

# **Speaking Notes**

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IGM FINANCIAL & INVESTORS GROUP**

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**Check against delivery**

I am very pleased to tell you about the progress we have made at IGM.

This is my second year as the sole CEO of IGM Financial.

And it's an honor to lead IGM on its mission -- to be the premier financial services firm in Canada ...

An organization of impressive scale...

Outstanding distribution capabilities...

And unmatched expertise in wealth management and financial planning...

2017 was a year of progress and significant momentum...

IGM achieved historic results in several key areas.

It has never been better positioned for sustained growth than it is right now.

Toward that end, we owe our deepest thanks to all of our employees and associates across IGM ... as well as our Consultants... our advisors... and wholesalers . . .

For their commitment to our clients...

For their dedication to their jobs...

For their faith in our mission.

Most of all, I would like to thank our clients, from every province... and in every territory ... For placing their trust in us.

A trust that we strive to affirm and renew each and Every day.

While the performance of a large financial services company can be judged in many ways -- it's actually quite easy to tell if that company has momentum...

*Is it bringing in net new money?*

*Or is it experiencing net withdrawals?*

*What are your clients actually doing?*

We know what our clients are doing...

They are putting their trust in us... and you can see that in these numbers.

In 2017, the company had net sales of \$4.8 billion – the single best year in IGM's history ...

And that milestone is all the more impressive when you consider that IGM's two principal business units... Investors Group and Mackenzie Investments... each had its best net **SALES** result in a decade.

That's momentum.

Both Investors Group and Mackenzie also gained market share versus their peers in 2017 ...

And gaining market share is the ultimate proof point of how our products and solutions are faring compared to our competitors.'

This strong performance has continued in 2018.

In the first three months... during a time of significant market volatility and declining industry net sales... IGM had net sales of \$1.4 billion.

And that is the best first quarter result in our history.

And during the month of March we lead the entire industry in net sales...

These results show that our message is being heard ...  
that our value proposition is being accepted...  
and that our quest to transform IGM into  
a more efficient...  
more client focused...  
and more modern company is being rewarded...

This transformation accelerated substantially in 2017...  
And it will define us for years to come.

Our objective is to deliver sustained earnings growth over time and  
we have the people...

the strategy... and the commitment to make that a reality.

We also have a huge opportunity...

Canadians have \$4.1 trillion in financial wealth... with growing segments among mass affluent and high-net-worth individuals ...

In the coming years, we will also see the largest generational transfer of wealth in Canada's history.

Those are highly favorable demographic trends, and we will take full advantage of them.

As we look back on 2017, we see that three broad ...but inter-connected themes led to our success ...  
and have laid the foundation for our future.

The first theme was making IGM more "client-centric" ... and by that, we mean that we have focused our efforts on making a real difference in people's lives ...  
We have given them confidence in their financial future...  
so they can raise their family...  
achieve their dreams...  
and leave a legacy...  
However, we can only do that if we put the client first in everything we do.

The next big theme was our concerted push to become one unified company... or "ONE IGM" as we like to call it.

For many years, Investors Group and Mackenzie as well as Investment Planning Counsel were part of the same holding company... but they mostly operated independently of each other.

There was more WE could do.

Therefore, we've taken a number of steps to streamline the company and forge a more cohesive identity.

This is a profound cultural change in how we see ourselves... and it also has tangible benefits for our clients... as well as our shareholders ...and our employees.

For example, Investors Group and Mackenzie... each had its own investment team.

But that approach failed to take full advantage of our best investment managers and processes.

So last year we consolidated the teams under Mackenzie ...taking the best managers from each unit ...

And we now have a more accountable and higher **PERFORMING** investment management organization.

This consolidated approach not only yields better outcomes for clients... but it has also opened new opportunities...

Mackenzie now has \$130 billion in assets under management... which means it has the size and cachet... to compete for institutional clients across North America and indeed the world.

Our "ONE IGM" approach dovetailed nicely with another important theme for 2017...Our ability to attract top talent into positions that serve the entire organization.

IGM has always had great people...

But last year, we brought in new senior leaders... with vast experience in North America, and they've been asked to expand our robust shared services model for the entire organization.

We hired a Chief Operating Officer, Michael Dibden, who will help us achieve operating efficiencies and a transformation in our technology.

Mike is responsible for our digital operations, which for IGM is a massive undertaking...

Many of our clients still receive paper statements...

Under Mike's leadership, our goal is not just to meet the digital standards of the financial industry -- It's to be on par with... if not better than, the best practices of the top companies...in Canada and the world.

We also hired Chuck McDevitt -- as our Strategy Execution Officer.

Chuck is overseeing strategic initiatives across all our business lines.

He was responsible for coordinating the integration of our investment management operations last year... and that went flawlessly.

Also joining our senior team was Doug Milne.

As our Chief Marketing and Strategy Officer, Doug has already done great work for us on segmentation and strategies that allow us to meet the unique needs of our clients.

