MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and the financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the years ended December 31, 2018 and 2017 and should be read in conjunction with the audited Consolidated Financial Statements. Commentary in the MD&A as at and for the year ended December 31, 2018 is as of February 8, 2019.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

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

PRINCIPAL HOLDERS OF VOTING SHARES

As at December 31, 2018, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (Lifeco), a subsidiary of PFC, held directly or indirectly 61.4% and 3.8%, respectively, of the outstanding common shares of IGM Financial.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

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

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

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

"Earnings before interest and taxes" (EBIT), "earnings before interest, taxes, depreciation and amortization 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 a leading wealth and asset management company.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 $149.1 billion at December 31, 2018 compared with $156.5 billion at December 31, 2017, as detailed in Tables 6 and 7. Average total assets under management for the year ended December 31, 2018 were $156.9 billion compared to $149.3 billion in 2017. Average total assets under management for the fourth quarter of 2018 were $153.0 billion compared to $154.2 billion in 2017.

Investment fund assets under management were $143.3 billion at December 31, 2018 compared with $149.8 billion at December 31, 2017. Average investment fund assets under management for the year ended December 31, 2018 were $150.5 billion compared to $143.7 billion in 2017. Average investment fund assets under management for the fourth quarter of 2018 were $147.0 billion compared to $148.1 billion in 2017.

The decline in assets under management were primarily due to changes in financial markets.

Net earnings available to common shareholders for the year ended December 31, 2018 were $767.3 million or $3.18 per share compared to net earnings available to common shareholders of $601.9 million or $2.50 per share in 2017, an increase of 27.2% in earnings per share. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the year ended December 31, 2018 were $791.8 million or $3.29 per share compared to adjusted net earnings available to common shareholders of $727.8 million or $3.02 per share in 2017, an increase of 8.9% in adjusted earnings per share. This represents the highest adjusted net earnings per share in the history of the company.

Net earnings available to common shareholders for the three months ended December 31, 2018 were $179.9 million or 75 cents per share compared to net earnings available to common shareholders of $50.6 million or 21 cents per share for the comparative period in 2017. Adjusted net earnings available to common shareholders for the three months ended December 31, 2018 were $179.9 million or 75 cents per share compared to adjusted net earnings available to common shareholders, excluding other items outlined below, of $191.4 million or 79 cents per share in 2017.

Other items for the year ended December 31, 2018 consisted of:

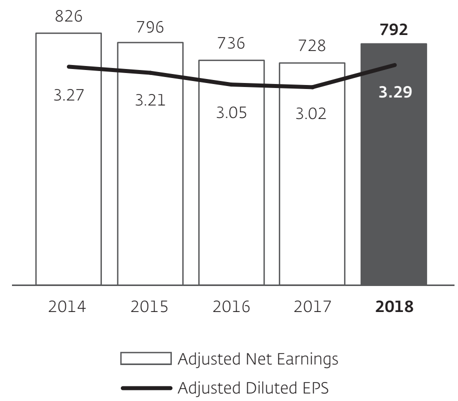
- Restructuring and other charges of $16.7 million after-tax ($22.7 million pre-tax), recorded in the third quarter, resulting from the re-engineering of North American equity offerings and associated personnel changes, as well as other initiatives to improve the Company's offerings and operational effectiveness.
- A premium of $7.8 million after-tax ($10.7 million pre-tax) paid on the early redemption of the $375 million 7.35% debentures on August 10, 2018.

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

- Restructuring and other charges of $126.8 million after-tax ($172.3 million pre-tax) recorded in the fourth quarter resulting from efforts in respect of the implementation of a number of initiatives to assist in the Company's operational effectiveness.
- Restructuring and other charges of $16.8 million after-tax ($23.0 million pre-tax) recorded in the second quarter including severance and termination costs largely associated with the reduction of our region office footprint.
- Favourable revaluation of the Company's registered pension plan obligation of $36.8 million after-tax ($50.4 million pre-tax) in the second quarter, reflecting a new policy which limits the possibility of certain benefit increases in the future.
- An after-tax charge of $14.0 million in the fourth quarter representing the Company's proportionate share in Great-West

Adjusted Net Earnings and Adjusted Net Earnings per Share

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



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

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

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

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

2018 excluded charges related to restructuring and other and the premium paid on the early redemption of debentures.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES(1)

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
($ millions)	**2018 DEC. 31**	2018 SEP. 30	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31
Adjusted net earnings available to common shareholders – Non-IFRS measure	**$ 179.9**	$ 222.7	$ 191.4	**$ 791.8**	$ 727.8
Premium paid on early redemption of debentures, net of tax	**–**	(7.8)	–	**(7.8)**	–
Restructuring and other, net of tax	**–**	(16.7)	(126.8)	**(16.7)**	(143.6)
Pension plan, net of tax	**–**	–	–	**–**	36.8
Proportionate share of associate's one-time charges	**–**	–	(14.0)	**–**	(14.0)
Proportionate share of associate's provision	**–**	–	–	**–**	(5.1)
Net earnings available to common shareholders – IFRS	**$ 179.9**	$ 198.2	$ 50.6	**$ 767.3**	$ 601.9
Adjusted net earnings per share(2) available to common shareholders – Non-IFRS measure	**$ 0.75**	$ 0.92	$ 0.79	**$ 3.29**	$ 3.02
Premium paid on early redemption of debentures, net of tax	**–**	(0.03)	–	**(0.04)**	–
Restructuring and other, net of tax	**–**	(0.07)	(0.52)	**(0.07)**	(0.59)
Pension plan, net of tax	**–**	–	–	**–**	0.15
Proportionate share of associate's one-time charges	**–**	–	–	**–**	(0.06)
Proportionate share of associate's provision	**–**	–	(0.06)	**–**	(0.02)
Net earnings per share(2) available to common shareholders – IFRS	**$ 0.75**	$ 0.82	$ 0.21	**$ 3.18**	$ 2.50
EBITDA before sales commissions – Non-IFRS measure	**$ 296.8**	$ 360.8	$ 353.8	**$ 1,333.0**	$ 1,354.5
Sales-based commissions paid	**(41.2)**	(40.5)	(63.6)	**(188.5)**	(271.6)
EBITDA after sales commissions – Non-IFRS measure	**255.6**	320.3	290.2	**1,144.5**	1,082.9
Sales-based commissions paid subject to amortization	**13.2**	13.5	63.6	**55.7**	271.6
Amortization of capitalized sales commissions	**(4.3)**	(3.8)	(57.6)	**(14.4)**	(230.9)
Amortization of capital assets and intangible assets and other	**(14.4)**	(14.0)	(17.9)	**(56.1)**	(60.9)
Interest expense on long-term debt	**(24.1)**	(27.0)	(29.7)	**(110.2)**	(114.1)
Adjusted Earnings before income taxes – Non-IFRS measure	**226.0**	289.0	248.6	**1,019.5**	948.6
Premium paid on early redemption of debentures	**–**	(10.7)	–	**(10.7)**	–
Restructuring and other	**–**	(22.7)	(172.3)	**(22.7)**	(195.3)
Pension plan	**–**	–	–	**–**	50.4
Proportionate share of associate's one-time charges	**–**	–	–	**–**	(14.0)
Proportionate share of associate's provision	**–**	–	(14.0)	**–**	(5.1)
Earnings before income taxes	**226.0**	255.6	62.3	**986.1**	784.6
Income taxes	**(43.9)**	(55.2)	(9.5)	**(210.0)**	(173.9)
Perpetual preferred share dividends	**(2.2)**	(2.2)	(2.2)	**(8.8)**	(8.8)
Net earnings available to common shareholders – IFRS	**$ 179.9**	$ 198.2	$ 50.6	**$ 767.3**	$ 601.9

(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*

Lifeco Inc.'s charges related to the impact of United States tax reforms and the pending sale of an equity investment.

- An after-tax charge of $5.1 million in the second quarter representing the Company's proportionate share in Great-West Lifeco Inc.'s restructuring provision.

Shareholders' equity was $4.6 billion at December 31, 2018, compared to $4.8 billion at December 31, 2017. Return on average common equity based on adjusted net earnings for the year ended December 31, 2018 was 18.2%, compared with 15.6% for the comparative period in 2017. The reduction in Shareholders' equity in 2018 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 was 56.25 cents in 2018, unchanged from the end of 2017.

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 Consolidated 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.

REPORTABLE SEGMENTS

IGM Financial's reportable segments are:

- IG Wealth Management (IG Wealth Management or IG)
- 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 the third quarter of 2018, the Company announced that it has rebranded Investors Group as IG Wealth Management. In 2017, the Company combined the investment management functions of IG Wealth Management and Mackenzie Investments resulting in the formation of a single global investment management organization under Mackenzie to support both companies. As a result, the Company changed the definition of the Mackenzie segment to exclude investment advisory mandates to IG Wealth Management 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 IG Wealth Management 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 following transactions:
  - The issuance of $250 million 4.115% debentures on December 7, 2017;
  - The redemption of $150 million 6.58% debentures on March 7, 2018;
  - The issuance of $200 million 4.174% debentures on July 11, 2018, and;
  - The early redemption of $375 million 7.35% debentures on August 10, 2018.
- *2018 Premium paid on early redemption of debentures* – represents the premium paid on the early redemption of the $375 million 7.35% debentures on August 10, 2018. The premium was recorded in Interest expense in the Consolidated Statements of Earnings.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2018 VS. Q4 2017

THREE MONTHS ENDED ($ millions)	IG WEALTH MANAGEMENT 2018 DEC. 31	IG WEALTH MANAGEMENT 2017 DEC. 31	MACKENZIE INVESTMENTS 2018 DEC. 31	MACKENZIE INVESTMENTS 2017 DEC. 31	CORPORATE & OTHER 2018 DEC. 31	CORPORATE & OTHER 2017 DEC. 31	TOTAL 2018 DEC. 31	TOTAL 2017 DEC. 31
Revenues								
Fee income	**$ 477.0**	$ 493.1	**$ 195.1**	$ 204.5	**$ 71.6**	$ 72.4	**$ 743.7**	$ 770.0
Net investment income and other	**11.0**	(3.7)	**(3.1)**	3.3	**39.9**	37.1	**47.8**	36.7
	488.0	489.4	**192.0**	207.8	**111.5**	109.5	**791.5**	806.7
Expenses								
Commission	**156.3**	165.7	**69.7**	75.7	**46.4**	46.7	**272.4**	288.1
Non-Commission	**159.6**	138.8	**86.9**	82.0	**22.5**	19.5	**269.0**	240.3
	315.9	304.5	**156.6**	157.7	**68.9**	66.2	**541.4**	528.4
Earnings before interest and taxes	**$ 172.1**	$ 184.9	**$ 35.4**	$ 50.1	**$ 42.6**	$ 43.3	**250.1**	278.3
Interest expense							**(24.1)**	(29.7)
Restructuring and other							**–**	(172.3)
Proportionate share of associate's one-time charges							**–**	(14.0)
Earnings before income taxes							**226.0**	62.3
Income taxes							**43.9**	9.5
Net earnings							**182.1**	52.8
Perpetual preferred share dividends							**2.2**	2.2
Net earnings available to common shareholders							**$ 179.9**	$ 50.6
Adjusted net earnings available to common shareholders(1)							**$ 179.9**	$ 191.4

(1) *Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.*
(2) *Other items in 2017:*
– Restructuring and other charges were recorded in Commission and Non-commission expenses in the Consolidated Statements of Earnings.
– Proportionate share of associate's one-time charges were recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings.

- *Restructuring and other* – resulting from efforts in respect of the implementation of a number of initiatives to assist in the Company's operational effectiveness:
  - 2018 charges recorded in the third quarter 2018 totalling $22.7 million ($16.7 million after-tax) resulted from the re-engineering of North American equity offerings and associated personnel changes, as well as other initiatives to improve the Company's offerings and operational effectiveness.
  - 2017 charges consisted of:
    - $172.3 million ($126.8 million after-tax) recorded in the fourth quarter which resulted from efforts in respect of the implementation of a number of initiatives to assist in the Company's operational effectiveness.
    - $23.0 million ($16.8 million after-tax) recorded in the second quarter which 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), recorded in the second quarter. 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 one-time charges* – represents the Company's proportionate share in Great-West Lifeco Inc.'s charges recorded in the fourth quarter related to the impact of United States tax reforms and the pending sale of an equity investment.

TABLE 3: CONSOLIDATED OPERATING RESULTS BY SEGMENT – YTD 2018 VS. YTD 2017

TWELVE MONTHS ENDED ($ millions)	IG WEALTH MANAGEMENT 2018 DEC. 31	2017 DEC. 31	MACKENZIE INVESTMENTS 2018 DEC. 31	2017 DEC. 31	CORPORATE & OTHER 2018 DEC. 31	2017 DEC. 31	TOTAL 2018 DEC. 31	2017 DEC. 31
Revenues								
Fee income	**$ 1,940.0**	$ 1,927.5	**$ 806.5**	$ 808.5	**$ 290.7**	$ 269.7	**$ 3,037.2**	$ 3,005.7
Net investment income and other	**46.7**	41.7	**(1.9)**	1.2	**167.1**	124.4	**211.9**	167.3
	1,986.7	1,969.2	**804.6**	809.7	**457.8**	394.1	**3,249.1**	3,173.0
Expenses								
Commission	**623.4**	654.4	**291.1**	300.0	**184.2**	183.4	**1,098.7**	1,137.8
Non-Commission	**597.3**	576.3	**335.1**	329.3	**88.3**	66.9	**1,020.7**	972.5
	1,220.7	1,230.7	**626.2**	629.3	**272.5**	250.3	**2,119.4**	2,110.3
Earnings before interest and taxes	**$ 766.0**	$ 738.5	**$ 178.4**	$ 180.4	**$ 185.3**	$ 143.8	**1,129.7**	1,062.7
Interest expense							**(110.2)**	(114.1)
Premium paid on early redemption of debentures							**(10.7)**	–
Restructuring and other							**(22.7)**	(195.3)
Pension plan							**–**	50.4
Proportionate share of associate's one-time charges							**–**	(14.0)
Proportionate share of associate's provision							**–**	(5.1)
Earnings before income taxes							**986.1**	784.6
Income taxes							**210.0**	173.9
Net earnings							**776.1**	610.7
Perpetual preferred share dividends							**8.8**	8.8
Net earnings available to common shareholders							**$ 767.3**	$ 601.9
Adjusted net earnings available to common shareholders(1)							**$ 791.8**	$ 727.8

(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.

(2) Other items:

- *Premium paid on early redemption of debentures was recorded in Interest expense in the Consolidated Statements of Earnings.*
- *Restructuring and other charges were recorded in Commission and Non-commission expenses in the Consolidated Statements of Earnings.*
- *Pension plan was recorded in Non-commission expenses in the Consolidated Statements of Earnings.*
- *Proportionate share of associate's one-time charges and provision were recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings.*

- *2017 Proportionate share of associate's provision* – represents the Company's proportionate share in Great-West Lifeco Inc.'s restructuring provision recorded in the second quarter.
- *Income taxes* – changes in the effective tax rates are shown in Table 5.

  Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. The effect of changes in management's best estimates reported in adjusted net earnings is reflected in Other items, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.
- *Perpetual preferred share dividends* – represents the dividends declared on the Company's 5.90% non-cumulative first preferred shares.

