

# Financial Section

## Management's Discussion and Analysis

### IGM Financial Inc.

Summary of Consolidated Operating Results	20
---	----

### Wealth Management

Review of the Business	31
Review of Segment Operating Results	40

### Asset Management

Review of the Business	46
Review of Segment Operating Results	53

### Strategic Investments and Other

Review of Segment Operating Results	56
-------------------------------------	----

### IGM Financial Inc.

Consolidated Financial Position	58
Consolidated Liquidity and Capital Resources	61
Risk Management	66
The Financial Services Environment	80
Critical Accounting Estimates and Policies	82
Disclosure Controls and Procedures	84
Internal Control Over Financial Reporting	84
Other Information	85

## Financial Review

### Consolidated Financial Statements

Management's Responsibility for Financial Reporting	87
Independent Auditor's Report	88
Consolidated Financial Statements	91
Notes to Consolidated Financial Statements	96

### Supplementary Information

Quarterly Review	128
Ten Year Review	130

# Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and the financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the years ended December 31, 2022 and 2021 and should be read in conjunction with the audited Consolidated Financial Statements. Commentary in the MD&A as at and for the year ended December 31, 2022 is as of February 9, 2023.

## Basis of Presentation and Summary of Accounting Policies

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

## Principal Holders of Voting Shares

As at December 31, 2022, Power Corporation of Canada (Power) and Great-West Lifeco Inc. (Lifeco), a subsidiary of Power, held directly or indirectly 62.2% and 3.9%, respectively, of the outstanding common shares of IGM Financial.

### 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 to 4.

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 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 \$249.4 billion as at December 31, 2022, compared with \$277.1 billion at December 31, 2021, as detailed in Table 6. Average total assets under management and advisement for the year ended December 31, 2022 were \$255.2 billion compared to \$259.7 billion in 2021. Average total assets under management and advisement for the fourth quarter of 2022 were \$247.8 billion compared to \$272.0 billion in the fourth quarter of 2021.

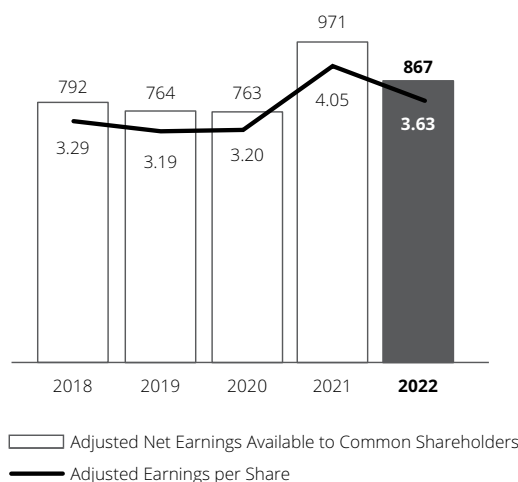
Total assets under management were \$217.0 billion at December 31, 2022, compared with \$245.3 billion at December 31, 2021. Average total assets under management for the year ended December 31, 2022 were \$224.6 billion compared to \$231.4 billion in 2021. Average total assets under management for the fourth quarter of 2022 were \$216.5 billion compared to \$241.9 billion in the fourth quarter of 2021.

Net earnings available to common shareholders for the year ended December 31, 2022 were \$867.2 million or \$3.63 per share compared to net earnings available to common shareholders of \$978.9 million or \$4.08 per share in 2021, representing a decrease of 11.0% in earnings per share. Net earnings available to common shareholders for the three months ended December 31, 2022 were \$224.7 million or \$0.94 per share compared to net earnings available to common shareholders of \$268.5 million or \$1.11 per share for the comparative period in 2021, a decrease of 15.3% in earnings per share.

Annual net earnings per share in 2022 represented a decrease of 10.4% over annual adjusted net earnings per share in 2021. Net earnings per share for the fourth quarter of 2022 represented a decrease of 13.0% over adjusted net earnings per share (a non-IFRS ratio – see Non-IFRS Financial Measures and Other Financial Measures) for the fourth quarter of 2021. In 2021, adjusted net earnings available to common shareholders, excluding other items outlined below, were \$971.2 million or \$4.05 per share for the twelve month period and were \$260.8 million or \$1.08 per share for the fourth quarter of 2021.

### Adjusted Net Earnings Available to Common Shareholders<sup>(1)</sup> and Adjusted Earnings per Share<sup>(1)</sup>

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



Adjusted net earnings available to common shareholders and adjusted net earnings per share excluded the following after-tax amounts:

- 2018 – charges related to restructuring and other and the premium paid on the early redemption of debentures.
- 2019 – the Company's proportionate share in Great-West Lifeco Inc.'s one-time charges.
- 2020 – the gain on sale of Personal Capital, gain on sale of Quadrus Group of Funds net of acquisition costs, the Company's proportionate share of associate's adjustments and restructuring and other.
- 2021 – additional consideration receivable related to the sale of Personal Capital in 2020.

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

Other items for the three and twelve months ended December 31, 2021 consisted of additional consideration receivable of \$10.6 million (\$7.7 million after-tax) related to the sale of the Company's equity interest in Personal Capital Corporation (Personal Capital) in 2020.

Shareholders' equity was \$6.3 billion at December 31, 2022, compared to \$6.5 billion at December 31, 2021. Adjusted ROE (a non-IFRS ratio – see Non-IFRS Financial Measures and Other Financial Measures) for the year ended December 31, 2022 was 14.0% compared with 16.4% for the comparative period in 2021. Adjusted 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 year ended December 31, 2022 was 15.2% compared with 19.0% in 2021. The quarterly dividend per common share was 56.25 cents in 2022, unchanged from the end of 2021.

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

On January 12, 2023, the Company closed the previously announced transaction to acquire Power Corporation of Canada's (Power) 13.9% interest in ChinaAMC for cash consideration of \$1.15 billion, increasing the Company's equity

interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, IGM Financial sold 15,200,662 common shares of Lifeco to Power for cash consideration of \$553 million which reduced the Company's equity interest in Lifeco from 4% to 2.4%. The remaining \$597 million of consideration was funded from the Company's existing financial resources including \$22 million in dividends received after March 31, 2022 with respect to the Lifeco shares that were sold.

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.

### Market Overview

Following an extended period of strong financial market returns that began during the second quarter of 2020, negative

**Table 1: Reconciliation of Non-IFRS Financial Measures**

	Three months ended			Twelve months ended	
	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	2022 Dec. 31	2021 Dec. 31
(\$ millions except EPS)					
<b>Adjusted net earnings available to common shareholders<sup>(1)</sup></b>	<b>\$ 224.7</b>	<b>\$ 216.1</b>	<b>\$ 260.8</b>	<b>\$ 867.2</b>	<b>\$ 971.2</b>
Gain on sale of Personal Capital, net of tax	–	–	7.7	–	7.7
<b>Net earnings available to common shareholders</b>	<b>\$ 224.7</b>	<b>\$ 216.1</b>	<b>\$ 268.5</b>	<b>\$ 867.2</b>	<b>\$ 978.9</b>
<b>Adjusted earnings per share<sup>(1)</sup></b>	<b>\$ 0.94</b>	<b>\$ 0.91</b>	<b>\$ 1.08</b>	<b>\$ 3.63</b>	<b>\$ 4.05</b>
Gain on sale of Personal Capital, net of tax	–	–	0.03	–	0.03
<b>Earnings per share<sup>(2)</sup></b>	<b>\$ 0.94</b>	<b>\$ 0.91</b>	<b>\$ 1.11</b>	<b>\$ 3.63</b>	<b>\$ 4.08</b>
<b>Average outstanding shares – Diluted (thousands)</b>	<b>237,958</b>	<b>237,808</b>	<b>241,443</b>	<b>238,996</b>	<b>240,019</b>
<b>EBITDA before sales commissions<sup>(1)</sup></b>	<b>\$ 366.1</b>	<b>\$ 356.0</b>	<b>\$ 411.8</b>	<b>\$ 1,425.6</b>	<b>\$ 1,547.0</b>
Sales-based commissions paid	(22.2)	(25.6)	(42.9)	(130.8)	(170.5)
<b>EBITDA after sales commissions<sup>(1)</sup></b>	<b>343.9</b>	<b>330.4</b>	<b>368.9</b>	<b>1,294.8</b>	<b>1,376.5</b>
Sales-based commissions paid subject to amortization	22.2	25.6	39.3	123.5	151.0
Amortization of capitalized sales commissions	(20.9)	(20.1)	(16.2)	(77.6)	(56.7)
Amortization of capital, intangible and other assets	(26.2)	(26.4)	(25.4)	(104.0)	(99.8)
<b>Adjusted earnings before interest and income taxes<sup>(1)</sup></b>	<b>319.0</b>	<b>309.5</b>	<b>366.6</b>	<b>1,236.7</b>	<b>1,371.0</b>
Interest expense <sup>(3)</sup>	28.7	28.6	28.6	113.8	113.9
<b>Adjusted earnings before income taxes<sup>(1)</sup></b>	<b>290.3</b>	<b>280.9</b>	<b>338.0</b>	<b>1,122.9</b>	<b>1,257.1</b>
Income taxes	63.3	63.9	76.5	250.4	283.9
<b>Adjusted net earnings<sup>(1)</sup></b>	<b>227.0</b>	<b>217.0</b>	<b>261.5</b>	<b>872.5</b>	<b>973.2</b>
Gain on sale of Personal Capital, net of tax	–	–	7.7	–	7.7
<b>Net earnings</b>	<b>\$ 227.0</b>	<b>\$ 217.0</b>	<b>\$ 269.2</b>	<b>\$ 872.5</b>	<b>\$ 980.9</b>

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

(2) Diluted earnings per share.

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

returns during 2022 were reflective of the current volatility in global markets:

- The S&P TSX Composite total return index increased by 6.0% in the fourth quarter of 2022 and decreased by 5.8% for the year.
- U.S. equity markets, as measured by the S&P 500 total return index, increased by 7.6% in the fourth quarter of 2022 and decreased by 18.1% for the year.
- European equity markets, as measured by the MSCI Europe net total return index, increased by 9.6% in the fourth quarter of 2022 and decreased by 9.5% for the year.
- Asian equity markets, as measured by the MSCI AC Asia Pacific net total return index, increased by 12.5% in the fourth quarter of 2022 and decreased by 17.2% for the year.
- The FTSE TMX Canada Universe Bond total return index increased by 0.1% in the fourth quarter of 2022 and decreased by 11.7% for the year.
- Our clients experienced an average investment return of 5.4% in the fourth quarter of 2022 and -9.9% for the year.

IGM Financial's assets under management and advisement decreased by 10.0% from \$277.1 billion at December 31, 2021 to \$249.4 billion at December 31, 2022. See Table 6 for the breakdown of IGM Financial's assets under management and advisement.

## 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, 3 and 4):

- **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 that 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 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.

**Table 2: Consolidated Operating Results by Segment – Q4 2022 vs. Q4 2021**

<b>Three months ended</b> (\$ millions)	<b>Wealth Management</b>		<b>Asset Management</b>		<b>Strategic Investments &amp; Other</b>		<b>Intersegment Eliminations</b>		<b>Total</b>	
	<b>2022 Dec. 31</b>	<b>2021 Dec. 31</b>	<b>2022 Dec. 31</b>	<b>2021 Dec. 31</b>	<b>2022 Dec. 31</b>	<b>2021 Dec. 31</b>	<b>2022 Dec. 31</b>	<b>2021 Dec. 31</b>	<b>2022 Dec. 31</b>	<b>2021 Dec. 31</b>
<b>Revenues</b>										
Wealth management	\$ 610.8	\$ 672.5	\$ –	\$ –	\$ –	\$ –	\$ (4.6)	\$ (5.0)	\$ 606.2	\$ 667.5
Asset management	–	–	260.5	296.8	–	–	(27.3)	(30.0)	233.2	266.8
Dealer compensation expense	–	–	(76.9)	(91.7)	–	–	4.5	5.0	(72.4)	(86.7)
Net asset management	–	–	183.6	205.1	–	–	(22.8)	(25.0)	160.8	180.1
Net investment income and other	2.6	1.4	5.6	1.3	7.4	1.1	–	–	15.6	3.8
Proportionate share of associates' earnings	–	–	–	–	65.4	50.7	–	–	65.4	50.7
	<b>613.4</b>	<b>673.9</b>	<b>189.2</b>	<b>206.4</b>	<b>72.8</b>	<b>51.8</b>	<b>(27.4)</b>	<b>(30.0)</b>	<b>848.0</b>	<b>902.1</b>
<b>Expenses</b>										
Advisory and business development	276.9	284.8	21.3	24.1	–	–	–	–	298.2	308.9
Operations and support	121.3	115.9	90.9	88.3	0.4	1.3	(0.1)	–	212.5	205.5
Sub-advisory	44.6	49.5	1.0	1.6	–	–	(27.3)	(30.0)	18.3	21.1
	<b>442.8</b>	<b>450.2</b>	<b>113.2</b>	<b>114.0</b>	<b>0.4</b>	<b>1.3</b>	<b>(27.4)</b>	<b>(30.0)</b>	<b>529.0</b>	<b>535.5</b>
<b>Adjusted earnings before interest and taxes<sup>(1)</sup></b>	<b>170.6</b>	<b>223.7</b>	<b>76.0</b>	<b>92.4</b>	<b>72.4</b>	<b>50.5</b>	<b>–</b>	<b>–</b>	<b>319.0</b>	<b>366.6</b>
Interest expense <sup>(2)</sup>	22.8	22.7	5.9	5.9	–	–	–	–	28.7	28.6
Adjusted earnings before income taxes <sup>(1)</sup>	147.8	201.0	70.1	86.5	72.4	50.5	–	–	290.3	338.0
Income taxes	39.7	53.8	18.8	21.2	4.8	1.5	–	–	63.3	76.5
<b>Adjusted net earnings<sup>(1)</sup></b>	<b>108.1</b>	<b>147.2</b>	<b>51.3</b>	<b>65.3</b>	<b>67.6</b>	<b>49.0</b>	<b>–</b>	<b>–</b>	<b>227.0</b>	<b>261.5</b>
Non-controlling interest	0.2	–	–	–	2.1	0.7	–	–	2.3	0.7
<b>Adjusted net earnings available to common shareholders<sup>(1)</sup></b>	<b>\$ 107.9</b>	<b>\$ 147.2</b>	<b>\$ 51.3</b>	<b>\$ 65.3</b>	<b>\$ 65.5</b>	<b>\$ 48.3</b>	<b>\$ –</b>	<b>\$ –</b>	<b>224.7</b>	<b>260.8</b>
<b>Other items<sup>(1)</sup>, net of tax</b>										
Gain on sale of Personal Capital									–	7.7
<b>Net earnings available to common shareholders</b>									<b>\$ 224.7</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.

- **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 advisors, field management, product &

planning specialists; expenses associated with facilities, technology and training relating to our 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

**Table 3: Consolidated Operating Results by Segment – Twelve Months Ended**

<b>Twelve months ended</b> (\$ millions)	<b>Wealth Management</b>		<b>Asset Management</b>		<b>Strategic Investments &amp; Other</b>		<b>Intersegment Eliminations</b>		<b>Total</b>	
	<b>2022</b> <b>Dec. 31</b>	<b>2021</b> <b>Dec. 31</b>	<b>2022</b> <b>Dec. 31</b>	<b>2021</b> <b>Dec. 31</b>	<b>2022</b> <b>Dec. 31</b>	<b>2021</b> <b>Dec. 31</b>	<b>2022</b> <b>Dec. 31</b>	<b>2021</b> <b>Dec. 31</b>	<b>2022</b> <b>Dec. 31</b>	<b>2021</b> <b>Dec. 31</b>
Revenues										
Wealth management	\$ 2,484.0	\$ 2,572.9	\$ –	\$ –	\$ –	\$ –	\$ (18.7)	\$ (19.3)	\$ 2,465.3	\$ 2,553.6
Asset management	–	–	1,077.7	1,126.1	–	–	(111.7)	(114.6)	966.0	1,011.5
Dealer compensation expense	–	–	(327.6)	(355.3)	–	–	18.7	19.3	(308.9)	(336.0)
Net asset management	–	–	750.1	770.8	–	–	(93.0)	(95.3)	657.1	675.5
Net investment income and other	4.1	3.6	5.7	5.8	14.6	2.7	(0.3)	(0.2)	24.1	11.9
Proportionate share of associates' earnings	–	–	–	–	210.7	196.4	–	–	210.7	196.4
	2,488.1	2,576.5	755.8	776.6	225.3	199.1	(112.0)	(114.8)	3,357.2	3,437.4
Expenses										
Advisory and business development	1,126.1	1,089.3	79.4	88.7	–	–	–	–	1,205.5	1,178.0
Operations and support	476.9	466.1	358.4	335.6	4.9	4.9	(0.3)	(0.2)	839.9	806.4
Sub-advisory	181.9	189.7	4.9	6.9	–	–	(111.7)	(114.6)	75.1	82.0
	1,784.9	1,745.1	442.7	431.2	4.9	4.9	(112.0)	(114.8)	2,120.5	2,066.4
Adjusted earnings before interest and taxes <sup>(1)</sup>	703.2	831.4	313.1	345.4	220.4	194.2	–	–	1,236.7	1,371.0
Interest expense <sup>(2)</sup>	90.3	90.3	23.5	23.6	–	–	–	–	113.8	113.9
Adjusted earnings before income taxes <sup>(1)</sup>	612.9	741.1	289.6	321.8	220.4	194.2	–	–	1,122.9	1,257.1
Income taxes	164.2	198.0	76.4	81.0	9.6	4.9	0.2	–	250.4	283.9
Adjusted net earnings <sup>(1)</sup>	448.7	543.1	213.2	240.8	210.8	189.3	(0.2)	–	872.5	973.2
Non-controlling interest	0.2	–	–	–	5.1	2.0	–	–	5.3	2.0
Adjusted net earnings available to common shareholders <sup>(1)</sup>	\$ 448.5	\$ 543.1	\$ 213.2	\$ 240.8	\$ 205.7	\$ 187.3	\$ (0.2)	\$ –	867.2	971.2
Other items <sup>(1)</sup> , net of tax										
Gain on sale of Personal Capital									–	7.7
Net earnings available to common shareholders									\$ 867.2	\$ 978.9

(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.

