangible assets	27,669	26,522
Proportionate share of associates' earnings, net of dividends received	(33,711)	(18,610)
Pension and other post-employment benefits	(19,543)	6,002
Pension plan amendment	–	(50,381)
Restructuring provisions and other	–	22,940
Changes in operating assets and liabilities and other	926	(61,673)
	373,556	295,890
Restructuring provision cash payments	(36,352)	(9,231)
	337,204	286,659
Financing activities		
Net (decrease) increase in deposits and certificates	(658)	490
Increase in obligations to securitization entities	711,093	610,765
Repayments of obligations to securitization entities and other	(864,280)	(897,506)
Issue of debentures	–	600,000
Repayment of debentures	(150,000)	–
Issue of common shares	6,157	1,964
Perpetual preferred share dividends paid	(4,425)	(4,425)
Common share dividends paid	(270,826)	(270,619)
	(572,939)	40,669
Investing activities		
Purchase of other investments	(82,321)	(103,070)
Proceeds from the sale of other investments	43,335	36,689
Increase in loans	(855,814)	(1,184,803)
Repayment of loans and other	921,422	1,407,279
Net additions to capital assets	(7,026)	(9,385)
Net cash used in additions to intangible assets and acquisitions	(29,009)	(15,728)
	(9,413)	130,982
(Decrease) increase in cash and cash equivalents	(245,148)	458,310
Cash and cash equivalents, beginning of period	966,843	611,032
Cash and cash equivalents, end of period	$ 721,695	$ 1,069,342
Cash	$ 51,585	$ 48,512
Cash equivalents	670,110	1,020,830
	$ 721,695	$ 1,069,342
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	$ 152,747	$ 133,397
Interest paid	$ 140,504	$ 116,416

(See accompanying notes to interim condensed consolidated financial statements.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 *(unaudited) (In thousands of Canadian dollars, except shares and per share amounts)*

NOTE 1 CORPORATE INFORMATION

IGM Financial Inc. (the Company) is a publicly listed company (TSX: IGM), incorporated and domiciled in Canada. The registered address of the Company is 447 Portage Avenue, Winnipeg, Manitoba, Canada. The Company is controlled by Power Financial Corporation.

IGM Financial Inc. is a financial services company which serves the financial needs of Canadians through its principal subsidiaries, each operating distinctly within the advice segment of the financial services market. The Company's wholly-owned principal subsidiaries are Investors Group Inc. and Mackenzie Financial Corporation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited Interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the accounting policies as set out in this note and in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2017. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2017 IGM Financial Inc. Annual Report.

CHANGES IN ACCOUNTING POLICIES

IFRS 9 FINANCIAL INSTRUMENTS (IFRS 9)

As of January 1, 2018, the Company has adopted IFRS 9 which replaces IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 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 incurred loss model for impairment of financial assets with an expected credit loss model.
- Hedge accounting: This phase replaces the rule-based hedge accounting requirements with guidance that more closely aligns the accounting with an entity's risk management activities.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 9, as permitted by the transitional provisions within IFRS 9. The cumulative impact of applying IFRS 9 has therefore been recognized as an adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with IAS 39.

The cumulative impact relating to classification and measurement under IFRS 9 has resulted in an after tax increase to opening retained earnings of approximately $36.3 million ($49.7 million before tax) as at January 1, 2018.

Loans of $282.6 million previously classified as held for trading were reclassified to amortized cost as a result of the Company's business model and contractual cash flow characteristics assessment.

A total remeasurement of $49.7 million was recorded due to the reversal of discounts related to fair value losses recognized on the loans and the capitalization of previously expensed mortgage issue costs.

Other investments of $19.9 million were reclassified from available for sale to fair value through profit or loss (FVTPL).

CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 9 FINANCIAL INSTRUMENTS (IFRS 9) *(continued)*

The Company elected to classify other investments of $262.8 million at fair value through other comprehensive income (FVTOCI). This reclassification had no impact to opening retained earnings, however under this election, unrealized gains and losses on these investments will never be recycled through profit or loss.