TABLE 4: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2018 VS. Q3 2018

THREE MONTHS ENDED ($ millions)	IG WEALTH MANAGEMENT 2018 DEC. 31	2018 SEP. 30	MACKENZIE INVESTMENTS 2018 DEC. 31	2018 SEP. 30	CORPORATE & OTHER 2018 DEC. 31	2018 SEP. 30	TOTAL 2018 DEC. 31	2018 SEP. 30
Revenues								
Fee income	**$ 477.0**	$ 497.0	**$ 195.1**	$ 205.1	**$ 71.6**	$ 74.1	**$ 743.7**	$ 776.2
Net investment income and other	**11.0**	13.3	**(3.1)**	(1.1)	**39.9**	43.6	**47.8**	55.8
	488.0	510.3	**192.0**	204.0	**111.5**	117.7	**791.5**	832.0
Expenses								
Commission	**156.3**	150.7	**69.7**	73.2	**46.4**	46.2	**272.4**	270.1
Non-Commission	**159.6**	146.1	**86.9**	78.1	**22.5**	21.7	**269.0**	245.9
	315.9	296.8	**156.6**	151.3	**68.9**	67.9	**541.4**	516.0
Earnings before interest and taxes	**$ 172.1**	$ 213.5	**$ 35.4**	$ 52.7	**$ 42.6**	$ 49.8	**250.1**	316.0
Interest expense							**(24.1)**	(27.0)
Premium paid on early redemption of debentures							**–**	(10.7)
Restructuring and other							**–**	(22.7)
Earnings before income taxes							**226.0**	255.6
Income taxes							**43.9**	55.2
Net earnings							**182.1**	200.4
Perpetual preferred share dividends							**2.2**	2.2
Net earnings available to common shareholders							**$ 179.9**	$ 198.2
Adjusted net earnings available to common shareholders[1]							**$ 179.9**	$ 222.7

(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.

(2 Other items:

– Premium paid on early redemption of debentures was recorded in Interest expense in the Consolidated Statements of Earnings.

– Restructuring and other charges were recorded in Non-commission expenses in the Consolidated Statements of Earnings.

TABLE 5: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED 2018 DEC. 31	2018 SEP. 30	2017 DEC. 31	TWELVE MONTHS ENDED 2018 DEC. 31	2017 DEC. 31
Income taxes at Canadian federal and provincial statutory rates	**26.83 %**	26.79 %	26.85 %	**26.81 %**	26.84 %
Effect of:					
Proportionate share of associates' earnings	**(3.79)**	(3.94)	(14.94)	**(3.79)**	(3.81)
Tax loss consolidation[1]	**(1.56)**	(1.35)	(5.11)	**(1.40)**	(1.55)
Other items	**(2.07)**	0.09	2.38	**(0.33)**	0.03
Effective income tax rate – adjusted net earnings	**19.41**	21.59	9.18	**21.29**	21.51
Proportionate share of associate's one-time charges	**–**	–	6.04	**–**	0.48
Proportionate share of associate's provision	**–**	–	–	**–**	0.17
Effective income tax rate – net earnings	**19.41 %**	21.59 %	15.22 %	**21.29 %**	22.16 %

(1) See Note 25 – Related Party Transactions of the Consolidated Financial Statements included in the 2018 IGM Financial Inc. Annual Report (Annual Financial Statements).

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT

Total assets under management were $149.1 billion at December 31, 2018 compared to $156.5 billion at December 31, 2017. Changes in total assets under management are detailed in Tables 6 and 7.

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

TABLE 6: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – Q4 2018 VS. Q4 2017[(1)]

	IG WEALTH MANAGEMENT		MACKENZIE INVESTMENTS		INVESTMENT PLANNING COUNSEL		INTERCOMPANY ELIMINATIONS		CONSOLIDATED[(2)]	
THREE MONTHS ENDED *($ millions)*	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31
Investment funds										
Mutual funds[(3)]										
Gross sales	**$ 2,118**	$ 2,314	**$ 2,328**	$ 2,234	**$ 229**	$ 277	**$ –**	$ –	**$ 4,675**	$ 4,825
Net sales	**(125)**	332	**(146)**	137	**(65)**	48	**–**	–	**(336)**	517
ETFs										
Net creations			**137**	367			**–**	–	**137**	367
Mutual fund investment in ETF			**(82)**	(27)			**56**	(108)	**(26)**	(135)
Total investment fund net sales	**(125)**	332	**(91)**	477	**(65)**	48	**56**	(108)	**(225)**	749
Sub-advisory, institutional and other accounts										
Net sales			**(224)**	1,081			**75**	(13)	**(149)**	1,068
Combined net sales[(2)]	**$ (125)**	$ 332	**$ (315)**	$ 1,558	**$ (65)**	$ 48	**$ 131**	$ (121)	**$ (374)**	$ 1,817
Change in total assets under management										
Net sales	**$ (125)**	$ 332	**$ (315)**	$ 1,558	**$ (65)**	$ 48	**$ 131**	$ (121)	**$ (374)**	$ 1,817
Investment returns	**(5,730)**	2,450	**(4,304)**	2,111	**(342)**	152	**102**	(32)	**(10,274)**	4,681
Net change in assets	**(5,855)**	2,782	**(4,619)**	3,669	**(407)**	200	**233**	(153)	**(10,648)**	6,498
Beginning assets	**88,992**	85,226	**67,347**	60,840	**5,532**	5,177	**(2,157)**	(1,228)	**159,714**	150,015
Ending assets	**$ 83,137**	$ 88,008	**$ 62,728**	$ 64,509	**$ 5,125**	$ 5,377	**$ (1,924)**	$ (1,381)	**$149,066**	$156,513
Total assets under management consists of:										
Investment funds										
Mutual funds[(3)]	**$ 83,137**	$ 88,008	**$ 53,407**	$ 55,615	**$ 5,125**	$ 5,377	**$ –**	$ –	**$141,669**	$149,000
ETFs			**2,949**	1,296			**–**	–	**2,949**	1,296
Mutual fund investment in ETF			**(848)**	(368)			**(488)**	(110)	**(1,336)**	(478)
Total investment funds	**83,137**	88,008	**55,508**	56,543	**5,125**	5,377	**(488)**	(110)	**143,282**	149,818
Sub-advisory, institutional and other accounts			**7,220**	7,966			**(1,436)**	(1,271)	**5,784**	6,695
Ending assets[(2)]	**$ 83,137**	$ 88,008	**$ 62,728**	$ 64,509	**$ 5,125**	$ 5,377	**$ (1,924)**	$ (1,381)	**$149,066**	$156,513

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

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

- *Included with Mackenzie's results were advisory mandates to other segments with assets of $1.9 billion at December 31, 2018 (2017 – $1.4 billion) and net sales of ($131) million for the fourth quarter of 2018 (2017 – $121 million).*
- *Included in ETFs are mutual fund investments in ETFs totalling $848 million at December 31, 2018 (2017 – $368 million) and net sales of $82 million for the three months ending December 31, 2018 (2017 – $27 million).*

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

TABLE 7: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – 2018 VS. 2017(1)

	IG WEALTH MANAGEMENT		MACKENZIE INVESTMENTS		INVESTMENT PLANNING COUNSEL		INTERCOMPANY ELIMINATIONS		CONSOLIDATED(2)	
TWELVE MONTHS ENDED ($ millions)	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31
Investment funds										
Mutual funds(3)(4)										
Gross sales	**$ 9,075**	$ 9,693	**$ 9,951**	$ 9,124	**$ 960**	$ 889	**$ –**	$ –	**$ 19,986**	$ 19,706
Net sales	**485**	1,944	**113**	965	**(18)**	79	**–**	–	**580**	2,988
ETFs										
Net creations			**1,799**	1,156			**–**	–	**1,799**	1,156
Mutual fund investment in ETF			**(530)**	(341)			**(407)**	(108)	**(937)**	(449)
Total investment fund net sales	**485**	1,944	**1,382**	1,780	**(18)**	79	**(407)**	(108)	**1,442**	3,695
Sub-advisory, institutional and other accounts										
Net sales			**(487)**	1,189			**(117)**	(82)	**(604)**	1,107
Combined net sales(2)	**$ 485**	$ 1,944	**$ 895**	$ 2,969	**$ (18)**	$ 79	**$ (524)**	$ (190)	**$ 838**	$ 4,802
Change in total assets under management										
Net sales	**$ 485**	$ 1,944	**$ 895**	$ 2,969	**$ (18)**	$ 79	**$ (524)**	$ (190)	**$ 838**	$ 4,802
Investment returns	**(5,356)**	4,822	**(2,676)**	3,883	**(234)**	390	**(19)**	(72)	**(8,285)**	9,023
Net change in assets	**(4,871)**	6,766	**(1,781)**	6,852	**(252)**	469	**(543)**	(262)	**(7,447)**	13,825
Beginning assets	**88,008**	81,242	**64,509**	57,657	**5,377**	4,908	**(1,381)**	(1,119)	**156,513**	142,688
Ending assets	**$ 83,137**	$ 88,008	**$ 62,728**	$ 64,509	**$ 5,125**	$ 5,377	**$ (1,924)**	$ (1,381)	**$149,066**	$156,513

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

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

– Included with Mackenzie's results were advisory mandates to other segments with assets of $1.9 billion at December 31, 2018 (2017 – $1.4 billion) and net sales of $524 million for the twelve months ending December 31, 2018 (2017 – $190 million).

– Included in ETFs are mutual fund investments in ETFs totalling $848 million at December 31, 2018 (2017 – $368 million) and net sales of $530 million for the twelve months ending December 31, 2018 (2017 – $341 million).

(3) During 2018, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes which resulted in sales of $409 million, redemptions of $807 million and net redemptions of $398 million.

During 2017, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes which resulted in sales of $313 million, redemptions of $618 million and net redemptions of $305 million.

(4) IG Wealth Management and Investment Planning Counsel total AUM and net sales includes separately managed accounts.

SELECTED ANNUAL INFORMATION

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

Net Earnings and Earnings per Share – Except as noted in the reconciliation in Table 8, variations in net earnings and total revenues result primarily from changes in average daily mutual fund assets under management. Investment fund assets under management increased to $137.6 billion in 2016, $149.8 billion in 2017 and decreased to $143.3 billion in 2018, driven largely by changes in financial markets during the period. Average investment fund assets under management for the year ended December 31, 2018 were $150.5 billion compared to $143.7 billion in 2017. The impact on earnings and revenues of changes in average daily investment fund assets under management and other pertinent items are discussed in the Review of Segment Operating Results sections of the MD&A for both IG Wealth Management and Mackenzie.

Total assets under management at December 31, 2018 were $149.1 billion and included investment fund assets under management totalling $143.3 billion. Net earnings in future periods will largely be determined by the level of investment fund assets which will continue to be influenced by global market conditions.

Dividends per Common Share – Annual dividends per common share were $2.25 in 2018, unchanged from 2017 and 2016.

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 9 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Changes in average daily investment fund assets under management over the eight most recent quarters, as shown in Table 9, largely reflect the impact of strong net sales of the Company and changes in domestic and foreign markets.

TABLE 8: SELECTED ANNUAL INFORMATION

	2018	2017	2016
Consolidated statements of earnings *($ millions)*			
Revenues			
Fee income	$ 3,037.2	$ 3,005.7	$ 2,856.9
Net investment income and other	211.9	167.3	187.8
	3,249.1	3,173.0	3,044.7
Expenses	2,229.6	2,224.4	2,097.8
	1,019.5	948.6	946.9
Premium paid on early redemption of debentures	(10.7)	–	–
Restructuring and other	(22.7)	(195.3)	–
Pension plan	–	50.4	–
Proportionate share of associate's one-time charges	–	(14.0)	–
Proportionate share of associate's provision	–	(5.1)	–
Earnings before income taxes	986.1	784.6	946.9
Income taxes	210.0	173.9	167.6
Net earnings	776.1	610.7	779.3
Perpetual preferred share dividends	8.8	8.8	8.8
Net earnings available to common shareholders	$ 767.3	$ 601.9	$ 770.5
Reconciliation of Non-IFRS financial measures[1] *($ millions)*			
Adjusted net earnings available to common shareholders – non-IFRS measure	$ 791.8	$ 727.8	$ 736.5
Other items:			
Premium paid on early redemption of debentures, net of tax	(7.8)	–	–
Restructuring and other, net of tax	(16.7)	(143.6)	–
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	$ 767.3	$ 601.9	$ 770.5
Earnings per share *($)*			
Adjusted net earnings available to common shareholders[1]			
– Basic	$ 3.29	$ 3.03	$ 3.05
– Diluted	3.29	3.02	3.05
Net earnings available to common shareholders			
– Basic	3.19	2.50	3.19
– Diluted	3.18	2.50	3.19
Dividends per share *($)*			
Common	$ 2.25	$ 2.25	$ 2.25
Preferred, Series B	1.48	1.48	1.48
Average daily investment fund assets *($ millions)*	$ 150,502	$ 143,735	$ 130,201
Total investment fund assets under management *($ millions)*	$ 143,282	$ 149,819	$ 137,575
Total assets under management *($ millions)*	$ 149,066	$ 156,513	$ 142,688
Total corporate assets *($ millions)*	$ 15,609	$ 16,499	$ 15,625
Total long-term debt *($ millions)*	$ 1,850	$ 2,175	$ 1,325
Outstanding common shares *(thousands)*	240,885	240,666	240,516

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

TABLE 9: SUMMARY OF QUARTERLY RESULTS

	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Consolidated statements of earnings *($ millions)*								
Revenues								
Management fees	$ 546.0	$ 573.8	$ 562.8	$ 556.6	$ 564.4	$ 541.9	$ 547.0	$ 527.7
Administration fees	103.3	109.1	107.1	107.6	110.4	109.1	111.2	109.0
Distribution fees	94.4	93.3	89.9	93.3	95.2	89.8	94.8	105.2
Net investment income and other	47.8	55.8	56.2	52.1	36.7	32.5	50.3	47.8
	791.5	832.0	816.0	809.6	806.7	773.3	803.3	789.7
Expenses								
Commission	272.4	270.1	270.1	286.1	288.1	276.0	284.4	289.3
Non-commission	269.0	245.9	252.7	253.1	240.3	238.8	246.5	246.9
Interest	24.1	27.0	28.8	30.3	29.7	28.9	28.7	26.8
	565.5	543.0	551.6	569.5	558.1	543.7	559.6	563.0
Earnings before undernoted	226.0	289.0	264.4	240.1	248.6	229.6	243.7	226.7
Premium paid on early redemption of debentures	–	(10.7)	–	–	–	–	–	–
Restructuring and other	–	(22.7)	–	–	(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	226.0	255.6	264.4	240.1	62.3	229.6	266.0	226.7
Income taxes	43.9	55.2	58.5	52.4	9.5	54.0	63.0	47.4
Net earnings	182.1	200.4	205.9	187.7	52.8	175.6	203.0	179.3
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	$ 179.9	$ 198.2	$ 203.7	$ 185.5	$ 50.6	$ 173.4	$ 200.8	$ 177.1
Reconciliation of Non-IFRS financial measures[1] *($ millions)*								
Adjusted net earnings available to common shareholders – non-IFRS measure	$ 179.9	$ 222.7	$ 203.7	$ 185.5	$ 191.4	$ 173.4	$ 185.9	$ 177.1
Other items:								
Premium paid on early redemption of debentures, net of tax	–	(7.8)	–	–	–	–	–	–
Restructuring and other, net of tax	–	(16.7)	–	–	(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)	–
Net earnings available to common shareholders – IFRS	$ 179.9	$ 198.2	$ 203.7	$ 185.5	$ 50.6	$ 173.4	$ 200.8	$ 177.1
Earnings per Share *(¢)*								
Adjusted net earnings available to common shareholders[1]								
– Basic	75	92	85	77	80	72	77	74
– Diluted	75	92	85	77	79	72	77	74
Net earnings available to common shareholders								
– Basic	75	82	85	77	21	72	83	74
– Diluted	75	82	85	77	21	72	83	74
Average daily investment fund assets *($ billions)*	$ 147.0	$ 154.0	$ 150.9	$ 150.1	$ 148.1	$ 142.4	$ 144.3	$ 140.1
Total investment fund assets under management *($ billions)*	$ 143.3	$ 153.4	$ 152.5	$ 149.2	$ 149.8	$ 144.6	$ 143.3	$ 142.1
Total assets under management *($ billions)*	$ 149.1	$ 159.7	$ 159.1	$ 155.8	$ 156.5	$ 150.0	$ 148.6	$ 147.5

(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.*

IG WEALTH MANAGEMENT

REVIEW OF THE BUSINESS

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

Fee income is primarily generated from the management, administration and distribution of IG Wealth Management mutual funds and the provision of advisory services to our clients.

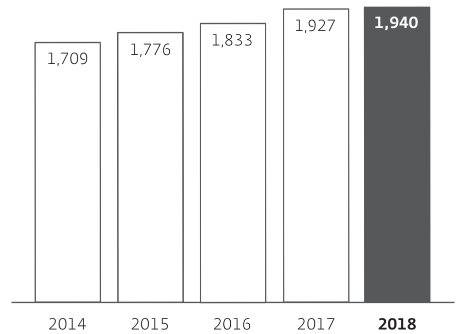
Fee income is also earned from the distribution of insurance, securities and other financial services.