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 5.

Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. The effect of changes in management's best estimates reported in adjusted net earnings is reflected in Other, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.



**Table 4: Consolidated Operating Results by Segment – Q4 2022 vs. Q3 2022**

<i>Three months ended</i> (\$ millions)	Wealth Management		Asset Management		Strategic Investments & Other		Intersegment Eliminations		Total	
	2022 Dec. 31	2022 Sep. 30	2022 Dec. 31	2022 Sep. 30	2022 Dec. 31	2022 Sep. 30	2022 Dec. 31	2022 Sep. 30	2022 Dec. 31	2022 Sep. 30
Revenues										
Wealth management	\$ 610.8	\$ 611.3	\$ –	\$ –	\$ –	\$ –	\$ (4.6)	\$ (4.5)	\$ 606.2	\$ 606.8
Asset management	–	–	260.5	262.7	–	–	(27.3)	(27.3)	233.2	235.4
Dealer compensation expense	–	–	(76.9)	(77.5)	–	–	4.5	4.6	(72.4)	(72.9)
Net asset management	–	–	183.6	185.2	–	–	(22.8)	(22.7)	160.8	162.5
Net investment income and other	2.6	2.8	5.6	3.8	7.4	4.7	–	(0.2)	15.6	11.1
Proportionate share of associates' earnings	–	–	–	–	65.4	46.9	–	–	65.4	46.9
	613.4	614.1	189.2	189.0	72.8	51.6	(27.4)	(27.4)	848.0	827.3
Expenses										
Advisory and business development	276.9	278.0	21.3	16.4	–	–	–	–	298.2	294.4
Operations and support	121.3	118.5	90.9	86.0	0.4	1.1	(0.1)	(0.1)	212.5	205.5
Sub-advisory	44.6	44.0	1.0	1.2	–	–	(27.3)	(27.3)	18.3	17.9
	442.8	440.5	113.2	103.6	0.4	1.1	(27.4)	(27.4)	529.0	517.8
Adjusted earnings before interest and taxes <sup>(1)</sup>	170.6	173.6	76.0	85.4	72.4	50.5	–	–	319.0	309.5
Interest expense <sup>(2)</sup>	22.8	22.7	5.9	5.9	–	–	–	–	28.7	28.6
Adjusted earnings before income taxes <sup>(1)</sup>	147.8	150.9	70.1	79.5	72.4	50.5	–	–	290.3	280.9
Income taxes	39.7	40.5	18.8	21.0	4.8	2.4	–	–	63.3	63.9
Adjusted net earnings <sup>(1)</sup>	108.1	110.4	51.3	58.5	67.6	48.1	–	–	227.0	217.0
Non-controlling interest	0.2	–	–	–	2.1	0.9	–	–	2.3	0.9
Adjusted net earnings available to common shareholders <sup>(1)</sup>	\$ 107.9	\$ 110.4	\$ 51.3	\$ 58.5	\$ 65.5	\$ 47.2	\$ –	\$ –	224.7	216.1
Other items <sup>(1)</sup> , net of tax									–	–
Net earnings available to common shareholders									\$ 224.7	\$ 216.1

(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.

**Table 5: Effective Income Tax Rate**

	Three months ended			Twelve months ended	
	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	2022 Dec. 31	2021 Dec. 31
Income taxes at Canadian federal and provincial statutory rates	26.61 %	26.62 %	26.64 %	26.62 %	26.63 %
Effect of:					
Proportionate share of associates' earnings	(5.51)	(3.93)	(3.39)	(4.50)	(3.65)
Other	0.70	0.05	(0.48)	0.18	(0.36)
Effective income tax rate – net earnings	21.80 %	22.74 %	22.77 %	22.30 %	22.62 %

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. There were no Other items in the periods under review as reflected in Tables 2, 3 and 4.

**Table 6: Assets Under Management and Advisement**

	Wealth Management				Asset Management <sup>(1)</sup>				Intercompany Eliminations <sup>(2)</sup>		Consolidated	
	IG Wealth Management		Investment Planning Counsel		Mackenzie Investments							
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
(\$ millions)	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
<b>Three months ended</b>												
<b>Gross flows</b>												
Mutual fund gross sales <sup>(3)</sup>	\$ 2,125	\$ 2,959	\$ 138	\$ 174	\$ 1,559	\$ 2,592	\$ -	\$ -	\$ -	\$ -	\$ 3,822	\$ 5,725
Dealer gross inflows	3,031	3,437	1,157	1,509	-	-	-	-	-	-	4,188	4,946
<b>Net flows</b>												
Mutual fund net sales <sup>(3)</sup>	(718)	457	(148)	(129)	(966)	512	-	-	-	-	(1,832)	840
ETF net creations	-	-	-	-	134	245	-	-	-	-	134	245
Investment fund net sales	(718)	457	(148)	(129)	(832)	757	-	-	-	-	(1,698)	1,085
Institutional SMA net sales <sup>(4)</sup>	-	-	-	-	(135)	(576)	-	-	-	-	(135)	(576)
Mackenzie net sales through Wealth Management	(18)	36	(33)	20	-	-	51	(56)	-	(56)	-	-
IGM product net sales	(736)	493	(181)	(109)	(967)	181	51	(56)	-	(56)	(1,833)	509
Other dealer net flows	1,165	492	226	232	-	-	2	1	-	1	1,393	725
Total net flows	429	985	45	123	(967)	181	53	(55)	-	(55)	(440)	1,234
<b>Twelve months ended</b>												
<b>Gross flows</b>												
Mutual fund gross sales <sup>(3)</sup>	\$ 10,587	\$ 11,845	\$ 621	\$ 774	\$ 7,496	\$ 12,022	\$ -	\$ -	\$ -	\$ -	\$ 18,704	\$ 24,641
Dealer gross inflows	12,872	13,434	4,424	5,366	-	-	-	-	-	-	17,296	18,800
<b>Net flows</b>												
Mutual fund net sales <sup>(3)(5)</sup>	43	1,813	(322)	(288)	(1,736)	3,908	-	-	-	-	(2,015)	5,433
ETF net creations <sup>(6)</sup>	-	-	-	-	705	1,532	-	-	-	-	705	1,532
Investment fund net sales	43	1,813	(322)	(288)	(1,031)	5,440	-	-	-	-	(1,310)	6,965
Institutional SMA net sales <sup>(4)</sup>	-	-	-	-	(834)	(306)	-	-	-	-	(834)	(306)
Mackenzie net sales through Wealth Management	(32)	431	(39)	180	-	-	71	(611)	-	(611)	-	-
IGM product net sales	11	2,244	(361)	(108)	(1,865)	5,134	71	(611)	-	(611)	(2,144)	6,659
Other dealer net flows	2,679	1,440	616	596	-	-	6	6	-	6	3,301	2,042
Total net flows	2,690	3,684	255	488	(1,865)	5,134	77	(605)	-	(605)	1,157	8,701

(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) Sub-advisory, institutional and other accounts:

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

2021 Q2 – Mackenzie was awarded \$680 million of sub-advisory wins.

2021 Q4 – An institutional client re-assigned sub-advisory responsibilities on mandate advised by Mackenzie totalling \$667 million.

(5) During the twelve month period in 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.

(6) ETFs – During the twelve month period of 2022, Wealthsimple made allocation changes which resulted in \$675 million in purchases in Mackenzie ETFs.

## Total Assets Under Management and Advisement

Assets under management and advisement were \$249.4 billion at December 31, 2022 compared to \$277.1 billion at December 31, 2021, a decrease of 10.0%, as detailed in Table 6. Total assets under management were \$217.0 billion at December 31, 2022 compared to \$245.3 billion at December 31, 2021, a decrease of 11.5%.

Net inflows for the twelve months ended December 31, 2022 were \$1.2 billion compared to \$8.7 billion in 2021, as detailed in Table 6. Investment fund net redemptions for the twelve month period were \$1.3 billion in 2022 compared to net sales of

\$7.0 billion in 2021. Net outflows in the fourth quarter of 2022 were \$440 million compared to net inflows of \$1.2 billion in the fourth quarter of 2021, as detailed in Table 6. Fourth quarter investment fund net redemptions were \$1.7 billion compared to net sales of \$1.1 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.

The Company also benefits from the underlying assets under management of the Company's investments in associates, including ChinaAMC and Northleaf. This AUM is not currently reported as the Company's AUM&A.

**Table 6: Assets Under Management and Advisement (continued)**

	Wealth Management				Asset Management		Intercompany Eliminations <sup>(1)</sup>		Consolidated	
	IG Wealth Management		Investment Planning Counsel		Mackenzie Investments					
	2022 Dec. 31	2021 Dec. 31	2022 Dec. 31	2021 Dec. 31	2022 Dec. 31	2021 Dec. 31	2022 Dec. 31	2021 Dec. 31	2022 Dec. 31	2021 Dec. 31
(\$ millions)										
<b>Assets under Management and Advisement</b>										
<b>Wealth Management<sup>(2)</sup></b>										
AUM	\$ 99,275	\$ 110,541	\$ 4,622	\$ 5,629			\$ -	\$ -	\$ 103,897	\$ 116,170
Mackenzie assets sold through Wealth Management	850	957	3,195	3,640			-	-	4,045	4,597
Other AUA	10,691	8,059	21,730	23,808			(7)	(11)	32,414	31,856
AUA	110,816	119,557	29,547	33,077			(7)	(11)	140,356	152,623
<b>Asset Management</b>										
Mutual funds					\$ 54,434	\$ 62,969			54,434	62,969
ETFs					5,219	5,393			5,219	5,393
Investment funds					59,653	68,362			59,653	68,362
Institutional SMA					6,422	7,948			6,422	7,948
Sub-advisory to Canada Life					47,023	52,805			47,023	52,805
Total Institutional SMA					53,445	60,753			53,445	60,753
Total ex sub-advisory to Wealth Management					113,098	129,115			113,098	129,115
Sub-advisory to Wealth Management					73,514	81,228			73,514	81,228
Total AUM					186,612	210,343			186,612	210,343
ETFs										
Distributed to third parties					5,219	5,393			5,219	5,393
Held within IGM managed products					7,176	7,281	(7,176)	(7,281)	-	-
Total ETFs					12,395	12,674	(7,176)	(7,281)	5,219	5,393
<b>Consolidated</b>										
AUM	99,275	110,541	4,622	5,629	186,612	210,343	(73,514)	(81,228)	216,995	245,285
Mackenzie assets sold through Wealth Management	850	957	3,195	3,640	-	-	(4,045)	(4,597)	-	-
Other AUA	10,691	8,059	21,730	23,808	-	-	(7)	(11)	32,414	31,856
AUM&A	110,816	119,557	29,547	33,077	186,612	210,343	(77,566)	(85,836)	249,409	277,141

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

(2) IG Wealth Management and Investment Planning Counsel AUM include separately managed accounts.

At December 31, 2022, ChinaAMC's AUM was RMB¥ 1,721.6 billion (\$337.6 billion) compared to RMB¥ 1,661.6 billion (\$330.5 billion) at December 31, 2021, an increase of 3.6% (CAD\$ 2.2%). IGM Financial held a 13.9% interest in ChinaAMC on December 31, 2022, which was increased to 27.8% on January 12, 2023.

At December 31, 2022, Northleaf's AUM was \$24.1 billion compared to \$19.5 billion at December 31, 2021, an increase of 23.6%. IGM Financial holds a 56% economic interest in Northleaf.

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.

## Selected Annual Information

Financial information for the three most recently completed years is included in Table 7.

*Net Earnings and Earnings per Share* – Except as noted in the reconciliation in Table 7, variations in net earnings and total revenues result primarily from changes in average assets under management and advisement. Assets under management and advisement were \$240.0 billion in 2020, increased to

\$277.1 billion in 2021 and decreased to \$249.4 billion in 2022. Changes were driven largely by changes in financial markets during the periods. Average total assets under management and advisement for the year ended December 31, 2022 were \$255.2 billion compared to \$259.7 billion in 2021. The impact on earnings and revenues of changes in average total assets under management and advisement and other pertinent items are discussed in the Review of Segment Operating Results sections of the MD&A for both IG Wealth Management and Mackenzie.

Net earnings in future periods will largely be determined by the level of assets under management and advisement which will continue to be influenced by global market conditions.

*Dividends per Common Share* – Annual dividends per common share were \$2.25 in 2022, unchanged from 2021 and 2020.

## Summary of Quarterly results

The Summary of Quarterly Results in Table 8 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Changes in average daily investment fund assets under management over the eight most recent quarters, as shown in Table 8, largely reflect the impact of changes in domestic and foreign markets and net sales of the Company.

**Table 7: Selected Annual Information**

	2022	2021	2020
<b>Consolidated statements of earnings (\$ millions)</b>			
Revenues			
Wealth management	\$ 2,465.3	\$ 2,553.6	\$ 2,259.6
Net asset management	657.1	675.5	529.8
Net investment income and other	24.1	11.9	11.0
Proportionate share of associates' earnings	210.7	196.4	147.0
	3,357.2	3,437.4	2,947.4
Expenses	2,234.3	2,180.3	1,973.4
	1,122.9	1,257.1	974.0
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	1,122.9	1,267.7	965.3
Income taxes	250.4	286.8	200.7
Net earnings	872.5	980.9	764.6
Non-controlling interest	(5.3)	(2.0)	(0.2)
Net earnings available to common shareholders	\$ 867.2	\$ 978.9	\$ 764.4
<b>Reconciliation of Non-IFRS financial measures (\$ millions)</b>			
Adjusted net earnings available to common shareholders <sup>(1)</sup>	\$ 867.2	\$ 971.2	\$ 762.9
Other items:			
Gain on sale of Personal Capital, net of tax	–	7.7	31.4
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	–	–	21.4
Proportionate share of associate's adjustments	–	–	3.4
Restructuring and other, net of tax	–	–	(54.7)
Net earnings available to common shareholders	\$ 867.2	\$ 978.9	\$ 764.4
<b>Earnings per share (\$)</b>			
Adjusted earnings per share <sup>(1)</sup>			
– Basic	\$ 3.64	\$ 4.07	\$ 3.20
– Diluted	3.63	4.05	3.20
Earnings per share			
– Basic	3.64	4.10	3.21
– Diluted	3.63	4.08	3.21
<b>Dividends per share (\$)</b>			
Common	\$ 2.25	\$ 2.25	\$ 2.25
<b>Average assets under management and advisement (\$ billions)</b>			
Investment fund assets under management	\$ 168.9	\$ 173.4	\$ 161.7
Total assets under management	224.6	231.4	168.5
Total assets under management and advisement	255.2	259.7	191.2
<b>Ending assets under management and advisement (\$ billions)</b>			
Investment fund assets under management	\$ 163.6	\$ 184.5	\$ 159.5
Total assets under management	217.0	245.3	214.0
Total assets under management and advisement	249.4	277.1	240.0
Total corporate assets (\$ millions)	\$ 18,873	\$ 17,661	\$ 16,062
Total long-term debt (\$ millions)	\$ 2,100	\$ 2,100	\$ 2,100
Outstanding common shares (thousands)	237,668	239,679	238,308
Average outstanding shares – Diluted (thousands)	238,996	240,019	238,307

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

**Table 8: Summary of Quarterly Results**

	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
<b>Consolidated statements of earnings (\$ millions)</b>								
Revenues								
Wealth management	\$ 606.2	\$ 606.8	\$ 611.1	\$ 641.2	\$ 667.5	\$ 655.0	\$ 627.6	\$ 603.5
Asset management	233.2	235.4	241.6	255.8	266.8	263.4	248.3	233.0
Dealer compensation expense	(72.4)	(72.9)	(77.4)	(86.2)	(86.7)	(85.9)	(82.7)	(80.7)
Net asset management	160.8	162.5	164.2	169.6	180.1	177.5	165.6	152.3
Net investment income and other	15.6	11.1	(0.6)	(2.0)	3.8	2.5	2.5	3.1
Proportionate share of associates' earnings	65.4	46.9	50.0	48.4	50.7	55.9	48.2	41.6
	848.0	827.3	824.7	857.2	902.1	890.9	843.9	800.5
Expenses								
Advisory and business development	298.2	294.4	303.8	309.1	308.9	294.0	291.1	284.0
Operations and support	212.5	205.5	206.4	215.5	205.5	197.6	196.8	206.5
Sub-advisory	18.3	17.9	18.3	20.6	21.1	20.7	20.4	19.8
Interest <sup>(1)</sup>	28.7	28.6	28.4	28.1	28.6	28.7	28.5	28.1
	557.7	546.4	556.9	573.3	564.1	541.0	536.8	538.4
Earnings before undernoted	290.3	280.9	267.8	283.9	338.0	349.9	307.1	262.1
Gain on sale of Personal Capital	-	-	-	-	10.6	-	-	-
Earnings before income taxes	290.3	280.9	267.8	283.9	348.6	349.9	307.1	262.1
Income taxes	63.3	63.9	59.4	63.8	79.4	78.4	69.3	59.7
Net earnings	227.0	217.0	208.4	220.1	269.2	271.5	237.8	202.4
Non-controlling interest	2.3	0.9	1.3	0.8	0.7	0.7	0.4	0.2
Net earnings available to common shareholders	\$ 224.7	\$ 216.1	\$ 207.1	\$ 219.3	\$ 268.5	\$ 270.8	\$ 237.4	\$ 202.2
<b>Reconciliation of Non-IFRS financial measures (\$ millions)</b>								
Adjusted net earnings available to common shareholders <sup>(2)</sup>	\$ 224.7	\$ 216.1	\$ 207.1	\$ 219.3	\$ 260.8	\$ 270.8	\$ 237.4	\$ 202.2
Other items:								
Gain on sale of Personal Capital, net of tax (\$2.9 million)	-	-	-	-	7.7	-	-	-
Net earnings available to common shareholders	\$ 224.7	\$ 216.1	\$ 207.1	\$ 219.3	\$ 268.5	\$ 270.8	\$ 237.4	\$ 202.2
<b>Earnings per Share (\$)</b>								
Adjusted earnings per share <sup>(2)</sup>								
- Basic	\$ 0.95	\$ 0.91	\$ 0.87	\$ 0.91	\$ 1.09	\$ 1.13	\$ 0.99	\$ 0.85
- Diluted	0.94	0.91	0.87	0.91	1.08	1.13	0.99	0.85
Earnings per share								
- Basic	0.95	0.91	0.87	0.91	1.12	1.13	0.99	0.85
- Diluted	0.94	0.91	0.87	0.91	1.11	1.13	0.99	0.85
<b>Average outstanding shares - Diluted (thousands)</b>	<b>237,958</b>	<b>237,808</b>	<b>239,242</b>	<b>241,251</b>	<b>241,443</b>	<b>240,575</b>	<b>239,821</b>	<b>238,474</b>
<b>Average assets under management and advisement (\$ billions)</b>								
Investment fund assets under management	\$ 163.3	\$ 164.3	\$ 169.3	\$ 179.0	\$ 181.9	\$ 178.6	\$ 170.2	\$ 162.7
Total assets under management	216.5	217.3	225.2	238.4	241.9	238.3	227.8	217.6
Assets under management and advisement	247.8	247.2	255.3	269.5	272.0	267.4	255.4	243.9
<b>Ending assets under management and advisement (\$ billions)</b>								
Investment fund assets under management	\$ 163.6	\$ 157.6	\$ 160.2	\$ 178.5	\$ 184.5	\$ 176.8	\$ 174.4	\$ 165.5
Total assets under management	217.0	208.7	213.1	237.1	245.3	236.2	233.6	221.6
Assets under management and advisement	249.4	238.1	242.1	268.3	277.1	265.2	262.0	248.5

(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.