He has brought capabilities to such areas as data science and innovation management.

And he is spearheading the rebranding effort for Investors Group, which will be unveiled later this year.

Rhonda Goldberg,...who joined us three years ago from the Ontario Securities Commission, assumed expanded responsibilities last year as the head of our Client and Regulatory Affairs.

At a time of heightened regulatory scrutiny, Rhonda is working hard to ensure that we are our own best regulators across all business units.

Our new executives complement our outstanding operating committee -- and this team will allow us to more easily share expertise across all operational functions... While achieving economies of scale...

Reducing costs...

And making “ONE IGM” a reality...

Now, let’s briefly review our financial results from last year.

Total assets under management in 2017 increased by 9.7 percent, to \$156.5 billion --- which is a record high...

As each of our three business units – Investors Group, Mackenzie, and IPC – achieved record highs in their AUM.

For 2017, adjusted net earnings were \$727.8 million, or \$3.02 per share, compared to adjusted net earnings of \$736.5 million, or \$3.05 a share, in 2016.

Our adjusted earnings declined slightly due to our investments in our digital and technology operations.

Our non-commission expense growth in 2017 was 6 percent.

And as our operating efficiencies take hold...

we expect that expense growth to decline to 5 percent this year and 3 percent in 2020.

Dividends for 2017 were \$2.25 per share, unchanged from 2016.

Today we are releasing our first quarter results for 2018, and those were quite strong.

Total assets under management for the quarter were \$155.8 billion, compared to \$147.5 billion at March 31, 2017.

IGM generated net sales of \$1.4 billion dollars, an **ALL-TIME RECORD HIGH** for any quarter.

IGM's net earnings increased by 4.7 percent, to \$185.5 million, or 77 cents per share, compared to year-ago figures of \$177.1million and 74 cents per share.

It's important to recall that IGM's corporate structure gives it unique strengths in the marketplace...

IGM is part of a group of financial service companies owned by our largest shareholder, Power Financial.

This corporate structure helps us access new markets... and realize new opportunities.

IGM has made strategic investments in a number of companies that give us **distinctive** capabilities and potential for further growth.

Last year, we completed our acquisition of a 13.9 percent interest in China Asset Management, which is that country's premier asset management company, with about \$200 billion in assets under management and over 50 million client relationships.

Closer to home, we have an investment in Wealthsimple, the largest robo advisor in Canada.

More than 80 percent of people who use digital investing in Canada use Wealthsimple.

IGM also has an investment in Personal Capital, a market-leading digital wealth advisor platform in the United States for mass affluent and high-net-worth investors.



Personal Capital now has more than \$6.5 billion in assets under management.

And it has 1.6 million registered users of its personal financial software, which tracks over a half a trillion dollars in financial assets.

IGM has an investment as well in Portage3, a leading global venture capital fund focused on the financial technology sector.

In sum, IGM operates in a robust ecosystem that is unlike any in the industry.

Let's now turn to Investors Group.

With more than 1 million clients and \$88 billion in assets under management, Investors Group contributes almost 70 percent of IGM's earnings.

And last year, thanks to the efforts of our entrepreneurial Consultants, we saw strong gains on many fronts.

Investors Group had record high gross sales, up 25 percent, and a record high level of assets under management, up 8 percent.

Driving these results were returns generated for our clients of 5.3 percent and our best net sales in a decade of \$1.9 billion.

Investors Group also crystallized its mission statement last year...

"We inspire financial confidence..."

But to actually do that, we must deliver superior outcomes in our financial planning.

And we've identified the three variables that will help us achieve that result.

The first variable is everything that sits outside of your investment portfolio, including:

- your savings rate...
- your tax strategies...
- your retirement planning...
- your estate planning...
- and your insurance...

The industry calls this Gamma, and it reflects the value of a well-constructed financial plan.

The second variable is your overall exposure to the market – what the industry calls Beta,

And our goal is to construct a portfolio with the correct market exposure given your time horizon...

- your risk tolerance...
- your objectives...

The third variable is the impact of individual stocks or funds – what the industry calls Alpha,

***And yes, we do like Greek letters.***

With the selection of these stocks or funds, your goal is to realize superior results compared to a passive portfolio.

Mathematical studies have isolated how much each of these three variables contribute to outcomes – and they show that your financial plan – or Gamma – represents about 65 percent.

Your market exposure makes up about 30 percent;

And your stocks or funds are about 5 percent.

In the financial services world, we spend most of our time talking about individual stocks or funds.

But they constitute a relatively small fraction of a plan's **overall** performance.

Investors Group understands the true value of a living financial plan that adjusts and evolves as the client's life circumstances change.

Clients are not going to deal with us just because we have a lower price or a better performing product.

Those are transient measures, changing all the time.

We believe that clients will come with us and stay with us because we know who they are.