The Company has adopted the hedge accounting requirements of IFRS 9. As a result of the business model assessment, mortgages previously classified as held for trading and subsequently reclassified to loans and receivables are now classified at amortized cost when originated. The Company has therefore designated certain derivative instruments as hedging instruments to avoid an accounting mismatch between derivative instruments and associated loans. Application of IFRS 9 hedge accounting requirements did not have a material impact in the first quarter of 2018.

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

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

As of January 1, 2018, the Company has adopted 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.

IFRS 15 outlines various criteria for the eligibility of capitalizing contract costs. Determining whether the customer is the fund or the end investor impacts 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.

To determine whether sales commissions associated with the distribution of investment funds should be capitalized, the Company assesses whether the customer is the investment fund or the individual investor. Where it is determined that the investment fund is the customer, contract costs are expensed as incurred. Where it is determined that the individual investor is the customer, contract costs are capitalized and amortized over a period not exceeding seven years.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 15, as permitted by the transitional provisions within IFRS 15. The cumulative impact of applying IFRS 15 has therefore been recognized as an adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with the Company's accounting policies in effect as at December 31, 2017.

The cumulative impact from the Company's application of IFRS 15 has resulted in an after tax decrease to opening retained earnings of approximately $514.6 million ($703.5 million before tax) as at January 1, 2018.

Capitalized sales commissions of $703.5 million were derecognized as they related to commissions paid on sales where the customer was the investment fund. This resulted in a decrease to the Company's Deferred income taxes liability of $188.9 million.

On January 1, 2018, Great-West Lifeco Inc. (Lifeco) also adopted IFRS 15 (Note 6). The impact from Lifeco's application of IFRS 15 has resulted in a decrease in the Company's investment in associates of $1.7 million and a decrease in opening retained earnings of $1.7 million as at January 1, 2018.

CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15) *(continued)*

Impact of the changes in accounting policies on the Consolidated Balance Sheet:

	DECEMBER 31, 2017		ADJUSTMENT DUE TO CHANGES IN :		JANUARY 1, 2018	
	CLASSIFICATION	CARRYING VALUE	CLASSIFICATION	MEASUREMENT	CARRYING VALUE	CLASSIFICATION
Assets						
Loans[1]	Held for trading	286,682	(282,572)	–	4,110	FVTPL
	Loans & receivables	7,563,191	282,572	49,729	7,895,492	Amortized Cost
		7,849,873	–	49,729	7,899,602	
Other investments[1]	Available for sale	282,756	(19,931)	–	262,825	FVTOCI
	FVTPL	96,940	19,931	–	116,871	FVTPL
Investment in associates[2]		1,551,013	–	(1,728)	1,549,285	
Capitalized sales commissions[2]		767,315	–	(703,494)	63,821	
			–	(655,493)		
Liabilities & Shareholders' Equity						
Income tax payable[1]		8,018	–	6,880	14,898	
Deferred income taxes[1][2]		463,862	–	(182,412)	281,450	
Retained earnings[1][2]		3,100,775	(17)	(479,961)	2,620,797	
AOCI[1]		(71,130)	17	–	(71,113)	
			–	(655,493)		

(1) Transition to IFRS 9
(2) Transition to IFRS 15

FINANCIAL INSTRUMENTS

All financial assets are initially recognized at fair value in the Consolidated Balance Sheets and are subsequently classified as measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortized cost based on the Company's assessment of the business model within which the financial asset is managed and the financial asset's contractual cash flow characteristics.

A financial asset is measured at amortized cost if it is held within a business model of holding financial assets and collecting contractual cash flows and those cash flows are comprised solely of payments of principal and interest. A financial asset is measured at FVTOCI if the financial asset is held within a business model of both collecting contractual cash flows and selling the financial assets or through an irrevocable election for equity instruments that are not held for trading. All other financial assets are measured at FVTPL. A financial asset that would otherwise be measured at amortized cost or FVTOCI can be designated as FVTPL through an irrevocable election if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets can only be reclassified when there is a change to the business model within which they are managed. Such reclassifications are applied on a prospective basis.

Financial liabilities are classified either as measured at amortized cost using the effective interest method or as FVTPL, which are recorded at fair value.

