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# IGM Financial Inc. 2022 First Quarter Report

For the three months ended March 31, 2022



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*Readers are referred to the caution regarding Forward-Looking Statements and Non-IFRS Financial Measures and Other Financial Measures on pages 5 and 6 of this Quarterly Report.*

# Financial Highlights

As at and for the three months ended March 31

(unaudited)

	2022	2021	Change
<b>Net earnings available to common shareholders (\$ millions)</b>	<b>\$ 219.3</b>	\$ 202.2	8.5 %
<b>Diluted earnings per share</b>	<b>0.91</b>	0.85	7.1
<b>Return on equity</b>	<b>13.7 %</b>	14.8 %	
<b>Dividends per share</b>	<b>0.5625</b>	0.5625	-
<b>Total assets under management and advisement<sup>(1)</sup> (\$ millions)</b>	<b>\$ 268,328</b>	\$ 248,474	8.0 %
<b>Total assets under management<sup>(1)</sup></b>	<b>237,119</b>	221,577	7.0
<b>Wealth Management</b>			
<b>Assets under advisement<sup>(1)</sup></b>	<b>148,005</b>	136,876	8.1
<b>IG Wealth Management</b>			
Assets under management <sup>(2)</sup>	107,187	100,745	
Other assets under advisement	9,094	6,250	
<b>Assets under advisement</b>	<b>116,281</b>	106,995	8.7
<b>Investment Planning Counsel</b>			
Assets under management <sup>(2)</sup>	5,201	5,308	
Other assets under advisement	26,533	24,583	
<b>Assets under advisement</b>	<b>31,734</b>	29,891	6.2
<b>Asset Management (Mackenzie Investments)</b>			
Mutual funds	60,291	55,310	
ETFs <sup>(3)</sup>	5,848	4,174	
Investment funds	66,139	59,484	
Institutional SMA	7,090	7,272	
Sub-advisory to Canada Life	51,502	48,768	
Total excluding subadvisory to Wealth Management	124,731	115,524	
Sub-advisory to Wealth Management	80,814	76,041	
<b>Total assets under management</b>	<b>205,545</b>	191,565	7.3

Net Flows (\$ millions)	Wealth Management		Asset Management <sup>(4)</sup>	Intersegment Eliminations	Total <sup>(5)</sup>
	IG Wealth Management	Investment Planning Counsel	Mackenzie Investments		
<b>For the three months ended March 31, 2022</b>					
Mutual fund net sales <sup>(2)</sup>	\$ 1,264	\$ (62)	\$ 582	\$ -	\$ 1,784
ETF net creations	-	-	718	-	718
Investment fund net sales	1,264	(62)	1,300	-	2,502
Institutional SMA net sales	-	-	(427)	-	(427)
<b>Managed asset net sales</b>	<b>1,264</b>	<b>(62)</b>	<b>873</b>	<b>-</b>	<b>2,075</b>
Other dealer net flows	202	222	-	(33)	391
<b>Total net flows</b>	<b>1,466</b>	<b>160</b>	<b>873</b>	<b>(33)</b>	<b>2,466</b>

(1) Consolidated results eliminate double counting where business is reflected within multiple segments.

(2) Includes separately managed accounts.

(3) Total ETFs in the Asset Management section including ETFs held within IGM investment funds were \$12.9 billion at March 31, 2022 compared to \$9.5 billion at March 31, 2021.

(4) Asset Management flows activity excludes sub-advisory to Wealth Management.

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# Report to Shareholders

## Highlights

- **Record high first quarter net earnings of \$219.3 million or 91 cents per share – up 8.5% from the first quarter of 2021.**
- **Record high first quarter assets under management and advisement of \$268.3 billion**, up 8.0% from the first quarter of 2021 and down 3.2% from the prior quarter.
- **Record high first quarter net inflows of \$2.5 billion**, compared to net inflows of \$2.3 billion in the first quarter of 2021.

## Financial Results

Net earnings available to common shareholders for the first quarter of 2022 were \$219.3 million or 91 cents per share compared to \$202.2 million or 85 cents per share in 2021.

## Wealth Management

*Reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households and includes the activities of IG Wealth Management and Investment Planning Counsel.*

**Net earnings** in the first quarter of 2022 were \$121.4 million and represented 55.4% of IGM's net earnings available to common shareholders. This was an increase of 5.7% compared to the first quarter of 2021.

**Assets under advisement** at March 31, 2022 were \$148.0 billion, an increase of 8.1% from \$136.9 billion at March 31, 2021 and a decrease of 3.0% from \$152.6 billion at December 31, 2021.

## IG Wealth Management

**Assets under advisement** at March 31, 2022 were \$116.3 billion, an increase of 8.7% from \$107.0 billion at March 31, 2021 and a decrease of 2.7% from \$119.6 billion at December 31, 2021.

**Record high quarterly net client inflows** were \$1.5 billion, an increase of \$451 million from net client inflows of \$1.0 billion in 2021.

**Record high quarterly gross client inflows** were \$4.0 billion, up 10.0% from gross inflows of \$3.6 billion in 2021.

## Investment Planning Counsel

**Assets under advisement** at March 31, 2022 were \$31.7 billion, an increase of 6.2% from \$29.9 billion at March 31, 2021 and a decrease of 4.1% from \$33.1 billion at December 31, 2021.

**Net client inflows** for the first quarter of 2022 were \$160 million, up from net client outflows of \$9 million in 2021.

**Gross client inflows** for the first quarter of 2022 were \$1.3 billion, down 16.1% from \$1.5 billion in 2021.

## Asset Management (Mackenzie Investments)

*Reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments.*

**Net earnings** in the first quarter of 2022 were \$52.1 million and represented 23.8% of IGM's net earnings available to common shareholders. This was an increase of 8.5% compared to the first quarter of 2021.

**Total assets under management** were \$205.5 billion, an increase of 7.3% from \$191.6 billion at March 31, 2021 and a decrease of 2.3% from \$210.3 billion at December 31, 2021. Assets under management excluding sub-advisory to the Wealth Management segment were \$124.7 billion at March 31, 2022, an increase of 8.0% from March 31, 2021 and a decrease of 3.4% from December 31, 2021.

**Investment fund net sales** of \$1.3 billion, the second highest first quarter result in history, were down from \$1.9 billion<sup>(1)</sup> in the first quarter of 2021.

**Mutual fund gross sales** of \$2.9 billion were down from \$4.0 billion in the first quarter of 2021.

**Retail mutual fund gross sales** were \$2.5 billion, a decrease from \$3.4 billion in the first quarter of 2021.

**ETF business** – ETF assets under management totalled \$12.9 billion at March 31, 2022, up from \$9.5 billion at March 31, 2021. Excluding investment in ETFs by IGM mutual funds, ETF assets under management were \$5.8 billion at March 31, 2022, compared to \$4.2 billion at March 31, 2021.

(1) During 2021, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes which resulted in net redemptions of \$361 million.

## Strategic Investments and Other

*Represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corporation, and Portage Ventures LPs, as well as unallocated capital.*

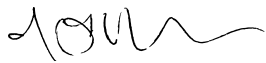
**Great-West Lifeco Inc. (Lifeco)** – The Company's proportionate share of Lifeco's first quarter earnings was \$30.7 million, an increase of 9.3% from \$28.1 million in the first quarter of 2021.

**China Asset Management Co., Ltd. (ChinaAMC)** – The Company's proportionate share of ChinaAMC's first quarter earnings was \$13.5 million, an increase of 8.0% from \$12.5 million in the first quarter of 2021.

## Dividends

The Board of Directors has declared a dividend of 56.25 cents per share on the Company's common shares which is payable on July 29, 2022 to shareholders of record on June 30, 2022.

On behalf of the Board of Directors,



**James O'Sullivan**

*President and Chief Executive Officer  
IGM Financial Inc.*

*May 5, 2022*

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# Management's Discussion and Analysis

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# Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the three months ended March 31, 2022 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (Interim Financial Statements), as well as the 2021 IGM Financial Inc. Annual Report filed on [www.sedar.com](http://www.sedar.com). Commentary in the MD&A as at and for the three months ended March 31, 2022 is as of May 5, 2022.

## Basis of Presentation and Summary of Accounting Policies

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

### Forward-looking Statements

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

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

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

A variety of material factors, many of which are beyond the Company's and its subsidiaries' control, affect the operations, performance and results of

the Company, and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, outbreaks of disease or pandemics (such as COVID-19), 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](http://www.sedar.com).

## Non-IFRS Financial Measures and Other Financial Measures

This report contains Non-IFRS financial measures and non-IFRS ratios that do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies. These measures and ratios are used to provide management, investors and investment analysts with additional measures to assess earnings performance.

Non-IFRS financial measures include, but are not limited to, "Adjusted net earnings available to common shareholders", "adjusted net earnings", "adjusted earnings before income taxes", "adjusted earnings before interest and taxes" (Adjusted EBIT), "earnings before interest, taxes, depreciation and amortization before sales commissions" (EBITDA before sales commissions), and "earnings before interest, taxes, depreciation and amortization after sales commissions" (EBITDA after sales commissions). These measures exclude other items which are items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful. EBITDA before sales commissions excludes all sales commissions. EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows.

Non-IFRS ratios include the following:

Ratio	Numerator	Denominator
Adjusted earnings per share (Adjusted EPS)	Adjusted net earnings available to common shareholders	Average number of outstanding common shares on a diluted basis
Return (Adjusted return) on equity (ROE, Adjusted ROE)	Net earnings (Adjusted net earnings) available to common shareholders	Average shareholders' equity excluding non-controlling interest
ROE (Adjusted ROE) excluding the impact of fair value through other comprehensive income investments	Net earnings (Adjusted net earnings) available to common shareholders	Average shareholders' equity excluding non-controlling interest and the impact of fair value through other comprehensive income investments net of tax

Refer to the appropriate reconciliations of non-IFRS financial measures, including as components of non-IFRS ratios, to reported results in accordance with IFRS in Tables 1, 2 and 3.

This report also contains other financial measures which include:

- **Assets under Management and Advisement (AUM&A)** represents the consolidated AUM and AUA of IGM Financial. In the Wealth Management segment, AUM is a component part of AUA. All instances where the asset management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in our reporting such that there is no double-counting of the same client savings held at IGM Financial's operating companies.
- **Assets under Advisement (AUA)** are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of our Wealth Management segment operating companies.
- **Assets under Management (AUM)** are the key driver of the Asset Management segment. AUM are a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where we provide investment management services, and include investment funds where we are the fund manager, investment advisory mandates to institutions, and other client accounts where we have discretionary portfolio management responsibilities.
- **Working Capital** which consists of current assets less current liabilities.



# IGM Financial Inc.

## Summary of Consolidated Operating Results

IGM Financial Inc. (TSX:IGM) is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. The Company operates through a number of operating subsidiaries and also holds a number of strategic investments that provide benefits to these subsidiaries while furthering the Company's growth prospects. The Company's principle operating subsidiaries are wealth manager IG Wealth Management (IG) and asset manager Mackenzie Investments (Mackenzie). The Company also operates through wealth manager Investment Planning Counsel (IPC) and has strategic investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC), Northleaf Capital Group Ltd. (Northleaf), and Wealthsimple Financial Corp. (Wealthsimple) as described more fully later in this MD&A.

IGM Financial's assets under management and advisement were \$268.3 billion as at March 31, 2022, compared with \$248.5 billion at March 31, 2021 and \$277.1 billion at December 31, 2021, as detailed in Table 5. Average total assets under management and advisement for the first quarter of 2022 were \$269.5 billion compared to \$243.9 billion in the first quarter of 2021.

Total assets under management were \$237.1 billion at March 31, 2022, compared with \$221.6 billion at March 31, 2021 and \$245.3 billion at December 31, 2021. Average total assets under management for the first quarter of 2022 were \$238.4 billion compared to \$217.6 billion in the first quarter of 2021.

Net earnings available to common shareholders for the three months ended March 31, 2022 were at a first quarter record high of \$219.3 million or \$0.91 per share compared with net earnings available to common shareholders of \$202.2 million or \$0.85 per share for the comparative period in 2021, an increase of 7.1% in earnings per share.

Shareholders' equity was \$6.4 billion at March 31, 2022, compared to \$6.5 billion at December 31, 2021. ROE (a non-IFRS ratio – see Non-IFRS Financial Measures and Other Financial Measures) for the three months ended March 31, 2022 was 13.7% compared with 14.8% for the comparative period in 2021. ROE excluding the impact of fair value through other comprehensive income investments (a non-IFRS ratio – see Non-IFRS Financial Measures and Other Financial Measures) for the three months ended March 31, 2022 was 15.7% compared with 16.9% for the comparative period in 2021. The quarterly dividend per common share declared in the first quarter of 2022 was 56.25 cents, unchanged from the fourth quarter of 2021.

## China Asset Management Co., Ltd. (ChinaAMC)

On January 5, 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of \$1.15 billion from Power Corporation of Canada (Power), which will increase the Company's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, IGM Financial will sell 15,200,662 common shares of Lifeco to Power for cash consideration of \$575 million, which will reduce the Company's equity interest in Lifeco from 4% to 2.4%. These transactions are expected to close in 2022, subject to customary closing conditions, including Chinese regulatory approvals. The sale of Lifeco is conditional on IGM Financial's purchase of the ChinaAMC shares.

Benefits of the ChinaAMC acquisition include:

- Enhancing participation in the rapidly growing Chinese asset management industry, through a meaningful ownership position in one of the leading asset managers in China.
- Reinforcing relationships and business opportunities between Mackenzie and ChinaAMC as Mackenzie builds global, fully diversified and differentiated solutions for its clients and strengthens distribution opportunities in China.
- Simplifying the IGM Financial and Power organization structure by consolidating the ChinaAMC ownership position at Mackenzie.
- Providing a financially attractive outcome that is expected to be accretive to IGM Financial's earnings in the first year of increased ownership.

## COVID-19 and Global Economic Concerns

Governments worldwide continue to have varying degrees of restrictions and measures to combat the impacts of COVID-19. These measures, which have included the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility in global equity markets and material disruption to global businesses.

There continues to be uncertainty regarding the impact of new variants of the virus, and this contributes towards uncertainty of the timing of a full economic recovery. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

The war in Ukraine is also impacting world economies and financial markets. This has increased risks related to cyber security, supply

chain issues and inflation concerns among other factors. We continue to monitor our business and the potential impacts posed by the conflict and related global economic sanctions.

These factors have the current and ongoing potential to expose the Company to a number of risks inherent in our business activities. These include: liquidity risk; credit risk; business risk and risks related to assets under management and advisement; operational risk; governance, oversight and strategic risk; regulatory developments; and people risk. These risks are discussed in further detail in the Risk Management section of this MD&A.

## Market Overview

Following an extended period of strong financial market returns that began during the second quarter of 2020, negative returns during the first quarter of 2022 were reflective of the current volatility in global markets:

- The S&P TSX Composite total return index increased by 3.8% in the first quarter of 2022. In 2021, there was an increase of 8.1% in the first quarter and 25.1% for the year.
- U.S. equity markets, as measured by the S&P 500 total return index, decreased by 4.6% in the first quarter of 2022. In 2021, there was an increase of 6.2% in the first quarter and 28.7% for the year.

- European equity markets, as measured by the MSCI Europe net total return index, decreased by 5.3% in the first quarter of 2022. In 2021, there was an increase of 8.4% in the first quarter and 25.1% for the year.
- Asian equity markets, as measured by the MSCI AC Asia Pacific net total return index, decreased by 6.0% in the first quarter of 2022. In 2021, there was an increase of 2.3% in the first quarter and a decrease of 1.5% for the year.
- The FTSE TMX Canada Universe Bond total return Index decreased by 7.0% in the first quarter of 2022 as interest rates increased. In 2021, there was a decrease of 5.0% in the first quarter and a decrease of 2.5% for the year.
- Our clients experienced average investment returns of -4.6% in the first quarter of 2022. In 2021, client investment returns were 2.4% in the first quarter and 11.9% for the year.

IGM Financial's assets under management and advisement decreased by 3.2% from \$277.1 billion at December 31, 2021 to \$268.3 billion at March 31, 2022. See Table 27 for the composition of IGM Financial's assets under management by asset class.

Table 1: Reconciliation of Non-IFRS Financial Measures

Three months ended (\$ millions except EPS)	2022 March 31		2021 December 31		2021 March 31	
	Earnings	EPS <sup>(1)</sup>	Earnings	EPS <sup>(1)</sup>	Earnings	EPS <sup>(1)</sup>
<b>Adjusted net earnings available to common shareholders<sup>(2)</sup></b>	<b>\$ 219.3</b>	<b>\$ 0.91</b>	\$ 260.8	\$ 1.08	\$ 202.2	\$ 0.85
Gain on sale of Personal Capital, net of tax	-	-	7.7	0.03	-	-
<b>Net earnings available to common shareholders</b>	<b>\$ 219.3</b>	<b>\$ 0.91</b>	\$ 268.5	\$ 1.11	\$ 202.2	\$ 0.85
<b>EBITDA before sales commissions<sup>(2)</sup></b>	<b>\$ 360.0</b>		\$ 411.8		\$ 333.2	
Sales-based commissions paid	(49.5)		(42.9)		(47.1)	
<b>EBITDA after sales commissions<sup>(2)</sup></b>	<b>310.5</b>		368.9		286.1	
Sales-based commissions paid subject to amortization	44.5		39.3		40.2	
Amortization of capitalized sales commissions	(17.7)		(16.2)		(12.1)	
Amortization of capital, intangible and other assets	(25.3)		(25.4)		(24.0)	
<b>Adjusted earnings before interest and income taxes<sup>(2)</sup></b>	<b>312.0</b>		366.6		290.2	
Interest expense <sup>(3)</sup>	28.1		28.6		28.1	
<b>Adjusted earnings before income taxes<sup>(2)</sup></b>	<b>283.9</b>		338.0		262.1	
Income taxes	63.8		76.5		59.7	
<b>Adjusted net earnings<sup>(2)</sup></b>	<b>220.1</b>		261.5		202.4	
Gain on sale of Personal Capital, net of tax	-		7.7		-	
<b>Net earnings</b>	<b>\$ 220.1</b>		\$ 269.2		\$ 202.4	

(1) Diluted earnings per share

(2) A non-IFRS financial measure - see Non-IFRS Financial Measures and Other Financial Measures section of this document.

(3) Interest expense includes interest on long-term debt and interest on leases.

Table 2: Consolidated Operating Results by Segment – Q1 2022 vs. Q1 2021

Three months ended (\$ millions)	Wealth Management		Asset Management		Strategic Investments & Other		Intersegment Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Mar. 31	Mar. 31	Mar. 31	Mar. 31	Mar. 31	Mar. 31	Mar. 31	Mar. 31	Mar. 31	Mar. 31
Revenues										
Wealth management	\$ 646.1	\$ 608.0	\$ -	\$ -	\$ -	\$ -	\$ (4.9)	\$ (4.5)	\$ 641.2	\$ 603.5
Asset management	-	-	284.8	259.9	-	-	(29.0)	(26.9)	255.8	233.0
Dealer compensation expense	-	-	(91.1)	(85.3)	-	-	4.9	4.6	(86.2)	(80.7)
Net asset management	-	-	193.7	174.6	-	-	(24.1)	(22.3)	169.6	152.3
Net investment income and other	-	1.8	(2.6)	1.2	0.7	0.2	(0.1)	(0.1)	(2.0)	3.1
Proportionate share of associates' earnings	-	-	-	-	48.4	41.6	-	-	48.4	41.6
	646.1	609.8	191.1	175.8	49.1	41.8	(29.1)	(26.9)	857.2	800.5
Expenses										
Advisory and business development	288.9	263.7	20.2	20.3	-	-	-	-	309.1	284.0
Operations and support	121.1	122.0	93.1	83.5	1.4	1.1	(0.1)	(0.1)	215.5	206.5
Sub-advisory	48.1	45.0	1.5	1.7	-	-	(29.0)	(26.9)	20.6	19.8
	458.1	430.7	114.8	105.5	1.4	1.1	(29.1)	(27.0)	545.2	510.3
Adjusted earnings before interest and taxes <sup>(1)</sup>	188.0	179.1	76.3	70.3	47.7	40.7	-	0.1	312.0	290.2
Interest expense <sup>(2)</sup>	22.3	22.3	5.8	5.8	-	-	-	-	28.1	28.1
Adjusted earnings before income taxes <sup>(1)</sup>	165.7	156.8	70.5	64.5	47.7	40.7	-	0.1	283.9	262.1
Income taxes	44.3	42.0	18.4	16.5	1.1	1.1	-	0.1	63.8	59.7
Adjusted net earnings <sup>(1)</sup>	121.4	114.8	52.1	48.0	46.6	39.6	-	-	220.1	202.4
Non-controlling interest	-	-	-	-	0.8	0.2	-	-	0.8	0.2
Adjusted net earnings available to common shareholders <sup>(1)</sup>	\$ 121.4	\$ 114.8	\$ 52.1	\$ 48.0	\$ 45.8	\$ 39.4	\$ -	\$ -	\$ 219.3	\$ 202.2
Other items <sup>(1)</sup> , net of tax									-	-
Net earnings available to common shareholders									\$ 219.3	\$ 202.2

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

(2) Interest expense includes interest on long-term debt and leases.

## Reportable Segments

The Company's reportable segments are Wealth Management, Asset Management and Strategic Investments & Other and reflect the Company's internal financial reporting and performance measurement (Tables 2 and 3):

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services

to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.

- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portage

Table 3: Consolidated Operating Results by Segment – Q1 2022 vs. Q4 2021

Three months ended (\$ millions)	Wealth Management		Asset Management		Strategic Investments & Other		Intersegment Eliminations		Total	
	2022 Mar. 31	2021 Dec. 31	2022 Mar. 31	2021 Dec. 31	2022 Mar. 31	2021 Dec. 31	2022 Mar. 31	2021 Dec. 31	2022 Mar. 31	2021 Dec. 31
<b>Revenues</b>										
Wealth management	\$ 646.1	\$ 672.5	\$ -	\$ -	\$ -	\$ -	\$ (4.9)	\$ (5.0)	\$ 641.2	\$ 667.5
Asset management	-	-	284.8	296.8	-	-	(29.0)	(30.0)	255.8	266.8
Dealer compensation expense	-	-	(91.1)	(91.7)	-	-	4.9	5.0	(86.2)	(86.7)
Net asset management	-	-	193.7	205.1	-	-	(24.1)	(25.0)	169.6	180.1
Net investment income and other	-	1.4	(2.6)	1.3	0.7	1.1	(0.1)	-	(2.0)	3.8
Proportionate share of associates' earnings	-	-	-	-	48.4	50.7	-	-	48.4	50.7
	646.1	673.9	191.1	206.4	49.1	51.8	(29.1)	(30.0)	857.2	902.1
<b>Expenses</b>										
Advisory and business development	288.9	284.8	20.2	24.1	-	-	-	-	309.1	308.9
Operations and support	121.1	115.9	93.1	88.3	1.4	1.3	(0.1)	-	215.5	205.5
Sub-advisory	48.1	49.5	1.5	1.6	-	-	(29.0)	(30.0)	20.6	21.1
	458.1	450.2	114.8	114.0	1.4	1.3	(29.1)	(30.0)	545.2	535.5
<b>Adjusted earnings before interest and taxes<sup>(1)</sup></b>	<b>188.0</b>	<b>223.7</b>	<b>76.3</b>	<b>92.4</b>	<b>47.7</b>	<b>50.5</b>	<b>-</b>	<b>-</b>	<b>312.0</b>	<b>366.6</b>
Interest expense <sup>(2)</sup>	22.3	22.7	5.8	5.9	-	-	-	-	28.1	28.6
Adjusted earnings before income taxes <sup>(1)</sup>	165.7	201.0	70.5	86.5	47.7	50.5	-	-	283.9	338.0
Income taxes	44.3	53.8	18.4	21.2	1.1	1.5	-	-	63.8	76.5
<b>Adjusted net earnings<sup>(1)</sup></b>	<b>121.4</b>	<b>147.2</b>	<b>52.1</b>	<b>65.3</b>	<b>46.6</b>	<b>49.0</b>	<b>-</b>	<b>-</b>	<b>220.1</b>	<b>261.5</b>
Non-controlling interest	-	-	-	-	0.8	0.7	-	-	0.8	0.7
<b>Adjusted net earnings available to common shareholders<sup>(1)</sup></b>	<b>\$ 121.4</b>	<b>\$ 147.2</b>	<b>\$ 52.1</b>	<b>\$ 65.3</b>	<b>\$ 45.8</b>	<b>\$ 48.3</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 219.3</b>	<b>\$ 260.8</b>
<b>Other items<sup>(1)</sup>, net of tax</b>										
Gain on sale of Personal Capital (net of tax of \$2.9 million)									-	7.7
<b>Net earnings available to common shareholders</b>									<b>\$ 219.3</b>	<b>\$ 268.5</b>

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

(2) Interest expense includes interest on long-term debt and leases.

Ventures LPs, as well as unallocated capital. Investments are classified in this segment (as opposed to the Wealth Management or Asset Management segment) when warranted due to different market segments, growth profiles or other unique characteristics.

#### Assets under Management and Advisement (AUM&A)

represents the consolidated AUM and AUA of IGM Financial. In the Wealth Management segment, AUM is a component part of AUA. All instances where the asset management segment is providing investment management services or distributing its products

through the Wealth Management segment are eliminated in our reporting such that there is no double-counting of the same client savings held at IGM Financial's operating companies.

**Assets under Advisement (AUA)** are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of our Wealth Management segment operating companies.

**Assets under Management (AUM)** are the key driver of the Asset Management segment. AUM are a secondary driver of revenues and expenses within the Wealth Management segment in relation

to its investment management activities. AUM are client assets where we provide investment management services, and include investment funds where we are the fund manager, investment advisory mandates to institutions, and other client accounts where we have discretionary portfolio management responsibilities.

## Financial Presentation

The financial presentation includes revenues and expenses to align with the key drivers of business activity and to reflect our emphasis on business growth and operational efficiency. The categories are as follows:

- **Wealth management revenue** – revenues earned by the Wealth Management segment for providing financial planning, investment advisory and related financial services. Revenues include financial advisory fees, investment management and related administration fees, distribution revenue associated with insurance and banking products and services, and revenue relating to mortgage lending activities.
- **Asset management revenue** – revenues earned by the Asset Management segment related to investment management advisory and administrative services.
- **Dealer compensation** – asset-based and sales-based compensation paid to dealers by the Asset Management segment.
- **Advisory and business development expenses** – expenses incurred on activities directly associated with providing financial planning services to clients of the Wealth Management segment and wholesale distribution activities performed by the Asset Management segment. Expenses include compensation, recognition and other support provided to our financial advisors, field management, product & planning specialists; expenses associated with facilities, technology and training relating to our financial advisors and specialists; other business development activities including direct marketing and advertising. A significant component of these expenses varies directly with levels of assets under management or advisement, business development measures including sales and client acquisition, and the number of advisor and client relationships.

- **Operations and support expenses** – expenses associated with business operations, including technology and business processes; in-house investment management and product shelf management; corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses.
- **Sub-advisory expenses** – reflects fees relating to investment management services provided by third party or related party investment management organizations. These fees typically are variable with the level of assets under management. These fees include investment advisory services performed for the Wealth Management segment by the Asset Management segment.

Interest expense represents interest expense on long-term debt and leases. Interest expense is allocated to each segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced.

Income taxes are reported in each segment. IGM Financial consolidated changes in the effective tax rates are detailed in Table 4.

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, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.

Other items, as reflected in Tables 2 and 3, 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 and are not allocated to segments. Other items in the fourth quarter of 2021 included a gain on sale of Personal Capital of \$10.6 million (\$7.7 million after-tax) resulting from additional consideration receivable related to the sale of the Company's equity interest in Personal Capital in 2020.

Table 4: Effective Income Tax Rate

<i>Three months ended</i>	<b>2022 Mar. 31</b>	2021 Dec. 31	2021 Mar. 31
<b>Income taxes at Canadian federal and provincial statutory rates</b>	<b>26.63 %</b>	26.64 %	26.64 %
Effect of:			
Proportionate share of associates' earnings	<b>(4.08)</b>	(3.39)	(3.77)
Other items	<b>(0.10)</b>	(0.48)	(0.10)
<b>Effective income tax rate – net earnings available to common shareholders</b>	<b>22.45 %</b>	22.77 %	22.77 %

## Total Assets Under Management and Advisement

Assets under management and advisement were \$268.3 billion at March 31, 2022 compared to \$248.5 billion at March 31, 2021, an increase of 8.0%, as detailed in Table 5. Total assets under management were \$237.1 billion at March 31, 2022 compared to \$221.6 billion at March 31, 2021, an increase of 7.0%.

Net inflows in the first quarter of 2022 were a first quarter record high of \$2.5 billion, up from \$2.3 billion in the first quarter of 2021, as detailed in Table 5. First quarter investment fund net sales of \$2.5 billion were up from net sales of \$2.3 billion in 2021. Net flows and net sales are based on assets under management and advisement excluding sub-advisory assets to Canada Life and to the Wealth Management segment.

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

## Summary of Quarterly results

The Summary of Quarterly Results in Table 6 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 6, largely reflect the impact of changes in domestic and foreign markets and net sales of the Company.

Table 5: Assets Under Management and Advisement

	Wealth Management				Asset Management <sup>(1)</sup>				Consolidated	
	IG Wealth Management		Investment Planning Counsel		Mackenzie Investments		Intercompany Eliminations <sup>(2)</sup>			
	2022 Mar. 31	2021 Mar. 31	2022 Mar. 31	2021 Mar. 31	2022 Mar. 31	2021 Mar. 31	2022 Mar. 31	2021 Mar. 31	2022 Mar. 31	2021 Mar. 31
<i>(\$ millions)</i>										
<b>Three months ended</b>										
<b>Gross flows</b>										
Mutual fund gross sales <sup>(3)(4)</sup>	\$ 3,902	\$ 3,351	\$ 203	\$ 230	\$ 2,921	\$ 4,031	\$ -	\$ -	\$ 7,026	\$ 7,612
Dealer gross inflows	4,000	3,636	1,342	1,599	-	-	-	-	5,342	5,235
<b>Net flows</b>										
Mutual fund net sales <sup>(3)(4)</sup>	1,264	501	(62)	(109)	582	1,490	-	-	1,784	1,882
ETF net creations <sup>(5)</sup>	-	-	-	-	718	405	-	-	718	405
Investment fund net sales	1,264	501	(62)	(109)	1,300	1,895	-	-	2,502	2,287
Institutional SMA net sales <sup>(6)</sup>	-	-	-	-	(427)	(320)	-	-	(427)	(320)
Mackenzie net sales through Wealth Management	5	212	29	68	-	-	(34)	(280)	-	-
IGM product net sales	1,269	713	(33)	(41)	873	1,575	(34)	(280)	2,075	1,967
Other dealer net flows	197	302	193	32	-	-	1	1	391	335
Total net flows	1,466	1,015	160	(9)	873	1,575	(33)	(279)	2,466	2,302
<b>Assets under Management and Advisement</b>										
<b>Wealth Management<sup>(3)</sup></b>										
AUM	\$107,187	\$100,745	\$ 5,201	\$ 5,308			\$ -	\$ -	\$112,388	\$106,053
Mackenzie assets sold through Wealth Management	924	659	3,484	3,267			-	-	4,408	3,926
Other AUA	8,170	5,591	23,049	21,316			(10)	(10)	31,209	26,897
AUA	116,281	106,995	31,734	29,891			(10)	(10)	148,005	136,876
<b>Asset Management</b>										
Mutual funds					\$ 60,291	\$ 55,310			60,291	55,310
ETFs					5,848	4,174			5,848	4,174
Investment funds					66,139	59,484			66,139	59,484
Institutional SMA					7,090	7,272			7,090	7,272
Sub-Advisory to Canada Life					51,502	48,768			51,502	48,768
Total Institutional SMA					58,592	56,040			58,592	56,040
Total ex sub-advisory to Wealth Management					124,731	115,524			124,731	115,524
Sub-advisory to Wealth Management					80,814	76,041			80,814	76,041
Total AUM					205,545	191,565			205,545	191,565
ETFs										
Distributed to third parties					5,848	4,174			5,848	4,174
Held within IGM managed products					7,059	5,359	(7,059)	(5,359)	-	-
Total ETFs					12,907	9,533	(7,059)	(5,359)	5,848	4,174
<b>Consolidated</b>										
AUM	107,187	100,745	5,201	5,308	205,545	191,565	(80,814)	(76,041)	237,119	221,577
Mackenzie assets sold through Wealth Management	924	659	3,484	3,267	-	-	(4,408)	(3,926)	-	-
Other AUA	8,170	5,591	23,049	21,316	-	-	(10)	(10)	31,209	26,897
AUM&A	116,281	106,995	31,734	29,891	205,545	191,565	(85,232)	(79,977)	268,328	248,474

(1) Asset Management flows activity excludes sub-advisory to Canada Life and the Wealth Management segment.

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

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

(4) During the first quarter of 2021, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes which resulted in redemptions and net redemptions of \$361 million.

(5) ETFs - During the first quarter of 2022, Wealthsimple made allocation changes which resulted in \$675 million in purchases in Mackenzie ETFs.

(6) Sub-advisory, institutional and other accounts - During the first quarter of 2022, an institutional investor redeemed \$291 million within products Mackenzie sub-advises.

Table 6: Summary of Quarterly Results

	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2
<b>Consolidated statements of earnings (\$ millions)</b>								
Revenues								
Wealth management	\$ 641.2	\$ 667.5	\$ 655.0	\$ 627.6	\$ 603.5	\$ 594.2	\$ 571.6	\$ 531.1
Asset management	255.8	266.8	263.4	248.3	233.0	216.3	207.4	190.7
Dealer compensation expense	(86.2)	(86.7)	(85.9)	(82.7)	(80.7)	(74.3)	(71.3)	(66.1)
Net asset management	169.6	180.1	177.5	165.6	152.3	142.0	136.1	124.6
Net investment income and other	(2.0)	3.8	2.5	2.5	3.1	3.2	2.2	7.6
Proportionate share of associates' earnings	48.4	50.7	55.9	48.2	41.6	40.1	43.5	43.3
	857.2	902.1	890.9	843.9	800.5	779.5	753.4	706.6
Expenses								
Advisory and business development	309.1	308.9	294.0	291.1	284.0	283.1	252.6	245.4
Operations and support	215.5	205.5	197.6	196.8	206.5	189.0	181.9	185.4
Sub-advisory	20.6	21.1	20.7	20.4	19.8	18.3	18.5	16.9
Interest <sup>(1)</sup>	28.1	28.6	28.7	28.5	28.1	27.9	27.9	27.5
	573.3	564.1	541.0	536.8	538.4	518.3	480.9	475.2
Earnings before undernoted	283.9	338.0	349.9	307.1	262.1	261.2	272.5	231.4
Gain on sale of Personal Capital	-	10.6	-	-	-	-	37.2	-
Gain on sale of Quadrus Group of Funds net of acquisition costs	-	-	-	-	-	25.2	-	-
Proportionate share of associate's adjustments	-	-	-	-	-	3.4	-	-
Restructuring and other	-	-	-	-	-	-	(74.5)	-
Earnings before income taxes	283.9	348.6	349.9	307.1	262.1	289.8	235.2	231.4
Income taxes	63.8	79.4	78.4	69.3	59.7	60.5	44.3	47.9
Net earnings	220.1	269.2	271.5	237.8	202.4	229.3	190.9	183.5
Non-controlling interest	0.8	0.7	0.7	0.4	0.2	0.2	-	-
Net earnings available to common shareholders	\$ 219.3	\$ 268.5	\$ 270.8	\$ 237.4	\$ 202.2	\$ 229.1	\$ 190.9	\$ 183.5
<b>Reconciliation of Non-IFRS financial measures (\$ millions)</b>								
Adjusted net earnings available to common shareholders <sup>(2)</sup>	\$ 219.3	\$ 260.8	\$ 270.8	\$ 237.4	\$ 202.2	\$ 204.3	\$ 214.2	\$ 183.5
Other items <sup>(2)</sup> :								
Gain on sale of Personal Capital, net of tax (Q4 2021 - \$2.9 million; Q3 2020 - \$5.8 million)	-	7.7	-	-	-	-	31.4	-
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax (\$3.8 million)	-	-	-	-	-	21.4	-	-
Proportionate share of associate's adjustments	-	-	-	-	-	3.4	-	-
Restructuring and other, net of tax (\$19.8 million)	-	-	-	-	-	-	(54.7)	-
Net earnings available to common shareholders	\$ 219.3	\$ 268.5	\$ 270.8	\$ 237.4	\$ 202.2	\$ 229.1	\$ 190.9	\$ 183.5
<b>Earnings per Share (\$)</b>								
Adjusted earnings per share <sup>(2)</sup>								
- Basic	\$ 0.91	\$ 1.09	\$ 1.13	\$ 0.99	\$ 0.85	\$ 0.86	\$ 0.90	\$ 0.77
- Diluted	0.91	1.08	1.13	0.99	0.85	0.86	0.90	0.77
Earnings per share								
- Basic	0.91	1.12	1.13	0.99	0.85	0.96	0.80	0.77
- Diluted	0.91	1.11	1.13	0.99	0.85	0.96	0.80	0.77
<b>Average outstanding shares - Diluted (thousands)</b>	<b>241,251</b>	241,443	240,575	239,821	238,474	238,308	238,308	238,308
<b>Average assets under management and advisement (\$ billions)</b>								
Investment fund assets under management	\$ 179.0	\$ 181.9	\$ 178.6	\$ 170.2	\$ 162.7	\$ 169.8	\$ 163.7	\$ 152.6
Total assets under management	238.4	241.9	238.3	227.8	217.6	177.6	171.4	159.2
Assets under management and advisement	269.5	272.0	267.4	255.4	243.9	202.2	194.9	181.5
<b>Ending assets under management and advisement (\$ billions)</b>								
Investment fund assets under management	\$ 178.5	\$ 184.5	\$ 176.8	\$ 174.4	\$ 165.5	\$ 159.5	\$ 164.9	\$ 157.8
Total assets under management	237.1	245.3	236.2	233.6	221.6	214.0	172.6	165.4
Assets under management and advisement	268.3	277.1	265.2	262.0	248.5	240.0	196.4	188.3

(1) Interest expense includes interest on long-term debt and leases.

(2) A non-IFRS financial measure - see Non-IFRS Financial Measures and Other Financial Measures section of this document.



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# Wealth Management

The Wealth Management segment consists of both IG Wealth Management (IG) and Investment Planning Counsel, Inc. (IPC).

Wealth Management revenue consists of:

- **Advisory fees** are related to providing financial advice to clients including fees related to the distribution of products and depend largely on the level and composition of assets under advisement.
- **Product and program fees** are related to the management of investment products and include management, administration and other related fees and depend largely on the level and composition of assets under management.

- **Other financial planning revenues** are fees related to providing clients other financial products including mortgages, insurance and banking products.

Sub-advisory fees are paid between segments and to third parties for investment management services provided to our investment products. Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

Debt and interest expense is allocated to each IGM Financial segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Income taxes are also reported in each segment.

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## Review of the Business

IG Wealth Management, founded in 1926, provides comprehensive personal financial planning and wealth management services to Canadians through our exclusive network of 3,288 advisors. IG Wealth Management clients are more than one million individuals, families and business owners.

Investment Planning Counsel, founded in 1996, is an independent distributor of financial products, services and advice in Canada, with 683 financial advisors.

The Wealth Management segment provides a comprehensive planning approach, through IG Wealth Management and IPC advisors, by offering a broad range of financial products and services.

The review of the business in the Wealth Management section primarily relates to IG Wealth Management as it represents 97% of adjusted net earnings of the total segment.

### 2022 Developments

IG Wealth Management announced that it will merge IG Mackenzie Quebec Enterprise Fund with the IG Mackenzie Canadian Equity Fund to provide investors with greater portfolio management and diversification opportunities through broader investment mandates and potential for improved long-term performance. The merger is expected to take effect on the close of business May 20, 2022, subject to approval by securityholders. In advance of the fund merger, effective May 18, 2022, the annual management fee rate for the IG Mackenzie Canadian Equity Fund will be reduced by 15 basis points.

In April 2022, IG Wealth Management launched two new suites of products, consisting of a total of eight funds. IG U.S. Taxpayer Portfolios (Portfolios) offer investors a comprehensive investment solution that help simplify tax reporting for Canadian residents who pay taxes in the U.S. The second suite, IG Mackenzie U.S. Dollar Funds (Funds), is designed for investors who are seeking to invest in U.S. dollar investments. The new Funds will provide clients with comprehensive diversification for their U.S. dollars and the new Portfolios have been designed to help simplify a tax reporting process that is typically complicated and costly. IG Wealth Management has collaborated with industry leading investment managers at Mackenzie and BlackRock Asset Management to deliver these suites of diversified investment solutions that will offer Canadians new and innovative ways to meet their financial goals.

### 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.

Canadians hold \$5.6 trillion in discretionary financial assets with financial institutions at December 31, 2020, based on the most recent report from Investor Economics, and we view these savings as IG Wealth Management's addressable market. 76% of these savings are held by households with over \$1 million, which are referred to as high net worth, and another 20% reside with households with between \$100,000 and \$1 million, which are referred to as mass affluent. These segments tend to have more complicated financial needs, and IG Wealth Management's focus

on providing comprehensive financial planning solutions positions it well to compete and grow in these segments.

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

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.
- A high-performing and diverse culture.

### **Delivering 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, Superior Advice**

Our financial advisors provide value to clients by developing insight into their specific needs, creating and implementing well-constructed financial plans and offering superior advice. IG Wealth Management has a national distribution network of more than 3,000 highly qualified financial advisors in communities throughout Canada. Our advisory services are most suited to individuals with complicated financial needs.

IG Wealth Management advisor practices are industry leaders in holding a credentialed financial planning designation. These 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 following provides a breakdown of the IG Wealth Management advisor network into its significant components at March 31, 2022:

- 1,752 advisor practices (1,808 at March 31, 2021), which reflect advisors with more than four years of experience. These practices may include Associates as described below. The level

and productivity of advisor practices is a key measurement of our business as they serve clientele representing approximately 95% of AUM.

- 372 new advisors (441 at March 31, 2021), which are those advisors with less than four years of experience.
- 1,164 Associates and Regional Directors (1,074 at March 31, 2021). Associates are licensed team members of advisor practices who provide financial planning services and advice to the clientele served by the team.
- IG Wealth Management had a total advisor network of 3,288 (3,323 at March 31, 2021).

IG Wealth Management's recruiting standards increase the likelihood of success while also enhancing our culture and brand.

Our training curriculum is reviewed and refreshed each year to offer new advisors important building blocks to develop client relationships. As advisors progress, they develop their skills as financial planners and business managers through a selection of focused educational programs.

We also support advisors and clients through our network of product and planning specialists, who assist in the areas of advanced financial planning, mortgages and banking, insurance, and securities. These specialists help to ensure that we are providing comprehensive financial planning across all elements of a client's financial life. Clients are served by our Mutual Fund Dealers Association of Canada (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) licensed advisors or specialists.

#### **Segmented Client Experiences**

IG Wealth Management distinguishes itself from our competition by offering comprehensive planning to our clients within the context of long-term relationships. A primary focus is on advising and attracting high net worth and mass affluent clients.

For the distinct needs of the high net worth market, we offer IG Private Wealth Management which includes investment management, retirement, tax and estate planning services.

IG Living Plan™ is our holistic, client-centric approach to financial planning that reflects the evolving needs, goals and aspirations of Canadian families and individuals. The IG Living Plan Portal, which is based on Conquest Planning, provides a single, integrated view of a client's entire financial picture and uses predictive tools to determine planning strategies customized to the individual.

The IG Living Plan leverages the expertise of IG Wealth Management's advisors who serve approximately one million clients located in communities throughout Canada.

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 policy types from the leading insurers in Canada.
- Mortgage and banking solutions that are offered as part of a 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's National Service Centre is focused on supporting more than 200,000 clients with less complex requirements while allowing our advisor practices to focus on those clients with more complex needs.

IG Wealth Management advisors are focused on the high net worth and mass affluent segments of the market, which we define as households with over \$1 million and between \$100 thousand and \$1 million, respectively.

Assets under advisement for clients with household assets greater than \$1 million (defined as "high net worth") totalled \$41.2 billion at March 31, 2022, an increase of 20.2% from one year ago, and represented 36% of total assets under advisement.

Assets under advisement for clients with household assets between \$100 thousand and \$1 million (defined as "mass affluent") totalled \$65.5 billion at March 31, 2022, an increase of 4.0% from one year ago, and represented 56% of total assets under advisement.

Assets under advisement for clients with household assets less than \$100 thousand (defined as "mass market") totalled \$9.6 billion at March 31, 2022, a decrease of 1.4% from one year ago, and represented 8% of total assets under advisement.

### **Business processes**

IG Wealth Management continually seeks to enhance our systems and business processes so our advisors can serve clients more effectively. We look to enhance client and advisor interactions on an ongoing basis to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.

The IG Wealth Management Advisor Portal is a customer relationship management platform based on Salesforce. It enables our advisors to manage client relationships, improve their efficiency through digitized workflows, and access data-driven reporting to help better run their practices.

IG Wealth Management has a partnership with CapIntel that provides IG advisors access to a powerful investment analysis and proposal tool. Portfolio comparisons and product information

is integrated with our Advisor Portal (Salesforce) to quickly and transparently deliver on demand analysis and generate compliant and compelling investment proposals to our clients. CapIntel also monitors daily investment funds and equities and notifies our advisors (through advisor portal) of any significant changes to investments that should be reviewed (for example, but not inclusive – material change reports, change in risk category, fund merger, corporate action, etc.)