# 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.

---

## Review of the Business

IG Wealth Management, founded in 1926, is a leading wealth management company in Canada that focuses on providing comprehensive personal financial planning to Canadians.

Investment Planning Counsel, founded in 1996, is an independent distributor of financial products, services and advice in Canada, with 653 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 98% of adjusted net earnings available to common shareholders of the total segment.

## 2022 Developments

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 and Nesto Inc. (nesto) have entered into a strategic agreement to have nesto provide next generation white label mortgage services to IG Wealth Management clients across Canada through its Mortgage Cloud solution. The initiative is part of IG Wealth Management's ongoing strategy to transform its business and follows the firm's modernization of its investment management and financial planning platforms.

nesto's Mortgage Cloud solution will be integrated into IG Wealth Management's mortgage solutions business. It will allow IG Wealth Management advisors to provide clients with an enhanced mortgage experience through:

- an online application process
- quick turnaround times
- live tracking and regular status updates
- dynamic tools such as the ability to upload mortgage documents using a mobile device.

IG Wealth Management and nesto will begin offering the newly integrated mortgage services on nesto Mortgage Cloud solution in 2023.

## IG Wealth Management

IG Wealth Management is one of the largest independent financial planning firms in Canada, with advisors in every community from coast to coast. We are driven by our mission to inspire financial confidence that can transform the lives of our clients and their families and we are deeply committed to improving financial literacy in the communities where we work and live.

Our exclusive network is comprised of 3,235 advisors. IG Wealth Management clients are more than one million individuals, families and business owners.

Canadians hold \$6.5 trillion in discretionary financial assets with financial institutions at December 31, 2021, based on the most recent report from Investor Economics, and we view these savings as IG Wealth Management's addressable market. 77% 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.

## Strategy

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

IG Wealth has a client-centric strategy with a focus on high net worth (HNW) and mass affluent client segments, which we define as households with over \$1 million and between \$100 thousand and \$1 million, respectively.

IG Wealth Management is committed to increasing the financial confidence of all Canadians by leveraging our people, expertise and resources because we believe it will help create stronger communities and a better future for all.

We believe that Canadians deserve a high standard of advice that takes into consideration all dimensions of their financial lives with financial plans tailored to meet and adapt to their needs.

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

We achieve our strategic mandate by focusing on providing comprehensive financial advice and well-constructed investment solutions designed to deliver returns and risks that take into account each client's needs and requirements.

## Financial Advice

Our advisors focus on providing financial advice which is the value of all efforts that sit outside the investment portfolio construction. This includes the value that an advisor adds to a client relationship and comes from the creation and follow through of a well-constructed financial plan.

### Advisors

IG Wealth Management has a national distribution network of more than 3,000 advisors in communities throughout Canada. Our advisory services are most suited to individuals with complicated financial needs.

IG Wealth provides advice through two primary channels:

- IG Wealth Management entrepreneurial 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.
- IG Wealth Management has a National Service Centre focused on supporting approximately 240,000 clients with less complex requirements, while allowing our entrepreneurial advisor practices to focus on those clients with more complex needs.

Our entrepreneurial advisor network creates a competitive advantage and drives client engagement with a focus on comprehensive financial planning and product solutions. Our advantage is further enabled by hiring top quality advisors, increasing proficiency, improving technology, implementing a client segmentation approach and enhancing a strong brand.

Assets under advisement consists of the following:

- Clients with household assets greater than \$1 million (defined as "high net worth") which totalled \$37.7 billion at December 31, 2022, a decrease of 13.3% from one year ago, and represented 34% of total assets under advisement.
- Clients with household assets between \$100 thousand and \$1 million (defined as "mass affluent") which totalled \$63.6 billion at December 31, 2022, a decrease of 4.4% from one year ago, and represented 57% of total assets under advisement.
- Clients with household assets less than \$100 thousand (defined as "mass market") which totalled \$9.5 billion at December 31, 2022, a decrease of 0.6% from one year ago, and represented 9% of total assets under advisement.

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 December 31, 2022:

- 1,741 advisor practices (1,761 at December 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 96% of AUM.
- 333 new advisors (380 at December 31, 2021), which are those advisors with less than four years of experience.
- 1,161 associates and regional vice-presidents (1,137 at December 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 3,235 (3,278 at December 31, 2021).

IG Wealth uses advisor productivity as a key performance measure in evaluating its advisor network. The productivity is measured based on gross inflows per advisor and is monitored for both advisor recruits with less than 4 years experience and advisor practices with greater than 4 years experience.

- The advisor recruit's gross inflows were \$0.66 million per advisor in Q4 2022 compared to \$0.60 million per advisor in the comparative period of 2021.
- The advisory practice gross inflows were \$1.49 million per practice compared to \$1.69 million in the comparative period of 2021.

Key initiatives that impact advisor productivity are:

- Elimination of DSC in 2017 which removed competitive impediment.
- Tightened recruiting standards that increased the likelihood of success while also enhancing our culture and brand.
- National Service Centre that provides consistent service levels to clients with less complex needs and creates capacity for advisors.
- Product and pricing enhancements with a focus on the high net worth and mass affluent segments.
- Continued technology enhancements such as the Advisor Desktop powered by Salesforce.
- IG Living Plan™ and other client experience enhancements.
- Digital application to deliver tailored client investment proposals (powered by CapIntel).

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 licensed and securities licensed advisors and specialists.

### **Client Experiences**

IG Wealth Management distinguishes itself from our competition by offering comprehensive planning to our clients that synchronize every aspect of their financial life. IG Wealth Management serves approximately one million clients located in communities throughout Canada. 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™ allows clients to collaborate with an IG advisor through an enhanced digital experience to develop and track a financial plan which is unique to each client's goals.

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.

The Charitable Giving Program is a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

The IG Advisory Account 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 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.

### **Financial Solutions**

IG Wealth Management strives to achieve expected investment returns for the lowest possible risk through well-constructed investment portfolios, and to create value for clients through active management. 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.

Our investment solutions leverage top global asset manager relationships including Mackenzie Investments and other world class investment firms such as Fidelity Investments Canada, T. Rowe Price, Sagard, Beutel Goodman Investment Counsel, PanAgora, PIMCO, Northleaf, BristolGate Capital Partners, Aristotle Capital Boston, Putnam Investments, Franklin Templeton Investments, Wellington Management, Rockefeller Asset Management, JP Morgan Asset Management, BlackRock, ClearBridge Investments, 1832 Asset Management, and ChinaAMC.

We provide clients with an extensive suite of well-constructed and competitively priced financial solutions that incorporate public and private market investments as well as alternative investment strategies. We regularly enhance the scope and diversity of our investment offering with new funds and product changes that enable clients to achieve their goals. We believe that well-constructed managed solutions provide advisors with the best opportunity to focus on providing financial advice to their clients.

We provide portfolio construction with investment solutions that include public markets, private markets and alternative strategies.

Our investment solutions include:

- A deep and broad selection of mutual funds, diversified by manager, asset category, investment style, geography, market capitalization and sector.
- Managed solutions that rebalance investments to ensure that a chosen mix of investments and risk and return is maintained. These solutions include IG Core Portfolios, IG Managed Payout Portfolios, Investors Portfolios, IG Climate Action Portfolios, IG U.S. Taxpayer 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.
- *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.

- 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).

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 investments managed by 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.

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, IG Wealth Management clients can invest in the IG Climate Action Portfolios which is a suite of four diversified managed solutions.

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 December 31, 2022, 84.0% of IG Wealth Management mutual fund assets had a rating of three stars or better from Morningstar<sup>†</sup> fund ranking service and 55.4% had a rating of four or five stars. This compared to the Morningstar<sup>†</sup> universe of 84.0% for three stars or better and 53.3% for four and five star funds at December 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 \$140.4 billion at December 31, 2022, a decrease of 8.0% from December 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 \$103.9 billion, a decrease of 10.6% from December 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 9 and 10.

## 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 \$110.8 billion at December 31, 2022, a decrease of 7.3% from December 31, 2021, and mutual fund assets under management were \$99.3 billion, a decrease of 10.2%.

Changes in IG Wealth Management assets under advisement and management for the periods under review are reflected in Tables 11 and 12.

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

<i>Three months ended</i> (\$ millions)				Change	
	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	2022 Sep. 30	2021 Dec. 31
Gross client inflows	\$ 4,188	\$ 3,655	\$ 4,946	14.6 %	(15.3)%
Gross client outflows	3,712	3,209	3,837	15.7	(3.3)
<b>Net flows</b>	<b>476</b>	<b>446</b>	<b>1,109</b>	<b>6.7</b>	<b>(57.1)</b>
Investment returns	6,571	(1,296)	6,052	N/M	8.6
Net change in assets	7,047	(850)	7,161	N/M	(1.6)
Beginning assets	133,309	134,159	145,462	(0.6)	(8.4)
<b>Ending assets under advisement</b>	<b>\$ 140,356</b>	<b>\$ 133,309</b>	<b>\$ 152,623</b>	<b>5.3 %</b>	<b>(8.0)%</b>
IG Wealth Management	110,816	105,029	119,557	5.5	(7.3)
Investment Planning Counsel	29,547	28,286	33,077	4.5	(10.7)
<b>Average assets under advisement</b>	<b>\$ 139,155</b>	<b>\$ 137,793</b>	<b>\$ 149,702</b>	<b>1.0 %</b>	<b>(7.0)%</b>
IG Wealth Management	109,638	108,549	117,379	1.0	(6.6)
Investment Planning Counsel	29,524	29,251	32,334	0.9	(8.7)
<i>Twelve months ended</i>					
			2022 Dec. 31	2021 Dec. 31	Change
Gross client inflows			\$ 17,296	\$ 18,800	(8.0)%
Gross client outflows			14,345	14,622	(1.9)
<b>Net flows</b>			<b>2,951</b>	<b>4,178</b>	<b>(29.4)</b>
Investment returns			(15,218)	15,862	N/M
Net change in assets			(12,267)	20,040	N/M
Beginning assets			152,623	132,583	15.1
<b>Ending assets under advisement</b>			<b>\$ 140,356</b>	<b>\$ 152,623</b>	<b>(8.0)%</b>
IG Wealth Management			110,816	119,557	(7.3)
Investment Planning Counsel			29,547	33,077	(10.7)
<b>Average assets under advisement</b>			<b>\$ 141,530</b>	<b>\$ 142,867</b>	<b>(0.9)%</b>
IG Wealth Management			111,271	111,880	(0.5)
Investment Planning Counsel			30,268	30,997	(2.4)

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

<i>Three months ended</i> (\$ millions)	Change				
	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	2022 Sep. 30	2021 Dec. 31
Sales	\$ 2,263	\$ 2,097	\$ 3,133	7.9 %	(27.8)%
Redemptions	3,129	2,541	2,805	23.1	11.6
<b>Net sales (redemptions)</b>	<b>(866)</b>	<b>(444)</b>	<b>328</b>	<b>(95.0)</b>	<b>N/M</b>
Investment returns	4,728	(759)	3,788	N/M	24.8
Net change in assets	3,862	(1,203)	4,116	N/M	(6.2)
Beginning assets	100,035	101,238	112,054	(1.2)	(10.7)
<b>Ending assets under management</b>	<b>\$ 103,897</b>	<b>\$ 100,035</b>	<b>\$ 116,170</b>	<b>3.9 %</b>	<b>(10.6)%</b>
IG Wealth Management	99,275	95,460	110,541	4.0	(10.2)
Investment Planning Counsel	4,622	4,575	5,629	1.0	(17.9)
<b>Daily average mutual fund assets</b>	<b>\$ 103,867</b>	<b>\$ 103,874</b>	<b>\$ 115,115</b>	<b>– %</b>	<b>(9.8)%</b>
IG Wealth Management	99,208	99,128	109,521	0.1	(9.4)
Investment Planning Counsel	4,659	4,746	5,594	(1.8)	(16.7)
<b>Twelve months ended</b>					
(\$ millions)			2022 Dec. 31	2021 Dec. 31	Change
Sales			\$ 11,208	\$ 12,619	(11.2)%
Redemptions			11,487	11,094	3.5
<b>Net sales (redemptions)</b>			<b>(279)</b>	<b>1,525</b>	<b>N/M</b>
Investment returns			(11,994)	11,612	N/M
Net change in assets			(12,273)	13,137	N/M
Beginning assets			116,170	103,033	12.8
<b>Ending assets under management</b>			<b>\$ 103,897</b>	<b>\$ 116,170</b>	<b>(10.6)%</b>
IG Wealth Management			99,275	110,541	(10.2)
Investment Planning Counsel			4,622	5,629	(17.9)
<b>Daily average mutual fund assets</b>			<b>\$ 106,768</b>	<b>\$ 110,445</b>	<b>(3.3)%</b>
IG Wealth Management			101,859	104,962	(3.0)
Investment Planning Counsel			4,909	5,483	(10.5)

For the quarter ended December 31, 2022, gross client inflows of IG Wealth Management assets under advisement were \$3.0 billion, a decrease of 11.8% from \$3.4 billion in the comparable period in 2021. Gross client inflows in 2022 were the second highest fourth quarter results in IG Wealth Management's history. Net client inflows were \$429 million, a decrease of 56.4% from net client inflows of \$985 million in the comparable period in 2021. During the fourth quarter, investment returns resulted in an increase of \$5.4 billion in assets under advisement compared to an increase of \$4.6 billion in the fourth quarter of 2021.

Gross client inflows of IG Wealth Management assets under advisement were \$12.9 billion for the twelve months ended December 31, 2022, and represented a decrease of 4.2% from \$13.4 billion in the comparable period in 2021. Gross client inflows in 2022 were the second highest annual results in IG Wealth Management's history. Net client inflows were \$2.7 billion in the twelve month period, a decrease of \$1.0 billion from net client inflows of \$3.7 billion in the comparable period in 2021. During 2022, investment returns

resulted in a decrease of \$11.4 billion in assets under advisement compared to an increase of \$12.6 billion in 2021.

Changes in mutual fund assets under management for the periods under review are reflected in Table 12.

At December 31, 2022, \$76.7 billion, or 77% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, down 1.4% from \$77.8 billion at December 31, 2021 which represented 70% of assets under management.