And we are with them for their **ENTIRE** financial life.

That is our competitive edge.

We had other successful initiatives last year.

We created Client Advisory Councils, which allowed us to hear directly from our clients about what is **WORKING**...

And what is **NOT**

We also expanded our reach into the mass affluent and high-net-worth markets – and we define the latter as households with more than 1 million dollars in investable assets.

That's an important market for us...

High-net-worth clients represent nearly one-quarter of Investor Group's client base.

But they represent nearly one-half of our assets.

We conducted extensive research on the behavioral characteristics of this market – all to offer distinctive value propositions.

For example... we recognized the importance of transparency in pricing... so for our products that are offered to high-net-worth clients, we have been pulling out the embedded fees that are paid for advice.

These clients can now see the real cost of that advice...  
And they pay for it directly.

We have announced that we will move all of our clients into this new fee structure over the next 24 months.

Our focus on the high-net-worth market has contributed to strong sales.

In the fourth quarter of 2017, 46 percent, almost half, of Investors Group's sales went to high-net-worth clients.

This compares to just 25 percent in the fourth quarter of 2015.

Investors also Group has made changes to ensure that our clients receive the **best advice** possible.

Last year we mandated that all of our Consultants either have a CFP Certification or are in the process of earning one -- so our Consultants will have the expertise to handle the complex needs of their clients.

We also created IG University, where our Consultants receive additional training for what is in effect another level of certification.

Because we have raised our standards, we have accelerated the departure of more than 1,000 Consultants who were not expected to develop a successful practice.

We have also enhanced the recruiting standards for our new hires.

Our emphasis is on QUALITY, not quantity.

And last year, the productivity of our Consultant practices increased by 37 percent...

On top of this, productivity of our new recruits has more than tripled...

We are also changing our compensation structure for Consultants... so it more closely aligns with client outcomes.

Investors Group hired Gallup to survey our clients about their experience.

And those results will be a key contributor in how our Consultants are rewarded...

Investors Group relies on our highly skilled investment team at Mackenzie to achieve superior returns for clients.

But it complements that team with a roster of top global investment firms – including Blackrock and T. Rowe Price - which we recently hired as subadvisors.

Another priority for us last year was driving employee engagement.

We used Gallup to survey our employees.

And we will use those results to ensure that our company is the best place to work.

Given the progress that Investors Group made last year – in building upon a rich tradition to create

a more modern...

a more efficient...

and a more energized organization

We know, we have the right mission...

And we are confident that we will achieve continued growth and success.

Let's turn briefly to Mackenzie.

I said last year that one of the best decisions we've made at IGM is hiring Barry McInerney as Mackenzie's President and CEO.

That statement remains true.

Barry will give you the full update on the outstanding progress at Mackenzie and its 30,000 third-party advisors.

As you know, Mackenzie has become one of the great **SUCCESS** stories in our industry.

I want to thank Barry and his exceptional team for their hard work.

Let me also note a few important developments.

Last year, Mackenzie opened an investment office in Boston.

Our first in the United States.

And our team in Boston runs a first-in-class Global Quantitative Equity boutique.

This is important because it gives our clients a greater choice of investment options.

But it's also important because those capabilities allow us to compete for – and **WIN** - more institutional business.

Let me thank Barry again for the great job that he and his team have done.

Our other major operating unit, Investment Planning Counsel, is led by Chris Reynolds.

218,000 Canadian households rely on the talents of IPC's team of almost 800 highly experienced independent financial advisors.

And we had many achievements last year.

For 2017, assets under administration for IPC increased by 5.5 percent, to \$27.6 billion...

And its own offering of managed solutions increased by 10 percent, to \$5.4 billion.

Both of these were all-time **RECORD** highs.

IPC's discretionary program also surpassed \$1 billion in assets under management.

And on the innovation front, IPC launched Advisor Anywhere, a mobile platform that allows our advisors to engage with clients

Anywhere...

Anytime...

On any device...

Turning back to IGM ... We have a long history of charitable giving, and we are extremely proud of our contributions last year.

\$9.7 million in support of more than 1,700 charities and not-for-profits.

We also just announced our sponsorship of the "Investors Group Walk for Alzheimer's," a cause that unfortunately touches each and every one of us.

We are also looking at our own workplace.

We want to be a leader in diversity and inclusion.

To that end, Investors Group, Mackenzie, and IPC have become signatories to the United Nation's Women's Empowerment Principles -- whose goals include gender equality in corporate leadership.

In closing... I want to thank you again for joining us today. It is a privilege to lead this great company and to work with so many exceptional people.

I want to thank everyone at Mackenzie and Investment Planning Counsel for their dedication,

And I want to thank my teammates at Investors Group, who've worked so hard in carrying out our mission.

I am proud of our entire IGM organization and am excited about the journey we are on.

We have plenty of work still to do...

BUT the momentum is definitely on our side.

Now, let me introduce Barry.