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.

### **A high-performing and diverse culture**

It is essential that we offer competitive compensation and benefits to attract and retain outstanding people. Our training and development approach, along with our use of feedback from periodic employee and advisor surveys, positions our employees and advisors to better serve our clients.

### **Delivering 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 achieve expected investment returns for the lowest possible risk through well-constructed investment portfolios (Beta), and to create value for clients through active management (Alpha). To do this, we select and engage high-quality sub-advisors so our clients have access to a diverse range of investment products and solutions. Each asset manager is selected through a proven and rigorous process. We oversee all sub-advisors to ensure that their activities are consistent with their investment philosophies and with the investment objectives and strategies of the products they advise.

IG Wealth Management's relationships include Mackenzie Investments and other world class investment firms such as BlackRock, T. Rowe Price, PIMCO, ChinaAMC, Putnam and JP Morgan Asset Management.

### **Powerful Financial Solutions**

We provide clients with an extensive suite of well-constructed and competitively priced financial solutions. We regularly enhance the scope and diversity of our investment offering with new funds and product changes that enable clients to achieve their goals.

Our solutions include:

- A deep and broad selection of mutual funds, diversified by manager, asset category, investment style, geography, market capitalization and sector.

- Managed portfolios that rebalance investments to ensure that a chosen mix of risk and return is maintained. These solutions include IG Core Portfolios, IG Managed Payout Portfolios, Investors Portfolios, and IG Managed Risk Portfolios.
- *iProfile™ Portfolios* – iProfile Portfolios are a suite of four managed solutions that provide comprehensive diversification and are designed to suit personal preferences for risk tolerance and investment goals. These portfolios provide exposure similar to the investments of the iProfile Private Pools. These portfolios are offered in both the IGAA and iProfile account structures.
- *iProfile™ Private Portfolios* – iProfile Private Portfolios are model portfolios comprised of iProfile Private Pools, available for households with investments held at IG Wealth Management in excess of \$250,000. iProfile Private Portfolios have been designed to deliver strong risk-adjusted returns by diversifying across asset classes, management styles and geographic regions. Recent enhancements include the launch of new discretionary model portfolios and six new iProfile Private Pools to support the new models: three iProfile Active Allocation Private Pools, iProfile Alternatives Private Pool with mandates including long-short, global macro and global equity hedge strategies, iProfile ETF Private Pool providing exposure through exchange traded funds (ETF) and iProfile Low Volatility Private Pool with Canadian, U.S., International and Emerging Market geographic coverage.

In addition, we have incorporated investments in private assets with the introduction of a Private Credit Mandate in the iProfile Fixed Income Private Pool. The pool has committed to three Northleaf Capital Partners' private credit investments that focus on loans to middle market companies in North America and Europe, as well as to BlackRock, PIMCO and Sagard. We have also introduced Private Investment Mandates into both the iProfile Canadian Equity Private Pool and the iProfile U.S. Equity Private Pool. Both of these mandates intend to provide investors with enhanced diversification and long-term capital appreciation through exposure to investments in privately held companies. The iProfile Canadian Equity Private Pool has currently made a commitment to the Northleaf Growth Fund and the iProfile U.S. Equity Private Pool has made a commitment to the Northleaf Capital Opportunities Fund.

- *IG Advisory Account (IGAA) and unbundled fee structures* – The IGAA is a fee-based account that improves client experience by offering the ability to simplify and consolidate selected investments into a single account while providing all of our clients with a transparent advisory fee. IGAA accounts increase fee transparency and can hold most securities and investment products available in the marketplace to individual investors.
- Segregated funds that provide for long-term investment growth potential combined with risk management, benefit guarantee features and estate planning efficiencies.

- Separately managed accounts (discretionary dealer-managed accounts).

In support of the global goal to reach net zero by 2050, IG Wealth Management is a founding Signatory to Responsible Investment Association's Canadian Investor Statement on Climate Change. To support this initiative, in the fourth quarter IG Wealth Management launched the IG Climate Action Portfolios, a suite of four diversified managed solutions.

A growing portion of IG Wealth Management's client assets are in unbundled fee structures. Unbundled fee products separate the advisory fee that is charged directly to a client's account from the fees charged to the underlying investment funds. This separation provides clients with greater transparency into the fees they pay, and allows IG Wealth Management to differentiate pricing by client segment to ensure that it is competitive.

We have discontinued offering the bundled purchase option of mutual funds and substantially all of our investment account types.

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

At March 31, 2022, 78.6% of IG Wealth Management mutual fund assets had a rating of three stars or better from Morningstar<sup>†</sup> fund ranking service and 41.7% had a rating of four or five stars. This compared to the Morningstar<sup>†</sup> universe of 85.5% for three stars or better and 55.5% for four and five star funds at March 31, 2022. Morningstar Ratings<sup>†</sup> are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

## Wealth Management Assets Under Management and Advisement

Assets under management and advisement are key performance indicators for the Wealth Management segment.

Wealth Management's assets under advisement were \$148.0 billion at March 31, 2022, an increase of 8.1% from March 31, 2021. The level of assets under advisement are influenced by three factors: client inflows, client outflows and investment returns.

Wealth Management's assets under management were \$112.4 billion, an increase of 6.0% from March 31, 2021. The level of assets under management are influenced by sales, redemptions and investment returns.

Changes in Wealth Management assets under advisement and assets under management for the periods under review are reflected in Tables 7 and 8.

Table 7: Change in Assets Under Advisement – Wealth Management

<i>Three months ended</i> (\$ millions)	2022 Mar. 31	2021 Dec. 31	2021 Mar. 31	% Change	
				2021 Dec. 31	2021 Mar. 31
Gross client inflows	\$ 5,342	\$ 4,946	\$ 5,235	8.0 %	2.0 %
Gross client outflows	3,715	3,837	4,228	(3.2)	(12.1)
<b>Net flows</b>	<b>1,627</b>	<b>1,109</b>	<b>1,007</b>	<b>46.7</b>	<b>61.6</b>
Investment returns	(6,245)	6,052	3,286	N/M	N/M
Net change in assets	(4,618)	7,161	4,293	N/M	N/M
Beginning assets	152,623	145,462	132,583	4.9	15.1
<b>Ending assets under advisement</b>	<b>\$ 148,005</b>	<b>\$ 152,623</b>	<b>\$ 136,876</b>	<b>(3.0)%</b>	<b>8.1 %</b>
IG Wealth Management	116,281	119,557	106,995	(2.7)	8.7
Investment Planning Counsel	31,734	33,077	29,891	(4.1)	6.2
<b>Average assets under advisement</b>	<b>\$ 148,319</b>	<b>\$ 149,702</b>	<b>\$ 134,873</b>	<b>(0.9)%</b>	<b>10.0 %</b>
IG Wealth Management	116,300	117,379	105,491	(0.9)	10.2
Investment Planning Counsel	32,029	32,334	29,391	(0.9)	9.0

Table 8: Change in Assets Under Management – Wealth Management

<i>Three months ended</i> (\$ millions)	2022 Mar. 31	2021 Dec. 31	2021 Mar. 31	% Change	
				2021 Dec. 31	2021 Mar. 31
Sales	\$ 4,105	\$ 3,133	\$ 3,581	31.0 %	14.6 %
Redemptions	2,903	2,805	3,189	3.5	(9.0)
<b>Net sales</b>	<b>1,202</b>	<b>328</b>	<b>392</b>	<b>N/M</b>	<b>N/M</b>
Investment returns	(4,984)	3,788	2,628	N/M	N/M
Net change in assets	(3,782)	4,116	3,020	N/M	N/M
Beginning assets	116,170	112,054	103,033	3.7	12.8
<b>Ending assets under management</b>	<b>\$ 112,388</b>	<b>\$ 116,170</b>	<b>\$ 106,053</b>	<b>(3.3)%</b>	<b>6.0 %</b>
IG Wealth Management	107,187	110,541	100,745	(3.0)	6.4
Investment Planning Counsel	5,201	5,629	5,308	(7.6)	(2.0)
<b>Daily average mutual fund assets</b>	<b>\$ 112,723</b>	<b>\$ 115,115</b>	<b>\$ 104,899</b>	<b>(2.1)%</b>	<b>7.5 %</b>
IG Wealth Management	107,410	109,521	99,564	(1.9)	7.9
Investment Planning Counsel	5,313	5,594	5,335	(5.0)	(0.4)

## IG Wealth Management Assets Under Management and Advisement

Assets under advisement (AUA) are a key performance indicator for IG Wealth Management. AUA represents savings and investment products, including Assets Under Management where we provide investment management services, that are held within our clients' accounts. Advisory fees are charged based on an annual percentage of substantially all AUA, through the IG Advisory Account fee, and represent the majority of the fees earned from our clients. Our advisors' compensation is also based on AUA and net assets contributed by our clients.

Assets under advisement were \$116.3 billion at March 31, 2022, an increase of 8.7% from March 31, 2021, and mutual fund assets under management were \$107.2 billion, an increase of 6.4%.

Changes in IG Wealth Management assets under advisement and management for the periods under review are reflected in Tables 9 and 10.

For the quarter ended March 31, 2022, gross client inflows of IG Wealth Management assets under advisement were at a record high of \$4.0 billion, an increase of 10.0% from \$3.6 billion in the comparable period in 2021. Net client inflows, also at a record high, were \$1.5 billion, an improvement of \$451 million from net client inflows of \$1.0 billion in the comparable period in 2021. During the first quarter, investment returns resulted in a

Table 9: Change in Assets Under Advisement – IG Wealth Management

<i>Three months ended</i> (\$ millions)	2022		2021		% Change	
	Mar. 31	Dec. 31	Mar. 31	Dec. 31	Dec. 31	Mar. 31
Gross client inflows	\$ 4,000	\$ 3,437	\$ 3,636	16.4 %	10.0 %	
Gross client outflows	2,534	2,452	2,621	3.3	(3.3)	
<b>Net flows</b>	<b>1,466</b>	985	1,015	48.8	44.4	
Investment returns	(4,742)	4,614	2,707	N/M	N/M	
Net change in assets	(3,276)	5,599	3,722	N/M	N/M	
Beginning assets	119,557	113,958	103,273	4.9	15.8	
<b>Ending assets</b>	<b>\$ 116,281</b>	\$ 119,557	\$ 106,995	(2.7)%	8.7 %	
<b>Daily average assets under advisement</b>	<b>\$ 116,300</b>	\$ 117,379	\$ 105,491	(0.9)%	10.2 %	

Table 10: Change in Assets Under Management – IG Wealth Management

<i>Three months ended</i> (\$ millions)	2022		2021		% Change	
	Mar. 31	Dec. 31	Mar. 31	Dec. 31	Dec. 31	Mar. 31
Sales	\$ 3,902	\$ 2,959	\$ 3,351	31.9 %	16.4 %	
Redemptions	2,638	2,502	2,850	5.4	(7.4)	
<b>Net sales</b>	<b>1,264</b>	457	501	176.6	152.3	
Investment returns	(4,618)	3,533	2,531	N/M	N/M	
Net change in assets	(3,354)	3,990	3,032	N/M	N/M	
Beginning assets	110,541	106,551	97,713	3.7	13.1	
<b>Ending assets</b>	<b>\$ 107,187</b>	\$ 110,541	\$ 100,745	(3.0) %	6.4 %	
<b>Daily average assets under management</b>	<b>\$ 107,410</b>	\$ 109,521	\$ 99,564	(1.9) %	7.9 %	
<b>Managed asset net sales</b>						
Investment fund net sales	\$ 1,264	\$ 457	\$ 501	176.6 %	152.3 %	
Mackenzie net sales through Wealth Management	5	36	212	(86.1)	(97.6)	
	<b>\$ 1,269</b>	\$ 493	\$ 713	157.4 %	78.0 %	

decrease of \$4.7 billion in assets under advisement compared to an increase of \$2.7 billion in the first quarter of 2021.

Changes in mutual fund assets under management for the periods under review are reflected in Table 10.

At March 31, 2022, \$78.1 billion, or 73% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 32.9% from \$58.8 billion at March 31, 2021 which represented 58% of assets under management.

### Change in Assets Under Management and Advisement – Q1 2022 vs. Q1 2021

IG Wealth Management's assets under advisement were \$116.3 billion at March 31, 2022, an increase of 8.7% from \$107.0 billion at March 31, 2021. IG Wealth Management's mutual fund assets under management were \$107.2 billion at March 31, 2022, representing an increase of 6.4% from

\$100.7 billion at March 31, 2021. Average daily mutual fund assets were \$107.4 billion in the first quarter of 2022, up 7.9% from \$99.6 billion in the first quarter of 2021.

For the quarter ended March 31, 2022, sales of IG Wealth Management mutual funds through its advisor network were an all-time record high of \$3.9 billion, an increase of 16.4% from the comparable period in 2021. Mutual fund redemptions totalled \$2.6 billion, a decrease of 7.4% from 2021. IG Wealth Management mutual fund net sales for the first quarter of 2022 were \$1.3 billion compared with net sales of \$501 million in 2021. During the first quarter, investment returns resulted in a decrease of \$4.6 billion in mutual fund assets compared to an increase of \$2.5 billion in the first quarter of 2021.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 9.6% in the first quarter of 2022, compared to 11.2% in the first quarter of 2021. IG Wealth Management's twelve month trailing redemption rate for long-

term funds was 8.9% at March 31, 2022, compared to 9.7% at March 31, 2021, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 13.3% at March 31, 2022. IG Wealth Management's redemption rate has been very stable compared to the overall mutual fund industry, reflecting our focus on financial planning.

### **Change in Assets Under Management and Advisement – Q1 2022 vs. Q4 2021**

IG Wealth Management's assets under advisement were \$116.3 billion at March 31, 2022, a decrease of 2.7% from \$119.6 billion at December 31, 2021. IG Wealth Management's mutual fund assets under management were \$107.2 billion at March 31, 2022, a decrease of 3.0% from \$110.5 billion at December 31, 2021. Average daily mutual fund assets were \$107.4 billion in the first quarter of 2022 compared to \$109.5 billion in the fourth quarter of 2021, a decrease of 1.9%.

For the quarter ended March 31, 2022, sales of IG Wealth Management mutual funds through its advisor network were \$3.9 billion, an increase of 31.9% from the fourth quarter of 2021. Mutual fund redemptions, which totalled \$2.6 billion for the first quarter, increased 5.4% from the previous quarter, and the annualized quarterly redemption rate was 9.6% in the first quarter compared to 8.8% in the fourth quarter of 2021. IG Wealth Management mutual fund net sales were \$1.3 billion for the current quarter compared to net sales of \$457 million in the previous quarter.

## **IG Wealth Management 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 March 31, 2022, total segregated fund assets were \$1.4 billion, compared to \$1.5 billion at March 31, 2021.

### **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.

At March 31, 2022, total in-force policies were 379 thousand with an insured value of \$103 billion, compared to 380 thousand with an insured value of \$101 billion at March 31, 2021. Distribution of

insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist advisors 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 advisors can refer clients to one of our Wealth Planning Specialists available through Investors Group Securities Inc.

### **Mortgage and Banking Operations**

IG Wealth Management Mortgage Planning Specialists are located throughout each province in Canada, and work with our clients and their advisors 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<sup>†</sup>, 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<sup>†</sup>.

Mortgage fundings offered through IG Wealth Management and through Solutions Banking<sup>†</sup> for the first quarter ended March 31, 2022 were \$165 million compared to \$234 million in 2021, a decrease of 29.2%. At March 31, 2022, mortgages offered through both sources totalled \$8.2 billion, compared to \$9.1 billion at March 31, 2021, a decrease of 10.3%.

Available credit associated with Solutions Banking<sup>†</sup> All-in-One accounts originated for the quarter ended March 31, 2022 were \$216 million, compared to \$326 million in 2021. At March 31, 2022, the balance outstanding of Solutions Banking<sup>†</sup> All-in-One products was \$4.0 billion, compared to \$3.5 billion one year ago, and represented approximately 52% of total available credit associated with these accounts.

Other products and services offered through IG Wealth Management's Solutions Banking<sup>†</sup> include investment loans, lines of credit, personal loans, creditor insurance, deposit accounts, and credit cards. Through Solutions Banking<sup>†</sup>, clients have access to a network of banking machines, as well as a private labelled client website and client service centre. The Solutions Banking<sup>†</sup> offering supports IG Wealth Management's approach to delivering total financial solutions for our clients through a broad financial planning platform. Total outstanding lending products of IG Wealth Management clients in the Solutions Banking<sup>†</sup> offering, including Solutions Banking<sup>†</sup> mortgages totalled \$5.8 billion at March 31, 2022, compared to \$5.3 billion at March 31, 2021.

# Review of Segment Operating Results

The Wealth Management segment's adjusted net earnings are presented in Table 11 and include the operations of IG Wealth Management and Investment Planning Counsel.

## IG Wealth Management

IG Wealth Management adjusted net earnings are presented in Table 12. Adjusted net earnings for the first quarter of 2022 were \$117.6 million, an increase of 6.4% from the first quarter in 2021 and a decrease of 16.7% from the prior quarter.

Adjusted earnings before interest and taxes for the first quarter of 2022 were \$182.5 million, an increase of 5.5% from the first quarter in 2021 and a decrease of 15.1% from the prior quarter.

## Q1 2022 vs. Q1 2021

### Fee Income

Advisory fees include fees for providing financial advice to clients including fees related to the distribution of products, and depend largely on the level and composition of assets under advisement. Advisory fees were \$292.3 million in the first quarter of 2022, an increase of \$21.0 million or 7.7% from \$271.3 million in 2021.

The increase in advisory fees in the three months ending March 31, 2022 was primarily due to the increase in average assets under advisement of 10.2%, as shown in Table 9, offset by a decrease in the advisory fee rate. The average advisory fee rate for the first quarter was 101.9 basis points of average assets

Table 11: Operating Results – Wealth Management

Three months ended (\$ millions)	2022		2021		% Change	
	Mar. 31	2021 Dec. 31	2021 Mar. 31	2021 Dec. 31	2021 Mar. 31	
<b>Revenues</b>						
Wealth Management						
Advisory fees	\$ 358.2	\$ 370.6	\$ 333.0	(3.3)%	7.6 %	
Product and program fees	241.4	252.8	224.8	(4.5)	7.4	
	599.6	623.4	557.8	(3.8)	7.5	
Redemption fees	1.4	1.7	3.8	(17.6)	(63.2)	
Other financial planning revenues	45.1	47.4	46.4	(4.9)	(2.8)	
Total Wealth Management	646.1	672.5	608.0	(3.9)	6.3	
Net investment income and other	-	1.4	1.8	(100.0)	(100.0)	
	646.1	673.9	609.8	(4.1)	6.0	
<b>Expenses</b>						
Advisory and business development						
Asset-based compensation	195.5	195.2	172.7	0.2	13.2	
Sales-based compensation	17.4	15.9	12.1	9.4	43.8	
Other						
Other product commissions	20.2	21.3	20.2	(5.2)	-	
Business development	55.8	52.4	58.7	6.5	(4.9)	
	76.0	73.7	78.9	3.1	(3.7)	
Total advisory and business development	288.9	284.8	263.7	1.4	9.6	
Operations and support	121.1	115.9	122.0	4.5	(0.7)	
Sub-advisory	48.1	49.5	45.0	(2.8)	6.9	
	458.1	450.2	430.7	1.8	6.4	
Adjusted earnings before interest and taxes <sup>(1)</sup>	188.0	223.7	179.1	(16.0)	5.0	
Interest expense	22.3	22.7	22.3	(1.8)	-	
Adjusted earnings before income taxes <sup>(1)</sup>	165.7	201.0	156.8	(17.6)	5.7	
Income taxes	44.3	53.8	42.0	(17.7)	5.5	
<b>Adjusted net earnings<sup>(1)</sup></b>	<b>\$ 121.4</b>	<b>\$ 147.2</b>	<b>\$ 114.8</b>	<b>(17.5)%</b>	<b>5.7 %</b>	

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.



Table 12: Operating Results – IG Wealth Management

<i>Three months ended</i> (\$ millions)	2022 Mar. 31	2021 Dec. 31	2021 Mar. 31	% Change	
				2021 Dec. 31	2021 Mar. 31
<b>Revenues</b>					
Wealth Management					
Advisory fees	\$ 292.3	\$ 301.1	\$ 271.3	(2.9)%	7.7 %
Product and program fees	227.8	238.1	210.9	(4.3)	8.0
	520.1	539.2	482.2	(3.5)	7.9
Redemption fees	1.4	1.7	3.7	(17.6)	(62.2)
Other financial planning revenues	39.7	41.7	41.5	(4.8)	(4.3)
Total Wealth Management	561.2	582.6	527.4	(3.7)	6.4
Net investment income and other	(0.6)	1.3	1.4	N/M	N/M
	560.6	583.9	528.8	(4.0)	6.0
<b>Expenses</b>					
Advisory and business development					
Asset-based compensation	143.7	142.0	124.4	1.2	15.5
Sales-based compensation	17.4	15.9	12.1	9.4	43.8
Other					
Other product commissions	17.2	18.0	17.1	(4.4)	0.6
Business development	46.5	43.8	50.9	6.2	(8.6)
	63.7	61.8	68.0	3.1	(6.3)
Total advisory and business development	224.8	219.7	204.5	2.3	9.9
Operations and support	108.7	103.6	109.9	4.9	(1.1)
Sub-advisory	44.6	45.6	41.4	(2.2)	7.7
	378.1	368.9	355.8	2.5	6.3
Adjusted earnings before interest and taxes <sup>(1)</sup>	182.5	215.0	173.0	(15.1)	5.5
Interest expense	22.1	22.5	22.1	(1.8)	–
Adjusted earnings before income taxes <sup>(1)</sup>	160.4	192.5	150.9	(16.7)	6.3
Income taxes	42.8	51.4	40.4	(16.7)	5.9
<b>Adjusted net earnings</b>	<b>\$ 117.6</b>	<b>\$ 141.1</b>	<b>\$ 110.5</b>	<b>(16.7)%</b>	<b>6.4 %</b>

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

under advisement compared to 104.3 basis points in 2021, reflecting changes in product and client mix.

Product and program fees depend largely on the level and composition of mutual fund assets under management. Product and program fees totalled \$227.8 million in the current quarter, up 8.0% from \$210.9 million a year ago. The increase in product and program fees in the first quarter of 2022 was primarily due to the increase in average assets under management of 7.9%, as shown in Table 10. The average product and program fee rate for the first quarter was 86.0 basis points of average assets under management compared to 85.9 basis points in 2021, reflecting changes in product mix.

Other financial planning revenues are primarily earned from:

- Mortgage banking operations
- 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†

Other financial planning revenues of \$39.7 million for the first quarter of 2022 decreased by \$1.8 million from \$41.5 million in 2021, primarily due to lower earnings from the mortgage banking operations.

A summary of mortgage banking operations for the quarter under review is presented in Table 13.