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

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

Fee Income – IG Wealth Management

For the financial year ($ millions)



2018 DEVELOPMENTS

BRANDING

The Company announced in the third quarter of 2018 that it has rebranded Investors Group as IG Wealth Management, reflecting its central focus on helping clients grow their wealth. The firm also announced the launch of the IG Living Plan™, a holistic, client-centric approach to financial planning that reflects the evolving needs, goals and aspirations of Canadian families and individuals.

CHANGES TO MUTUAL FUND PRODUCT OFFERING

IG Wealth Management 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.

During 2018, IG Wealth Management announced proposed changes to simplify its mutual fund offering with investment fund changes and mergers including:

- Changes to the investment objectives and/or fundamental investment strategies of several funds so that they provide broader investment management diversification opportunities.
- Several fund mergers which are expected to provide investors with a streamlined and simplified product line-up, broaden investment management diversification opportunities and in some cases, may result in lower costs to clients.

FEE TRANSPARENCY FOR ALL CLIENTS AND PRICING CHANGES

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

IG Wealth Management will be migrating clients to unbundled solutions beginning in the third quarter of 2019, with most accounts expected to be migrated over the following twelve months. In addition, increased fee transparency, in the form of unbundled pricing, is being rolled out to all IG Wealth Management clients over the course of 2019. Under the new model, clients pay an advisory fee to the dealer for its services as opposed to dealer compensation being bundled as part of mutual fund management fees. IG Wealth Management has successfully offered an unbundled fee option (Series U) to high net worth clients across its product suite since 2013.

The company is also introducing more competitive pricing to reward client loyalty while encouraging consolidation of our clients' assets with IG Wealth Management and increasing the competitiveness of our products to attract new clients. IG Wealth Management plans to implement the changes over the course of 2019:

- Beginning March 1, 2019, IG Wealth Management will enhance the competitiveness of pricing to households with over $1 million in assets with IG Wealth Management through advisory fee reductions across multiple client segments.
- During the third quarter of 2019, IG Wealth Management will open unbundled fee options to households with less than $500,000 in assets.

IG WEALTH MANAGEMENT STRATEGY

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

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

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

GAMMA

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

Entrepreneurial Advisors

IG Wealth Management has a national distribution network of Consultants based in region offices across Canada.

The following provides a breakdown of the IG Wealth Management Consultant network into its significant components at December 31, 2018:

- 1,973 Consultant practices (2,124 at December 31, 2017), which reflect Consultants with more than four years of IG Wealth Management 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.
- 700 New Consultants (954 at December 31, 2017), which are those Consultants with less than four years of IG Wealth Management experience.
- 1,038 Associates and Regional Directors (1,068 at December 31, 2017). Associates are licensed team members of Consultant practices who provide financial planning services and advice to the clientele served by the team.
- IG Wealth Management had a total Consultant network of 3,711 (4,146 at December 31, 2017).

Starting in the first quarter of 2017, IG Wealth Management 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.

Superior Advice

IG Wealth Management 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 2018 that IG Wealth Management ranks first in terms of the number of CFP designation holders.

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

Each year our training curriculum is reviewed and refreshed to offer new Consultants important building blocks to develop client relationships. As Consultants progress, they develop their skills as financial planners and business managers through a selection of focused educational programs including: financial planning skills, product knowledge, client service, business development skills, compliance, technology, practice management and other related topics.

IG Wealth Management also supports Consultants and clients through its network of product and planning specialists who assist in the areas of advanced financial planning, mortgages and banking, insurance, and securities. These specialists provide support in ensuring that we are offering the very best in financial planning and providing plans that are comprehensive across all elements of a client's financial life. Our specialist complement also includes wealth planning specialists who are IIROC-licensed and ensure that the same level of comprehensive advice on direct securities is available to clients of both our

Mutual Fund Dealers Association of Canada (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) licensed Consultants. Clients of our MFDA and IIROC licensed Consultants have access to the same product and service offering.

Segmented Client Experiences

IG Wealth Management distinguishes itself from its competition by offering comprehensive planning to its clients within the context of long-term relationships. The value of this approach is illustrated through independent studies demonstrating that households receiving advice from a financial advisor have greater wealth than non-advised households, and that this advantage increases based on the length of the relationship with the financial advisor.

IG Living Plan™ is a holistic, client-centric approach to financial planning that reflects the evolving needs, goals and aspirations of Canadian families and individuals. The IG Living Plan provides a single, integrated view of all aspects of a client's finances including retirement and estate planning, investments and tax strategies, creating a truly synchronized and comprehensive plan.

The IG Living Plan leverages the experience and expertise of IG Wealth Management's Consultants who serve over 1 million clients in all provinces and territories.

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

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

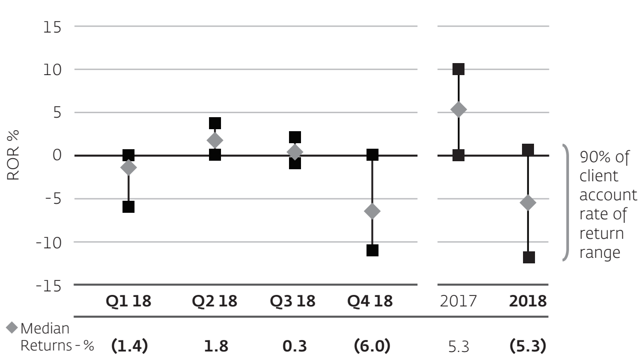
IG Wealth Management has long believed that providing our clients with personal account level performance and rate of return information over multiple time periods is a meaningful benefit to our clients and further demonstrates the value provided through advice over the history of our client relationships. Our clients' statements include a multiple-period view of their performance, including one year, three year and five year rates of return.

Communication with our clients includes regular reporting of their IG Wealth Management 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 December 31, 2018. Both charts also illustrate upper and lower ranges of rates of return around the median for 90% of IG Wealth Management client accounts.

For the three and twelve month periods ended December 31, 2018, the client account median rate of return was approximately (6.0)% and (5.3)%, respectively.

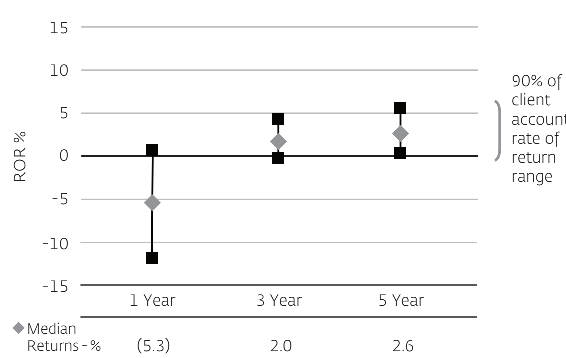
Client Account Rate of Return (ROR) Experience

Quarterly and Annual Returns



Client Account Rate of Return (ROR) Experience

As at December 31, 2018



Business Processes

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 for Consultants and clients from both IG Wealth Management's head office in Winnipeg, Manitoba and IG Wealth Management's Quebec General Office located in Montreal for Consultants and clients residing in Quebec. The Quebec General Office has approximately 200 employees and operating units for most functions supporting approximately 800 Consultants throughout Quebec. Mutual fund assets under management in Quebec were approximately $15 billion as at December 31, 2018.

IG Wealth Management continually reviews and enhances our Consultant technology platform, bringing greater efficiencies to our Consultants' contact management and portfolio information and financial planning systems to help them serve our clients more effectively.

IG Wealth Management's dealer platform provides increased automation and supports both MFDA and IIROC licensed advisors as well as new products on our investment dealer platform designed to support the high net worth segment of our client base. The platform is expected to result in efficiencies over the long term. IG Wealth Management continues the transitioning of clients to this platform.

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

Enabled by a High-Performing and Diverse Culture

IG Wealth Management has established a high-performing and diverse culture to allow employees and Consultants to achieve maximum results. Gallup surveys are utilized to ensure that employees and Consultants are fully engaged and have the resources required to excel.

BETA AND ALPHA

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

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

IG Wealth Management strives to provide Beta and Alpha through the selection of its global sub-advisors. The use of sub-advisors allow us to provide clients with products that provide diversification and global reach.

A strong selection process exists to ensure the best available sub-advisors are selected to manage IG Wealth Management's investment products. IG Wealth Management oversees all sub-advisors to ensure that their activities are consistent with its investment philosophy and with the investment objectives and strategies of the products that they advise.

IG Wealth Management's primary focus is on providing managed solutions that deliver superior risk-adjusted returns to our clients so that they can confidently pursue their goals and a more secure financial future. Engaging numerous high quality investment management organizations from all over the world is a key design aspect of these managed solutions that enables the delivery of multi-disciplinary teams, global connections, depth of research and use of information technology. Investment Managers are selected through a rigorous process followed by continuous performance monitoring and oversight. IG Wealth Management's advisory relationships include Mackenzie Investments, as well as other world class investment firms.

During 2018, IG Wealth Management continued its commitment to engage high quality asset managers through the following appointments:

- T. Rowe Price (Canada) is providing investment advisory services to the IG T. Rowe Price U.S. Large Cap Equity Fund.
- Blackrock Asset Management Canada Limited is providing investment advisory services to the *i*Profile International Equity Pool.
- PIMCO Canada Corp. is providing investment advisory services to *i*Profile Fixed Income Pool.

New Products

IG Wealth Management 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.

Powerful Financial Solutions

IG Wealth Management provides a wide range of investment and other financial solutions that enable clients to achieve their goals.

- *Mutual Funds* – IG Wealth Management offers a wide breadth and depth of mutual funds that assist clients and their Consultants to develop customized portfolios to meet their objectives by diversifying their holdings across investment managers, asset categories, investment styles, geography, capitalization and sectors.
- *IG Wealth Portfolios* – IG Wealth Management offers managed portfolios that seek to provide diversification and long-term consistent performance. Portfolios rebalance investments to

ensure that the chosen mix of risk and return is maintained. IG Wealth Management has a variety of portfolio solutions including IG Core Portfolios, IG Managed Payout Portfolios, Investors Portfolios, and IG Managed Risk Portfolios.

- *iProfile™* – *iProfile* is a unique portfolio management program that is available for households with investments held at IG Wealth Management in excess of $250,000. *iProfile* investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions.
- *Segregated Funds* – IG Wealth Management offers segregated funds which include the IG 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.
- *Separately Managed Accounts and Fee-Based Brokerage Account* – IG Wealth Management's separately managed account program, Azure Managed Investments™, as well as its Fee-Based Account program, are both offered through IG Wealth Management'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. IG Wealth Management'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.

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

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

At December 31, 2018, 51.7% of IG Wealth Management mutual funds had a rating of three stars or better from the Morningstar† fund ranking service and 17.1% had a rating of four or five stars. This compared to the Morningstar† universe

TABLE 10: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED *($ millions)*	**2018 DEC. 31**	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Sales	**$ 2,118**	$ 2,014	$ 2,314	5.2 %	(8.5) %
Redemptions	**2,243**	2,078	1,982	7.9	13.2
Net sales (redemptions)	**(125)**	(64)	332	(95.3)	N/M
Investment returns	**(5,730)**	294	2,450	N/M	N/M
Net change in assets	**(5,855)**	230	2,782	N/M	N/M
Beginning assets	**88,992**	88,762	85,226	0.3	4.4
Ending assets	**$ 83,137**	$ 88,992	$ 88,008	(6.6) %	(5.5) %
Average daily assets	**$ 85,128**	$ 89,449	$ 87,195	(4.8) %	(2.4) %

TWELVE MONTHS ENDED *($ millions)*	**2018 DEC. 31**	2017 DEC. 31	% CHANGE
Sales	**$ 9,075**	$ 9,693	(6.4) %
Redemptions	**8,590**	7,749	10.9
Net sales (redemptions)	**485**	1,944	(75.1)
Investment returns	**(5,356)**	4,822	N/M
Net change in assets	**(4,871)**	6,766	N/M
Beginning assets	**88,008**	81,242	8.3
Ending assets	**$ 83,137**	$ 88,008	(5.5) %
Average daily assets	**$ 87,595**	$ 84,705	3.4 %

of 69.9% for three stars or better and 34.6% for four and five star funds at December 31, 2018. Morningstar Ratings† are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

ASSETS UNDER MANAGEMENT

At December 31, 2018, IG Wealth Management's mutual fund assets under management were $83.1 billion. The level of assets under management is influenced by three factors: sales, redemptions and investment returns of our funds. Changes in mutual fund assets under management for the periods under review are reflected in Table 10.

HIGH NET WORTH OFFERINGS

IG Wealth Management has several offerings to address the needs of high net worth clients, which represent a growing segment of 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 $41.5 billion at December 31, 2018, an increase of 2.4% from one year ago, and represented 50% of total assets under management. Sales to high net worth clients totalled $1.0 billion for the fourth quarter of 2018 and represented 48% of total sales up from 45% in 2017. For the twelve month period, sales to high net worth clients totalled $4.1 billion and represented 45% of total sales up from 41% in 2017.

- Series U is currently available for households with investments in IG Wealth Management funds in excess of $500,000 and provides a pricing structure which separates the advisory fee, which is charged directly to a client's account, from the fees charged to the underlying investment funds. At December 31, 2018, Series U assets under management had increased to $16.3 billion, compared to $14.3 billion at December 31, 2017, an increase of 13.8%.
- Series J is available for households with investments in IG Wealth Management funds in excess of $500,000 and had assets of $16.1 billion at December 31, 2018, a decrease of 20.9% from $20.4 billion at December 31, 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.
- *i*Profile™ – is a unique portfolio management program that is available for households with investments held at IG Wealth Management in excess of $250,000. 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 December 31, 2018, the *i*Profile program assets under management were $9.0 billion, an increase of 56.6% from $5.8 billion at December 31, 2017.

Unbundled Fee Structures

A growing portion of IG Wealth Management's client assets are in Series U and *i*Profile, which are products with unbundled fee structures where a separate advisory fee is charged to the client account by the dealer. At December 31, 2018, $25.3 billion, or 31% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 26.1% from $20.1 billion at December 31, 2017 which represented 23% of assets under management. Sales of these products to high net worth clients totalled $781 million for the fourth quarter of 2018, an increase of $50 million from the fourth quarter of 2017, representing 76% of total high net worth sales and 37% of total mutual fund sales. For the twelve months ended December 31, 2018, sales totalled $3.0 billion, an increase of $502 million from 2017, representing 74% of total high net worth sales and 33% of total mutual fund sales.

In 2019, the Company will begin migrating all clients to unbundled fee products, which separate the advisory fee that is charged directly to a client's account from the fees charged to the underlying investment funds. Following this transition, IG Wealth Management will discontinue offering bundled purchase options for investment funds.

CHANGE IN ASSETS UNDER MANAGEMENT – 2018 VS. 2017

IG Wealth Management's mutual fund assets under management were $83.1 billion at December 31, 2018, representing a decrease of 5.5% from $88.0 billion at December 31, 2017. Average daily mutual fund assets were $85.1 billion in the fourth quarter of 2018, down 2.4% from $87.2 billion in the fourth quarter of 2017. Average daily mutual fund assets were $87.6 billion for the twelve months ended December 31, 2018, up 3.4% from $84.7 billion in 2017.

For the quarter ended December 31, 2018, sales of IG Wealth Management mutual funds through its Consultant network were $2.1 billion, a decrease of 8.5% from the comparable period in 2017. Mutual fund redemptions totalled $2.2 billion, an increase of 13.2% from 2017. IG Wealth Management mutual fund net redemptions for the fourth quarter of 2018 were $125 million compared with net sales of $332 million in 2017. During the fourth quarter, investment returns resulted in a decrease of $5.7 billion in mutual fund assets compared to an increase of $2.5 billion in the fourth quarter of 2017.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 9.7% in the fourth quarter of 2018, compared to 8.3% in the fourth quarter of 2017. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 9.2% at December 31, 2018, compared to 8.4% at December 31, 2017, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 17.9% at December 31, 2018.

