

Speaking Notes

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IGM Financial Inc.
IG Wealth Management**

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IGM Financial: Envision, Execute, and Transform

Thanks Jeff.

And thank you very much for joining us today.

I am pleased to tell you about the progress we have made at IGM ... and the progress in 2018 was significant.

This is my third year as the CEO of IGM Financial.

Three years ago, we began with a vision to become Canada's leading diversified wealth and asset management firm.

Since then, we have been executing on that vision to transform into a more streamlined, innovative group of companies that engages our employees, helps our clients achieve their goals, and delivers long-term growth and value to our shareholders, and the results were evident in 2018:

1. Our adjusted net earnings per share were a record high, resulting from a record high level of average assets under management.
2. Our investment fund net sales were the second highest in a decade.
3. And both IG Wealth Management and Mackenzie Investments increased their market share for a second consecutive year.

This process has not been easy. . . and we are certainly not finished ...but the transformation will enable our businesses to realize its potential, and we will leverage all the benefits of this approach, which we define as One IGM.

Now, before I go any further, I want to express my heartfelt thanks to all employees across IGM as well as our Consultants and our board of directors. They

have all joined us on this journey, and our success has been and will continue to be the direct result of their dedication, commitment, and hard work.

Our business is about people. It is about the hopes, aspirations, and dreams of Canadians from coast-to-coast.

It is about helping retirees live with COMFORT and CONFIDENCE . . .

It is about helping parents open the doors of opportunity for their children . . .

It is about delivering financial solutions so that a family can buy a home . . .

It is about helping a person living with a disability maximize an RDSP...

An entrepreneur can start a business . . .

Or a child can live a dream.

We understand that our clients have a wide range of complex financial needs, and we work tirelessly to serve them. At IGM, we help all our clients, so they can achieve their dreams, and that is why I am so grateful to lead this company and work with this amazing team.

Every year is its own story, BUT our accomplishments in 2018 stand out because of the challenging market conditions.

Throughout the year, volatile financial markets caused by global trade tensions, political uncertainty, and concerns of a market cycle slowdown, tested investor and advisor confidence.

And yet, it was during these challenging times that the strengths of IGM were most evident.

While the industry last year experienced net redemptions in long-term funds of \$7.4 billion, IGM's net sales were positive \$1.4 billion – which was our second-best year in the past decade and investment fund gross sales of \$20 billion were the highest in the history of the company.

Those results dramatically underscore the faith that our clients have in us . . . and in the strength of IG Wealth Management's planning ethic and in Mackenzie's product solutions.

Whatever the markets might do in any given year, I want you to remember that we are in a growth industry.

Baby Boomers are reaching retirement age. Gen Xers and Millennials are amassing wealth through earnings and inheritance. Defined Benefit Plans continue to give way to individual savings.

All of these are driving a surge in investments and savings. As of 2017, Canadians had more than \$4.5 trillion in savings, and that number is expected to increase, with Investor Economics estimating \$7.4 trillion by 2026.

That increase – of \$2.9 trillion – has to go somewhere.

The question is, which firm is best positioned to receive those contributions?

The answer is, IGM Financial.

Projections also show that during these growth years, investment funds are expected to be our country's most important savings vehicle and that financial advisors are projected to be the most important distribution channel.

That puts IG Wealth Management and Mackenzie Investments in the right place, at the right time, with the right strategy.

Perhaps what was most exciting about 2018 for these two businesses were their market share gains. We measure market share by comparing our net sales rate – expressed as a percent of assets under management – to industry peers. As you'll see from the slide, Mackenzie Investments and IG Wealth Management have both been gaining market share relative to advice channel peers.

The stock markets themselves will go up or down, but as long as we are gaining market share from our competitors, we WILL succeed.

I don't believe that IGM's growth story is fully understood, and by growth, I mean a company that is positioned to achieve double-digit earnings growth in the coming years.

For context in 2018, IGM's average assets under management increased by 5.1 percent to \$156.9 billion, an all-time record high.