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

IG Wealth Management's assets under advisement were \$110.8 billion at December 31, 2022, a decrease of 7.3% from \$119.6 billion at December 31, 2021. IG Wealth Management's mutual fund assets under management were \$99.3 billion at December 31, 2022, representing a decrease of 10.2% from \$110.5 billion at December 31, 2021. Average daily mutual fund assets were \$99.2 billion in the fourth quarter of 2022,

**Table 11: Change in Assets Under Advisement – IG Wealth Management**

<i>Three months ended</i> (\$ millions)	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	Change	
				2022 Sep. 30	2021 Dec. 31
Gross client inflows	\$ 3,031	\$ 2,773	\$ 3,437	9.3 %	(11.8)%
Gross client outflows	2,602	2,367	2,452	9.9	6.1
<b>Net flows</b>	<b>429</b>	<b>406</b>	<b>985</b>	<b>5.7</b>	<b>(56.4)</b>
Investment returns	5,358	(851)	4,614	N/M	16.1
Net change in assets	5,787	(445)	5,599	N/M	3.4
Beginning assets	105,029	105,474	113,958	(0.4)	(7.8)
<b>Ending assets</b>	<b>\$ 110,816</b>	<b>\$ 105,029</b>	<b>\$ 119,557</b>	<b>5.5 %</b>	<b>(7.3)%</b>
<b>Daily average assets under advisement</b>	<b>\$ 109,638</b>	<b>\$ 108,549</b>	<b>\$ 117,379</b>	<b>1.0 %</b>	<b>(6.6)%</b>
<b>Twelve months ended</b>					
(\$ millions)					
			2022 Dec. 31	2021 Dec. 31	Change
Gross client inflows			\$ 12,872	\$ 13,434	(4.2)%
Gross client outflows			10,182	9,750	4.4
<b>Net flows</b>			<b>2,690</b>	<b>3,684</b>	<b>(27.0)</b>
Investment returns			(11,431)	12,600	N/M
Net change in assets			(8,741)	16,284	N/M
Beginning assets			119,557	103,273	15.8
<b>Ending assets</b>			<b>\$ 110,816</b>	<b>\$ 119,557</b>	<b>(7.3)%</b>
<b>Average assets under advisement</b>			<b>\$ 111,271</b>	<b>\$ 111,880</b>	<b>(0.5)%</b>

**Table 12: Change in Assets Under Management – IG Wealth Management**

<i>Three months ended</i> (\$ millions)	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	Change	
				2022 Sep. 30	2021 Dec. 31
Sales	\$ 2,125	\$ 1,970	\$ 2,959	7.9 %	(28.2)%
Redemptions	2,843	2,374	2,502	19.8	13.6
<b>Net sales (redemptions)</b>	<b>(718)</b>	<b>(404)</b>	<b>457</b>	<b>(77.7)</b>	<b>N/M</b>
Investment returns	4,533	(739)	3,533	N/M	28.3
Net change in assets	3,815	(1,143)	3,990	N/M	(4.4)
Beginning assets	95,460	96,603	106,551	(1.2)	(10.4)
<b>Ending assets</b>	<b>\$ 99,275</b>	<b>\$ 95,460</b>	<b>\$ 110,541</b>	<b>4.0 %</b>	<b>(10.2)%</b>
<b>Daily average assets under management</b>	<b>\$ 99,208</b>	<b>\$ 99,128</b>	<b>\$ 109,521</b>	<b>0.1 %</b>	<b>(9.4)%</b>
<b>Managed asset net sales</b>					
Investment fund net sales	\$ (718)	\$ (404)	\$ 457	(77.7)%	N/M
Mackenzie net sales through Wealth Management	(18)	(13)	36	(38.5)	N/M
	<b>\$ (736)</b>	<b>\$ (417)</b>	<b>\$ 493</b>	<b>(76.5)%</b>	<b>N/M</b>
<b>Twelve months ended</b>					
(\$ millions)					
			2022 Dec. 31	2021 Dec. 31	Change
Sales			\$ 10,587	\$ 11,845	(10.6)%
Redemptions			10,544	10,032	5.1
<b>Net sales (redemptions)</b>			<b>43</b>	<b>1,813</b>	<b>(97.6)</b>
Investment returns			(11,309)	11,015	N/M
Net change in assets			(11,266)	12,828	N/M
Beginning assets			110,541	97,713	13.1
<b>Ending assets</b>			<b>\$ 99,275</b>	<b>\$ 110,541</b>	<b>(10.2)%</b>
<b>Daily average assets under management</b>			<b>\$ 101,859</b>	<b>\$ 104,962</b>	<b>(3.0)%</b>
<b>Managed asset net sales</b>					
Investment fund net sales			\$ 43	\$ 1,813	(97.6)%
Mackenzie net sales through Wealth Management			(32)	431	N/M
			<b>\$ 11</b>	<b>\$ 2,244</b>	<b>(99.5)%</b>

down 9.4% from \$109.5 billion in the fourth quarter of 2021. Average daily mutual fund assets were \$101.9 billion for the twelve months ended December 31, 2022, down 3.0% from \$105.0 billion in 2021.

For the quarter ended December 31, 2022, sales of IG Wealth Management mutual funds through its advisor network were \$2.1 billion, a decrease of 28.2% from the comparable period in 2021. Mutual fund redemptions totalled \$2.8 billion, an increase of 13.6% from 2021. IG Wealth Management mutual fund net redemptions for the fourth quarter of 2022 were \$718 million compared with net sales of \$457 million in 2021. During the fourth quarter, investment returns resulted in an increase of \$4.5 billion in mutual fund assets compared to an increase of \$3.5 billion in the fourth quarter of 2021.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 11.0% in the fourth quarter of 2022, compared to 8.8% in the fourth quarter of 2021. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 10.0% at December 31, 2022, compared to 9.2% at December 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 16.6% at December 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.

For the twelve months ended December 31, 2022, sales of IG Wealth Management mutual funds through its advisor network were \$10.6 billion, a decrease of 10.6% from 2021. Mutual fund redemptions totalled \$10.5 billion, an increase of 5.1% from 2021. Net sales of IG Wealth Management mutual funds were \$43 million compared with net sales of \$1.8 billion in 2021. During 2022, investment returns resulted in a decrease of \$11.3 billion in mutual fund assets compared to an increase of \$11.0 billion in 2021.

### **Change in Assets Under Management and Advisement – Q4 2022 vs. Q3 2022**

IG Wealth Management's assets under advisement were \$110.8 billion at December 31, 2022, an increase of 5.5% from \$105.0 billion at September 30, 2022. IG Wealth Management's mutual fund assets under management were \$99.3 billion at December 31, 2022, an increase of 4.0% from \$95.5 billion at September 30, 2022. Average daily mutual fund assets were \$99.2 billion in the fourth quarter of 2022 compared to \$99.1 billion in the third quarter of 2022, an increase of 0.1%.

For the quarter ended December 31, 2022, sales of IG Wealth Management mutual funds through its advisor network were \$2.1 billion, an increase of 7.9% from the third quarter of 2022.

Mutual fund redemptions, which totalled \$2.8 billion for the fourth quarter, increased 19.8% from the previous quarter, and the annualized quarterly redemption rate was 11.0% in the fourth quarter compared to 9.3% in the third quarter of 2022. IG Wealth Management mutual fund net redemptions were \$718 million for the current quarter compared to net redemptions of \$404 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 December 31, 2022, total segregated fund assets were \$1.3 billion, compared to \$1.5 billion at December 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 December 31, 2022, total in-force policies were approximately 377 thousand with an insured value of \$103 billion, compared to approximately 379 thousand with an insured value of \$102 billion at December 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>. 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 three and twelve months ended December 31, 2022 were \$122 million and \$732 million compared to \$221 million and \$1.08 billion in 2021, a decrease of 44.7% and 32.5%, respectively. At December 31, 2022, mortgages offered through both sources totalled \$7.7 billion, compared to \$8.4 billion at December 31, 2021, a decrease of 7.8%.

Available credit associated with Solutions Banking<sup>†</sup> All-in-One accounts originated for the three and twelve month periods

ended December 31, 2022 were \$74 million and \$749 million, respectively, compared to \$276 million and \$1.3 billion, in 2021. At December 31, 2022, the balance outstanding of Solutions Banking<sup>†</sup> All-in-One products was \$4.2 billion, compared to \$3.9 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 December 31, 2022, compared to \$5.7 billion at December 31, 2021.



## Review of Segment Operating Results

The Wealth Management segment's adjusted net earnings are presented in Table 13 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 14. Adjusted net earnings for the fourth quarter of 2022 were \$104.6 million, a decrease of 25.9% from the fourth quarter in 2021 and a decrease of 4.5% from the prior quarter. Adjusted net earnings for the year ended December 31, 2022 were \$437.4 million, a decrease of 16.4% from 2021.

Adjusted earnings before interest and taxes for the fourth quarter of 2022 were \$165.4 million, a decrease of 23.1% from the fourth quarter in 2021 and a decrease of 3.9% from the

prior quarter. Adjusted earnings before interest and taxes for the year ended December 31, 2022 were \$686.9 million, a decrease of 14.4% from 2021.

### 2022 vs. 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 \$283.1 million in the fourth quarter of 2022, a decrease of \$18.0 million or 6.0% from \$301.1 million in 2021. For the twelve months ended December 31, 2022, advisory fees were \$1,140.4 million, a decrease of \$13.9 million or 1.2% from \$1,154.3 million in 2021.

**Table 13: Operating Results – Wealth Management**

Three months ended (\$ millions)	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	Change	
				2022 Sep. 30	2021 Dec. 31
<b>Revenues</b>					
Wealth Management					
Advisory fees	\$ 344.8	\$ 341.8	\$ 370.6	0.9 %	(7.0)%
Product and program fees	225.8	225.5	252.8	0.1	(10.7)
	570.6	567.3	623.4	0.6	(8.5)
Redemption fees	0.7	0.8	1.7	(12.5)	(58.8)
Other financial planning revenues	39.5	43.2	47.4	(8.6)	(16.7)
Total Wealth Management	610.8	611.3	672.5	(0.1)	(9.2)
Net investment income and other	2.6	2.8	1.4	(7.1)	85.7
	613.4	614.1	673.9	(0.1)	(9.0)
<b>Expenses</b>					
Advisory and business development					
Asset-based compensation	187.5	184.5	195.2	1.6	(3.9)
Sales-based compensation	20.4	19.7	15.9	3.6	28.3
Other					
Other product commissions	19.7	19.5	21.3	1.0	(7.5)
Business development	49.3	54.3	52.4	(9.2)	(5.9)
	69.0	73.8	73.7	(6.5)	(6.4)
Total advisory and business development	276.9	278.0	284.8	(0.4)	(2.8)
Operations and support	121.3	118.5	115.9	2.4	4.7
Sub-advisory	44.6	44.0	49.5	1.4	(9.9)
	442.8	440.5	450.2	0.5	(1.6)
Adjusted earnings before interest and taxes <sup>(1)</sup>	170.6	173.6	223.7	(1.7)	(23.7)
Interest expense	22.8	22.7	22.7	0.4	0.4
Adjusted earnings before income taxes <sup>(1)</sup>	147.8	150.9	201.0	(2.1)	(26.5)
Income taxes	39.7	40.5	53.8	(2.0)	(26.2)
Adjusted net earnings <sup>(1)</sup>	108.1	110.4	147.2	(2.1)	(26.6)
Non-controlling interest	0.2	–	–	N/M	N/M
<b>Adjusted net earnings available to common shareholders<sup>(1)</sup></b>	<b>\$ 107.9</b>	<b>\$ 110.4</b>	<b>\$ 147.2</b>	<b>(2.3)%</b>	<b>(26.7)%</b>

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



**Table 13: Operating Results – Wealth Management (continued)**

<i>Twelve months ended</i> (\$ millions)	2022 Dec. 31	2021 Dec. 31	Change
<b>Revenues</b>			
Wealth Management			
Advisory fees	\$ 1,391.5	\$ 1,417.2	(1.8)%
Product and program fees	923.9	961.1	(3.9)
	2,315.4	2,378.3	(2.6)
Redemption fees	4.0	10.0	(60.0)
Other financial planning revenues	164.6	184.6	(10.8)
Total Wealth Management	2,484.0	2,572.9	(3.5)
Net investment income and other	4.1	3.6	13.9
	2,488.1	2,576.5	(3.4)
<b>Expenses</b>			
Advisory and business development			
Asset-based compensation	754.0	740.1	1.9
Sales-based compensation	76.1	56.1	35.7
Other			
Other product commissions	76.8	75.5	1.7
Business development	219.2	217.6	0.7
	296.0	293.1	1.0
Total advisory and business development	1,126.1	1,089.3	3.4
Operations and support	476.9	466.1	2.3
Sub-advisory	181.9	189.7	(4.1)
	1,784.9	1,745.1	2.3
Adjusted earnings before interest and taxes <sup>(1)</sup>	703.2	831.4	(15.4)
Interest expense	90.3	90.3	–
Adjusted earnings before income taxes <sup>(1)</sup>	612.9	741.1	(17.3)
Income taxes	164.2	198.0	(17.1)
Adjusted net earnings <sup>(1)</sup>	448.7	543.1	(17.4)
Non-controlling interest	0.2	–	N/M
<b>Adjusted net earnings available to common shareholders<sup>(1)</sup></b>	<b>\$ 448.5</b>	<b>\$ 543.1</b>	<b>(17.4)%</b>

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

The decrease in advisory fees in the three months ending December 31, 2022 was primarily due to the decrease in average assets under advisement of 6.6%, as shown in Table 11, partially offset by an increase in the advisory fee rate. The decrease in advisory fees in the twelve months ending December 31, 2022 was primarily due to the decrease in average assets under advisement of 0.5%, as shown in Table 11, and a decrease in the advisory fee rate. The average advisory fee rate for the fourth quarter was 102.4 basis points of average assets under advisement compared to 101.8 basis points in 2021, and for the twelve month period, the rate was 102.5 basis points compared to 103.2 basis points in 2021. The change in the average advisory fee rate for the three and twelve month periods primarily reflects changes in client and product mix.

Product and program fees depend largely on the level and composition of mutual fund assets under management. Product and program fees totalled \$214.7 million in the current

quarter, down 9.8% from \$238.1 million a year ago primarily due to the decrease in average assets under management of 9.4%, as shown in Table 12. Product and program fees were \$875.1 million for the twelve month period ended December 31, 2022 compared to \$903.5 million in 2021, a decrease of 3.1% primarily due to the decrease in average assets under management of 3.0%, as shown in Table 12. The average product and program fee rate for the fourth quarter was 85.9 basis points of assets under management compared to 86.3 basis points in 2021, and the rate for the twelve month period of 2022 was 85.9 basis points of average assets under management compared to 86.0 basis points in 2021, reflecting price reductions in certain funds and 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.

**Table 14: Operating Results – IG Wealth Management**

Three months ended (\$ millions)	Change				
	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	2022 Sep. 30	2021 Dec. 31
<b>Revenues</b>					
Wealth Management					
Advisory fees	\$ 283.1	\$ 280.4	\$ 301.1	1.0 %	(6.0)%
Product and program fees	214.7	214.1	238.1	0.3	(9.8)
	497.8	494.5	539.2	0.7	(7.7)
Redemption fees	0.6	0.8	1.7	(25.0)	(64.7)
Other financial planning revenues	32.4	37.3	41.7	(13.1)	(22.3)
Total Wealth Management	530.8	532.6	582.6	(0.3)	(8.9)
Net investment income and other	2.1	2.2	1.3	(4.5)	61.5
	532.9	534.8	583.9	(0.4)	(8.7)
<b>Expenses</b>					
Advisory and business development					
Asset-based compensation	140.3	136.6	142.0	2.7	(1.2)
Sales-based compensation	20.4	19.7	15.9	3.6	28.3
Other					
Other product commissions	16.8	16.9	18.0	(0.6)	(6.7)
Business development	39.7	45.5	43.8	(12.7)	(9.4)
	56.5	62.4	61.8	(9.5)	(8.6)
Total advisory and business development	217.2	218.7	219.7	(0.7)	(1.1)
Operations and support	108.8	102.9	103.6	5.7	5.0
Sub-advisory	41.5	41.0	45.6	1.2	(9.0)
	367.5	362.6	368.9	1.4	(0.4)
Adjusted earnings before interest and taxes <sup>(1)</sup>	165.4	172.2	215.0	(3.9)	(23.1)
Interest expense	22.6	22.6	22.5	–	0.4
Adjusted earnings before income taxes <sup>(1)</sup>	142.8	149.6	192.5	(4.5)	(25.8)
Income taxes	38.2	40.1	51.4	(4.7)	(25.7)
<b>Adjusted net earnings<sup>(1)</sup></b>	<b>\$ 104.6</b>	<b>\$ 109.5</b>	<b>\$ 141.1</b>	<b>(4.5)%</b>	<b>(25.9)%</b>

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

- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking<sup>†</sup>

Other financial planning revenues of \$32.4 million for the fourth quarter of 2022 decreased by \$9.3 million from \$41.7 million in 2021. For the twelve month period, other financial planning revenues of \$140.5 million decreased by \$22.9 million from \$163.4 million in 2021. The decrease in both the three and twelve month periods were primarily due to lower earnings from mortgage banking operations.

A summary of mortgage banking operations for the three and twelve month periods under review is presented in Table 15.

#### Net Investment Income and Other

Net investment income and other consists of unrealized gains or losses on investments in proprietary funds in the three and twelve months ended December 31, 2022, and investment income earned on our cash and cash equivalents and securities

and other income not related to our core business. It 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 advisor 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 decreased by \$1.7 million for the three months ended December 31, 2022 to \$140.3 million compared to 2021, primarily due to rate

**Table 14: Operating Results – IG Wealth Management (continued)**

<i>Twelve months ended</i> (\$ millions)	2022 Dec.31	2021 Dec. 31	Change
<b>Revenues</b>			
Wealth Management			
Advisory fees	\$ 1,140.4	\$ 1,154.3	(1.2)%
Product and program fees	875.1	903.5	(3.1)
	2,015.5	2,057.8	(2.1)
Redemption fees	3.9	9.9	(60.6)
Other financial planning revenues	140.5	163.4	(14.0)
Total Wealth Management	2,159.9	2,231.1	(3.2)
Net investment income and other	2.4	2.6	(7.7)
	2,162.3	2,233.7	(3.2)
<b>Expenses</b>			
Advisory and business development			
Asset-based compensation	558.9	536.0	4.3
Sales-based compensation	76.1	56.1	35.7
Other			
Other product commissions	65.5	62.8	4.3
Business development	182.2	184.6	(1.3)
	247.7	247.4	0.1
Total advisory and business development	882.7	839.5	5.1
Operations and support	423.6	416.9	1.6
Sub-advisory	169.1	174.5	(3.1)
	1,475.4	1,430.9	3.1
Adjusted earnings before interest and taxes <sup>(1)</sup>	686.9	802.8	(14.4)
Interest expense	89.7	89.6	0.1
Adjusted earnings before income taxes <sup>(1)</sup>	597.2	713.2	(16.3)
Income taxes	159.8	190.3	(16.0)
<b>Adjusted net earnings<sup>(1)</sup></b>	<b>\$ 437.4</b>	<b>\$ 522.9</b>	<b>(16.4)%</b>

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

increases and decreased average assets under advisement. For the twelve months ended December 31, 2022, asset-based compensation increased by \$22.9 million to \$558.9 million compared to 2021, primarily due to rate increases due to changes in advisor productivity.