For the twelve months ended December 31, 2018, sales of IG Wealth Management mutual funds through its Consultant network were $9.1 billion, a decrease of 6.4% from 2017. Mutual fund redemptions totalled $8.6 billion, an increase of 10.9% from 2017. Net sales of IG Wealth Management mutual funds were $485 million compared with net sales of $1.9 billion in 2017. During 2018, investment returns resulted in a decrease of $5.4 billion in mutual fund assets compared to an increase of $4.8 billion in 2017.

CHANGE IN ASSETS UNDER MANAGEMENT – Q4 2018 VS. Q3 2018

IG Wealth Management's mutual fund assets under management were $83.1 billion at December 31, 2018, a decrease of 6.6% from $89.0 billion at September 30, 2018. Average daily mutual fund assets were $85.1 billion in the fourth quarter of 2018 compared to $89.4 billion in the third quarter of 2018, a decrease of 4.8%.

For the quarter ended December 31, 2018, sales of IG Wealth Management mutual funds through its Consultant network were $2.1 billion, an increase of 5.2% from the third quarter of 2018. Mutual fund redemptions, which totalled $2.2 billion for the fourth quarter, increased 7.9% from the previous quarter and the annualized quarterly redemption rate was 9.7% in the fourth quarter compared to 8.7% in the third quarter of 2018. IG Wealth Management mutual fund net redemptions were $125 million for the current quarter compared to net redemptions of $64 million in the previous quarter.

OTHER PRODUCTS AND SERVICES

SEGREGATED FUNDS

IG Wealth Management offers segregated funds which include the IG Series of Guaranteed Investment Funds (GIFs). Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by IG Wealth Management. At December 31, 2018, total segregated fund assets were $1.6 billion, compared to $1.9 billion at December 31, 2017.

INSURANCE

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

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

The average number of policies sold by each insurance-licensed Consultant was 2.6 for the quarter ended December 31, 2018, unchanged from 2017. For the twelve months ended December 31, 2018, the average number of policies sold by each insurance-licensed Consultant was 9.7 compared to 11.2 in 2017. Distribution of insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist Consultants with advanced estate planning solutions for high net worth clients.

SECURITIES OPERATIONS

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing clients with securities services to complement their financial and investment planning. IG Wealth Management Consultants can refer clients to one of our Wealth Planning Specialists available through Investors Group Securities Inc. In addition, there are a growing number of IIROC licensed Consultants using this platform.

MORTGAGE AND BANKING OPERATIONS

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

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

Mortgage fundings for the three and twelve months ended December 31, 2018 were $305 million and $1.3 billion, compared to $385 million and $1.5 billion in 2017, a decrease of 20.8% and 14.5%, respectively. At December 31, 2018, mortgages totalled $10.7 billion, compared to $10.8 billion at December 31, 2017, a decrease of 1.1%.

Available credit associated with Solutions Banking† All-in-One accounts originated for the three and twelve month periods ended December 31, 2018 were $187 million and $931 million, respectively, compared to $221 million and $1.0 billion in 2017.

At December 31, 2018, the balance outstanding of Solutions Banking† All-in-One products was $2.6 billion, compared to $2.2 billion one year ago, and represented approximately 52% of total available credit associated with these accounts.

Other products and services offered though IG Wealth Management's Solutions Banking† include investment loans, lines of credit, personal loans, creditor insurance, deposit accounts, and credit cards. Through Solutions Banking†, clients have access to a network of banking machines, as well as a private labeled client website and client service centre. The Solutions Banking† offering supports IG Wealth Management's approach to delivering total financial solutions for our clients through a broad financial planning platform. Total lending products of IG Wealth Management clients in the Solutions Banking† offering totalled $4.1 billion at December 31, 2018, compared to $3.5 billion at December 31, 2017.

ADDITIONAL PRODUCTS AND SERVICES

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

REVIEW OF SEGMENT OPERATING RESULTS

IG Wealth Management's earnings before interest and taxes are presented in Table 11.

2018 VS. 2017

FEE INCOME

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

IG Wealth Management 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 $356.7 million in the fourth quarter of 2018, a decrease of $10.1 million or 2.8% from $366.8 million in 2017. For the twelve months ended December 31, 2018, management fees were $1,458.1 million, an increase of $43.1 million or 3.0% from $1,415.0 million in 2017.

The net decrease in management fees in the fourth quarter of 2018 was primarily due to the decrease in average assets under management of 2.4%, as shown in Table 10. The average management fee rate for the fourth quarter was 166.1 basis points of average assets under management compared to 166.9 basis points in 2017.

The net increase in management fees in the year ended December 31, 2018 was primarily due to the increase in average assets under management of 3.4%, as shown in Table 10. The average management fee rate for the twelve months ended December 31, 2018, was 166.4 basis points of average assets under management compared to 166.8 basis points in 2017.

IG Wealth Management 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 $75.2 million in the current quarter compared to $80.9 million a year ago, a decrease of 7.0%. Administration fees were $310.4 million for the twelve month period ended December 31, 2018 compared to $322.0 million in 2017, a decrease of 3.6%. 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 $45.1 million for the fourth quarter of 2018 decreased by $0.3 million from $45.4 million in 2017. For the twelve month period, distribution fee income of $171.5 million decreased by $19.0 million from $190.5 million in 2017. The decrease in the twelve month period 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 twelve months ended December 31, 2018. Effective January 1, 2017, IG Wealth Management 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

TABLE 11: OPERATING RESULTS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2018 DEC. 31	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Revenues					
Management fees	**$ 356.7**	$ 374.8	$ 366.8	(4.8) %	(2.8) %
Administration fees	**75.2**	79.6	80.9	(5.5)	(7.0)
Distribution fees	**45.1**	42.6	45.4	5.9	(0.7)
	477.0	497.0	493.1	(4.0)	(3.3)
Net investment income and other	**11.0**	13.3	(3.7)	(17.3)	N/M
	488.0	510.3	489.4	(4.4)	(0.3)
Expenses					
Commission					
Commission amortization	**4.4**	3.8	45.6	15.8	(90.4)
Mutual fund sales commissions expensed as incurred	**22.2**	20.8	–	6.7	N/M
Other commissions	**30.4**	29.1	30.7	4.5	(1.0)
	57.0	53.7	76.3	6.1	(25.3)
Asset-based compensation	**99.3**	97.0	89.4	2.4	11.1
Non-commission	**159.6**	146.1	138.8	9.2	15.0
	315.9	296.8	304.5	6.4	3.7
Earnings before interest and taxes	**$ 172.1**	$ 213.5	$ 184.9	(19.4) %	(6.9) %

TWELVE MONTHS ENDED ($ millions)	2018 DEC. 31	2017 DEC. 31	% CHANGE
Revenues			
Management fees	**$ 1,458.1**	$ 1,415.0	3.0 %
Administration fees	**310.4**	322.0	(3.6)
Distribution fees	**171.5**	190.5	(10.0)
	1,940.0	1,927.5	0.6
Net investment income and other	**46.7**	41.7	12.0
	1,986.7	1,969.2	0.9
Expenses			
Commission			
Commission amortization	**14.5**	180.3	(92.0)
Mutual fund sales commissions expensed as incurred	**103.4**	–	N/M
Other commissions	**118.3**	139.0	(14.9)
	236.2	319.3	(26.0)
Asset-based compensation	**387.2**	335.1	15.5
Non-commission	**597.3**	576.3	3.6
	1,220.7	1,230.7	(0.8)
Earnings before interest and taxes	**$ 766.0**	$ 738.5	3.7 %

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 Consolidated Financial Statements.

Table 28 details the impact of IFRS 9 on the Consolidated Balance Sheet as at January 1, 2018.

Net investment income and other was $11.0 million in the fourth quarter of 2018, an increase of $14.7 million from ($3.7) million in 2017. For the year ended December 31, 2018, net investment income and other totalled $46.7 million, an increase of $5.0 million from $41.7 million in 2017.

Net investment income related to IG Wealth Management's mortgage banking operations totalled $6.0 million for the fourth quarter of 2018 compared to ($6.3) million in 2017, an increase of $12.3 million. For the year ended December 31, 2018, net investment income related to IG Wealth Management's mortgage banking operations totalled $36.9 million compared to $36.0 million in 2017, an increase of $0.9 million. A summary of mortgage banking operations for the three and twelve month periods under review is presented in Table 12. The changes in mortgage banking income were due to:

- Net interest income on securitized loans – decreased by $5.3 million and $24.0 million for the three and twelve month periods ended December 31, 2018 to $9.2 million and $38.9 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 rate 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 $3.2 million and $13.1 million for the three and twelve months ended December 31, 2017, prior to the adoption of IFRS 9, were expensed and classified in other as part of Net investment income and other.
- Gains realized on the sale of residential mortgages – decreased by $6.0 million for the year ended December 31, 2018 compared to 2017. The decrease in gains was primarily due to lower sales activity.
- Fair value adjustments – increased by $13.5 million and $17.7 million for the three and twelve month periods ended December 31, 2018 to ($6.1) million and ($13.6) million, respectively, compared to 2017. The increases in both periods were primarily due to negative fair value adjustments in 2017 on loans held temporarily pending sale or securitization to third parties, as a result of interest rate increases in the period.
- Other – increased by $4.1 million and $13.2 million for the three and twelve month periods ended December 31, 2018 to $2.9 million and $10.1 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, and are re-classified to be recorded within net interest income.

EXPENSES

IG Wealth Management 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 Consolidated 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 $57.0 million for the fourth quarter of 2018, a decrease of $19.3 million from $76.3 million in 2017. For the twelve month period, commission expense decreased by $83.1 million to $236.2 million compared with $319.3 million in 2017. When adjusted for the impact of IFRS 15, prior period expenses would have been $70.2 million for the quarter and $320.7 million for the twelve month period, representing a decrease in 2018 of $13.2 million and $84.5 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 $9.9 million and $52.1 million for the three and twelve month periods ended December 31, 2018 to $99.3 million and $387.2 million, compared to 2017. The increase was primarily due to the increase in assets under management and compensation changes. Effective January 1, 2018, IG Wealth Management's compensation structure was changed to increase the rates on asset-based compensation while reducing the rates on sales-based compensation.

Non-commission expenses incurred by IG Wealth Management primarily relate to the support of the Consultant network, the administration, marketing and management of its mutual funds

TABLE 12: MORTGAGE BANKING OPERATIONS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2018 DEC. 31	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	**$ 51.7**	$ 51.1	$ 52.5	1.2 %	(1.5) %
Interest expense	**42.5**	41.4	38.0	2.7	11.8
Net interest income[1]	**9.2**	9.7	14.5	(5.2)	(36.6)
Gains on sales[2]	**–**	–	–	–	–
Fair value adjustments	**(6.1)**	(1.7)	(19.6)	N/M	68.9
Other	**2.9**	3.3	(1.2)	(12.1)	N/M
	$ 6.0	$ 11.3	$ (6.3)	(46.9) %	N/M %
Average mortgages serviced					
Securitizations	**$ 7,264**	$ 7,273	$ 7,239	(0.1) %	0.3 %
Other	**3,104**	3,202	3,596	(3.1)	(13.7)
	$ 10,368	$ 10,475	$ 10,835	(1.0) %	(4.3) %
Mortgage sales to:[3]					
Securitizations	**$ 550**	$ 547	$ 1,068	0.5 %	(48.5) %
Other[2]	**81**	75	25	8.0	N/M
	$ 631	$ 622	$ 1,093	1.4 %	(42.3) %

TWELVE MONTHS ENDED ($ millions)	2018 DEC. 31	2017 DEC. 31	% CHANGE
Total mortgage banking income			
Net interest income on securitized loans			
Interest income	**$ 204.0**	$ 200.9	1.5 %
Interest expense	**165.1**	138.0	19.6
Net interest income[1]	**38.9**	62.9	(38.2)
Gains on sales[2]	**1.5**	7.5	(80.0)
Fair value adjustments	**(13.6)**	(31.3)	56.5
Other	**10.1**	(3.1)	N/M
	$ 36.9	$ 36.0	2.5 %
Average mortgages serviced			
Securitizations	**$ 7,388**	$ 7,331	0.8 %
Other	**3,174**	3,641	(12.8)
	$ 10,562	$ 10,972	(3.7) %
Mortgage sales to:[3]			
Securitizations	**$ 1,841**	$ 2,561	(28.1) %
Other[2]	**357**	857	(58.3)
	$ 2,198	$ 3,418	(35.7) %

(1) Issuance costs in the comparative periods of 2017 were expensed as incurred and recorded in Other within Total mortgage banking income (fourth quarter – $3.2 million; annual – $13.1 million).

(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.

and other products, as well as sub-advisory fees related to mutual fund assets under management. Non-commission expenses were $159.6 million for the fourth quarter of 2018 compared to $138.8 million in 2017, an increase of $20.8 million or 15.0%. For the twelve month period, non-commission expenses were $597.3 million in 2018 compared to $576.3 million in 2017, primarily due to the implementation of certain strategic initiatives, including the brand relaunch of IG Wealth Management.

Q4 2018 VS. Q3 2018

FEE INCOME

Management fee income decreased by $18.1 million or 4.8% to $356.7 million in the fourth quarter of 2018 compared with the third quarter of 2018. The decrease in management fees in the fourth quarter was primarily due to the decrease in average assets under management of 4.8% for the quarter, as shown in Table 10.

Administration fees decreased to $75.2 million in the fourth quarter of 2018 from $79.6 million in the third quarter of 2018. This decrease resulted primarily from changes in the composition of average assets under management.

Distribution fee income of $45.1 million in the fourth quarter of 2018 increased by $2.5 million from $42.6 million in the third quarter primarily due to an increase in distribution fee income from insurance product sales, offset in part by lower redemption fees.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was $11.0 million in the fourth quarter of 2018 compared to $13.3 million in the previous quarter, a decrease of $2.3 million related to IG Wealth Management's mortgage banking operations.

Net investment income related to IG Wealth Management's mortgage banking operations totalled $6.0 million in the fourth quarter of 2018, a decrease of $5.3 million from $11.3 million in the previous quarter as shown in Table 12. The change in mortgage banking income was due to:

- Fair value adjustments – decreased by $4.4 million for the fourth quarter of 2018 to ($6.1) million compared to ($1.7) million in the previous quarter primarily due to larger unfavorable fair value adjustments on certain securitization related financial instruments.

EXPENSES

Commission expense in the current quarter was $57.0 million compared with $53.7 million in the previous quarter. The increase related primarily to higher cash commissions paid being expensed in the quarter primarily due to higher mutual fund sales and higher compensation related to the distribution of insurance product sales. Asset-based compensation increased by $2.3 million to $99.3 million in the fourth quarter of 2018.

Non-commission expenses were $159.6 million in the current quarter compared to $146.1 million in the prior quarter, reflecting seasonality of expenses and the implementation of certain strategic initiatives.

MACKENZIE INVESTMENTS

REVIEW OF THE BUSINESS

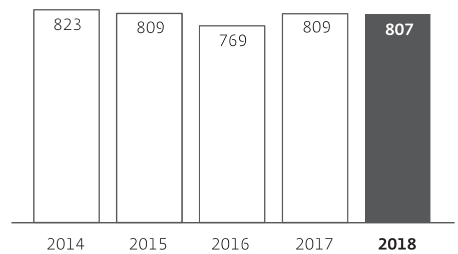
Mackenzie's core business is the provision of investment management and related services offered through diversified investment solutions, distributed through multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on the experience and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

Mackenzie earns revenue primarily from:

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

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

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



MACKENZIE STRATEGY

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

Mackenzie's vision: We are committed to the financial success of investors, through *their* eyes. This 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. 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 IG Wealth Management, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries, and also include a private label mutual fund arrangement with Lifeco subsidiary Quadrus. Within the strategic alliance channel, Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company. In the institutional channel, Mackenzie provides investment management services to pension plans, foundations and other institutions. Mackenzie attracts new institutional business through its relationships with pension and management consultants.