Unrealized gains and losses on financial assets classified as FVTOCI as well as other comprehensive income amounts, including unrealized foreign currency translation gains and losses related to the Company's investment in its associates, are recorded in the Consolidated Statements of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income forms part of Shareholders' equity.

OTHER INVESTMENTS

Other investments, which are recorded on a trade date basis, are classified as either FVTOCI or FVTPL.

The Company has elected to classify equity investments held for long-term investments as FVTOCI. Unrealized gains and losses on FVTOCI investments are recorded in Other comprehensive income and transferred directly to retained earnings when realized without being recorded through profit or loss. Dividends declared are recorded in Net investment income and other in the Consolidated Statements of Earnings.

FVTPL investments are held for trading and are comprised of fixed income and equity investments and investments in proprietary investment funds. Unrealized and realized gains and losses, dividends declared, and interest income on these investments are recorded in Net investment income and other in the Consolidated Statements of Earnings.

LOANS

Loans are classified as either FVTPL or amortized cost, based on the Company's assessment of the business model within which the loan is managed.

Changes in fair value of loans measured at FVTPL are recorded in Net investment income and other in the Consolidated Statements of Earnings. Loans measured at amortized cost are recorded net of an allowance for expected credit losses. Interest income is accounted for on the accrual basis using the effective interest method for all loans and is recorded in Net investment income and other in the Consolidated Statements of Earnings.

The Company applies a three-stage impairment approach to measure expected credit losses on loans: 1) On origination, an allowance for 12-month expected credit losses is established, 2) Lifetime expected credit losses are recognized where there is a significant deterioration of credit quality, and 3) A loan is considered credit impaired when there is no longer reasonable assurance of collection.

SALES COMMISSIONS

Commissions are paid on investment product sales where the Company either receives a fee directly from the client or where it receives a fee directly from the investment fund.

Commissions paid on investment product sales where the Company receives a fee directly from the client are capitalized and amortized over their estimated useful lives, not exceeding a period of seven years. The Company regularly reviews the carrying value of capitalized 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 capitalized selling commission asset in relation to its carrying value.

All other commissions paid on investment product sales are expensed as incurred.

COMPARATIVE FIGURES

The Company reclassified certain comparative figures in its Statements of Cash Flows to conform to the current year's presentation. The reclassifications are intended to provide additional details on the nature of the Company's cash flows and had no impact on the net earnings of the Company.

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 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.

NOTE 3 OTHER INVESTMENTS

	JUNE 30, 2018		DECEMBER 31, 2017	
	COST	FAIR VALUE	COST	FAIR VALUE
Available for sale				
Corporate investments	$ N/A	$ N/A	$ 215,050	$ 262,825
Proprietary investment funds	N/A	N/A	19,601	19,931
	N/A	N/A	234,651	282,756
Fair value through other comprehensive income				
Corporate investments	280,214	321,344	N/A	N/A
Fair value through profit or loss				
Equity securities	16,769	18,277	17,115	17,062
Proprietary investment funds	85,654	87,232	79,575	79,878
	102,423	105,509	96,690	96,940
	$ 382,637	$ 426,853	$ 331,341	$ 379,696

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

CORPORATE INVESTMENTS

In the second quarter of 2018, the Company invested a total of $18.0 million in corporate investments.

NOTE 4 LOANS

	CONTRACTUAL MATURITY				
	1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS	JUNE 30 2018 TOTAL	DECEMBER 31 2017 TOTAL
Amortized cost					
Residential mortgages	$ 1,256,636	$ 6,547,775	$ 18,074	$ 7,822,485	$ 7,563,997
Less: Allowance for expected credit losses				918	806
				7,821,567	7,563,191
Fair value through profit or loss				6,877	286,682
				$ 7,828,444	$ 7,849,873

The change in the allowance for expected credit losses is as follows:		
Balance, beginning of period	$ 806	$ 722
Write-offs, net of recoveries	(104)	(612)
Provision for credit losses	216	696
Balance, end of period	$ 918	$ 806

Total credit impaired loans as at June 30, 2018 were $3,845 (December 31, 2017 – $2,842).