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 \$20.4 million for the fourth quarter of 2022, an increase of \$4.5 million from \$15.9 million in 2021. For the twelve month period, sales-based compensation expense was \$76.1 million, an increase of \$20.0 million from \$56.1 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 \$56.5 million in the fourth quarter of 2022, compared to \$61.8 million in 2021, a decrease of \$5.3 million due to decreases in other advisor program expenses and distribution of insurance products. Other advisory and business development expenses were \$247.7 million in the twelve months ended December 31, 2022, compared to \$247.4 million in 2021.

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 \$108.8 million for the fourth quarter of 2022 compared to \$103.6 million in 2021, an increase of \$5.2 million. For the twelve month period, operations and support expenses were \$423.6 million in 2022 compared to \$416.9 million in 2021, an increase of \$6.7 million or 1.6%.

**Table 15: Mortgage Banking Operations – IG Wealth Management**

<b>Three months ended</b> (\$ millions)					Change	
	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	2022 Sep. 30	2021 Dec. 31	
<b>Total mortgage banking income</b>						
Net interest income on securitized loans						
Interest income	\$ 34.1	\$ 32.2	\$ 33.1	5.9 %	3.0 %	
Interest expense	29.5	25.7	25.5	14.8	15.7	
Net interest income	4.6	6.5	7.6	(29.2)	(39.5)	
Gains on sales <sup>(1)</sup>	–	–	0.5	–	(100.0)	
Fair value adjustments	(5.7)	(1.0)	–	N/M	N/M	
Other	4.0	2.8	0.7	42.9	N/M	
	\$ 2.9	\$ 8.3	\$ 8.8	(65.1)%	(67.0)%	
<b>Average mortgages serviced</b>						
Securitizations	\$ 4,567	\$ 4,638	\$ 5,111	(1.5)%	(10.6)%	
Other	2,357	2,419	2,411	(2.6)	(2.2)	
	\$ 6,924	\$ 7,057	\$ 7,522	(1.9)%	(8.0)%	
<b>Mortgage sales to:<sup>(2)</sup></b>						
Securitizations	\$ 359	\$ 535	\$ 297	(32.9)%	20.9 %	
Other <sup>(1)</sup>	–	–	176	–	(100.0)	
	\$ 359	\$ 535	\$ 473	(32.9)%	(24.1)%	
<b>Twelve months ended</b> (\$ millions)						
			2022 Dec. 31	2021 Dec. 31		Change
<b>Total mortgage banking income</b>						
Net interest income on securitized loans						
Interest income			\$ 127.2	\$ 147.0		(13.5)%
Interest expense			102.8	111.4		(7.7)
Net interest income			24.4	35.6		(31.5)
(Losses) gains on sales <sup>(1)</sup>			(3.5)	3.9		N/M
Fair value adjustments			(3.1)	1.4		N/M
Other			8.2	3.5		134.3
			\$ 26.0	\$ 44.4		(41.4)%
<b>Average mortgages serviced</b>						
Securitizations			\$ 4,708	\$ 5,431		(13.3)%
Other			2,404	2,503		(4.0)
			\$ 7,112	\$ 7,934		(10.4)%
<b>Mortgage sales to:<sup>(2)</sup></b>						
Securitizations			\$ 1,281	\$ 1,506		(14.9)%
Other <sup>(1)</sup>			355	872		(59.3)
			\$ 1,636	\$ 2,378		(31.2)%

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

(2) Represents principal amounts sold.

Sub-advisory expenses were \$41.5 million for the fourth quarter of 2022 compared to \$45.6 million in 2021, a decrease of \$4.1 million or 9.0%. For the twelve month period, sub-advisory expenses were \$169.1 million in 2022 compared to \$174.5 million in 2021, a decrease of \$5.4 million or 3.1%. The decreases in both the three and twelve month periods are primarily due to lower assets under management.

### **Interest Expense**

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled \$22.6 million and \$89.7 million in the three and twelve months ended December 31, 2022, respectively, comparable to 2021. Long-term debt interest expense is calculated based on a long-term debt allocation of \$1.7 billion to IG Wealth Management.

### **Q4 2022 vs. Q3 2022**

#### **Fee Income**

Advisory fee income increased by \$2.7 million or 1.0% to \$283.1 million in the fourth quarter of 2022 compared with the third quarter. The increase in advisory fees in the fourth quarter was primarily due to the increase in average assets under advisement of 1.0% for the quarter, as shown in Table 11. The average advisory fee rate for the fourth quarter was 102.4 basis points of average assets under management, compared to 102.5 basis points in the third quarter.

Product and program fees were \$214.7 million in the fourth quarter of 2022, an increase of \$0.6 million from \$214.1 million in the third quarter of 2022. The average product and program fee rate was 85.9 basis points in the current quarter, compared to 85.7 basis points in the third quarter.

Other financial planning revenues of \$32.4 million in the fourth quarter of 2022 decreased by \$4.9 million from \$37.3 million in the third quarter due to a decrease in earnings from the mortgage banking operations.

### **Expenses**

Advisory and business development expenses in the current quarter were \$217.2 million, a decrease of \$1.5 million from \$218.7 million in the previous quarter.

Operations and support expenses were \$108.8 million for the fourth quarter of 2022 compared to \$102.9 million in the previous quarter, an increase of \$5.9 million or 5.7%.

## **Investment Planning Counsel**

### **2022 vs. 2021**

Adjusted net earnings available to common shareholders related to Investment Planning Counsel were \$2.8 million and \$9.1 million lower in the three and twelve month periods ended December 31, 2022 than the comparable periods in 2021.

### **Q4 2022 vs. Q3 2022**

Adjusted net earnings available to common shareholders related to Investment Planning Counsel were \$2.4 million higher in the fourth quarter of 2022 compared to the prior quarter.

# 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.

---

## 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, 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 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. In 2022, Mackenzie entered into a new multi-year product and services distribution agreement with PFSI Investment Canada Ltd. (Primerica) where Mackenzie serves as one of two exclusive investment solutions providers and, on June 30, 2022, Mackenzie launched a suite of 25 funds designed to address the specific needs of Primerica advisors and their clients. 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 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 16 and the changes in investment fund assets under management are summarized in Table 17. Assets managed for the Wealth Management segment are included in total assets under management.

At December 31, 2022, Mackenzie's total assets under management were \$186.6 billion, a decrease of 11.3% from \$210.3 billion last year. Mackenzie's total assets under management (excluding sub-advisory to Wealth Management) were \$113.1 billion, a decrease of 12.4% from \$129.1 billion last year. The change in Mackenzie's assets under management is determined by investment returns and net contributions from our clients.

### Change in Assets Under Management – 2022 vs. 2021

Mackenzie's total assets under management at December 31, 2022 were \$186.6 billion, a decrease of 11.3% from \$210.3 billion at December 31, 2021. Assets under management excluding sub-advisory to the Wealth Management segment were \$113.1 billion, a decrease of 12.4% from \$129.1 billion at December 31, 2021.

Investment fund assets under management were \$59.7 billion at December 31, 2022, compared to \$68.4 billion at December 31, 2021, a decrease of 12.7%. Mackenzie's mutual fund assets under management of \$54.4 billion decreased by 13.6% from \$63.0 billion at December 31, 2021. Mackenzie's ETF assets excluding ETFs held within IGM Financial's managed products were \$5.2 billion at December 31, 2022, a decrease of 3.2% from \$5.4 billion at December 31, 2021. ETF assets inclusive of IGM Financial's managed products were \$12.4 billion at December 31, 2022 compared to \$12.7 billion at December 31, 2021.

In the three months ended December 31, 2022, Mackenzie's mutual fund gross sales were \$1.6 billion, a decrease of 39.9% from \$2.6 billion in 2021. Mutual fund redemptions in the current quarter were \$2.5 billion, an increase of 21.4% from last year. Mutual fund net redemptions for the three months ended December 31, 2022 were \$966 million, compared to net sales of \$512 million last year. In the three months ended December 31, 2022, ETF net creations were \$134 million compared to \$245 million last year. Investment fund net redemptions in the current quarter were \$832 million compared to net sales of \$757 million last year. During the current quarter, investment returns resulted in investment fund assets increasing by \$2.9 billion compared to an increase of \$2.8 billion last year.

**Table 16: Change in Total Assets Under Management – Asset Management**

<i>Three months ended</i> (\$ millions)	Change				
	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	2022 Sep. 30	2021 Dec. 31
<b>Assets under management excluding sub-advisory to Canada Life and the Wealth Management Segment</b>					
Net sales (redemptions)					
Mutual funds	\$ (966)	\$ (594)	\$ 512	(62.6)%	N/M %
ETF net creations	134	(86)	245	N/M	(45.3)
Investment funds <sup>(1)</sup>	(832)	(680)	757	(22.4)	N/M
Sub-advisory, institutional and other accounts <sup>(2)</sup>	(135)	(139)	(576)	2.9	76.6
<b>Total net sales (redemptions)</b>	<b>(967)</b>	<b>(819)</b>	<b>181</b>	<b>(18.1)</b>	<b>N/M</b>
Investment returns	3,385	(812)	3,162	N/M	7.1
Net change in assets	2,418	(1,631)	3,343	N/M	(27.7)
Beginning assets	63,657	65,288	72,967	(2.5)	(12.8)
<b>Ending assets</b>	<b>\$ 66,075</b>	<b>\$ 63,657</b>	<b>\$ 76,310</b>	<b>3.8 %</b>	<b>(13.4)%</b>
<b>Consolidated assets under management</b>					
Mutual funds	\$ 54,434	\$ 52,541	\$ 62,969	3.6 %	(13.6)%
ETFs	5,219	5,010	5,393	4.2	(3.2)
Investment funds <sup>(1)</sup>	59,653	57,551	68,362	3.7	(12.7)
Sub-advisory, institutional and other accounts	6,422	6,106	7,948	5.2	(19.2)
	66,075	63,657	76,310	3.8	(13.4)
Sub-advisory to Canada Life	47,023	45,015	52,805	4.5	(10.9)
Total excluding sub-advisory to Wealth Management	113,098	108,672	129,115	4.1	(12.4)
Sub-advisory to Wealth Management	73,514	71,834	81,228	2.3	(9.5)
<b>Consolidated assets under management</b>	<b>\$ 186,612</b>	<b>\$ 180,506</b>	<b>\$ 210,343</b>	<b>3.4 %</b>	<b>(11.3)%</b>
<b>Average total assets under management<sup>(3)</sup></b>					
Excluding sub-advisory to Wealth Management	\$ 112,651	\$ 113,448	\$ 126,759	(0.7)%	(11.1)%
Consolidated	186,260	187,323	207,143	(0.6)	(10.1)
<b>Twelve months ended</b>					
(\$ millions)	2022 Dec. 31	2021 Dec. 31			Change
<b>Assets under management excluding sub-advisory to Canada Life and the Wealth Management Segment</b>					
Net sales (redemptions)					
Mutual funds <sup>(4)</sup>		\$ (1,736)	\$ 3,908		N/M %
ETF net creations <sup>(5)</sup>		705	1,532		(54.0)
Investment funds <sup>(1)</sup>		(1,031)	5,440		N/M
Sub-advisory, institutional and other accounts <sup>(2)</sup>		(834)	(306)		(172.5)
<b>Total net sales (redemptions)</b>		<b>(1,865)</b>	<b>5,134</b>		<b>N/M</b>
Investment returns		(8,370)	7,413		N/M
Net change in assets		(10,235)	12,547		N/M
Beginning assets		76,310	63,763		19.7
<b>Ending assets</b>		<b>\$ 66,075</b>	<b>\$ 76,310</b>		<b>(13.4)%</b>
<b>Average total assets under management<sup>(3)</sup></b>					
Excluding sub-advisory to Wealth Management		\$ 117,801	\$ 120,988		(2.6)%
Consolidated		194,040	198,946		(2.5)

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

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

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

2021 Q2 – Mackenzie was awarded \$680 million of sub-advisory wins.

Q4 – An institutional client re-assigned sub-advisory responsibilities on mandates advised by Mackenzie totalling \$667 million.

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

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

2021 YTD – 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.



**Table 17: Change in Investment Fund Assets Under Management – Asset Management<sup>(1)</sup>**

<i>Three months ended</i> (\$ millions)	Change				
	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	2022 Sep. 30	2021 Dec. 31
Sales	\$ 1,559	\$ 1,281	\$ 2,592	21.7 %	(39.9)%
Redemptions	2,525	1,875	2,080	34.7	21.4
Mutual fund net sales (redemptions)	(966)	(594)	512	(62.6)	N/M
ETF net creations	134	(86)	245	N/M	(45.3)
<b>Investment fund net sales (redemptions)<sup>(2)</sup></b>	<b>(832)</b>	<b>(680)</b>	<b>757</b>	<b>(22.4)</b>	<b>N/M</b>
Investment returns	2,934	(713)	2,816	N/M	4.2
Net change in assets	2,102	(1,393)	3,573	N/M	(41.2)
Beginning assets	57,551	58,944	64,789	(2.4)	(11.2)
<b>Ending assets</b>	<b>\$ 59,653</b>	<b>\$ 57,551</b>	<b>\$ 68,362</b>	<b>3.7 %</b>	<b>(12.7)%</b>
<b>Consists of:</b>					
Mutual funds	\$ 54,434	\$ 52,541	\$ 62,969	3.6 %	(13.6)%
ETFs	5,219	5,010	5,393	4.2	(3.2)
Investment funds	\$ 59,653	\$ 57,551	\$ 68,362	3.7 %	(12.7)%
<b>Daily average investment fund assets</b>	<b>\$ 59,421</b>	<b>\$ 60,405</b>	<b>\$ 66,833</b>	<b>(1.6)%</b>	<b>(11.1)%</b>
<b>Twelve months ended</b>					
(\$ millions)			2022 Dec. 31	2021 Dec. 31	Change
Sales			\$ 7,496	\$ 12,022	(37.6)%
Redemptions			9,232	8,114	13.8
Mutual fund net sales (redemptions) <sup>(3)</sup>			(1,736)	3,908	N/M
ETF net creations <sup>(4)</sup>			705	1,532	(54.0)
<b>Investment fund net sales (redemptions)<sup>(2)</sup></b>			<b>(1,031)</b>	<b>5,440</b>	<b>N/M</b>
Investment returns			(7,678)	6,452	N/M
Net change in assets			(8,709)	11,892	N/M
Beginning assets			68,362	56,470	21.1
<b>Ending assets</b>			<b>\$ 59,653</b>	<b>\$ 68,362</b>	<b>(12.7)%</b>
<b>Daily average investment fund assets</b>			<b>\$ 62,114</b>	<b>\$ 63,003</b>	<b>(1.4)%</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) Total investment fund net sales and assets under management exclude Mackenzie mutual fund investments in ETFs.

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

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

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

Total net redemptions excluding sub-advisory to Canada Life and to the Wealth Management segment for the three months ended December 31, 2022 were \$967 million compared to net sales of \$181 million last year. During the fourth quarter of 2021, an institutional client re-assigned sub-advisory responsibilities on mandates advised by Mackenzie totalling \$667 million. Excluding this transaction, net sales were \$848 million for the three months ended December 31, 2021. During the current quarter, investment returns resulted in assets increasing by \$3.4 billion compared to an increase of \$3.2 billion last year.

In the twelve months ended December 31, 2022, Mackenzie's mutual fund gross sales were \$7.5 billion, a decrease of 37.6% from \$12.0 billion in 2021. Mutual fund redemptions in the current period were \$9.2 billion, an increase of 13.8% from last year. Mutual fund net redemptions for the year ended

December 31, 2022 were \$1.7 billion, compared to net sales of \$3.9 billion in 2021. In the year ended December 31, 2022, ETF net creations were \$705 million compared to \$1.5 billion last year. Investment fund net redemptions in the current period were \$1.0 billion compared to net sales of \$5.4 billion last year. During the current period, investment returns resulted in investment fund assets decreasing by \$7.7 billion compared to an increase of \$6.5 billion last year.

During the twelve months ended December 31, 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 redemptions increased by 19.1% in the twelve months ended December 31, 2022 compared to 2021, and mutual fund net redemptions of \$1.7 billion in 2022 compared to mutual fund net sales of \$4.3 billion in 2021.

Redemptions of long-term mutual funds in the three and twelve months ended December 31, 2022, were \$2.5 billion and \$9.1 billion, respectively, compared to \$2.0 billion and \$8.0 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by third party programs were \$7.6 billion in the twelve months ended December 31, 2021. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 18.2% in the fourth quarter of 2022, compared to 13.3% in the fourth quarter of 2021. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 16.0% at December 31, 2022, compared to 13.6% last year. Mackenzie's twelve month trailing redemption rate for long-term funds, excluding rebalance transactions, was 12.9% at December 31, 2021. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 16.2% at December 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.

Total net redemptions excluding sub-advisory to Canada Life and to the Wealth Management segment for the twelve months ended December 31, 2022 were \$1.9 billion compared to net sales of \$5.1 billion last year. During the twelve month period, investment returns resulted in assets decreasing by \$8.4 billion compared to an increase of \$7.4 billion last year.