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

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

ASSETS UNDER MANAGEMENT

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

TABLE 13: CHANGE IN INVESTMENT FUND ASSETS UNDER MANAGEMENT – MACKENZIE(1)

THREE MONTHS ENDED ($ millions)	2018 DEC. 31	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Sales	$ 2,328	$ 2,252	$ 2,234	3.4 %	4.2 %
Redemptions	2,474	2,309	2,097	7.1	18.0
Mutual fund net sales (redemptions)(2)	(146)	(57)	137	(156.1)	N/M
ETF net creations	137	377	367	(63.7)	(62.7)
Mutual fund investment in ETF	(82)	(62)	(27)	(32.3)	N/M
Investment fund net sales (redemptions)(3)	(91)	258	477	N/M	N/M
Investment returns	(3,894)	543	1,850	N/M	N/M
Net change in assets	(3,985)	801	2,327	N/M	N/M
Beginning assets	59,493	58,692	54,216	1.4	9.7
Ending assets	$ 55,508	$ 59,493	$ 56,543	(6.7) %	(1.8) %
Consists of:					
Mutual funds	$ 53,407	$ 57,343	$ 55,615	(6.9) %	(4.0) %
ETFs	2,949	2,963	1,296	(0.5)	127.5
Mutual fund investment in ETF	(848)	(813)	(368)	(4.3)	(130.4)
Investment funds(3)	$ 55,508	$ 59,493	$ 56,543	(6.7) %	(1.8) %
Daily average investment fund assets	$ 57,138	$ 59,534	$ 55,687	(4.0) %	2.6 %

TWELVE MONTHS ENDED ($ millions)	2018 DEC. 31	2017 DEC. 31	% CHANGE
Sales	$ 9,951	$ 9,124	9.1 %
Redemptions	9,838	8,159	20.6
Mutual fund net sales (redemptions)(2)	113	965	(88.3)
ETF net creations	1,799	1,156	55.6
Mutual fund investment in ETF	(530)	(341)	(55.4)
Investment fund net sales (redemptions)(3)	1,382	1,780	(22.4)
Investment returns	(2,417)	3,338	N/M
Net change in assets	(1,035)	5,118	N/M
Beginning assets	56,543	51,425	10.0
Ending assets	$ 55,508	$ 56,543	(1.8) %
Daily average investment fund assets	$ 57,918	$ 53,892	7.5 %

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

(2) *During 2018 and 2017, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:*

- *Third quarter of 2018 – resulted in sales of $28 million, redemptions of $293 million and net redemptions of $265 million.*
- *During 2018 – resulted in sales of $409 million, redemptions of $807 million and net redemptions of $398 million.*
- *During 2017 – resulted in sales of $313 million, redemptions of $618 million and net redemptions of $305 million.*

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

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

THREE MONTHS ENDED ($ millions)	2018 DEC. 31	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Net sales (redemptions)					
Mutual funds[2]	$ (146)	$ (57)	$ 137	(156.1) %	N/M %
ETF net creations	137	377	367	(63.7)	(62.7)
Mutual fund investment in ETF	(82)	(62)	(27)	(32.3)	N/M
Investment funds[3]	(91)	258	477	N/M	N/M
Sub-advisory, institutional and other accounts	(224)	(395)	1,081	43.3	N/M
Total net sales (redemptions)	(315)	(137)	1,558	(129.9)	N/M
Investment returns	(4,304)	531	2,111	N/M	N/M
Net change in assets	(4,619)	394	3,669	N/M	N/M
Beginning assets	67,347	66,953	60,840	0.6	10.7
Ending assets	$ 62,728	$ 67,347	$ 64,509	(6.9) %	(2.8) %
Consists of:					
Mutual funds	$ 53,407	$ 57,343	$ 55,615	(6.9) %	(4.0) %
ETFs	2,949	2,963	1,296	(0.5)	127.5
Mutual fund investment in ETF	(848)	(813)	(368)	(4.3)	(130.4)
Investment funds[3]	55,508	59,493	56,543	(6.7)	(1.8)
Sub-advisory, institutional and other accounts	7,220	7,854	7,966	(8.1)	(9.4)
Total assets under management	$ 62,728	$ 67,347	$ 64,509	(6.9) %	(2.8) %
Average total assets[4]	$ 64,628	$ 67,561	$ 63,029	(4.3) %	2.5 %

TWELVE MONTHS ENDED ($ millions)	2018 DEC. 31	2017 DEC. 31	% CHANGE
Net sales (redemptions)			
Mutual funds[2]	$ 113	$ 965	(88.3) %
ETF net creations	1,799	1,156	55.6
Mutual fund investment in ETF	(530)	(341)	(55.4)
Investment funds[3]	1,382	1,780	(22.4)
Sub-advisory, institutional and other accounts	(487)	1,189	N/M
Total net sales (redemptions)	895	2,969	(69.9)
Investment returns	(2,676)	3,883	N/M
Net change in assets	(1,781)	6,852	N/M
Beginning assets	64,509	57,657	11.9
Ending assets	$ 62,728	$ 64,509	(2.8) %
Average total assets[4]	$ 65,860	$ 60,642	8.6 %

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

(2) During 2018 and 2017, institutional clients which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

- *Third quarter of 2018 – resulted in sales of $28 million, redemptions of $293 million and net redemptions of $265 million.*
- *During 2018 – resulted in sales of $409 million, redemptions of $807 million and net redemptions of $398 million.*
- *During 2017 – resulted in sales of $313 million, redemptions of $618 million and net redemptions of $305 million.*

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

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

In October 2017, the investment management functions of IG Wealth Management 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 IG Wealth Management funds and investments into Mackenzie mutual funds by IG Wealth Management 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 December 31, 2018, Mackenzie's investment fund assets under management were $55.5 billion and total assets under management were $62.7 billion. The change in Mackenzie's assets under management is determined by investment returns generated for our clients and net contributions from our clients.

CHANGE IN ASSETS UNDER MANAGEMENT – 2018 VS. 2017

Mackenzie's total assets under management at December 31, 2018 were $62.7 billion, a decrease of 2.8% from $64.5 billion at December 31, 2017. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2018 were $7.2 billion, a decrease of 9.4% from $8.0 billion last year.

Mackenzie's investment fund assets under management were $55.5 billion at December 31, 2018, a decrease of 1.8% from December 31, 2017. Mackenzie's mutual fund assets under management were $53.4 billion at December 31, 2018, a decrease of 4.0% from $55.6 billion at December 31, 2017. Mackenzie's ETF assets were $2.9 billion at December 31, 2018, inclusive of $848 million in investments from Mackenzie mutual funds, compared to $1.3 billion at December 31, 2017, inclusive of $368 million in investments from Mackenzie mutual funds.

In the three months ended December 31, 2018, Mackenzie's mutual fund gross sales were $2.3 billion, the highest fourth quarter gross sales in the company's history. This represented an increase of 4.2% from $2.2 billion in the comparative period last year. Mutual fund redemptions in the current quarter were $2.5 billion, an increase of 18.0% from last year. Mutual fund net redemptions for the three months ended December 31, 2018 were $146 million, as compared to net sales of $137 million last year. In the three months ended December 31, 2018, ETF net creations were $137 million, inclusive of $82 million in investments from Mackenzie mutual funds compared to ETF net creations of $367 million last year, inclusive of $27 million in investments from Mackenzie mutual funds. Investment fund net redemptions in the current quarter were $91 million compared to net sales of $477 million last year. During the current quarter, investment returns resulted in investment fund assets decreasing by $3.9 billion compared to an increase of $1.9 billion last year.

Total net redemptions for the three months ended December 31, 2018 were $315 million, compared to net sales of $1.6 billion last year. During the current quarter, investment returns resulted in assets decreasing by $4.3 billion compared to an increase of $2.1 billion last year.

In the twelve months ended December 31, 2018, Mackenzie's mutual fund gross sales were $10.0 billion, the highest annual gross sales in the company's history. This represented an increase of 9.1% from $9.1 billion in the comparative period last year. Mutual fund redemptions in the current period were $9.8 billion, an increase of 20.6% from last year. Mutual fund net sales for the twelve months ended December 31, 2018 were $113 million, as compared to net sales of $965 million last year. In the twelve months ended December 31, 2018, ETF net creations were $1.8 billion, inclusive of $530 million in investments from Mackenzie mutual funds, compared to ETF net creations of $1.2 billion, inclusive of $341 million in investments from Mackenzie mutual funds last year. Investment fund net sales in the current period were $1.4 billion compared to $1.8 billion last year. During the current period, investment returns resulted in investment fund assets decreasing by $2.4 billion compared to an increase of $3.3 billion in 2017.

During the twelve months ended December 31, 2018, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes resulting in gross sales of $409 million, redemptions of $807 million and net redemptions of $398 million. During the twelve months ended December 31, 2017, certain institutional clients, which include Mackenzie mutual funds within their investment offerings, 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 8.3% and mutual fund redemptions increased 19.8% in the twelve months ended December 31, 2018 compared to last year and mutual fund net sales were $511 million compared to $1.3 billion last year.

Redemptions of long-term mutual funds in the three and twelve months ended December 31, 2018, were $2.4 billion and $9.5 billion, respectively, as compared to $2.0 billion and $7.9 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by institutional clients were $8.7 billion in the twelve months ended December 31, 2018, compared to $7.2 billion last year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 17.1% in the fourth quarter of 2018, compared to 14.7% in the fourth quarter of 2017. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 17.1% at December 31, 2018, as compared to 14.8% last year. Mackenzie's twelve-month trailing redemption rate for long-term funds, excluding rebalance transactions noted previously, was 15.6% at December 31, 2018 and 13.7% at December 31, 2017. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 18.2% at December 31, 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 twelve months ended December 31, 2018 were $895 million, as compared to net sales of $3.0 billion last year. During the twelve months ended December 31, 2018, investment returns resulted in assets decreasing by $2.7 billion, compared to an increase of $3.9 billion last year. Excluding the mutual fund allocation changes in both 2018 and 2017 previously discussed, total net sales were $1.3 billion in the current period compared to net sales of $3.3 billion last year.

CHANGE IN ASSETS UNDER MANAGEMENT – Q4 2018 VS. Q3 2018

Mackenzie's total assets under management at December 31, 2018, were $62.7 billion, a decrease of 6.9% from $67.3 billion at September 30, 2018. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2018 were $7.2 billion, a decrease of 8.1% from $7.9 billion at September 30, 2018.

Mackenzie's investment fund assets under management were $55.5 billion at December 31, 2018, a decrease of 6.7% from $59.5 billion at September 30, 2018. Mackenzie's mutual fund assets under management were $53.4 billion at December 31, 2018, a decrease of 6.9% from $57.3 billion at September 30, 2018. Mackenzie's ETF assets were $2.9 billion at December 31, 2018, inclusive of $848 million in investments from Mackenzie mutual funds compared to $3.0 billion at September 30, 2018, inclusive of $813 million investments from Mackenzie mutual funds.

For the quarter ended December 31, 2018, Mackenzie mutual fund gross sales were $2.3 billion, an increase of 3.4% from the third quarter of 2018. Mutual fund redemptions, which totalled $2.5 billion for the fourth quarter, increased by 7.1% from the previous quarter. Net redemptions of Mackenzie mutual funds for the current quarter were $146 million compared with net redemptions of $57 million in the previous quarter. Excluding the mutual fund allocation changes during the third quarter of 2018 which resulted in gross sales of $28 million, redemptions of $293 million and net redemptions of $265 million, mutual fund gross sales increased 4.7%, mutual fund redemptions increased 22.7% and net redemptions in the three months ended December 31, 2018, were $146 million compared to net sales of $208 million in the third quarter of 2018.

Redemptions of long-term mutual fund assets in the current quarter were $2.4 billion, compared to $2.2 billion in the third quarter of 2018. Redemptions of long-term mutual fund assets, excluding mutual fund allocation changes made by institutional clients were $1.9 billion in the third quarter. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 17.1% compared to 15.6% for the third quarter of 2018. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 13.6% in the third quarter of 2018. Net redemptions of long-term funds for the current quarter were $136 million compared to net redemptions of $106 million in the previous quarter. Net sales of long-term mutual funds excluding rebalance transactions was $159 million in the third quarter.

For the quarter ended December 31, 2018, Mackenzie ETF net creations were $137 million, a decrease of $240 million from the third quarter of 2018. In the current quarter, ETF net creations were inclusive of $82 million in investments from Mackenzie mutual funds compared to $62 million in the third quarter.

Investment fund net redemptions in the current quarter were $91 million compared to net sales of $258 million in the third quarter. Investment fund net sales in the third quarter, excluding mutual fund allocation changes made by third party programs previously discussed, were $523 million.

INVESTMENT MANAGEMENT

In the fourth quarter of 2017, the investment management functions of IG Wealth Management and Mackenzie were consolidated to form a single global investment management organization to support both companies under Mackenzie. The investment management organization continues to maintain its Canadian presence in Toronto, Montreal and Winnipeg and its international presence in Dublin and Hong Kong. In addition, during the fourth quarter of 2017 there was expansion to the United States with the opening of its Boston office. Total assets managed by this combined team at December 31, 2018 were $129.8 billion.

The new investment management organization continues to deliver its investment offerings through a boutique structure, with separate in-house investment teams which each have a distinct focus and investment approach. This boutique approach promotes diversification of styles and ideas and provides Mackenzie with a breadth of capabilities. Oversight is conducted through a common process intended to promote superior risk-adjusted returns over time. This process is focused upon i) identifying and encouraging each team's performance edge, ii) promoting best practices in portfolio construction, and iii) emphasizing risk management.

Mackenzie currently has fourteen boutiques with the addition of the new Global Quantitative Equity boutique based in Boston.

Initiatives during 2018 impacting the in-house investment offerings include the following:

- Mackenzie changed the portfolio management of its emerging markets offerings previously managed by a third party sub-advisor. These emerging market funds are managed internally by the new Global Quantitative Equity boutique based in Boston.
- Mackenzie became sub-advisor of the China AMC Mackenzie Global Strategic Income Fund, a mutual fund distributed in Hong Kong through our relationship with China AMC. The fund is managed by the Global Equity & Income and Fixed Income boutiques.

In addition to its own investment teams, Mackenzie supplements its investment capabilities through the use of third party sub-advisors in selected areas. These sub-advisors include Putnam Investments Inc., TOBAM, China AMC, Pax Ellevate Management LLC and Rockefeller & Co. During 2018, Mackenzie added Greenchip Financial to sub-advise on the Mackenzie Global Environmental Equity Fund.

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

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2018, 54.5% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 45.0% for the three year time frame and 53.9% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar† fund ranking service. At December 31, 2018, 77.2% of Mackenzie mutual fund assets measured by Morningstar† had a rating of three stars or better and 46.9% had a rating of four or five stars. This compared to the Morningstar† universe of 82.9% for three stars or better and 44.6% for four and five star funds at December 31, 2018. These ratings exclude the Quadrus Group of Funds†.

Mackenzie was once again recognized for industry leading fund performance with the achievement of the following 2018 Lipper Fund Awards:

- Mackenzie Canadian Growth Fund Series A – Best five-year performance in the Canadian Focused Equity category.

TABLE 15: ASSETS UNDER MANAGEMENT BY INVESTMENT OBJECTIVE – MACKENZIE

($ millions)	2018		2017	
Equity				
Domestic	**$ 10,442**	**16.6 %**	$ 11,857	18.4 %
Foreign	**19,932**	**31.8**	21,116	32.7
	30,374	**48.4**	32,973	51.1
Balanced				
Domestic	**11,135**	**17.7**	11,809	18.3
Foreign	**12,202**	**19.5**	11,806	18.3
	23,337	**37.2**	23,615	36.6
Fixed Income				
Domestic	**4,512**	**7.2**	4,462	6.9
Foreign	**4,021**	**6.4**	2,975	4.6
	8,533	**13.6**	7,437	11.5
Money Market				
Domestic	**484**	**0.8**	484	0.8
Total	**$ 62,728**	**100.0 %**	$ 64,509	100.0 %
Consists of:				
Investment funds	**$ 55,508**	**88.5 %**	$ 56,543	87.7 %
Sub-advisory, institutional and other accounts	**7,220**	**11.5**	7,966	12.3
	$ 62,728	**100.0 %**	$ 64,509	100.0 %

- Mackenzie Canadian Growth Balanced Fund Series A – Best five-year performance in the Canadian Equity Balanced category.

The awards honour the funds in each category that have delivered consistently strong risk-adjusted performance relative to their peers.