Total interest income on loans was $105.3 million (2017 – $103.4 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $81.2 million (2017 – $66.7 million). Gains realized on the sale of residential mortgages totalled $1.5 million (2017 – $6.6 million). Fair value adjustments related to mortgage banking operations totalled negative $5.8 million (2017 – positive $1.0 million). These amounts were included in Net investment income and other. Net investment income and other also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

NOTE 5 SECURITIZATIONS

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as the Company retains prepayment risk and certain elements of credit risk. Accordingly, the Company has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as Obligations to securitization entities which are recorded at amortized cost.

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, is recorded as a derivative and had a positive fair value of $7.0 million at June 30, 2018 (December 31, 2017 – positive $4.1 million).

Under the NHA MBS and CMB Program, the Company has an obligation to make timely payments to security holders regardless of whether amounts are received from mortgagors. All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, the Company has provided cash reserves for credit enhancement which are recorded at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP Trusts have no recourse to the Company's other assets for failure to make payments when due. Credit risk is further limited to the extent these mortgages are insured.

JUNE 30, 2018	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
Carrying value			
NHA MBS and CMB Program	**$ 4,352,647**	**$ 4,391,222**	**$ (38,575)**
Bank sponsored ABCP	**3,052,843**	**3,115,000**	**(62,157)**
Total	**$ 7,405,490**	**$ 7,506,222**	**$ (100,732)**
Fair value	**$ 7,411,630**	**$ 7,545,016**	**$ (133,386)**
DECEMBER 31, 2017			
Carrying value			
NHA MBS and CMB Program	$ 4,461,926	$ 4,470,908	$ (8,982)
Bank sponsored ABCP	3,076,083	3,125,120	(49,037)
Total	$ 7,538,009	$ 7,596,028	$ (58,019)
Fair value	$ 7,649,591	$ 7,657,761	$ (8,170)

The carrying value of Obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation on an effective interest rate basis.

NOTE 6 INVESTMENT IN ASSOCIATES

	LIFECO	CHINA AMC	JUNE 30 2018 TOTAL	JUNE 30 2017 TOTAL
Balance, beginning of period				
As previously reported	$ 903,133	$ 647,880	**$ 1,551,013**	$ 888,851
Change in accounting policy *(Note 2)*	(1,728)	–	**(1,728)**	–
	901,405	647,880	**1,549,285**	888,851
Proportionate share of earnings[1]	60,030	15,537	**75,567**	52,875
Dividends received	(30,916)	(12,156)	**(43,072)**	(29,167)
Proportionate share of associates' provision	–	–	**–**	(5,098)
Proportionate share of other comprehensive income (loss) and other adjustments	28,950	18,677	**47,627**	6,734
Balance, end of period	$ 959,469	$ 669,938	**$ 1,629,407**	$ 914,195

(1) Recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings.

GREAT-WEST LIFECO INC. (LIFECO)

At June 30, 2018, the Company held 39,737,388 (December 31, 2017 – 39,737,388) shares of Lifeco, which represented an equity interest of 4.0% (December 31, 2017 – 4.0%).

In the second quarter of 2017, Lifeco established a restructuring provision. The Company's after-tax proportionate share was $5.1 million and is recorded in the Consolidated Statements of Earnings.

CHINA ASSET MANAGEMENT CO., LTD. (CHINA AMC)

On August 31, 2017, the Company finalized its investment in China AMC which resulted in a 13.9% ownership interest at a total cost of $638.3 million.

China AMC is an asset management company established in Beijing, China and is controlled by CITIC Securities Company Limited.

As at June 30, 2018, the Company held a 13.9% ownership interest in China AMC. The Company uses the equity method to account for its investment in China AMC as it exercises significant influence. Significant influence arises from board representation, participating in the policy making process, shared strategic initiatives including joint product launches and collaboration between management and investment teams.