During 2021, Mackenzie was awarded \$680 million of sub-advisory mandates through our strategic partnership with China Asset Management Co., Ltd. (ChinaAMC).

During the twelve months ended December 31, 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 2021 ChinaAMC award and transactions previously mentioned, total net redemptions excluding sub-advisory to Canada Life and to the Wealth Management segment for the twelve months ended December 31, 2022 were \$2.3 billion compared to net sales of \$5.5 billion last year.

As at December 31, 2022, Mackenzie's sub-advisory to Canada Life were \$47.0 billion compared to \$52.8 billion at December 31, 2021.

As at December 31, 2022, Mackenzie's sub-advisory to the Wealth Management segment were \$73.5 billion or 70.8% 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.

### **Change in Assets under Management – Q4 2022 vs. Q3 2022**

Mackenzie's total assets under management at December 31, 2022 were \$186.6 billion, an increase of 3.4% from \$180.5 billion at September 30, 2022. Assets under management excluding sub-advisory to the Wealth Management segment were \$113.1 billion, an increase of 4.1% from \$108.7 billion at September 30, 2022.

Investment fund assets under management were \$59.7 billion at December 31, 2022, an increase of 3.7% from \$57.6 billion at September 30, 2022. Mackenzie's mutual fund assets under management were \$54.4 billion at December 31, 2022, an increase of 3.6% from \$52.5 billion at September 30, 2022. Mackenzie's ETF assets were \$5.2 billion at December 31, 2022 compared to \$5.0 billion at September 30, 2022. ETF assets inclusive of IGM Financial's managed products were \$12.4 billion at December 31, 2022 compared to \$11.5 billion at September 30, 2022.

For the quarter ended December 31, 2022, Mackenzie mutual fund gross sales were \$1.6 billion, an increase of 21.7% from the third quarter of 2022. Mutual fund redemptions were \$2.5 billion, an increase of 34.7% from the third quarter of 2022. Net redemptions of Mackenzie mutual funds for the current quarter were \$966 million compared with net redemptions of \$594 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were \$2.5 billion, compared to \$1.8 billion in the third quarter. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 18.2% compared to 13.4% in the third quarter.

For the quarter ended December 31, 2022, Mackenzie ETF net creations were \$134 million compared to (\$86) million in the third quarter.

Investment fund net redemptions in the current quarter were \$832 million compared to net redemptions of \$680 million in the third quarter.

As at December 31, 2022, Mackenzie's sub-advisory to Canada Life were \$47.0 billion compared to \$45.0 billion at September 30, 2022.

As at December 31, 2022, Mackenzie's sub-advisory to the Wealth Management segment were \$73.5 billion or 70.8% of total Wealth Management assets under management compared to \$71.8 billion or 71.8% of total Wealth Management assets under management at September 30, 2022.

## Investment Management

Mackenzie has \$186.6 billion in assets under management at December 31, 2022, including \$73.5 billion of sub-advisory mandates to the Wealth Management segment. It has teams located in Toronto, 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. Our investment team currently consists of 17 boutiques. 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.

Mackenzie's 56% economic 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 2022, 1832 Asset Management, Addenda, Brandywine, Blackrock, and T. Rowe Price were added as sub-advisors for the launch of the suite of Mackenzie FuturePath Funds designed to address the specific needs of Primerica advisors and their clients.

During 2022, 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:

- Released net zero 2030 interim targets.
- Commenced engagements with the 100 companies responsible for the majority of the financed emissions produced by companies Mackenzie invests in for its clients.
- Continued to attract talent and enhance data and capabilities to address risks associated with climate change.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2022, 55.8% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 58.2% for the three year time frame and 64.6% 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 December 31, 2022, 85.9% of Mackenzie mutual fund assets measured

by Morningstar<sup>†</sup> had a rating of three stars or better and 57.1% had a rating of four or five stars. This compared to the Morningstar<sup>†</sup> universe of 84.0% for three stars or better and 53.3% for four and five star funds at December 31, 2022.

Mackenzie was once again recognized for industry leading performance during 2022 by winning the following awards:

- Refinitiv Lipper awards – seven awards in respect of six mutual funds and one exchange traded fund. This award is presented annually and honours funds that lead in delivering strong, risk-adjusted performance relative to their peers.
- Fundata FundGrade A+ – eight awards in respect of four mutual funds and four exchange traded funds. This award is presented annually and honours funds that achieve consistently high FundGrade scores throughout the calendar year.

## Products

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. During 2022, Mackenzie launched thirty mutual funds which included a suite of twenty-five FuturePath Funds through its new partnership with Primerica Financial Services Canada (PFSL), two alternative funds in collaboration with Northleaf Capital Partners (Northleaf), and two ETFs, including one in collaboration with Wealthsimple. In January 2023, Mackenzie filed the preliminary prospectus for the upcoming launch of an additional mutual fund and ETF in partnership with Corporate Knights.

## Mutual Funds

Mackenzie manages its product shelf through new fund launches and fund mergers to streamline fund offerings for advisors and investors. During the first three quarters of 2022, Mackenzie launched 29 mutual funds:

- Mackenzie North American Equity Fund
- Mackenzie North American Balanced Fund
- Mackenzie Inflation-Focused Fund
- Mackenzie USD US Mid Cap Opportunities Fund
- 25 Mackenzie FuturePath funds supporting a new partnership with Primerica. This new family of funds will harness a wide selection of Mackenzie's competitive investment strategies and covers all major CIFSC categories and investment styles.

During the fourth quarter of 2022, the Mackenzie Bluewater Next Gen Growth Fund was launched. This global equity fund invests in innovation leaders across geographies, sectors, and market capitalizations who have a significant competitive advantage, strong growth opportunities and a unique value proposition.

## Alternative Funds

Mackenzie currently has ten funds in the alternatives space including four products in collaboration with Northleaf Capital Partners (Northleaf). During 2022, Mackenzie launched two products in collaboration with Northleaf as part of its ongoing commitment to expand retail investor access to private market investment solutions.

- Mackenzie Northleaf Private Credit Interval Fund
- Mackenzie Northleaf Global Private Equity Fund

## 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 when building long-term diversified portfolios.

During 2022, Mackenzie launched two new ETFs. These ETFs further broadened our diverse offerings of ETFs:

- Wealthsimple North American Green Bond Index ETF
- Mackenzie Emerging Markets Equity Index ETF

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 \$12.4 billion, inclusive of \$7.2 billion in investments from IGM managed products. This ranks Mackenzie in sixth place in the Canadian ETF industry for assets under management.

## 2023 Launch

In January 2023, the launch of the Mackenzie Corporate Knights Global 100 Index Mutual Fund and Mackenzie Corporate Knights Global Index ETF was confirmed. These funds will invest in equity securities in a manner that tracks the Corporate Knights Global 100 index.

## 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 18. Adjusted net earnings for the fourth quarter of 2022 were \$51.3 million, a decrease of 21.4% from the fourth quarter in 2021 and a decrease of 12.3% from the prior quarter. Adjusted net earnings for the year ended December 31, 2022 were \$213.2 million, a decrease of 11.5% from 2021.

Adjusted earnings before interest and taxes for the fourth quarter of 2022 were \$76.0 million, a decrease of 17.7% from the fourth quarter in 2021 and a decrease of 11.0% from the prior quarter. Adjusted earnings before interest and taxes for the year ended December 31, 2022 were \$313.1 million, a decrease of 9.4% from 2021.

## 2022 vs. 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 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

**Table 18: Operating Results – Asset Management**

Three months ended (\$ millions)	Change				
	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	2022 Sep. 30	2021 Dec. 31
<b>Revenues</b>					
Asset management					
Asset management fees – third party	\$ 232.5	\$ 234.7	\$ 265.4	(0.9)%	(12.4)%
Redemption fees	0.7	0.7	1.4	–	(50.0)
	233.2	235.4	266.8	(0.9)	(12.6)
Dealer compensation expenses					
Asset-based compensation	(76.9)	(77.5)	(88.1)	(0.8)	(12.7)
Sales-based compensation	–	–	(3.6)	–	(100.0)
	(76.9)	(77.5)	(91.7)	(0.8)	(16.1)
Net asset management fees – third party	156.3	157.9	175.1	(1.0)	(10.7)
Asset management fees – Wealth Management	27.3	27.3	30.0	–	(9.0)
Net asset management	183.6	185.2	205.1	(0.9)	(10.5)
Net investment income and other	5.6	3.8	1.3	47.4	N/M
	189.2	189.0	206.4	0.1	(8.3)
<b>Expenses</b>					
Advisory and business development	21.3	16.4	24.1	29.9	(11.6)
Operations and support	90.9	86.0	88.3	5.7	2.9
Sub-advisory	1.0	1.2	1.6	(16.7)	(37.5)
	113.2	103.6	114.0	9.3	(0.7)
Adjusted earnings before interest and taxes <sup>(1)</sup>	76.0	85.4	92.4	(11.0)	(17.7)
Interest expense	5.9	5.9	5.9	–	–
Adjusted earnings before income taxes <sup>(1)</sup>	70.1	79.5	86.5	(11.8)	(19.0)
Income taxes	18.8	21.0	21.2	(10.5)	(11.3)
<b>Adjusted net earnings<sup>(1)</sup></b>	<b>\$ 51.3</b>	<b>\$ 58.5</b>	<b>\$ 65.3</b>	<b>(12.3) %</b>	<b>(21.4)%</b>

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

**Table 18: Operating Results – Asset Management (continued)**

<i>Twelve months ended</i> (\$ millions)	2022 Dec. 31	2021 Dec. 31	Change
<b>Revenues</b>			
Asset management			
Asset management fees – third party	\$ 962.9	\$ 1,007.0	(4.4)%
Redemption fees	3.1	4.5	(31.1)
	966.0	1,011.5	(4.5)
Dealer compensation expenses			
Asset-based compensation	(320.3)	(335.8)	(4.6)
Sales-based compensation	(7.3)	(19.5)	(62.6)
	(327.6)	(355.3)	(7.8)
Net asset management fees – third party	638.4	656.2	(2.7)
Asset management fees – Wealth Management	111.7	114.6	(2.5)
Net asset management	750.1	770.8	(2.7)
Net investment income and other	5.7	5.8	(1.7)
	755.8	776.6	(2.7)
<b>Expenses</b>			
Advisory and business development	79.4	88.7	(10.5)
Operations and support	358.4	335.6	6.8
Sub-advisory	4.9	6.9	(29.0)
	442.7	431.2	2.7
Adjusted earnings before interest and taxes <sup>(1)</sup>	313.1	345.4	(9.4)
Interest expense	23.5	23.6	(0.4)
Adjusted earnings before income taxes <sup>(1)</sup>	289.6	321.8	(10.0)
Income taxes	76.4	81.0	(5.7)
<b>Adjusted net earnings<sup>(1)</sup></b>	<b>\$ 213.2</b>	<b>\$ 240.8</b>	<b>(11.5)%</b>

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

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. Mackenzie stopped selling deferred sales charge purchase options and low load purchase options as of June 1, 2022, in accordance with regulatory changes.

- Asset management fees – Wealth Management consists of sub-advisory fees earned from the Wealth Management segment.

Net asset management fees – third party were \$156.3 million for the three months ended December 31, 2022, a decrease of \$18.8 million or 10.7% from \$175.1 million last year. The decrease in net asset management fees – third party was due to an 11.1% decrease in average assets under management, as shown in Table 16, offset by an increase in the net asset management fee rate. Mackenzie's net asset management fee rate was 55.1 basis points for the three months ended December 31, 2022, compared to 54.8 basis points in the comparative period in 2021. The increase in rate was mostly driven by lower selling commissions.

Net asset management fees – third party were \$638.4 million for the twelve months ended December 31, 2022, a decrease of \$17.8 million or 2.7% from \$656.2 million last year. The decrease in net asset management fees – third party was primarily due to a 2.6% decrease in average assets under management,

as shown in Table 16. Mackenzie's net asset management fee rate was 54.2 basis points for the twelve months ended December 31, 2022, consistent with 2021.

Management fees – Wealth Management were \$27.3 million for the three months ended December 31, 2022, a decrease of \$2.7 million or 9.0% from \$30.0 million last year. The decrease in management fees was primarily due to an 8.4% decrease in average assets under management. Mackenzie's management fee rate was 14.7 basis points for the three months ended December 31, 2022 compared to 14.8 basis points in the comparative period in 2021.

Management fees – Wealth Management were \$111.7 million for the twelve months ended December 31, 2022, a decrease of \$2.9 million or 2.5% from \$114.6 million last year. The decrease in management fees was due to a 2.2% decrease in average assets under management. Mackenzie's management fee rate was 14.7 basis points for the twelve months ended December 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 \$5.6 million for the three months ended December 31, 2022 compared to \$1.3 million last year, and was \$5.7 million for the twelve months ended December 31, 2022 compared to \$5.8 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 \$21.3 million for the three months ended December 31, 2022, a decrease of \$2.8 million or 11.6% from \$24.1 million in 2021. Expenses for the twelve months ended December 31, 2022 were \$79.4 million, a decrease of \$9.3 million or 10.5% from \$88.7 million last year. The decline in the three and twelve month periods was attributed to lower wholesaler commissions consistent with the decline in net investment fund net sales.

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 \$90.9 million for the three months ended December 31, 2022, an increase of \$2.6 million or 2.9% from \$88.3 million in 2021. Expenses for the twelve months ended December 31, 2022 were \$358.4 million, an increase of \$22.8 million or 6.8% from \$335.6 million last year.

Sub-advisory expenses were \$1.0 million for the three months ended December 31, 2022, compared to \$1.6 million in 2021. Expenses for the twelve months ended December 31, 2022 were \$4.9 million, compared to \$6.9 million last year, due to lower sub-advisory assets.

## Interest Expense

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled \$5.9 million in the fourth quarter of 2022, unchanged from the comparative period in 2021. Interest expense for the twelve month period was \$23.5 million compared to \$23.6 million in 2021. Long-term debt interest expense is calculated based on a long-term debt allocation of \$0.4 billion to Mackenzie.

## Q4 2022 vs. Q3 2022

### Revenues

Net asset management fees – third party were \$156.3 million for the current quarter, a decrease of \$1.6 million or 1.0% from \$157.9 million in the third quarter. Factors contributing to the net decrease are as follows:

- Average assets under management were \$112.7 billion in the current quarter, a decrease of 0.7% from the prior quarter.
- Net asset management fee rate was 55.1 basis points for the current quarter compared to 55.2 basis points in the third quarter.

Management fees – Wealth Management were \$27.3 million in the current quarter, unchanged from the prior quarter. The decline in average assets under management was offset by an increase in the management fee rate. Average assets under management were \$73.6 billion in the current quarter, a decrease of 0.4% from the prior quarter. The management fee rate was 14.7 basis points in the current quarter, compared to 14.6 basis points in the third quarter.

Net investment income and other was \$5.6 million for the current quarter, compared to \$3.8 million in the third quarter.

### Expenses

Advisory and business development expenses were \$21.3 million for the current quarter, an increase of \$4.9 million or 29.9% from \$16.4 million in the third quarter. The increase in the current quarter is due to higher wholesaler commissions and the timing of certain expenses.

Operations and support expenses were \$90.9 million for the current quarter, an increase of \$4.9 million or 5.7% from \$86.0 million compared to the third quarter.

Sub-advisory expenses were \$1.0 million for the current quarter, compared to \$1.2 million in the third 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.

On January 12, 2023, the Company closed the previously announced transaction to acquire Power's 13.9% interest in ChinaAMC as discussed in the Consolidated Financial Position section of this MD&A. To partially fund the transaction, IGM Financial sold 1.6% of its 4% interest in Lifeco.

Assets held by the Strategic Investments and Other segment are included in Table 19.

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 20.

### 2022 vs. 2021

The proportionate share of associates' earnings increased by \$14.7 million in the fourth quarter of 2022 compared to the fourth quarter of 2021 and increased by \$14.3 million in the twelve months ended December 31, 2022 compared to 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 three month period was due to increases in the proportionate share of Lifeco's earnings of \$10.5 million and Northleaf's earnings of \$7.4 million, offset in part by a decrease in the proportionate share of ChinaAMC's earnings of \$2.8 million. The increase in the twelve month period was due to increases in the proportionate share of Lifeco's earnings of \$3.1 million and Northleaf's earnings of \$16.0 million, offset in part by a decrease in the proportionate share of ChinaAMC's earnings of \$4.4 million.

Net investment income and other was \$7.4 million in the fourth quarter of 2022, an increase of \$6.3 million from \$1.1 million in 2021. Net investment income and other was \$14.6 million for the twelve month period in 2022, an increase of \$11.9 million from \$2.7 million in 2021. The increase in both the three and twelve month periods from 2021 was primarily related to interest rate increases earned on the Company's unallocated capital.