In addition, Phil Taller, lead of the Mackenzie Growth Team, won Investment Executive's 2018 Mutual Fund Manager of the Year.

PRODUCTS

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 mutual funds to streamline and strengthen its product shelf.

EXCHANGE TRADED FUNDS

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

During 2018, Mackenzie launched thirteen new traditional index ETFs that provide market exposure to a broad range of asset classes. These versatile ETFs can be used as effective building blocks for asset allocation, portfolio construction and investment planning and will broaden the choice for investors.

Mackenzie's current line-up consists of twenty-eight ETFs: fifteen active and strategic beta ETFs launched during 2016 and 2017 and the thirteen traditional index ETFs launched in the first quarter of 2018. In less than three years since launch, Mackenzie's ETF assets under management surpassed $3.0 billion during the fourth quarter of 2018 and ended the year with $2.9 billion in assets under management, inclusive of $848 million in investments from Mackenzie mutual funds. This ranks Mackenzie in ninth place in the Canadian ETF industry for assets under management. Mackenzie also ranks in fourth place in industry net creations for the year ended December 31, 2018 with net creations of $1.8 billion, inclusive of $530 million in investments from Mackenzie mutual funds.

MUTUAL FUNDS

During 2018, Mackenzie launched seven mutual funds:

- Mackenzie Exchange Traded Fund (ETF) Portfolios – these five mutual fund portfolios are a single solution that provides access to a full spectrum of Mackenzie's active, strategic beta and traditional index ETFs. This new line-up now makes ETFs more accessible to Canadian advisors and investors.
- Mackenzie Multi-Strategy Absolute Return Fund – this fund is the first of its kind for Canadian retail investors, based on the regulators' alternative framework for conventional mutual funds. It offers a one-stop solution that enables investors to increase portfolio stability by leveraging sophisticated risk allocation methodology and seeks to achieve a positive total return over a market cycle, regardless of the ups and downs. The fund is managed by Mackenzie's Asset Allocation team who holistically and dynamically allocate among multiple non-traditional strategies including long/short equity, credit alternative strategy, and global macro.
- Mackenzie Global Environmental Equity – this fund was launched to better support investors and advisors seeking investment solutions with sustainability themes. The fund is sub-advised by Greenchip Financial and exclusively invests in companies who supply products and services needed in both the global energy transition from fossil fuels to renewables and from inefficient-to-efficient use of resources. The fund joins Mackenzie's other socially responsible product offerings launched in 2017, the Mackenzie Global Sustainability and Impact Balanced Fund and the Global Leadership Impact Fund.

During 2018, Mackenzie also merged thirteen mutual funds to streamline and strengthen its product shelf and make it easier to investors to navigate.

SIMPLIFIED PRICING & FEE REDUCTIONS

Mackenzie strengthened its pricing commitment for investors by reducing fees and simplifying its pricing structure. Mackenzie is focused on delivering clear, consistent and competitive pricing. Initiatives implemented during 2018 include the following:

- Mackenzie lowered fees and implemented a simplified and more accessible mutual fund fee structure. For investors in fee-based series, Mackenzie eliminated Private Wealth Series and aligned fees to offer the same competitive management and administration fee for all account sizes. For investors in retail series with embedded dealer compensation, Mackenzie simplified Private Wealth series pricing to align management and administration fees with its fee-based series. Mackenzie also made Private Wealth series more accessible to investors with a lower minimum eligibility requirement of $100,000 (from $250,000) per household.
- Mackenzie reduced management fees on fourteen ETFs to enhance competitiveness and better align ETF pricing with retail mutual fund pricing.

REVIEW OF SEGMENT OPERATING RESULTS

In October 2017, the investment management functions of IG Wealth Management 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 IG Wealth Management funds and investments into Mackenzie mutual funds by IG Wealth Management 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 16.

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 fee rates vary depending on the investment objective and the

TABLE 16: OPERATING RESULTS – MACKENZIE

THREE MONTHS ENDED ($ millions)	2018 DEC. 31	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Revenues					
Management fees	$ 169.9	$ 178.6	$ 177.4	(4.9) %	(4.2) %
Administration fees	23.8	24.8	25.3	(4.0)	(5.9)
Distribution fees	1.4	1.7	1.8	(17.6)	(22.2)
	195.1	205.1	204.5	(4.9)	(4.6)
Net investment income and other	(3.1)	(1.1)	3.3	(181.8)	N/M
	192.0	204.0	207.8	(5.9)	(7.6)
Expenses					
Commission	5.7	5.9	11.1	(3.4)	(48.6)
Trailing commission	64.0	67.3	64.6	(4.9)	(0.9)
Non-commission	86.9	78.1	82.0	11.3	6.0
	156.6	151.3	157.7	3.5	(0.7)
Earnings before interest and taxes	$ 35.4	$ 52.7	$ 50.1	(32.8) %	(29.3) %

TWELVE MONTHS ENDED ($ millions)	2018 DEC. 31	2017 DEC. 31	% CHANGE
Revenues			
Management fees	$ 701.4	$ 701.7	– %
Administration fees	98.4	99.1	(0.7)
Distribution fees	6.7	7.7	(13.0)
	806.5	808.5	(0.2)
Net investment income and other	(1.9)	1.2	N/M
	804.6	809.7	(0.6)
Expenses			
Commission	28.7	46.7	(38.5)
Trailing commission	262.4	253.3	3.6
Non-commission	335.1	329.3	1.8
	626.2	629.3	(0.5)
Earnings before interest and taxes	$ 178.4	$ 180.4	(1.1) %

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). As Mackenzie does not pay the dealer compensation, these series have lower management fees. At December 31, 2018, these series had $8.3 billion in assets, an increase of 19.2% from the prior year.

Management fees were $169.9 million for the three months ended December 31, 2018, a decrease of $7.5 million or 4.2% from $177.4 million last year. The net decrease in management fees was due to a decline in the average management fee rate, partially offset by an increase in average assets under management of 2.5%. Mackenzie's average management fee rate was 104.3 basis points during the current quarter compared to 111.6 basis points in 2017. The decrease in the average management fee rate in the current quarter was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products and Series F and the impact of the pricing changes implemented during 2018. These changes included switching of qualified investors into its Private Wealth Series and the reduction of management fees on mutual funds and ETFs.

Management fees were $701.4 million for the twelve months ended December 31, 2018, a decrease of $0.3 million from $701.7 million last year. As discussed earlier, advisory mandates to IG Wealth Management funds and investments into Mackenzie mutual funds by IG Wealth Management mutual funds were excluded from the Mackenzie segment effective October 1, 2017. When adjusted to remove the fees from IG Wealth Management, prior period management fees were $686.3 million. The net increase in management fees was due to the increase in total average assets under management of 8.6%, partially offset by a decline in the average management fee rate. Mackenzie's average management fee rate in the twelve months ended December 31, 2018 was 106.5 basis points compared to 113.2 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 and Series F and the pricing changes discussed above.

Mackenzie earns administration fees primarily from providing services to its investment funds. Administration fees were $23.8 million for the three months ended December 31, 2018, a decrease of $1.5 million or 5.9% from last year. Administration fees were $98.4 million for the twelve months ended December 31, 2018, a decrease of $0.7 million or 0.7% from $99.1 million last year.

Mackenzie earns distribution fee income on redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option. Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option. Distribution fee income in the three months ended December 31, 2018 was $1.4 million, a decrease of $0.4 million from last year. Distribution fee income in the twelve months ended December 31, 2018 was $6.7 million, a decrease of $1.0 million from $7.7 million last year.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was ($3.1) million for the three months ended December 31, 2018 compared to $3.3 million last year. Net investment income and other was ($1.9) million for the twelve months ended December 31, 2018, a decrease of $3.1 million from $1.2 million last year.

EXPENSES

Mackenzie's expenses were $156.6 million for the three months ended December 31, 2018, a decrease of $1.1 million or 0.7% from $157.7 million in 2017. Expenses for the twelve months ended December 31, 2018 were $626.2 million, a decrease of $3.1 million or 0.5% from $629.3 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 $5.7 million in the three months ended December 31, 2018, as compared to $11.1 million last year. Commission expense in the twelve months ended December 31, 2018 was $28.7 million compared to $46.7 million in 2017. When adjusted for the impact of IFRS 15, prior year expenses would have been $7.2 million for the quarter and $32.4 million for the twelve month period, representing a decrease in 2018 of $1.5 million in the quarter and $3.7 million in the twelve month period.

Trailing commissions paid to dealers are paid on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Trailing commissions were $64.0 million in the three months ended December 31, 2018, a decrease of $0.6 million or 0.9% from $64.6 million last year. Trailing commissions in the twelve months ended December 31, 2018 were $262.4 million, an increase of $9.1 million or 3.6% from $253.3 million last year. The change in trailing commissions in the three and twelve months ended December 31, 2018 resulted from the period over period increase in average mutual fund assets offset by a decline in the effective trailing commission rate. Trailing commissions as a percentage of average mutual fund assets under management were 46.6 and 46.7 basis points in the three and twelve months ended December 31, 2018, respectively, compared to 47.1 and 47.4 basis points in the three and twelve months ended December 31, 2017, respectively. The decline was due to a change in composition of mutual fund assets towards those series within 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 $86.9 million in the three months ended December 31, 2018, an increase of $4.9 million or 6.0% from $82.0 million in 2017. Non-commission expenses in the twelve months ended December 31, 2018 were $335.1 million, an increase of $5.8 million or 1.8% from $329.3 million in 2017.

Q4 2018 VS. Q3 2018

REVENUES

Mackenzie's revenues were $192.0 million for the current quarter, a decrease of $12.0 million or 5.9% from $204.0 million in the third quarter.

Management fees were $169.9 million for the current quarter, a decrease of $8.7 million or 4.9% from $178.6 million in the third quarter. Factors contributing to the decrease in management fees are as follows:

- Average assets under management were $64.6 billion in the current quarter, a 4.3% decrease from $67.6 billion in the prior quarter.
- Mackenzie's average management fee rate was 104.3 basis points in the current quarter compared to 104.9 basis points in the third quarter.

Administration fees were $23.8 million in the current quarter, a decrease of 4.0% from $24.8 million in the third quarter.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. Net investment income and other was ($3.1) million for the current quarter compared to ($1.1) million in the third quarter.

EXPENSES

Mackenzie's expenses were $156.6 million for the current quarter, an increase of $5.3 million or 3.5% from $151.3 million in the third quarter.

Commission expense related to selling commissions paid was $5.7 million in the quarter ended December 31, 2018, as compared to $5.9 million in the third quarter.

Trailing commissions were $64.0 million in the current quarter, a decrease of $3.3 million or 4.9% from $67.3 million in the third quarter. The change in trailing commissions reflects the 4.5% period over period decrease in average mutual fund assets under management and an increase in the effective trailing commission rate. The effective trailing commission rate was 46.6 basis points in the current quarter compared to 46.8 basis points in the third quarter.

Non-commission expenses were $86.9 million in the current quarter, compared to $78.1 million in the third quarter, reflecting the seasonality of expenses and the implementation of certain strategic initiatives.

CORPORATE AND OTHER

REVIEW OF SEGMENT OPERATING RESULTS

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

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

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

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

2018 VS. 2017

The proportionate share of associates' earnings decreased by $2.3 million in the fourth quarter of 2018 and increased by $35.3 million in the year ended December 31, 2018, compared to 2017. These earnings reflect equity earnings from Lifeco for all periods under review and from China AMC beginning in the third quarter of 2017, as discussed in the Consolidated Financial Position section of this MD&A. Net investment income and other increased to $5.3 million in the fourth quarter of 2018 compared to $0.2 million in 2017. For the twelve month period, net investment income and other increased to $17.1 million compared to $9.7 million in 2017.

Earnings before interest and taxes related to Investment Planning Counsel were $2.8 million lower in the fourth quarter of 2018 compared to the same period in 2017 and $2.2 million higher in the year ended December 31, 2018.

Q4 2018 VS. Q3 2018

The proportionate share of associates' earnings were $34.6 million in the fourth quarter of 2018, a decrease of $5.2 million from the third quarter of 2018. Net investment income and other was $5.3 million in the fourth quarter of 2018, compared to $3.8 million in the third quarter.

Earnings before interest and taxes related to Investment Planning Counsel were $2.7 million lower in the fourth quarter of 2018 compared to the prior quarter.

TABLE 17: OPERATING RESULTS – CORPORATE AND OTHER

THREE MONTHS ENDED *($ millions)*	**2018 DEC. 31**	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Revenues					
Fee income	**$ 71.6**	$ 74.1	$ 72.4	(3.4) %	(1.1) %
Net investment income and other	**5.3**	3.8	0.2	39.5	N/M
Proportionate share of associates' earnings	**34.6**	39.8	36.9	(13.1)	(6.2)
	111.5	117.7	109.5	(5.3)	1.8
Expenses					
Commission	**46.4**	46.2	46.7	0.4	(0.6)
Non-commission	**22.5**	21.7	19.5	3.7	15.4
	68.9	67.9	66.2	1.5	4.1
Earnings before interest and taxes	**$ 42.6**	$ 49.8	$ 43.3	(14.5) %	(1.6) %

TWELVE MONTHS ENDED *($ millions)*	**2018 DEC. 31**	2017 DEC. 31	% CHANGE
Revenues			
Fee income	**$ 290.7**	$ 269.7	7.8 %
Net investment income and other	**17.1**	9.7	76.3
Proportionate share of associates' earnings	**150.0**	114.7	30.8
	457.8	394.1	16.2
Expenses			
Commission	**184.2**	183.4	0.4
Non-commission	**88.3**	66.9	32.0
	272.5	250.3	8.9
Earnings before interest and taxes	**$ 185.3**	$ 143.8	28.9 %

IGM Financial's total assets were $15.6 billion at December 31, 2018, compared to $16.5 billion at December 31, 2017.

OTHER INVESTMENTS

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

As a result of the adoption of IFRS 9 on January 1, 2018 (Note 2 to the Consolidated 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 and Portag3 Ventures II LP (Portag3).

Personal Capital Corporation is a market-leading digital wealth advisor which operates in the United States. As at December 31, 2018, the Corporation had invested a total of $122.3 million in Personal Capital, including $25.0 million (USD $19.8 million) in 2017. The Corporation made an additional investment of $66.8 million (USD $50 million) in January 2019.

Portag3 Ventures LP and Portag3 Ventures II LP (Portag3) are early-stage investment funds dedicated to backing innovating financial services companies and are controlled by the Corporation's parent, Power Financial Corporation. As at December 31, 2018, the Corporation had invested a total of $34.1 million in Portag3, including $16.2 million in 2018.

Wealthsimple Financial Corporation ("Wealthsimple") is an online investment manager that provides financial investment guidance. As at December 31, 2018, the Corporation had invested a total of $135 million in Wealthsimple through a limited partnership controlled by the Corporation's parent, Power Financial Corporation. The Corporation invested $42.6 million in 2017 and $72.3 million in 2018.

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.

TABLE 18: OTHER INVESTMENTS

	DECEMBER 31, 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	303.6	372.4	N/A	N/A
Fair value through profit or loss				
Equity securities	17.0	12.9	17.1	17.1
Proprietary investment funds	78.5	74.6	79.6	79.9
	95.5	87.5	96.7	97.0
	$ 399.1	$ 459.9	$ 331.3	$ 379.7

LOANS

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

Loans consisted of residential mortgages and represented 49.6% of total assets at December 31, 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 $7.4 billion at December 31, 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 $363.9 million at December 31, 2018 compared to $286.7 million at December 31, 2017.

Residential mortgages originated by IG Wealth Management are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs. IG Wealth Management services $12.8 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 IG Wealth Management mortgage planning specialists are sold to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company securitizes residential mortgages through the CMHC sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) and the Canada Mortgage Bond Program (CMB Program) and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. The Company retains servicing responsibilities and certain elements of credit risk and prepayment risk associated with the transferred assets. The Company's credit risk on its securitized mortgages is partially mitigated through the use of insurance. Derecognition of financial assets in accordance with IFRS is based on the transfer of risks and rewards of ownership. As the Company has retained prepayment risk and certain elements of credit risk associated with the Company's securitization transactions through the CMB and ABCP programs, they are accounted for as secured borrowings. The Company records the transactions under these programs as follows: (i) the mortgages and related obligations are carried at amortized cost, with interest income and interest expense, utilizing the effective interest rate method, recorded over the term of the mortgages, (ii) the component of swaps entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal, are recorded at fair value, and (iii) cash reserves held under the ABCP program are carried at amortized cost.