#### **Net Investment Income and Other**

Net investment income and other consists of unrealized losses on investments in proprietary funds in the quarter offset by investment income earned on our cash and cash equivalents and securities and other income not related to our core business. It

Table 13: Mortgage Banking Operations – IG Wealth Management

<i>Three months ended</i> (\$ millions)	2022		2021		% Change	
	Mar. 31	Dec. 31	Mar. 31	Dec. 31	Dec. 31	Mar. 31
<b>Total mortgage banking income</b>						
Net interest income on securitized loans						
Interest income	\$ 30.8	\$ 33.1	\$ 40.6	(6.9)%	(24.1)%	
Interest expense	24.1	25.5	31.2	(5.5)	(22.8)	
Net interest income	6.7	7.6	9.4	(11.8)	(28.7)	
(Losses) gains on sales <sup>(1)</sup>	(0.7)	0.5	2.3	N/M	N/M	
Fair value adjustments	4.0	–	(0.9)	N/M	N/M	
Other	0.3	0.7	1.3	(57.1)	(76.9)	
	\$ 10.3	\$ 8.8	\$ 12.1	17.0%	(14.9)%	
<b>Average mortgages serviced</b>						
Securitizations	\$ 4,917	\$ 5,111	\$ 5,795	(3.8)%	(15.2)%	
Other	2,393	2,411	2,583	(0.7)	(7.4)	
	\$ 7,310	\$ 7,522	\$ 8,378	(2.8)%	(12.7)%	
<b>Mortgage sales to:<sup>(2)</sup></b>						
Securitizations	\$ 134	\$ 297	\$ 367	(54.9)%	(63.5)%	
Other <sup>(1)</sup>	224	176	234	27.3	(4.3)	
	\$ 358	\$ 473	\$ 601	(24.3)%	(40.4)%	

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

(2) Represents principal amounts sold.

also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital.

### Expenses

IG Wealth Management incurs advisory and business development expenses that include compensation paid to our advisors. The majority of these costs vary directly with asset or sales levels. Also included are other distribution and business development activities which do not vary directly with asset or sales levels, such as direct marketing and advertising, financial planning specialist support and other costs incurred to support our adviser networks. These expenses tend to be discretionary or vary based upon the number of advisors or clients.

Asset-based compensation fluctuates with the value of assets under advisement. Asset-based compensation increased by \$19.3 million for the first quarter ended March 31, 2022 to \$143.7 million, compared to 2021. The increase was primarily due to increased average assets under advisement.

IG Wealth Management sales-based compensation is based upon the level of new assets contributed to client accounts at IG Wealth Management (subject to eligibility requirements). All sales-based compensation payments are capitalized and amortized as they reflect incremental costs to obtain a client contract.

Sales-based compensation was \$17.4 million for the first quarter of 2022, an increase of \$5.3 million from \$12.1 million in 2021. The increase in expense is due to additional sales-based commission being capitalized and amortized throughout 2021 and 2022.

Other advisory and business development expenses were \$63.7 million in the first quarter of 2022, compared to \$68.0 million in 2021, a decrease of \$4.3 million.

Operations and support includes costs that support our wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses. Operations and support expenses were \$108.7 million for the first quarter of 2022 compared to \$109.9 million in 2021, a decrease of \$1.2 million.

Sub-advisory expenses were \$44.6 million for the first quarter of 2022 compared to \$41.4 million in 2021, an increase of \$3.2 million or 7.7%, primarily due to higher assets under management.

### Interest Expense

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled \$22.1 million in the first quarter of 2022, unchanged from 2021.

Long-term debt interest expense is calculated based on a long-term debt allocation of \$1.7 billion to IG Wealth Management.

### **Q1 2022 vs. Q4 2021**

#### ***Fee Income***

Advisory fee income decreased by \$8.8 million or 2.9% to \$292.3 million in the first quarter of 2022 compared with the fourth quarter of 2021. The decrease in advisory fees in the first quarter was primarily due the decrease in average assets under advisement of 0.9% for the quarter, as shown in Table 9, as well as the decrease of approximately \$6.5 million resulting from two fewer calendar days in the first quarter compared to the fourth quarter of 2021. The average advisory fee rate for the first quarter was 101.9 basis points of average assets under management, consistent with the fourth quarter.

Product and program fees were \$227.8 million in the first quarter of 2022, a decrease of \$10.3 million from \$238.1 million in the fourth quarter of 2021. The decrease in product and program fees was due to lower assets under management. The average product and program fee rate was 86.0 basis points in the current quarter, compared to 86.3 basis points in the fourth quarter.

Other financial planning revenues of \$39.7 million in the first quarter of 2022 decreased by \$2.0 million from \$41.7 million in the fourth quarter.

#### ***Net Investment Income and Other***

Net investment income and other was (\$0.6) million in the first quarter of 2022, a decrease of \$1.9 million from the fourth quarter.

#### ***Expenses***

Advisory and business development expenses in the current quarter were \$224.8 million, an increase of \$5.1 million from \$219.7 million in the previous quarter primarily due to higher assets under advisement, higher sales based compensation and other advisor programs.

Operations and support expenses were \$108.7 million for the first quarter of 2022 compared to \$103.6 million in the previous quarter, an increase of \$5.1 million or 4.9%, primarily due to seasonality of expenses.

## **Investment Planning Counsel**

### **Q1 2022 vs. Q1 2021**

Adjusted net earnings related to Investment Planning Counsel were \$0.5 million lower in the first quarter of 2022 than the first quarter of 2021.

### **Q1 2022 vs. Q4 2021**

Adjusted net earnings related to Investment Planning Counsel were \$2.3 million lower in the first quarter of 2022 compared to the prior quarter.

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# Asset Management

The Asset Management segment includes Mackenzie Investments (Mackenzie).

Asset Management revenue reflects:

- **Net asset management fees – third party** includes fees received from our mutual funds and fees from third parties for investment management services. Compensation paid to dealers offsets the fees earned.
- **Asset management fees – Wealth Management** includes fees received from the Wealth Management segment. Wealth

Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

Assets managed for IG Wealth Management are included in the Asset Management segment's assets under management.

Debt and interest expense is allocated to each IGM Financial segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Income taxes are also reported in each segment.

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## Review of the Business

Mackenzie Investments is a diversified asset management solutions provider founded in 1967. We provide investment management and related services with a wide range of investment mandates through a boutique structure and using multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on more than 50 years of investment management experience.

Mackenzie earns asset management fees 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 exchange traded funds, sub-advised accounts and institutional accounts.

### Asset management Strategy

Mackenzie's mission is to create a more invested world, together.

Mackenzie's objective is to become Canada's preferred global asset management solutions provider and business partner.

Mackenzie's focus is based on five key strategies:

- Win in retail in a segmented way
- Build a global institutional business with a targeted approach
- Deliver innovative investment solutions and performance
- Business processes that are simple, easy and digitized
- Continue to foster a high performance and diverse culture

These strategies impact our strategic priorities and drive future business growth. We aim to achieve this 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.

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

Our investment management capabilities are delivered through a boutique structure, with separate in-house teams having distinct focuses and diverse styles. Our research and portfolio management teams are located in Toronto, Montreal, Winnipeg, Vancouver, Boston, Dublin and Hong Kong. In addition, our ownership interest in Northleaf enhances our investment capabilities by offering global private equity, private credit and infrastructure investment solutions to our clients and our ownership interest in ChinaAMC offers our clients access to the Chinese capital markets. We also supplement our investment capabilities with strategic partners (third party sub-advisors) in selected areas. The development of a broad range of investment

capabilities and products is a key strength in supporting the evolving financial needs of investors.

Our business focuses on three key distribution channels: retail, strategic alliances and institutional.

Mackenzie primarily distributes its retail investment products through third-party financial advisors. Our sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. Our innovative, comprehensive lineup of investment solutions covers all asset classes and parts of the globe. We offer a range of relevant products and investment solutions designed to help advisors meet the evolving needs of their clients. We regularly introduce new funds and we may merge or streamline our fund offerings to provide enhanced investment solutions.

In addition to our 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 our 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. Mackenzie partners with Wealthsimple to distribute ETFs through their product shelf. During the first quarter of 2022, Mackenzie announced a new multi-year product and services distribution agreement with PFSL Investment Canada Ltd. (Primerica) where Mackenzie will serve as one of two exclusive investment solutions providers. 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. We attract new institutional business through our 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 continues to be positioned to continue to build and enhance our distribution relationships given our team of experienced investment professionals, strength of our distribution network, broad product shelf, competitively priced products and our focus on client experience and investment excellence.

## Assets under management

The changes in total assets under management are summarized in Table 14 and the changes in investment fund assets under management are summarized in Table 15. Assets managed for the Wealth Management segment are included in total assets under management.

At March 31, 2022, Mackenzie's total assets under management were \$205.5 billion, an increase of 7.3% from \$191.6 billion last year. Mackenzie's total assets under management (excluding sub-advisory to Wealth Management) were \$124.7 billion, an increase of 8.0% from \$115.5 billion last year. 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 – Q1 2022 vs. Q1 2021

Mackenzie's total assets under management at March 31, 2022 were \$205.5 billion, an increase of 7.3% from \$191.6 billion at March 31, 2021. Assets under management excluding sub-advisory to the Wealth Management segment were \$124.7 billion, an increase of 8.0% from \$115.5 billion at March 31, 2021.

Investment fund assets under management were \$66.1 billion at March 31, 2022, compared to \$59.5 billion at March 31, 2021, an increase of 11.2%. Mackenzie's mutual fund assets under management of \$60.3 billion increased by 9.0% from \$55.3 billion at March 31, 2021. Mackenzie's ETF assets excluding ETFs held within IGM Financial's managed products were \$5.8 billion at March 31, 2022, an increase of 40.1% from \$4.2 billion at March 31, 2021. ETF assets inclusive of IGM Financial's managed products were \$12.9 billion at March 31, 2022 compared to \$9.5 billion at March 31, 2021.

In the three months ended March 31, 2022, Mackenzie's mutual fund gross sales were \$2.9 billion, a decrease of 27.5% from \$4.0 billion in 2021. Mutual fund redemptions in the current quarter were \$2.3 billion, a decrease of 7.9% from last year. Mutual fund net sales for the three months ended March 31, 2022 were \$582 million, as compared to net sales of \$1.5 billion last year. In the three months ended March 31, 2022, ETF net creations were \$718 million compared to \$405 million last year. Investment fund net sales in the current quarter were \$1.3 billion compared to net sales of \$1.9 billion last year. During the current quarter, investment returns resulted in investment fund assets decreasing by \$3.5 billion compared to an increase of \$1.1 billion last year.

During the first quarter of 2021, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in redemptions and net redemptions of \$361 million. Excluding this transaction in 2021, mutual fund gross sales decreased by 27.5% in the three months ended

Table 14: Change in Total Assets under Management – Asset Management<sup>(1)</sup>

<i>Three months ended</i> (\$ millions)	% Change				
	2022 Mar. 31	2021 Dec. 31	2021 Mar. 31	2021 Dec. 31	2021 Mar. 31
<b>Assets under management excluding sub-advisory to Canada Life and the Wealth Management Segment</b>					
Net sales (redemptions)					
Mutual funds <sup>(1)</sup>	\$ 582	\$ 512	\$ 1,490	13.7 %	(60.9)%
ETF net creations <sup>(2)</sup>	718	245	405	193.1	77.3
Investment funds <sup>(3)</sup>	1,300	757	1,895	71.7	(31.4)
Sub-advisory, institutional and other accounts <sup>(4)</sup>	(427)	(576)	(320)	25.9	(33.4)
<b>Total net sales</b>	<b>873</b>	<b>181</b>	<b>1,575</b>	<b>N/M</b>	<b>(44.6)</b>
Investment returns	(3,954)	3,162	1,418	N/M	N/M
Net change in assets	(3,081)	3,343	2,993	N/M	N/M
Beginning assets	76,310	72,967	63,763	4.6	19.7
<b>Ending assets</b>	<b>\$ 73,229</b>	<b>\$ 76,310</b>	<b>\$ 66,756</b>	<b>(4.0)%</b>	<b>9.7 %</b>
<b>Consolidated assets under management</b>					
Mutual funds	\$ 60,291	\$ 62,969	\$ 55,310	(4.3)%	9.0 %
ETFs	5,848	5,393	4,174	8.4	40.1
Investment funds <sup>(3)</sup>	66,139	68,362	59,484	(3.3)	11.2
Sub-advisory, institutional and other accounts	7,090	7,948	7,272	(10.8)	(2.5)
	73,229	76,310	66,756	(4.0)	9.7
Sub-advisory to Canada Life	51,502	52,805	48,768	(2.5)	5.6
Total excluding sub-advisory to Wealth Management	124,731	129,115	115,524	(3.4)	8.0
Sub-advisory to Wealth Management	80,814	81,228	76,041	(0.5)	6.3
<b>Consolidated assets under management</b>	<b>\$ 205,545</b>	<b>\$ 210,343</b>	<b>\$ 191,565</b>	<b>(2.3)%</b>	<b>7.3 %</b>
<b>Average total assets under management<sup>(5)</sup></b>					
Excluding sub-advisory to Wealth Management	\$ 125,670	\$ 126,759	\$ 112,718	(0.9)%	11.5 %
Consolidated	205,474	207,143	187,213	(0.8)	9.8

(1) Mutual funds – Institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes: 2021 Q1 – resulted in redemptions and net redemptions of \$361 million.

(2) ETFs – During the first quarter of 2022, Wealthsimple made allocation changes which resulted in \$675 million in purchases in Mackenzie ETFs.

(3) Investment fund assets under management and net sales exclude investments into Mackenzie mutual funds and ETFs by IGM Financial's investment funds.

(4) Sub-advisory, institutional and other accounts:

2022 Q1 – an institutional investor redeemed \$291 million within products Mackenzie sub-advises

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

March 31, 2022 compared to last year, mutual fund redemptions increased by 7.3% and mutual fund net sales of \$582 million in 2022 compared to mutual fund net sales of \$1.9 billion in 2021.

Total net sales excluding sub-advisory to Canada Life and to the Wealth Management segment for the three months ended March 31, 2022 were \$873 million compared to net sales of \$1.6 billion last year. During the current quarter, investment returns resulted in assets decreasing by \$4.0 billion compared to an increase of \$1.4 billion last year.

During the first quarter of 2022, an institutional investor redeemed \$291 million within products that Mackenzie sub-advises and Wealthsimple made allocation changes which resulted in \$675 million in purchases in Mackenzie ETFs. Excluding

these two transactions and the mutual fund transactions in 2021 discussed above, total net sales excluding sub-advisory to Canada Life and to the Wealth Management segment for the three months ended March 31, 2022 were \$489 million compared to net sales of \$1.9 billion last year.

Redemptions of long-term mutual funds in the first quarter ended March 31, 2022, were \$2.3 billion, compared to \$2.5 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by third party programs were \$2.1 billion in the first quarter of 2021. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 15.4% in the first quarter of 2022, compared to 17.7% in the first quarter of 2021. Mackenzie's annualized quarterly redemption rate for

Table 15: Change in Investment Fund Assets under Management – Asset Management<sup>(1)</sup>

<i>Three months ended</i> (\$ millions)	2022		2021		% Change	
	Mar. 31	Dec. 31	Mar. 31	Dec. 31	Dec. 31	Mar. 31
Sales	\$ 2,921	\$ 2,592	\$ 4,031		12.7 %	(27.5)%
Redemptions	2,339	2,080	2,541		12.5	(7.9)
Mutual fund net sales <sup>(2)</sup>	582	512	1,490		13.7	(60.9)
ETF net creations <sup>(3)</sup>	718	245	405		193.1	77.3
<b>Investment fund net sales<sup>(4)</sup></b>	<b>1,300</b>	<b>757</b>	<b>1,895</b>		<b>71.7</b>	<b>(31.4)</b>
Investment returns	(3,523)	2,816	1,119		N/M	N/M
Net change in assets	(2,223)	3,573	3,014		N/M	N/M
Beginning assets	68,362	64,789	56,470		5.5	21.1
<b>Ending assets</b>	<b>\$ 66,139</b>	<b>\$ 68,362</b>	<b>\$ 59,484</b>		<b>(3.3)%</b>	<b>11.2 %</b>
<b>Consists of:</b>						
Mutual funds	\$ 60,291	\$ 62,969	\$ 55,310		(4.3)%	9.0 %
ETFs	5,848	5,393	4,174		8.4	40.1
Investment funds	\$ 66,139	\$ 68,362	\$ 59,484		(3.3)%	11.2 %
<b>Daily average investment fund assets</b>	<b>\$ 66,254</b>	<b>\$ 66,833</b>	<b>\$ 57,847</b>		<b>(0.9)%</b>	<b>14.5 %</b>

(1) Investment fund assets under management and net sales excludes investments into Mackenzie mutual funds and ETFs by IGM Financial's investment funds.

(2) Mutual funds – Institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

2021 Q1 – resulted in redemptions and net redemptions of \$361 million.

(3) ETFs – During the first quarter of 2022, Wealthsimple made allocation changes which resulted in \$675 million in purchases in Mackenzie ETFs.

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

long-term mutual funds excluding rebalance transactions was 15.1% in the first quarter of 2021. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 13.1% at March 31, 2022, compared to 15.8% last year. Mackenzie's twelve month trailing redemption rate for long-term funds, excluding rebalance transactions, was 14.2% at March 31, 2021. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 13.1% at March 31, 2022. 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.

As at March 31, 2022, Mackenzie's sub-advisory to Canada Life were \$51.5 billion compared to \$48.8 billion at March 31, 2021.

As at March 31, 2022, Mackenzie's sub-advisory to the Wealth Management segment were \$80.8 billion or 71.9% of total Wealth Management assets under management compared to \$76.0 billion or 71.7% of total Wealth Management assets under management at March 31, 2021.

### Change in Assets under Management – Q1 2022 vs. Q4 2021

Mackenzie's total assets under management at March 31, 2022 were \$205.5 billion, a decrease of 2.3% from \$210.3 billion at December 31, 2021. Assets under management excluding sub-advisory to the Wealth Management segment were \$124.7 billion, a decrease of 3.4% from \$129.1 billion at December 31, 2021.

Investment fund assets under management were \$66.1 billion at March 31, 2022, a decrease of 3.3% from \$68.4 billion at December 31, 2021. Mackenzie's mutual fund assets under management were \$60.3 billion at March 31, 2022, a decrease of 4.3% from \$63.0 billion at December 31, 2021. Mackenzie's ETF assets were \$5.8 billion at March 31, 2022 compared to \$5.4 billion at December 31, 2021. ETF assets inclusive of IGM Financial's managed products were \$12.9 billion at March 31, 2022 compared to \$12.7 billion at December 31, 2021.

For the quarter ended March 31, 2022, Mackenzie mutual fund gross sales were \$2.9 billion, an increase of 12.7% from the fourth quarter of 2021. Mutual fund redemptions were \$2.3 billion, an increase of 12.5% from the fourth quarter of 2021. Net sales of Mackenzie mutual funds for the current quarter were \$582 million compared with net sales of \$512 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were \$2.3 billion, compared to \$2.0 billion in the fourth

quarter of 2021. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 15.4% compared to 13.3% in the fourth quarter.

For the quarter ended March 31, 2022, Mackenzie ETF net creations were \$718 million compared to \$245 million in the fourth quarter.

Investment fund net sales in the current quarter were \$1.3 billion compared to net sales of \$0.8 billion in the fourth quarter.

As at March 31, 2022, Mackenzie's sub-advisory to Canada Life were \$51.5 billion compared to \$52.8 billion at December 31, 2021.

As at March 31, 2022, Mackenzie's sub-advisory to the Wealth Management segment were \$80.8 billion or 71.9% of total Wealth Management assets under management compared to \$81.2 billion or 69.9% of total Wealth Management assets under management at December 31, 2021.

## Investment Management

Mackenzie has \$205.5 billion in assets under management at March 31, 2022, including \$80.8 billion of sub-advisory mandates to the Wealth Management segment. It has teams located in Toronto, Montreal, Winnipeg, Vancouver, Boston, Dublin and Hong Kong.

We continue to deliver our 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 oversight process focuses on i) identifying and encouraging each team's performance edge, ii) promoting best practices in portfolio construction, and iii) emphasizing risk management.

Our investment team currently consists of seventeen boutiques. Changes during the current quarter include the internalization of the portfolio management of the equity sleeve of the Mackenzie Global Sustainable Balanced Fund by replacing a third-party sub-advisor with the Mackenzie Betterworld boutique.

Mackenzie's 56% ownership interest in Northleaf enhances its investment capabilities by offering global private equity, private credit and infrastructure investment solutions to our clients.

In addition to our own investment teams, Mackenzie supplements investment capabilities through the use of third party sub-advisors and strategic beta index providers in selected areas. These include Putnam Investments, TOBAM, ChinaAMC, and Impax Asset Management.

During 2021, Mackenzie undertook a number of initiatives on climate change in support of the global goal to reach net zero by

2050. This builds upon Mackenzie's sustainability strategy, and these items included the following:

- Signatory to the global Net Zero Asset Managers Initiative
- Founding participant to Climate Engagement Canada
- Founding Signatory to Responsible Investment Association's Canadian Investor Statement on Climate Change.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At March 31, 2022, 47.5% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 52.7% for the three year time frame and 56.5% 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<sup>†</sup> fund ranking service. At March 31, 2022, 82.7% of Mackenzie mutual fund assets measured by Morningstar<sup>†</sup> had a rating of three stars or better and 51.6% had a rating of four or five stars. This compared to the Morningstar<sup>†</sup> universe of 85.5% for three stars or better and 55.5% for four and five star funds at March 31, 2022.

## Products

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. During the first quarter of 2022, Mackenzie launched two mutual funds, one alternative fund, two ETFs and announced proposed upcoming mutual fund mergers subject to investor approval.

### Mutual Funds

Mackenzie manages its product shelf through new fund launches and fund mergers to streamline offerings for financial advisors and investors.

During the first quarter of 2022, Mackenzie launched two mutual funds:

- Mackenzie North American Equity Fund invests in a relatively concentrated portfolio of primarily US and Canadian companies, diversified across sectors and industries. The portfolio managers seek to identify leading businesses with above average growth rates and less cyclicality, and apply a strong valuation discipline when investing. The Fund is managed by the Mackenzie Bluewater Team.
- Mackenzie North American Balanced Fund invests in a combination of US and Canadian companies, and a diversified portfolio of US and Canadian fixed income securities. The Fund is in the global neutral balanced category, and as such will generally maintain between 40–60% equities and 40–60% fixed income, with a neutral target asset mix of 50% equity and 50% fixed income. The Fund is co-managed by the Mackenzie Bluewater Team, Mackenzie Fixed Income Team and Mackenzie Multi-Asset Strategies Team.



In addition, as part of the new multi-year product and services distribution agreement with Primerica announced during the first quarter of 2022, Mackenzie filed a preliminary prospectus for the launch of a suite of mutual funds designed to address the specific needs of Primerica advisors and their clients.

Mackenzie announced seven proposed mutual fund mergers that are expected to occur on or around May 20, 2022. Three of the mergers are subject to an investor vote to be held at a special meeting on May 9, 2022.