NOTE 7 CAPITALIZED SALES COMMISSIONS

	JUNE 30 2018	DECEMBER 31 2017
Cost	$ 98,546	$ 1,429,042
Less: accumulated amortization	(12,041)	(661,727)
	$ 86,505	$ 767,315

	JUNE 30 2018	JUNE 30 2017
Changes in capitalized sales commissions:		
Balance, beginning of period		
As previously reported	$ 767,315	$ 726,608
Change in accounting policy *(Note 2)*	(703,494)	–
	63,821	726,608
Changes due to:		
Sales of investment products	28,961	147,974
Amortization	(6,277)	(116,310)
	22,684	31,664
Balance, end of period	$ 86,505	$ 758,272

NOTE 8 LONG-TERM DEBT

On July 11, 2018, the Company issued $200.0 million of 4.174% debentures maturing July 13, 2048. The net proceeds will be used by the Company, together with a portion of IGM Financial's existing internal cash resources, to fund the intended redemption of all of its $375 million aggregate principal amount of 7.35% debentures due April 8, 2019 (2019 Debentures). The Company issued a notice on July 11, 2018 to redeem the 2019 Debentures on August 10, 2018.

NOTE 9 SHARE CAPITAL

AUTHORIZED

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares, no par value

ISSUED AND OUTSTANDING

	JUNE 30, 2018		JUNE 30, 2017	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Perpetual preferred shares – classified as equity:				
First preferred shares, Series B	6,000,000	$ 150,000	6,000,000	$ 150,000
Common shares:				
Balance, beginning of period	240,666,131	$ 1,602,726	240,515,968	$ 1,597,208
Issued under Stock Option Plan	159,715	6,850	71,955	2,074
Balance, end of period	240,825,846	$ 1,609,576	240,587,923	$ 1,599,282

NOTE 10 CAPITAL MANAGEMENT

The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the Second Quarter 2018 Report to Shareholders and in Note 17 to the Consolidated Financial Statements in the 2017 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2017.

NOTE 11 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

	JUNE 30 2018	DECEMBER 31 2017
Common share options		
– Outstanding	**9,829,225**	8,912,748
– Exercisable	**4,754,554**	4,063,668

In the second quarter of 2018, the Company granted 17,875 options to employees (2017 – 22,475). In the six months ended June 30, 2018, the Company granted 1,336,265 options to employees (2017 – 1,418,930). The weighted-average fair value of options granted during the six months ended June 30, 2018 has been estimated at $2.56 per option (2017 – $2.52) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was $39.10. The assumptions used in these valuation models include:

	SIX MONTHS ENDED JUNE 30	
	2018	2017
Exercise price	**$ 39.29**	$ 41.70
Risk-free interest rate	**2.35%**	1.53%
Expected option life	**6 years**	6 years
Expected volatility	**17.00%**	17.00%
Expected dividend yield	**5.73%**	5.40%

Expected volatility has been estimated based on the historic volatility of the Company's share price over six years which is reflective of the expected option life. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date.

NOTE 12 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

JUNE 30, 2018	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
Balance, beginning of period				
As previously reported	**$ (132,529)**	**$ 39,051**	**$ 22,348**	**$ (71,130)**
Change in accounting policy *(Note 2)*	**–**	**17**	**–**	**17**
	(132,529)	**39,068**	**22,348**	**(71,113)**
Other comprehensive income (loss)	**7,263**	**(5,752)**	**48,531**	**50,042**
Balance, end of period	**$ (125,266)**	**$ 33,316**	**$ 70,879**	**$ (21,071)**
JUNE 30, 2017				
Balance, beginning of period	$ (110,913)	$ 8,617	$ 19,854	$ (82,442)
Other comprehensive income (loss)	(29,278)	5,330	15,861	(8,087)
Balance, end of period	$ (140,191)	$ 13,947	$ 35,715	$ (90,529)

Amounts are recorded net of tax.

NOTE 13 RISK MANAGEMENT

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the Second Quarter 2018 Report to Shareholders and in Note 20 to the Consolidated Financial Statements in the 2017 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2017.

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values are management's estimates and are calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and are matters of significant judgment.

All financial instruments measured at fair value and those for which fair value is disclosed are classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation.

Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques, based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

Markets are considered inactive when transactions are not occurring with sufficient regularity. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In those instances where traded markets are not considered sufficiently active, fair value is measured using valuation models which may utilize predominantly observable market inputs (Level 2) or may utilize predominantly non-observable market inputs (Level 3). Management considers all reasonably available information including indicative broker quotations, any available pricing for similar instruments, recent arm's length market transactions, any relevant observable market inputs, and internal model-based estimates. Management exercises judgment in determining the most appropriate inputs and the weighting ascribed to each input as well as in the selection of valuation methodologies.

Fair value is determined using the following methods and assumptions:

Other investments and other financial assets and financial 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 Level 2 are valued using market interest rates for loans with similar credit risk and maturity.

Loans classified as Level 3 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.

Level 1 financial instruments include exchange-traded equity investments and open-end investment fund units and other financial liabilities in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include fixed income securities, loans, derivative financial instruments, deposits and certificates and long-term debt. The fair value of fixed income securities is determined using quoted market prices or independent dealer price quotes. The fair value of derivative financial instruments and deposits and certificates are determined using valuation models, discounted cash flow methodologies, or similar techniques using primarily observable market inputs. The fair value of long-term debt is determined using indicative broker quotes.

Level 3 assets and liabilities include investments with little or no trading activity valued using broker-dealer quotes, loans, other financial assets, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap 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. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also 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.

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

		FAIR VALUE			
	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
JUNE 30, 2018					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	$ 321,344	$ –	$ –	$ 321,344	$ 321,344
– FVTPL	105,509	104,020	854	635	105,509
Loans					
– FVTPL	6,877	–	6,877	–	6,877
Derivative financial instruments	27,441	–	13,364	14,077	27,441
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	7,821,567	–	412,309	7,411,630	7,823,939
Financial liabilities recorded at fair value					
Derivative financial instruments	31,172	–	24,053	7,119	31,172
Other financial liabilities	9,339	9,152	187	–	9,339
Financial liabilities recorded at amortized cost					
Deposits and certificates	490,401	–	490,722	–	490,722
Obligations to securitization entities	7,506,222	–	–	7,545,016	7,545,016
Long-term debt	2,025,000	–	2,306,497	–	2,306,497
DECEMBER 31, 2017					
Financial assets recorded at fair value					
Other investments					
– Available for sale	$ 282,756	$ 19,931	$ –	$ 262,825	$ 282,756
– Held for trading	96,940	95,390	889	661	96,940
Loans					
– Held for trading	286,682	–	286,682	–	286,682
Derivative financial instruments	35,692	–	22,879	12,813	35,692
Financial assets recorded at amortized cost					
Loans					
– Loans and receivables	7,563,191	–	25,917	7,649,591	7,675,508
Financial liabilities recorded at fair value					
Derivative financial instruments	28,444	–	19,726	8,718	28,444
Other financial liabilities	9,262	9,146	116	–	9,262
Financial liabilities recorded at amortized cost					
Deposits and certificates	504,996	–	505,486	–	505,486
Obligations to securitization entities	7,596,028	–	–	7,657,761	7,657,761
Long-term debt	2,175,000	–	2,470,182	–	2,470,182

There were no significant transfers between Level 1 and Level 2 in 2018 and 2017.

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

The following table provides a summary of changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

	BALANCE JANUARY 1	GAINS/ (LOSSES) INCLUDED IN NET EARNINGS[1]	GAINS/(LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE JUNE 30
JUNE 30, 2018							
Assets							
Other investments							
– FVTOCI	**$ 262,825**	**$ –**	**$ (6,647)**	**$ 65,166**	**$ –**	**$ –**	**$ 321,344**
– FVTPL	**661**	**75**	**–**	**–**	**–**	**(101)**	**635**
Derivative financial instruments, net	**4,095**	**(4,699)**	**–**	**297**	**7,265**	**–**	**6,958**
JUNE 30, 2017							
Assets							
Other investments							
– Available for sale	$ 151,949	$ –	$ 7,918	$ 44,478	$ –	$ –	$ 204,345
– Held for trading	1,438	(174)	–	–	–	–	1,264
Liabilities							
Derivative financial instruments, net	23,055	3,718	–	259	8,587	–	11,009