In the fourth quarter of 2018, the Company securitized loans through its mortgage banking operations with cash proceeds of $531.3 million compared to $1,031.8 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 6 of the Consolidated Financial Statements.

INVESTMENT IN ASSOCIATES

GREAT-WEST LIFECO INC. (LIFECO)

At December 31, 2018, the Company held a 4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Financial Corporation.

TABLE 19: LOANS

($ millions)	**DECEMBER 31, 2018**	DECEMBER 31, 2017
Amortized cost	**$ 7,734.5**	$ 7,564.0
Less: Allowance for expected credit losses	**0.8**	0.8
	7,733.7	7,563.2
Fair value through profit or loss	**4.3**	286.7
	$ 7,738.0	$ 7,849.9

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. The Company's proportionate share of Lifeco's earnings is recorded in Net investment income and other in the Corporate and other reportable segment (Tables 2-4). Changes in the carrying value for the year ended December 31, 2018 compared with 2017 are shown in Table 20.

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¥ 906.0 billion ($180.0 billion) at June 30, 2018, representing an increase of 4.2% (CAD$ increase of 7.2%) from RMB¥ 869.6 billion ($167.9 billion) at December 31, 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 year ended December 31, 2018 are shown in Table 20.

TABLE 20: INVESTMENT IN ASSOCIATES

TWELVE MONTHS ENDED ($ millions)	DECEMBER 31, 2018			DECEMBER 31, 2017		
	LIFECO	CHINA AMC	TOTAL	LIFECO	CHINA AMC	TOTAL
Carrying value, beginning of year						
As previously reported	**$ 903.1**	**$ 647.9**	**$ 1,551.0**	$ 888.9	$ –	$ 888.9
Change in accounting policy (IFRS 15)	**(1.7)**	**–**	**(1.7)**	–	–	–
	901.4	**647.9**	**1,549.3**	888.9	–	888.9
Additional investment	**–**	**–**	**–**	–	638.3	638.3
Dividends received	**(61.8)**	**(12.2)**	**(74.0)**	(58.3)	(10.8)	(69.1)
Proportionate share of:						
Earnings	**121.0**	**29.0**	**150.0**	105.7	9.0	114.7
Associate's restructuring provision	**–**	**–**	**–**	(5.1)	–	(5.1)
Associate's one-time charges	**–**	**–**	**–**	(14.0)	–	(14.0)
Other comprehensive income (loss) and other adjustments	**7.2**	**18.8**	**26.0**	(14.1)	11.4	(2.7)
Carrying value, end of year	**$ 967.8**	**$ 683.5**	**$ 1,651.3**	$ 903.1	$ 647.9	$ 1,551.0

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Cash and cash equivalents totalled $650.2 million at December 31, 2018 compared with $966.8 million at December 31, 2017. Cash and cash equivalents related to the Company's deposit operations were $2.4 million at December 31, 2018, compared to $3.3 million at December 31, 2017, as shown in Table 21.

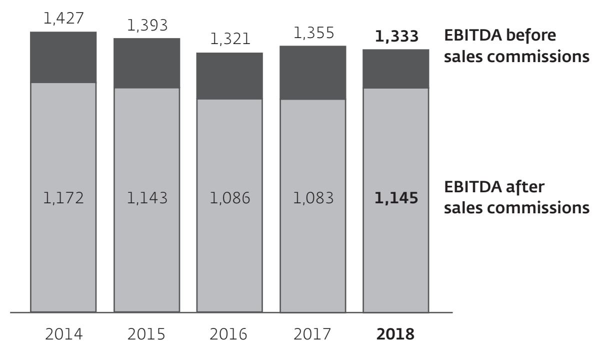
Working capital, which consists of current assets less current liabilities, totalled $366.1 million at December 31, 2018 compared with $791.3 million at December 31, 2017 (Table 22). The decrease in working capital is due to the early redemption of debentures in the amount of $375 million, partly offset by the issuance of debentures totalling $200 million. 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 $1,333.0 million in the year ended December 31, 2018 compared to $1,354.5 million in 2017.

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



EBITDA before and after sales commissions:

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

2015 excluded a charge related to restructuring and other charges.

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

2018 excluded charges related to restructuring and other and the premium paid on the early redemption of debentures.

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 $1,144.5 million in the year ended December 31, 2018 compared to $1,082.9 million in 2017. EBITDA after sales commissions excludes the impact of commission amortization (refer to Table 1).

TABLE 21: DEPOSIT OPERATIONS – FINANCIAL POSITION

AS AT DECEMBER 31 (*$ millions*)	2018	2017
Assets		
Cash and cash equivalents	$ 2.4	$ 3.3
Client funds on deposit	546.8	489.6
Accounts and other receivables	8.8	0.8
Loans	21.3	21.7
Total assets	$ 579.3	$ 515.4
Liabilities and shareholders' equity		
Deposit liabilities	$ 568.8	$ 505.0
Other liabilities	0.5	0.5
Shareholders' equity	10.0	9.9
Total liabilities and shareholders' equity	$ 579.3	$ 515.4

TABLE 22: WORKING CAPITAL

AS AT DECEMBER 31 *($ millions)*	2018	2017
Current Assets		
Cash and cash equivalents	$ 650.2	$ 966.8
Client funds on deposit	546.8	489.6
Accounts receivable and other assets	311.9	373.1
Current portion of mortgages and other	1,280.1	1,465.9
	2,789.0	3,295.4
Current Liabilities		
Accounts and other payables	644.7	657.7
Deposits and certificates	562.4	496.4
Current portion of long-term liabilities	1,215.8	1,350.0
	2,422.9	2,504.1
Working Capital	$ 366.1	$ 791.3

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

CASH FLOWS

Table 23 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Consolidated Financial Statements for the year ended December 31, 2018. Cash and cash equivalents decreased by $316.6 million in 2018 compared to an increase of $355.8 million in 2017.

Adjustments to determine net cash from operating activities during the year ended 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.
- The add-back of one-time adjustments in 2018, which included a restructuring provision and other, and in 2017, which included the pension plan adjustment and restructuring provisions and other.
- The deduction of restructuring provision cash payments.

TABLE 23: CASH FLOWS

TWELVE MONTHS ENDED *($ millions)*	2018 DEC. 31	2017 DEC. 31	% CHANGE
Operating activities			
Earnings before income taxes	$ 986.1	$ 784.6	25.7 %
Income taxes paid	(132.6)	(165.2)	19.7
Adjustments to determine net cash from operating activities	(68.3)	52.7	N/M
	785.2	672.1	16.8
Financing activities	(1,131.8)	185.0	N/M
Investing activities	30.0	(501.3)	N/M
Change in cash and cash equivalents	(316.6)	355.8	N/M
Cash and cash equivalents, beginning of year	966.8	611.0	58.2
Cash and cash equivalents, end of year	$ 650.2	$ 966.8	(32.7) %

Financing activities during the year ended December 31, 2018 compared to 2017 related to:

- An increase in obligations to securitization entities of $1,771.7 million and repayments of obligations to securitization entities of $2,034.4 million in 2018 compared to an increase in obligations to securitization entities of $2,479.5 million and repayments of obligations to securitization entities of $2,596.7 million in 2017.
- Payment of debentures of $525.0 million in 2018, comprised of $150.0 million in the first quarter and $375 million in the third quarter.
- Issuance of debentures of $200.0 million in 2018 compared to the issuance of $850.0 million in 2017.
- The payment of perpetual preferred share dividends which totalled $8.8 million in 2018, unchanged from 2017.
- The payment of regular common share dividends which totalled $541.8 million in 2018 compared to $541.3 million in 2017.

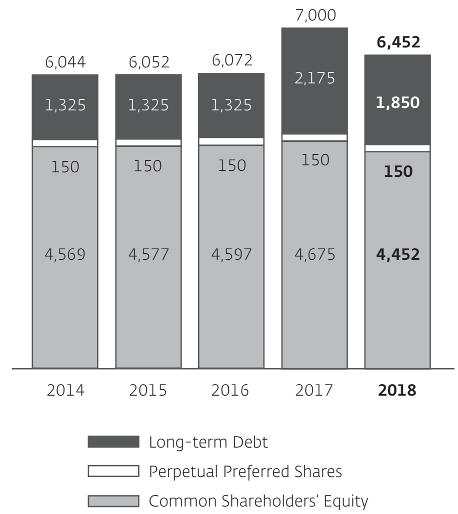
Investing activities during the year ended December 31, 2018 compared to 2017 primarily related to:

- The purchases of other investments totalling $154.5 million and sales of other investments with proceeds of $93.5 million in 2018 compared to $196.6 million and $62.2 million, respectively, in 2017.
- An increase in loans of $1,748.4 million with repayments of loans and other of $1,895.6 million in 2018 compared to $2,630.2 million and $2,768.8 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 $49.1 million in 2018 compared to $49.5 million in 2017.
- The final payment related to investment in China AMC of $439.3 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 capital requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt, perpetual preferred shares and common shareholders' equity which totalled $6.4 billion at December 31, 2018, compared to $7.0 billion at December 31, 2017. The reduction in Shareholders' equity in 2018 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.

Capital
As at December 31 ($ millions)



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 $1,850.0 million at December 31, 2018, compared to $2,175.0 million at December 31, 2017. 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. The net decrease in long-term debt of $325.0 million resulted from:

- The maturity of the Company's $150.0 million 6.58% debentures which were due and repaid on March 7, 2018.
- The issuance on July 11, 2018 of $200.0 million 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 were used by IGM Financial, together with a portion of IGM Financial's existing internal cash resources, to fund the early redemption of all of its $375 million aggregate principal amount of 7.35% debentures due April 8, 2019.

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

Other activities in 2018 included the declaration of perpetual preferred share dividends of $8.8 million or $1.475 per share and common share dividends of $541.9 million or $2.25 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 24 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

TABLE 24: FINANCIAL INSTRUMENTS

	DECEMBER 31, 2018		DECEMBER 31, 2017	
($ millions)	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	$ 372.4	$ 372.4	$ N/A	$ N/A
– Available for sale	N/A	N/A	282.7	282.7
– Fair value through profit or loss	87.5	87.5	97.0	97.0
Loans				
– Fair value through profit or loss	4.3	4.3	286.7	286.7
Derivative financial instruments	16.4	16.4	35.7	35.7
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	7,733.7	7,785.5	7,563.2	7,675.5
Financial liabilities recorded at fair value				
Derivative financial instruments	29.0	29.0	28.4	28.4
Other financial liabilities	8.2	8.2	9.3	9.3
Financial liabilities recorded at amortized cost				
Deposits and certificates	568.8	569.0	505.0	505.5
Obligations to securitization entities	7,370.2	7,436.9	7,596.0	7,657.8
Long-term debt	1,850.0	2,050.3	2,175.0	2,470.2

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 amortized cost are valued by discounting the expected future cash flows at prevailing market yields.
- Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is valued using quoted prices for each debenture available in the market.
- Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

See Note 22 of the Consolidated Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the twelve months ended December 31, 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 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 IG Wealth Management, the President and Chief Executive Officer, Mackenzie Investments, the Chief Financial Officer, the General Counsel, the Chief Operating Officer and the Executive Vice President Strategy Execution Office. 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.

A key funding requirement for the Company is the funding of commissions paid on the sale of investment funds. Commissions on the sale of investment 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.
- Issued $400 million of 10 year 3.44% debentures and $200 million of 30 year 4.56% debentures in January 2017. 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.
- Issued $250 million of 30 year 4.115% debentures in December 2017.
- Repaid the $150 million 6.58% debentures in March 2018.
- Issued $200 million of 30 year 4.174% debentures in July 2018. The net proceeds were used by IGM Financial, together with a portion of IGM Financial's existing internal cash resources, to fund the early redemption in August of all of its $375 million aggregate principal amount of 7.35% debentures due April 8, 2019.

The Company's contractual obligations are reflected in Table 25.

The maturity schedule for long-term debt of $1,850.0 million is reflected in the accompanying chart (Long-Term Debt Maturity Schedule).

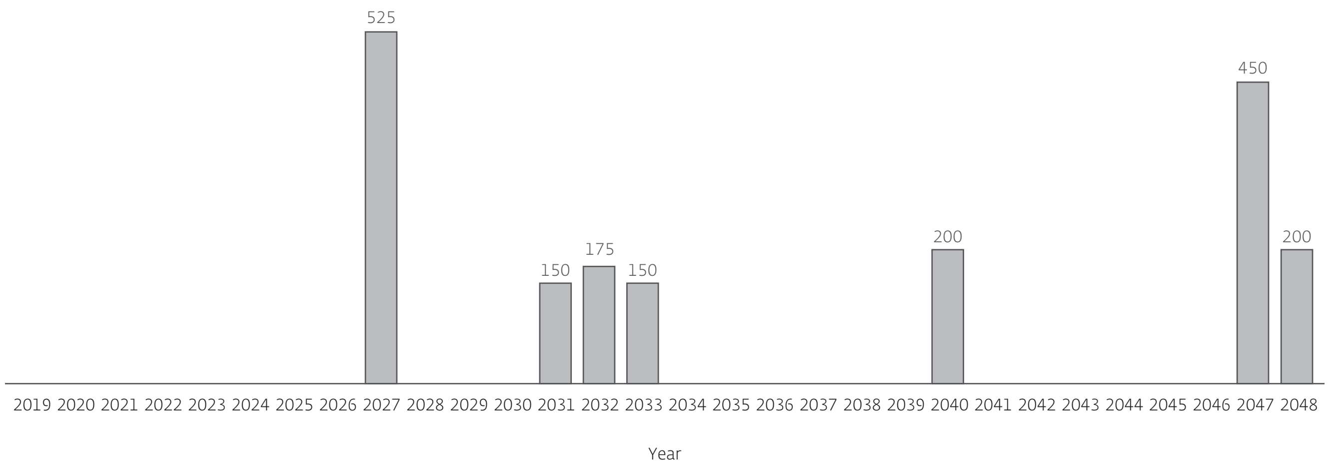
TABLE 25: CONTRACTUAL OBLIGATIONS

AS AT DECEMBER 31, 2018 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 8.2	$ 20.6	$ 0.2	$ 29.0
Deposits and certificates	555.0	7.4	5.0	1.4	568.8
Obligations to securitization entities	–	1,207.6	6,135.3	27.3	7,370.2
Long-term debt	–	–	–	1,850.0	1,850.0
Operating leases[1]	–	28.0	67.5	31.8	127.3
Pension funding[2]	–	25.6	–	–	25.6
Total contractual obligations	$ 555.0	$ 1,276.8	$ 6,228.4	$ 1,910.7	$ 9,970.9

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

(2) The next required actuarial valuation will be completed based on a measurement date of December 31, 2020. Pension funding requirements beyond 2019 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Long-Term Debt Maturity Schedule
($ millions)



In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled $825 million at December 31, 2018, unchanged from December 31, 2017. The lines of credit at December 31, 2018 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2017. The Company has accessed its uncommitted lines of credit in the past; however, any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at December 31, 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 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 $40.4 million in 2018 (2017 – $37.8 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 $25.6 million in 2019. 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 December 31, 2018, cash and cash equivalents of $650.2 million (2017 – $966.8 million) consisted of cash balances of $81.8 million (2017 – $88.3 million) on deposit with Canadian chartered banks and cash equivalents of $568.4 million (2017 – $878.5 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $103.5 million (2017 – $239.5 million), provincial government treasury bills and promissory notes of $76.2 million (2017 – $252.6 million), bankers' acceptances and other short-term notes issued by Canadian chartered banks of $364.3 million (2017 – $351.4 million), and highly rated corporate commercial paper of $24.4 million (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 December 31, 2018, residential mortgages, recorded on the Company's balance sheet, of $7.7 billion (2017 – $7.8 billion) consisted of $7.3 billion sold to securitization programs (2017 – $7.5 billion), $363.9 million held pending sale or securitization (2017 – $286.7 million) and $25.6 million related to the Company's intermediary operations (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 IG Wealth Management Consultants as part of a client's IG Living Plan.