### Alternative Funds

During the first quarter of 2022, Mackenzie launched its ninth fund in the alternatives space and its third product in collaboration with Northleaf Capital Partners (Northleaf) as part of its ongoing commitment to democratize alternative investments in Canada and expand retail investor access to private market investment solutions:

- Mackenzie Northleaf Private Credit Interval Fund, a first-of-its-kind retail offering in Canada, uses an interval fund structure which allows for limited redemptions at quarterly intervals. This provides retail investors with a new way to access illiquid private credit investment strategies that have traditionally been reserved for accredited and institutional investors and typically feature significant minimum investment requirements. The unique structure of the Fund delivers unprecedented access for Canadian retail investors to institutional private credit investments and offers the potential to enhance the performance of balanced and fixed income portfolios, while reducing risk and volatility. This fund is managed by Mackenzie's Fixed Income Team in partnership with Northleaf.

### 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.

Mackenzie's current line-up consists of 45 ETFs: 24 active and strategic beta ETFs and 21 traditional index ETFs. ETF assets under management ended the quarter at \$12.9 billion, inclusive of \$7.1 billion in investments from IGM managed products. This ranks Mackenzie in sixth place in the Canadian ETF industry for assets under management.

During the first quarter of 2022, Mackenzie launched two ETFs:

- Wealthsimple North American Green Bond Index ETF seeks to replicate the performance of the Solactive Green Bond Index by investing primarily in investment-grade green, social and sustainable bonds, with its foreign currency exposure hedged back to the Canadian dollar. The Index will generally invest in issuers of green bonds that promote climate or other environmentally sustainable initiatives.
- Mackenzie Emerging Markets Equity Index ETF provides a new opportunity to potentially benefit from the rapid economic growth taking place in global emerging markets and exposure to diversified sectors and geographies. This ETF captures large and mid-cap representation across more than 20 emerging markets countries offering investors global diversification opportunities and access to the potential attractive valuations and yield advantages of emerging market equities. It tracks the Solactive GBS Emerging Markets Large & Mid Cap CAD Index which is designed to track the performance of equity securities in emerging markets.

# Review of Segment Operating Results

The Asset Management segment includes revenue earned on advisory mandates to the Wealth Management segment and investments into Mackenzie mutual funds and ETFs by the Wealth Management segment.

The Asset Management segment adjusted net earnings are presented in Table 16. Adjusted net earnings for the first quarter of 2022 were \$52.1 million, an increase of 8.5% from the first quarter in 2021 and a decrease of 20.2% from the prior quarter.

Adjusted earnings before interest and taxes for the first quarter of 2022 were \$76.3 million, an increase of 8.5% from the first quarter in 2021 and a decrease of 17.4% from the prior quarter.

## Q1 2022 vs. Q1 2021

### Revenues

Asset management fees are classified as either Asset management fees – third party or Asset management fees – Wealth Management.

- Net asset management fees – third party is comprised of the following:
  - Asset management fees – third party consists of management and administration fees earned from our investment funds and management fees from our third party sub-advisory, institutional and other accounts. The largest component is management fees from our investment funds. The amount

Table 16: Operating Results – Asset Management

<i>Three months ended</i> (\$ millions)	2022 Mar. 31	2021 Dec. 31	2021 Mar. 31	% Change	
				2021 Dec. 31	2021 Mar. 31
<b>Revenues</b>					
Asset management					
Asset management fees – third party	\$ 254.8	\$ 265.4	\$ 231.9	(4.0)%	9.9 %
Redemption fees	1.0	1.4	1.1	(28.6)	(9.1)
	<b>255.8</b>	<b>266.8</b>	<b>233.0</b>	<b>(4.1)</b>	<b>9.8</b>
Dealer compensation expenses					
Asset-based compensation	(86.1)	(88.1)	(78.3)	(2.3)	10.0
Sales-based compensation	(5.0)	(3.6)	(7.0)	38.9	(28.6)
	<b>(91.1)</b>	<b>(91.7)</b>	<b>(85.3)</b>	<b>(0.7)</b>	<b>6.8</b>
Net asset management fees – third party	<b>164.7</b>	175.1	147.7	(5.9)	11.5
Asset management fees – Wealth Management	<b>29.0</b>	30.0	26.9	(3.3)	7.8
Net asset management	<b>193.7</b>	205.1	174.6	(5.6)	10.9
Net investment income and other	<b>(2.6)</b>	1.3	1.2	N/M	N/M
	<b>191.1</b>	<b>206.4</b>	<b>175.8</b>	<b>(7.4)</b>	<b>8.7</b>
<b>Expenses</b>					
Advisory and business development	20.2	24.1	20.3	(16.2)	(0.5)
Operations and support	93.1	88.3	83.5	5.4	11.5
Sub-advisory	1.5	1.6	1.7	(6.3)	(11.8)
	<b>114.8</b>	<b>114.0</b>	<b>105.5</b>	<b>0.7</b>	<b>8.8</b>
Adjusted earnings before interest and taxes <sup>(1)</sup>	<b>76.3</b>	92.4	70.3	(17.4)	8.5
Interest expense	5.8	5.9	5.8	(1.7)	-
Adjusted earnings before income taxes <sup>(1)</sup>	<b>70.5</b>	86.5	64.5	(18.5)	9.3
Income taxes	18.4	21.2	16.5	(13.2)	11.5
<b>Adjusted net earnings<sup>(1)</sup></b>	<b>\$ 52.1</b>	<b>\$ 65.3</b>	<b>\$ 48.0</b>	<b>(20.2)%</b>	<b>8.5 %</b>

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. For example, equity-based mandates have higher management fee rates than exchange traded funds, 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 retail and sold through third party financial advisors.

- Redemption fees – consists of fees earned from the 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.
- Dealer compensation expenses – consists of asset-based and sales-based compensation. Asset-based compensation represents trailing commissions paid to dealers 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. Sales based compensation are paid to dealers on the sale of mutual funds under the deferred sales charge purchase option and on a low load purchase option.
- Asset management fees – Wealth Management consists of sub-advisory fees earned from the Wealth Management segment.

Net asset management fees – third party were \$164.7 million for the three months ended March 31, 2022, an increase of \$17.0 million or 11.5% from \$147.7 million last year. The increase in net asset management fees – third party was due to an 11.5% increase in average assets under management, as shown in Table 14. Mackenzie's net asset management fee rate was 53.2 basis points for the three months ended March 31, 2022, consistent with 2021.

Management fees – Wealth Management were \$29.0 million for the three months ended March 31, 2022, an increase of \$2.1 million or 7.8% from \$26.9 million last year. The increase in management fees was primarily due to a 7.1% increase in average assets under management. Mackenzie's management fee rate was 14.7 basis points for the three months ended March 31, 2022 consistent with 2021.

Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe.

Net investment income and other was (\$2.6) million for the three months ended March 31, 2022 compared to \$1.2 million last year.

## Expenses

Mackenzie incurs advisory and business development expenses that primarily include wholesale distribution activities and these costs vary directly with assets or sales levels. Advisory and business development expenses were \$20.2 million for the three months ended March 31, 2022, a decrease of \$0.1 million or 0.5% from \$20.3 million in 2021.

Operations and support includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses. Operations and support expenses were \$93.1 million for the three months ended March 31, 2022, an increase of \$9.6 million or 11.5% from \$83.5 million in 2021.

Sub-advisory expenses were \$1.5 million for the three months ended March 31, 2022, compared to \$1.7 million in 2021.

## Interest Expense

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled \$5.8 million in the first quarter of 2022, consistent with the first quarter of 2021. Long-term debt interest expense is calculated based on a long-term debt allocation of \$0.4 billion to Mackenzie.

## Q1 2022 vs. Q4 2021

### Revenues

Net asset management fees – third party were \$164.7 million for the current quarter, a decrease of \$10.4 million or 5.9% from \$175.1 million in the fourth quarter. Factors contributing to the decrease are as follows:

- Average assets under management were \$125.7 billion in the current quarter, a decrease of 0.9% from the prior quarter.
- Net asset management fee rate was 53.2 basis points for the current quarter compared to 54.8 basis points in the fourth quarter. Contributing to the decline in the net asset management fee during the current quarter is the seasonality of trailing commissions and selling commissions.
- There were two fewer calendar days in the first quarter of 2022 compared to the fourth quarter of 2021, which resulted in a decrease of management fees of \$5.6 million.

Management fees – Wealth Management were \$29.0 million in the current quarter, down from \$30.0 million in the fourth quarter of 2021, primarily due to the decrease in assets under

management of 0.7% from the fourth quarter. The management fee rate was 14.7 basis points in the current quarter, compared to 14.8 basis points in the fourth quarter of 2021.

Net investment income and other was (\$2.6) million for the current quarter, compared to \$1.3 million in the fourth quarter of 2021.

### **Expenses**

Advisory and business development expenses were \$20.2 million for the current quarter, a decrease of \$3.9 million or 16.2% from \$24.1 million in the fourth quarter.

Operations and support expenses were \$93.1 million for the current quarter, an increase of \$4.8 million or 5.4% from \$88.3 million compared to the fourth quarter primarily due to the seasonality of expenses.

Sub-advisory expenses were \$1.5 million for the current quarter, compared to \$1.6 million in the fourth quarter.

# Strategic Investments and Other

## Review of Segment Operating Results

The Strategic Investments and Other segment includes investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC), Northleaf Capital Group Ltd. (Northleaf), Wealthsimple Financial Corp. (Wealthsimple), Portage Ventures LPs. (Portage), and unallocated capital.

Earnings from the Strategic Investments and Other segment include the Company's proportionate share of earnings of its associates, Lifeco, ChinaAMC and Northleaf as well as net investment income on unallocated capital.

In January 2022, the Company entered into an agreement to acquire an additional 13.9% in ChinaAMC as discussed in the Consolidated Financial Position section of this MD&A. To partially fund the transaction, IGM Financial will sell 1.6% of its 4% interest in Lifeco.

Assets held by the Strategic Investments and Other segment are included in Table 17.

Unallocated capital represents capital not allocated to any of the operating companies and which would be available for investment, debt repayment, distribution to shareholders or other corporate purposes. This capital is invested in highly liquid, high quality financial instruments in accordance with the Company's Investment Policy.

Strategic Investments and Other segment adjusted net earnings are presented in Table 18.

### Q1 2022 vs. Q1 2021

The proportionate share of associates' earnings increased by \$6.8 million in the first quarter of 2022 compared to the first quarter of 2021. These earnings reflect equity earnings from Lifeco, ChinaAMC and Northleaf, as discussed in the Consolidated Financial Position section of this MD&A. The increase in the first quarter of 2022 resulted from increases in the proportionate share of Lifeco's earnings of \$2.6 million and ChinaAMC's earnings of \$1.0 million. The increase in the three month period was also due to the increase in the proportionate share of Northleaf's earnings of \$2.6 million, net of non-controlling interest.

Net investment income and other was \$0.7 million in the first quarter of 2022, an increase of \$0.5 million from \$0.2 million in 2021.

### Q1 2022 vs. Q4 2021

The proportionate share of associates' earnings was \$48.4 million in the first quarter of 2022, a decrease of \$2.3 million from the fourth quarter of 2021, primarily due to a decrease in the proportionate share of ChinaAMC, offset in part by an increase in the proportionate share of Lifeco and Northleaf earnings. Net investment income and other was \$0.7 million in the first quarter of 2022, a decrease of \$0.4 million from \$1.1 million in the fourth quarter.

Table 17: Total Assets – Strategic Investments and Other

(\$ millions)	2022 March 31	2021 December 31
<b>Investments in associates</b>		
Lifeco	\$ 1,032.3	\$ 1,020.8
ChinaAMC	743.7	768.7
Northleaf	263.0	258.8
	<b>2,039.0</b>	<b>2,048.3</b>
<b>FVTOCI investments</b>		
Wealthsimple (direct investment only)	910.2	1,133.5
Portage and other investments	152.6	157.9
	<b>1,062.8</b>	<b>1,291.4</b>
<b>Unallocated capital and other</b>	<b>804.8</b>	<b>767.5</b>
<b>Total assets</b>	<b>\$ 3,906.6</b>	<b>\$ 4,107.2</b>
<i>Lifeco fair value</i>	<b>\$ 1,375.5</b>	<b>\$ 1,415.5</b>

Table 18: Operating Results – Strategic Investments and Other

<i>Three months ended</i> (\$ millions)	2022		2021		% Change	
	Mar. 31	Dec. 31	Mar. 31	Dec. 31	2021 Dec. 31	2021 Mar. 31
<b>Revenues</b>						
Net investment income and other	\$ 0.7	\$ 1.1	\$ 0.2		(36.4)%	N/M %
Proportionate share of associates' earnings						
Investment in Lifeco	30.7	30.4	28.1	1.0	9.3	
Investment in ChinaAMC	13.5	17.0	12.5	(20.6)	8.0	
Investment in Northleaf	4.2	3.3	1.0	27.3	N/M	
	<b>48.4</b>	<b>50.7</b>	<b>41.6</b>	<b>(4.5)</b>	<b>16.3</b>	
	<b>49.1</b>	<b>51.8</b>	<b>41.8</b>	<b>(5.2)</b>	<b>17.5</b>	
<b>Expenses</b>						
Operations and support	1.4	1.3	1.1	7.7	27.3	
Adjusted earnings before income taxes <sup>(1)</sup>	<b>47.7</b>	<b>50.5</b>	<b>40.7</b>	<b>(5.5)</b>	<b>17.2</b>	
Income taxes	1.1	1.5	1.1	(26.7)	-	
Adjusted net earnings <sup>(1)</sup>	<b>46.6</b>	<b>49.0</b>	<b>39.6</b>	<b>(4.9)</b>	<b>17.7</b>	
Non-controlling interest	0.8	0.7	0.2	14.3	N/M	
<b>Adjusted net earnings available to common shareholders<sup>(1)</sup></b>	<b>\$ 45.8</b>	<b>\$ 48.3</b>	<b>\$ 39.4</b>	<b>(5.2)%</b>	<b>16.2 %</b>	

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

# IGM Financial Inc.

## Consolidated Financial Position

IGM Financial's total assets were \$17.6 billion at March 31, 2022, compared to \$17.7 billion at December 31, 2021.

### Other Investments

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

#### Fair Value Through Other Comprehensive Income (FVTOCI)

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 Wealthsimple Financial Corp. (Wealthsimple), and Portag3 Ventures LP, Portag3 Ventures II LP and Portage Ventures III LP (Portage) and are recorded at FVTOCI.

Wealthsimple is a financial company that provides simple digital tools for growing and managing your money.

The Company is the largest shareholder in Wealthsimple with an interest of 23% and fair value of \$925 million at March 31, 2022, a decline of \$228 million from \$1,153 million at December 31, 2021. Fair value is determined by using observable transactions in the investments' securities, where available, forecasted cash flows, and other valuation metrics, including revenue multiples, used in the valuation of comparable public companies. This change in fair value is consistent with the decline in stock markets and public market peer valuations in the quarter.

Portage consists of early-stage investment funds dedicated to backing innovating financial services companies and are controlled by Power Corporation of Canada.

The total fair value of Corporate investments of \$1.1 billion at March 31, 2022 is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

#### Fair Value Through Profit or Loss (FVTPL)

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

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

### Loans

The composition of the Company's loans is detailed in Table 20.

Loans consisted of residential mortgages and represented 29.2% of total assets at March 31, 2022, compared to 30.3% at December 31, 2021.

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 \$4.8 billion at March 31, 2022, compared to \$5.1 billion at December 31, 2021.

Table 19: Other Investments

(\$ millions)	March 31, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
<b>Fair value through other comprehensive income</b>				
Corporate investments	\$ 227.4	\$ 1,062.8	\$ 226.2	\$ 1,291.4
<b>Fair value through profit or loss</b>				
Equity securities	1.2	1.6	1.2	1.6
Proprietary investment funds	130.8	130.2	101.3	105.0
	<b>132.0</b>	<b>131.8</b>	102.5	106.6
	<b>\$ 359.4</b>	<b>\$ 1,194.6</b>	\$ 328.7	\$ 1,398.0

Table 20: Loans

(\$ millions)	2022 March 31	2021 December 31
Amortized cost	\$ 5,101.0	\$ 5,297.0
Less: Allowance for expected credit losses	0.6	0.6
Fair value through profit or loss	5,100.4	5,296.4
	24.8	57.4
	<b>\$ 5,125.2</b>	<b>\$ 5,353.8</b>

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. Loans held for securitization are carried at amortized cost. Total loans being held pending sale or securitization are \$291.6 million at March 31, 2022, compared to \$315.8 million at December 31, 2021.

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. At March 31, 2022, IG Wealth Management serviced \$9.5 billion of residential mortgages, including \$2.3 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 first quarter of 2022, the Company securitized loans through its mortgage banking operations with cash proceeds of \$128.1 million compared to \$283.7 million in 2021. 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 to the Interim Financial Statements.

## Investment in Associates

### Great-West Lifeco Inc. (Lifeco)

At March 31, 2022, the Company held a 4.0% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Corporation of Canada.

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. Changes in the carrying value for the three months ended March 31, 2022 compared with 2021 are shown in Table 21.

On January 5, 2022, to partially fund the acquisition of an additional 13.9% interest in ChinaAMC, the Company announced it will sell 15,200,662 common shares of Lifeco to Power for cash consideration of \$575 million, which will reduce the Company's equity interest in Lifeco from 4.0% to 2.4%. The sale of Lifeco is conditional on IGM Financial's purchase of the ChinaAMC shares and is expected to close in 2022.

### China Asset Management Co., Ltd. (ChinaAMC)

Founded in 1998 as one of the first fund management companies in China, ChinaAMC has developed and maintained a position among the market leaders in China's asset management industry.

ChinaAMC's total assets under management, excluding subsidiary assets under management, were RMB¥ 1,661.6 billion (\$330.5 billion) at December 31, 2021, representing an increase of 13.7% (CAD\$ 15.9%) from RMB¥ 1,461.1 billion (\$285.1 billion) at December 31, 2020.



Table 21: Investment in Associates

Three months ended (\$ millions)	March 31, 2022				March 31, 2021			
	Lifeco	ChinaAMC	Northleaf	Total	Lifeco	ChinaAMC	Northleaf	Total
<b>Carrying value, January 1</b>	<b>\$ 1,020.8</b>	<b>\$ 768.7</b>	<b>\$ 258.8</b>	<b>\$ 2,048.3</b>	\$ 962.4	\$ 720.3	\$ 248.5	\$ 1,931.2
Investment	-	-	-	-	-	-	0.1	0.1
Dividends	(18.3)	(31.3)	-	(49.6)	(16.4)	(26.8)	-	(43.2)
Proportionate share of:								
Earnings <sup>(1)</sup>	30.7	13.5	4.2 <sup>(2)</sup>	48.4	28.1	12.5	1.0 <sup>(2)</sup>	41.6
Other comprehensive income (loss) and other adjustments	(0.9)	(7.2)	-	(8.1)	(5.5)	(12.3)	-	(17.8)
<b>Carrying value, March 31</b>	<b>\$ 1,032.3</b>	<b>\$ 743.7</b>	<b>\$ 263.0</b>	<b>\$ 2,039.0</b>	\$ 968.6	\$ 693.7	\$ 249.6	\$ 1,911.9

(1) The proportionate share of earnings from the Company's investment in associates is recorded in the Strategic Investments and Other segment.

(2) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was \$3.4 million for the three month period in 2022 compared to \$0.8 million in 2021.

The equity method is used to account for the Company's 13.9% equity interest in ChinaAMC, as it exercises significant influence. Changes in the carrying value for the three months ended March 31, 2022 are shown in Table 21. The change in other comprehensive income of negative \$7.2 million in the three months ended March 31, 2022, was due to a 0.9% depreciation of the Chinese yuan relative to the Canadian dollar.

On January 5, 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of \$1.15 billion from Power Corporation of Canada (Power) which will increase the Company's equity interest in ChinaAMC from 13.9% to 27.8%. The transaction is expected to close in 2022, subject to customary closing conditions, including Chinese regulatory approvals.

#### Northleaf Capital Group Ltd. (Northleaf)

The Company, through an acquisition vehicle held by the Company's subsidiary, Mackenzie, holds a 49.9% voting interest and a 70% economic interest in Northleaf. The acquisition vehicle is owned 80% by Mackenzie and 20% by Lifeco. Northleaf is a global private equity, private credit and infrastructure fund manager headquartered in Toronto.

Mackenzie and Lifeco have an obligation and right to purchase the remaining equity and voting interest in Northleaf commencing in approximately five years from the acquisition date and extending into future periods. The equity method is used to account for the acquisition vehicle's 70% economic interest as it exercises significant influence. Significant influence arises from board representation, participating in the policy making process and shared strategic initiatives.

The Company controls the acquisition vehicle therefore it recognizes the full 70% economic interest in Northleaf and recognizes Non-controlling interest (NCI) related to Lifeco's net interest in Northleaf of 14%.

Northleaf's assets under management, including invested capital and uninvested commitments, were \$20.3 billion as at March 31, 2022 (December 31, 2021 – \$19.5 billion). The increase of \$0.8 billion in assets under management during the three month period was driven by \$1.1 billion in new commitments offset in part by a decrease of \$0.2 billion related to foreign exchange on USD denominated assets, and a decrease of \$0.1 billion in return of capital and other.

# Consolidated Liquidity and Capital Resources

## Liquidity

Cash and cash equivalents totalled \$1,184.7 million at March 31, 2022 compared with \$1,292.4 million at December 31, 2021 and \$657.8 million at March 31, 2021. Cash and cash equivalents related to the Company's deposit operations were \$1.0 million at March 31, 2022, compared to \$1.3 million at December 31, 2021 and \$2.7 million at March 31, 2021, as shown in Table 22.

Client funds on deposit represents cash balances held by clients within their investment accounts and with the offset included in deposit liabilities.

Working capital, which consists of current assets less current liabilities, totalled \$887.2 million at March 31, 2022, compared with \$908.0 million at December 31, 2021 and \$379.4 million at March 31, 2021 (Table 23).

Working capital, which includes unallocated capital, is utilized to:

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

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), a non-IFRS measure (see Non-IFRS Financial Measures and Other Financial Measures), totalled \$360.0 million for the first quarter of 2022 compared to \$333.2 million for the first quarter of 2021 and \$411.8 million for the fourth quarter of 2021 (Table 1).

Earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions), a non-IFRS measure (see Non-IFRS Financial Measures and Other Financial Measures), totalled \$310.5 million in the first quarter of 2022 compared to \$286.1 million in the first quarter of 2021 and \$368.9 million in the fourth quarter of 2021 (Table 1).

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

## Cash Flows

Table 24 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Interim Financial Statements for the quarter ended March 31, 2022. Cash and cash equivalents decreased by \$107.7 million in the first quarter of 2022 compared to a decrease of \$113.8 million in 2021.