Canadian savings contributions, combined with slight market share gains and reasonable client investment returns, should result in AUM increases in the range of 10 percent per year. With resulting revenue growth and sound expense management, this supports double-digit earnings growth.

This growth and our continued success will also be realized, through our investments to modernize the company – which is long overdue.

We are investing in digital operations and technology while leveraging agile methodology and approach, so we can automate back office functions, increase Consultant productivity, and produce more insights to better serve our clients.

Our continued transformational programs will reduce expenses, improve operating efficiency, and provide richer client experiences.

Turning to financial results, we already see the benefits. Our annual growth rate for expenses was running at around 10 percent only five years ago. Last year, our expense growth was 5 percent, and next year we project 3 percent.

This improvement combined with AUM growth creates significant operating leverage, as revenues are poised to grow by a larger amount, and this leads to meaningful percentage increases in earnings.

For 2018, adjusted net earnings were \$791.8 million, or \$3.29 per share, compared to adjusted net earnings of \$727.8 million, or \$3.02 per share, in 2017. This was an all-time record high.

Dividends for 2018 were \$2.25 per share, unchanged from 2017.

Today we are releasing our first quarter results for 2019, which were solid and were driven by significant investment returns generated for our clients.

As you can see, financial markets improved significantly in the first quarter with all major equity markets experiencing double-digit increases. Despite market improvements in 2019, it will take time for investors to regain their confidence.

We recovered all of the fourth quarter declines in assets under management ending Q1 with \$160 billion, an all-time quarter-end high, compared to \$156 billion at March 31, 2018.

IGM generated investment fund net sales of \$0.3 billion, compared to \$1.4 billion in the first quarter of 2018.

IGM's net earnings were \$168 million, or 70 cents per share, compared to \$186 million, or 77 cents per share a year ago.

Let me turn now to IG Wealth Management, which had a strong year in 2018.

Our net sales were \$485 million, compared to net redemptions for the industry . . . and our gross sales of \$9.1 billion were our second best in history.

Those are solid numbers, but as I mentioned earlier, our company is more than just numbers, it's about people. We have more than one million clients in cities and towns from coast-to-coast and those clients have increasingly diversified and complicated needs. Which is why we continue to invest in IG Wealth Management, so we don't just meet, but exceed our clients ever evolving needs...

We continue to make improvements to all aspects of IG Wealth Management, but perhaps the most visible change last year was our new name.

For several decades our name was Investors Group. What we discovered through research was that people knew the name but not what we stood for.

We had to create a different identity – even a different narrative – and we believe we did that by rebranding the company as IG Wealth Management.

This name immediately crystalizes who we are and what we do.

We are more than just an asset manager, and we are more than just a financial advisor.

We are responsible for wealth management... for creating a comprehensive plan that helps individual clients achieve their financial goals . . . whether it's saving for retirement, funding a college education, buying a new home, or simply securing peace of mind.

As part of the rebrand, we also launched the IG Living Plan, which provides a single, integrated view of all aspects of a client's finances and adapts to their ever changing lives.

We are committed to achieving superior outcomes for all our clients, and we understand that the most important variable for any investor is what happens outside of his or her investment portfolio, which includes estate planning, saving strategies, and tax efficiencies. We call this Gamma, the value of working with a financial advisor, and it represents a huge opportunity for IG Wealth Management.

Our Consultants and their teams are supported by industry-leading specialists, in advanced financial planning and product needs. These experts make it possible for our Consultants to spend more time and provide clients with sophisticated, customized plans.

We have also taken a number of steps towards institutional excellence among our Consultants. For example, we have centralized our compliance oversight.

We have also centralized our recruiting of Consultants to improve the talent of new recruits and to increase overall gross sales productivity, which has gone up an amazing 279 percent. Over the past several years, we have reduced the number of Consultants and the number of regional offices so that we have fewer practices built around teams with higher proficiency.

We require our Consultants to have either a CFP Certification or to be in the process of earning one to ensure that they have industry-leading training and expertise.