(1) *Included in Net investment income in the Consolidated Statements of Earnings.*

NOTE 15 EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2018	2017	**2018**	2017
Earnings				
Net earnings	**$ 205,917**	$ 203,015	**$ 393,668**	$ 382,347
Perpetual preferred share dividends	**2,212**	2,212	**4,425**	4,425
Net earnings available to common shareholders	**$ 203,705**	$ 200,803	**$ 389,243**	$ 377,922
Number of common shares *(in thousands)*				
Weighted average number of common shares outstanding	**240,810**	240,587	**240,784**	240,565
Add: Potential exercise of outstanding stock options[1]	**183**	253	**252**	266
Average number of common shares outstanding – diluted basis	**240,993**	240,840	**241,036**	240,831
Earnings per common share *(in dollars)*				
Basic	**$ 0.85**	$ 0.83	**$ 1.62**	$ 1.57
Diluted	**$ 0.85**	$ 0.83	**$ 1.61**	$ 1.57

(1) *Excludes 1,283 thousand shares for the three months ended June 30, 2018 (2017 – 1,029 thousand) related to outstanding stock options that were anti-dilutive. Excludes 977 thousand shares for the six months ended June 30, 2018 (2017 – 980 thousand) related to outstanding stock options that were anti-dilutive.*

NOTE 16 SEGMENTED INFORMATION

The Company's reportable segments are:

- Investors Group
- Mackenzie
- Corporate and Other

These segments 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 global investment management organization. As a result, the Company has changed the methodology used to charge its segments the costs associated with the single investment management function to better align it with internal reporting.

Investors Group earns fee-based revenues in the conduct of its core business activities which are primarily related to the distribution, management and administration of its investment funds. It also earns fee revenues from the provision of brokerage services and the distribution of insurance and banking products. In addition, Investors Group earns intermediary revenues primarily from mortgage banking and servicing activities and from the assets funded by deposit and certificate products.

Mackenzie earns fee-based revenues from services it provides as fund manager to its investment funds and as investment advisor to sub-advisory and institutional accounts.

Corporate and Other includes Investment Planning Counsel, equity income from its investment in Lifeco and China AMC (Note 6), net investment income on unallocated investments, other income, and also includes consolidation elimination entries.

2018

THREE MONTHS ENDED JUNE 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 365,826	$ 176,999	$ 19,956	$ 562,781
Administration fees	77,510	24,917	4,696	107,123
Distribution fees	40,489	1,541	47,867	89,897
Net investment income and other	12,095	2,437	4,045	18,577
Proportionate share of associates' earnings	–	–	37,583	37,583
	495,920	205,894	114,147	815,961
Expenses				
Commission	151,708	72,940	45,516	270,164
Non-commission	146,857	84,306	21,464	252,627
	298,565	157,246	66,980	522,791
Earnings before undernoted	$ 197,355	$ 48,648	$ 47,167	293,170
Interest expense				(28,770)
Earnings before income taxes				264,400
Income taxes				58,483
Net earnings				205,917
Perpetual preferred share dividends				2,212
Net earnings available to common shareholders				$ 203,705

NOTE 16 SEGMENTED INFORMATION *(continued)*

2017

THREE MONTHS ENDED JUNE 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 354,583	$ 177,259	$ 15,160	$ 547,002
Administration fees	81,359	24,923	4,956	111,238
Distribution fees	46,485	1,849	46,441	94,775
Net investment income and other	22,080	(1,854)	5,239	25,465
Proportionate share of associates' earnings	–	–	24,856	24,856
	504,507	202,177	96,652	803,336
Expenses				
Commission	162,918	75,509	46,021	284,448
Non-commission	147,674	83,204	15,638	246,516
	310,592	158,713	61,659	530,964
Earnings before undernoted	$ 193,915	$ 43,464	$ 34,993	272,372
Interest expense				(28,703)
Pension plan				50,381
Restructuring and other charges				(22,940)
Proportionate share of affiliate's provision				(5,098)
Earnings before income taxes				266,012
Income taxes				62,997
Net earnings				203,015
Perpetual preferred share dividends				2,212
Net earnings available to common shareholders				$ 200,803