Adjustments to determine net cash from operating activities during the first quarter of 2022 compared to 2021 consist of non-cash operating activities offset by cash operating activities:

Table 22: Deposit Operations – Financial Position

(\$ millions)	2022 Mar. 31	2021 Dec. 31	2021 Mar. 31
<b>Assets</b>			
Cash and cash equivalents	\$ 1.0	\$ 1.3	\$ 2.7
Client funds on deposit	2,599.9	2,238.6	1,372.2
Accounts and other receivables	0.3	0.6	0.4
Loans	11.4	10.8	9.4
<b>Total assets</b>	<b>\$ 2,612.6</b>	<b>\$ 2,251.3</b>	<b>\$ 1,384.7</b>
<b>Liabilities and shareholders' equity</b>			
Deposit liabilities	\$ 2,592.6	\$ 2,220.3	\$ 1,351.8
Other liabilities	9.3	20.4	22.5
Shareholders' equity	10.7	10.6	10.4
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,612.6</b>	<b>\$ 2,251.3</b>	<b>\$ 1,384.7</b>

Table 23: Working Capital

(\$ millions)	2022 Mar. 31	2021 Dec. 31	2021 Mar. 31
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,184.7	\$ 1,292.4	\$ 657.8
Client funds on deposit	2,599.9	2,238.6	1,372.2
Accounts receivable and other assets	458.4	405.0	443.5
Current portion of securitized mortgages and other	1,153.4	1,234.5	1,294.5
	<b>5,396.4</b>	5,170.5	3,768.0
<b>Current liabilities</b>			
Accounts and other payables	799.1	879.1	700.6
Deposits and certificates	2,591.3	2,219.0	1,350.4
Current portion of obligations to securitization entities and other	1,118.8	1,164.4	1,337.6
	<b>4,509.2</b>	4,262.5	3,388.6
<b>Working capital</b>	<b>\$ 887.2</b>	\$ 908.0	\$ 379.4

Table 24: Cash Flows

Three months ended (\$ millions)	2022 Mar. 31	2021 Mar. 31	% Change
<b>Operating activities</b>			
Earnings before income taxes	\$ 283.9	\$ 262.1	8.3 %
Income taxes paid	(160.6)	(55.3)	(190.4)
Adjustments to determine net cash from operating activities	(58.3)	(154.4)	62.2
	<b>65.0</b>	52.4	24.0
<b>Financing activities</b>	<b>(356.7)</b>	(468.5)	23.9
<b>Investing activities</b>	<b>184.0</b>	302.3	(39.1)
<b>Change in cash and cash equivalents</b>	<b>(107.7)</b>	(113.8)	5.4
Cash and cash equivalents, beginning of period	1,292.4	771.6	67.5
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,184.7</b>	\$ 657.8	80.1 %

- The add-back of amortization of capitalized sales commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital, intangible and other 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 deduction of restructuring provision cash payments.

Financing activities during the first quarter of 2022 compared to 2021 related to:

- An increase in obligations to securitization entities of \$106.8 million and repayments of obligations to securitization entities of \$328.9 million in 2022 compared to an increase in obligations to securitization entities of \$351.9 million

and repayments of obligations to securitization entities of \$678.9 million in 2021.

- The purchase of 570,000 common shares in 2022 under IGM Financial's normal course issuer bid at a cost of \$25.7 million. There were no purchases in 2021.
- The payment of regular common share dividends which totalled \$134.8 million in 2022, compared to \$134.0 million in 2021.

Investing activities during the first quarter of 2022 compared to 2021 primarily related to:

- The purchases of other investments totalling \$31.4 million and sales of other investments with proceeds of \$5.3 million in 2022 compared to \$35.9 million and \$15.6 million, respectively, in 2021.
- An increase in loans of \$300.0 million with repayments of loans and other of \$537.0 million in 2022 compared to

\$380.5 million and \$727.1 million, respectively, in 2021 primarily related to residential mortgages in the Company's mortgage banking operations.

- Net cash used in additions to intangible assets was \$14.5 million in 2022 compared to \$18.8 million in 2021.

## 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 and common shareholders' equity which totalled \$8.5 billion at March 31, 2022, compared to \$8.6 billion at December 31, 2021. The Company regularly assesses its capital management practices in response to changing economic conditions.

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

The total outstanding long-term debt was \$2.1 billion at March 31, 2022, unchanged from December 31, 2021. 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 Company purchased 570,000 common shares during the first quarter of 2022 at a cost of \$25.7 million under its normal course issuer bid (refer to Note 8 to the Interim Financial Statements). The Company commenced a normal course issuer bid on March 1, 2022 to purchase for cancellation up to 6 million of its common shares to mitigate the dilutive effect of stock options issued under the Company's stock option plan and for other capital management purposes.

In connection with its normal course issuer bid, the Company has established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how IGM Financial's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

Other activities in the first quarter of 2022 included the declaration of common share dividends of \$135.0 million or \$0.5625 per share. Changes in common share capital are reflected in the Annual 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 25 presents the carrying amounts and fair values of financial assets and financial liabilities. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

Fair value is determined using the following methods and assumptions:

- Other investments and other financial assets and financial liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans classified as 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.
- Valuation methods used for Other investments classified as FVOCI include comparison to market transactions with arm's length third parties, use of market multiples, and discounted cash flow analysis.
- 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 13 of the Interim Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the three months ended March 31, 2022.

Table 25: Financial Instruments

(\$ millions)	March 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets recorded at fair value</b>				
Other investments				
– Fair value through other comprehensive income	\$ 1,062.8	\$ 1,062.8	\$ 1,291.4	\$ 1,291.4
– Fair value through profit or loss	131.8	131.8	106.6	106.6
Loans				
– Fair value through profit or loss	24.9	24.9	57.4	57.4
Derivative financial instruments	47.2	47.2	41.2	41.2
<b>Financial assets recorded at amortized cost</b>				
Loans				
– Amortized cost	5,100.4	5,048.1	5,296.4	5,354.2
<b>Financial liabilities recorded at fair value</b>				
Derivative financial instruments	26.4	26.4	17.8	17.8
<b>Financial liabilities recorded at amortized cost</b>				
Deposits and certificates	2,592.6	2,592.8	2,220.3	2,220.5
Obligations to securitization entities	4,846.2	4,828.5	5,057.9	5,146.4
Long-term debt	2,100.0	2,271.3	2,100.0	2,544.4

# Risk Management

IGM Financial is exposed to a variety of risks that are inherent in our business activities. Our ability to manage these risks is key to our ongoing success. The Company emphasizes a strong risk management culture and the implementation of an effective risk management approach. Our 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 our comprehensive Enterprise Risk Management (ERM) Framework which is composed of five core elements: risk governance, risk appetite, risk principles, a defined risk management process, and risk management culture. The ERM Framework is established under our ERM Policy, which is approved by the Executive Risk Management Committee.

### Risk Governance

Our risk governance structure emphasizes ownership of risk management in each business unit and oversight by an executive Risk Management Committee accountable to the Risk Committee of the Board (Risk Committee) and ultimately to the Board of Directors. Additional oversight is provided by the ERM, Compliance and Internal Audit Departments.

The Risk Committee provides primary oversight and carries out its risk management mandate. The Risk Committee is responsible for assisting the Board in reviewing and overseeing the risk governance structure and risk management program of the Company 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 our compliance activities, including administration of the Code of Conduct.
- The Human Resource Committee oversees compensation policies and practices.
- The Governance and Nominating Committee oversees corporate governance practices.

- The Related Party and Conduct Review Committee oversees conflicts of interest.

Management oversight for risk management resides with the executive Risk Management Committee which is comprised of the Chief Executive Officers of IGM Financial, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel, the Chief Financial Officer, the General Counsel, the Chief Operating Officer, and the Chief Human Resources Officer. On April 1, the Company appointed its first Chief Risk Officer who will chair the executive Risk Management Committee. The committee is responsible for oversight of IGM Financial's risk management process by: i) establishing and maintaining the risk framework and policy; ii) defining the risk appetite; iii) ensuring our 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 (the Internal Audit function) providing assurance and validation of the design and effectiveness of the ERM Framework.

In response to the impact of COVID-19, the Company is focusing our teams on addressing and managing COVID-19 issues and has established new committees and processes where required.

### *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 Legal and Compliance Departments 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 the Company's 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 Risk Committee.

### **Risk Management Culture**

Risk management is intended to be everyone's responsibility within the organization. The ERM Department engages all business units in risk workshops and surveys to foster awareness and facilitate 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**

Significant risks that may adversely affect our ability to achieve strategic and business objectives are identified through our ongoing risk management process.

We use a consistent methodology across our organizations and business units to identify and assess risks, considering factors both internal and external to the organization. These risks are broadly grouped into five categories: financial, operational, strategic, business, and environmental and social.

### **1) Financial Risk**

#### ***Liquidity and Funding Risk***

This is the risk of an 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.

Our 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 and other business leaders.

A key funding requirement is the funding of advisor network compensation paid for the distribution of financial products and services. This compensation continues 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. 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 2022 and 2021, the Company:

- Continued to assess additional funding sources for the Company's mortgage banking operations.
- Received proceeds of \$310.8 million from the sales of a portion of the Company's investment in Wealthsimple and other investments in 2021.

The Company's contractual obligations are reflected in Table 26.

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 March 31, 2022, unchanged from December 31, 2021. The lines of credit at March 31, 2022 consisted of committed lines of \$650 million and uncommitted lines of \$175 million, unchanged from December 31, 2021. Any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at March 31, 2022 and December 31, 2021, 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, 2021, was completed. 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

Table 26: Contractual Obligations

<i>As at March 31, 2022</i> (\$ millions)	Demand	Less than 1 Year	1-5 Years	After 5 Years	Total
Derivative financial instruments	\$ -	\$ 2.9	\$ 23.4	\$ 0.1	\$ 26.4
Deposits and certificates	2,591.0	0.4	0.5	0.7	2,592.6
Obligations to securitization entities	-	1,115.9	3,729.8	0.5	4,846.2
Leases <sup>(1)</sup>	-	31.4	95.3	120.2	246.9
Long-term debt	-	-	400.0	1,700.0	2,100.0
Pension funding <sup>(2)</sup>	-	6.5	-	-	6.5
<b>Total contractual obligations</b>	<b>\$ 2,591.0</b>	<b>\$ 1,157.1</b>	<b>\$ 4,249.0</b>	<b>\$ 1,821.5</b>	<b>\$ 9,818.6</b>

(1) Includes remaining lease payments related to office space and equipment used in the normal course of business.

(2) Pension funding requirements beyond 2023 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.



be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency surplus of \$14.4 million compared to a solvency deficit of \$61.3 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2020. The improvement in the funded status resulted largely from interest rate increases, as well as the return on plan assets. The registered pension plan had a going concern surplus of \$95.0 million compared to \$79.2 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2024. During the first quarter of 2022, the Company has made cash contributions of \$5.0 million (2021 – \$2.0 million). IGM Financial expects annual contributions of approximately \$11.5 million in 2022. 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, 2021.

### **Credit Risk**

This is the risk of 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 and Client Funds on Deposit**

At March 31, 2022, cash and cash equivalents of \$1,184.7 million (December 31, 2021 – \$1,292.4 million) consisted of cash balances of \$349.6 million (December 31, 2021 – \$326.2 million) on deposit with Canadian chartered banks and cash equivalents of \$835.1 million (December 31, 2021 – \$966.2 million). Cash equivalents are comprised of Government of Canada treasury bills totalling \$359.0 million (December 31, 2021 – \$358.7 million), provincial government treasury bills and promissory notes of \$181.9 million (December 31, 2021 – \$350.6 million),

bankers' acceptances of \$216.8 million (December 31, 2021 – \$198.3 million) and other corporate commercial paper of \$77.4 million (December 31, 2021 – \$58.6 million).

Client funds on deposit of \$2,599.9 million (December 31, 2021 – \$2,238.6 million) represent cash balances held in client accounts deposited at Canadian financial institutions.

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, 2021.

### **Mortgage Portfolio**

At March 31, 2022, residential mortgages, recorded on the Company's balance sheet, of \$5.1 billion (December 31, 2021 – \$5.4 billion) consisted of \$4.8 billion sold to securitization programs (December 31, 2021 – \$5.0 billion), \$291.6 million held pending sale or securitization (December 31, 2021 – \$315.8 million) and \$14.5 million related to the Company's intermediary operations (December 31, 2021 – \$13.7 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 advisors 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 \$2.6 billion (December 31, 2021 – \$2.6 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 \$2.2 billion (December 31, 2021 – \$2.4 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$57.7 million (December 31, 2021 – \$67.6 million) and \$29.0 million (December 31, 2021 – \$34.1 million), respectively, at March 31, 2022. 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.

At March 31, 2022, residential mortgages recorded on balance sheet were 54.5% insured (December 31, 2021 – 53.1%). At March 31, 2022, impaired mortgages on these portfolios were \$4.5 million, compared to \$2.8 million at December 31, 2021. Uninsured non-performing mortgages over 90 days on these portfolios were \$3.0 million at March 31, 2022, compared to \$1.5 million at December 31, 2021.

The Company also retains certain elements of credit risk on mortgage loans sold to the IG Mackenzie Mortgage and Short Term Income Fund and to the IG Mackenzie 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 \$0.6 million at March 31, 2022, unchanged from December 31, 2021, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience, ii) recent trends including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses, iii) current portfolio credit metrics and other relevant characteristics, iv) our strong financial planning relationship with our clients, and v) 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, 2021.

#### **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 \$46.3 million (December 31, 2021 – \$39.5 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 \$7.7 million at March 31, 2022 (December 31, 2021 – \$0.7 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 March 31, 2022. Management of credit risk related to derivatives has not changed materially since December 31, 2021.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Note 6 to the Interim Financial Statements and Notes 2, 7 and 23 to the Annual Financial Statements.

#### **Market Risk**

This is the risk of loss arising from changes in the values of the Company's financial instruments due to changes in interest rates, equity prices or foreign exchange rates.

#### **Interest Rate Risk**

IGM Financial is exposed to interest rate risk on its mortgage portfolio and on certain of the derivative financial instruments used in our 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 fair value of \$13.8 million (December 31, 2021 – \$1.0 million) and an outstanding notional amount of \$0.4 billion at March 31, 2022 (December 31, 2021 – \$0.3 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 fair value of these swaps totalled negative \$7.8 million (December 31, 2021 – \$3.5 million), on an outstanding notional amount of \$1.4 billion at March 31, 2022 (December 31, 2021 – \$1.3 billion). The net fair value of these swaps of \$6.0 million at March 31, 2022 (December 31, 2021 – \$4.5 million) is recorded on the balance sheet and has an outstanding notional amount of \$1.8 billion (December 31, 2021 – \$1.6 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. 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 Wealth Management revenue over the term of the related Obligations to securitization entities. The fair value of these swaps was \$2.5 million (December 31, 2021 – \$0.6 million) on an outstanding notional amount of \$73.0 million at March 31, 2022 (December 31, 2021 – \$128.6 million).

As at March 31, 2022, the impact to annual net earnings of a 100 basis point increase in interest rates would have been an increase of approximately \$0.8 million (December 31, 2021 – decrease of \$3.0 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2021.

#### Equity Price Risk

IGM Financial is exposed to equity price risk on our equity investments which are classified as either fair value through other comprehensive income or fair value through profit or loss or investments in associates. The fair value of the equity investments was \$1.2 billion at March 31, 2022 (December 31, 2021 – \$1.4 billion), as shown in Table 19.

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

IGM Financial is exposed to foreign exchange risk on its investment in ChinaAMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in Other comprehensive income. As at March 31, 2022, a 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately \$35.1 million (\$38.8 million).

The Company's proportionate share of ChinaAMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. For the quarter ended March 31, 2022, the impact to net earnings of a 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of associates' earnings (losses) by approximately \$0.6 million (\$0.7 million).

#### Risks Related to Assets Under Management and Advisement

At March 31, 2022, IGM Financial's total assets under management and advisement were \$268.3 billion compared to \$277.1 billion at December 31, 2021.

The Company's primary sources of revenues are advisory fees and asset management fees which are applied as an annual percentage of the level of assets under management and advisement. 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 and advisement 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

Table 27: IGM Financial Assets Under Management – Asset and Currency Mix

<i>As at March 31, 2022</i>	Investment	
	Funds	Total
Cash	2.0 %	2.1 %
Short-term fixed income and mortgages	4.1	3.9
Other fixed income	21.6	21.6
Domestic equity	21.0	26.7
Foreign equity	48.7	43.7
Real Property	2.6	2.0
	100.0 %	100.0 %
CAD	52.5 %	57.6 %
USD	32.1	29.0
Other	15.4	13.4
	100.0 %	100.0 %

in lower revenues depending upon the management fee rates associated with different asset classes and mandates.

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.

The Company's exposure to the value of assets under management and advisement 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.

## 2) Operational Risk

This is the risk of financial loss, reputational damage or regulatory actions resulting from inadequate or failed internal processes or systems, human interaction or external events. This excludes business risk, which is a separate category in our ERM framework.

We are 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.

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 affects all business activities, including the processes in place to manage other risks. As a result, operational risk can be difficult to measure, given that it forms part of other risks of the Company and may not always be separately identified.

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 help manage operational risk.

The Company has a crisis response plan which outlines crisis response coordination policies and procedures in the event of a

crisis that could significantly impact the organization's reputation, brands or business operations. The Company executes simulation exercises on a regular basis. The Company has a crisis assessment team comprised of senior leadership who are responsible for crisis confirmation and management. In addition, this team is responsible for setting strategy, overseeing response and ensuring appropriate subject matter experts are engaged in the scenario-dependent crisis response team.

The Company also has a business continuity management program to enable critical operations and processes to function in the event of a business disruption.

For the health and safety of the Company's employees and clients and to help efforts to limit the speed and spread of the COVID-19 infection, the Company moved substantially all of its employees and advisors to work from home and temporarily closed its offices in March 2020. The Company is continuously assessing its plan and protocols, and taking direction from external governing bodies such as the Medical Officers of Health, as employees and advisors begin to return to the office.

The Company's business continuity plan has been effective at ensuring the Company is able to continue operations and provide client service with minimal disruptions.

### *Technology and Cyber Risk*

We use systems and technology to support 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. The volume of these activities in our society has increased since the onset of COVID-19. 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, we have established enterprise-wide cyber security programs, benchmarked capabilities to sound industry practices, and implemented threat and vulnerability assessment and response capabilities. Extended duration of work from home programs introduces increased need to mitigate risk of potential data loss.

### *Third Party Risk*

We regularly engage third parties to provide expertise and efficiencies that support our operational activities. Our exposure to third party service provider risk could include reputational, regulatory and other operational risks. Policies, standard operating procedures and dedicated resources, including a supplier code of conduct and outsourcing policy, have been developed and implemented to specifically address third party service provider risk. We perform due diligence and monitoring activities before

entering into contractual relationships with third-party service providers and on an ongoing basis. As our reliance on external service providers continues to grow, we continue to enhance resources and processes to support third party risk management.

#### **Model Risk**

We use 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 and reputation.

#### **Legal and Regulatory Compliance Risk**

This is the risk of not complying with laws, contractual agreements or regulatory requirements. These risks relate to regulation governing product distribution, investment management, accounting, 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 continually evolve. 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 Executive 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 Board 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 references many policies relating to the conduct of directors, officers and employees. Other corporate policies cover anti-money laundering and privacy. Training is provided on these policies on an annual basis. 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 Compliance Department is responsible for providing oversight of all regulated compliance activities. The Internal Audit Department also provides oversight concerning regulatory compliance matters.

#### **Privacy Risk**

Our clients entrust us with their personal information, and we have a legal and ethical responsibility to protect it. In accordance with Canadian privacy laws, we collect only personal information that is necessary to provide our products and services to clients, or where we have consent to do so. We do not disclose personal information about clients unless required by law, when necessary to provide products or services to them, or as otherwise authorized by them.

If we need to share clients' personal information with third-party service providers, we remain responsible for that information and protect it through contracts that commit the service providers to maintain levels of protection comparable to ours.

IGM Financial has established an enterprise Privacy Policy, and our operating companies have supporting privacy policies and procedures relevant to their businesses. Our operating companies also have comprehensive procedures and controls to safeguard personal information and prevent privacy breaches. In the event of a privacy breach, our operating companies have policies and procedures to mitigate risks and prevent re-occurrence. If a breach is determined to pose a real risk of significant harm to a client, we will notify the individual, and the federal and/or provincial Privacy Commissioner where applicable, in a timely manner.

Our Chief Compliance Officer (CCO) leads and oversees our privacy program. Ultimately reporting to the CCO, Privacy Officers at each company work with front-line staff to address privacy matters. Employees and advisors are required to complete mandatory privacy training at onboarding, and annually thereafter. The training includes our privacy obligations, privacy

tips and best practices, and how to prevent, handle and report privacy breaches, complaints and access to information requests.

### **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) Strategic Risk**

This is the risk of potential adverse impacts resulting from inadequate or inappropriate governance, oversight, management of incentives and conflicts, regulatory developments and strategy.

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 our 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 also has a strategy execution oversight function and committee that reviews and approves strategic initiative business cases and oversees progress against our strategic priorities and objectives.

The President and Chief Executive Officer of the Company, in collaboration with the Board of Directors, is responsible each year to develop, review and update the Company's strategic plan. The strategic plan sets out both the annual and longer-term objectives for the Company in light of emerging opportunities and risks and with a view to the Company's sustained profitable growth and long-term value creation. The Board is responsible for approving the Company's overall business strategy. In carrying out this responsibility, the Board reviews the short-, medium- and long-term risks associated with the strategic plan, considers the strengths and potential weaknesses of trends and opportunities, and approves the Company's annual business, financial and capital management plans. A portion of each Board meeting is dedicated to discussion of strategic matters including receiving updates on the progress and implementation of the strategic plan.

### **Regulatory Development Risk**

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

We are 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.

The Company continuously monitors regulatory developments, guidance and communications.

### **Acquisition Risk**

The Company is exposed to risks related to its acquisitions and strategic investments. 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 and of the Company's strategic investments is dependent on retaining assets under management, clients, and key employees of an acquired company.

### **4) Business Risk**

#### **General Business Conditions**

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from competitive or other external factors relating to the marketplace.

Global economic conditions, changes in equity markets, inflation and demographics can affect investor confidence, income levels and savings. In addition, geopolitical risk, government instability and other factors can influence inflation, interest rates, global economic growth, and business conditions in markets in which the Company operates. These environments 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 and volatility 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.

To manage this risk, the Company, across its operating subsidiaries, communicates with clients and underscores 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, Wealth Management advisors 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 28 and are discussed in the Wealth Management and the Asset Management Segment Operating Results sections of this MD&A.

#### **Catastrophic Events or Loss**

Catastrophic events or loss refers to the risk that events such as earthquakes, floods, fire, tornadoes, pandemics, or terrorism could adversely affect the Company's financial performance.

Catastrophic events can cause economic uncertainty, affect investor confidence, income levels and financial planning decisions. This could affect the level and volatility of financial markets and the level of the Company's assets under management and advisement.