Client engagement is extremely important, so we have retained Gallup, a world-renowned data and insights company, to help us on our journey. We are now using Gallup surveys to help determine our client-engagement scores and we are rewarding our Consultants based on results. We know that even incremental gains

in engagement can improve client referrals, retention and drive better client outcomes.

Last year, we announced a simplified and more transparent pricing model in which essentially all clients pay a separate advisory fee that is no longer bundled in mutual funds. This model will be made available to all clients in 2019

These are just some of the foundational changes that IG Wealth Management has made in the past year, and they have been accompanied by improvements in marketing and operational efficiency as well as a new digital client portal to connect with clients.

We also believe that tremendous opportunity exists in certain key market segments.

IG Wealth Management currently has a market share of 2 percent of mass market Canadians savings, 5 percent of mass affluent and just under 1 percent of the high-net-worth market, or households with more than \$1 million in savings.

The market itself is highly concentrated: Just 3 percent of Canadian households with more than \$1 million in savings represents two-thirds of ALL savings in the country.

That means this is the single most important market segment – by size – in Canada and we do a very good job in serving high-net-worth individuals, as they make up about one- third of IG Wealth Management’s AUM.

We believe that our financial planning, supported by our Consultants, associates, and expert advisors, is best suited to meet the complex needs of this market.

And we are having success.

In 2017, two years ago, IG Wealth Management had \$4 billion in gross sales of high-net-worth solutions, and that was an 83 percent increase from 2016. We did even better in 2018, with \$4.1 billion in gross sales for that market – and that represented 45 percent of all sales for the year.

At IG, we define mass affluent as households with \$100,000 to \$1 million in investable assets. Mass affluent currently represents 15.6 percent of Canadian households and 24.2 percent of all savings in the country. With our current 5 percent market share, we see great opportunity with this important segment.

And finally, IG has created a National Service Center, which is focused on serving mass market clients... those with \$100,000 investable assets or less.

We are fully dedicated to meeting the unique needs of all our clients, regardless of size or segment.

Our goals for IG Wealth Management are ambitious. The industry experiences about 2-3 percent net sales rate every year. Our long-term goal is 4 per cent net sales rate per year, and I'm confident that we have the team, the strategy and the brand to reach that goal.

Let's now briefly turn to Mackenzie Investments. Our president and CEO, Barry McInerney, will give you the full update on the outstanding progress at Mackenzie and its 30,000 third-party advisors and more than 1 million clients. I will simply note that Mackenzie Investments is back, and it has become a premier diversified asset-management solutions provider, with 14 different investment teams and 86 different investment mandates.

What's exciting is that Mackenzie has a lot of runway in both existing and new markets, and I believe its best chapters have yet to be written.

Let me thank Barry again for the great job that he and his team are doing.

Our other major operating unit, Investment Planning Counsel, is led by Chris Reynolds, and we have opportunities here as well.

IPC has grown over the years through acquisitions, and now has roughly 750 financial advisors. The IPC platform provides products, tools, and resources for about 218,000 households across Canada and has \$5.1 billion in assets under management and \$26 billion in assets under administration.

As many of you know, we have a corporate structure that gives us advantages in the marketplace.

IGM is part of a group of financial service companies owned by our largest shareholder, Power Financial, and this structure has provided us with access to new markets and has driven our long-term growth strategy.

Perhaps the clearest example of this is IGM's \$638 million investment in China Asset Management Company, which gives us a 13.9 percent stake in that country's premier asset management firm. With \$175 billion Canadian in assets under management, China AMC is one of the largest asset managers in the country and is well positioned to take advantage of China's growing middle class and aging population.

Closer to home, we see continued growth in IGM's strategic investments portfolio in financial technology companies – these are investments in growing

enterprises that are also driving innovation and distribution opportunities for our core businesses.