NOTE 16 SEGMENTED INFORMATION *(continued)*

2018

SIX MONTHS ENDED JUNE 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 726,633	$ 352,929	$ 39,820	$ 1,119,382
Administration fees	155,551	49,799	9,307	214,657
Distribution fees	83,807	3,607	95,803	183,217
Net investment income and other	22,431	2,263	8,092	32,786
Proportionate share of associates' earnings	–	–	75,567	75,567
	988,422	408,598	228,589	1,625,609
Expenses				
Commission	316,466	148,213	91,583	556,262
Non-commission	291,583	170,136	44,053	505,772
	608,049	318,349	135,636	1,062,034
Earnings before undernoted	$ 380,373	$ 90,249	$ 92,953	563,575
Interest expense				(59,034)
Earnings before income taxes				504,541
Income taxes				110,873
Net earnings				393,668
Perpetual preferred share dividends				4,425
Net earnings available to common shareholders				$ 389,243
Identifiable assets	$ 8,882,059	$ 1,188,854	$ 2,940,980	$ 13,011,893
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	$ 10,229,840	$ 2,357,434	$ 3,084,886	$ 15,672,160

NOTE 16 SEGMENTED INFORMATION *(continued)*

2017

SIX MONTHS ENDED JUNE 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 695,654	$ 349,020	$ 30,029	$ 1,074,703
Administration fees	161,227	49,323	9,652	220,202
Distribution fees	103,593	4,188	92,254	200,035
Net investment income and other	40,106	(1,774)	6,890	45,222
Proportionate share of associates' earnings	–	–	52,875	52,875
	1,000,580	400,757	191,700	1,593,037
Expenses				
Commission	332,474	150,094	91,187	573,755
Non-commission	295,433	165,730	32,254	493,417
	627,907	315,824	123,441	1,067,172
Earnings before undernoted	$ 372,673	$ 84,933	$ 68,259	525,865
Interest expense				(55,490)
Pension plan				50,381
Restructuring and other charges				(22,940)
Proportionate share of affiliate's provision				(5,098)
Earnings before income taxes				492,718
Income taxes				110,371
Net earnings				382,347
Perpetual preferred share dividends				4,425
Net earnings available to common shareholders				$ 377,922
Identifiable assets	$ 9,480,659	$ 1,307,899	$ 2,654,612	$ 13,443,170
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	$ 10,828,440	$ 2,476,479	$ 2,798,518	$ 16,103,437

SHAREHOLDER INFORMATION

HEAD OFFICE
447 Portage Avenue
Winnipeg, Manitoba R3B 3H5
Telephone: 204 943 0361
Fax: 204 947 1659

AUDITOR
Deloitte LLP

TRANSFER AGENT AND REGISTRAR
Computershare Investor Services Inc.

Telephone: 800 564 6253
service@computershare.com

600, 530-8th Avenue S.W.
Calgary, Alberta T2P 3S8

1500 Robert-Bourassa Boulevard, 7th Floor
Montreal, Quebec H3A 3S8

100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

510 Burrard Street, 2nd Floor
Vancouver, British Columbia V6C 3B9

STOCK EXCHANGE LISTING
Toronto Stock Exchange
Shares of IGM Financial Inc. are listed on the
Toronto Stock Exchange under the following listings:
Common Shares: IGM
First Preferred Shares, Series B: IGM.PR.B

SHAREHOLDER INFORMATION
For additional financial information about the Company, please contact:
Investor Relations
investor.relations@igmfinancial.com

WEBSITES
Visit our websites at
www.igmfinancial.com
www.investorsgroup.com
www.mackenzieinvestments.com
www.ipcc.ca

For copies of the annual or quarterly reports, please contact the Corporate Secretary's office at 204 956 8328 or visit our website at www.igmfinancial.com

A MEMBER OF THE POWER FINANCIAL CORPORATION GROUP OF COMPANIES

IGM Financial

Investors Group

MACKENZIE Investments

Investment Planning Counsel®
FINANCIAL SOLUTIONS FOR LIFE