The global COVID-19 pandemic has caused economic disruption, adversely impacted economic conditions, has caused significant volatility in the level of financial markets, and has increased unemployment in Canada and globally.

In response, the Company implemented its business continuity plans and transitioned substantially all of its employees and advisors to working from home.

It is difficult to predict the ongoing significance of the COVID-19 pandemic and government measures taken in response will affect world economies, our clients and our business. This event could have a material impact on the financial positions and results of the Company, subject to duration and severity.

#### **Product / Service Offering**

This risk refers to the 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 investment performance, 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.

We provide Wealth Management advisors, 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.

We strive to deliver strong investment performance on our 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 and reputation. Meaningful and/or sustained underperformance could affect the Company's results. Our objective is to cultivate investment processes and disciplines that give us a competitive advantage, and we do this by diversifying our assets under management and product shelf by investment team, brand, asset class, mandate, style and geographic region.

#### **Business / Client relationships**

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from changes to key business or client relationships. These relationships primarily include IG Wealth Management clients and advisors, Mackenzie retail distribution, strategic and significant business partners, clients of Mackenzie funds, and sub-advisors and other product suppliers.

Table 28: Twelve Month Trailing Redemption Rate for Long-term Funds

	2022 Mar. 31	2021 Mar. 31
<b>IGM Financial Inc.</b>		
IG Wealth Management	8.9 %	9.7 %
Mackenzie	13.1 %	15.8 %
Counsel	19.5 %	22.3 %

*IG Wealth Management advisor network* – IG Wealth Management derives all of its mutual fund sales through its advisor network. IG Wealth Management advisors 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 advisor. The market for financial advisors is extremely competitive. The loss of a significant number of key advisors 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 advisors 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 Wealth Management Review of the Business section of this MD&A.

*Asset Management* – 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. Lack of 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 Asset Management Review of the Business section of this MD&A.

#### **People Risk**

This risk refers to the potential inability to attract or retain employees or Wealth Management advisors, develop them to an appropriate level of proficiency, or manage engagement and 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 engage sufficient numbers of qualified personnel could negatively affect IGM Financial's business and financial performance.

We have a Diversity, Equity and Inclusion Strategy with the purpose of driving an inclusive, equitable and consistent experience for employees and clients that supports our business objectives now and into the future. To achieve the desired

outcomes, we focus on three pillars of action: raising awareness; improving inclusive leadership behaviours; and building external partnerships and community engagement.

We also have a Wellness Strategy to support our employees' wellbeing with a goal to ensure our employees are physically thriving, emotionally balanced, socially connected and financially secure.

COVID-19 has caused significant disruption in peoples' lives both professionally and personally. The Company's actions have included:

- Implementing a work at home strategy to maintain the health and safety of our employees and advisors through social distancing.
- Providing tools and processes to enable our employees and advisors to continue to operate effectively from home.
- Providing various wellness programs including Employee Assistance Programs, e-Health and other programs to support the mental and physical well-being of our employees, advisors, and their families.
- Developing a return to office strategy including the introduction of a hybrid working model to enhance work life flexibility and to safely allow employees and advisors to return to the office when appropriate.

#### **5) Environmental And Social Risk (Including Climate Change)**

This is the potential for financial loss or other unfavourable impacts resulting from environmental or social (E&S) issues connected to our business operations, investment activities, meeting our sustainability commitments, and increasingly for regulatory compliance. We recognize that E&S risks can be within our operations or impact stakeholders along our supply chain, including clients, investee companies and suppliers.

Environmental risks include issues such as climate change, biodiversity and land use, pollution, waste, and the unsustainable use of energy, water and other resources. Social risks include issues such as human rights; labour standards; diversity, equity and inclusion; Indigenous reconciliation; and community impacts.

IGM Financial has a long-standing commitment to responsible management, as articulated in our Corporate Sustainability Statement approved by the Board of Directors. Through its Risk Committee, the Board is responsible for ensuring that material E&S risks are appropriately identified, managed and monitored.

The Company's executive Risk Management Committee is responsible for oversight of the risk management process, including E&S and climate change risks. Other management committees provide oversight of specific risks including the Sustainability Committee and the Diversity and Inclusion Executive Council. The Sustainability Committee is composed of senior



executives who are responsible for ensuring implementation of policy and strategy, establishing goals and initiatives, measuring progress, and approving annual reporting for environmental, social and governance (ESG) matters.

Our commitment to responsible management is demonstrated through various mechanisms. These include our Code of Conduct for employees, contractors, and directors; our Supplier Code of Conduct; our Workplace Harassment and Discrimination Prevention Policy; our Diversity Policy; our Environmental Policy; and other related policies.

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

IGM Financial reports annually on ESG management and performance in its Sustainability Report available on our website. The Company has been recognized for demonstrating strong ESG performance through positions earned on the FTSE4Good Index Series, Jantzi Social Index, Corporate Knights' 2022 Global 100 and 2021 Best 50 Corporate Citizens.

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 including setting and monitoring emission reduction targets. IGM Financial has been recognized by CDP at the leadership level for the past five years for its climate disclosures.

Global practices are continually evolving relating to the identification, analysis, and management of climate risks and opportunities. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) was established in response to investor demand for enhanced information on climate-related risks and opportunities. IGM Financial and its operating companies support the TCFD recommendations which include a framework for consistent, voluntary climate-related financial disclosures that provide decision-useful information to investors, analysts, rating agencies and other stakeholders.

#### **TCFD Disclosure**

The TCFD recommends that organizations disclose information about climate-related risks and opportunities in four areas: governance, strategy, risk management, and metrics and targets. Full implementation of TCFD will be a multi-year journey.

#### **Governance**

Our Board is responsible for providing oversight on risk and strategy, which includes sustainability and climate-related matters.

The Board meets with management at least annually to discuss plans and emerging ESG issues. Through its Risk Committee, the Board is responsible for ensuring that material ESG risks are appropriately identified, managed and monitored.

The senior-most leaders at each of our operating companies have primary ownership and accountability for the ongoing climate risk and opportunity management associated with their respective activities. IGM Financial's Risk Management and Sustainability Committees perform oversight functions, and our Chief Financial Officer oversees implementation of the Corporate Sustainability and Enterprise Risk Management programs.

We have established a cross-functional, enterprise wide TCFD Working Group of senior leaders to lead the planning and implementation of the TCFD recommendations. This working group is focused on enhancing our knowledge and tools to quantify climate risks in tandem with our industry, further integrating climate into our business strategy, operations and product offering, evolving our engagement approach with investee companies, and addressing increased disclosure expectations.

The Mackenzie Sustainability Steering Committee is responsible for approving and governing corporate and sustainability related policies; approval and oversight for investment stewardship priorities including climate; approval and monitoring for targets related to climate change; and evaluation of progress relative to key performance indicators, strategy roadmap, and the market.

The IG Wealth Management Sustainable Investing Committee is responsible for reviewing and approving sustainable investing and ESG matters including but not limited to evaluating and considering climate-related risks and opportunities.

#### **Strategy**

Through IGM Financial's wealth and asset management businesses the company plays a role in the global transition to a low-carbon economy. In November 2021, IGM Financial detailed its climate commitments in a position statement on our website, with a focus on three key areas:

- 1. Investing in a greener, climate resilient economy* – Our investment processes and products give us the opportunity to manage climate risks and create innovative solutions to our ongoing climate issues.
- 2. Collaborating and engaging to help shape the global transition* – We play a role in bringing climate-smart investment advice and solutions to clients, helping companies adapt, and participating in industry and policy advancements.
- 3. Demonstrating alignment through our corporate actions* – We will hold ourselves to a similar standard that we expect from the companies we invest in and empower our employees to stand behind our commitments.

Our operating companies are active participants in collaborative industry groups that support our climate commitments by engaging companies on improving climate change governance, reducing emissions and strengthening climate-related financial disclosures. IGM Financial also joined the Partnership for Carbon Accounting Financials (PCAF) to support our journey to measure and disclose the greenhouse gas emissions associated with our mortgage loans and investments.

Climate-related risks and opportunities are identified and assessed within IGM Financial through our business planning processes which define our strategic priorities, initiatives and budgets. Our climate-related risks and opportunities can be grouped into the physical impacts of climate change and the impacts related to the transition to a low-carbon economy.

#### **Risks**

Our climate risks relate primarily to the potential for physical or transition risks to: negatively affect the performance of our clients' investments, resulting in reduced fee revenue; harm our reputation; create market risks through shifts in product demand; or lead to new regulatory, legal or disclosure requirements that could affect our business. Diversification within and across our investment portfolios aids in managing exposure to any one company, sector or geographic region that might be exposed to climate-related risks. We are also exposed to the impact of extreme weather events on our corporate properties which could lead to business disruption, and on the valuations of investment properties and client mortgages, which if not addressed proactively, could affect financial performance and the ability to use the assets long-term.

Our operating companies are committed to sustainable investing programs and policies that include a focus on climate risk. We provide data and tools for our investment teams to carry out current and forward-looking climate analysis and we integrate material climate risks into our investment and oversight processes for investment management sub-advisors. As part of the hiring process and ongoing assessment of sub-advisors, our teams request information about how ESG, including climate risks and opportunities, is resourced, what processes and tools are used, metrics and targets, and how strategy and governance are influenced. As we continue to implement the TCFD recommendations, we are devoting increased resources to areas such as training, analysis, metrics, target-setting, strategy planning and working with collaborative organizations.

#### **Opportunities**

We are focused on meeting growing demand for sustainable investing and the opportunity to invest in the transition to a net-zero economy. We are also increasing our focus on educating and communicating with clients and advisors on sustainable investing and climate change.

At Mackenzie Investments, sustainable investing is an area of strategic emphasis, and we have established a dedicated team within Mackenzie's Sustainability Centre of Excellence who bring focus to ESG and climate across the organization. Mackenzie has an investment boutique, Greenchip, which is exclusively focused on thematic investing to combat climate change. In 2021, Mackenzie also launched the Betterworld Team who invests in companies making a positive impact on the people and the planet, and expanded its suite of climate offerings in 2021 through the addition of the Mackenzie Greenchip Global Balanced Fund, the Mackenzie Global Sustainable Bond ETF, and the Mackenzie Global Green Bond Fund.

At IG Wealth Management, we have integrated environmental and climate issues into our sub-advisory selection and oversight processes, and product development strategy. In October 2021, IG Wealth Management launched its Climate Action Portfolios, a suite of four diversified managed solutions which aim to provide clients with the opportunity to support and benefit from the global transition to net zero emissions.

#### **Scenarios**

We have implemented a tool for our investment funds to enhance our quantitative assessment of climate risks by analyzing emissions and other climate-related information at the investee company and portfolio levels. This system enables us to model potential transition pathways and track our portfolios against the goal of limiting global warming to 2°C above pre-industrial levels and examine the adequacy of emissions reductions over time in meeting the goals of the Paris Agreement. We are exploring scenario analysis tools with external data providers to support us in our efforts to run climate-related scenario analysis across our business.

#### **Risk Management**

Assessment and management of climate-related risks is integrated into our ERM framework. We use a consistent methodology across our organizations and business units for identification and assessment of risks, considering factors both internal and external to the organization. Risks are broadly grouped into five categories: financial, operational, strategic, business, and environmental and social. We are increasingly focused on defining the relationship of climate risk to other material risks.

At Mackenzie Investments, each boutique investment team is responsible for determining when and how climate transition and physical risks are material, and for incorporating these risks into their investment process. At IG Wealth Management and IPC, management evaluates the sustainable investing practices of investment manager sub-advisors, including the integration of climate risks into their investment and active ownership practice.

### Engagement

To maximize stewardship efforts, engagement at Mackenzie is undertaken both internally and by a third-party engagement specialist where climate change is a priority engagement topic. At IPC, a pooled engagement service provider is used to work with companies to enhance corporate behaviour and strategy related to topics including climate change. At IG Wealth Management, investment management sub-advisors including Mackenzie are responsible for engagement activities and IG Wealth Management monitors their practices as part of regular due diligence and oversight.

Mackenzie Investments is a founding participant in Climate Engagement Canada, and participates in CERES' Investor Network on Climate Risk. Both Mackenzie and IG joined Climate Action 100+ and became founding signatories to the Canadian Investor Statement on Climate Change.

### Metrics and Targets

We set, monitor and report on climate change-related metrics and targets annually in our CDP response and our Sustainability Report which are available on our website.

We currently report Scope 1, 2 and 3 GHG emissions, where possible, including Scope 3 investment emissions related to our real assets in the IG Real Property Fund. We are working to expand the measurement and reporting of emissions related to our investment portfolios in 2022.

Through IGM Financial's Climate Position Statement launched in November 2021, we have set a target to be climate neutral in our corporate offices and travel by the end of 2022. We also commit to setting interim targets for investment portfolios as a first step, consistent with the global ambition to achieve net zero emissions by 2050. As such, Mackenzie Investments joined the Net Zero Asset Managers Initiative and will set an interim investment target in line with the attainment of net zero emissions by 2050 or sooner by the end of 2022.

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## The Financial Services Environment

Canadians held \$5.6 trillion in discretionary financial assets with financial institutions at December 31, 2020 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 64% (\$3.6 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 \$2.0 trillion held outside of a financial advisory relationship, approximately 59% consisted of bank deposits.

Financial advisors represent the primary distribution channel for IGM Financial's products and services, and the core emphasis of our 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. We actively promote 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 40% of Canadian discretionary financial assets or \$2.2 trillion resided in investment funds at December 31, 2020, 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 76% 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 \$179 billion in investment fund assets under management at March 31, 2022, IGM Financial is among the country's largest investment fund managers. We believe that investment funds are likely to remain the preferred savings vehicle of Canadians. They offer 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.

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, that 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 47% of total industry long-term mutual fund assets at March 31, 2022.

The Canadian mutual fund industry continues to be very concentrated, with the 10 largest firms and their subsidiaries representing 72% of industry long-term mutual fund assets and 72% of total mutual fund assets under management at March 31, 2022. We anticipate continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

We believe 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 continues 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.
- A highly competitive landscape.
- Advancing and changing technology.

## The Competitive Landscape

Our subsidiaries, IG Wealth Management and Investment Planning Counsel, compete directly with other retail financial service providers in the advice segment, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Our asset management subsidiary, Mackenzie Investments, competes directly with other investment managers for assets under management, and our products compete with stocks, bonds and other asset classes for a share of Canadians’ investment assets.

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

IGM Financial continues to focus on our commitment to provide quality investment advice and financial products, service innovations, effective and responsible management of the Company and long-term value for our clients and shareholders. We are midway through a five-year transformation to modernize our digital platforms and technology infrastructure to enhance operations, achieve efficiencies and improve the service experience for our clients. We believe that IGM Financial is well-positioned to meet competitive challenges and capitalize on future growth opportunities.

Our competitive strength includes:

- Broad and diversified distribution through more than 35,000 financial advisors, with an emphasis on comprehensive financial planning.
- 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 Corporation group of companies.

### Broad and Diversified Distribution

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 global manufacturing and distribution entities to provide investment management services.

### Broad Product Capabilities

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

### Enduring Client Relationships

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

### Part of the Power Corporation Group of Companies

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

# Critical Accounting Estimates and Policies

## Summary Of Critical Accounting Estimates

There were no changes to the Company's assumptions related to critical accounting estimates from those reported at December 31, 2021 except as follows:

- *Employee benefits* –The Company maintains a number of employee benefit plans. These plans include a funded registered defined benefit pension plan (RPP) 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.  
Discount rates have increased significantly since December 31, 2021. The discount rate on the Company's RPP at March 31, 2022 was 4.35% compared to 3.30% at December 31, 2021. The pension plan assets decreased to \$543.1 million at March 31, 2022 from \$566.7 million at December 31, 2021 due to declines in the markets. The total defined benefit pension plan obligation decreased to \$480.6 million at March 31, 2022 from \$588.4 million at December 31, 2021, primarily due to the increase in the discount rate. The defined benefit pension plan had an accrued benefit asset of \$62.5 million

at March 31, 2022 compared to an accrued benefit liability of \$21.7 million at December 31, 2021. Total gains recorded in Other comprehensive income, including the defined benefit pension plan, the SERPs and post-employment benefit plans, were \$95.5 million (\$69.7 million after tax) for the three months ended March 31, 2022.

## Changes In Accounting Policies

IGM Financial has not adopted any changes in accounting policies in 2022.

## 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.

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.

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## Internal Control Over Financial Reporting

During the first quarter of 2022, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Other Information

### Transactions with Related Parties

There were no changes to the types of related party transactions from those reported at December 31, 2021. For further information on transactions involving related parties, see Notes 8, 26 and 29 to the Company's Annual Financial Statements.

### Outstanding Share Data

Outstanding common shares of IGM Financial as at March 31, 2022 totalled 239,976,621. Outstanding stock options as at March 31, 2022 totalled 11,873,785 of which 6,500,013 were exercisable. As at April 30, 2022, outstanding common shares totalled 239,376,621 and outstanding stock options totalled 11,850,212 of which 6,500,013 were exercisable.

### 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](http://www.sedar.com).

# Interim condensed consolidated financial statements

## Consolidated Statements of Earnings

	<i>Three months ended March 31</i>	
	2022	2021
<i>(unaudited)</i>		
<i>(in thousands of Canadian dollars, except per share amounts)</i>		
<b>Revenues</b>		
Wealth management (Note 3)	\$ 641,205	\$ 603,451
Asset management	255,830	232,990
Dealer compensation expense	(86,191)	(80,709)
Net asset management (Note 3)	169,639	152,281
Net investment income and other	(2,018)	3,134
Proportionate share of associates' earnings (Note 7)	48,400	41,589
	<b>857,226</b>	<b>800,455</b>
<b>Expenses</b>		
Advisory and business development	309,108	284,026
Operations and support	215,428	206,539
Sub-advisory	20,638	19,729
Interest	28,133	28,120
	<b>573,307</b>	<b>538,414</b>
Earnings before income taxes	283,919	262,041
Income taxes	63,754	59,671
<b>Net earnings</b>	<b>220,165</b>	<b>202,370</b>
Non-controlling interest (Note 7)	(849)	(190)
<b>Net earnings available to common shareholders</b>	<b>\$ 219,316</b>	<b>\$ 202,180</b>
Earnings per share (in dollars) (Note 14)		
– Basic	\$ 0.91	\$ 0.85
– Diluted	\$ 0.91	\$ 0.85

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

# Consolidated Statements of Comprehensive Income

Three months ended March 31

(unaudited)

(in thousands of Canadian dollars)

	2022	2021
<b>Net earnings</b>	<b>\$ 220,165</b>	<b>\$ 202,370</b>
<b>Other comprehensive income (loss), net of tax</b>		
<b>Items that will not be reclassified to Net earnings</b>		
Fair value through other comprehensive income investments		
Other comprehensive income (loss) (Note 4), net of tax of \$31,018 and \$(125,034)	(198,745)	801,145
Employee benefits		
Net actuarial gains (losses), net of tax of \$(25,771) and \$(30,740)	69,688	83,115
Investment in associates – employee benefits and other		
Other comprehensive income (loss), net of tax of nil	(118)	4,593
<b>Items that may be reclassified subsequently to Net earnings</b>		
Investment in associates and other		
Other comprehensive income (loss), net of tax of \$1,337 and \$231	(8,557)	(17,605)
	<b>(137,732)</b>	<b>871,248</b>
<b>Total comprehensive income</b>	<b>\$ 82,433</b>	<b>\$ 1,073,618</b>

(See accompanying notes to interim condensed consolidated financial statements)



# Consolidated Balance Sheets

(unaudited)  
(in thousands of Canadian dollars)

	2022 March 31	2021 December 31
<b>Assets</b>		
Cash and cash equivalents	\$ 1,184,686	\$ 1,292,446
Other investments (Note 4)	1,194,602	1,398,023
Client funds on deposit	2,599,867	2,238,624
Accounts and other receivables	407,695	387,157
Income taxes recoverable	25,941	17,344
Loans (Note 5)	5,125,223	5,353,842
Derivative financial instruments	47,199	41,172
Other assets	112,654	54,298
Investment in associates (Note 7)	2,039,050	2,048,255
Capital assets	317,422	315,964
Capitalized sales commissions	352,220	325,424
Deferred income taxes	3,700	29,269
Intangible assets	1,356,819	1,356,704
Goodwill	2,802,173	2,802,066
	<b>\$ 17,569,251</b>	<b>\$ 17,660,588</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 480,773	\$ 553,429
Income taxes payable	8,062	104,113
Derivative financial instruments	26,392	17,773
Deposits and certificates	2,592,634	2,220,274
Other liabilities	407,325	382,466
Obligations to securitization entities (Note 6)	4,846,165	5,057,917
Lease obligations	192,294	197,969
Deferred income taxes	497,916	525,476
Long-term debt	2,100,000	2,100,000
	<b>11,151,561</b>	<b>11,159,417</b>
<b>Shareholders' Equity</b>		
Share capital		
Common shares	1,688,707	1,658,680
Contributed surplus	50,296	51,069
Retained earnings	3,881,144	3,856,996
Accumulated other comprehensive income (loss)	745,351	883,083
Non-controlling interest	52,192	51,343
	<b>6,417,690</b>	<b>6,501,171</b>
	<b>\$ 17,569,251</b>	<b>\$ 17,660,588</b>

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 5, 2022.