**Table 19: Total Assets – Strategic Investments and Other**

(\$ millions)	December 31, 2022	December 31, 2021
<b>Investments in associates</b>		
Lifeco	\$ 1,075.2	\$ 1,020.8
ChinaAMC	787.2	768.7
Northleaf	284.5	258.8
Other	40.1	–
	<b>2,187.0</b>	<b>2,048.3</b>
<b>FVTOCI investments</b>		
Wealthsimple (direct investment only)	484.1	1,133.5
Portage and other investments	118.5	157.9
	<b>602.6</b>	<b>1,291.4</b>
<b>Unallocated capital and other</b>	<b>782.3</b>	<b>767.5</b>
<b>Total assets</b>	<b>\$ 3,571.9</b>	<b>\$ 4,107.2</b>
<i>Lifeco fair value</i>	<b>\$ 1,168.3</b>	<b>\$ 1,415.5</b>



**Table 20: Operating Results – Strategic Investments and Other**

<i>Three months ended</i> (\$ millions)	Change				
	2022 Dec. 31	2022 Sep. 30	2021 Dec. 31	2022 Sep. 30	2021 Dec. 31
<b>Revenues</b>					
Net investment income and other	\$ 7.4	\$ 4.7	\$ 1.1	57.4 %	N/M %
Proportionate share of associates' earnings					
Investment in Lifeco	40.9	27.6	30.4	48.2	34.5
Investment in ChinaAMC	14.2	14.7	17.0	(3.4)	(16.5)
Investment in Northleaf	10.7	4.6	3.3	132.6	224.2
Other	(0.4)	–	–	N/M	N/M
	65.4	46.9	50.7	39.4	29.0
	72.8	51.6	51.8	41.1	40.5
<b>Expenses</b>					
Operations and support	0.4	1.1	1.3	(63.6)	(69.2)
Adjusted earnings before income taxes <sup>(1)</sup>	72.4	50.5	50.5	43.4	43.4
Income taxes	4.8	2.4	1.5	100.0	220.0
Adjusted net earnings <sup>(1)</sup>	67.6	48.1	49.0	40.5	38.0
Non-controlling interest	2.1	0.9	0.7	133.3	200.0
<b>Adjusted net earnings available to common shareholders<sup>(1)</sup></b>	<b>\$ 65.5</b>	<b>\$ 47.2</b>	<b>\$ 48.3</b>	<b>38.8 %</b>	<b>35.6 %</b>
<b>Twelve months ended</b>					
(\$ millions)			2022 Dec. 31	2021 Dec. 31	Change
<b>Revenues</b>					
Net investment income and other			\$ 14.6	\$ 2.7	N/M %
Proportionate share of associates' earnings					
Investment in Lifeco			128.2	125.1	2.5
Investment in ChinaAMC			57.2	61.6	(7.1)
Investment in Northleaf			25.7	9.7	164.9
Other			(0.4)	–	N/M
			210.7	196.4	7.3
			225.3	199.1	13.2
<b>Expenses</b>					
Operations and support			4.9	4.9	–
Adjusted earnings before income taxes <sup>(1)</sup>			220.4	194.2	13.5
Income taxes			9.6	4.9	95.9
Adjusted net earnings <sup>(1)</sup>			210.8	189.3	11.4
Non-controlling interest			5.1	2.0	155.0
<b>Adjusted net earnings available to common shareholders<sup>(1)</sup></b>			<b>\$ 205.7</b>	<b>\$ 187.3</b>	<b>9.8 %</b>

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

## Q4 2022 vs. Q3 2022

The proportionate share of associates' earnings was \$65.4 million in the fourth quarter of 2022, an increase of \$18.5 million from the third quarter of 2022, primarily due to increases in the proportionate share of Lifeco earnings and Northleaf earnings. Net investment income and other was \$7.4 million in the fourth quarter of 2022, an increase of \$2.7 million from \$4.7 million in the third quarter. The increase in Net investment income and other for the fourth quarter of 2022 compared to the prior quarter primarily related to interest rate increases earned on the Company's unallocated capital.

# IGM Financial Inc.

## Consolidated Financial Position

IGM Financial's total assets were \$18.9 billion at December 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 21.

#### 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 a combined direct and indirect interest of 24% and fair value of \$492 million at December 31, 2022, unchanged from the prior quarter and a decline of \$661 million from \$1,153 million at December 31, 2021. Fair value is determined by using observable transactions in the investments' securities, where available, discounted 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 changes in stock market valuations and public market peer multiples, as well as company revenue and other financial forecasts.

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 \$603 million at December 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 22.

Loans consisted of residential mortgages and represented 26.6% of total assets at December 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 \$4.6 billion at December 31, 2022, compared to \$5.1 billion at December 31, 2021.

**Table 21: Other Investments**

(\$ millions)	December 31, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
<b>Fair value through other comprehensive income</b>				
Corporate investments	\$ 242.7	\$ 602.6	\$ 226.2	\$ 1,291.4
<b>Fair value through profit or loss</b>				
Equity securities	12.7	12.9	1.2	1.6
Proprietary investment funds	156.7	159.0	101.3	105.0
	169.4	171.9	102.5	106.6
	\$ 412.1	\$ 774.5	\$ 328.7	\$ 1,398.0

**Table 22: Loans**

(\$ millions)	December 31, 2022	December 31, 2021
Amortized cost	\$ 5,022.3	\$ 5,297.0
Less: Allowance for expected credit losses	0.8	0.6
	5,021.5	5,296.4
Fair value through profit or loss	–	57.4
	\$ 5,021.5	\$ 5,353.8

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 \$371.9 million at December 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 December 31, 2022, IG Wealth Management serviced \$9.0 billion of residential mortgages, including \$2.2 billion originated by subsidiaries of Lifeco.

## Securitization Arrangements

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

term of the mortgages, ii) the component of swaps entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal, are recorded at fair value, and iii) cash reserves held under the ABCP program are carried at amortized cost.

In the fourth quarter of 2022, the Company securitized loans through its mortgage banking operations with cash proceeds of \$351.4 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 7 to the Consolidated Financial Statements.

## Investment in Associates

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

At December 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 and twelve months ended December 31, 2022 compared with 2021 are shown in Table 23.

On January 12, 2023, to partially fund the acquisition of an additional 13.9% interest in ChinaAMC, the Company sold 15,200,662 common shares of Lifeco to Power for cash consideration of \$553 million, which reduced the Company's equity interest in Lifeco from 4.0% to 2.4%. The Company will continue to equity account for its 2.4% interest in Lifeco. IGM Financial's accounting gain on sale of the Lifeco Shares is approximately \$124 million before tax. Lifeco will be implementing IFRS 17 effective January 1, 2023, which will impact the accounting gain ultimately recognized on the sale of Lifeco shares.

**Table 23: Investment in Associates**

(\$ millions)	December 31, 2022					December 31, 2021			
	Lifeco	ChinaAMC	Northleaf	Other	Total	Lifeco	ChinaAMC	Northleaf	Total
<b>Three months ended</b>									
<b>Carrying value, October 1</b>	<b>\$ 1,038.9</b>	<b>\$ 764.8</b>	<b>\$ 273.8</b>	<b>\$ –</b>	<b>\$ 2,077.5</b>	<b>\$ 1,001.5</b>	<b>\$ 742.6</b>	<b>\$ 255.3</b>	<b>\$ 1,999.4</b>
Investment	–	–	–	40.5	40.5	–	–	0.2	0.2
Dividends	(18.3)	–	–	–	(18.3)	(18.3)	–	–	(18.3)
Proportionate share of:									
Earnings <sup>(1)</sup>	40.9	14.2	10.7 <sup>(2)</sup>	(0.4)	65.4	30.4	17.0	3.3 <sup>(2)</sup>	50.7
Other comprehensive income (loss) and other adjustments	13.7	8.2	–	–	21.9	7.2	9.1	–	16.3
<b>Carrying value, December 31</b>	<b>\$ 1,075.2</b>	<b>\$ 787.2</b>	<b>\$ 284.5</b>	<b>\$ 40.1</b>	<b>\$ 2,187.0</b>	<b>\$ 1,020.8</b>	<b>\$ 768.7</b>	<b>\$ 258.8</b>	<b>\$ 2,048.3</b>
<b>Twelve months ended</b>									
<b>Carrying value, January 1</b>	<b>\$ 1,020.8</b>	<b>\$ 768.7</b>	<b>\$ 258.8</b>	<b>\$ –</b>	<b>\$ 2,048.3</b>	<b>\$ 962.4</b>	<b>\$ 720.3</b>	<b>\$ 248.5</b>	<b>\$ 1,931.2</b>
Investment	–	–	–	40.5	40.5	–	–	0.6	0.6
Dividends	(73.2)	(31.3)	–	–	(104.5)	(67.4)	(26.8)	–	(94.2)
Proportionate share of:									
Earnings <sup>(1)</sup>	128.2	57.2	25.7 <sup>(2)</sup>	(0.4)	210.7	125.1	61.6	9.7 <sup>(2)</sup>	196.4
Other comprehensive income (loss) and other adjustments	(0.6)	(7.4)	–	–	(8.0)	0.7	13.6	–	14.3
<b>Carrying value, December 31</b>	<b>\$ 1,075.2</b>	<b>\$ 787.2</b>	<b>\$ 284.5</b>	<b>\$ 40.1</b>	<b>\$ 2,187.0</b>	<b>\$ 1,020.8</b>	<b>\$ 768.7</b>	<b>\$ 258.8</b>	<b>\$ 2,048.3</b>

(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 \$8.6 million and \$20.6 million, respectively, for the three and twelve month periods in 2022 compared to \$2.6 million and \$7.7 million, respectively, in 2021.

### 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¥ 1,721.6 billion (\$337.6 billion) at December 31, 2022, representing an increase of 3.6% (CAD\$ 2.2%) from RMB¥ 1,661.6 billion (\$330.5 billion) at December 31, 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 and twelve months ended December 31, 2022 are shown in Table 23. The increase in Other comprehensive income of \$8.1 million in the three months ended December 31, 2022, was due to a 1.0% appreciation of the Chinese yuan relative to the Canadian dollar.

On January 12, 2023, the Company acquired an additional 13.9% interest in ChinaAMC for cash consideration of \$1.15 billion from Power which increased the Company's equity interest in ChinaAMC from 13.9% to 27.8%. The Company will continue to equity account for its 27.8% interest in ChinaAMC.

### 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 \$24.1 billion as at December 31, 2022, representing an increase of \$4.6 billion or 23.6% from \$19.5 billion at December 31, 2021. The increase during the twelve month period was driven by \$3.8 billion in new commitments and an increase of \$1.2 billion related to foreign exchange on USD denominated assets, offset in part by a decrease of \$0.4 billion related to return of capital and other.

# Consolidated Liquidity and Capital Resources

## Liquidity

Cash and cash equivalents totalled \$1,072.9 million at December 31, 2022 compared with \$1,292.4 million at December 31, 2021. Cash and cash equivalents related to the Company's deposit operations were \$0.8 million at December 31, 2022, compared to \$1.3 million at December 31, 2021, as shown in Table 24.

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 \$846.8 million at December 31, 2022 compared with \$908.0 million at December 31, 2021 (Table 25).

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

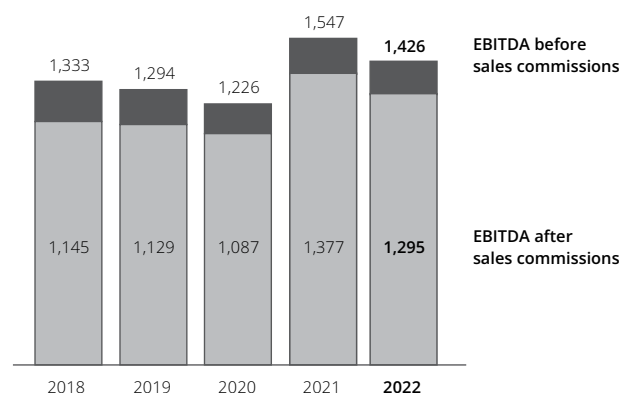
- Finance ongoing operations, including the funding of sales commissions.
- Temporarily finance mortgages in its mortgage banking operations.
- Pay interest related to long-term debt.
- Maintain liquidity requirements for regulated entities.
- Pay quarterly dividends on its outstanding common shares.
- 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 \$1,425.6 million for the year ended December 31, 2022,

compared to \$1,547.0 million for 2021. EBITDA before sales commissions excludes the impact of both commissions paid and commission amortization (refer to Table 1).

## Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)<sup>(1)</sup>

For the financial year (\$ millions)



EBITDA before and after sales commissions excluded the following:

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

2019 – the Company's proportionate share of associate's one-time charges.

2020 – the gain on sale of Personal Capital, gain on sale of Quadrus Group of Funds net of acquisition costs, the Company's proportionate share of associate's adjustments and restructuring and other.

2021 – additional consideration receivable related to the sale of Personal Capital in 2020.

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

**Table 24: Deposit Operations – Financial Position**

As at December 31 (\$ millions)	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 0.8	\$ 1.3
Client funds on deposit	4,347.4	2,238.6
Accounts and other receivables	0.6	0.6
Loans	9.4	10.8
<b>Total assets</b>	<b>\$ 4,358.2</b>	<b>\$ 2,251.3</b>
<b>Liabilities and shareholders' equity</b>		
Deposit liabilities	\$ 4,334.0	\$ 2,220.3
Other liabilities	15.2	20.4
Shareholders' equity	9.0	10.6
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,358.2</b>	<b>\$ 2,251.3</b>

**Table 25: Working Capital**

<i>As at December 31 (\$ millions)</i>	2022	2021
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,072.9	\$ 1,292.4
Client funds on deposit	4,347.4	2,238.6
Accounts receivable and other assets	462.6	405.0
Current portion of securitized mortgages and other	992.2	1,234.5
	<b>6,875.1</b>	<b>5,170.5</b>
<b>Current liabilities</b>		
Accounts and other payables	726.4	879.1
Deposits and certificates	4,332.8	2,219.0
Current portion of obligations to securitization entities and other	969.1	1,164.4
	<b>6,028.3</b>	<b>4,262.5</b>
<b>Working capital</b>	<b>\$ 846.8</b>	<b>\$ 908.0</b>

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 \$1,294.8 million for the year ended December 31, 2022, compared to \$1,376.5 million for 2021. EBITDA after sales commissions excludes the impact of commission amortization (refer to Table 1).

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

## Cash Flows

Table 26 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Consolidated Financial Statements for the year ended December 31, 2022.

Cash and cash equivalents decreased by \$219.5 million in 2022 compared to an increase of \$520.8 million in 2021.

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

- 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.

**Table 26: Cash Flows**

<i>Twelve months ended (\$ millions)</i>	2022 Dec. 31	2021 Dec. 31	Change
<b>Operating activities</b>			
Earnings before income taxes	\$ 1,122.9	\$ 1,267.7	(11.4)%
Income taxes paid	(330.9)	(153.5)	(115.6)
Adjustments to determine net cash from operating activities	(54.3)	(170.6)	68.2
	<b>737.7</b>	<b>943.6</b>	<b>(21.8)</b>
<b>Financing activities</b>	<b>(1,091.9)</b>	<b>(1,521.9)</b>	<b>28.3</b>
<b>Investing activities</b>	<b>134.7</b>	<b>1,099.1</b>	<b>(87.7)</b>
<b>Change in cash and cash equivalents</b>	<b>(219.5)</b>	<b>520.8</b>	<b>N/M</b>
Cash and cash equivalents, beginning of year	1,292.4	771.6	67.5
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,072.9</b>	<b>\$ 1,292.4</b>	<b>(17.0)%</b>

Financing activities during the year ended December 31, 2022 compared to 2021 related to:

- An increase in obligations to securitization entities of \$1,171.0 million and repayments of obligations to securitization entities of \$1,626.9 million in 2022 compared to an increase in obligations to securitization entities of \$1,428.9 million and repayments of obligations to securitization entities of \$2,442.7 million in 2021.
- The purchase of 2,890,000 common shares in 2022 under IGM Financial's normal course issuer bid at a cost of \$115.7 million. There were no purchases in 2021.
- The payment of regular common share dividends which totalled \$537.2 million in 2022 compared to \$537.0 million in 2021.

Investing activities during the year ended December 31, 2022 compared to 2021 primarily related to:

- The purchases of other investments totalling \$150.5 million and sales of other investments with proceeds of \$120.1 million in 2022 compared to \$131.8 million and \$348.2 million, respectively, in 2021.
- An increase in loans of \$1,274.4 million with repayments of loans and other of \$1,584.4 million in 2022 compared to \$1,776.1 million and \$2,744.7 million, respectively, in 2021, primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions and other was \$107.1 million in 2022 compared to \$75.3 million in 2021.

## Accumulated Other Comprehensive Income

Accumulated other comprehensive income totalled \$362.8 million at December 31, 2022, compared to \$883.1 million at December 31, 2021, as detailed in Table 27.

The gain/loss related to Employee benefits is primarily driven by changes in discount rates. During the year ended December 31, 2022, discount rates have increased by approximately 1.95%, resulting in a gain through Other comprehensive income of \$137.0 million (\$100.0 million after tax).

The loss related to Other investments in 2022 relates primarily to changes in fair value of Wealthsimple which is consistent with the decline in stock markets and public market peer valuations, and Wealthsimple focusing on its core business lines and revising revenue expectations.

The loss for Investments in associates in 2022 relates to the Company's portion of the associates' Other comprehensive income which consists primarily of employee benefits, foreign exchange translation and available for sale securities.

In 2022, realized gains of \$27.8 million (\$24.0 million after-tax) related to other investments were transferred from Accumulated other comprehensive income to Other retained earnings. In 2021, IGM Financial Inc. disposed of a portion of its investment in Wealthsimple and a realized gain of \$241 million (\$209 million after-tax) was transferred from Accumulated other comprehensive income to Other retained earnings.