IGM has an investment in Personal Capital, a market-leading digital wealth advisor platform in the United States that offers investors financial planning tools and fee-based wealth management services. At the end of 2018, the company had 2 million registered users, \$7.8 US billion in assets under management, and \$650 billion in aggregated assets. Reflecting our confidence in the business, in January IGM invested an additional \$66.8 million, raising our equity interest to 25 percent, making us the largest shareholder in the company.

We also have an investment in Wealthsimple, the largest online advisor platform in Canada, which has built a brand that resonates with the Millennial market – it offers best-in-class digital access, innovation, client service, and delivery. At the end of 2018, the company had \$3.4 billion in assets under management.

IGM also has an investment in Portage3, a leading global venture capital fund focused on financial technology and one of the few such funds with that sole commitment.

Not to be overlooked, our 4 percent equity stake in our sister company Great-West Lifeco, is valued at \$1.1 billion as of December 31. GWL is controlled by Power Financial, and our investment in the company provides IGM with meaningful earnings and cash flow contributions.

While our Canadian wealth and investment-management businesses remain our most important assets, our investments in China, fintech and Great West Life

contributed 13 percent to earnings before interest and tax, expands our capabilities and provides compelling growth opportunities.

IGM has a long-standing commitment to responsible management and we believe that considering the impact of environmental, social, and governance, also known as ESG, can affect how we do business and is essential to creating sustainable value for all our stakeholders.

One of our key commitments is to be responsible investors of our clients' money. IG Wealth Management and Mackenzie Investments have joined with other global organizations in committing to the United-Nations Supported Principles for Responsible Investment to consider ESG issues across all of our funds.

We are proud of the recognition we have received from various ESG rating firms like Corporate Knights and the Carbon Disclosure Project, and IGM's inclusion in the FTSE4Good and JSI sustainable stock indices.

As part of our commitment to responsible management, IGM also has a rich history of community involvement and charitable giving to support important social issues and last year we developed several new initiatives in this area.

Our company's vision of inspiring financial confidence and our incredible 93-year history of philanthropy inspired our new community-based financial literacy program – IG Empower Your Tomorrow.

This program helps at-risk groups, including Indigenous peoples, new Canadians, seniors, and young people, by delivering education, tools, and resources needed to help build their financial confidence.

I would also like to mention our new national partnership with the Alzheimer Society of Canada, which helps us deliver our new Empower Your Tomorrow platform by serving thousands of vulnerable Canadian seniors.

The IG Wealth Management Walk for Alzheimer's supports more than 300 communities across Canada, raising millions every year to fund awareness and to support seniors and their families affected by this disease. As our population ages, Alzheimer's will affect a greater percentage of our citizens. I'm so very proud of our support for this cause.

At this time, I'd like to congratulate the winner of the Murry J. Taylor Community Builder Award, which is given to the team that demonstrates outstanding community commitment. The 2019 award goes to the Thunder Bay Northwest region office, led by Regional Director Donna Yocom. This team is recognized for volunteering and for investing in organizations such as the United Way, the Boys & Girls Club, and the Regional Health Science Foundation. Again, congratulations to this team.

Finally, IGM continues to focus on diversity and inclusion in the workplace, in our marketplace, and in our communities. We are so proud of our Partners in Action teams. These employees are working with us to shape an inclusive culture across IGM.

In 2018, IGM and its operating businesses became signatories to the United Nations' Women's Empowerment Principles, whose goals include gender equality in corporate leadership. Along with this commitment, we set a target to increase the number of women in senior leadership positions and in IG Consultant roles.

Today, 57 percent of our employees are female, while more than 30 percent of IGM leadership positions are held by women.

Women now represent 33 percent of IGM's Board of Directors.

We still have a way to go, but we are committed to having a diverse and inclusive workplace.

Three years ago, we began with a vision, and since then we have been executing on that vision to transform IGM into an industry leader that delivers for our clients and our shareholders.

We still have plenty of work to do, but as we continue with this journey, we anticipate that even greater opportunity – and success – lies ahead.

Thank you again for joining us this morning, and I'd now like to introduce Barry.