(See accompanying notes to interim condensed consolidated financial statements)

# Consolidated Statements of Changes in Shareholders' Equity

Three months ended March 31

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	Share capital – Common shares <i>(Note 8)</i>	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) <i>(Note 11)</i>	Non- controlling interest	Total shareholders' equity
<b>2022</b>						
<b>Balance, beginning of period</b>	<b>\$ 1,658,680</b>	<b>\$ 51,069</b>	<b>\$ 3,856,996</b>	<b>\$ 883,083</b>	<b>\$ 51,343</b>	<b>\$ 6,501,171</b>
Net earnings	-	-	220,165	-	-	220,165
Other comprehensive income (loss), net of tax	-	-	-	(137,732)	-	(137,732)
Total comprehensive income	-	-	220,165	(137,732)	-	82,433
Common shares						
Issued under stock option plan	34,012	-	-	-	-	34,012
Purchased for cancellation	(3,985)	-	-	-	-	(3,985)
Stock options						
Current period expense	-	1,083	-	-	-	1,083
Exercised	-	(1,856)	-	-	-	(1,856)
Common share dividends	-	-	(135,017)	-	-	(135,017)
Non-controlling interest	-	-	(849)	-	849	-
Common share cancellation excess and other	-	-	(60,151)	-	-	(60,151)
<b>Balance, end of period</b>	<b>\$ 1,688,707</b>	<b>\$ 50,296</b>	<b>\$ 3,881,144</b>	<b>\$ 745,351</b>	<b>\$ 52,192</b>	<b>\$ 6,417,690</b>
<b>2021</b>						
Balance, beginning of period	\$ 1,598,381	\$ 51,663	\$ 3,207,469	\$ 136,364	\$ 48,913	\$ 5,042,790
Net earnings	-	-	202,370	-	-	202,370
Other comprehensive income (loss), net of tax	-	-	-	871,248	-	871,248
Total comprehensive income	-	-	202,370	871,248	-	1,073,618
Common shares						
Issued under stock option plan	2,706	-	-	-	-	2,706
Stock options						
Current period expense	-	853	-	-	-	853
Exercised	-	(120)	-	-	-	(120)
Common share dividends	-	-	(134,090)	-	-	(134,090)
Non-controlling interest	-	-	(190)	-	601	411
Other	-	-	444	-	-	444
Balance, end of period	\$ 1,601,087	\$ 52,396	\$ 3,276,003	\$ 1,007,612	\$ 49,514	\$ 5,986,612

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

# Consolidated Statements of Cash Flows

	<i>Three months ended March 31</i>	
	2022	2021
<i>(unaudited)</i>		
<i>(in thousands of Canadian dollars)</i>		
<b>Operating activities</b>		
Earnings before income taxes	\$ 283,919	\$ 262,041
Income taxes paid	(160,622)	(55,343)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	17,660	12,074
Capitalized sales commissions paid	(44,456)	(40,146)
Amortization of capital, intangible and other assets	25,291	24,044
Proportionate share of associates' earnings, net of dividends received	(30,105)	(25,235)
Pension and other post-employment benefits	913	5,826
Changes in operating assets and liabilities and other	(22,257)	(109,870)
Cash from operating activities before restructuring provision payments	70,343	73,391
Restructuring provision cash payments	(5,391)	(20,949)
	<b>64,952</b>	<b>52,442</b>
<b>Financing activities</b>		
Net increase (decrease) in deposits and certificates	22	(3,648)
Increase in obligations to securitization entities	106,809	351,929
Repayments of obligations to securitization entities and other	(328,853)	(678,918)
Repayment of lease obligations	(6,320)	(6,382)
Issue of common shares	32,156	2,586
Common shares purchased for cancellation	(25,697)	-
Common share dividends paid	(134,816)	(134,048)
	<b>(356,699)</b>	<b>(468,481)</b>
<b>Investing activities</b>		
Purchase of other investments	(31,427)	(35,870)
Proceeds from the sale of other investments	5,265	15,576
Increase in loans	(300,011)	(380,502)
Repayment of loans and other	536,971	727,125
Net additions to capital assets	(12,266)	(5,245)
Net cash used in additions to intangible assets	(14,545)	(18,823)
	<b>183,987</b>	<b>302,261</b>
Decrease in cash and cash equivalents	(107,760)	(113,778)
Cash and cash equivalents, beginning of period	1,292,446	771,585
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,184,686</b>	<b>\$ 657,807</b>
Cash	\$ 349,565	\$ 50,192
Cash equivalents	835,121	607,615
	<b>\$ 1,184,686</b>	<b>\$ 657,807</b>
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	\$ 50,053	\$ 57,794
Interest paid	\$ 50,899	\$ 58,411

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

# Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2022 (unaudited) (In thousands of Canadian dollars, except shares and per share amounts)

## Note 1. Corporate information

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

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

## Note 2. Summary of significant accounting policies

The unaudited Interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the accounting policies as set out in this note and in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2021. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2021 IGM Financial Inc. Annual Report.

### Future accounting changes

The Company continuously monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the Company's operations.

## Note 3. Revenues from contracts with customers

	<i>Three months ended March 31</i>	
	2022	2021
Advisory fees	\$ 353,333	\$ 328,460
Product and program fees	241,310	224,808
	<b>594,643</b>	553,268
Redemption fees	1,459	3,760
Other financial planning revenues	45,103	46,423
Wealth management	641,205	603,451
Asset management	255,830	232,990
Dealer compensation expense	(86,191)	(80,709)
Net asset management	169,639	152,281
Net revenues from contracts with customers	<b>\$ 810,844</b>	\$ 755,732

Wealth management revenue is earned by providing financial planning, investment advisory and related financial services. Advisory fees, related to financial planning, are associated with assets under management and advisement. Product and program fees, related to investment management and administration services, are associated with assets under management. Other financial planning revenues include insurance, banking products and services, and mortgage lending activities.

Asset management revenue, related to investment management advisory and administrative services, depends on the level and composition of assets under management.

#### Note 4. Other investments

	March 31, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 227,385	\$ 1,062,836	\$ 226,220	\$ 1,291,434
Fair value through profit or loss (FVTPL)				
Equity securities	1,214	1,540	1,173	1,552
Proprietary investment funds	130,761	130,226	101,327	105,037
	131,975	131,766	102,500	106,589
	\$ 359,360	\$ 1,194,602	\$ 328,720	\$ 1,398,023

Wealthsimple Financial Corp. (Wealthsimple) is a financial company that provides simple digital tools for growing and managing your money. The Company's investment in Wealthsimple is held through a limited partnership controlled by Power Corporation of Canada. The investment is classified at Fair Value Through Other Comprehensive Income. IGM Financial Inc. holds directly and indirectly a 23% interest in Wealthsimple (2021 – 23%) valued at \$925 million at March 31, 2022, representing a decrease of \$228 million or 20% compared to December 31, 2021 fair value of \$1,153 million.

#### Note 5. Loans

	Contractual maturity			March 31, 2022 Total	December 31, 2021 Total
	1 year or less	1 – 5 years	Over 5 years		
<b>Amortized cost</b>					
Residential mortgages	\$ 1,118,620	\$ 3,978,222	\$ 4,163	\$ 5,101,005	\$ 5,297,054
Less: Allowance for expected credit losses				648	648
				5,100,357	5,296,406
<b>Fair value through profit or loss</b>				24,866	57,436
				\$ 5,125,223	\$ 5,353,842
The change in the allowance for expected credit losses is as follows:					
Balance, beginning of year				\$ 648	\$ 778
Write-offs, net of recoveries				(52)	(407)
Expected credit losses				52	277
Balance, end of year				\$ 648	\$ 648

Total credit impaired loans as at March 31, 2022 were \$4,527 (December 31, 2021 – \$2,822).

Total interest income on loans was \$32.7 million (2021 – \$42.5 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$24.1 million (2021 – \$31.2 million). Losses realized on the sale of residential mortgages totalled \$0.7 million (2021 – gains of \$2.3 million). Fair value adjustments related to mortgage banking operations totalled \$4.0 million (2021 – negative \$0.9 million). These amounts were included in Wealth management revenue. Wealth management revenue also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

#### Note 6. Securitizations

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

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, and the hedging swap used to manage exposure to changes in variable rate investment returns, are recorded as derivatives with a fair value of \$6.0 million at March 31, 2022 (December 31, 2021 – \$4.5 million).

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

	Securitized mortgages	Obligations to securitization entities	Net
<b>March 31, 2022</b>			
Carrying value			
NHA MBS and CMB Program	\$ 2,625,123	\$ 2,613,233	\$ 11,890
Bank sponsored ABCP	2,194,631	2,232,932	(38,301)
Total	\$ 4,819,754	\$ 4,846,165	\$ (26,411)
Fair value	\$ 4,772,524	\$ 4,828,542	\$ (56,018)
December 31, 2021			
Carrying value			
NHA MBS and CMB Program	\$ 2,653,682	\$ 2,651,293	\$ 2,389
Bank sponsored ABCP	2,371,320	2,406,624	(35,304)
Total	\$ 5,025,002	\$ 5,057,917	\$ (32,915)
Fair value	\$ 5,083,991	\$ 5,146,420	\$ (62,429)

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

## Note 7. Investment in associates

	Lifeco	ChinaAMC	Northleaf	Total
<b>March 31, 2022</b>				
Balance, beginning of period	\$ 1,020,700	\$ 768,724	\$ 258,831	\$ 2,048,255
Dividends	(18,295)	(31,319)	-	(49,614)
Proportionate share of:				
Earnings	30,668	13,489	4,243 <sup>(1)</sup>	48,400
Other comprehensive income (loss) and other adjustments	(806)	(7,185)	-	(7,991)
Balance, end of period	\$ 1,032,267	\$ 743,709	\$ 263,074	\$ 2,039,050
March 31, 2021				
Balance, beginning of period	\$ 962,388	\$ 720,282	\$ 248,498	\$ 1,931,168
Additions	-	-	181	181
Dividends	(16,354)	(26,877)	-	(43,231)
Proportionate share of:				
Earnings	28,089	12,550	950 <sup>(1)</sup>	41,589
Other comprehensive income (loss) and other adjustments	(5,557)	(12,285)	-	(17,842)
Balance, end of period	\$ 968,566	\$ 693,670	\$ 249,629	\$ 1,911,865

(1) For the three months ended March 31, 2022, the Company's proportionate share of Northleaf's earnings net of Non-controlling interest was \$3,394 (2021 – \$760).

The Company uses the equity method to account for its investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC) and Northleaf Capital Group Ltd. (Northleaf) as it exercises significant influence.

On January 5, 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of \$1.15 billion from Power Corporation of Canada (Power), which will increase the Company's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, the Company will sell 15,200,662 common shares of Lifeco to Power for cash consideration of \$575 million, which will reduce the Company's equity interest in Lifeco from 4.0% to 2.4%. These transactions are expected to close in 2022, subject to customary closing conditions, including Chinese regulatory approvals. The sale of Lifeco shares is conditional on the Company's purchase of the ChinaAMC shares.

## Note 8. Share capital

### Authorized

Unlimited number of:

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

### Issued and outstanding

	March 31, 2022		March 31, 2021	
	Shares	Stated value	Shares	Stated value
Common shares:				
Balance, beginning of period	239,679,043	\$ 1,658,680	238,308,284	\$ 1,598,381
Issued under Stock Option Plan	867,578	34,012	74,244	2,706
Purchased for cancellation	(570,000)	(3,985)	-	-
Balance, end of period	239,976,621	\$ 1,688,707	238,382,528	\$ 1,601,087

### Normal course issuer bid

The Company commenced a normal course issuer bid on March 1, 2022 which is effective until the earlier of February 28, 2023 and the date on which the Company has purchased the maximum number of common shares permitted under the normal course issuer bid. Pursuant to this bid, the Company may purchase up to 6.0 million or approximately 2.5% of its common shares outstanding as at February 15, 2022.

In the three months ended March 31, 2022, there were 570,000 shares (2021 – nil) purchased at a cost of \$25.7 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

In connection with its normal course issuer bid, the Company has established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how the Company's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

## Note 9. Capital management

The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the First Quarter 2022 Report to Shareholders and in Note 19 to the Consolidated Financial Statements in the 2021 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2021.

## Note 10. Share-based payments

### Stock option plan

	March 31 2022	December 31 2021
Common share options		
– Outstanding	11,873,785	11,712,164
– Exercisable	6,500,013	6,179,244

In the three months ended March 31, 2022, the Company granted 1,372,090 options to employees (2021 – 1,604,340). The weighted-average fair value of options granted during the three months ended March 31, 2022, has been estimated at \$4.98 per option (2021 – \$2.68) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was \$44.76.

Other assumptions used in these valuation models include:

	<i>Three months ended March 31</i>	
	2022	2021
Exercise price	\$45.50	\$35.01
Risk-free interest rate	1.93%	1.29%
Expected option life	7 years	7 years
Expected volatility	23.00%	23.00%
Expected dividend yield	5.02%	6.45%

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

## Note 11. Accumulated other comprehensive income (loss)

	Employee benefits	Other investments	Investment in associates and other	Total
<b>March 31, 2022</b>				
Balance, beginning of period	\$ (95,666)	\$ 919,152	\$ 59,597	\$ 883,083
Other comprehensive income (loss)	69,688	(198,745)	(8,675)	(137,732)
Balance, end of period	\$ (25,978)	\$ 720,407	\$ 50,922	\$ 745,351
March 31, 2021				
Balance, beginning of period	\$ (196,949)	\$ 293,448	\$ 39,865	\$ 136,364
Other comprehensive income (loss)	83,115	801,145	(13,012)	871,248
Balance, end of period	\$ (113,834)	\$ 1,094,593	\$ 26,853	\$ 1,007,612

Amounts are recorded net of tax.

## Note 12. Risk management

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the First Quarter 2022 Report to Shareholders and in Note 22 to the Consolidated Financial Statements in the 2021 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2021.



### Note 13. Fair value of financial instruments

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

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

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

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

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

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

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

Fair value is determined using the following methods and assumptions:

Other investments and other financial assets and financial liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

Loans classified as Level 2 are valued using market interest rates for loans with similar credit risk and maturity.

Loans classified as Level 3 are valued by discounting the expected future cash flows at prevailing market yields.

Valuation methods used for Other investments classified as Level 3 include comparison to market transactions with arm's length third parties, use of market multiples, and discounted cash flow analysis.

Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Long-term debt is valued using quoted prices for each debenture available in the market.

Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

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

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

Level 3 assets and liabilities include investments with little or no trading activity valued using broker-dealer quotes, loans, other financial assets, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap. Level 3 Other investments of \$1,063 million are predominantly comprised of early-stage financial technology companies, including Wealthsimple with a fair value of \$925 million. Fair value is determined by using observable transactions in the investments' securities, where available, forecasted cash flows, and other valuation metrics, including revenue multiples, used in the valuation of comparable public companies. A 5% increase (decrease) to forecasted cash flows or revenue multiples would result in an increase (decrease) in fair value of the Company's investment in Wealthsimple of approximately \$44 million.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>March 31, 2022</b>					
<b>Financial assets recorded at fair value</b>					
Other investments					
– FVTOCI	\$ 1,062,836	\$ –	\$ –	\$ 1,062,836	\$ 1,062,836
– FVTPL	131,766	130,116	1,650	–	131,766
Loans					
– FVTPL	24,866	–	24,866	–	24,866
Derivative financial instruments	47,199	–	28,997	18,202	47,199
<b>Financial assets recorded at amortized cost</b>					
Loans					
– Amortized cost	5,100,357	–	275,583	4,772,524	5,048,107
<b>Financial liabilities recorded at fair value</b>					
Derivative financial instruments	26,392	–	22,024	4,368	26,392
<b>Financial liabilities recorded at amortized cost</b>					
Deposits and certificates	2,592,634	–	2,592,758	–	2,592,758
Obligations to securitization entities	4,846,165	–	–	4,828,542	4,828,542
Long-term debt	2,100,000	–	2,271,255	–	2,271,255

	Carrying value	Fair value				Total
		Level 1	Level 2	Level 3		
December 31, 2021						
<b>Financial assets recorded at fair value</b>						
Other investments						
– FVTOCI	\$ 1,291,434	\$ –	\$ –	\$ 1,291,434	\$ –	\$ 1,291,434
– FVTPL	106,589	104,658	1,931	–	–	106,589
Loans						
– FVTPL	57,436	–	57,436	–	–	57,436
Derivative financial instruments	41,172	–	34,074	7,098	–	41,172
<b>Financial assets recorded at amortized cost</b>						
Loans						
– Amortized cost	5,296,406	–	270,156	5,083,991	–	5,354,147
<b>Financial liabilities recorded at fair value</b>						
Derivative financial instruments	17,773	–	11,635	6,138	–	17,773
<b>Financial liabilities recorded at amortized cost</b>						
Deposits and certificates	2,220,274	–	2,220,530	–	–	2,220,530
Obligations to securitization entities	5,057,917	–	–	5,146,420	–	5,146,420
Long-term debt	2,100,000	–	2,544,380	–	–	2,544,380

There were no significant transfers between Level 1 and Level 2 in 2022 and 2021.

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

	Balance January 1	Gains (losses) included in Net earnings <sup>(1)</sup>	Gains (losses) included in Other comprehensive income	Purchases and issuances	Settlements	Transfers in (out)	Balance March 31
<b>March 31, 2022</b>							
Other investments							
– FVTOCI	\$ 1,291,434	\$ –	\$ (229,763)	\$ 1,165	\$ –	\$ –	\$ 1,062,836
Derivative financial instruments, net	960	11,506	–	290	(1,078)	–	13,834
<b>March 31, 2021</b>							
Other investments							
– FVTOCI	\$ 593,273	\$ –	\$ 926,179	\$ 4,150	\$ –	\$ –	\$ 1,523,602
– FVTPL	279	49	–	–	–	–	328
Derivative financial instruments, net	(21,103)	6,802	–	707	(1,905)	–	(11,689)

(1) Included in Wealth management revenue or Net investment income and other in the Consolidated Statements of Earnings.

## Note 14. Earnings per common share

	Three months ended March 31	
	2022	2021
<b>Earnings</b>		
Net earnings	\$ 220,165	\$ 202,370
Non-controlling interest	(849)	(190)
Net earnings available to common shareholders	\$ 219,316	\$ 202,180
<b>Number of common shares (in thousands)</b>		
Weighted average number of common shares outstanding	239,770	238,323
Add: Potential exercise of outstanding stock options <sup>(1)</sup>	1,481	151
Average number of common shares outstanding – diluted basis	241,251	238,474
<b>Earnings per common share (in dollars)</b>		
– Basic	\$ 0.91	\$ 0.85
– Diluted	\$ 0.91	\$ 0.85

(1) Excludes 293 thousand shares for the three months ended March 31, 2022 (2021 – 1,534 thousand) related to outstanding stock options that were anti-dilutive.

## Note 15. COVID-19

Governments worldwide continue to have varying degrees of restrictions and measures to combat the impacts of COVID-19. These measures, which have included the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility in global equity markets and material disruption to global businesses.

The Company continues to leverage its business continuity plan as a result of these events, which included moving substantially all employees and advisors to work from home and further supporting the Company's information technology infrastructure. The Company has initiated a phased approach to returning to the office and will continue to monitor developments to guide its approach.

There continues to be uncertainty regarding the impact of new variants of the virus, and this contributes towards uncertainty of the timing of a full economic recovery. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

## Note 16. Segmented information

The Company's reportable segments are:

- Wealth Management
- Asset Management
- Strategic Investments and Other

These segments reflect the Company's internal financial reporting and performance measurement.

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.

- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and also through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portage Ventures LPs. Unallocated capital is also included within this segment.

2022

<i>Three months ended March 31</i>	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Revenues					
Wealth management	\$ 646,131	\$ -	\$ -	\$ (4,926)	\$ 641,205
Asset management	-	284,833	-	(29,003)	255,830
Dealer compensation	-	(91,116)	-	4,925	(86,191)
Net asset management	-	193,717	-	(24,078)	169,639
Net investment income and other	(17)	(2,616)	688	(73)	(2,018)
Proportionate share of associates' earnings	-	-	48,400	-	48,400
	646,114	191,101	49,088	(29,077)	857,226
Expenses					
Advisory and business development	288,967	20,143	-	(2)	309,108
Operations and support	121,031	93,066	1,404	(73)	215,428
Sub-advisory	48,136	1,504	-	(29,002)	20,638
	458,134	114,713	1,404	(29,077)	545,174
	187,980	76,388	47,684	-	312,052
Interest expense <sup>(1)</sup>	22,291	5,842	-	-	28,133
Earnings before income taxes	165,689	70,546	47,684	-	283,919
Income taxes	44,295	18,405	1,054	-	63,754
	121,394	52,141	46,630	-	220,165
Non-controlling interest	-	-	(849)	-	(849)
Net earnings available to common shareholders	\$ 121,394	\$ 52,141	\$ 45,781	\$ -	\$ 219,316
Identifiable assets	\$ 9,252,471	\$ 1,607,961	\$ 3,906,646	\$ -	\$ 14,767,078
Goodwill	1,491,687	1,310,486	-	-	2,802,173
Total assets	\$ 10,744,158	\$ 2,918,447	\$ 3,906,646	\$ -	\$ 17,569,251

(1) Interest expense includes interest on long-term debt and interest on leases.

2021

<i>Three months ended March 31</i>	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Revenues					
Wealth management	\$ 607,997	\$ -	\$ -	\$ (4,546)	\$ 603,451
Asset management	-	259,903	-	(26,913)	232,990
Dealer compensation	-	(85,253)	-	4,544	(80,709)
Net asset management	-	174,650	-	(22,369)	152,281
Net investment income and other	1,747	1,195	252	(60)	3,134
Proportionate share of associates' earnings	-	-	41,589	-	41,589
	609,744	175,845	41,841	(26,975)	800,455
Expenses					
Advisory and business development	263,715	20,313	-	(2)	284,026
Operations and support	121,988	83,448	1,165	(62)	206,539
Sub-advisory	44,933	1,707	-	(26,911)	19,729
	430,636	105,468	1,165	(26,975)	510,294
	179,108	70,377	40,676	-	290,161
Interest expense <sup>(1)</sup>	22,259	5,861	-	-	28,120
Earnings before income taxes	156,849	64,516	40,676	-	262,041
Income taxes	42,078	16,525	1,068	-	59,671
	114,771	47,991	39,608	-	202,370
Non-controlling interest	-	-	(190)	-	(190)
Net earnings available to common shareholders	\$ 114,771	\$ 47,991	\$ 39,418	\$ -	\$ 202,180
Identifiable assets					
Identifiable assets	\$ 8,858,552	\$ 1,478,536	\$ 3,726,177	\$ -	\$ 14,063,265
Goodwill	1,491,687	1,311,478	-	-	2,803,165
Total assets	\$ 10,350,239	\$ 2,790,014	\$ 3,726,177	\$ -	\$ 16,866,430

(1) Interest expense includes interest on long-term debt and interest on leases.

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# Shareholder information

## Head Office

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

## Auditor

Deloitte LLP

## Transfer Agent and Registrar

Computershare Investor Services Inc.

Telephone: 1 800 564 6253  
[service@computershare.com](mailto:service@computershare.com)

800, 324 – 8<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 2Z2

1500 Robert-Bourassa Boulevard, 7<sup>th</sup> Floor  
Montreal, Quebec H3A 3S8

100 University Avenue, 8<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1

510 Burrard Street, 2<sup>nd</sup> Floor  
Vancouver, British Columbia V6C 3B9

## Stock Exchange Listing

Toronto Stock Exchange

Shares of IGM Financial Inc. are listed on the Toronto Stock Exchange under the following listings:  
Common Shares: IGM

## Shareholder Information

For additional financial information about the Company, please contact:

Investor Relations  
[investor.relations@igmfinancial.com](mailto:investor.relations@igmfinancial.com)

For copies of the annual or quarterly reports, please contact the Corporate Secretary's office at 204 956 8259 or visit our website at [igmfinancial.com](http://igmfinancial.com)

## Normal Course Issuer Bid

The Company has renewed its Normal Course Issuer Bid through the facilities of the Toronto Stock Exchange from March 1, 2022 to February 28, 2023. During the course of the Bid, the Company intends to purchase for cancellation up to but not more than 6,000,000 of its common shares, representing approximately 2.5% of its outstanding common shares. Shareholders may obtain a copy of the Bid, without charge, by contacting the Corporate Secretary's Department at the Company's Head Office.

## Websites

Visit our websites at  
[igmfinancial.com](http://igmfinancial.com)  
[ig.ca](http://ig.ca)  
[mackenzieinvestments.com](http://mackenzieinvestments.com)  
[ipcc.ca](http://ipcc.ca)

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