**Table 27: Accumulated Other Comprehensive Income (Loss)**

(\$ millions)	Employee Benefits	Other Investments	Investment in Associates and Other	Total
<b>2022</b>				
<b>Balance, January 1</b>	\$ (95.7)	\$ 919.2	\$ 59.6	\$ 883.1
Other comprehensive income (loss)	100.0	(585.5)	(10.8)	(496.3)
Transfer out of fair value through other comprehensive income	-	(24.0)	-	(24.0)
<b>Balance, December 31</b>	\$ 4.3	\$ 309.7	\$ 48.8	\$ 362.8
<b>2021</b>				
<b>Balance, January 1</b>	\$ (197.0)	\$ 293.5	\$ 39.9	\$ 136.4
Other comprehensive income (loss)	101.3	834.5	19.7	955.5
Transfer out of fair value through other comprehensive income	-	(208.8)	-	(208.8)
<b>Balance, December 31</b>	\$ (95.7)	\$ 919.2	\$ 59.6	\$ 883.1

## 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 \$8.3 billion at December 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 December 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 2,890,000 common shares during the year ended December 31, 2022 at a cost of \$115.7 million under its normal course issuer bid (refer to Note 18 to the Consolidated 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 2022 included the declaration of common share dividends of \$536.1 million or \$2.25 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

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

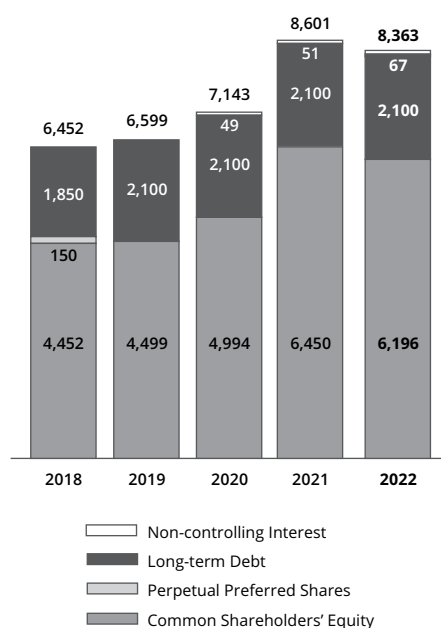
Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the 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

## Capital

As at December 31 (\$ millions)





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 Morningstar is the fifth highest of the 26 ratings used for long-term debt. Under the DBRS Morningstar 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, but of lesser credit quality than AA. 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 28 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 24 of the Annual Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

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

**Table 28: Financial Instruments**

(\$ millions)	December 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	\$ 602.6	\$ 602.6	\$ 1,291.4	\$ 1,291.4
– Fair value through profit or loss	171.9	171.9	106.6	106.6
Loans				
– Fair value through profit or loss	–	–	57.4	57.4
Derivative financial instruments	63.7	63.7	41.2	41.2
<b>Financial assets recorded at amortized cost</b>				
Loans				
– Amortized cost	5,021.5	4,905.5	5,296.4	5,354.2
<b>Financial liabilities recorded at fair value</b>				
Derivative financial instruments	51.6	51.6	17.8	17.8
<b>Financial liabilities recorded at amortized cost</b>				
Deposits and certificates	4,334.0	4,334.0	2,220.3	2,220.5
Obligations to securitization entities	4,610.4	4,544.6	5,057.9	5,146.4
Long-term debt	2,100.0	2,013.9	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. In April 2022, the Company appointed its first Chief Risk Officer who chairs 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.

### 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.

The Company's contractual obligations are reflected in Table 29.

The maturity schedule for long-term debt of \$2.1 billion is reflected in the accompanying chart (Long-Term Debt Maturity Schedule).

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled \$825 million at December 31, 2022, unchanged from December 31, 2021. The lines of credit at December 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 December 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

**Table 29: Contractual Obligations**

<i>As at December 31, 2022</i> <i>(\$ millions)</i>	Demand	Less than 1 Year	1–5 Years	After 5 Years	Total
Derivative financial instruments	\$ –	\$ 21.3	\$ 30.3	\$ –	\$ 51.6
Deposits and certificates <sup>(1)</sup>	4,332.5	0.3	0.5	0.7	4,334.0
Obligations to securitization entities	–	947.8	3,651.3	11.3	4,610.4
Leases <sup>(2)</sup>	–	31.5	95.5	118.8	245.8
Long-term debt	–	–	525.0	1,575.0	2,100.0
Pension funding <sup>(3)</sup>	–	2.0	–	–	2.0
<b>Total contractual obligations</b>	<b>\$ 4,332.5</b>	<b>\$ 1,002.9</b>	<b>\$ 4,302.6</b>	<b>\$ 1,705.8</b>	<b>\$ 11,343.8</b>

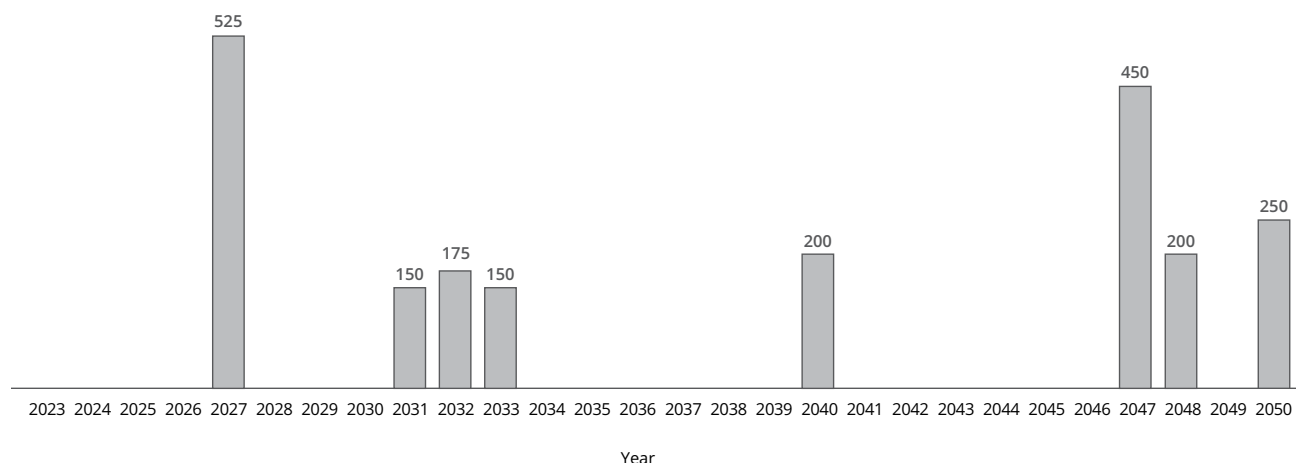
(1) Deposits and certificates due on demand are primarily offset by client funds held on deposit.

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

(3) 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.

## Long-Term Debt Maturity Schedule

(\$ millions)



the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency 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, 2021. 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 actuarial valuation will be based on a measurement date of December 31, 2022. During the year, the Company has made cash contributions of \$11.5 million (2021 – \$14.3 million). IGM Financial expects annual contributions of approximately \$2.0 million in 2023. 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 December 31, 2022, cash and cash equivalents of \$1,072.9 million (2021 – \$1,292.4 million) consisted of cash balances of \$346.3 million (2021 – \$326.2 million) on deposit with Canadian chartered banks and cash equivalents of \$726.6 million (2021 – \$966.2 million). Cash equivalents are comprised of Government of Canada treasury bills totalling \$81.6 million (2021 – \$358.7 million), provincial government treasury bills and promissory notes of \$306.8 million (2021 – \$350.6 million), bankers' acceptances of \$293.2 million (2021 – \$198.3 million) and other corporate commercial paper of \$45.0 million (2021 – \$58.6 million).

Client funds on deposit of \$4,347.4 million (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 December 31, 2022, residential mortgages, recorded on the Company's balance sheet, of \$5.0 billion (2021 – \$5.4 billion) consisted of \$4.6 billion sold to securitization programs (2021 – \$5.0 billion), \$371.9 million held pending sale or securitization (2021 – \$315.8 million) and \$12.7 million related to the Company's intermediary operations (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 a 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 \$2.5 billion (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 \$2.1 billion (2021 – \$2.4 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$55.2 million (2021 – \$67.6 million) and \$21.3 million (2021 – \$34.1 million), respectively, at December 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 December 31, 2022, residential mortgages recorded on balance sheet were 53.3% insured (2021 – 53.1%). At December 31, 2022, impaired mortgages on these portfolios were \$2.2 million, compared to \$2.8 million at December 31, 2021. Uninsured non-performing mortgages over 90 days on these portfolios were \$1.7 million at December 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 through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the Company's balance sheet as the Company has transferred substantially all of the risks and rewards of ownership associated with these loans.

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

The Company's allowance for expected credit losses was \$0.8 million at December 31, 2022, an increase of \$0.2 million 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 increasing interest rates, 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 \$71.2 million (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 \$10.5 million at December 31, 2022 (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 December 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 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 \$20.5 million (December 31, 2021 – \$1.0 million) and an outstanding notional amount of \$0.2 billion at December 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 \$19.6 million (December 31, 2021 – \$3.5 million), on an outstanding notional amount of \$1.3 billion at December 31, 2022 (December 31, 2021 – \$1.3 billion). The net fair value of these swaps of \$0.9 million at December 31, 2022 (December 31, 2021 – \$4.5 million) is recorded on the balance sheet and has an outstanding notional amount of \$1.5 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 \$4.7 million (December 31, 2021 – \$0.6 million) on an outstanding notional amount of \$191.6 million at December 31, 2022 (December 31, 2021 – \$128.6 million).

As at December 31, 2022, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately \$1.7 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, and on our investments in associates, which are accounted for using the equity method. The fair value of the other investments was \$0.8 billion at December 31, 2022 (December 31, 2021 – \$1.4 billion), as shown in Table 21, and the carrying value of the investment in associates was \$2.2 billion at December 31, 2022 (December 31, 2021 – \$2.0 billion), as shown in Table 23.

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 are recognized in Other comprehensive income. As at December 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 \$37.2 million (\$41.1 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 year ended December 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 \$2.7 million (\$3.0 million).

**Table 30: IGM Financial Assets Under Management – Asset and Currency Mix**

<i>As at December 31, 2022</i>	Investment Funds	Total
Cash	1.5 %	1.3 %
Short-term fixed income and mortgages	3.3	3.5
Other fixed income	22.8	22.8
Domestic equity	20.5	25.4
Foreign equity	49.0	44.7
Real Property	2.9	2.3
	100.0 %	100.0 %
CAD	54.0 %	58.5 %
USD	32.4	29.5
Other	13.6	12.0
	100.0 %	100.0 %

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

At December 31, 2022, IGM Financial's total assets under management and advisement were \$249.4 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 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.

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 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**

Privacy risk is the potential for access to, collection, use, transfer, disclosure and retention of personal information in contravention of applicable laws, regulations and/or ethical standards. Our clients entrust us with their personal information, and we have a regulatory and ethical responsibility to protect it. We collect only the personal information that is necessary to provide our products and services to clients, and where we have consent to do so. We do not disclose or share 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 contractual and other measures that commit the service providers to maintain levels of protection comparable to ours.

IGM Financial has established an enterprise Privacy Risk Management Framework to manage privacy risk. Our Chief Privacy Officer (CPO) leads and oversees our privacy program, partnering with cross-functional teams to develop and implement enterprise-wide policies, standards and controls regarding the handling and safeguarding of personal information. Ultimately reporting to the CPO, enterprise and operating company privacy delegates work with front-line business units 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 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 Financial Corporation which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. In August 2022, a second proposed class action concerning the same subject matter was filed against Mackenzie Financial Corporation. 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 31 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.

#### **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

**Table 31: Twelve Month Trailing Redemption Rate for Long-term Funds**

	2022 Dec. 31	2021 Dec. 31
<b>IGM Financial Inc.</b>		
IG Wealth Management	10.0 %	9.2 %
Mackenzie	16.0 %	13.6 %
Counsel	20.4 %	22.3 %

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.

*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 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' 2023 Global 100 and 2022 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 Risk 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 who bring focus to ESG and climate across the organization. Mackenzie has two investment boutiques with this focus; Greenchip and Betterworld. The Greenchip boutique focuses on thematic investing to combat climate change and the Betterworld boutique focuses on solutions centered on sustainable objectives that incorporate environmental, social and governance factors.

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 continuing to expand and enhance our measurement and reporting of emissions related to our investment portfolios as tools and information improves.

During the year, IGM Financial achieved its 2022 target of being climate neutral in its corporate offices and travel. This was achieved by reducing emissions over time, using renewable energy sources and purchasing carbon offsets. Mackenzie Investments also set interim targets for investment portfolios as part of its commitment to the Net Zero Asset Managers Initiative. The long-term nature of these targets require significant judgement and the Company will provide updates on its progress through the Sustainability Report and CDP disclosure.

## The Financial Services Environment

Canadians held \$6.5 trillion in discretionary financial assets with financial institutions at December 31, 2021 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% (\$4.1 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 \$2.3 trillion held outside of a financial advisory relationship, approximately 53% 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 41% of Canadian discretionary financial assets or \$2.6 trillion resided in investment funds at December 31, 2021, 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 75% 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 \$164 billion in investment fund assets under management at December 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 46% of total industry long-term mutual fund assets at December 31, 2022.

The Canadian mutual fund industry continues to be very concentrated, with the 10 largest firms and their subsidiaries representing 71% of industry long-term mutual fund assets and 71% of total mutual fund assets under management at December 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. This includes efforts 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

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

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

The major critical accounting estimates are summarized below:

- *Fair value of financial instruments* – The Company's financial instruments are carried at fair value, except for loans, deposits and certificates, obligations to securitization entities, and long-term debt which are all carried at amortized cost. The fair value of publicly traded financial instruments is determined using published market prices. The fair value of financial instruments where published market prices are not available, including Corporate investments and derivatives related to the Company's securitized loans, are determined using various valuation models which maximize the use of observable market inputs where available. Valuation methodologies and assumptions used in valuation models are reviewed on an ongoing basis. Changes in these assumptions or valuation methodologies could result in significant changes in net earnings.
- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 12 of the Consolidated Financial Statements. The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Finite life intangible assets are tested for impairment

whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

The Company completed its annual impairment tests of goodwill and indefinite life intangible assets as at April 1, 2022, and determined there was no impairment in the value of those assets.

- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Earnings. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of deferred tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the deferred tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results in this MD&A and in Note 16 to the Consolidated Financial Statements.
- *Capitalized sales commissions* – Commissions paid directly by the client on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of capitalized sales commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the capitalized sales commission asset in relation to

its carrying value. At December 31, 2022, there were no indications of impairment to capitalized sales commissions.

- *Provisions* – A provision is recognized when there is a present obligation as a result of a past transaction or event, it is “probable” that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. In determining the best estimate for a provision, a single estimate, a weighted average of all possible outcomes, or the midpoint where there is a range of equally possible outcomes are all considered. A significant change in assessment of the likelihood or the best estimate may result in additional adjustments to net earnings.
- *Employee benefits* – The Company maintains a number of employee benefit plans. These plans include a funded registered defined benefit pension plan for all eligible employees, unfunded supplementary executive retirement plans for certain executive officers (SERPs) and an unfunded post-employment health care and life insurance plan for eligible retirees. The funded registered defined benefit pension plan provides pensions based on length of service and final average earnings. The measurement date for the Company's defined benefit pension plan assets and for the accrued benefit obligations on all defined benefit plans is December 31.

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

Discount rates have increased significantly since December 31, 2021. The discount rate on the Company's RPP at December 31, 2022 was 5.25% compared to 3.30% at December 31, 2021. The pension plan assets decreased to \$510.7 million at December 31, 2022 from \$566.7 million at December 31, 2021 due to declines in the markets partly offset by contributions. The total defined benefit pension

plan obligation decreased to \$423.9 million at December 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 \$86.8 million at December 31, 2022 compared to an accrued benefit liability of \$21.7 million at December 31, 2021. Actuarial gains or losses recorded in Other comprehensive income, including the defined benefit pension plan, the SERPs and post-employment benefit plans, were gains of \$137.0 million (\$100.0 million after tax) for the twelve months ended December 31, 2022.

A decrease of 0.25% in the discount rate utilized in 2022 would result in a change of \$17.9 million in the accrued pension obligation, \$16.0 million in other comprehensive income, and \$1.9 million in pension expense. Additional information regarding the Company's accounting and sensitivities related to pensions and other post-retirement benefits is included in Notes 2 and 15 of the Consolidated Financial Statements.

## 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.

## IFRS 17 Insurance Contracts

The IASB issued IFRS 17 which requires insurance contracts to be measured using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts and is effective for periods beginning on or after January 1, 2023. Adoption of this standard is expected to affect the accounting for the carrying value of the Company's investment in Great-West Lifeco Inc. (Lifeco) and the amount that the Company records for its proportionate share of associate's earnings. Additional information of the impact on Lifeco is available in its public disclosures.

## Disclosure Controls and Procedures

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

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on their evaluations as of December 31, 2022, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

---

## Internal Control Over Financial Reporting

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

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

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the Internal

Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. The Company transitioned to the COSO 2013 Framework during 2014. Based on their evaluations as of December 31, 2022, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Notwithstanding the above, during the fourth 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

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

- During 2022 and 2021, the Company provided to and received from Canada Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributes insurance products under a distribution agreement with Canada Life and received \$48.7 million in distribution fees (2021 – \$52.7 million). The Company received \$61.4 million (2021 – \$63.3 million) and paid \$19.5 million (2021 – \$22.6 million) to Canada Life and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid \$0.6 million (2021 – \$15.5 million) to Canada Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2022, no residential mortgage loans were sold by the Company to Canada Life, compared to \$11.9 million in 2021.

On January 12, 2023, the Company acquired an additional interest in ChinaAMC from Power and sold a portion of its investment in Lifeco to Power.

For further information on transactions involving related parties, see Notes 9, 27 and 29 to the Company's Consolidated Financial Statements.

### Outstanding Share Data

Outstanding common shares of IGM Financial as at December 31, 2022 totalled 237,668,062. Outstanding stock options as at December 31, 2022 totalled 11,725,342 of which 6,596,299 were exercisable. As at February 3, 2022, outstanding common shares totalled 237,780,120 and outstanding stock options totalled 11,575,766 of which 6,461,906 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).