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

- Under the NHA MBS program totalling $4.2 billion (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 (2017 – $3.1 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $74.1 million (2017 – $69.7 million) and $35.6 million (2017 – $42.4 million), respectively, at December 31, 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 8.3% of mortgages held in ABCP Trusts insured at December 31, 2018 (2017 – 16.4%).

At December 31, 2018, residential mortgages recorded on balance sheet were 61.5% insured (2017 – 65.5%). As at December 31, 2018, impaired mortgages on these portfolios were $3.3 million, compared to $2.8 million at December 31, 2017. Uninsured non-performing mortgages over 90 days on these portfolios were $1.8 million at December 31, 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 $0.8 million at December 31, 2018, unchanged from 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 $19.4 million (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 nil at December 31, 2018 (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 December 31, 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 $4.9 million (December 31, 2017 – positive $4.1 million) and an outstanding notional amount of $0.9 billion at December 31, 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 $11.0 million (December 31, 2017 – negative $4.5 million), on an outstanding notional amount of $1.7 billion at December 31, 2018 (December 31, 2017 – $1.9 billion). The net fair value of these swaps of negative $6.1 million at December 31, 2018 (December 31, 2017 – negative $0.4 million) is recorded on the balance sheet and has an outstanding notional amount of $2.6 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. Beginning in 2018, hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Net investment income and other over the term of the related Obligations to securitization entities. The fair value of these swaps was negative $1.8 million (December 31, 2017 – $0.9 million) on an outstanding notional amount of $249.9 million at December 31, 2018 (December 31, 2017 – $137.0 million).

As at December 31, 2018, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $0.5 million (December 31, 2017 – 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 $459.9 million at December 31, 2018 (December 31, 2017 – $379.7 million), as shown in Table 18.

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

Foreign Exchange Risk

The Company is exposed to foreign exchange risk on its investments in Personal Capital and China AMC. Changes to the carrying value due to changes in foreign exchange rates on both of these investments are recognized in Other comprehensive income. A 5% increase (decrease) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately $39.9 million ($44.0 million).

The Company's proportionate share of China AMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statement of Earnings, is also affected by changes in foreign exchange rates. A 5% increase (decrease) in Canadian currency relative to foreign currencies would decrease (increase) the proportionate share of China AMC's earnings by approximately $1.4 million ($1.5 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT

At December 31, 2018, IGM Financial's total assets under management were $149.1 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

TABLE 26: IGM FINANCIAL ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

AS AT DECEMBER 31, 2018	INVESTMENT FUNDS	TOTAL
Cash	0.3 %	0.7 %
Short-term fixed income and mortgages	6.5	6.5
Other fixed income	27.4	26.9
Domestic equity	22.3	22.5
Foreign equity	40.6	40.6
Real Property	2.9	2.8
	100.0 %	100.0 %
CAD	60.0 %	59.4 %
USD	25.8	25.4
Other	14.2	15.2
	100.0 %	100.0 %

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

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

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

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

TECHNOLOGY AND CYBER RISK

Technology and cyber risk driven by systems are managed through controls over technology development and change management. Information security is a significant risk to our industry and our Company's operations. The Company uses systems and technology to support its business operations and the client and financial advisor experience. As a result, we are exposed to risks relating to technology and cyber security such as data breaches, identity theft and hacking, including the risk of denial of service or malicious software attacks. Such attacks could compromise confidential information of the Company and that of clients or other stakeholders, and could result in negative consequences including lost revenue, litigation, regulatory scrutiny or reputational damage. To remain resilient to such threats, the Company has established enterprise-wide cyber security programs, benchmarked capabilities to sound industry practices, and has implemented threat and vulnerability assessment and response capabilities.

MODEL RISK

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

LEGAL AND REGULATORY COMPLIANCE

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

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. These requirements include those that apply to IGM Financial as a publicly traded company and those that apply to the Company's subsidiaries based on the nature of their activities. They include regulations related to 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, General Counsel. The Company also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the 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. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

3) 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.

CLIENT FOCUSED REFORMS AND MUTUAL FUND EMBEDDED COMMISSIONS

On June 21, 2018, the Canadian Securities Administrators (the CSA) published a notice requesting public comment on proposed amendments aimed at enhancing the client-registrant relationship (the Client Focused Reforms). The Client Focused Reforms include rule proposals 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 proposals 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.

On September 13, 2018, the CSA published a notice requesting public comment on proposed amendments that, if implemented, would prohibit all forms of the deferred sales charge purchase option, including low-load options and their associated upfront commissions (the Embedded Commission Proposals). The Embedded Commission Proposals specified that embedded commissions such as trailing commissions will remain permissible, subject to the enhanced conflict of interest mitigation rules and guidance set out in the Client Focused Reforms. In 2017, IG Wealth Management led the industry by eliminating the deferred charge sales purchase option on its products.

The Company believes it is well positioned to respond to these recent regulatory proposals, which allow for different operating models, including registered firms that trade in, or recommend, proprietary products. IGM Financial's operating companies submitted comment letters on the Client Focused Reforms and Embedded Commission Proposals. The Company and its subsidiaries will continue its active dialogue and engagement with regulators on each of these subjects.

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 27 and are discussed in the IG Wealth Management 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 further discussion.

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

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

TABLE 27: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

	2018 DEC. 31	2017 DEC. 31
IGM Financial Inc.		
IG Wealth Management	**9.2 %**	8.4 %
Mackenzie	**17.1 %**	14.8 %
Counsel	**19.2 %**	16.7 %

BUSINES/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 IG Wealth Management clients and Consultants, Mackenzie retail distribution, strategic and significant business partners, clients of Mackenzie funds, and sub-advisors and other product suppliers.

IG Wealth Management Consultant network – IG Wealth Management derives all of its mutual fund sales through its Consultant network. IG Wealth Management Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on IG Wealth Management's results of operations and business prospects. IG Wealth Management is focused on strengthening its distribution network of Consultants and on responding to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice, as discussed in the IG Wealth Management 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 AND SOCIAL RISKS

Environmental and social risk is the risk of financial loss or reputational damage resulting from environmental or social issues arising from our business operations or investment activities.

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

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. The Board's risk management oversight includes environmental and social risks.

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

IG Wealth Management and Mackenzie Investments are signatories to the Principles for Responsible Investment (PRI). Under the PRI, investors formally commit to incorporate environmental, social and governance (ESG) issues into their investment decision making and active ownership processes. In addition, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel have implemented Responsible Investing Policies outlining the practices at each company.

We believe that financial services companies have an important role to play in addressing climate change. IGM Financial is a long-standing participant in the CDP (formerly Carbon Disclosure Project), which promotes corporate disclosures on greenhouse gas emissions and climate change management and includes reporting of our emissions and targets. For the 2018 survey, IGM was recognized by CDP as a corporate leader in climate change disclosure with a position on their Climate Change A List. IGM Financial also reports annually on its environmental, social and governance management and performance in its Corporate Responsibility Report available on our website. The information in these reports does not form a part of this document. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) was established in response to investor demand for information on climate-related risks and opportunities. We are evaluating the TCFD recommendations which include a framework for consistent, voluntary climate-related financial disclosures that provide decision-useful information to investors and other stakeholders.

OUTLOOK

THE FINANCIAL SERVICES ENVIRONMENT

Canadians held $4.5 trillion in discretionary financial assets with financial institutions at December 31, 2017 based on the most recent report from Investor Economics. The nature of holdings was diverse, ranging from demand deposits held for short-term cash management purposes to longer-term investments held for retirement purposes. Approximately 66% ($3.0 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 $1.5 trillion held outside of a financial advisory relationship, approximately 63% 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 $1.8 trillion resided in investment funds at December 31, 2017, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 77% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With $143 billion in investment fund assets under management at December 31, 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 December 31, 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 December 31, 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. IG Wealth Management 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. IG Wealth Management, 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, IG Wealth Management and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with Canadian and U.S. manufacturing and distribution complexes to provide investment management to a number of retail investment fund mandates.

BROAD PRODUCT CAPABILITIES

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

ENDURING RELATIONSHIPS

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

BENEFITS OF BEING PART OF THE POWER FINANCIAL GROUP OF COMPANIES

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

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to exercise judgment in the process of applying accounting policies and requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying notes. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the financial services industry; others are specific to IGM Financial's businesses and operations. IGM Financial's significant accounting policies are described in detail in Note 2 of the Consolidated Financial Statements.

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

The major critical accounting estimates are summarized below:

- *Fair value of financial instruments* – The Company's financial instruments are carried at fair value, except for loans, deposits and certificates, obligations to securitization entities, and long-term debt which are all carried at amortized cost. The fair value of publicly traded financial instruments is determined using published market prices. The fair value of financial instruments where published market prices are not available, including derivatives related to the Company's securitized loans, are determined using various valuation models which maximize the use of observable market inputs where available. Valuation methodologies and assumptions used in valuation models are reviewed on an ongoing basis. Changes in these assumptions or valuation methodologies could result in significant changes in net earnings.

  Investments in proprietary mutual funds and corporate investments classified as available for sale result in unrealized gains and losses on securities which are recorded in Other comprehensive income until realized or until there is objective evidence of impairment, at which time they are reclassified to the Consolidated Statements of Earnings. Management regularly reviews securities classified as available for sale to assess whether there is objective evidence of impairment. The Company considers such factors as the nature of the investment and the length of time and the extent to which the fair value has been below cost. A significant change in this assessment may result in unrealized losses being recognized in net earnings. During 2018, the Company assessed the measurement of the available for sale securities and determined there was no impairment in the value of these securities.

- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 10 of the Consolidated Financial Statements. The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

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

- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Earnings. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of deferred tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the deferred tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results in this MD&A and in Note 14 to the Consolidated Financial Statements.

- *Capitalized sales commissions* – Commissions paid directly by the client on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of capitalized sales commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the capitalized sales commission asset in relation to its carrying value. At December 31, 2018, there were no indications of impairment to capitalized sales commissions.
- *Provisions* – A provision is recognized when there is a present obligation as a result of a past transaction or event, it is "probable" that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. In determining the best estimate for a provision, a single estimate, a weighted average of all possible outcomes, or the midpoint where there is a range of equally possible outcomes are all considered. A significant change in assessment of the likelihood or the best estimate may result in additional adjustments to net earnings.
- *Employee benefits* – The Company maintains a number of employee benefit plans. These plans include a funded registered defined benefit pension plan for all eligible employees, unfunded supplementary executive retirement plans for certain executive officers (SERPs) and an unfunded post-employment health care and life insurance plan for eligible retirees. The funded registered defined benefit pension plan provides pensions based on length of service and final average earnings. The measurement date for the Company's defined benefit pension plan assets and for the accrued benefit obligations on all defined benefit plans is December 31.

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

  During 2018, the performance of the defined benefit pension plan assets was negatively impacted by market conditions. Corporate bond yields increased in 2018 thereby impacting the discount rate used to measure the Company's accrued benefit liability. The discount rate utilized to value the defined benefit pension plan accrued benefit liability at December 31, 2018 was 3.90% compared to 3.60% at December 31, 2017. Pension plan assets decreased to $407.4 million at December 31, 2018 from $417.7 million at December 31, 2017. The decrease in plan assets was due to market performance of ($17.8) million comprised of interest income of $15.2 million calculated based on the discount rate, which was recorded as a reduction to the pension expense, and actuarial losses of $33.0 million, which were recorded in Other comprehensive income. The assets in the Company's registered defined benefit pension plan also increased due to the Company contributing $40.4 million (2017 – $37.8 million) to the pension plan. The increase in the discount rate utilized to value the defined benefit pension plan obligation resulted in actuarial gains of $15.2 million which were recorded in Other comprehensive income. Demographic assumptions and experience adjustments were revised which resulted in net actuarial losses of $14.4 million. The total defined benefit pension plan obligation was $496.7 million at December 31, 2018 compared to $493.6 million at December 31, 2017. As a result of these changes, the defined benefit pension plan had an accrued benefit liability of $89.3 million at December 31, 2018 compared to $75.9 million at the end of 2017. The unfunded SERPs and other post-retirement benefits plans had an accrued benefit liability of $62.1 million and $37.7 million, respectively, at December 31, 2018 compared to $63.1 million and $45.4 million in 2017.

  A decrease of 0.25% in the discount rate utilized in 2018 would result in a change of $22.8 million in the accrued pension obligation, $21.1 million in other comprehensive income, and $1.7 million in pension expense. Additional information regarding the Company's accounting and sensitivities related to pensions and other post-retirement benefits is included in Notes 2 and 13 of the Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

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 $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 28 details the impact of IFRS 9 and IFRS 15 on the Consolidated Balance Sheet as at January 1, 2018.

TABLE 28: 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

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 $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 8 to the Consolidated Financial Statements). 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 28 details the impact of IFRS 9 and IFRS 15 on the Consolidated Balance Sheet as at January 1, 2018.

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. IFRS 16 may be implemented using a retrospective approach or a modified retrospective approach, which permits the use of certain practical expedients upon transition.

The Company expects to use the modified retrospective method upon transition with no restatement of comparative financial information. Under this approach, the Company will recognize the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at January 1, 2019. The Company will recognize a lease liability at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019 and a right-of-use asset at its carrying amount as if IFRS 16 had been applied since the commencement date but discounted using the Company's incremental borrowing rate at January 1, 2019. The Company will apply the following transitional practical expedients:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Account for leases for which the remaining lease term ends within 12 months of the date of initial application as a short-term lease.
- Rely on its assessment of whether leases are onerous applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, immediately before the date of initial application as an alternative to performing an impairment review.

The Company is finalizing its assessment of the quantitative impact of the adoption of IFRS 16 which will be disclosed in the first quarter of 2019. The preliminary estimate of the impact is as follows:

- The recognition of approximately $103 million in right-of-use assets related to property leases and a corresponding liability of $113 million as at January 1, 2019.
- Amortization expense will increase due to the amortization of the right-of-use asset and interest expense will increase

due to the imputed interest on the lease liability. Overall expenses are not expected to be materially different due to the offsetting decrease to operating lease expense.

- The result of this change will be to increase EBITDA before sales commissions, as lease expense, which was previously recorded as non-commission expenses, will be replaced by interest expense on the lease liability and amortization on the right-of-use asset. For the year ended December 31, 2018, EBITDA before sales commissions was $1,333 million. If IFRS 16 had been adopted for 2018, estimated EBITDA would have been approximately $1,358 million. The impact to net earnings is expected to be negligible.

OTHER

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

DISCLOSURE CONTROLS AND PROCEDURES

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

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on their evaluations as of December 31, 2018, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. The Company transitioned to the COSO 2013 Framework during 2014. Based on their evaluations as of December 31, 2018, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the fourth quarter of 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

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

- During 2018 and 2017, the Company provided to and received from Great-West certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributes insurance products under a distribution agreement with Great-West and Canada Life and received $62.6 million in distribution fees (2017 – $77.1 million). The Company received $17.5 million (2017 – $17.8 million) and paid $25.4 million (2017 – $24.2 million) to Great-West and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $78.3 million (2017 – $76.0 million) to London Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2018, the Company sold residential mortgage loans to Great-West and London Life for $61.4 million compared to $136.5 million in 2017.

After obtaining advanced tax rulings in October 2017, the Company agreed to tax loss consolidation transactions with the Power Corporation of Canada group whereby shares of a subsidiary that has generated tax losses may be acquired in each year up to and including 2020. The acquisitions are expected to close in the fourth quarter of each year. The Company will recognize the benefit of the tax losses realized throughout the year. On each of December 31, 2018 and December 29, 2017, the Company acquired shares of such a loss company and recorded the benefit of the tax losses acquired.

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

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2018 totalled 240,885,317. Outstanding stock options as at December 31, 2018 totalled 9,701,894, of which 4,742,050 were exercisable. As at February 5, 2019, outstanding common shares totalled 240,911,067 and outstanding stock options totalled 9,676,144 of which 4,716,300 were exercisable.

Perpetual preferred shares of $150 million were outstanding as at December 31, 2018, unchanged at February 5, 2019.

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.